FirstGroup plc
Full year results

For the twelve months
to 31 March 2018

Thursday 31 May 2018

Overview

- This year's results fell short of our ambitions – disappointed that we did not make the further progress we intended based on the trends we saw at end of prior year
- However Group delivered strong cash generation and stable adjusted earnings despite a challenging operating environment in some markets
- Balance sheet strengthened further – bond refinancing and continued deleveraging
- Non-cash Greyhound goodwill and other asset impairments of £277.3m and onerous contract provision on TPE franchise of £106.3m
- Looking ahead, expecting overall progress in Road divisions to broadly offset lower Rail contribution, with free cash generation to continue

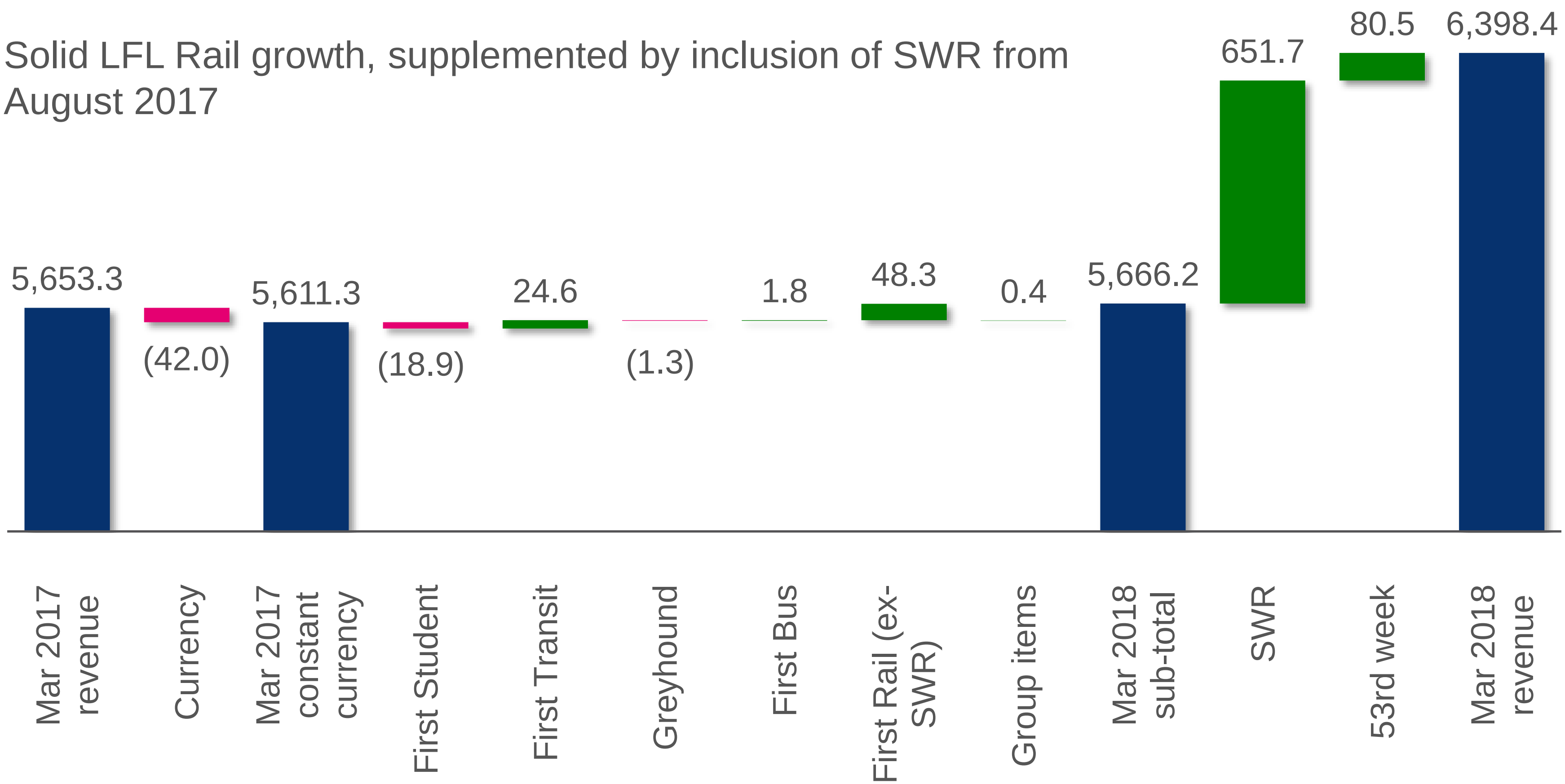
Financial summary

£m	Mar 2018	Mar 2017	Change	Change in constant currency[1]	SWR- and 53rd week-adjusted change, in constant currency[2]
Revenue	6,398.4	5,653.3	+13.2%	+14.0%	+1.0%
Adjusted[3]					
- EBITDA	690.6	686.6	+0.6%	+2.1%	
- Operating profit	317.0	339.0	(6.5)%	(4.3)%	(10.4)%
- Margin %	5.0%	6.0%	(100)bps	(90)bps	
- Net finance costs	(120.0)	(132.0)	(9.1)%		
- Profit before tax	197.0	207.0	(4.8)%	(1.2)%	
- Effective tax rate %	22.4%	26.0%	(360)bps		
- Attributable profit	147.7	149.4	(1.1)%		
- EPS p	12.3p	12.4p	(0.8)%	+3.4%	
Net debt[4]	1,070.3	1,289.9	(17.0)%	(15.5)%	
Net debt: EBITDA	1.5x	1.9x			
ROCE	9.5%	7.3%	+220bps	+160bps	

[1] Change in constant currency is based on retranslating FY 2017 foreign currency amounts at FY 2018 rates
[2] Change excluding SWR franchise revenue (which became part of First Rail in August 2017) and the 53rd week in the Road divisions, in constant currency
[3] Before amortisation charges and certain other items
[4] Net debt is stated excluding accrued bond interest

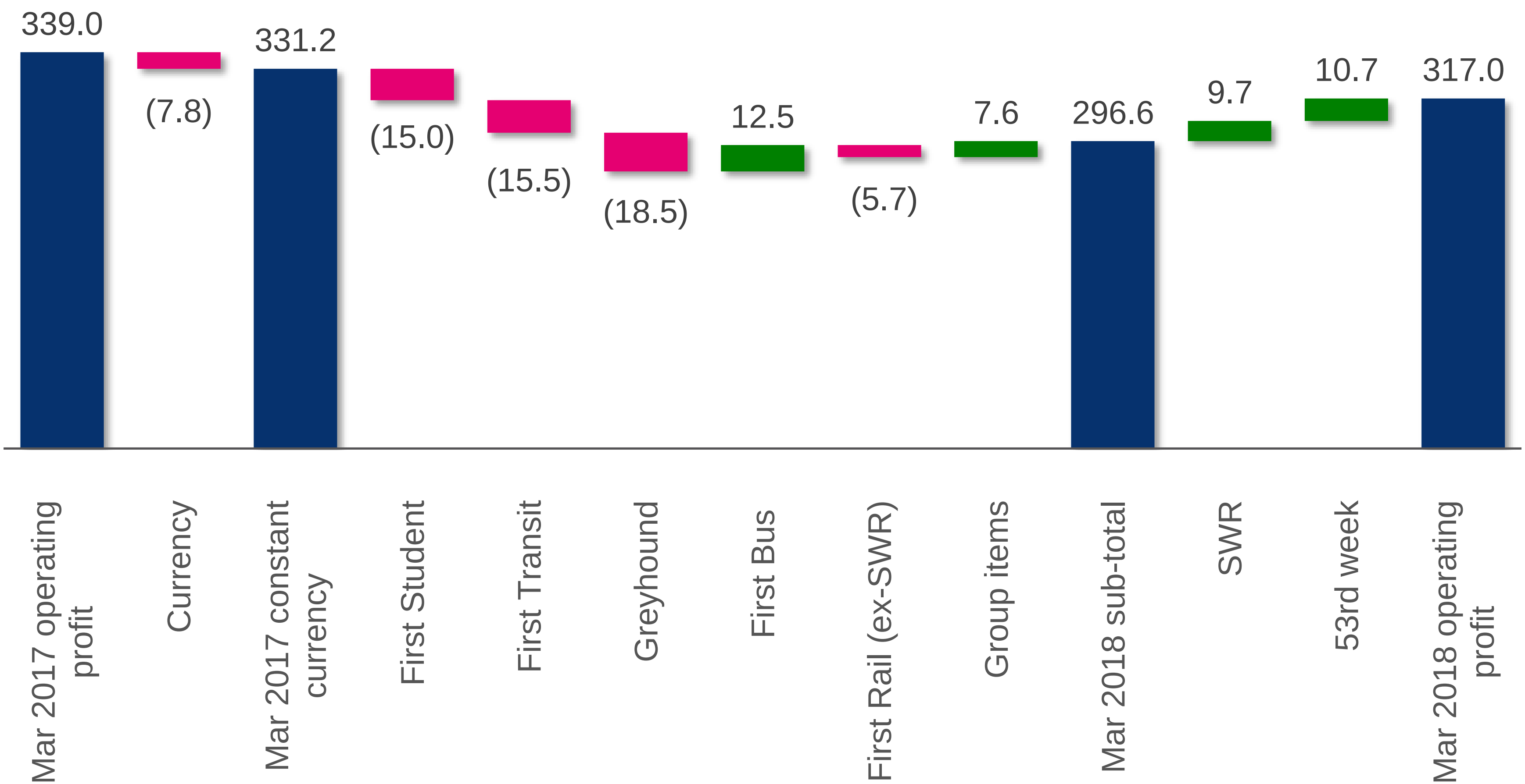
Revenue performance

- Group revenue growth +1.0% in constant currency excluding benefit of new SWR franchise and 53rd week
- Road divisions flat excluding the 53rd week; First Student and First Bus most impacted by service suspensions due to the weather in the final quarter
- Solid LFL Rail growth, supplemented by inclusion of SWR from August 2017



Operating profit performance

- Road divisions: good margin progress in Bus – offset by Greyhound long haul challenges, Transit's driver labour costs and reduced margin in Student
- Rail division: solid profitability driven by GWR and SWR, partially offset by losses in TPE



[1] Before amortisation charges and certain other items

First Student

2017/18:

- Fourth year of 'up or out' bidding strategy continued to deliver
  - 83% retention better than prior year but lower than we had targeted
  - 5.3% average price increases on 'at risk' business
- Initial bidding for 2018/19 school year progressing well
- Ongoing driver shortage costs offset by pricing strategy and cost savings

Priorities:

- Leverage market leadership to grow through higher contract retention, technology innovation and selective bolt-on acquisitions
- Continue to enhance efficiency of our cost base

First Transit

2017/18:

- Continuing to find growth by responding to new opportunities
  - 33 new contracts and 82% retention rate in the period
  - Main wins this year in fixed route, paratransit
- Responded well in H2 to the contract cost challenges experienced in H1
- Close down of Canadian oil sands shuttle contracts resulting in exceptional costs, will have mix impact on margin going forward

Priorities:

- Maintain leadership in core lines of business while piloting new business models
- Growth in adjacent business lines

Greyhound

2017/18:

- Positive short haul and Express trends from pricing and yield tools – Greyhound Express LFL growth +7.7%
- However insufficient to offset weaker passenger demand in long haul – impact of growth in ultra low cost carrier fleet capacity and secondary airport connections
- Limited additional variable cost opportunities given fleet maintenance and driver cost positions, but adapting business; US North East pool rationalised, eliminating British Columbia routes
- £277.3m goodwill and other assets impaired, reflecting changes in the long haul competitive environment

Priorities:

- Complete extension of successful Express model throughout North America
- Capture maximum value from our nationwide network and iconic brand in a challenging operating environment; conclude external business review

First Bus

2017/18:

- Encouraging improvement in LFL revenue growth (H1: +0.6%, FY: +1.1%) underpinned by modest commercial passenger volume growth
- Momentum behind substantial margin improvement, from stabilised volumes and cumulative effect of ongoing cost efficiency actions, some fuel benefit
- Local bus companies continue to tailor networks, fares, depot footprints and other costs to local conditions; contactless rollout on track

Priorities:

- Focus investment where we can partner with local authorities
- Frictionless customer offering (contactless, real time journey info, passenger apps) to drive growth in patronage
- Drive further efficiencies in local and divisional cost base

First Rail

2017/18:

- LFL passenger revenue growth +4.1%; solid financial contribution in year
- GWR revenue growth accelerated in part from introduction of Hitachi InterCity Express Trains; facing ongoing infrastructure upgrades
- SWR launched during Waterloo station upgrade; made solid contribution despite impact of unplanned infrastructure issues on operational delivery
- TPE's rapid growth continued; preparations ongoing for the substantial capacity increases which get underway from Autumn 2018
- £106.3m provision for forecast losses over remaining life of TPE rail franchise

Priorities:

- Growth from new capacity and service improvements on our franchises
- West Coast Partnership bid with partner Trenitalia

Non-GAAP adjustments

£m	Mar 2018	Mar 2017
Amortisation charges	**(70.9)**	(60.2)
Greyhound goodwill and other asset impairments	**(277.3)**	-
TPE onerous contract provision	**(106.3)**	-
Restructuring and reorganisation costs	**(26.0)**	(16.8)
North America insurance reserves	**(32.7)**	-
Bond make-whole costs	**(10.7)**	-
Gain on disposal of property	**-**	21.6
Ineffectiveness on financial derivatives	**-**	1.0
Other non-GAAP adjusting items	**(453.0)**	5.8
Total non-GAAP adjustments	**(523.9)**	(54.4)

- Greyhound non-cash goodwill and other asset impairments of £277.3m due to structural changes in long haul competitive environment
- £106.3m provision for possible losses over the remaining life of the TPE rail franchise
- £26.0m charge for restructuring and reorganisation costs, mainly on First Bus turnaround and related to First Transit contract losses
- £32.7m charge relating to significant adverse developments on a small number of old insurance claims in North America during the year
- Early redemption of the £300m bond in March resulted in a one-off £10.7m ‘make whole’ charge

Income statement – continued

£m	Mar 2018	Mar 2017	Reported change	Change in constant fx
Adjusted[1]				
Operating profit	**317.0**	339.0	(6.5)%	(4.3)%
Net finance costs	**(120.0)**	(132.0)	(9.1)%	
Profit before tax	**197.0**	207.0	(4.8)%	(1.2)%
Tax	**(44.2)**	(53.8)		
- Effective tax rate %	**22.4%**	26.0%	(360)bps	
Non-controlling interests	**(5.1)**	(3.8)		
Attributable profit	**147.7**	149.4	(1.1)%	
EPS p	**12.3p**	12.4p	(0.8)%	+3.4%

→ Lower net debt, lower interest rates

→ Impact of recent US tax legislation

→ Now mainly SWR

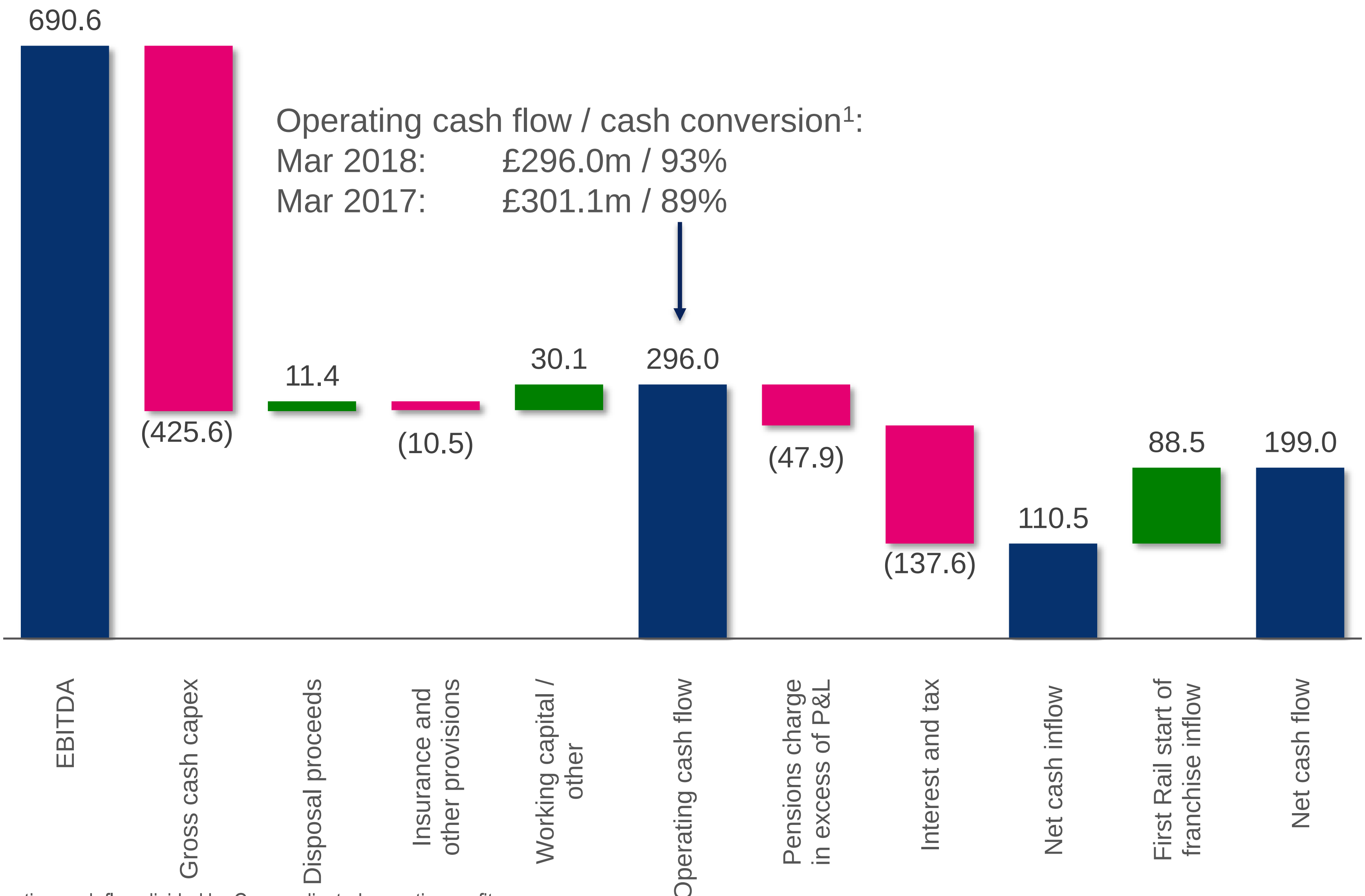
[1] Before amortisation charges and certain other items

Capital expenditure

£m	Mar 2018	Mar 2017
Passenger carrying vehicles (PCV)	249.1	224.7
IT including transformation & software	28.5	33.3
Equipment	18.9	19.6
Facilities and depot development	10.5	12.6
Acquisitions	2.9	-
Road divisions capital investment	**309.9**	**290.2**
First Rail	129.6	75.4
Total capital investment	**439.5**	**365.6**
Net creditor movement	(7.9)	46.7
Funded by operating lease	(6.0)	(8.0)
Gross cash capex	**425.6**	**404.3**

- Disciplined investment in passenger carrying fleet and IT programmes continues
- Expect Road capital investment before acquisitions of c.£350-360m in 2018/19, driven mainly by First Student and First Transit's shuttle contracts
- First Rail cash capex (largely funded through franchise agreements) currently expected to increase significantly in 2018/19, reflecting franchise commitments

Net cash flow (£m)



[1] Operating cash flow divided by Group adjusted operating profit

Financial position

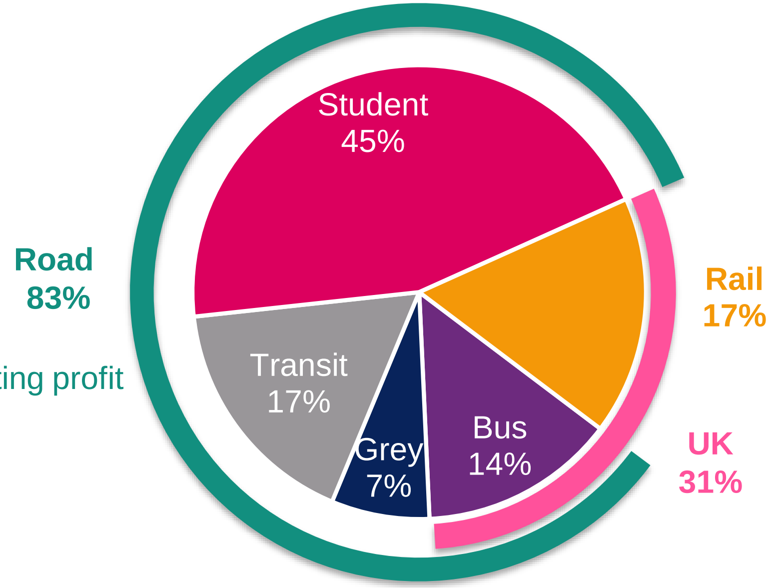
- Strong liquidity, stable financing position: net debt £1,070.3m (2017: £1,289.9m)
  - Headroom under committed facilities plus free cash: £766.4m (2017: £941.1m)
  - Net debt: EBITDA ratio 1.5x (2017: 1.9x), or 2.1x adjusted for Rail ring-fenced cash (2017: 2.3x)
  - Placed $275m in new long-term US private placement notes at weighted average coupon of 4.25%; redeemed £300m 8.125% bond in March 2018
  - Next bond maturity Jan 2019; aiming to rebalance further to shorter term / floating debt and USD over time
  - Long term facilities in place – average maturity 4.1 years (2017: 3.6 years)
  - Rated investment grade by Standard & Poor's and Fitch
- Pension deficit £273.7m (2017: £358.5m) decreased by £84.8m principally due to better asset returns together with favourable foreign exchange movements
  - Consolidated assets in three UK local government pension schemes into one
  - Both main UK defined benefit schemes now closed to defined benefit accrual

2018/19 guidance

- Group earnings expected to be broadly stable
  - Expecting overall improvement in Road margins and returns, underpinned by First Bus turnaround momentum and First Student's growth plans
  - Smaller contribution expected from the First Rail portfolio, reflecting slower rate of industry growth and rebasing of margins under new contract terms
- £14m interest cost reduction from Sept 2018 bond repayment
- P&L tax rate to remain in low 20's; cash tax broadly stable
- Cash capex for Road divisions in £350-360m range in 2018/19; expect significant but funded increase in Rail capex
- Higher free cash generation after disciplined investment expected from Road divisions, offset by a lower cash contribution from Rail in the year ahead

FirstGroup today

Road divisions
69% of revenue
83% of adjusted operating profit
70% of gross capex
6.6% Road ROCE



Rail division
31% of revenue
17% of adjusted operating profit
30% of gross capex currently (funded through franchise)
Capital light – raises Group ROCE to 9.5%

- Five market-leading public transport divisions
- Half of revenues from 1,400 multi-year contracts with national or local authorities
- Longstanding industry bidding and operational expertise
- Leading positions in large home markets of North America and UK
- Net debt: EBITDA reduced from 2.2x in 2014 to 1.5x in 2018
- Free cash flow significantly improved from £26.9m in 2014 to £110.5m in 2018

Future priorities

- This year’s results fell short of our ambitions – disappointed we did not make further progress as intended, based on the trends we saw at end of last year
- Tim O'Toole has stepped down from the Board and his position as Chief Executive
  - Process to select successor is underway
- Board examining all appropriate means to mobilise the considerable value inherent in the Group, including
  - External Greyhound business review, to conclude in coming months
  - Growth opportunities in First Student
  - Greater operational efficiency
  - Partnering opportunities to provide new solutions
  - Investment in modern customer convenience
- Considerable opportunity to create shareholder value in a sustainable way

FirstGroup plc Full year results

For the twelve months
to 31 March 2018

Thursday 31 May 2018

Appendices

Financial results

£m	Mar 2018	Mar 2017	Change
Revenue	**6,398.4**	5,653.3	+13.2%
EBITDA[1]	**690.6**	686.6	+0.6%
EBITDA margin %	**10.8%**	12.1%	(130)bps
Operating profit[2]	**317.0**	339.0	(6.5)%
Operating profit margin %	**5.0%**	6.0%	(100)bps
Net finance costs	**(120.0)**	(132.0)	(9.1)%
Profit before tax[2]	**197.0**	207.0	(4.8)%
Non-GAAP adjustments	**(523.9)**	(54.4)	+863%
(Loss)/profit before tax	**(326.9)**	152.6	n/m
Tax	**36.0**	(36.5)	n/m
(Loss)/profit after tax	**(290.9)**	116.1	n/m
Basic EPS p	**(24.6)p**	9.3p	n/m
Adjusted EPS p	**12.3p**	12.4p	(0.8)%

1 Adjusted operating profit less capital grant amortisation plus depreciation
2 Before Greyhound goodwill impairment, TPE onerous contract provision, other intangible amortisation charges and certain other items

Divisional performance

	Revenue		Change ex SWR / 53rd week, in constant fx[1]	Operating profit[2]		Change ex SWR / 53rd week, in constant fx[1]	Operating margin[2]		Change ex SWR / 53rd week, in constant fx[1]
	Mar 2018	Mar 2017		**Mar 2018**	Mar 2017		**Mar 2018**	Mar 2017	
£m									
First Student	**1,771.1**	1,780.3	(1.1)%	**156.5**	171.1	(9.1)%	**8.8%**	9.6%	(70)bps
First Transit	**1,072.7**	1,042.0	+2.4%	**58.2**	73.3	(21.6)%	**5.4%**	7.0%	(170)bps
Greyhound	**690.2**	684.7	(0.2)%	**25.5**	42.6	(44.3)%	**3.7%**	6.2%	(280)bps
First Bus	**879.4**	861.7	+0.2%	**50.2**	37.0	+33.5%	**5.7%**	4.3%	+150bps
First Rail	**1,968.8**	1,268.8	+3.8%	**57.8**	53.8	(10.6)%	**2.9%**	4.2%	(50)bps
Group items	**16.2**	15.8		**(31.2)**	(38.8)				
Total	**6,398.4**	5,653.3	+1.0%	**317.0**	339.0	(10.4)%	**5.0%**	6.0%	(70)bps
$m[3]									
First Student	**2,350.6**	2,323.3		**210.4**	222.0		**9.0%**	9.6%	
First Transit	**1,420.4**	1,358.9		**77.8**	95.2		**5.5%**	7.0%	
Greyhound	**912.7**	894.0		**32.8**	55.2		**3.6%**	6.2%	
North America	**4,683.7**	4,576.2		**321.0**	372.4		**6.9%**	8.1%	

[1] Growth excluding SWR franchise revenue (which became part of First Rail in August 2017) and the 53rd week in the Road divisions, in constant currency
[2] Before Greyhound goodwill impairment, TPE onerous contract provision, other intangible amortisation charges and certain other items
[3] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either year

First Student

$m	Mar 2018	Mar 2017	Change in constant currency[1]
Revenue	**2,350.6**	2,323.3	+0.9%
Operating profit[2]	**210.4**	222.0	(5.3)%
Margin %	**9.0%**	9.6%	(60)bps

$m	Revenue	Operating profit[2]
Mar 2017	**2,323.3**	**222.0**
H2 winter weather hit vs PY	(8.8)	(6.2)
H1 weather make-up vs PY	8.3	4.6
Pricing above inflation	25.0	25.0
Net growth	(85.5)	(15.5)
Management initiatives	–	13.1
Pay above inflation	(3.1)	(23.1)
Inflation / FX / other	60.9	(9.8)
Mar 2018 (52 week)	**2,320.1**	**210.1**
53rd week / operating days	30.5	0.3
Mar 2018	**2,350.6**	**210.4**

1 Change in constant currency is based on retranslating FY 2017 foreign currency amounts at FY 2018 rates
2 Before amortisation charges and certain other items

First Transit

$m	Mar 2018	Mar 2017	Change in constant currency[1]
Revenue	**1,420.4**	1,358.9	+4.2%
Operating profit[2]	**77.8**	95.2	(18.9)%
Margin %	**5.5%**	7.0%	(160)bps

$m	Revenue	Operating profit[2]
Mar 2017	**1,358.9**	**95.2**
Growth / new business / pricing	6.2	2.2
Pay above inflation	–	(13.7)
Hurricane impact	(1.1)	(1.9)
Medical costs	–	(7.5)
Inflation / FX / other	29.7	0.9
Mar 2018 (52 week)	**1,393.7**	**75.2**
53rd week	26.7	2.6
Mar 2018	**1,420.4**	**77.8**

1 Change in constant currency is based on retranslating FY 2017 foreign currency amounts at FY 2018 rates
2 Before amortisation charges and certain other items

Greyhound

$m	Mar 2018	Mar 2017	Change in constant currency[1]
Revenue	**912.7**	894.0	+1.7%
Operating profit[2]	**32.8**	55.2	(39.0)%
Margin %	**3.6%**	6.2%	(250)bps

$m	Revenue	Operating profit[2]
Mar 2017	**894.0**	**55.2**
Revenue	0.6	0.6
Cost inflation	–	(16.5)
Hurricanes / fires	(2.6)	(2.3)
Inflation / mgmt actions / other	2.9	(7.3)
Mar 2018 (52 week)	**894.9**	**29.7**
53rd week	17.8	3.1
Mar 2018	**912.7**	**32.8**

1 Change in constant currency is based on retranslating FY 2017 foreign currency amounts at FY 2018 rates
2 Before amortisation charges and certain other items

First Bus

£m	Mar 2018	Mar 2017	Change in constant currency[1]
Revenue	**879.4**	861.7	+1.9%
Operating profit[2]	**50.2**	37.0	+34.6%
Margin %	**5.7%**	4.3%	+140bps

£m	Revenue	Operating profit[2]
Mar 2017	**861.7**	**37.0**
Revenue	12.5	12.5
Weather	(3.9)	(3.5)
Cost inflation	–	(25.1)
Depot closures / mgmt. actions	(6.5)	21.7
Other (incl fuel)	0.8	7.2
Mar 2018 (52 weeks)	**864.6**	**49.8**
53rd week	14.8	0.4
Mar 2018	**879.4**	**50.2**

[1] Change in constant currency is based on retranslating FY 2017 foreign currency amounts at FY 2018 rates
[2] Before amortisation charges and certain other items

First Rail

£m	Mar 2018	Mar 2017	Change
Revenue	**1,968.8**	1,268.8	+55.2%
Operating profit[1]	**57.8**	53.8	+7.4%
Margin %	**2.9%**	4.2%	(130)bps

[1] Before amortisation charges and certain other items

First Rail passenger revenue growth

	Mar 2018	Mar 2017
Great Western Railway (GWR)	**2.7%**	0.3%
TransPennine Express (TPE)	**10.0%**	5.9%
Hull Trains	**3.3%**	5.8%
Total	**4.1%**	1.3%

- Like-for-like volume increased by 1.4%

Current diesel hedge position

Year to 31 March	UK			North America		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Annual volume (barrels 'm)	1.9	1.9	1.2	1.4	1.3	1.3
% hedged	82%	57%	20%	53%	28%	14%
Crude rate ($/barrel)	$58.42	$62.68	$62.62	$54.71	$53.00	$63.97
Diesel rate ($/barrel)	$73.64	$74.54	$74.06	$72.77	$72.25	$79.02
Equivalent cost per litre	34.4p	33.7p	32.8p	45.8¢	45.4¢	49.7¢

	First Bus	First Rail	First Student	First Transit	Greyhound	**Total**
Annual volume (barrels 'm)	0.9	1.0	0.7	0.1	0.6	**3.3**

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.34, $1.39 and $1.42:£1.00 in 2018/19 to 2020/21
- North America annual volume excludes c.2.2m barrels provided by customers or protected by contract escalators
- The decrease in expected annual volume consumption in 2020/21 reflects the end of the minimum GWR franchise term

Foreign exchange

- Higher US Dollar compared to prior year balance sheet date:

	31 Mar 2018	31 Mar 2017
Closing rate for the balance sheet US$	**$1.40**	$1.25
Closing rate for the balance sheet CAN$	**$1.81**	$1.67

- Higher US Dollar compared to prior year effective rate:

	Year to 31 Mar 2018	Year to 31 Mar 2017
Effective rate US$ earnings	**$1.34**	$1.29
Effective rate CAN$ earnings	**$1.75**	$1.74

- "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 does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the company does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant

Net finance costs and taxation

Net finance costs, £m	Mar 2018	Mar 2017
Bonds	**84.3**	83.7
Bank borrowings	**8.8**	11.4
Loan notes	**1.1**	1.0
Senior unsecured loan notes	**1.3**	4.3
Finance lease interest	**4.6**	6.4
Notional interest on long term provisions	**11.0**	17.5
Notional interest on pensions	**10.2**	8.9
Investment income	**(1.3)**	(1.2)
Net finance costs	**120.0**	**132.0**

Taxation, £m	Mar 2018	Mar 2017
Current tax	**(8.9)**	4.3
Deferred tax	**44.9**	(40.8)
Tax credit/(charge)	**36.0**	(36.5)
Tax paid	**(12.2)**	(10.2)
Tax rate on adjusted profit before tax	**22.4%**	26.0%

EBITDA by division

	Revenue		EBITDA[1]		EBITDA margin[1]	
	Mar 2018	Mar 2017	**Mar 2018**	Mar 2017	**Mar 2018**	Mar 2017
£m						
First Student	**1,771.1**	1,780.3	**335.2**	348.7	18.9%	19.6%
First Transit	**1,072.7**	1,042.0	**79.8**	91.9	7.4%	8.8%
Greyhound	**690.2**	684.7	**58.8**	79.4	8.5%	11.6%
First Bus	**879.4**	861.7	**116.3**	104.5	13.2%	12.1%
First Rail	**1,968.8**	1,268.8	**129.4**	98.8	6.6%	7.8%
Group items	**16.2**	15.8	**(28.9)**	(36.7)		
Total	**6,398.4**	5,653.3	**690.6**	686.6	10.8%	12.1%
$m[2]						
First Student	**2,350.6**	2,323.3	**447.0**	454.0	19.0%	19.5%
First Transit	**1,420.4**	1,358.9	**106.5**	119.5	7.5%	8.8%
Greyhound	**912.7**	894.0	**76.9**	103.3	8.4%	11.6%
North America	**4,683.7**	4,576.2	**630.4**	676.8	13.5%	14.8%

[1] Adjusted operating profit less capital grant amortisation plus depreciation

[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either year

Total capital expenditure and acquisitions

£m	Cash		Fixed asset/Software additions (including acquisitions)	
	Mar 2018	Mar 2017	**Mar 2018**	Mar 2017
First Student[1]	**186.0**	198.7	**205.1**	165.9
First Transit	**19.0**	17.8	**28.5**	17.8
Greyhound	**46.6**	30.1	**44.4**	31.7
First Bus	**42.8**	74.4	**20.9**	63.9
First Rail	**126.2**	80.4	**129.6**	75.4
Group items	**5.0**	2.9	**5.0**	2.9
Total	**425.6**	404.3	**433.5**	357.6

- In addition during the year we entered into operating leases for new vehicles in First Bus with capital value £6.0m (2017: First Transit £8.0m)

[1] Includes £2.9m cash and £1.6m fixed asset additions for the acquisition of Falcon Transportation, a Chicago-based provider of school and charter transportation services

First Rail commitments and bonds

Mar 2018, £m		GWR	TPE	SWR 70% share	Total
First Rail commitments					
Parent company support (PCS) total commitment	A	30.0	189.0	82.6	301.6
- Of which, unbonded commitment (non-cash)	B	*30.0*	*104.6*	*51.8*	*186.4*
- Of which, PCS bond (non-cash)	C	-	*84.4*	*30.8*	*115.2*
Performance bond (non-cash)	D	10.0	15.0	10.5	35.5
Season ticket bond (cash collateralised)	E	30.0	2.9	54.9	87.8
Total First Rail bonds (C+D+E)		**40.0**	**102.3**	**96.2**	**238.5**
PCS and performance bond – 'downside' (A+D)		**40.0**	**204.0**	**93.1**	**337.1**
First Rail ring-fenced cash					
Ring-fenced cash as at 31 March 2018		205.4	59.5	126.6	391.5
- Current expected end of franchise date		*Mar 2020*	*Mar 2023*	*Aug 2024*	
- Estimated end of franchise cash outflows		*118*	*34*	*86*	*238*

- PCS and performance bond (A+D) combined represent the maximum committed funding obligations accruing to the Parent in respect of franchise losses or non-performance over their contract lives
- Monies that cash-collateralise the season ticket bonds are part of the First Rail ring-fenced cash
- The additional cash in the First Rail ring-fence represents cash to be spent by the franchise or returned to the Parent over the life of the franchise

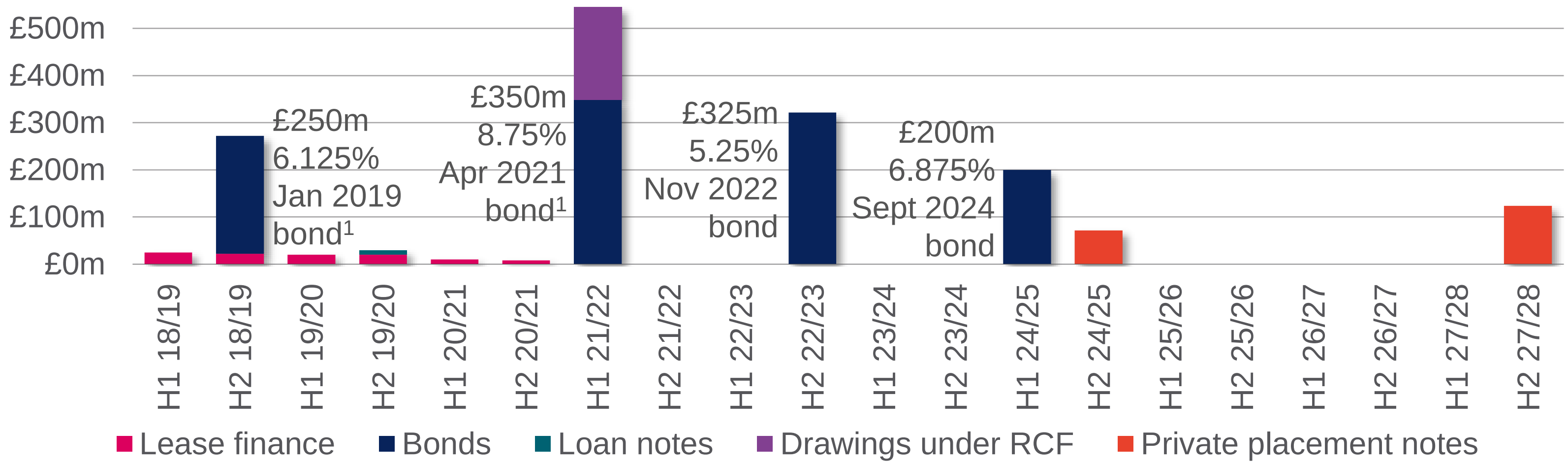
Pensions

£m	Deficit			Cash contributions			P&L charge[1]		
	Mar 2018	Mar 2017	Mar 2016	Mar 2018	Mar 2017	Mar 2016	Mar 2018	Mar 2017	Mar 2016
North America	**(162.7)**	(216.7)	(212.5)	**17.6**	14.0	20.1	**10.3**	9.9	7.6
First Bus	**(108.4)**	(139.8)	(57.5)	**62.4**	50.0	41.6	**21.5**	16.7	20.2
First Rail	**(2.6)**	(2.0)	(0.9)	**31.5**	21.9	27.1	**31.8**	21.7	27.4
Total	**(273.7)**	**(358.5)**	**(270.9)**	**111.5**	**85.9**	**88.8**	**63.6**	**48.3**	**55.2**

- Group deficit decreased by £84.8m principally due to better asset returns together with favourable foreign exchange movements

[1] Service costs excluding interest for defined benefit schemes

Financial position



- Strong liquidity and stable financing position with net debt of £1,070.3m
  - Headroom under committed facilities plus free cash: £766.4m (2017: £941.1m). £603m (2017: £800m) of undrawn facilities under committed bank revolving credit facility (RCF) expiring July 2021. Free cash of £163.4m (2017: £141.1m) excludes First Rail and other ring-fenced cash and deposits of £392.3m (2017: £259.8m)
  - Long term facilities in place – average maturity 4.1 years (2017: 3.6 years)
  - Placed $275m in new long-term US private placement notes; redeemed £300m bond in March 2018. Expect to retire Jan 2019 bond using bank RCF

[1] The 2019 and 2021 bonds have been swapped to floating rates and hence have a lower effective rate net of these swaps

ROCE

	Group ROCE	Road divisions ROCE
As at 31 March 2017	**7.3%**	**5.7%**
Foreign exchange	0.6%	0.4%
ROCE at constant currency	**7.9%**	**6.1%**
SWR	0.5%	–
Rail divisions trading	(0.1)%	–
TPE contract provision	0.3%	–
Road divisions trading	(0.7)%	(0.6)%
Greyhound impairment	0.9%	0.5%
53rd week	0.3%	0.3%
Tax rate / other	0.4%	0.3%
As at 31 March 2018	**9.5%**	**6.6%**

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