

Financial *statements*

171	Consolidated income statement
172	Consolidated statement of comprehensive income
173	Consolidated balance sheet
174	Consolidated statement of changes in equity
175	Consolidated cash flow statement
176	Note to the consolidated cash flow statement
177	Notes to the consolidated financial statements
252	Group financial summary
254	Company balance sheet
255	Company statement of changes in equity
256	Notes to the Company financial statements
260	Shareholder information
262	Glossary

Consolidated income statement

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

Continuing Operations	Notes	2024 £m	2023 £m
Revenue	3,5	4,715.1	4,755.0
Operating costs before LGPS pension settlement and related charges	6	(4,521.7)	(4,601.1)
LGPS pension settlement and related charges	4	(146.9)	–
Total operating costs	6	(4,668.6)	(4,601.1)
Operating profit	5,6	46.5	153.9
Investment income	8	16.7	12.3
Finance costs	8	(82.0)	(69.1)
(Loss)/profit before tax		(18.8)	97.1
Tax	9	15.1	(10.4)
(Loss)/profit from continuing operations		(3.7)	86.7
(Loss)/profit from discontinued operations	21	(5.7)	8.6
(Loss)/profit for the year		(9.4)	95.3
Attributable to:			
Equity holders of the parent		(15.9)	87.1
Non-controlling interests		6.5	8.2
		(9.4)	95.3
Earnings per share			
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share		(1.5)p	10.6p
Diluted earnings per share		(1.5)p	10.3p
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	10	(2.4)p	11.8p
Diluted earnings per share	10	(2.4)p	11.4p
Adjusted results (from continuing operations)¹			
Adjusted operating profit	4	204.3	161.0
Adjusted profit before tax		139.0	104.2
Adjusted EPS	10	16.7p	11.6p
Adjusted diluted EPS		16.1p	11.2p

¹ Adjusted for certain items as set out in note 4. The Group has revised its definition of adjusted earnings/EPS during the year, to exclude also the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

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

Consolidated statement of comprehensive income

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Notes	2024 £m	2023 £m
(Loss)/profit for the year		(9.4)	95.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	37	(77.7)	(150.9)
Gain on termination of LGPS participation from restricted accounting surplus		161.0	–
Deferred tax on actuarial losses/(gains) on defined benefit pension schemes		(20.2)	37.2
		63.1	(113.7)
Items that may be reclassified subsequently to profit or loss			
Hedging instrument movements	29	5.1	(6.3)
Deferred tax on hedging instrument movements		(0.5)	(1.3)
Cumulative (loss)/gain on hedging instruments reclassified to the income statement		(2.7)	10.9
Exchange differences on translation of foreign operations – continuing operations		–	0.9
Exchange differences on translation of foreign operations – discontinued operations		(6.6)	6.8
		(4.7)	11.0
Other comprehensive income/(loss) for the year		58.4	(102.7)
Total comprehensive income/(loss) for the year		49.0	(7.4)
Attributable to:			
Equity holders of the parent		42.5	(15.6)
Non-controlling interests		6.5	8.2
		49.0	(7.4)
Total comprehensive income/(loss) for the year attributable to owners of FirstGroup plc arises from:			
Attributable to:			
Continuing operations		62.1	(22.6)
Discontinued operations		(13.1)	15.2
		49.0	(7.4)

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

Consolidated balance sheet

As at 30 March 2024/25 March 2023

	Notes	2024 £m	2023 £m
Non-current assets			
Goodwill	11	111.0	99.6
Other intangible assets	12	10.4	10.8
Property, plant and equipment	13	2,155.4	2,329.7
Deferred tax assets	26	39.6	47.0
Retirement benefit assets	37	6.4	44.6
Derivative financial instruments	25	0.4	0.1
Financial asset	25	99.6	117.6
Investments	14	2.6	2.5
		2,425.4	2,651.9
Current assets			
Inventories	16	25.9	26.0
Trade and other receivables	17	852.6	848.3
Contingent consideration receivable	17	–	72.3
Current tax assets		4.4	–
Cash and cash equivalents	20	496.5	791.4
Derivative financial instruments	25	2.0	7.4
		1,381.4	1,745.4
Assets held for sale	18	0.6	8.9
Total assets		3,807.4	4,406.2
Current liabilities			
Trade and other payables	19	1,258.6	1,314.4
Tax liabilities – Current tax liabilities		0.4	0.3
– Other tax and social security		39.6	41.4
Borrowings	22	626.5	554.7
Derivative financial instruments	25	3.4	2.6
Provisions	27	74.6	85.9
Current liabilities		2,003.1	1,999.3
Net current liabilities		(621.7)	(253.9)

	Notes	2024 £m	2023 £m
Non-current liabilities			
Borrowings	22	1,018.3	1,512.3
Derivative financial instruments	25	1.3	1.9
Retirement benefit liabilities	37	31.7	16.7
Provisions	27	111.3	125.2
		1,162.6	1,656.1
Total liabilities		3,165.7	3,655.4
Net assets		641.7	750.8
Equity			
Share capital	28	37.5	37.5
Share premium		693.3	693.2
Hedging reserve	29	(1.8)	(0.7)
Other reserves	29	22.4	22.4
Own shares	29	(20.4)	(15.4)
Translation reserve	30	(22.9)	(16.3)
Retained earnings		(74.8)	19.5
Equity attributable to equity holders of the parent		633.3	740.2
Non-controlling interests		8.4	10.6
Total equity		641.7	750.8

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

Ryan Mangold

11 June 2024

Consolidated statement of changes in equity

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	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 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 period	-	-	-	-	-	-	87.1	87.1	8.2	95.3
Other comprehensive income/(loss) for the period	-	-	3.3	-	-	7.7	(113.7)	(102.7)	-	(102.7)
Total comprehensive income/(loss) for the period	-	-	3.3	-	-	7.7	(26.6)	(15.6)	8.2	(7.4)
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
Balance at 26 March 2023	37.5	693.2	(0.7)	22.4	(15.4)	(16.3)	19.5	740.2	10.6	750.8
(Loss)/profit for the period	-	-	-	-	-	-	(15.9)	(15.9)	6.5	(9.4)
Other comprehensive income/(loss) for the period	-	-	1.9	-	-	(6.6)	63.1	58.4	-	58.4
Total comprehensive income/(loss) for the period	-	-	1.9	-	-	(6.6)	47.2	42.5	6.5	49.0
Hedging instrument movements transferred to balance sheet (net of tax)	-	-	(3.0)	-	-	-	-	(3.0)	-	(3.0)
Transactions with owners in their capacity as owners										
Shares issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Shares bought back but not yet cancelled	-	-	-	-	-	-	(74.7)	(74.7)	-	(74.7)
Liability for shares not yet bought back	-	-	-	-	-	-	(41.1)	(41.1)	-	(41.1)
Non-controlling interest buy-out	-	-	-	-	-	-	-	-	(2.2)	(2.2)
Dividends paid	-	-	-	-	-	-	(29.5)	(29.5)	(6.5)	(36.0)
Movement in EBT and treasury shares	-	-	-	-	(5.0)	-	(11.5)	(16.5)	-	(16.5)
Share-based payments	-	-	-	-	-	-	15.6	15.6	-	15.6
Deferred tax on share-based payments	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Balance at 30 March 2024	37.5	693.3	(1.8)	22.4	(20.4)	(22.9)	(74.8)	633.3	8.4	641.7

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

Consolidated cash flow statement

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Notes	2024 £m	2023 £m
Cash generated by operations	32	626.6	644.8
Tax paid		(2.2)	(1.0)
Interest paid		(81.1)	(70.0)
Net cash from operating activities	32	543.3	573.8
Investing activities			
Interest received		15.7	6.4
Proceeds from disposal of property, plant and equipment		42.8	147.8
Purchases of property, plant and equipment		(216.9)	(173.7)
Purchases of software		(2.4)	(4.2)
Proceeds from capital grant funding		94.8	144.2
Proceeds from contingent consideration		65.3	–
Net proceeds from disposal of subsidiaries (net of cash disposed)		–	2.0
Settlement of foreign exchange hedge		4.1	(12.5)
Acquisition of businesses (net of cash acquired)		(13.6)	(30.6)
Net cash (used in)/generated from investing activities		(10.2)	79.4
Financing activities			
Shares purchased by Employee Benefit Trust		(16.5)	(15.3)
Treasury shares purchased via share buyback scheme and directly associated costs		(117.6)	(31.6)
External dividends paid		(29.5)	(14.7)
Dividends paid to non-controlling shareholders		(6.5)	(6.1)
Non-controlling interest buy-out		(3.1)	–
Shares issued		–	–
Repayment of bond issues		(88.0)	(15.7)
Repayment of lease liabilities		(506.9)	(546.9)
Repayment of asset backed financial liabilities		(19.3)	(10.6)
Repayment of loan notes		(0.6)	–
NextGen facility drawdown		13.1	–
Fees for finance facilities		(1.4)	–
Net cash flow used in financing activities		(776.3)	(640.9)
Net (decrease)/increase in cash and cash equivalents before foreign exchange movements		(243.2)	12.3
Cash and cash equivalents at beginning of year		708.5	700.2
Foreign exchange movements		3.4	(4.0)
Cash and cash equivalents at end of year		468.7	708.5

Cash flows of discontinued operations are shown in note 21.

	Notes	2024 £m	2023 £m
Reconciliation to cash flow statement			
Cash and cash equivalents – balance sheet	20	496.5	791.4
Bank overdraft	22	(27.8)	(82.9)
Cash and cash equivalents at end of year per consolidated balance sheet		468.7	708.5

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

	Notes	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents in year		(243.2)	12.3
Decrease in debt excluding leases		75.5	15.7
Adjusted cash flow		(167.7)	28.0
Repayment of lease liabilities and asset backed financial liabilities		526.2	557.5
(Inception)/termination of leases and asset backed financial liabilities		(237.5)	(1,231.8)
Foreign exchange movements		3.4	(4.0)
Other non-cash movements		(0.1)	0.2
Movement in net debt in year		124.3	(650.1)
Net debt at beginning of year		(1,269.1)	(619.0)
Net debt at end of year	33	(1,144.8)	(1,269.1)

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 4 to 102.

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 30 March 2024 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 96.

As set out on page 85, 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 53 weeks ended 30 March 2024 include the results and financial position of the First Rail businesses for the year ended 31 March 2024 and the results and financial position of all the other businesses for the 53 weeks ended 30 March 2024. The financial statements for the 52 weeks ended 25 March 2023 include the results and financial position of the First Rail businesses 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.

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.

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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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. Software is amortised on a straight-line basis over its useful economic life (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 including post-pandemic recovery funding. This is covered in more detail further on in this note.

Passenger revenues

Passenger revenues primarily relate to ticket sales through First Bus and the First Rail businesses. 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. 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.

Rail contract subsidy receipts

Revenue in the First Rail businesses includes subsidy receipts from the Department for Transport (DfT) for National Rail Contracts (NRCs), Emergency Recovery Measures Agreements (ERMAs), and for FY 2023 Emergency Measures Agreements (EMAs), with 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Contractual and direct fiscal support

The principal direct fiscal support recognised during the year comprised £383.5m (2023: £848.8m) of EMA/ERMA/NRC funding in the First Rail businesses, and £25.0m (2023: £76.3m) of funding and concessions (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

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

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.

First Rail

The Emergency Measures Agreements (EMAs), the Emergency Recovery Measures Agreement (ERMAs) and the National Rail Contracts (NRCs) transferred substantially all revenue and substantially all cost risk to the government and for the current and prior periods 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, whereupon the existing arrangement was extended by a further six months by the DfT to March 2023. That arrangement was again extended to 15 October 2023, and in September, a new NRC was awarded for a nine-year period, with a minimum core three-year term to 18 October 2026.
- NRCs for SWR throughout both periods.
- On 11 May 2023, the DfT confirmed that it would not exercise its option to extend FirstGroup's TransPennine Express (TPE) NRC and the contract expired on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.

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

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

Leasing

Lease identification

At inception of a contract, the Group assesses 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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.

Lease incentives

The Group assesses reimbursements from lessors, to establish whether these represent lease incentives. Where a lease incentive is identified, the income is spread over the term of the related lease.

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.

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.

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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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.

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.

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.

Financial assets are classified into one of three primary categories:

Financial assets at amortised cost

Financial assets at amortised cost 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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 remeasurement 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.

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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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.

Joint operations

Where the Group assesses a joint arrangement to be a joint operation, it recognises its direct right to the assets, liabilities, revenue and expenses of the joint operation, and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings.

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:

- IFRS 17 Insurance contracts
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12 – deferred tax relating to assets and liabilities arising from a single transaction
- Amendment to IAS 12 – international tax reform, which grants a temporary exemption from applying IAS 12 to the International Tax Reform: Pillar Two Model Rules

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.

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

As at the balance sheet date, the Group sponsors five sections of the Railway Pension Scheme (RPS), relating to its obligations for its contracted TOCs, and a further section for Hull Trains, its Open Access operator. The RPS is a defined benefit pension scheme which covers the whole of the UK rail industry. 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. 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, and for the contracted TOCs, those amounts are then reimbursed to the TOCs as part of the overall allowable contracted operating expenses. Management of the RPS is not the responsibility of the Group, nor is it able to benefit from any future surplus, or liable for any deficit, of those funds.

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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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.

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 30 March 2024 was a liability of £(25.3)m (2023: asset of £27.8m). Further details and sensitivities are set out in note 37.

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 £100.2m (2023: £129.9m) as set out in note 27. Of this £55.7m relates to North America of which £50.8m is de-risked with insurance, leaving £4.9m where the actuarial range is £4.7m to £5.3m (2023: £5.8m and actuarial range £5.1m to £5.8m). A receivable matching the value of the de-risked provision of £50.8m 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.

Determining lease expiry dates

In assessing the lease term, the Group is required to make judgements around the current contract terms for its rail TOCs, and when the contracts are considered likely to expire. The contracts typically have an initial core term and a full term, whereby the DfT determines whether the contract continues beyond its core term, and so judgement is required in assessing which expiry date is appropriate to use for lease terms for each rail contract. If there were to be a change in the judgement regarding lease expiry dates, this would result in a remeasurement of the right of use asset and lease liabilities.

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, including its stated Sustainability strategic pillar. 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 and delivering on its Sustainability strategic pillar, as well as by climate-related risks and opportunities for the Group.

Actions required to drive the Group's climate-related ambitions and targets and to deliver on its Sustainability strategic pillar, 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 to those detailed in the Key sources of estimation uncertainty section. 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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.

Other areas of the financial statements which may also be impacted by climate-related risks and opportunities include:

- Share-based payments – certain of the Group's share-based payments arrangements include a sustainability target (see note 36), and the Group's ability to meet these targets may impact the amount or timing of any share-based payments.
- Deferred tax assets – recoverability of deferred tax assets is dependent on future profitability, which may be impacted by climate-related factors.
- Borrowing facilities – during the year, the Group has entered into innovative funding arrangements for the future purchase of both electric bus batteries and electric bus bodies (chassis and drivetrain). The timing of the utilisation of these facilities to support the Group's decarbonisation and sustainability targets may impact levels of borrowing and finance costs for the Group.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2025 and evaluated whether it was appropriate to prepare the full year results 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.

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of macroeconomic considerations on the operating environment, assumptions on passenger volumes and government support, as well as the impact of actions required to address the Group's climate-related targets and ambitions, and having regard to the risks and uncertainties to which the Group is exposed.

Base case scenario

The Board considered the annual budget to 31 March 2025 and medium-term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2024 year end. These projections were the subject of a series of executive management reviews and were used to establish the base case scenario that was used for the purposes of the going concern assessment. The base case assumes a continuing recovery in passenger volumes and yields in FY 2025, with some offset from a reduction in direct government funding. The Rail base case also reflects the expiry in May 2025 of the South Western Railway contract and the uncertainty regarding its renewal. The macro projections in the updated base case assume that the UK operates in a low-growth, cautiously recovering 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 adverse macroeconomic recovery profile. In First Bus the downside case assumes a reduction in passenger volumes driving a 25% reduction in Bus profitability, as well as the impact of other unexpected cost inflation. In First Rail, the downside case assumes TOC performance fee awards at 50% of expected levels, potential expiry of the GWR NRC at the end of its core period, and volume and revenue reductions in Hull Trains and Lumo driving a 25% reduction in Open Access profitability. The downside scenario also considers potential impacts of a significant climate-related event or unbudgeted decarbonisation costs, as well as the risk of one-off safety, regulatory non-compliance or technology incidents.

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 capital expenditure 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 2025 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for 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.

Notes to the consolidated financial statements continued

3 Revenue

	2024 £m	2023 £m
Services rendered	3,952.1	3,483.0
First Rail contract subsidy receipts	456.8	893.0
Other revenues	306.2	379.0
Revenue from continuing operations	4,715.1	4,755.0
Discontinued operations	–	4.0
Revenue	4,715.1	4,759.0

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

Other revenues principally represent funding mechanisms in First Bus and the First Rail businesses.

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, and to enable the like-for-like monitoring of the Group's recurring operations over time. 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.

	2024 £m	2023 £m
Reconciliation of operating profit to adjusted operating profit on a continuing basis		
Operating profit on a continuing basis	46.5	153.9
Adjustments for:		
LGPS pension settlement and related charges	146.9	–
Legal claims in North America and the UK	10.5	–
First Bus divisional restructuring costs	–	7.0
Strategic items	–	(1.4)
Greyhound Canada	0.4	1.5
Total operating profit adjustments on a continuing basis	157.8	7.1
Adjusted operating profit on a continuing basis (note 5)	204.3	161.0

	2024 £m	2023 £m
Reconciliation of operating profit/(loss) to adjusted operating profit on a discontinued basis		
Operating (loss)/profit from discontinued operations	(5.3)	31.3
Adjustments for:		
Transit earnout charge	2.3	33.8
Retirement benefit restructuring charges	1.1	–
Gain on disposal of Greyhound properties	–	(71.4)
Strategy costs	–	(0.3)
Total operating profit adjustments from discontinued operations	3.4	(37.9)
Adjusted operating loss from discontinued operations	(1.9)	(6.6)

	2024 £m	2023 £m
Reconciliation of profit/(loss) before tax to adjusted profit before tax and adjusted earnings		
(Loss)/profit before tax (including discontinued operations)	(24.4)	128.7
Adjusting operating profit items – continuing operations	157.8	7.1
Adjusting operating profit items – discontinued operations	3.4	(37.9)
Adjusted operating profit items – total operations	161.2	(30.8)
Adjusted profit before tax including discontinued operations	136.8	97.9
Rail management fee-based operations – IFRS 16 adjustment	10.2	6.9
Adjusted tax charge	(32.1)	(20.7)
Non-controlling interests ¹	(6.5)	(5.1)
Adjusted earnings including discontinued operations	108.4	79.0

1 Statutory non-controlling interests in 2024 and 2023 principally reflect Avanti West Coast and South Western Railway.

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

	2024 £m	2023 £m
Reconciliation of tax charge to adjusted tax charge		
Tax (credit)/charge (note 9)	(15.0)	33.4
Tax effect of adjusting items (note 10)	42.5	(12.7)
Adjustments attributable to changes in tax rates and laws	–	1.4
Write-back of previously unrecognised deferred tax assets (note 9)	5.3	–
Write-down of previously recognised deferred tax assets (note 9)	(0.7)	(1.4)
Adjusted tax charge (including discontinued)	32.1	22.4
Adjusted tax charge – continuing operations	32.0	22.1
Adjusted tax charge – discontinued operations	0.1	0.3

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

Adjusting items – 2024

The principal adjusting items in the year for the continuing business are as follows:

First Bus pension settlement charge and related items

In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Schemes and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £146.9m relating to the settlement charge and other costs relating to the termination were recognised during the period. A gain of £161.0m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Legal claims in North America and the UK

The Group has recognised legal provisions relating to claims in North America and the UK.

Adjusting items – discontinued operations

First Transit earnout

The final valuation of the First Transit earnout contingent consideration receivable was agreed and settled during the year, with the Group receiving cash of \$83.8m (£65.3m). The Group incurred an adjusting charge of £2.3m, reflecting the hedging of the cash receipt, translation of the US dollar asset into pounds sterling before settlement, offsetting the small write-off of the residual asset on settlement.

Adjusting items – 2023

The principal adjusting items in the prior year were 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 gave 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.

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

	2024 £m	2023 £m
First Bus EBITDA comprises:		
Pre-IFRS 16 EBITDA	132.5	105.0
IFRS 16 adjustments ¹	15.6	15.9
First Bus adjusted EBITDA per segmental results table (note 5)	148.1	120.9
First Rail EBITDA comprises:		
Non-management fees-based TOCs pre-IFRS 16 EBITDA	37.6	32.5
Group's share of management fee income available for dividends (net of tax and non-controlling interest)	39.5	38.7
Tax on management fee income	15.0	10.2
Non-controlling interest	6.5	5.1
IFRS 16 adjustments ¹	521.9	574.5
First Rail adjusted EBITDA per segmental results table (note 5)	620.5	661.0
Group items EBITDA comprises:		
Pre-IFRS 16 EBITDA	(21.8)	(21.2)
IFRS 16 adjustments ¹	1.9	1.7
Group items adjusted EBITDA per segmental results table (note 5)	(19.9)	(19.5)
First Rail adjusted operating profit comprises:		
Non-management fees-based TOCs	36.4	31.5
Group's share of management fee income available for dividends (net of tax and non-controlling interest)	39.5	38.7
Tax on management fee income	15.0	10.2
Non-controlling interest	6.5	5.1
IFRS 16 adjustments ¹	45.9	39.3
First Rail adjusted operating profit per segmental results table (note 5)	143.3	124.8
Reconciliation of pre-IFRS 16 adjusted EBIT to post-IFRS 16 adjusted EBIT		
Pre-IFRS 16 adjusted EBIT	156.6	119.1
IFRS 16 adjustments ¹	47.7	41.9
Post-IFRS 16 adjusted EBIT	204.3	161.0

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.

Notes to the consolidated financial statements continued

5 Business segments and geographical information

For management purposes, the Group is organised into three operating divisions – First Bus, First Rail and Greyhound.

The divisions are managed separately in line with the differing services that they provide and the geographical markets in which they operate. There is a clear distinction between each division and no judgement is required to identify each reportable segment. With regard to prior year comparative data, the properties related 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, although trading operations have ceased.

The segment results for the 53 weeks ended 30 March 2024 are as follows:

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Passenger revenue	769.1	3,030.1	–	–	3,799.2	–	–	3,799.2
Contract revenue	188.4	–	–	(35.5)	152.9	–	–	152.9
Rail contract subsidy receipts	–	456.8	–	–	456.8	–	–	456.8
Other revenues	54.7	251.5	–	–	306.2	–	–	306.2
Revenue	1,012.2	3,738.4	–	(35.5)	4,715.1	–	–	4,715.1
EBITDA²	148.1	620.5	–	(20.0)	748.6	(1.8)	–	746.8
Depreciation	(73.9)	(513.8)	–	(2.0)	(589.7)	(0.1)	–	(589.8)
Software amortisation	(1.0)	(1.7)	–	(0.6)	(3.3)	–	–	(3.3)
Capital grant amortisation	10.4	38.3	–	–	48.7	–	–	48.7
Segment results	83.6	143.3	–	(22.6)	204.3	(1.9)	–	202.4
Other adjustments (note 4)	(146.9)	–	(0.4)	(10.5)	(157.8)	(1.1)	(2.3)	(161.2)
Operating profit/(loss)³	(63.3)	143.3	(0.4)	(33.1)	46.5	(3.0)	(2.3)	41.2
Investment income	1.7	1.6	–	13.4	16.7	0.1	–	16.8
Finance costs	(4.2)	(61.5)	–	(16.3)	(82.0)	(0.4)	–	(82.4)
Profit/(loss) before tax	(65.8)	83.4	(0.4)	(36.0)	(18.8)	(3.3)	(2.3)	(24.4)
Tax								15.0
Loss after tax								(9.4)

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Capital additions	200.8	45.5	–	0.3	246.6	–	–	246.6

Capital additions comprises 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

	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
Balance sheet ⁴			
Greyhound retained	54.2	(78.9)	(24.7)
First Bus	895.5	(315.3)	580.2
First Rail	2,164.1	(994.9)	1,169.2
	3,113.8	(1,389.1)	1,724.7
Group items	152.5	(91.8)	60.7
Borrowings and cash	496.5	(1,644.8)	(1,148.3)
Taxation	44.0	(40.0)	4.0
Total	3,806.8	(3,165.7)	641.1
Greyhound (held for sale)	0.6	–	0.6
Total	3,807.4	(3,165.7)	641.7

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.

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

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

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £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		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Capital additions	150.1	56.7	–	1.1	207.9	–	–	207.9

Capital additions comprises 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	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.

Geographical information

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

Revenue	2024 £m	2023 £m
United Kingdom/Republic of Ireland	4,715.1	4,755.0
Total continuing operations	4,715.1	4,755.0
United States of America – discontinued operations	–	4.0
Total discontinued operations	–	4.0
Total revenue	4,715.1	4,759.0

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

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	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
United Kingdom/Republic of Ireland	2,376.4	2,557.6	246.6	207.9	3,708.6	4,278.8
Canada – continuing operations	–	–	–	–	1.1	0.7
Unallocated corporate items	–	–	–	–	44.0	47.0
Total – continuing operations	2,376.4	2,557.6	246.6	207.9	3,753.7	4,326.5
United States of America – discontinued operations	2.6	2.6	–	–	53.7	79.7
Total – discontinued operations	2.6	2.6	–	–	53.7	79.7
	2,379.0	2,560.2	246.6	207.9	3,807.4	4,406.2

Notes to the consolidated financial statements continued

6 Operating profit

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

	2024 £m	2023 £m
Depreciation – owned assets	98.6	171.4
Depreciation – right of use assets	491.1	550.5
Operating commitments	496.6	516.2
Other intangible asset amortisation charges	3.3	8.6
Capital grant amortisation	(48.7)	(129.1)
Cost of inventories recognised as an expense	261.4	268.1
Employee costs (note 7)	1,572.0	1,517.9
Gain on disposal of property, plant and equipment	(5.7)	(0.7)
Impairment charges	3.8	13.6
Reversal of impairment	–	(4.3)
Auditor's remuneration (see below)	3.4	3.4
Rail franchise payments	1.1	3.4
LGPS pension settlement and related charges	146.9	–
Foreign exchange	2.8	(0.4)
Other operating costs ¹	1,642.0	1,682.5
Operating costs – continuing operations	4,668.6	4,601.1
Operating costs/(income) – discontinued operations²	5.3	(27.3)
Operating costs – continuing and discontinued operations	4,673.9	4,573.8

1 Other operating costs includes £46.4m (2023: £32.6m) received or receivable from government bodies in respect of bus service operator grants and fuel duty rebates.

2 Discontinued operations' operating income in 2023 consisted 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:

	2024 £m	2023 £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	3.0
Total audit fees	3.2	3.2
Audit-related assurance services	0.1	0.1
Other non-audit services	0.1	0.1
Total non-audit fees	0.2	0.2

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 122. 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:

	2024 Number	2023 Number
Operational	25,913	26,708
Administration	3,426	3,275
	29,339	29,983
Less – discontinued operations	–	–
	29,339	29,983

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

	2024 £m	2023 £m
Wages and salaries	1,354.9	1,296.8
Social security costs	136.0	137.1
Pension costs (note 37)	81.1	86.4
	1,572.0	1,520.3
Less – discontinued operations	–	(2.4)
	1,572.0	1,517.9

Wages and salaries include a charge in respect of share-based payments of £15.6m (2023: £6.4m).

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 130 to 143. Directors' emoluments in aggregate were £5.0m (2023: £5.1m).

8 Investment income and finance costs

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

	2024 £m	2023 £m
Investment income		
Bank interest receivable	(14.7)	(6.3)
Interest on pensions	(2.1)	(6.5)
Total investment income (including discontinued operations)	(16.8)	(12.8)
Finance costs		
Bonds	11.9	13.5
Bank interest and facility fees	5.8	3.5
Finance charges payable in respect of lease liabilities	62.1	50.6
Finance charges payable in respect of asset backed financial liabilities	1.4	1.5
Interest on long-term provisions	0.8	0.2
Interest on pensions	0.4	–
Total finance costs (including discontinued operations)	82.4	69.3

Finance costs are stated after charging fee expenses of £0.7m (2023: £0.6m). There was no interest capitalised into qualifying assets in either the current or prior period.

Investment income of £0.1m (2023: £0.5m) and finance costs of £0.4m (2023: £0.2m) relate to discontinued operations (note 21).

Notes to the consolidated financial statements continued

9 Tax on profit/(loss) on ordinary activities

	2024 £m	2023 £m
Current tax charge	1.3	1.1
Adjustments with respect to prior years	(3.0)	1.7
Total current tax (credit)/charge (including discontinued operations)	(1.7)	2.8
Origination and reversal of temporary differences	(11.0)	40.9
Adjustment in respect of prior years	2.3	(10.3)
Adjustments attributable to changes in tax rates and laws	–	(1.4)
Writing down of previously recognised deferred tax assets	0.7	1.4
Write back of previously unrecognised deferred tax assets	(5.3)	–
Total deferred tax (credit)/charge (note 26)	(13.3)	30.6
Total tax (credit)/charge (including discontinued operations)	(15.0)	33.4
Tax (credit)/charge attributable to:		
Profit from continuing operations	(15.1)	10.4
Profit from discontinued operations	0.1	23.0

UK corporation tax is calculated at 25% (2023: 19%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred tax has been provided at 25% on temporary differences at the balance sheet date.

Notes to the consolidated financial statements continued

9 Tax on profit/(loss) on ordinary activities continued

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:

	2024 £m	2024 %	2023 £m	2023 %
(Loss)/profit from continuing operations before income tax expense	(18.8)	n/a	97.1	n/a
(Loss)/profit from discontinued operations before income tax expense	(5.6)	n/a	31.6	n/a
(Loss)/profit from total operations	(24.4)	100.0	128.7	100.0
Tax at the UK corporation tax rate of 25% (2022: 19%)	(6.1)	25.0	24.5	19.0
Non-deductible expenditure	0.7	(2.9)	7.6	5.9
Non-taxable income	(5.8)	23.8	–	–
Capital expenditure super deduction	–	–	(1.9)	(1.5)
Tax rates outside of the UK	0.5	(2.0)	6.7	5.2
Unrecognised losses	0.9	(3.7)	1.2	1.0
Other adjustments in relation to prior years	(0.6)	2.5	(8.6)	(6.7)
Writing-down of previously recognised deferred tax assets	0.7	(2.9)	1.4	1.1
Write-back of previously unrecognised deferred tax assets	(5.3)	21.7	–	–
Increased deferred tax rates on current year temporary differences	–	–	3.9	3.1
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(1.1)
Tax (credit)/charge and effective tax rate for the year	(15.0)	61.5	33.4	26.0

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. There may be an impact, from 2025 onwards, of the UK's enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two). The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation for the 2025 financial year.

In addition to the amount charged/(credited) to the income statement, deferred tax relating to actuarial gains/(losses) on defined benefit pension schemes of £20.2m (2023: £(37.2)m) and cash flow hedges of £0.5m (2023: £1.3m) have been charged/(credited) to comprehensive income together with a further £(1.0)m (2023: £(7.8)m) on cash flow hedges and £0.3m (2023: £(0.9)m) on share-based payments taken directly to equity. These amount to a total charge/(credit) of £20.0m (2023: £(44.6)m) recognised in other comprehensive income and equity.

Notes to the consolidated financial statements continued

10 Earnings per share (EPS)

EPS is calculated by dividing the loss/profit attributable to equity shareholders of £(15.9)m (2023: profit of £87.1m) by the weighted average number of ordinary shares of 662.9m (2023: 739.5m). The number of ordinary shares used for the basic and diluted calculations is shown in the table below.

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

	2024 Number m	2023 Number m
Weighted average number of shares used in basic calculation	662.9	739.5
Executive share options	26.2	24.0
Weighted average number of shares used in the diluted calculation	689.1	763.5

The adjusted EPS is intended to highlight the recurring operating results of the Group before certain other adjustments as set out in note 4, and before IFRS 16 charges relating to the Group's management fee-based Rail operations. A reconciliation is set out below:

	£m	2024 EPS (pence)	£m	2023 EPS (pence)
Basic (loss)/profit/EPS	(15.9)	(2.4)	87.1	11.8
Management fee-based Rail operations – IFRS 16 adjustments	10.2	1.5	6.9	1.0
Other adjustments (note 4)	161.2	24.3	(30.8)	(4.2)
Non-controlling interest	–	–	3.1	0.4
Tax effect of Other adjustments	(42.5)	(6.4)	12.7	1.7
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(0.2)
Write down of previously recognised deferred tax assets	0.7	0.1	1.4	0.2
Write back of previously unrecognised deferred tax assets	(5.3)	(0.8)	–	–
Adjusted profit and EPS attributable to the ordinary equity holders of the Company	108.4	16.4	79.0	10.7
Adjusted (loss)/EPS from discontinued operations	(2.3)	(0.3)	(6.6)	(0.9)
Adjusted profit/EPS from continuing operations	110.7	16.7	85.6	11.6

	2024 pence	2023 pence
Diluted EPS	(2.4)	11.4
Adjusted diluted EPS	15.7	10.3

Notes to the consolidated financial statements continued

10 Earnings per share (EPS) continued

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

	2024		2023	
	£m	EPS (pence)	£m	EPS (pence)
Basic (loss)/profit/EPS	(10.2)	(1.5)	78.5	10.6
Management fee-based Rail operations – IFRS 16 adjustments	10.2	1.5	6.9	1.0
Other adjustments (note 4)	157.8	23.7	7.1	1.0
Non-controlling interest	–	–	3.1	0.4
Tax effect of Other adjustments	(42.5)	(6.3)	(10.0)	(1.4)
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(0.2)
Write-down of previously recognised deferred tax assets	0.7	0.1		
Write back of previously unrecognised deferred tax assets	(5.3)	(0.8)	1.4	0.2
Adjusted profit/EPS from continuing operations	110.7	16.7	85.6	11.6
			2024	2023
			pence	pence
Diluted EPS			(1.5)	10.3
Adjusted diluted EPS			16.1	11.2

Notes to the consolidated financial statements continued

11 Goodwill

	2024 £m
Cost	
At 26 March 2023	99.6
Additions ¹	11.4
At 30 March 2024	111.0
Accumulated impairment losses	
At 26 March 2023	–
At 30 March 2024	–
Carrying amount	
At 30 March 2024	111.0
At 26 March 2023	99.6

¹ Additions of £11.4m relate mainly to goodwill on the acquisition of York Pullman Bus Company Limited.

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 2025 to FY 2029.

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 74 to 84 of this Report and focus on direct risks to FirstGroup.

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 four years.

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 2024/25 to 2026/27 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 2024/25 to 2026/27 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 £412m of positive headroom at 30 March 2024 (25 March 2023: £496m) based on a 10.3% discount rate (2023: 10.0%) and 10.8% terminal margin (2023: 11.2%), which reflects the impact of expected future passenger volumes and yields, as well as planned resizing of the network.

Break-even would arise at:

- 15.1% discount rate (with a 10.8% terminal margin);
- 5.6% terminal margin (applying the cap to just the final year/terminal value) using a 10.3% discount rate; or
- 7.2% terminal margin throughout the forecast period and terminal margin (applying the cap in all years at 7.2%, not just in the terminal years) using a 10.3% 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

	Software £m	Total £m
Cost		
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
At 26 March 2023	39.8	39.8
Additions	2.4	2.4
Disposals	(5.2)	(5.2)
Transfers	4.0	4.0
At 30 March 2024	41.0	41.0
Accumulated amortisation and impairment		
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
At 26 March 2023	29.0	29.0
Charge for year	3.3	3.3
Disposals	(4.2)	(4.2)
Transfers	2.5	2.5
At 30 March 2024	30.6	30.6
Carrying amount		
At 30 March 2024	10.4	10.4
At 25 March 2023	10.8	10.8

Notes to the consolidated financial statements continued

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 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
At 26 March 2023	213.1	753.5	711.6	1,678.2
Acquisitions ²	–	3.1	0.1	3.2
Additions	31.1	135.5	74.4	241.0
Disposals	(7.3)	(74.5)	(76.1)	(157.9)
Reclassifications	(1.8)	13.4	(5.7)	5.9
Transfers to right of use assets	–	(2.7)	(14.7)	(17.4)
At 30 March 2024	235.1	828.3	689.6	1,753.0
Accumulated depreciation and impairment				
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
At 26 March 2023	60.5	432.9	546.1	1,039.5
Charge for year	11.5	53.2	33.9	98.6
Disposals	(3.2)	(67.6)	(59.7)	(130.5)
Impairment ¹	–	–	2.6	2.6
Reclassifications	(5.9)	8.3	(7.7)	(5.3)
At 30 March 2024	62.9	426.8	515.2	1,004.9
Carrying amount				
At 30 March 2024	172.2	401.5	174.4	748.1
At 25 March 2023	152.6	320.6	165.5	638.7

1 The impairment charge in the current year of £2.6m relates to Rail contracts. The impairment reversal in the prior year of £4.3m relates to Southampton properties, which were subsequently transferred to assets held for sale. The impairment charge in the prior year of £6.5m primarily relates to the write-down of passenger carrying vehicles as a result of fleet resizing.

2 Acquisitions of £3.2m (2023 £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 (2023: £0.8m) in respect of assets under construction is included in the carrying amount of land and buildings, plant and equipment.

At 30 March 2024 the Group had entered into contractual capital commitments amounting to £61.8m (2023: £125.0m), principally representing purchase of passenger carrying vehicles, 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 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
At 26 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
Additions	183.3	4.3	6.5	2.8	196.9
Disposals	(221.6)	(10.6)	(0.5)	(0.4)	(233.1)
Transfers from owned assets	–	–	2.7	14.7	17.4
At 30 March 2024	3,743.4	65.1	60.4	25.6	3,894.5
Accumulated depreciation and impairment					
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 ¹	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
At 26 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
Charge for period	470.3	8.7	10.2	1.9	491.1
Lease impairment	1.2	–	–	–	1.2
Disposals	(220.6)	(6.4)	(0.3)	(0.1)	(227.4)
At 30 March 2024	2,395.6	33.2	50.2	8.2	2,487.2
Carrying amount					
At 30 March 2024	1,347.8	31.9	10.2	17.4	1,407.3
At 25 March 2023	1,637.0	40.5	11.4	2.1	1,691.0

¹ The impairment of £1.2m in the current year and £7.1m in the prior year both relate to GWR.

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

Notes to the consolidated financial statements continued

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 30 March 2024	1,347.8	204.1	411.7	191.8	2,155.4
At 25 March 2023	1,637.0	193.1	332.0	167.6	2,329.7

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

Amounts recognised in income statement (including discontinued operations)	2024 £m	2023 £m
Depreciation expense on right of use assets	491.1	550.5
Interest expense on lease liabilities	62.1	50.6
Impairment charge	1.2	7.1
Expense relating to short-term leases	–	2.0
Expense relating to leases of low-value assets	0.1	2.1
	554.5	612.3

14 Investments

	2024 £m	2023 £m
Other investments	2.6	2.5

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) and First MTR South Western Trains Limited (70% 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 £3.1m which relates to First Trenitalia West Coast Limited and £3.4m 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
 Somerset Passenger Solutions Limited
 York Pullman Bus Company Limited

Rail companies

First Greater Western 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.

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

Notes to the consolidated financial statements continued

16 Inventories

	2024 £m	2023 £m
Spare parts and consumables from continuing operations	25.9	26.0

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

	2024 £m	2023 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	–	72.3
Amounts due within one year (from continuing operations)		
Trade receivables	400.1	386.1
Loss allowance	(41.7)	(49.0)
Trade receivables net	358.4	337.1
Other receivables	187.6	210.3
Amounts recoverable on contracts	38.9	22.5
Prepayments	38.7	90.8
Accrued income	229.0	187.6
	852.6	848.3
Movement in accrued income:		
Balance as at 25 March 2023/26 March 2022	187.6	115.7
Additions	222.5	119.4
Accrued income invoiced during the year	(181.1)	(47.5)
Balance as at 30 March 2024/25 March 2023	229.0	187.6

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

Other receivables includes £64.5m (2023: £67.1m) of VAT receivables, £14.1m (2023: £8.6m) of receivables from government bodies for fuel duty rebates, and £50.8m (2023: £73.3m) 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 it is invoiced to the customer.

Notes to the consolidated financial statements continued

17 Trade and other receivables continued

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 £668.0m (2023: £596.2m), cash and cash equivalents of £496.5m (2023: £791.4m) and derivative financial instruments of £2.4m (2023: £7.5m).

The Group's maximum exposure to credit risk for all financial assets at the balance sheet date was £1,166.9m (2023: £1,395.1m). The exposure is spread over a large number of unconnected counterparties and the maximum single concentration with any one counterparty was £215.0m (2023: £286.0m) 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 £41.7m (2023: £49.0m).

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. 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.

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 are not considered to be any issues with the recoverability of these receivables. Further there have not been any significant issues with the recoverability of non-governmental receivables.

Notes to the consolidated financial statements continued

17 Trade and other receivables continued

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: 2024			
			Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	6.2%	–%	0.4%	1.0%	1.2%	84.9%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	668.0	478.7	103.5	28.9	8.7	48.2
Loss allowance (from continuing operations)	41.7	–	0.4	0.3	0.1	40.9

	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

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 consists 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.

	2024 £m	2023 £m
Movement in the loss allowance for trade receivables		
At 26 March 2023/27 March 2022	49.0	15.2
Amounts written-off during the year	(1.2)	(3.2)
Increase in allowance recognised in the income statement	13.6	1.2
Amounts recovered during the year	(0.6)	(8.2)
Reversal of provision	(19.1)	–
Amounts transferred from liquidated damages	–	44.0
At 30 March 2024/25 March 2023	41.7	49.0

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

Notes to the consolidated financial statements continued

18 Assets held for sale

Movement in assets held for sale	£m
At 26 March 2023	8.9
Net book value of disposals	(8.3)
At 30 March 2024	0.6

19 Trade and other payables

Amounts falling due within one year (from continuing operations)	2024 £m	2023 £m
Trade payables	277.4	338.8
Other payables	291.2	210.8
Accruals	539.9	621.6
Deferred income	129.0	125.5
Season ticket deferred income – Rail	21.1	17.7
	1,258.6	1,314.4

Movement in deferred income	2024 £m	2023 £m
Balance as at 26 March 2023/27 March 2022	125.5	109.8
Additions	177.2	131.5
Recognised during the period	(162.9)	(115.8)
Loss of TPE operations	(10.8)	–
Balance as at 30 March 2024/25 March 2023	129.0	125.5

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 £21.7m (2023: £15.2m) 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 £162.2m (2023: £116.1m).

The average credit period taken for trade purchases is 41 days (2023: 36 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

	2024 £m	2023 £m
Cash and cash equivalents	496.5	791.4

The fair value of cash and cash equivalents approximates to the carrying value. Cash and cash equivalents includes ring-fenced cash of £249.6m (2023: £369.6m). 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 the National Rail Contract. Ring-fenced cash balances of £4.0m (2023: £5.4m) are held outside the First Rail subsidiaries. These other ring-fenced cash balances include two elements: (1) funds of £4.0m (2023: £4.1m) withheld from the de-risking insurer as permitted under the de-risking agreement, and (2) balances of £nil (2023: £1.3m) 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 behalf of their customers and the cash is only allowed to be used to settle customer liabilities.

21 Discontinued operations

	2024 £m	2023 £m
Discontinued operations		
Revenue	–	4.0
Operating (costs)/income	(5.3)	27.3
Operating (loss)/profit	(5.3)	31.3
Investment income	0.1	0.5
Finance costs	(0.4)	(0.2)
(Loss)/profit before tax	(5.6)	31.6
Tax	(0.1)	(23.0)
(Loss)/profit for the year after tax	(5.7)	8.6
Attributable to:		
Equity holders of the parent	(5.7)	8.6
Non-controlling interests	–	–
	(5.7)	8.6
	2024 pence	2023 pence
EPS		
Basic EPS	(0.9)	1.2
Diluted EPS	(0.9)	1.1

Notes to the consolidated financial statements continued

21 Discontinued operations continued

Cash flow	2024 £m	2023 £m
Net cash outflow from operating activities	(4.2)	(139.7)
Net cash inflow from investing activities	74.7	126.9
Net cash flow from financing activities	–	–
Net increase/(decrease) in cash generated	70.5	(12.8)
Other comprehensive income/loss	2024 £m	2023 £m
Actuarial (loss)/gain on defined benefit pension schemes	(1.2)	0.2
Hedging instrument movements	0.4	(0.4)
Exchange differences on translation of discontinued operations	(6.6)	6.8
Total	(7.4)	6.6

Notes to the consolidated financial statements continued

22 Borrowings

	2024 £m	2023 £m
On demand or within one year		
Lease liabilities (note 23) ^{2,3}	492.8	447.4
Asset backed financial liabilities (note 23) ³	6.2	17.3
Bank overdraft	27.8	82.9
Loan notes (note 24)	–	0.6
Bond 6.875% (repayable 2024) ¹	99.7	6.5
Total current liabilities	626.5	554.7
Within one to two years		
Lease liabilities (note 23) ^{2,3}	385.0	381.6
Asset backed financial liabilities (note 23) ³	7.9	5.9
Bond 6.875% (repayable 2024)	–	184.2
	392.9	571.7
Within two to five years		
Lease liabilities (note 23) ^{2,3}	546.2	825.9
NextGen battery debt	3.0	–
Asset backed financial liabilities (note 23) ³	13.6	12.1
	562.8	838.0
Over five years		
Lease liabilities (note 23) ^{2,3}	34.5	93.7
NextGen battery debt	10.2	–
Asset backed financial liabilities (note 23) ³	17.9	8.9
	62.6	102.6
Total non-current liabilities at amortised cost	1,018.3	1,512.3

1 Prior year 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.

Notes to the consolidated financial statements continued

22 Borrowings continued

Fair value of bonds issued

Cash flow	Par value £m	Interest payable	Month	2024 Fair value £m	2023 Fair value £m
Bond 6.875% (repayable 2024)	96.2	Annually	September	100.1	192.2

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:

	2024	Maturity	2023	Maturity
Bank overdraft	SONIA +1%	–	SONIA + 1%	–
Syndicated loan facilities	SONIA + 0.73%	August 2026	SONIA + 0.73%	August 2026
Bond 2024	6.94%	September 2024	6.93%	September 2024
HP contracts and finance leases	Average fixed rate of 4.1%	Various	Average fixed rate of 3.3%	Various
Loan notes	N/A	N/A	SONIA + 0.5%	March 2024

	2024 £m	2023 £m
Pounds sterling	1,644.7	2,066.9
Euro	–	–
Canadian dollar	–	0.1
	1,644.7	2,067.0

Borrowing facilities

The Group had £300.0m (2023: £300.0m) of undrawn committed borrowing available under its Revolving Credit facility as at March 2024. In addition there was £129.8m (2023: £nil) committed headroom available under the Husk Financer facility and £54.9m (2023: £nil) under the NextGen Battery facility. Total undrawn bank borrowing facilities at year end stood at £501.0m (2023: £316.5m) of which £484.7m (2023: £300.0m) was committed and £16.3m (2023: £16.5m) 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 1.5 times as at March 2024 for the continuing Group (2023: 1.7 times).

Liquidity within the Group has remained strong. At year end there was £705.2m (2023: £638.9m) 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 30 March 2024, was £1,144.7m (2023: £1,269.1m) as set out in the Financial review on page 43.

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.

Notes to the consolidated financial statements continued

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	
	2024 £m	2023 £m	2024 £m	2023 £m
Maturity analysis				
Due in less than one year	539.4	503.1	6.5	17.9
Due in more than one year but not more than two years	414.1	421.5	8.5	6.3
Due in more than two years but not more than five years	574.6	878.8	16.2	13.7
Due in more than five years	44.9	105.0	23.7	10.9
	1,573.0	1,908.4	54.9	48.8
Less future financing charges	(114.5)	(159.8)	(9.3)	(4.6)
	1,458.5	1,748.6	45.6	44.2

Lease liabilities have a fair value of £1,458.5m and asset backed financial liabilities have a fair value of £49.3m (2023: lease liabilities £1,748.6m, asset backed financial liabilities £43.3m).

The total cash outflow for the lease liabilities and asset backed financial liabilities recorded on the balance sheet amounted to £506.9m and £19.3m respectively (2023: £546.9m and £10.6m).

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:

	2024 £m	2023 £m
Due in less than one year	–	0.6

In the prior year, the loan notes had an average effective borrowing rate of 2.6%. They were redeemed upon maturity in March 2024.

Notes to the consolidated financial statements continued

25 Financial instruments

Non-derivative financial instruments

	2024 £m	2023 £m
Total non-derivatives		
Total non-current assets	99.6	117.6
Total assets	99.6	117.6

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

Derivative financial instruments

Total derivatives		
Total non-current assets	0.4	0.1
Total current assets	2.0	7.4
Total assets from continuing operations	2.4	7.5
Total current liabilities	3.4	2.6
Total non-current liabilities	1.3	1.9
Total liabilities from continuing operations	4.7	4.5

Derivatives designated and effective as hedging instruments carried at fair value

Non-current assets

Fuel derivatives (cash flow hedge)	0.4	–
Currency forwards (cash flow hedge)	–	0.1
	0.4	0.1

Current assets

Fuel derivatives (cash flow hedge)	2.0	3.3
Currency forwards (cash flow hedge)	–	4.1
	2.0	7.4

Current liabilities

Fuel derivatives (cash flow hedge)	2.7	2.6
Currency forwards (cash flow hedge)	0.7	–
	3.4	2.6

Non-current liabilities

Currency forwards (cash flow hedge)	0.2	0.1
Interest rate swaps (NextGen)	0.5	–
Fuel derivatives (cash flow hedge)	0.6	1.8
	1.3	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 (2023: £nil) were subject to netting arrangements. Total cash flow hedges are a liability of £2.3m (2023: £3.0m 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:

	2024 £m	2023 £m
Operating (profits)	(4.0)	(31.2)

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				2024
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Carrying value Total £m
Financial assets and derivatives					
Trade and other receivables	–	668.0	–	668.0	668.0
Derivative financial instruments	–	2.4	–	2.4	2.4
Financial liabilities and derivatives					
Borrowings ¹	–	1,621.0	–	1,621.0	1,616.9
Trade and other payables	–	1,096.4	–	1,096.4	1,096.4
Derivative financial instruments	–	4.7	–	4.7	4.7

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				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

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.

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

Notes to the consolidated financial statements continued

25 Financial instruments continued

Financial assets/(liabilities)	Fair values at 30 March 2024 £m	Fair values at 25 March 2023 £m	Fair value hierarchy	Valuation technique(s) and key inputs
Derivative contracts				
1) Fuel derivatives	(0.9)	(1.1)	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	(0.9)	4.1	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.
3) Interest rate swaps	(0.5)	–	Level 2	Future cash flows are estimated based on interest 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	2024			Total £m
	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	
Financial assets and derivatives				
Cash and cash equivalents	496.5	–	–	496.5
Trade and other receivables	668.0	–	–	668.0
Non-derivative financial instruments	99.6	–	–	99.6
Derivative financial instruments	–	–	2.4	2.4
	1,264.1	–	2.4	1,266.5
Financial liabilities and derivatives				
Interest bearing loans and borrowings ¹	1,621.0	–	–	1,621.0
Trade and other payables	1,096.4	–	–	1,096.4
Derivative financial instruments	–	–	4.7	4.7
	2,717.4	–	4.7	2,722.1

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

	2023			
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	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	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

As at 30 March 2024	Cash flow hedges		
	Commodity price risk	Electricity price risk	Foreign exchange price risk
Nominal amount of hedging	0.46m bbls	70,080 MWh	\$55.3m
< 1 year	0.32m bbls	39,408 MWh	\$39.1m
1 – 2 years	0.14m bbls	30,672 MWh	\$16.2m
2 – 5 years	–	–	–
> 5 years	–	–	–
Average hedged rate	\$99.63/bbl	£113.5/MWh	1.240
Maturity	Apr24-Mar26	Apr24-Mar26	Apr24-Mar26
Carrying amount of hedging instruments			
Assets – Derivatives (£m)	2.4	–	–
Liabilities – Derivatives (£m)	(0.1)	(3.2)	(0.9)
(Liabilities – Borrowings (£m))	–	–	–
Carrying amount of hedged item			
Liabilities – Borrowings (£m)	n/a	n/a	n/a
Accumulated amount of fair value hedging adjustments included in carrying amount of hedged item			
Liabilities – Borrowings (£m)	n/a	n/a	n/a
Changes in fair value of hedged item used for calculating hedge effectiveness	(8.1)	3.8	(1.3)
Changes in fair value of hedging instrument used in calculating hedge effectiveness	8.1	(3.8)	1.3
Changes in fair value of hedging instrument accumulated in cash flow hedge reserve	1.9	(1.3)	(1.8)

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.

Notes to the consolidated financial statements continued

25 Financial instruments continued

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.

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 £532.4m (2023: £300.0m), and committed headroom was £484.7m (2023: £300.0m), in addition to free cash balances of £220.5m (2023: £338.9m). The next material contractual expiry of revolver bank facilities is in August 2026.

The average duration of net debt (excluding ring-fenced cash) at 30 March 2024 was 2.4 years (2023: 2.7 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.

					2024
	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Borrowings ¹	677.4	423.5	596.7	79.7	1,777.3
Fuel derivatives	2.7	0.6	–	–	3.3
FX forwards	0.7	0.2	–	–	0.9
Interest rate derivatives	–	0.5	–	–	0.5
Trade and other payables	1,096.4	–	–	–	1,096.4
	1,777.2	424.3	596.7	79.7	2,878.4
					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

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.

Notes to the consolidated financial statements continued

25 Financial instruments continued

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.

'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 US dollars. 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.

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.

	2024 £m	2023 £m
Impact on profit after tax	0.4	0.2
Impact on hedging reserve	(0.1)	(0.1)

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 75% of on-balance sheet net debt over the medium term, so that volatility is substantially reduced year-on-year to EPS. The policy objective is primarily achieved through fixed rate debt. The policy on interest rate risk within operating leases is to hedge 100% by agreeing fixed rentals with the lessors. The main floating rate benchmarks on variable rate debt are US dollar SONIA and sterling SONIA.

At 30 March 2024, 100% (2023: 99%) of gross debt (pre-IFRS 16 and overdraft) was fixed. This fixed rate protection had an average duration of 2.3 years (2023: 1.8 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.

	2024 £m	2023 £m
Impact on profit after tax	4.8	5.7

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 or Diesel 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 68% to March 2025 and 32% to March 2026.

Notes to the consolidated financial statements continued

25 Financial instruments continued

The Group has entered into swaps for periods from April 2024 to March 2026 with the majority of these swaps relating to the 52 weeks ending 31 March 2025. 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 53 weeks ending 30 March 2024 and at the year end:

	2024 £m	2023 £m
Impact on profit after tax	(0.5)	(0.3)
Impact on hedging reserve	2.7	3.5

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 has entered into swaps for periods from April 2024 to March 2026, with the majority of these swaps relating to the 52 weeks ending 31 March 2025. 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 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 53 weeks ending 30 March 2024 and at the year end:

	2024 £m	2023 £m
Impact on profit after tax	(0.2)	(1.0)
Impact on hedging reserve	2.6	1.2

Notes to the consolidated financial statements continued

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 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)
Charge/(credit) to income statement	7.0	(33.4)	14.2	(1.1)	(13.3)
Charge/(credit) to other comprehensive income and equity	–	20.2	(0.2)	–	20.0
Acquisitions and disposals of subsidiaries	0.7	–	–	–	0.7
At 30 March 2024	32.4	(4.6)	(27.4)	(40.0)	(39.6)

With respect to the total net deferred tax asset of £39.6m, UK net deferred tax assets of £38.7m 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 tax losses of £457.9m (2023: tax losses of £460.8m) 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	Total £m
At 25 March 2023	129.9	81.2	211.1
Charged to the income statement	8.9	25.3	34.2
Utilised in the year	(37.0)	(20.5)	(57.5)
Notional interest	0.8	–	0.8
Foreign exchange movements	(2.4)	(0.3)	(2.7)
At 30 March 2024	100.2	85.7	185.9
Current liabilities	35.7	38.9	74.6
Non-current liabilities	64.5	46.8	111.3
At 30 March 2024	100.2	85.7	185.9
Current liabilities	45.5	40.4	85.9
Non-current liabilities	84.4	40.8	125.2
At 25 March 2023	129.9	81.2	211.1

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next four years although certain liabilities in respect of lifetime obligations of £1.1m (2023: £1.3m) can extend for more than 25 years. The utilisation of £37.0m (2023: £37.1m) represents payments made against the current liability of the preceding year as well as the settlement of claims resulting from incidents occurring in the current year.

The insurance claims provisions, of which £55.7m (2023: £78.6m) relates to legacy Greyhound claims, includes £50.8m (2023: £73.3m) 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.

Notes to the consolidated financial statements continued

28 Called up share capital

	Number of shares million	£m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 26 March 2023	750.6	37.5
SAYE/BAYE exercises	0.1	–
Balance as at 30 March 2024 (ordinary shares of 5p each)	750.7	37.5

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

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

On 8 June 2023, the Company announced a share buyback programme to purchase up to £115m of ordinary shares. At 30 March 2024, the Company had repurchased 46,854,557 shares for a total consideration of £74.7m, including transaction costs. As at 30 March 2024, a total of £115.8m has been deducted from retained earnings in respect of the shares already repurchased, directly associated transaction costs, and the remaining commitment to purchase up to £115m of ordinary shares.

During the year, 0.1m shares were issued to satisfy principally SAYE and BAYE exercises.

Notes to the consolidated financial statements continued

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 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:

	2024 £m	2023 £m
Balance at 25 March 2023/26 March 2022	(0.7)	19.3
Transfer to hedging reserve through consolidated statement of comprehensive income		
Diesel derivatives	8.1	2.0
Electricity derivatives	(3.8)	(1.2)
Interest rate swaps – NextGen	(0.5)	–
Currency forwards	1.3	(7.1)
	5.1	(6.3)
Tax on derivative hedging instrument movements through statement of comprehensive income	(0.5)	(1.3)
Transfer from hedging reserve to the balance sheet:		
Diesel derivatives	(5.5)	(27.7)
Electricity derivatives	2.1	–
Currency forwards	(0.6)	(3.4)
	(4.0)	(31.1)
Tax on derivative hedging instrument movements to the balance sheet	1.0	7.8
	0.9	(11.6)
Cumulative loss on hedging instruments reclassified to the income statement	(2.7)	10.9
Balance at 30 March 2024/25 March 2023	(1.8)	(0.7)

Own shares

The number of own shares held by the Group at the end of the year was 125,292,999 (2023: 42,774,044) FirstGroup plc ordinary shares of 5p each. Of these, 14,379,907 (2023: 13,068,899) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2023: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2023: 157,229) were held as treasury shares, with a further 110,723,343 (2023: 29,515,396) held as treasury shares as part of the share buyback programmes. 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 30 March 2024 was £226.0m (2023: £43.3m).

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
Balance at 30 March 2024/25 March 2023	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.

Notes to the consolidated financial statements continued

30 Translation reserve

	2024 £m	2023 £m
At 25 March 2023/26 March 2022	(16.3)	(24.0)
Movement for the financial year	(6.6)	7.7
At 30 March 2024/25 March 2023	(22.9)	(16.3)

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.

31 Acquisition of businesses and subsidiary undertakings

	2024 £m	2023 £m
Provisional fair value of net assets acquired:		
Property, plant and equipment	3.2	28.3
Current assets	2.5	11.8
Other liabilities	(1.5)	(8.0)
	4.2	32.1
Goodwill	11.3	6.1
Satisfied by cash paid and payable	15.5	38.2

Acquisitions in 53 weeks to 30 March 2024

On 23 February 2024, the Group completed the acquisition of York Pullman Bus Company Ltd, which operates five coach services brands providing home-to-school and college contracted services, private hire operations including rail replacement services, and a small number of local bus routes on behalf of several local authorities.

The total consideration of £15.5m represents £15.0m paid during the period, and £0.5m to be paid in future periods. This includes cash acquired of £1.5m included in current assets.

The business acquired during the year contributed £1.2m to Group revenue from continuing operations and £0.3m 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, revenue from the acquisition for the year would have been £11.2m and operating profit from the acquisition would have been £2.8m.

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.

Notes to the consolidated financial statements continued

32 Net cash from operating activities

	2024 £m	2023 £m
Operating profit from:		
Continuing operations	46.5	153.9
Discontinued operations	(5.3)	31.3
Total operations	41.2	185.2
Adjustments for:		
Depreciation charges	589.7	721.9
Capital grant amortisation	(48.7)	(129.1)
Software amortisation charges	3.4	8.6
Loss on disposal of subsidiaries and businesses	–	3.7
Impairment	3.8	13.6
Reversal of impairment	–	(4.3)
Share-based payments	15.6	6.4
Profit on disposal of property, plant and equipment	(5.7)	(71.7)
Operating cash flows before working capital and pensions	599.3	734.3
Decrease in inventories	0.1	2.9
Increase in receivables	(3.1)	(159.4)
(Decrease)/increase in payables due within one year	(103.1)	53.8
Decrease in financial assets	23.7	–
Decrease in contingent consideration receivable	–	33.8
Decrease in provisions due within one year	(12.4)	(31.8)
Decrease in provisions due over one year	(15.5)	(1.2)
Settlement of foreign exchange hedge	(1.1)	(1.2)
Local Government Pension Scheme refund	23.1	11.8
Defined benefit pension payments lower than income statement charge	115.6	1.8
Cash generated by operations	626.6	644.8
Tax paid	(2.2)	(1.0)
Interest paid ¹	(81.1)	(70.0)
Net cash from operating activities²	543.3	573.8

1 Interest paid includes £62.1m relating to lease liabilities (2023: £50.6m).

2 Net cash from operating activities is stated after an inflow of £5.1m (2023: inflow of £35.1m) in relation to financial derivative settlements.

Notes to the consolidated financial statements continued

33 Analysis of changes in net debt

	At 25 March 2023 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 30 March 2024 £m
Components of financing activities:					
Bonds	(184.2)	88.0	–	–	(96.2)
Lease liabilities ¹	(1,748.6)	506.9	–	(216.8)	(1,458.5)
Asset backed financial liabilities	(44.2)	19.3	–	(20.7)	(45.6)
Share of NextGen battery debt	–	(13.1)	–	(0.1)	(13.2)
Other debt	(0.6)	0.6	–	–	–
Total components of financing activities	(1,977.6)	601.7	–	(237.6)	(1,613.5)
Cash	421.8	(178.3)	3.4	–	246.9
Bank overdrafts	(82.9)	56.0	–	(0.9)	(27.8)
Ring-fenced cash	369.6	(120.0)	–	–	249.6
Cash and cash equivalents	708.5	(242.3)	3.4	(0.9)	468.7
Net debt (including held for sale – discontinued operations)	(1,269.1)	359.4	3.4	(238.5)	(1,144.8)

1 Lease liabilities 'other' includes £216.8m net inception of new leases. This comprises £222.5m inception of new leases, being £191.7m of rolling stock leases, £9.2m of passenger carrying vehicle leases and £21.6m of property and other leases, offset by £5.7m termination of leases. Termination of leases includes £1.0m in relation to rolling stock leases, £0.2m in relation to passenger carrying vehicle leases and £4.5m relating to property and other leases.

	At 25 March 2022 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 30 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 passenger carrying vehicle 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 passenger carrying vehicle leases and £0.7m relating to property and other leases.

Accrued interest of £3.5m (2023: £6.5m) is excluded from the values above and derivative valuations are presented as the clean values.

Notes to the consolidated financial statements continued

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 £59.8m (2023: £55.0m) and letters of credit for £164.3m (2023: £169.9m). The performance bonds primarily relate to First Rail franchise operations of £56.7m 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 £103.4m to First Rail Train Operating Companies of which £78.5m remains undrawn. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

The Group is party to certain unsecured guarantees granted to banks for overdraft and cash management facilities provided to itself and subsidiary undertakings. The Company has given certain unsecured guarantees for the liabilities of its subsidiary undertakings arising under certain HP contracts, finance leases, operating leases and certain pension scheme arrangements. It also provides unsecured cross guarantees to certain subsidiary undertakings as required by VAT legislation. First Bus subsidiaries have provided unsecured guarantees on a joint and several basis to the Trustees of The First Bus Pension Scheme. One 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.

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, but agreed a settlement of the claim against it with the class representative (CR) which was approved by the CAT on 10 May 2024 and, as a result, the claim that was originally brought against it will not be proceeding. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities (LSER) and against Govia Thameslink Railway Limited and related entities (GTR) in respect of the operation of other rail services. The three sets of proceedings are being heard together. The CR alleges that FSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order (CPO) has been made by the CAT in respect of the proceedings. The proceedings have been split into three trials, the first two of which have been set for June/July 2024 and June 2025, respectively, with no date currently set for the final trial. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims.

Notes to the consolidated financial statements continued

35 Operating commitments

	2024 £m	2023 £m
Minimum payments made under contractual terms recognised in the income statement for the year:		
Plant and machinery	5.5	6.9
Track and station access	473.1	492.7
Hire of rolling stock	–	1.0
Other assets	18.0	15.6
	496.6	516.2

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

	2024 £m	2023 £m
Within one year	484.1	481.1
In the second to fifth years inclusive	747.8	1,135.8
After five years	1.1	0.5
	1,233.0	1,617.4

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 £1,206.9m (2023: £1,573.9m).

Notes to the consolidated financial statements continued

36 Share-based payments

Equity-settled share option plans

The Group recognised total expenses of £15.6m (2023: £6.4m) related to equity-settled share-based payment transactions.

All Employee Plans

(a) Save as you earn (SAYE)

The Group operates an HMRC-approved savings-related share option scheme and at the start of the year there were no outstanding options. 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. The plan rules set out the treatment of those who leave employment before the end of the savings contract. The scheme was offered again in FY 2024 following a break of several years. More than 3,450 employees accepted the invitation to join the scheme and just less than 15m options were granted at a price of 111 pence per share. Further information is provided in the table below.

	SAYE Aug 2023 Options Number
Outstanding at the beginning of the year	–
Granted during the year	14,955,244
Exercised during the year	(1,080)
Lapsed during the year	(514,634)
Outstanding at the end of the year	14,439,530
Exercisable at the end of the year	5,280
Weighted average exercise price (pence)	111
Weighted average share price at date of exercise (pence)	168.2

(b) Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. Until August 2023, the Company provided two matching shares for every three shares bought by employees, subject to a maximum Company contribution of shares to the value of £20 per month. With the relaunch of the SAYE scheme in FY 2024 (see above) the Company decided to stop the matching shares in the BAYE plan to facilitate a larger SAYE scheme than would have been possible had the matched funding continued. 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 30 March 2024 there were 4,356 (2023 5,667) participants in the BAYE scheme. During the year, scheme participants have purchased 1,450,052 shares with the Company contributing 195,729 matching shares.

Discretionary plans

Prior to FY 2022 the discretionary awards were structured as nil cost options. Since that date the awards have been granted as conditional shares, there is no economic difference for the Company or participants as a result of this change.

Notes to the consolidated financial statements continued

36 Share-based payments continued

(c) 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 2013 Options Number	DBS 2014 Options Number	DBS 2015 Options Number	DBS 2016 Options Number	DBS 2017 Options Number	DBS 2018 Options Number	DBS 2019 Options Number	DBS 2020 Options Number	DBS 2021 Options Number	DBS 2022 Options Number	DBS 2023 Options Number
Outstanding at the beginning of the year	106,094	108,038	108,187	61,668	25,356	24,648	346,901	500,212	887,555	2,102,149	–
Granted during the year	–	–	–	–	–	–	–	–	–	–	831,260
Forfeited during the year	–	–	–	–	–	–	–	–	–	–	–
Exercised during the year	(90,510)	(41,867)	(55,566)	(24,130)	(13,023)	(9,869)	(276,017)	(341,846)	(230,101)	(343,020)	–
Lapsed during the year	(15,564)	–	–	–	–	–	(2,336)	(9,565)	(17,744)	(62,674)	–
Outstanding at the end of the year	nil	66,171	52,621	37,538	12,333	14,779	68,548	148,801	639,710	1,696,455	831,260
Exercisable at the end of the year	nil	66,171	52,621	37,538	12,333	14,779	68,548	148,801	93,885	–	–
Weighted average share price at date of exercise (pence)	119.5	127.5	123.1	137.5	147.5	112.3	136.6	147.3	151.2	160.5	n/a

(d) Long-Term Incentive Plan (LTIP)

LTIP awards granted in 2019 had a TSR versus comparator group, EPS and a 'Road' ROCE performance measure. The awards granted in 2020 had two TSR measures (given the difficulty of setting targets during the pandemic), one to the FTSE 250 and one to a comparator group. The LTIP awards granted in 2021, 2022 and 2023 have relative TSR, EPS and sustainability targets. Where the threshold measures are exceeded, the awards are settled by equity.

	LTIP 2019 Options Number	LTIP 2020 Options Number	LTIP 2021 Options Number	LTIP 2022 Options Number	LTIP 2023 Options Number
Outstanding at the beginning of the year	512,636	5,136,713	2,588,698	8,603,684	–
Granted during the year	–	–	–	–	7,553,190
Forfeited during the year	–	–	–	–	–
Lapsed during the year	–	(527,391)	–	(1,163,613)	(197,298)
Exercised during the year	(512,636)	(4,609,322)	–	–	–
Outstanding at the end of the year	–	–	2,588,698	7,440,071	7,355,892
Exercisable at the end of the year	–	–	–	–	–
Weighted average share price at date of exercise (pence)	139.4	140.0	n/a	n/a	n/a

Notes to the consolidated financial statements continued

36 Share-based payments continued

(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	ESP 2022 Options Number	ESP 2023 Options Number
Outstanding at the beginning of the year	82,213	47,245	181,175	395,721	1,414,679	1,226,403	2,255,545	251,294	–
Granted during the year	–	–	–	–	–	–	–	–	56,637
Forfeited during the year	–	–	–	–	–	–	–	–	–
Lapsed during the year	–	–	–	–	(28,933)	(5,047)	(174,250)	(6,636)	–
Exercised during the year	(40,822)	(2,356)	(124,035)	(243,181)	(960,125)	(937,400)	(955,098)	(45,300)	(44,678)
Outstanding at the end of the year	41,391	44,889	57,140	152,540	425,621	283,956	1,126,197	199,358	11,959
Exercisable at the end of the year	41,391	44,889	57,140	152,540	425,621	283,956	410,210	10,038	–
Weighted average share price at date of exercise/release (pence)	152.5	160.6	150.9	136.6	130.9	145.9	156.3	158.3	171.1

Notes to the consolidated financial statements continued

36 Share-based payments continued

The fair values of the awards 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:

	2024 £m	2023 £m
Weighted average share price at grant date (pence)		
– DBS	135.8	110.6
– LTIP	136.2	112.8
– ESP	138.8	99.9
Weighted average exercise price at grant date (pence)		
– DBS	–	–
– LTIP	–	–
– ESP	–	–
Expected volatility (%)		
– DBS	N/A	N/A
– LTIP	59	60
– ESP	N/A	N/A
Expected life (years)		
– DBS	3.0	3.0
– SAYE schemes	N/A	N/A
– LTIP	3.0	2.62
– 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.

	2024 £m	2023 £m
Weighted average fair value of options at grant date		
– DBS	135.2	105.4
– LTIP	135.3	84.9
– ESP	128.2	99.9

Notes to the consolidated financial statements continued

37 Retirement benefit schemes

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

UK Bus and Group – DB schemes: The First UK Bus Pension Scheme and The FirstGroup Pension Scheme. DC schemes: The First Bus Retirement Savings Plan and the Enhanced Lifetime Savings Plan. The Group terminated its participation in two Local Government Pension Schemes on 31 October 2023, with affected employees enrolled into The First Bus Retirement Savings Plan.

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

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

Each of these groups of arrangements have therefore been shown separately.

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.

The pension schemes in the UK and USA are operated independently of the Group by the relevant pension scheme's trustee. All pension scheme assets 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.

The market value of the assets as at 30 March 2024 for all non-contract rail operation defined benefit schemes totalled £1,413m (2023: £2,534m). The present value of scheme liabilities for all non-contract rail operation defined benefit schemes totalled £1,438m (2023: £2,342m).

(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 £31.6m (2023: £28.1m) 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 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 sponsorship of these schemes. These comprise three 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 24,700 former and current employees. 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.

At their last valuations, the defined benefit schemes had funding levels between 74% and 94% (2023: 74% and 99%).

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, new members were enrolled in the defined contribution section. The scheme closed to defined benefit accrual on 5 April 2018. In 2023, the defined contribution section was transferred out into a standalone scheme, The First Bus Retirement Savings Plan.

The FirstGroup Pension Scheme

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. A project is under way to merge The First UK Pension Scheme into The FirstGroup Pension Scheme.

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.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Local Government Pension Schemes

On 31 October 2023, following a consultation with affected employees, the Group terminated the participation of the relevant First Bus subsidiaries in the two Local Government Pension Schemes (LGPS) in which they were admitted bodies. An adjusting income statement expense for settlement charges and related costs of £146.9m has been recognised, with gains of £5.0m recognised in income for curtailment gains and £161.0m recognised in Other comprehensive income in relation to the restricted accounting surplus. The termination of participation has removed £543.3m and £153.9m of obligations and £679.8m and £159.5m of assets from the Group's balance sheet for the Greater Manchester Pension Fund and North East Scotland Pension Fund respectively during FY 2024. From a cash perspective, there were no payments required in relation to the exit from the Greater Manchester Pension Fund, while a payment of £23.1m was made from the North East Scotland Pension Fund to the Group. The closure to accrual and previously held irrecoverable surplus amounts are recognised within the settlement charge disclosed below.

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 closed to new entrants in March 2024, but remains open to the accrual of benefits for current members, provides salary-related benefits. Costs relating to accrual and to any deficit are shared with members. Any deficit is now fully borne by the sponsor – the impact of this currently has a negligible impact on the accounting balance sheet.

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:

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period	2,166.9	1,972.5	2,930.1	2,571.7
Income statement				
Operating				
– Current service cost	–	5.8	–	8.5
– Past service gain including curtailments	–	(5.0)	–	–
– Settlement in relation to LGPS participation termination	(839.3)	(697.2)	–	–
Total operating	(839.3)	(696.4)	–	8.5
Interest income/cost	81.2	74.8	84.0	72.5
Total income statement¹	(758.1)	(621.6)	84.0	81.0
Amounts paid to/(from) scheme				
Employer contributions	6.0	–	(7.5)	–
Employee contributions	0.7	0.7	1.2	1.2
Benefits paid	(100.2)	(100.2)	(121.6)	(121.6)
Total	(93.5)	(99.5)	(127.9)	(120.4)
Expected closing position	1,315.3	1,251.4	2,886.2	2,532.3
Change in financial assumptions	–	(87.4)	–	(632.8)
Change in demographic assumptions	–	(14.3)	–	(43.6)
Employee share of changes	–	0.2	0.2	(1.6)
Return on assets in excess of discount rate	(167.5)	–	(719.5)	–
Experience	–	11.9	–	118.2
Total	(167.5)	(89.6)	(719.3)	(559.8)
At end of period	1,147.8	1,161.8	2,166.9	1,972.5

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
(Deficit)/surplus before adjustment		(14.0)		194.4
Impact of shared cost		–		(0.3)
Adjustment for irrecoverable surplus ²		–		(156.7)
(Deficit)/surplus in schemes		(14.0)		37.4
The amount is presented in the consolidated balance sheet as follows:				
Non-current assets		6.0		44.6
Non-current liabilities		(20.0)		(7.2)
		(14.0)		37.4

1 In addition there was a financing charge of £4.3m relating to the interest on the asset ceiling as shown in the table below.

2 The irrecoverable surplus represented 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:

	2024 £m	2023 £m
At beginning of period	(156.7)	(162.3)
Interest on irrecoverable surplus	(4.3)	(4.7)
Gain on settlement of LGPS arrangements	161.0	–
Actuarial gain on irrecoverable surplus	–	10.3
At end of period	–	(156.7)

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At March 2024			
Equity	16.1	163.6	179.7
Other return seeking assets	–	27.2	27.2
Real estate	–	3.5	3.5
Fixed income/liability driven	680.0	243.7	923.7
Other income generating	–	1.0	1.0
Annuities	–	–	–
Cash and cash equivalents	12.7	–	12.7
	708.8	439.0	1,147.8
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

(b) North America

Greyhound pension arrangements

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

The Group operates a legacy DB arrangement in the US (2023: one), while in Canada, there is a legacy plan (2023: one) with a DB and a DC section, and a small unfunded supplementary executive retirement plan (SERP).

The Group has commenced the termination of all its legacy pension schemes in North America.

In July 2023, a buy-in was secured for all members of the Canadian DB plan other than for a small number of members for whom lump sums were payable. Surplus funds of £5.0m remain in the plan as at the balance sheet date. After excess contributions are refunded to the employer, the plan rules require that any surplus on termination is distributed amongst members. This surplus is considered to be an increase in the value of benefits and the resulting increase in DBO is being treated as OCI experience. Reflecting the position at the date of the transaction, this requirement to distribute surplus will increase obligations by £4.6m such that the net surplus is £0.4m, to be refunded to the employer on termination. The buy-in provides a direct match to the underlying benefits thereby eliminating future balance sheet volatility in respect of these obligations. The buy-in assets at the year end are categorised as annuities in the table below.

Separately, the Group conducted both a lump sum exercise and partial buy-out for the legacy DB arrangements in the US. The partial buy-out was completed in August 2023 and resulted in c.£56m of assets and liabilities as at year end being removed from the Group's balance sheet.

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:

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period (including held for sale)	366.8	369.5	412.4	408.7
Income statement				
Operating				
– Current service cost	–	3.4	–	2.1
– Past service gain including curtailments and settlements	(57.7)	(58.9)	–	–
Total operating	(57.7)	(55.5)	–	2.1
Interest income/cost	15.1	15.2	16.5	16.2
Total income statement	(42.6)	(40.3)	16.5	18.3
Amounts paid to/(from) scheme				
Employer contributions	0.6	–	4.5	–
Employee contributions	–	–	–	–
Benefits paid	(43.2)	(43.2)	(46.9)	(46.9)
Total	(42.6)	(43.2)	(42.4)	(46.9)
Expected closing position	281.6	286.0	386.5	380.1
Change in financial assumptions	–	(5.1)	–	(27.2)
Change in demographic assumptions	–	4.7	–	–
Employee share of change in DBO	–	–	–	–
Return on assets in excess of discount rate	(7.5)	–	(33.9)	–
Experience	–	–	–	1.6
Total	(7.5)	(0.4)	(33.9)	(25.6)
Currency gain/loss	(9.3)	(9.5)	14.2	15.0
At end of period	264.8	276.1	366.8	369.5

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Surplus/(deficit)				
Calculated as at 30 March		(11.3)		(2.7)
Opening irrecoverable surplus		(6.8)		(14.6)
Change in irrecoverable surplus		6.8		7.0
Currency gain/(loss) on irrecoverable surplus		–		0.8
Presented in the consolidated balance sheet as Non-current liabilities		(11.3)		(9.5)

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At March 2024			
Fixed income/liability driven	109.4	–	109.4
Annuities	–	148.2	148.2
Cash and cash equivalents	7.2	–	7.2
	116.6	148.2	264.8

	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

First Transit management contracts

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

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

	2024 £m	2023 £m
Assets	–	14.0
Liabilities	–	(21.8)
Deficits in schemes	–	(7.8)
Amounts recoverable from contracting authorities	–	7.8
Net deficits in schemes	–	–

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(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 four sections of the RPS, relating to its contracting obligations for its TOCs. The RPS is managed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

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

For the TOC sections, under the contractual arrangements with the DfT, the employer's responsibility is to pay the contributions following triennial funding valuations while it operates the contracted services. These contributions are subject to change on consideration of future statutory valuations, though the Group is fully protected from any such changes through its contracts with the DfT. 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 2022) 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. These discussions have now been concluded with the finalisation of the 31 December 2022 triennial valuation.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Management do not believe that the current 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 2023	3,684.3	(3,814.5)	52.1	78.1	–
Impact from non-renewal of TPE contract	(239.2)	267.7	(11.4)	(17.1)	–
Revised opening position, excluding TPE	3,445.1	(3,546.8)	40.7	61.0	–
Income statement					
Operating					
– Service cost	–	(128.7)	51.5	24.9	(52.3)
– Admin cost	–	(5.8)	2.3	–	(3.5)
Total operating	–	(134.5)	53.8	24.9	(55.8)
Financing	166.1	(165.4)	(0.3)	(0.4)	–
Total income statement	166.1	(299.9)	53.5	24.5	(55.8)
Amounts paid to/(from) scheme					
Employer contributions	55.8	–	(22.3)	22.3	55.8
Employee contributions	36.7	–	(14.7)	(22.0)	–
Benefits paid	(141.7)	141.7	–	–	–
Total	(49.2)	141.7	(37.0)	0.3	55.8
Expected closing position	3,562.0	(3,705.0)	57.1	85.8	–
Change in financial assumptions	–	30.7	(12.3)	(18.4)	–
Change in demographic assumptions	–	74.6	(29.8)	(44.8)	–
Return on assets in excess of discount rate	160.4	–	(64.1)	(96.3)	–
Experience	–	11.0	(4.4)	(6.6)	–
Total	160.4	116.3	(110.6)	(166.1)	–
At 31 March 2024	3,722.4	(3,588.7)	(53.4)	(80.3)	–

Notes to the consolidated financial statements continued

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 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	(5,310.6)	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	–

During the year £5.8m (2023: £10.4m) of gross administrative expenses were incurred, included in benefits paid above.

Finance costs above include interest income of £99.7m (2023: £64.9m) and employee share of interest on assets of £66.4m (2023: £43.3m).

Income statement charges on liabilities above of £299.9m (2023: £385.2m) represent:

	2024 £m	2023 £m
Current service costs	80.7	148.2
Interest costs	99.2	82.9
Employee share of change in DBO (not attributable to contract adjustment)	120.0	154.1
	299.9	385.2

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At 30 March 2024/31 March 2024			
Equity	–	2,106.4	2,106.4
Other return seeking assets	–	1,166.0	1,166.0
Real estate	–	440.1	440.1
Cash and cash equivalents	9.9	–	9.9
	9.9	3,712.5	3,722.4
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

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 2024 %	First Rail 2024 %	North America 2024 %	First Bus 2023 %	First Rail 2023 %	North America 2023 %
At 25 March 2023/31 March 2023						
Key assumptions used:						
Discount rate	4.86 – 4.88	4.89	4.85 – 5.16	4.67 – 4.69	4.80	4.66 – 4.92
Expected rate of salary increases	N/A	3.70	N/A	3.51	3.22	n/a
Inflation – CPI	2.61 – 2.62	2.60	2.00	2.51 – 2.56	2.72	2.0
Future pension increases	2.58 ²	2.60	n/a	2.532	2.72	n/a
Post-retirement mortality (life expectancy in years) ¹						
Current pensioners at 65:	19.3	20.1	19.8 – 21.6	19.4	20.7	19.7 – 21.6
Future pensioners at 65 aged 45 now:	19.7	21.5	21.4 – 22.6	19.8	22.2	21.3 – 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.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(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 £150m. A 0.5% movement in the inflation rate would impact the balance sheet position by approximately £59m. A one-year movement in life expectancy would impact the balance sheet position by approximately £38m.

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.

(f) Consolidated statement of comprehensive income

Amounts presented in the consolidated statement of comprehensive income comprise:

	2024 £m	2023 £m
Actuarial gain on DBO	206.5	2,079.7
Actuarial (loss) on assets	(14.6)	(925.7)
Actuarial (loss) on contract adjustments	(276.7)	(1,323.7)
Gain on settlement of LGPS arrangements	161.0	–
Adjustment for irrecoverable surplus	7.1	18.8
Actuarial gains/(losses) on defined benefit schemes	83.3	(150.9)

(g) Cash contributions

The estimated amounts of employer contributions expected to be paid to the defined benefit schemes during the 52 weeks ending 29 March 2025 is £62m based on current contributions schedules in force (30 March 2024: £64m).

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(h) Risks associated with defined benefit plans

Other than for the First Rail TOCs, the number of employees in defined benefit plans is reducing rapidly, as these plans are closed to new entrants, and plans are being terminated. This will serve to limit the risks associated with DB 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. Furthermore, under these contractual arrangements with the DfT, the First Rail TOCs are indemnified against any short-term cash flow risks arising from future triennial valuations.

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) has mitigated this risk to some extent.
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 130-143.

	2024 £m	2023 £m
Basic salaries ¹	1.9	1.7
Fees	0.7	0.8
Share-based payment	2.4	2.5
	5.0	5.0

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

39 Events after the reporting period

On 31 May, the majority of the Bus Scheme's assets and liabilities were transferred into a newly created section of the Group Scheme, leaving c.£70m in the Bus Scheme. The Group anticipates starting the winding-up process of the Bus Scheme as soon as possible. Eligible members who decline a lump sum payment option will be transferred to the Group Scheme in due course, at which point the merger will be completed. The two Sections will remain segregated for funding and investment purposes and there is no impact to be reflected in the Group's financial statements.

Notes to the consolidated financial statements continued

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 30 March 2024 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 30 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,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,^{1,4,5} Enterprise House, Easton Road, Bristol, BS5 0DZ
CCB Holdings Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
CentreWest Limited,^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
CentreWest London Buses Limited,^{3,5} 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,^{1,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Ensign Bus Company Limited,^{3,7} The Rifle Range, Juliette Close, Purfleet Industrial Park, Aveley, South Ockendon, Essex, RM15 4YF
Evolutionary Rail Limited,^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FB Canada Holdings Limited,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FG Canada Investments Limited,^{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,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FK Cross London Limited,⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
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 Bus Retirement Savings Plan Trustee Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Capital Connect Limited,^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Capital East Limited,^{3,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
First Capital North Limited,^{4,5} 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,^{3,5} 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,^{3,7} Davey House, 7b Castle Meadow, Norwich, Norfolk, NR1 3DE
First Essex Buses Limited,^{3,7} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
First European Holdings Limited,^{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 Greater Western Limited,^{7,9} Milford House, 1 Milford Street Swindon, Wiltshire SN1 1HL
First Hampshire & Dorset Limited,^{3,7} Hoeford, Gosport Road, Fareham, Hampshire, PO16 0ST
First Information Services Limited,^{1,3,8} 395 King Street, Aberdeen, AB24 5RP
First International (Holdings) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First International No.1 Limited,^{3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First London Cableway Limited,⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Manchester Limited,^{3,7} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Merging Pension Schemes Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Midland Red Buses Limited,^{3,7} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First North West Limited,^{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,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Rail (Commuter) Limited,^{5,9} 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,^{3,9} 395 King Street, Aberdeen, AB24 5RP

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

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,^{3,7} Olive Grove, Sheffield, South Yorkshire, S2 3GA

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

First 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,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

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

FirstGroup Canadian Finance Limited,^{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 Energy Limited,⁴ 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,^{1,3,6} 395 King Street, Aberdeen, AB24 5RP

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

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

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

G.A.G. Limited,^{1,3,4} 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

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

Gurna Limited,^{3,5} 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

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

LCB Engineering Limited,^{3,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

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

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,^{1,3,4,5} Olive Grove, Sheffield, South Yorkshire, S2 3GA

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,^{4,5} 395 King Street, Aberdeen, AB24 5RP

Reiver Ventures Limited,^{1,5} 395 King Street, Aberdeen, AB24 5RP

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

Rider Holdings Limited,^{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,³ 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,^{1,5} 395 King Street, Aberdeen, AB24 5RP

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

Southampton City Transport Company Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Specialist Passenger Solutions Ltd,^{3,7} J24 Hinkley Point C, Park and Ride, Huntworth Business Park, Bridgwater, TA6 6TS

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

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

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

West Dorset Coaches Limited,^{4,5} Enterprise House, Easton Road, Bristol, BS5 0DZ

Western National Holdings Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

York Pullman Bus Company Limited,⁷ 2 Clifton Moor Business Village, York, North Yorkshire, YO30 4XG

YPBC Limited,⁴ 2 Clifton Moor Business Village, York, North Yorkshire, YO30 4XG

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

Durham City Transit Company,⁷ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

FirstGroup Management,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

FirstGroup Services,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

Laidlaw Transportation Holdings,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

Transit Management of Dutchess County,⁷ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

Subsidiaries – not wholly owned but incorporated in the United States of America

Transportation Realty Income Partners LP (50%),⁷ 600 Vine Street Suite 1400, Cincinnati, Ohio 45202

Subsidiaries – wholly owned and incorporated in Ireland

Aeroporto Limited,⁴ 25-28 North Wall Quay, Dublin

Last Passive Limited,⁷ 25-28 North Wall Quay, Dublin

Subsidiaries – wholly owned and incorporated in Panama

First Transit de Panama, Inc.⁵ Morgan & Morgan, Costa del Este, MMG Tower, 23rd Floor, Panama City

Subsidiaries – wholly owned and incorporated in Canada

GCT Holdings Ltd,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8

GCT Investment Limited Partnership,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8

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

Subsidiaries – not wholly owned but incorporated in Canada

GACCTO Limited (50%),⁵ 130 King Street West, #1600, Toronto, Ontario M5X 1J5

Subsidiaries – not wholly owned but incorporated in the United Kingdom

Careroute Limited (80%),⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First/Keolis Holdings Limited (55%),^{1,3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First/Keolis TransPennine Holdings Limited (55%),^{3,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First/Keolis TransPennine Limited (55%),^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First MTR South Western Trains Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Trenitalia West Coast Rail Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

NextGen AssetCo Limited (50%),⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

NextGen MidCo Limited (50%),⁶ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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 30 March 2024 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

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Consolidated income statement (includes discontinued operations)					
Group revenue	4,715.1	4,759.0	5,588.0	6,844.8	7,754.6
Operating profit before amortisation charges and other adjustments	202.4	154.4	226.8	220.4	256.8
Amortisation charges	–	–	(0.4)	(4.1)	(4.9)
Other adjustments	(161.2)	30.8	579.7	69.5	(404.6)
Operating profit/(loss)	41.2	185.2	806.1	285.8	(152.7)
Finance costs	(82.4)	(69.3)	(153.5)	(172.0)	(146.9)
Investment income	16.8	12.8	1.5	2.0	–
(Loss)/profit before tax	(24.4)	128.7	654.1	115.8	(299.6)
Tax	15.0	(33.4)	(12.1)	(24.7)	(25.0)
(Loss)/profit for the year	(9.4)	95.3	642.0	91.1	(324.6)
EBITDA	746.8	755.8	862.1	1,178.9	1,108.9
Per share measures					
	pence	pence	pence	pence	pence
Adjusted continuing EPS ¹	16.7	11.6	1.6	(2.8)	6.8
Basic EPS	(2.4)	11.8	60.2	6.5	(27.0)
Dividend per share	5.5	3.8	1.1	–	–
Consolidated balance sheet					
	£m	£m	£m	£m	£m
Non-current assets	2,425.4	2,651.9	2,267.2	2,641.2	6,225.1
Net current (liabilities)/assets	(621.7)	(253.9)	(546.8)	(876.8)	(701.9)
Non-current liabilities	(1,051.3)	(1,530.9)	(753.1)	(2,817.7)	(3,927.5)
Held for sale – continuing operations	–	8.3	–	–	–
Held for sale – discontinued operations	0.6	0.6	38.5	2,342.9	–
Non-current provisions	(111.3)	(125.2)	(120.7)	(135.5)	(419.0)
Net assets	641.7	750.8	885.1	1,154.1	1,176.7
Share data					
Number of shares in issue	millions	millions	millions	millions	millions
At year end	750.7	750.6	750.2	1,221.8	1,219.5
Average (excluding treasury shares and shares in trusts)	662.9	739.5	1,057.5	1,203.6	1,210.9
Share price					
	pence	pence	pence	pence	pence
At year end	180	101	107	92	50
High	188	140	107	95	138
Low	102	94	73	31	28

Group financial summary continued

Unaudited

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Market capitalisation					
At year end	1,154	803	1,124	610	1,105
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Continuing operations					
Revenue	4,751.1	4,755.0	4,591.1	4,318.8	4,039.6
Adjusted operating profit	204.3	161.0	106.7	112.2	81.3
Operating profit/(loss)	46.5	153.9	122.8	171.0	38.2
EBITDA	748.6	762.4	731.2	782.8	623.3
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
First Bus					
Revenue	1,012.2	902.5	789.9	698.9	835.9
Adjusted operating profit	83.6	58.4	45.2	36.6	46.1
Operating profit/(loss)	(63.3)	51.4	45.2	30.8	32.4
EBITDA	148.1	120.9	104.4	100.8	113.2
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
First Rail					
Revenue	3,738.4	3,893.2	3,801.2	3,619.9	3,203.7
Adjusted operating profit	143.3	124.8	87.8	108.1	70.4
Operating profit/(loss)	143.3	124.8	91.8	203.8	69.3
EBITDA	620.5	661.0	649.9	711.1	540.3

1 The Group has revised its definition of adjusted earnings during the year, to exclude also the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases. The 2023 comparatives only have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

Company balance sheet

As at 30 March 2024/25 March 2023

	Notes	2024 £m	2023 £m
Non-current assets			
Trade and other receivables	3	513.4	506.9
Derivative financial instruments	4	–	0.1
Investments	5	738.2	740.7
		1,251.6	1,247.7
Current assets			
Cash and cash equivalents		118.9	371.4
Trade and other receivables	3	3.3	2.7
Derivative financial instruments	4	–	4.1
		122.2	378.2
Total assets		1,373.8	1,625.9
Current liabilities			
Trade and other payables	7	357.8	313.3
Derivative financial instruments	4	0.7	0.1
		358.5	313.4
Net current (liabilities)/assets		(236.3)	64.8
Non-current liabilities			
Trade and other payables		–	184.2
Derivative financial instruments	7	0.2	–
		0.2	184.2
Total liabilities		358.7	497.6
Net assets		1,015.1	1,128.3
Equity			
Share capital	8	37.5	37.5
Share premium		693.3	693.2
Other reserves		115.9	117.2
Own shares	9	(20.4)	(15.4)
Retained earnings		188.8	295.8
Total equity		1,015.1	1,128.3

The Company reported a profit for the 53 weeks ending 30 March 2024 of £37.6m (2023: profit of £232.3m).

Ryan Mangold

11 June 2024

Company number SC157176

Company statement of changes in equity

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	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 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
Balance at 26 March 2023	37.5	693.2	(15.4)	(10.2)	13.9	93.8	19.7	295.8	1,128.3
Profit for the year	-	-	-	-	-	-	-	37.6	37.6
Other comprehensive loss for the year	-	-	-	(1.3)	-	-	-	-	(1.3)
Total comprehensive gain/(loss) for the year	-	-	-	(1.3)	-	-	-	37.6	36.3
Transactions with owners in their capacity as owners									
Shares issued	-	0.1	-	-	-	-	-	-	0.1
Shares bought back but not yet cancelled	-	-	-	-	-	-	-	(74.7)	(74.7)
Liability for shares not yet bought back	-	-	-	-	-	-	-	(41.1)	(41.1)
Movement in EBT and treasury shares	-	-	(5.0)	-	-	-	-	(11.5)	(16.5)
Share-based payments	-	-	-	-	-	-	-	12.2	12.2
Dividends paid	-	-	-	-	-	-	-	(29.5)	(29.5)
Balance at 30 March 2024	37.5	693.3	(20.4)	(11.5)	13.9	93.8	19.7	188.8	1,015.1

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 £37.6m (2023 £32.7m).

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 4-102.

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 payments, 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 current period include the results and financial position of the Company for the 53 weeks ending 30 March 2024. The financial statements for the prior period include the results and financial position of the Company for the 52 weeks ending 25 March 2023.

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 is 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 30 March 2024 is £738.2m (2023: £740.7m).

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 30 March 2024 of £37.6m (2023: profit of £232.3m).

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

	2024 £m	2023 £m
Amounts due within one year		
Prepayments	3.3	2.7
	3.3	2.7
Amounts due after more than one year		
Amounts due from subsidiary undertakings	475.5	472.9
Loss allowance	(0.9)	(0.9)
Net amounts due from subsidiary undertakings	474.6	472.0
Deferred tax asset (note 6)	38.8	34.9
	513.4	506.9

Notes to the Company financial statements continued

4 Derivative financial instruments

	2024 £m	2023 £m
Total derivatives		
Total assets – due after more than one year	–	0.1
Total assets – due within one year	–	4.1
Total assets	–	4.2
Total creditors – amounts falling due within one year	0.7	0.1
Total creditors – amounts falling due after more than one year	0.2	–
Total creditors	0.9	0.1
Derivatives designated and effective as hedging instruments carried at fair value		
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
Current assets		
Currency forwards (cash flow hedge)	–	4.1
	–	4.1
Total assets	–	4.2
Current liabilities		
Currency forwards (cash flow hedge)	0.7	–
Non-current liabilities		
Currency forwards (cash flow hedge)	0.2	–
Total liabilities	0.9	–

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.

5 Investments in subsidiary undertakings

	Unlisted subsidiary undertakings £m
Cost	
At 25 March 2023	1,184.4
Additions	6.5
Write-off of investment	(2.5)
At 30 March 2024	1,188.4
Provision for impairment	
At 25 March 2023	443.7
Impairment	6.5
At 30 March 2024	450.2
Carrying amount	
At 30 March 2024	738.2
At 25 March 2023	740.7

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 £738.2m 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.

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 9.3%.

A full list of subsidiaries and investments can be found in note 40 to the Group accounts.

Notes to the Company financial statements continued

6 Deferred tax

The deferred tax asset/liability recognised by the Company and the movements thereon are as follows:

	Other temporary differences £m
At 25 March 2023	(34.9)
Credit to income statement	(3.3)
Credit to reserves	(0.6)
At 30 March 2024	(38.8)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 £m	2023 £m
Deferred tax asset due after more than one year	(38.8)	(34.9)

7 Creditors

	2024 £m	2023 £m
Amounts falling due within one year		
Bank overdraft	27.8	82.9
£200m sterling bond – 6.875% 2024	99.7	6.5
Amounts due to subsidiary undertakings	174.0	170.0
Accruals and deferred income	56.3	53.9
	357.8	313.3
Amounts falling due after more than one year		
£200m sterling bond – 6.875% 2024	–	184.2
	–	184.2

Borrowing facilities

The maturity profile of the Company's undrawn committed borrowing facilities is as follows:

	2024 £m	2023 £m
Facilities maturing:		
Revolving credit facility – due in more than two years	300.0	300.0
Green HP finance facility – due in more than two years	129.9	–

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	£m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance at 25 March 2023	750.6	37.5
SAYE/BAYE exercises	0.1	–
Balance at 30 March 2024 (ordinary shares of 5p each)	750.7	37.5

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

On 8 June 2023, the Company announced a share buyback programme to purchase up to £115m of ordinary shares. At 30 March 2024, the Company had repurchased 46,854,557 shares for a total consideration of £74.7m, including transaction costs. As at 30 March 2024, a total of £115.8m has been deducted from retained earnings in respect of the shares already repurchased, directly associated transaction costs, and the remaining commitment to purchase up to £115m 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 625.4m (2023: 737.3m). At the end of the period 125.3m shares (2023: 42.8m shares) were being held as treasury shares and own shares held in trust for employees.

9 Own shares

	Own shares £m
At 25 March 2023	(15.4)
Movement in EBT, QUEST and treasury shares during the year	(5.0)
At 30 March 2024	(20.4)

The number of own shares held by the Group at the end of the year was 125,292,999 (2023: 42,774,044) FirstGroup plc ordinary shares of 5p each. Of these, 14,379,907 (2023: 13,068,899) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2023: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2023: 157,229) were held as treasury shares, with a further 110,723,343 (2023: 29,515,396) held as treasury shares as part of the share buyback programmes. 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 30 March 2024 was £226.0m (2023: £43.3m).

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 £59.8m (2023: £55.0m) and letters of credit for £164.3m (2023: £169.9m). The performance bonds primarily relate to First Rail franchise operations of £56.7m 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 £103.4m to First Rail, of which £78.5m remains undrawn. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

The Group is party to certain unsecured guarantees granted to banks for overdraft and cash management facilities provided to itself and subsidiary undertakings. The Company has given certain unsecured guarantees for the liabilities of its subsidiary undertakings arising under certain HP contracts, finance leases, operating leases and certain pension scheme arrangements. It also provides unsecured cross guarantees to certain subsidiary undertakings as required by VAT legislation. First Bus subsidiaries have provided unsecured guarantees on a joint and several basis to the Trustees of The First Bus Pension Scheme. One 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.

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, but agreed a settlement of the claim against it with the class representative (CR) which was approved by the CAT on 10 May 2024 and, as a result, the claim that was originally brought against it will not be proceeding. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities (LSER) and against Govia Thameslink Railway Limited and related entities (GTR) in respect of the operation of other rail services. The three sets of proceedings are being heard together. The CR alleges that FSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order (CPO) has been made by the CAT in respect of the proceedings. The proceedings have been split into three trials, the first two of which have been set for June/July 2024 and June 2025, respectively, with no date currently set for the final trial. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims.

Shareholder information

Annual General Meeting

The AGM will be held on 26 July 2024 at Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London, SW1P 3EE.

The Notice of AGM is available on the Company's website and will have been posted to you if you have chosen to receive hard copy communications from the Company. Either a Form of Proxy or online Voting Card has been posted to all shareholders registered on the Company's register of members.

We are intending to hold the AGM as a physical meeting. Any changes to the arrangements will be communicated to shareholders before the meeting through our website and, where appropriate, by RIS announcement.

Shareholders are encouraged to submit proxies for the 2024 AGM electronically by logging on to www.sharevote.co.uk. Electronic proxy appointments must be received by the Company's Registrar, Equiniti, no later than 48 hours, excluding non-business days, before the time fixed for the AGM.

Shareholders who wish to ask questions relating to the business of the AGM are encouraged to do so by submitting questions in advance of the AGM by email to companysecretariat@firstgroup.co.uk, or by post for the attention of the Company Secretary (see addresses on the next page). We will consider all questions received and, to the extent practicable, answers will also be published on the Company's website. For all other queries regarding the AGM, please contact the Company Secretary.

Website and shareholder communications

A wide range of information on FirstGroup is available at the Company's website including:

- financial information – annual and half-yearly reports as well as trading updates;
- share price information – current trading details and historical charts;
- shareholder information – AGM results, details of the Company's advisers and frequently asked questions; and
- news releases – current and historical.

FirstGroup uses its website as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner. Electronic communications allow shareholders to access information instantly as well as helping FirstGroup to reduce its costs and its impact on the environment. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting Equiniti.

Shareholders can sign up for electronic communications online by registering with Shareview, the internet-based platform provided by Equiniti. In addition to enabling shareholders to register to receive communications by email, Shareview provides a facility for shareholders to manage their shareholding online by allowing them to:

- receive trading updates by email;
- view their shareholdings;
- update their records, including change of address;
- view payment and tax information; and
- vote in advance of Company general meetings.

To find out more information about the services offered by Shareview, please visit www.shareview.co.uk.

Shareholder enquiries

The Company's share register is maintained by Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using one of the methods listed below:

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing, West Sussex
BN99 6DA

Tel: +44 (0)371 384 2046*

Online: www.shareview.co.uk

* Telephone lines are open from 8.30am to 5.30pm, Monday to Friday.

If you receive more than one copy of the Company's mailings this may indicate that more than one account is held in your name on the register. This happens when the registration details of separate transactions differ slightly. If you believe more than one account exists in your name, please contact Equiniti to request that the accounts are combined. There is no charge for this service.

Equiniti also offers a postal dealing facility for buying and selling FirstGroup plc ordinary shares; please write to them at the address shown above or telephone 0371 384 2248. They also offer a telephone and internet dealing service which provides a simple and convenient way of dealing in FirstGroup shares. For telephone dealing call 0345 603 7037 between 8.30am and 4.30pm, Monday to Friday, and for internet dealing log on to www.shareview.co.uk/dealing.

Shareholder information continued

ShareGift

If shareholders have a small number of shares and the dealing costs or the minimum fee make it uneconomical to sell them, it is possible to donate these to ShareGift, a registered charity, which provides a free service to enable you to dispose charitably of such shares. More information on this service can be found at www.sharegift.org or by calling +44 (0)20 7930 3737. A ShareGift transfer form can also be obtained from Equiniti.

FirstGroup's policy on discounts for shareholders

The Group does not offer travel or other discounts to shareholders.

Unsolicited advice on the Company's shares

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to deal only with financial services firms that are authorised by the FCA. You can check a firm is properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register. If you do deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if anything goes wrong. For more detailed information on how you can protect yourself from an investment scam, or to report a scam, go to www.fca.org.uk/consumers/report-scam or call 0800 111 6768.

Half-yearly results

The half-yearly results, normally announced to the market in November, will continue to be available on the Company's website in the form of a press release and not issued to shareholders in hard copy.

Contact information

Company Secretary

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100 Bishopsgate
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Liberum Capital Limited
Ropemaker Place
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London
EC2Y 9LY

External auditor

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford WD17 1JJ

Glossary

Set out below is a guide to commonly used financial, industry and Group related terms in the Annual Report and Accounts. These are not precise definitions and are included to provide readers with a guide to the general meaning of the terms.

Adjusted cash flow

Adjusted cash flow is described in the table shown on page 42 of the Financial review

Adjusted net debt/(cash)

Net debt/(cash) excluding ring-fenced cash and IFRS 16 lease liabilities

Adjusted measures (other)

References to 'adjusted operating profit', 'adjusted profit before tax', 'adjusted earnings' and 'adjusted EPS' throughout this document are before items which management has determined as not being relevant to an understanding of the Group's underlying business performance, as set out in note 4 to the financial statements. 'Adjusted earnings' and 'adjusted EPS' also exclude the impact of IFRS 16 depreciation and interest charges in relation to the Group's rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases

AGM

Annual General Meeting

ARP

American Rescue Plan

Avanti

Avanti West Coast, a train operating company

BAYE

Buy As You Earn

The Board

The Board of Directors of the Company

BRG

Bus Recovery Grant

CARES Act

Coronavirus Aid, Relief, and Economic Security Act; the US economic relief package signed into law on 27 March 2020

CBSSG and CBSSG-R

COVID-19 Bus Service Support Grant, a UK Government measure to secure continuity of service on crucial bus routes which may otherwise have ceased during the pandemic. CBSSG-Restart (CBSSG-R) was a successor scheme

CCFF

Covid Corporate Financing Facility, a UK Government commercial paper lending facility

CDP

An international non-profit organisation that helps companies and cities disclose their environmental impact

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGU

Cash Generating Unit

tCO₂(e)

Tonnes of Carbon dioxide equivalent, allowing other volumes of greenhouse gas emissions to be expressed in terms of carbon dioxide based on their relative global warming potential. Usually expressed as per kilometre or per passenger kilometre

Company

FirstGroup plc, a company registered in Scotland with number SC157176 whose registered office is at 395 King Street, Aberdeen AB24 5RP

CPT

Confederation of Passenger Transport, the UK bus industry membership body

'Cont' or the 'Continuing operations'

Refer to First Bus, First Rail and Group items

CPI

Consumer price index, an inflation measure that excludes certain housing-related costs

Defra

Department for Environment, Food and Rural Affairs (UK Government)

DfT

Department for Transport (UK Government)

'Disc' or the 'Discontinued' operations

Refer to First Student, First Transit and Greyhound US

Dividend

Amount payable per ordinary share on an interim and final basis

EABP

Executive Annual Bonus Plan

EATS

Exhaust after-treatment systems retrofitted to older diesel vehicles to improve their air quality impact

EBITDA

Earnings before interest, tax, depreciation and amortisation, calculated as adjusted operating profit less capital grant amortisation plus depreciation

EBITDA adjusted for First Rail management fees

First Bus and First Rail EBITDA from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs

EBT

Employee benefit trust

EDF

Employee Director's Forum

ED&I

Equality, diversity and inclusion

EMA/ERMA

Emergency Measures Agreements and Emergency Recovery Measures Agreements were introduced by the DfT to ensure that rail services could continue to operate during the pandemic

EPS

Earnings per share

ESG

Environmental, social and governance

EV

Electric vehicle

GED

Group Employee Director

GHG

Greenhouse gas emissions

Glossary continued

Group

FirstGroup plc and its subsidiaries

GWR

Great Western Railway, a train operating company

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

KPIs

Key performance indicators, financial and non-financial metrics used to define and measure progress towards our strategic objectives

LBG

London Benchmarking Group, an organisation that has created a framework for measuring community impact

LGPS

Local Government Pension Scheme

Local authority

Local government organisations in the UK, including unitary, metropolitan, district and county councils

LTIP

Long-Term Incentive Plan

M&A

Mergers and acquisitions

NBS

National Bus Strategy, announced by UK Government in March 2021

NRC

National Rail Contract

NED

Non-Executive Director

Net debt

The value of Group external borrowings excluding the fair value adjustment for coupon swaps designated against certain bonds, excluding accrued interest, less cash balances

Network Rail

Owner and operator of Britain's rail infrastructure, a UK public sector company that operates as a regulated monopoly

Ordinary shares

FirstGroup plc ordinary shares of 5p each

ORR

Office of Rail and Road

PLC

Public limited company

PPM

The UK rail industry's Public Performance Measure (punctuality and reliability). Trains are punctual if they arrive at their destination, having made all timetabled stops, within five minutes of scheduled time for London and South East and regional/commuter services and ten minutes for long distance trains

RCF

Revolving credit facility

RDG

Rail Delivery Group, the UK rail industry membership body that brings together passenger and freight rail companies, Network Rail and HS2

ROCE

Return on capital employed is a measure of capital efficiency and is calculated by dividing adjusted operating profit after tax by average year-end assets and liabilities excluding debt items

RSSB

Rail Safety and Standards Board

SAYE

Save As You Earn

SBT

Science-based target for reducing greenhouse gas emissions

ScotZeb

Scottish Zero Emission Bus funding scheme

SECR

Streamlined Energy and Carbon Reporting regulations, which took effect on 1 April 2019

SID

Senior Independent Director

SWR

South Western Railway, a train operating company

S&P

S&P Global Rating Agency

TCFD

Task Force on Climate-Related Financial Disclosures

TfL

Transport for London, the transport authority responsible for most aspects of London's transport system

TOC

Train operating company

TPE

TransPennine Express, a train operating company

TSR

Total shareholder return, the growth in value of a shareholding over a specified period assuming that dividends are reinvested to purchase additional shares

USPP

The US Private Placement market is a US private bond market which is available to both US and non-US companies

ZEBRA

Zero Emission Bus Regional Areas funding scheme

Cautionary comment concerning forward looking statements

This Annual Report and Accounts includes forward looking statements with respect to the business, strategy and plans of FirstGroup and its current goals, assumptions and expectations relating to its future financial condition, performance and results. Generally, words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'aim', 'outlook', 'believe', 'plan', 'seek', 'continue', 'potential', 'reasonably possible' or similar expressions are intended to identify forward looking statements.

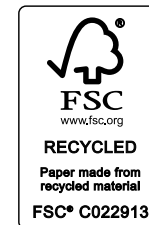
By their nature, forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause actual results, performance or achievements of FirstGroup to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Forward looking statements are not guarantees of future performance, and shareholders are cautioned not to place undue reliance on them. Forward looking statements speak only as of the date they are made and except as required by the UK Listing Rules and applicable law, FirstGroup does not undertake any obligation to update or change any forward looking statements to reflect events occurring after the date of this Annual Report and Accounts. Nothing in this Annual Report and Accounts is intended as a profit forecast or estimate for any period.

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