FIRSTGROUP PLC
HALF-YEARLY REPORT FOR THE 26 WEEKS TO 24 SEPTEMBER 2022

- Resilient financial performance delivered despite the challenging political, economic and industrial relations environment FirstGroup is experiencing, in common with many UK businesses
- Group's adjusted attributable profit was in line with management expectations in the period, and expectations for the current financial year are broadly unchanged despite a shift in mix
- Financial performance in First Rail was led by strong growth in open access operations; working hard to deliver passenger service level objectives across the four management fee-based contracts
- Continuing to strengthen First Bus for when current funding arrangements end, while managing industry-wide driver shortages and cost inflation in the near term
- Progress made monetising contingent values from exiting North America, with £122m sale of legacy Greyhound properties anticipated to complete in December and First Transit earnout recently triggered at c.£74m
- Strategy focused on continuous improvement in operational delivery, targeted investment in adjacent growth opportunities and playing a leading role in the decarbonisation of public transport

			H1 2023 (£m)			H1 2022 (£m)
	Cont.	**Disc.**	**Total**	Cont.	Disc.	Total
Revenue	**2,212.4**	**2.7**	**2,215.1**	2,139.1	970.6	3,109.7
Adjusted[1] operating profit/(loss)	**66.1**	**(8.4)**	**57.7**	51.8	121.3	173.1
Adjusted[1] operating profit margin	**3.0%**		**2.6%**	2.4%	12.5%	5.6%
Adjusted[1] profit/(loss) before tax	**41.0**	**(8.1)**	**32.9**	(6.3)	110.0	103.7
Adjusted[1] EPS[2]	**4.4p**	**(1.0)p**	**3.4p**	(0.4)p	7.0p	6.6p
Group adjusted attributable profit[3]			**30.8**			13.3
Dividend per share			**0.9p**			-
Adjusted net cash/(debt)[4]			**7.3**			603.9

			H1 2023 (£m)			H1 2022 (£m)
Statutory	**Cont.**	**Disc.**	**Total**	Cont.	Disc.	Total
Revenue	**2,212.4**	**2.7**	**2,215.1**	2,139.1	970.6	3,109.7
Operating profit/(loss)	**62.1**	**(28.6)**	**33.5**	52.2	592.3	644.5
Profit/(loss) before tax	**37.0**	**(28.3)**	**8.7**	(64.5)	581.0	516.5
EPS[2]			**(0.1)p**			42.4p
Net cash/(debt)			**(1,475.0)**			(234.2)
- Bonds, bank and other debt net of (cash)			***346.3***			*1,188.8*
- IFRS 16 lease liabilities			***(1,821.3)***			*(1,423.0)*

'Cont.' refers to the Continuing operations comprising First Bus, First Rail, and Group items. 'Disc.' refers to discontinued operations, being First Student, First Transit and Greyhound US.

H1 2023 financial summary *(continuing operations vs H1 2022 unless otherwise stated)*

- Group adjusted operating profit increased to £66.1m (H1 2022: £51.8m), principally reflecting:
  - increased open access earnings with aggregate rail management fee-based income broadly in line
  - lower First Bus adjusted operating profit, reflecting the slower transition from pandemic recovery funding towards a commercial model and cost impacts of inflation
  - lower central costs
- Group adjusted attributable profit[3] increased to £30.8m (H1 2022: pro forma £13.3m)
- Statutory operating profit of £62.1m (H1 FY23: £52.2m) includes net adjusting item charges of £4.0m
- Adjusted net cash[4] of £7.3m (March 2022: adjusted net debt of £(3.9)m), with £557.7m of undrawn committed liquidity
- Interim dividend declared of 0.9p, in line with announced policy

Key developments

First Bus:

- Commercial volumes increased by 32%, with concession volumes recovering more slowly

- Revenue beginning to benefit from recent pricing actions, partly offset by reductions in funding level
- As the industry moves towards a more commercial model, network realignments commencing to better align to demand, First Scotland East location disposed of and regional management structure reorganised
- However, the recent extension of recovery funding arrangements in England, ongoing driver shortages and the cost inflationary backdrop limit the pace of near-term progress

First Rail:

- Open access operations ahead of plan, underpinned by strong leisure volumes for Lumo and Hull Trains
- Focused on operational delivery for passengers across all our services in a challenging industrial relations environment
- West Coast Partnership (WCP) contract recently extended, enabling the Avanti West Coast team to execute their plans to restore services to the levels that passengers rightly expect

Corporate:

- Sale of almost all remaining legacy Greyhound properties for $141m (£122m) to Twenty Lake Holdings expected to complete in December 2022; as a result, the Group's exit from residual Greyhound will be substantially complete at an aggregate net value in excess of $160m since start of the financial year
- FirstGroup estimates First Transit earnout consideration of c.$85m (£74m at hedged rates) to be received during FY 2024, following recently announced sale of the Transit business by EQT Infrastructure
- Potential for additional distributions as the contingent values from exiting North America are realised

FY 2023 outlook

- Although the political, economic and industrial relations backdrop and pace of travel volume recovery are challenges, management's expectations for FY 2023 are broadly unchanged despite a shift in mix
- First Bus: although clearly sensitive to the broader consumer spending and inflation trends, we expect sequential progress in H2 2023, with the realignments of routes/timetables in October and pricing actions partially offset by a higher cost base for increased mileage as a result of the extension of recovery funding in England, currently in place until March 2023
- First Rail: we expect higher profit from our open access operations with the four management fee-based operations to deliver aggregate financial performance broadly in line with management expectations
- On track to realise the further c.£5m in annual central cost savings previously guided
- Adjusted net cash[4] position expected to be in the range of £100-110m at the end of FY 2023 after receipt of Greyhound property proceeds in December and before any deployment of this capital

Commenting, Chief Executive Officer Graham Sutherland said:
"We have delivered a resilient financial performance in the period despite significant headwinds – demonstrating our strengths in the UK bus and rail markets and the increasing capability and potential we are building into our businesses as public transport continues to navigate the aftershocks of pandemic travel restrictions.

"With a strong balance sheet and an important role supporting the sustainability and economic growth agendas in our core UK public transport markets, we see clear opportunities to create further value and deliver progressive returns to shareholders in the coming years."

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A webcast for investors and analysts will be held at 9:00am today – attendance is by invitation. Please email corporate.comms@firstgroup.co.uk in advance of the webcast to receive joining details. To access the presentation to be discussed on the webcast, together with a pdf copy of this announcement, go to www.firstgroupplc.com/investors. A playback facility will also be available there in due course.

Notes

1 *'Adjusted' figures throughout this document are before adjusting items as set out in note 3 to the financial statements.*
2 *Weighted average number of shares reduced from 1,203.4m to 739.8m between H1 2023 and H1 2022, reflecting the tender offer completed in December 2021; as a result EPS figures are not directly comparable between the two periods.*
3 *For definitions of alternative performance measures and other key terms, see the definitions section from page 17.*
4 *'Adjusted net cash/(debt) excludes ring-fenced cash and IFRS 16 lease liabilities from net debt as shown in the table on page 14.*

Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93. Classification as per DTR 6 Annex 1R: 1.2.

FirstGroup plc (LSE: FGP.L) is a leading private sector provider of public transport services. With £4.6 billion in revenue and more than 30,000 employees, our UK divisions transported nearly 1.5m passengers a day in the last financial year. First Bus is the second largest regional bus operator in the UK, serving *two-thirds of the UK's 15 largest conurbations with a fleet of c.4,900 buses. First Rail is the UK's largest rail operator, with many years of experience running long-distance, commuter, regional and sleeper rail services. We operate a fleet of c.3,800 rail vehicles through four management fee-based train operating companies (Avanti West Coast, GWR, SWR, TPE) and two open access routes (Hull Trains and Lumo). We create solutions that reduce complexity, making travel smoother and life easier. Our businesses are at the heart of our communities and the essential services we provide are critical to delivering wider economic, social and environmental goals. We are formally committed to operating a zero-emission First Bus fleet by 2035 and to cease purchasing further diesel buses after 2022; and First Rail will help support the UK Government's goal to remove all diesel-only trains from service by 2040. In 2022 FirstGroup was named as one of the world's cleanest 200 public companies for the third consecutive year by sustainable business media group Corporate Knights in partnership with US not-for-profit organisation, As You Sow. Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.*

CEO review

Introduction and strategic summary
Since joining FirstGroup as Chief Executive Officer in May 2022, I have focused on understanding the strategic opportunities and risks of our public transport operations across the UK. I believe that the Group has demonstrated that it is financially resilient in the face of the political, economic and industrial relations headwinds currently being experienced. It is clear there are several challenges to overcome, uncertainties to resolve and improvements to be made in the consistency of our service delivery, and these will be a key focus in the coming months and years. However, as the regional bus market returns to a more commercial model and our realignment of First Bus to reflect changing passenger trends is completed, we believe there is scope for significant earnings growth and margin enhancement over time. Meanwhile we are confident that our experience and market position in rail stands us in good stead as this industry continues its evolution.

As a leader in both bus and rail in the UK, FirstGroup already has a robust platform to build on and there are a number of organic and inorganic opportunities to invest for growth where we have a comparative advantage. For example, our capabilities and experience in First Bus can be deployed more proactively into bus franchising, business to business (B2B) contracted services (including employee shuttle), as well as new revenue opportunities allied to the electrification of our fleets and depots. There are significant challenges at present in parts of our rail operations, particularly in Avanti West Coast and TransPennine Express (TPE), where our teams are completely focused on delivering their plans to tackle the issues that are causing disruption for passengers. In rail we also have notable successes such as our Lumo open access service, which in its first year of operation has already served a million passengers, many of whom would otherwise have flown between London and Edinburgh at a far greater environmental cost. As the largest private sector rail operator in the UK we have the experience and entrepreneurial spirit to resolve challenges, fix problems and innovate for the future, encouraging passengers back to the railway while growing our business.

Our existing bus and rail businesses are cash generative and we have a strong financial position with scope to increase gearing prudently over time. I believe the core Group is therefore very well-placed to capture adjacent growth opportunities in the UK and elsewhere while also offering a sustainable, progressive dividend as part of a balanced capital allocation policy going forward, with the potential for additional distributions to shareholders as the contingent values from exiting North America are realised.

We will continue to invest to meet our commitment of transitioning our regional bus operations to a 100% zero emission fleet by 2035 as part of our objective to be a sustainability leader in public transport. We continue to work successfully with local authorities to secure government funding assistance for zero emission vehicles and associated infrastructure. Based on our recent committed orders, including the largest Electric Vehicle (EV) bus order outside of London to-date, almost 13% of our entire fleet will be electrified by March 2024. We are also accelerating our investment in energy efficiency and some self-generation of power, and exploring additional revenue streams relating to the electrification of our networks. In addition, in further recognition of our sustainability progress, I am pleased to report that we were ranked third in the World Benchmarking Alliance's recently published Transport Benchmark. The Benchmark uses publicly available information to assess ninety of the world's largest transportation companies on their progress towards decarbonisation and their contributions to a just transition and social transformation.

Protecting our passengers and employees
Our first priority has always been, and remains, the health and safety of our passengers, employees and the communities in which we operate. We maintain robust safety management systems and technology solutions throughout the Group, with a clear focus on ensuring compliance with policies, processes, and procedures, as well as operating our safety behavioural change programme, which aims to make safety a personal core value for every employee. Since the start of the coronavirus pandemic we have followed all appropriate public health authority guidance and maintained our commitment to best practice in areas such as enhanced cleaning and decontamination of vehicles, depots and stations. We take great pride in the way all our colleagues and teams continue to provide direct assistance and support to those most in need, right at the heart of our communities.

Operational summary – First Bus
Whilst our commercial passenger volumes have increased in the period, concessionary volumes continue to recover more slowly and we have been severely affected by cost inflation. Nevertheless, we have made progress in the period with several of the key drivers that will support improvement in bus margins once the sector transitions to a more commercial model, including yield and pricing actions, network realignment and the sale of First Scotland East. However, the extension of the Bus Recovery Grant funding in England into H2 2023, the tapering of concession funding, inflation and continued industry-wide driver shortages are limiting the scope for significant margin progress in the near term. Despite this, we have a range of opportunities ahead to right-size and optimise our route networks, our operating portfolio and our engineering practices using new tools and enhanced data. In our B2B business we have been awarded a five-year extension to our contract to transport employees at Hinkley Point in our Somerset Passenger Services business, and we recently

announced that our Aircoach business has completed the acquisition of the Northern Ireland-based transport firm Airporter. Overall, we continue to target revenue growth and a 10% margin in regional bus over time.

Operational summary – First Rail

The industrial action that has taken place across the rail sector during H1 2023 has caused significant disruption for our passengers, although the financial impact on our business overall is relatively limited under the terms of our four management fee-based contracts. We are committed to working closely with government and our partners across the industry to deliver a successful railway that serves the needs of our customers and communities. Our open access operations Lumo and Hull Trains were profitable in the period, a significant swing from losses incurred in the prior financial year, which reflected the start-up of Lumo and periodic pandemic-related closures of Hull Trains. Following the award of an up to six-year National Rail Contract to Great Western Railway (GWR) in June 2022, in October 2022 we agreed with the Department for Transport (DfT) an extension of the current contractual arrangements for the West Coast Partnership (WCP) to March 2023. The extension allows our team at Avanti West Coast to sustain their focus on delivering their robust plan to increase the availability of trained drivers and restore services to the levels that passengers rightly expect. Discussions are ongoing with DfT regarding the longer-term National Rail Contract for WCP.

Resilient performance with Group adjusted attributable profit in line with management expectations

Revenue from continuing operations increased to £2,212.4m (H1 2022: £2,139.1m), with increased passenger revenue in First Bus partly offset by lower grant funding receipts, while First Rail revenue increased across both open access and management-fee based operations.

Adjusted operating profit from continuing operations was £66.1m (H1 2022: £51.8m), with First Rail higher, principally reflecting the transition from loss to profit of our open access operations, while First Bus was lower than the prior period, primarily reflecting the net impact of inflation and changes in the pandemic recovery funding model as the sector transitions to a more fully commercial model. The additional leases recognised under IFRS 16 for the new GWR contract are now expected to increase adjusted profit by approximately £22m in FY 2023 rather than by £30m as guided on signing, as the leases were signed later and at different lease terms. Central costs of £(10.0)m were lower than the prior period, reflecting the actions taken to resize the organisation following the North American disposals. Adjusted EPS was 4.4p (H1 2022: adjusted loss (0.4)p from continuing operations).

Statutory operating profit (continuing basis) of £62.1m (H1 2022: £52.2m) includes £4.0m of net costs from adjusting items (H1 2022: £0.4m credit), and statutory EPS was (0.1)p (H1 2022: 42.4p).

The Group reports on two alternative profit performance measures, which focus on the contractually agreed net fees available to be distributed up to the parent company from the management fee-based operations (as described in more detail on page 12) rather than their earnings, which management believes is helpful to aid understanding of the Group's underlying performance. The first of these, Group adjusted attributable profit, increased in the period to £30.8m (H1 2022: pro forma £13.3m). Meanwhile the Group's EBITDA adjusted for First Rail management fees was £118.8m on a rolling last twelve month basis (FY 2022: £98.5m). As previously noted, these metrics define our leverage and dividend policies as set out on page 14.

Underlying cash flow in period in line with expectations

The Group's adjusted cash outflow of £(112.1)m (H1 2022: inflow of £1,704.7m, including inflows of £2.3bn relating to the disposal of the North American operations) in the period reflects strong underlying cash generated by operations offset by outflows relating to investment in First Bus, lease payments and movement in First Rail ring-fenced cash (£125.1m outflow since FY 2022).

At the period end, the Group had adjusted net cash of £7.3m (FY 2022: adjusted net debt of £(3.9)m). The Group's accounts continue to consolidate the Train Operating Companies (TOCs) which manage the four management-fee based operations, including their substantial ring-fenced cash balances and right of use liabilities under IFRS 16, which primarily relate to the leased rolling stock used to operate these contracts. Both ring-fenced cash and the IFRS 16 liabilities are excluded from the Group's adjusted net cash/(debt) measure.

IFRS 16 lease liabilities increased to £1,821.3m (FY 2022: £1,083.2m) mainly as a result of new and updated lease arrangements across the First Rail management-fee based operations, while ring-fenced cash was £339.0m (FY 2022: £468.1m). Taken together, the reported net debt including IFRS 16 lease liabilities and ring-fenced cash increased to £(1,475.0)m (FY 2022: £(619.0)m).

Corporate activity

In September the Group announced the sale of all but two of its remaining Greyhound US properties to an affiliate of Twenty Lake Holdings LLC, for net proceeds of c.$141m cash (£122m). The portfolio sale is subject to customary closing conditions, with completion expected to occur and the proceeds received in December 2022. In addition, the Group also completed the sale of a site in Denver for $9m in August 2022. In aggregate, profits on sale of c.$90m (net of property tax, selling and other costs) are expected to be booked over the course of the financial year. Following these property sales, FirstGroup's residual legacy Greyhound assets comprise deferred consideration, residual real estate in Canada and two sites in the US (both under contract subject to due diligence), and funding awards from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan (ARP) schemes relating to the period Greyhound was under the Group's ownership, altogether valued at c.$55m. Legacy Greyhound liabilities (comprising residual insurance and pension liabilities which FirstGroup expects to de-risk in due course) and other provisions total c.$35m.

In accordance with the terms of the disposal of First Transit by FirstGroup plc to EQT Infrastructure V (EQT Infrastructure) in July 2021, the Group was notified in October 2022 that affiliates of EQT Infrastructure had signed an agreement to sell First Transit to Transdev North America, Inc. The sale is subject to customary conditions, including regulatory and antitrust clearance processes in the US and Canada. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration, which is calculated as a percentage of the realised equity value on the sale by EQT and contemplating the cash flows generated by First Transit since March 2021 to completion (subject to certain permitted leakage provisions). We currently estimate the earnout consideration will be around £74m based on the information received on the sale by EQT and accordingly, we have recorded a non-cash loss of £27.9m relative to the previous carrying value of the earnout. The final earnout consideration amount will be determined in the period following completion of the sale, with receipt expected in FY 2024.

Following a period of significant gilt yield rises since the start of 2022, gilt yield movements in the period immediately following the period end were exceptional. The Bus Pension Scheme was able to maintain its high level of hedge protection against interest rate and inflation risks throughout this volatile period. As a precautionary measure, after the period end the Group agreed to make £95m from the Limited Partnership created following the sale of the North American divisions (the escrow) available to the Scheme to assist with liquidity management. This amount has been loaned from the escrow to the Scheme on a short term basis, whilst its investment strategy and assets are repositioned as necessary. Following the rise in gilt yields, the funding shortfall (the basis which will determine the final distribution of funds from the escrow following the next triennial valuation) is currently materially lower than it was at the beginning of the period.

On 26 May 2022 the Group announced it had received a series of unsolicited, conditional proposals from I Squared Capital Advisors (UK) LLP (I Squared) in relation to a possible offer to acquire the entire issued, and to be issued, share capital of the Company. The unsolicited offers received from I Squared resulted in a final proposal on 15 August 2022 of 135 pence per FirstGroup share (comprising 133.9 pence plus the 1.1 pence final dividend being paid on 19 August 2022) together with further contingent value from the First Transit earnout. The Board, having carefully evaluated this proposal together with its advisers, concluded that the cash component significantly undervalued FirstGroup's continuing operations and its future prospects, and the contingent value did not provide shareholders with sufficient certainty. On 16 August 2022 I Squared announced that it did not intend to make a firm offer for FirstGroup and was therefore bound by the restrictions contained within Rule 2.8 of the City Code on Takeovers and Mergers.

Interim dividend
The Board is declaring an interim dividend of 0.9p per share (c.£6.7m in aggregate), to be paid on 23 December 2022 to shareholders on the register at 18 November 2022. The amount reflects the current policy of c.3x cover against the Group adjusted attributable profit, to be paid one third interim and two thirds final.

Looking ahead
Although the political, economic and industrial relations backdrop and pace of travel volume recovery are challenges, our expectations for FY 2023 are broadly unchanged, despite a shift in mix between our bus and rail divisions. While First Bus is clearly sensitive to broader consumer spending and inflation trends, we do expect sequential progress in H2 2023, with the realignments of routes and timetables in October and our pricing actions partially offset by a higher cost base for increased mileage as a result of the extension of recovery funding in England, which is currently in place until March 2023. In First Rail, we expect the four management fee-based operations to deliver aggregate financial performance broadly in line with management expectations, with higher profit from our open access operations over FY 2023. We are on track to realise the further c.£5m in annual central cost savings previously guided to this financial year, ahead of our original target. We expect our adjusted net cash position to be in the range of £100-110m at the end of FY 2023 after receipt of the Greyhound property proceeds in December and before any deployment of this capital.

In the medium term we expect further value creation through both earnings growth, as First Bus continues the transition to a more commercial model, and from targeted deployment of growth capital.

Graham Sutherland
Chief Executive Officer
9 November 2022

Business review

First Bus

26 weeks to 24 September	£m **H1 2023**	 H1 2022	£m, change
Revenue	**427.7**	392.5	+35.2
Adjusted operating profit	**20.7**	26.8	(6.1)
Adjusted operating margin	**4.8%**	6.8%	(200)bps
EBITDA	**51.0**	55.5	(4.5)
Net operating assets	**468.0**	509.4	(41.4)
Capital expenditure	**46.1**	9.9	+36.2

First Bus reported revenue of £427.7m (H1 2022: £392.5m), principally reflecting improving passenger volumes partially offset by lower government funding support (including the tapering of concession reimbursement to current volume levels) than in H1 2022. Overall passenger volumes increased by 29% compared with the prior period, underpinned by commercial volumes, whilst the pace of recovery in concessionary and peak-time commuter travel remains slower. During H1 2023 commercial passenger volumes were at 78% and concessions at 68% of 2019 equivalent levels. First Bus is currently operating c.80% on average of the service mileage compared with the equivalent period in 2019 following the network changes we implemented in October 2022.

For a substantial portion of FY 2022 First Bus and other regional bus operators effectively provided their assets and expertise to operate a government-funded bus system on a broadly cash break-even basis to ensure continuity of service during the pandemic. Under these arrangements, called the Covid Bus Service Support Grant-Restart (CBSSG-R) programme in England, operators were paid the costs of operation, less revenue received from customers and other public sector monies. Recoverable costs included all reasonable operational costs, including depreciation and allocated debt finance, together with any pension deficit funding. In Wales and Scotland bus operators received government pandemic support funding which is in place to July 2023 and Autumn 2022 respectively. The CBSSG-R programme in England formally came to an end on 1 September 2021, and since that time delivery of local bus services across England has been reinforced by the DfT's £226.5m Bus Recovery Grant (BRG) package, which was allocated to regional bus operators based on mileage and volumes. In March 2022 the DfT announced a further £150m in transitional funding for regional bus and light rail operators, and this scheme was subsequently extended with a further £130m announced in August 2022, to support bus operators in England to March 2023. In FY 2022 the Scottish Government committed to funding free bus travel for all under-22s from 31 January 2022 and we have subsequently seen a significant increase in the volume of under-22s travelling on our services in Scotland. In September 2022 the DfT announced £60m of funding in order to cap adult regional bus fares in England at £2 between January and March 2023. The division reported adjusted operating profit of £20.7m (H1 2022: £26.8m) in the period, reflecting the changes in the funding regime noted above and cost inflation. Statutory operating profit was £16.4m (H1 2022: £26.8m).

Optimising our business

We are continuing to enhance our business and its prospects for when the current transitional period ends. Our cost reduction and operational efficiency programmes have delivered annualised savings of c.£20m since 2019 and we have several initiatives in place to deliver further savings. In H1 2023, higher than anticipated inflation impacted a number of our key input costs, including pay, fuel and utility costs. We have continued the roll out of a number of initiatives to ensure that we continue to offer an attractive and competitive employee proposition, as industry-wide driver shortages remain elevated. The vast majority of our local wage agreements (a number of which are multi-year) have been concluded in FY 2022 and H1 2023, with a small number set to be concluded shortly. Fuel costs were mitigated by our fuel hedge programme. We have also implemented energy efficiency measures such as aligning electricity usage with building occupancy, awareness campaigns to encourage behavioural change and we are accelerating our investment in the self-generation of power. This has included the installation of new energy efficient lighting, bus washes and energy management systems, and we are commencing the installation of solar panels at a number of our depots.

We have continued to develop our pricing and yield management strategy, resulting in a shift towards shorter term products such as lower entry single and return fares, and updated weekly and monthly discounts being implemented across our operations. Having been prohibited from doing so under the earlier CBSSG pandemic funding, we increased fares in October 2021, and have since made further interventions within the CPI cap permitted under more recent funding schemes. The increases we have implemented have been designed to better match our new ticketing products to evolving travel trends, whilst at the same time recognising the potential impact of the cost of living crisis on discretionary passenger journeys by retaining low single fares.

As part of our initiatives to address underperforming locations, we completed the sale of our First Scotland East operations to McGill's Group in September 2022. We have also completed a reorganisation of our regional management structure in the period.

Digital innovation

Our real-time passenger volume data capture, GPS functionality and ticketing systems are allowing us to make commercial decisions more efficiently, optimise our networks and timetables and roll out innovative functionality to our customers. We are also able to structure our pricing models more effectively and introduce new ticketing options for customers that are more closely aligned with their preferences and able to attract new customers. In addition, we are partnering with specialist software companies to roll out enhanced timetabling, vehicle and employee rostering capabilities across the network, improving efficiency and reducing cost. Ticket transactions using digital payment methods now account for around 70% of our ticket transactions, and during H1 2023 we continued the roll out of 'tap on tap off' capped payment technology, which is now installed on more than half of our fleet. We are also participating in the development of a multi operator contactless payment ticketing system in a partnership between the bus industry and Transport for West Midlands. The scheme will allow passengers to access the best value travel for a day or week across multiple operators.

Fleet decarbonisation

We continue to work successfully with local authorities to secure government funding assistance for zero emission vehicles and associated infrastructure under the Zero Emission Buses Regional Area (ZEBRA) funding in England, and Transport Scotland's Scottish Zero Emission Bus (ScotZEB) funding scheme. In August 2022 First Bus placed the UK's largest ever EV bus order outside of London with UK manufacturer Wrightbus. The £81m order totalling 193 buses will see new zero emission buses being rolled out from March 2023. We anticipate that we will have 591 EVs, almost 13% of our entire fleet, by March 2024. In addition to growing our EV fleet we are also identifying opportunities to generate adjacent revenue streams created by the transition of our fleet and depot infrastructure to electricity.

B2B and other contracted revenue

In H1 2023 we have continued to develop and grow our activities in the B2B bus services market and have further contracts in the pipeline. Having acquired the 50% of Somerset Passenger Solutions (SPS) that we did not own in FY 2022, in H1 2023 we agreed a five year extension to our contract to provide passenger transport for the construction workers employed at the EDF Hinkley Point C nuclear power station. During the period we have also been active with regard to bus franchising opportunities. In the period First West of England took over the running of the m1 metrobus service, a bus rapid transit contract serving more than 50,000 passengers a week, from Bristol Community Transport after its parent HCT Group announced that it would cease operation of the route. Subsequent to the period end we announced in October 2022 that our Aircoach operation had completed the acquisition of Northern Ireland-based Airporter. This has expanded Aircoach's footprint in Ireland, increasing its daily routes to seven, with an enhanced all-island route connecting the north west to Belfast International Airport, Dublin Airport and Dublin city centre.

First Bus outlook

Although clearly sensitive to broader consumer spending and inflation trends, we expect sequential progress in H2 2023, with the realignments of routes and timetables in October and pricing actions partially offset by a higher cost base for increased mileage as a result of the extension of the transitional Bus Recovery Grant funding, currently in place until March 2023.

Looking further ahead, we are focused on rightsizing our regional bus business around the actual passenger activity we are seeing as the sector moves to a more commercial model. We have the tools in place to continue to adapt our operations, deliver further efficiencies and manage the inflationary environment, as recovery funding tapers off. We will accelerate the decarbonisation of our fleet and have identified a number of potential opportunities to deploy growth capital, including to create additional revenue streams from the electrification of our fleets and depots, develop our B2B business, and pursue attractive, potentially scalable opportunities in bus franchising.

First Rail

	£m		
Six months to 17 September	**H1 2023**	H1 2022	£m, change
Revenue from management fee-based operations	**1,743.3**	1,729.8	+13.5
Revenue from open access and additional services	**85.5**	45.7	+39.8
Inter-divisional eliminations	**(44.1)**	(28.9)	(15.2)
First Rail revenue	**1,784.7**	1,746.6	+38.1
Attributable net income from management fee-based operations[1]	**19.1**	17.5	+1.6
Gross up for tax, minorities and IFRS 16	**24.3**	29.3	(5.0)
Adjusted operating profit/(loss) from open access and additional services	**12.0**	(7.6)	+19.6
First Rail adjusted operating profit	**55.4**	39.2	+16.2

[1] *Represents the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti West Coast) contracts with DfT on a pre-IFRS 16 basis net of tax and minority interests as described in more detail on page 12. See also note 3 to the financial statements for a reconciliation to the segmental disclosures.*

Total revenue increased in H1 2023 to £1,784.7m (H1 2022: £1,746.6m), with passenger volumes increasing in the period. Open access contributed £32.7m in revenue in the period (H1 2022: £6.6m) and adjusted operating profit of £6.7m (H1 2022: adjusted loss £(10.4)m), reflecting the successful launch of Lumo and the restoration of regular Hull Trains services following periods of closure due to the pandemic in the prior period. Additional services such as Mistral Data and rail contact centres delivered gross revenue of £52.8m (H1 2022: £39.1m) before interdivisional eliminations in the period and adjusted operating profit of £5.3m (H1 2022: £2.8m).

In H1 2023 the four management fee-based operations have recorded performance fees at management's best estimate in aggregate for the period. Rail attributable net income from management fee-based operations – being the Group's share of the management fee income available for distribution from the GWR, SWR, TPE and WCP (incorporating Avanti West Coast) contracts with the DfT – was £19.1m (H1 2022: £17.5m). The Group receives an annual dividend from the TOCs reflecting the post-tax net management and performance fees from the prior year. These become payable up to the Group in the second half of the financial year following completion of the TOC audited accounts.

First Rail adjusted operating profit increased to £55.4m (H1 2022: £39.2m), which principally reflects the increase in open access contribution, as well as higher IFRS 16 lease depreciation following the award of the new GWR contract in June 2022, which is now expected to increase adjusted profit by approximately £22m in FY 2023 rather than £30m as guided on signing, as the leases were signed later and at different lease rates. The division reported a statutory operating profit of £55.4m (H1 2022: £43.2m).

Transition to National Rail Contracts
In May 2021 SWR and TPE transitioned to the Government’s new National Rail Contracts (NRCs) which run to May 2023 with potential extensions to May 2025. In March 2022 the DfT issued a Prior Information Notice which provides for a NRC for TPE starting in Spring 2023, with a minimum core term of four years with up to a further four years at the DfT’s discretion. GWR was awarded an NRC in June 2022 with a core three-year term to 21 June 2025, with an option for the DfT to extend it by up to three further years to June 2028. Under the NRCs, the DfT retains substantially all revenue and cost risk (including for fuel and wage increases). There is a fixed management fee and the opportunity to earn an additional performance fee. The punctuality and other operational targets required to achieve the maximum level of performance fee under the contracts are designed to incentivise service delivery for customers.

The West Coast Partnership (WCP) has been operating under an Emergency Recovery Measures Agreement (ERMA) which was put in place by the DfT in September 2020. On 7 October 2022 the Group announced that it had agreed with the DfT to extend the current contractual arrangements for WCP to the end of March 2023 under broadly the same terms and conditions. The WCP contract comprises operation of Avanti West Coast and acting as shadow operator to the HS2 programme. The agreement will allow the team at Avanti West Coast to sustain their focus on delivering their robust plan to restore service levels to the levels that passengers expect. Discussions are ongoing with DfT regarding the longer-term NRC for WCP which is currently envisaged will run up to October 2032. Under these contractual arrangements the four TOCs continue to be fully consolidated in the Group accounts with the net cost of operations and capital expenditure funded in advance by the DfT.

Innovation and adjacent rail opportunities
We continue to develop, market and deploy our additional rail customer, industry and technology tools and services. In the period, the installation of our evo-rail track-to-train superfast rail-5G technology across 70 kilometres of the SWR main line commenced, and international trials continued. Our analytics business Mistral

Data developed a new application in the period that identifies areas of potential low rail-wheel adhesion, based on real-time wheel slip reported data, which was installed on the SWR network.

To address energy cost inflation in our open access operations, both Lumo and Hull Trains have joined an industry hedging group to mitigate the long-term impact of electricity costs which represent a significant proportion of their costs.

Rail sector
The rail sector is in the midst of a period of reform aiming to modernise industry practices and secure its long-term future at a time when passenger volumes in a number of segments remain below pre-pandemic levels. First Rail has on average operated a fifth of the UK passenger rail market by revenue since 2007, and currently has a quarter of the market. As a result, we have a strong track record of delivery on major projects such as fleet introductions, capital projects on behalf of Network Rail, customer service innovations and managing the impact of significant infrastructure changes, from network electrification through to route upgrades, and through our experience as a 'shadow operator' on the HS2 infrastructure project. We believe this unrivalled knowledge and expertise stands us in good stead as the industry structure in the UK continues to evolve.

A number of trade unions have held industrial action at train operating companies across the UK and at Network Rail during H1 2023. Whilst the financial impact of industrial action is expected to be limited under the terms of the management fee-based contracts, it is possible that if industrial action continues over a prolonged period of time, this could impact some of the performance metrics. We will continue to work with our industry partners to do all that we can to minimise the disruption for our passengers caused by prolonged industrial action, as well as continuing talks on securing the long-term future for the railways.

First Rail outlook
For FY 2023, we expect higher profit increases from our open access operations, with the four management fee-based operations to deliver aggregate financial performance broadly in line with management expectations. We continue to work collaboratively with our industry partners and stakeholders to enhance our service offering and to increase connectivity with other transport modes for our customers.

Looking further ahead, in the medium term we expect a broadly consistent level of contribution from First Rail's four management fee-based operations for their contractual durations, with further growth from open access and additional rail services. As the UK's largest operator we are well placed both to drive increased patronage and to generate resilient and consistent returns for shareholders as the UK passenger rail industry continues its evolution to a more customer-focused and sustainable railway system that works better for all parties.

Financial review

Discontinued operations

In the first half of the year, the Group's residual Greyhound US activities are disclosed as discontinued operations. As described in more detail in the 2022 Annual Report and Accounts, the Group completed the sale of its First Student and First Transit divisions to EQT Infrastructure on 21 July 2021, and the sale of Greyhound lines Inc. to a wholly owned subsidiary of FlixMobility GmbH on 21 October 2021. All three are reported as discontinued operations in the prior periods.

Revenue

Revenue from continuing operations increased to £2,212.4m (H1 2022: £2,139.1m), principally reflecting increased passenger volumes partly offset by lower receipts from government grants in First Bus, and in First Rail increased revenue across open access, additional services and management-fee based operations.

Operating performance

Statutory operating performance by division is as follows:

	26 weeks to 24 September 2022			26 weeks to 25 September 2021			52 weeks to 26 March 2022		
	Revenue £m	**Operating profit[1] £m**	**Operating margin[1] %**	Revenue £m	Operating profit[1] £m	Operating margin[1] %	Revenue £m	Operating profit[1] £m	Operating margin[1] %
First Bus	**427.7**	**16.4**	**3.8**	392.5	26.8	6.8	789.9	45.2	5.7
First Rail	**1,784.7**	**55.4**	**3.1**	1,746.6	43.2	2.5	3,801.2	91.8	2.4
Group items[2]	**-**	**(9.7)**	**n/a**	-	(17.8)	n/a	-	(14.2)	n/a
Continuing operations	**2,212.4**	**62.1**	**2.8**	2,139.1	52.2	2.4	4,591.1	122.8	2.7
Discontinued operations	**2.7**	**(28.6)**	**n/a**	970.6	592.3	n/a	996.9	683.3	n/a
Total	**2,215.1**	**33.5**	**1.5**	3,109.7	644.5	20.7	5,588.0	806.1	14.4

Adjusted operating performance by division is as follows:

	26 weeks to 24 September 2022			26 weeks to 25 September 2021			52 weeks to 26 March 2022		
	Revenue £m	**Adjusted operating profit[1] £m**	**Adjusted operating margin[1] %**	Revenue £m	Adjusted operating profit[1] £m	Adjusted operating margin[1] %	Revenue £m	Adjusted operating profit[1] £m	Adjusted operating margin[1] %
First Bus	**427.7**	**20.7**	**4.8**	392.5	26.8	6.8	789.9	45.2	5.7
First Rail	**1,784.7**	**55.4**	**3.1**	1,746.6	39.2	2.2	3,801.2	87.8	2.3
Group items[2]	**-**	**(10.0)**	**n/a**	-	(14.2)	n/a	-	(26.3)	n/a
Continuing operations	**2,212.4**	**66.1**	**3.0**	2,139.1	51.8	2.4	4,591.1	106.7	2.3
Discontinued operations	**2.7**	**(8.4)**	**n/a**	970.6	121.3	n/a	996.9	120.1	n/a
Total	**2,215.1**	**57.7**	**2.6**	3,109.7	173.1	5.6	5,588.0	226.8	4.1

1 'Adjusted' figures throughout this document are before adjusting and certain other items as set out in note 3 to the financial statements.
2 Central management, other items and retained Greyhound results.

Adjusted operating profit from continuing operations was £66.1m (H1 2022: £51.8m), reflecting the transition from loss to profit of our open access rail operations, while First Bus was lower than the prior period, primarily reflecting net cost inflation and the changes in the pandemic recovery funding regime in September 2021. The additional leases recognised under IFRS 16 for the new GWR contract are now expected to increase adjusted profit by approximately £22m in FY 2023 rather than by £30m as guided on signing, as the leases were signed later and at different lease terms. Central costs of £(10.0)m were lower than the prior period, reflecting the actions taken to resize the organisation following the North American disposals.

The Group's adjusted attributable profit alternative performance measure is calculated as follows and increased significantly in the period:

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m	52 weeks to 26 March 2022 £m
First Bus adjusted operating profit	**20.7**	26.8	45.2
Attributable net income from First Rail management fee-based operations[1] – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	**19.1**	17.5	45.5
First Rail adjusted operating profit/(loss) from open access and additional services	**12.0**	(7.6)	(9.7)
Group central costs (operating profit basis)	**(10.0)**	(13.9)	(26.3)
Subtotal	**41.8**	22.8	54.7
Cash interest[2]	**(8.3)**	(10.3)	(20.7)
Tax[3]	**(2.7)**	0.8	2.2
Group adjusted attributable profit	**30.8**	13.3	36.2

1 *A reconciliation to the segmental disclosures is set out in note 3.*
2 *Pro forma interest charge excluding notional interest, lease interest on IFRS 16 Right of Use assets and interest on discontinued operations.*
3 *Pro forma taxation at 19%.*

A reconciliation of the Group's adjusted attributable profit measure to adjusted earnings after tax is shown below:

	H1 2023 Group adjusted attributable profit £m	Movements: Adjusted First Rail earnings to IFRS 16 basis £m	Movements: Gross up tax and minority interests £m	Movements: Actual interest and tax £m	H1 2023 Adjusted earnings after tax £m
First Bus adjusted operating profit	20.7	-	-	-	20.7
Attributable net income from First Rail management fee-based operations[1]	19.1	17.4	6.9	-	43.4
First Rail adjusted operating profit from open access and additional services	12.0	-	-	-	12.0
Group central costs (operating profit basis)	(10.0)	-	-	-	(10.0)
Subtotal	**41.8**	**17.4**	**6.9**	**-**	**66.1**
Cash interest[2]	(8.3)	(20.0)	-	3.2	(25.1)
Tax[3]	(2.7)	-	(4.9)	1.5	(6.1)
Minority interest	-	-	(2.0)	-	(2.0)
Total	**30.8**	**(2.6)**	**-**	**4.7**	**32.9**

1 *A reconciliation to the segmental disclosures is set out in note 3.*
2 *Pro forma interest charge excluding notional interest, lease interest on IFRS 16 Right of Use assets and interest on discontinued operations, H1 FY22 pro forma due to material deleveraging following the sale of North American businesses.*
3 *Pro forma taxation at 19%.*

The Group's EBITDA adjusted for First Rail management fees performance measure also increased year-on-year. On a last twelve month basis, the Group's EBITDA adjusted for First Rail management fees was £118.8m. It is calculated as follows:

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m	52 weeks to 26 March 2022 £m
First Bus EBITDA[1]	**42.8**	47.6	87.6
Attributable net income from First Rail management fee-based operations[2] – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	**19.1**	17.5	45.5
First Rail EBITDA from open access and additional services[1]	**12.6**	(7.4)	(9.7)
Group central costs (EBITDA basis[1])	**(9.6)**	(13.0)	(24.8)
Group EBITDA adjusted for First Rail management fees	**64.9**	**44.7**	**98.6**

1 *Pre-IFRS 16 basis.*
2 *A reconciliation to the segmental disclosures is set out in note 3.*

Reconciliation to non-GAAP measures and performance
Note 3 to the financial statements sets out the reconciliations of operating profit/(loss) and loss before tax to their adjusted equivalents.

The principal adjusting items in H1 2023 are as follows:

First Bus restructuring
As part of the restructuring of the First Bus division to transition to a more commercial model, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of

£(3.7)m. In line with this transition plan, the Group also incurred costs of £(0.6)m relating to the reorganisation of its First Bus regional management structure.

Other restructuring costs
Restructuring costs of £(1.3)m were incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives.

Greyhound Canada
A provision relating to the continued winding down of Greyhound Canada operations was released in the period.

Adjusting items – discontinued operations
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 £74m based on the information received on the sale by EQT. This gives rise to a non-cash adjusting charge of £27.9m (before currency hedging entered into after the period end) relative to the carrying value of the earnout of £106.1m as at 26 March 2022. A gain of £7.7m arose upon disposal of Greyhound US property during the first half of the year.

Group statutory operating profit
Statutory operating profit (continuing basis) was £62.1m (H1 2022: £52.2m), reflecting the £(4.0)m charge from net adjusting items, compared with the £0.4m credit in net adjusting items in H1 2022.

Finance costs and investment income
Net finance costs were £24.8m (H1 2022: £128.0m) with the decrease principally due to lower finance costs following the repayment of debt after receipt of the First Student and First Transit disposal proceeds, and the impact in the prior year of debt early settlement make-whole costs of £50.0m and charges of £8.6m for the write-off of unamortised fees.

Profit before tax
Statutory profit before tax (continuing basis) was £37.0m (H1 2022: loss of £(64.5)m). Adjusted profit before tax (continuing basis) as set out in note 4 to the financial statements was £41.0m (H1 2022: adjusted loss of £(6.3)m). Adjusting items were an overall charge of £4.0m, principally reflecting the loss on disposal of the First Scotland East business (H1 2022: charge of £58.2m mainly reflecting the adjusting finance costs).

Tax
The tax charge on statutory profit before tax (continuing basis) was £5.1m (H1 2022: tax credit of £26.4m) representing an effective tax rate of 13.8% (H1 2022: not meaningful). The tax charge on adjusted profit before tax including discontinued operations for the period was £6.1m (H1 2022: £21.6m), representing an effective tax rate of 18.5% (H1 2022: 20.8%). The lower rate in the current period reflects the absence of profits in the US which had a higher effective tax rate. There was a tax charge of £2.0m (H1 2022: credit of £24.3m) relating to adjusting items and a tax credit of £0.8m (H1 2022: charge of £5.9m) from adjustments to deferred tax. The total tax charge, including tax on discontinued operations, was £7.3m (H1 2022: £3.2m). The actual tax paid during the period was £0.4m (H1 2022: £12.2m).

The ongoing Group's effective tax rate is expected to be broadly in line with UK corporation tax levels (currently 19% and increasing to 25% from 1 April 2023).

EPS
Total adjusted diluted EPS was 3.2p (H1 2022: 6.6p). Basic EPS was (0.1)p (H1 2022: 42.4p).

Shares in issue
As at 24 September 2022 there were 738.5m shares in issue (H1 2022: 1,215.3m), excluding treasury shares and own shares held in trust for employees of 11.9m (H1 2022: 7.6m). In December 2021, 476.2m shares were acquired pursuant to a tender offer and cancelled. The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the period was 739.8m (H1 2022: 1,203.4m).

Capital allocation framework

The Group's capital allocation framework can be summarised as follows:

Sustainable investment	• First Bus: c.£90m per annum in net cash capital expenditure, principally transition of bus fleet to 100% zero emissions by 2035, expected to be covered by operational cash generation • First Rail: continues to be cash capital-light, with any capital expenditure required by the four management fee-based operations fully funded under the contracts
Growth	• Actively reviewing organic and inorganic opportunities to deploy capital in the UK and elsewhere
Returns for shareholders	• Dividends: progressive annual dividends, 3x covered by Group adjusted attributable profit • Interim dividend of 0.9p per share declared (expected to be c.1/3 interim, 2/3 final typically) • Potential for additional distributions as the contingent values from exiting North America are realised
Balance sheet	• Maintain leverage of less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA

Dividend

The Board has declared an interim dividend of 0.9p per share (c.£6.7m in aggregate), to be paid on 23 December 2022 to shareholders on the register at 18 November 2022.

Adjusted cash flow

The Group's adjusted cash outflow of £(112.1)m (H1 2022: inflow of £1,704.7m, including inflows of £2.3bn relating to the disposal of the North American operations) in the period reflects strong underlying cash generated by operations offset by outflows relating to investment in First Bus, lease payments and movement in First Rail ring-fenced cash (£125.1m outflow since FY 2022. The adjusted cash flow is set out below:

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m	52 weeks to 26 March 2022 £m
EBITDA	**339.5**	478.9	862.1
Other non-cash income statement charges	**1.3**	1.2	3.8
Working capital	**(92.2)**	(7.6)	(11.6)
Movement in other provisions	**(8.2)**	(20.4)	(27.4)
Increase in financial assets/contingent consideration receivable	**-**	-	(223.1)
Settlement of foreign exchange hedge	**(1.8)**	-	-
Pension payments in excess of income statement charge/LGPS refund	**11.1**	(338.6)	(340.4)
Cash generated by operations	**249.7**	113.5	263.4
Capital expenditure and acquisitions	**(61.5)**	(142.2)	(262.9)
Proceeds from disposal of property, plant and equipment	**23.0**	3.4	23.1
Net proceeds from disposal of businesses	**2.0**	2,293.4	2,320.0
Interest and tax	**(33.2)**	(167.9)	(196.6)
Share buy back resulting from tender offer	**-**	-	(506.0)
External dividends paid	**(8.2)**	-	-
Lease payments now in debt/other	**(283.9)**	(395.5)	(632.1)
Adjusted cash flow	**(112.1)**	1,704.7	1,008.9
Foreign exchange movements	**8.6**	(7.9)	(3.8)
Net (inception)/termination of leases	**(1,029.0)**	172.4	184.1
Lease payments in debt	**276.5**	378.4	609.8
Other non-cash movements	**-**	144.0	207.8
Movement in net debt in the period	**(856.0)**	2,391.6	2,006.8

Capital expenditure

Non-First Rail cash capital expenditure was £46.8m, all of which related to First Bus (H1 2022: £114.5m, comprising First Bus £8.7m, Group items £0.4m, First Student £72.6m, First Transit £21.8m and Greyhound £11.0m). First Rail cash capital expenditure was £14.7m (H1 2022: £25.1m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

In addition, during the period leases in the non-First Rail divisions were entered into with capital values in First Bus of £19.3m and Group items £0.2m (H1 2022: First Bus £1.9m, Group items £0.7m, First Student £8.4m, First Transit £1.3m and Greyhound £2.1m). During the period First Rail entered into leases with a capital value of £1,015.9m (H1 2022: £26.1m).

Non-First Rail gross capital investment (fixed asset and software additions, plus the capital value of new leases) was £65.6m and comprised First Bus £65.4m and Group items £0.2m (H1 2022: £178.2m, comprising First Bus £11.9m, Group items £0.9m, First Student £94.7m, First Transit £13.5m, Greyhound £12.3m). First Rail gross capital investment was £1,032.2m (H1 2022: £44.9m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the period.

Funding
As at the period end, the Group had £557.7m of undrawn committed headroom and free cash (FY 2022: £532.1m), being £300.0m (FY 2022: £300.0m) of committed headroom and £257.7m (FY 2022: £232.1m) of net free cash after offsetting overdraft positions.

Net cash/(debt)
As at 24 September 2022 the Group's adjusted net cash, which excludes the capitalisation of Right of Use Assets under IFRS 16 and ring-fenced cash, was £7.3m (FY 2022: adjusted net debt of £(3.9)m). Reported net debt was £1,475.0m (FY 2022: £619.0m) after IFRS 16 and including ring-fenced cash of £339.0m (FY 2022: £468.1m), as follows:

Analysis of net debt	**24 September 2022 £m**	25 September 2021 £m	26 March 2022 £m
Sterling bond (2024)	**199.9**	199.9	199.9
Bank loans and overdrafts	**39.9**	31.4	87.5
Lease liabilities	**1,821.3**	1,366.4	1,083.2
Asset backed financial liabilities	**49.9**	56.6	35.5
Loan notes	**0.6**	0.6	0.6
Gross debt excluding accrued interest	**2,111.6**	1,654.9	1,406.7
Cash	**(297.6)**	(892.4)	(319.6)
First Rail ring-fenced cash and deposits	**(315.3)**	(518.3)	(440.4)
Other ring-fenced cash and deposits	**(23.7)**	(10.0)	(27.7)
Net debt excluding accrued interest	**1,475.0**	234.2	619.0
IFRS 16 lease liabilities – rail	**1,780.9**	1,255.7	1,031.2
IFRS 16 lease liabilities – non-rail	**40.4**	110.7	52.0
IFRS 16 lease liabilities – total	**1,821.3**	1,366.4	1,083.2
Net (cash)/debt excluding accrued interest (pre-IFRS 16)	**(346.3)**	(1,132.2)	(464.2)
Adjusted net (cash)/debt (pre-IFRS 16 and excluding ring-fenced cash)	**(7.3)**	(603.9)	3.9

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratios at the balance sheet date.

Interest rate risk
Exposure to floating interest rates is managed to ensure that at least 50% (but at no time more than 100%) of the Group's pre-IFRS 16 gross debt is fixed rate for the medium term.

Fuel price risk
We use a progressive forward hedging programme to manage commodity risk. As at 9 November 2022, 97% of our 'at risk' UK crude requirements for H2 2023 (44m litres, which is all in First Bus) were hedged at an average rate of 40p per litre, 63% of our requirements for the year to the end of March 2024 at 46p per litre, and 10% of our requirements for the year to the end of March 2025 at 59p per litre.

Foreign currency risk
'Certain' and 'highly probable' foreign currency transaction exposures (including fuel purchases for the UK divisions) may be hedged into the Group reporting currency (pounds Sterling) 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. In accordance with this policy, the legacy Greyhound property sale and First Transit earnout proceeds have been substantially hedged into pounds Sterling during the period, at a rate of $1.1543. The Group does not hedge the translation of earnings into the Group reporting currency but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business, although this exposure is materially reduced following the sales of the North American divisions. 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.

Foreign exchange

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

	26 weeks to 24 September 2022		26 weeks to 25 September 2021		52 weeks to 26 March 2022	
	Closing rate	**Effective rate**	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	**1.09**	**1.12**	1.37	1.39	1.32	1.40
Canadian Dollar	**1.48**	**1.60**	1.73	1.72	1.64	1.73

Pensions

We have updated our pension assumptions for the defined benefit schemes in the UK and North America. The net pension surplus (comprising continued and discontinued operations) of £186.7m at the beginning of the reporting period moved to a net surplus of £60.2m as at the balance sheet date on 24 September 2022, with the movement principally due to a deterioration in pension asset performance partially offset by the impact of higher discount rates in the period. The main factors that influence the balance sheet position for pensions and the principal sensitivities to their movement at 24 September 2022 are set out below:

	Movement	**Impact**
Discount rate	+0.1%	Increase surplus by £21m
Inflation	+0.1%	Decrease surplus by £17m
Life expectancy	+1 year	Decrease surplus by £61m

Following a period of significant gilt yield rises since the start of 2022, gilt yield movements in the period immediately following the balance sheet date were exceptional. The Bus Pension Scheme was able to maintain its high level of hedged protection against interest rate and inflation risks throughout this volatile period. As a precautionary measure, after the period end the Group agreed to make £95m from the Limited Partnership created following the sale of the North American divisions (the escrow) available to the Scheme to assist with liquidity management. This amount has been loaned from the escrow to the Scheme on a short term basis, whilst its investment strategy and assets are repositioned as necessary.

The basis on which the Scheme is valued for funding purposes (Technical Provisions) following the next triennial valuation will determine the final distribution of funds from the escrow during 2025, and within that the liabilities are valued by reference to gilt yields. As at the reporting date, the Scheme liabilities were estimated to be around 12% higher on a funding basis than on the accounting basis shown on the balance sheet. Following the rise in gilt yields, the funding shortfall is currently materially lower than it was at the beginning of the period, although slightly higher than at the reporting date, with volatility in gilt yields remaining elevated.

Balance sheet

Net assets have decreased by £126.8m since 26 March 2022. The principal reason is the reduction in the net pension surplus. The GWR leases under the new NRC arrangement underpin the increase in First Rail's net assets, with the related liability reflected in reported net debt.

Balance sheets – net assets/(liabilities)	**As at 24 September 2022 £m**	As at 25 September 2021 £m	As at 26 March 2022 £m
First Bus	**468.0**	509.4	626.4
First Rail	**1,501.0**	777.7	597.3
Greyhound (retained)	**(21.6)**	(49.0)	(4.8)
Divisional net assets	**1,947.4**	1,238.1	1,218.9
Group items	**221.7**	53.2	245.8
Borrowings and cash	**(1,475.2)**	(170.5)	(619.0)
Taxation	**18.4**	5.2	0.9
Held for sale assets	**46.0**	73.6	38.5
Total	**758.3**	1,199.6	885.1

Legacy North American assets and liabilities on balance sheet

As part of the disposal of First Transit to EQT Infrastructure, FirstGroup is entitled to an 'earnout' consideration of up to $290m (c.£220m). The earnout is for a period of three years from 21 July 2021 and is calculated as a percentage of the realised equity value on disposal of the First Transit business by EQT Infrastructure or an arm's length valuation as at the third anniversary of the sale (21 July 2024) if not disposed by that point. 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 will be around £74m. Following the property sales announced in the period, total Greyhound assets and liabilities are carried at a value of £24.4m.

Post-balance sheet events

- On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration. The Group currently estimates the earnout consideration to be around £78m. The Group considered this to be an adjusting event and therefore it was reflected in the fair value of the contingent consideration receivable for the earnout at 24 September 2022. In the first half of the year this gives rise to a non-cash, adjusting charge of £27.9m relative to the carrying value of the earnout of £106m at 26 March 2022.
- In light of the liquidity problems encountered by several UK Defined Benefit pension schemes which have resulted from recent rapid and significant movements in government bond yields, FirstGroup provided a short-term loan of £95m to the Bus Pension Scheme so that it could continue to maintain its current level of risk management during the uncertain times as the Bank of England support in the market is withdrawn, and to allow its asset portfolio to be rebalanced in an orderly manner. The Company utilised the funds held in escrow following the sale of the North American business to support the Scheme funding strategy as the source of funds for the loan.
- In October 2022 an extension of the current contractual arrangements for WCP was agreed with DfT to March 2023. Discussions are ongoing with DfT regarding the longer-term NRC for WCP.
- On 28 October 2022, the Group announced that its Aircoach business had agreed a deal to purchase the Northern Ireland-based transport firm Airporter.

Going concern
The Board carried out a review of the Group’s financial projections for the 18 months to 31 March 2024 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the condensed consolidated financial statements in the half-yearly report have been prepared on the going concern basis.

Definitions
Unless otherwise stated, all financial figures for the 26 weeks to 24 September 2022 (the 'first half', the 'period' or 'H1 2023') include the results and financial position of the First Rail business for the period ended 17 September 2022 and the results of all other businesses for the 26 weeks ended 24 September 2022. The figures for the 26 weeks to 25 September 2021 (the 'prior period' or 'H1 2022') include the results and financial position of the First Rail business for the period ended 18 September 2021 and the results of all other businesses for the 26 weeks ended 25 September 2021. Figures for the 52 weeks to 26 March 2022 ('FY 2022') include the results and financial position of the First Rail business for the year ended 31 March 2022 and the results of all other businesses for the 52 weeks ended 26 March 2022. Results for the 52 weeks to 25 March 2023 ('FY 2023') will include the results and financial position for First Rail for the year ending 31 March 2023 and the results and financial position of all the other businesses for the 52 weeks ending 25 March 2023.

'Cont.' or the 'Continuing operations' refer to First Bus, First Rail and Group items.

'Disc.' or the 'Discontinued operations' refer to First Student, First Transit and Greyhound US.

References to 'adjusted operating profit', 'adjusted profit before tax', and 'adjusted EPS' throughout this document are before the adjusting items as set out in note 3 to the financial statements.

'EBITDA’ is adjusted operating profit less capital grant amortisation plus depreciation.

The Group's 'EBITDA adjusted for First Rail management fees' is First Bus, central costs and First Rail EBITDA from open access and additional services on a pre-IFRS 16 basis, plus First Rail attributable net income from management fee-based operations.

'Group adjusted attributable profit' is First Bus and First Rail adjusted operating profit from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs, minus cash interest, minus tax.

'Net debt' is the value of Group external borrowings excluding the fair value adjustment for coupon swaps designated against certain bonds, excluding accrued interest, less cash balances.

'Adjusted net Cash/(Debt)' excludes ring-fenced cash and IFRS 16 lease liabilities from net debt.

Forward-looking statements

Certain statements included or incorporated by reference within this document may constitute 'forward-looking statements' with respect to the business, strategy and plans of the Group and our current goals, assumptions and expectations relating to our future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors that cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No statement in this document should be construed as a profit forecast for any period. Shareholders are cautioned not to place undue reliance on the forward-looking statements.

Except as required by the UK Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this document.

Principal risks and uncertainties

The Board has conducted a thorough assessment of the principal risks and uncertainties facing the Group for the remainder of the financial year, including those that would threaten the successful and timely delivery of its strategic priorities, future performance solvency and liquidity.

There are a number of risks and uncertainties facing the Group in the remaining six months of the financial year in addition to those mentioned in the Business and Financial Reviews. The underlying principal risks and uncertainties in our operating businesses remain as set out in detail on pages 76 to 81 of the Annual Report and Accounts 2022, with several of these risks being more elevated currently given the wider political and economic backdrop (impacting cost inflation, driver availability, industrial action, policy uncertainty and passenger demand levels), namely:

- Economic conditions including economic fluctuations
- Climate change
- Geopolitical
- Contracted businesses
- Competition and emerging technologies
- Transactions
- Financial resources
- Pandemic
- Safety
- Data security including cyber security and GDPR
- Regulatory compliance
- Human resources

Risks that are of particular focus in the final six months of the year include changes in the UK economy, particularly the effect of rising inflation on the Group and associated industrial relation challenges across the First Rail business. A change of UK Government transport policy could also lead to the renationalisation of our First Rail operations as the expiry dates of our various agreements with the DfT are reached. Finally, workforce availability, linked to both labour market shortages and staff retention, is a key risk that could impact operational capacity across both our bus and rail operations.

For a full summary of the Principal Risks and Uncertainties facing the Group, please refer to the Annual Report and Accounts 2022 at https://www.firstgroupplc.com/investors/annual-report-2022.aspx.

Graham Sutherland
Chief Executive Officer
9 November 2022

Ryan Mangold
Chief Financial Officer
9 November 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Unaudited 26 weeks to 24 September 2022 £m**	Unaudited 26 weeks to 25 September 2021 £m
Revenue	2, 4	**2,212.4**	2,139.1
Operating costs		**(2,150.3)**	(2,086.9)
Operating profit		**62.1**	52.2
Investment income	5	**1.8**	0.3
Finance costs	5	**(26.9)**	(117.0)
Profit/(loss) before tax		**37.0**	(64.5)
Tax	6	**(5.1)**	26.4
Profit/(loss) from continuing operations		**31.9**	(38.1)
(Loss)/profit from discontinued operations	13	**(30.5)**	551.4
Profit for the period		**1.4**	513.3
Attributable to:			
Equity holders of the parent		**(0.6)**	510.7
Non-controlling interests		**2.0**	2.6
		1.4	513.3
Earnings per share			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic		**4.0p**	(3.4)p
Diluted		**3.9p**	(3.4)p
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the company			
Basic	7	**(0.1)p**	42.4p
Diluted	7	**(0.1)p**	42.4p
Adjusted results (from continuing operations)[1]			
Adjusted operating profit	3	**66.1**	51.8
Adjusted profit/(loss) before tax		**41.0**	(6.3)
Adjusted EPS	7	**4.4p**	(0.4)p
Adjusted diluted EPS		**4.3p**	(0.4)p

[1] *Adjusted for certain items as set out in note 3.*

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 26 weeks to 24 September 2022 £m	Unaudited 26 weeks to 25 September 2021 £m
Profit for the period	**1.4**	513.3
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit pension schemes	**(117.0)**	(30.7)
Deferred tax on actuarial losses on defined benefit pension schemes	**30.8**	2.7
Impact of UK tax rate change on deferred tax on actuarial losses	**-**	10.0
	(86.2)	(18.0)
Items that may be reclassified subsequently to profit or loss		
Hedging instrument movements	**(22.8)**	15.5
Deferred tax on hedging instrument movements	**(4.1)**	(3.9)
Exchange differences on translation of foreign operations – continuing operations	**(4.8)**	0.6
Exchange differences on translation of foreign operations – discontinued operations	**21.2**	(1.7)
Reclassification of foreign currency translation reserve on discontinued operations	**-**	(450.6)
	(10.5)	(440.1)
Other comprehensive loss for the period	**(96.7)**	(458.1)
Total comprehensive (loss)/income for the period	**(95.3)**	55.2
Attributable to:		
Equity holders of the parent	**(97.3)**	52.6
Non-controlling interests	**2.0**	2.6
	(95.3)	55.2
Total comprehensive (loss)/income for the period attributable to owners of FirstGroup Plc arises from		
Attributable to		
Continuing operations	**(52.1)**	(42.9)
Discontinued operations	**(43.2)**	98.1
	(95.3)	55.2

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 24 September 2022 £m**	Audited 26 March 2022 £m
Non-current assets			
Goodwill	8	**93.5**	93.5
Other intangible assets		**10.1**	12.4
Property, plant and equipment	9	**2,389.7**	1,692.7
Contingent consideration receivable	11	**-**	106.1
Deferred tax assets		**65.8**	36.1
Retirement benefit assets	21	**67.6**	203.0
Derivative financial instruments	16	**5.2**	4.2
Financial asset	16	**117.0**	117.0
Investments		**2.7**	2.2
		2,751.6	2,267.2
Current assets			
Inventories		**30.7**	28.9
Contingent consideration receivable	11	**78.2**	-
Trade and other receivables	11	**804.4**	682.3
Current tax assets		**-**	3.1
Cash and cash equivalents	20	**636.6**	787.7
Derivative financial instruments	16	**21.4**	26.2
Assets held for sale	10	**46.0**	38.5
		1,617.3	1,566.7
Total assets		**4,368.9**	3,833.9
Current liabilities			
Trade and other payables		**1,174.8**	1,245.1
Tax liabilities – Current tax liabilities		**0.9**	**-**
– Other tax and social security		**46.5**	38.3
Borrowings	14	**502.6**	677.0
Derivative financial instruments	16	**21.2**	**-**
Provisions	17	**107.9**	114.6
Current liabilities		**1,853.9**	2,075.0
Net current liabilities		**(236.6)**	(508.3)
Non-current liabilities			
Borrowings	14	**1,609.2**	736.8
Retirement benefit liabilities	21	**7.4**	16.3
Derivative financial instruments	16	**0.4**	**-**
Provisions	17	**139.7**	120.7
		1,756.7	873.8
Total liabilities		**3,610.6**	2,948.8
Net assets		**758.3**	885.1
Equity			
Share capital	18	**37.5**	37.5
Share premium		**693.0**	692.8
Hedging reserve		**(22.1)**	19.3
Other reserves		**22.4**	22.4
Own shares		**(13.3)**	(9.0)
Translation reserve		**(7.6)**	(24.0)
Retained earnings		**37.9**	137.6
Equity attributable to equity holders of the parent		**747.8**	876.6
Non-controlling interests		**10.5**	8.5
Total equity		**758.3**	885.1

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 26 March 2022	**37.5**	**692.8**	**19.3**	**22.4**	**(9.0)**	**(24.0)**	**137.6**	**876.6**	**8.5**	**885.1**
(Loss)/income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**	**2.0**	**1.4**
Other comprehensive (loss)/income for the period	**-**	**-**	**(26.9)**	**-**	**-**	**16.4**	**(86.2)**	**(96.7)**	**-**	**(96.7)**
Total comprehensive income/(loss) for the period	**-**	**-**	**(26.9)**	**-**	**-**	**16.4**	**(86.8)**	**(97.3)**	**2.0**	**(95.3)**
Shares issued	**-**	**0.2**	**-**	**-**	**-**	**-**	**-**	**0.2**	**-**	**0.2**
Hedging instrument movements transferred to balance sheet (net of tax)	**-**	**-**	**(14.5)**	**-**	**-**	**-**	**-**	**(14.5)**	**-**	**(14.5)**
Movement in EBT and treasury shares	**-**	**-**	**-**	**-**	**(4.3)**	**-**	**(6.3)**	**(10.6)**	**-**	**(10.6)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**1.6**	**1.6**	**-**	**1.6**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(8.2)**	**(8.2)**	**-**	**(8.2)**
Balance at 24 September 2022 (unaudited)	**37.5**	**693.0**	**(22.1)**	**22.4**	**(13.3)**	**(7.6)**	**37.9**	**747.8**	**10.5**	**758.3**
Balance at 28 March 2021	61.1	689.6	(3.4)	4.6	(9.0)	524.7	(89.6)	1,178.0	(23.9)	1,154.1
Income for the period	-	-	-	-	-	-	510.7	510.7	2.6	513.3
Other comprehensive income/(loss) for the period	-	-	11.6	-	-	(451.7)	(18.0)	(458.1)	-	(458.1)
Total comprehensive income/(loss) for the period	-	-	11.6	-	-	(451.7)	492.7	52.6	2.6	55.2
Shares issued	-	0.9	-	-	-	-	-	0.9	-	0.9
Hedging instrument movements transferred to balance sheet (net of tax)	-	-	(1.4)	-	-	-	-	(1.4)	-	(1.4)
Disposal of non-controlling interest in First Transit	-	-	-	-	-	-	-	-	(0.7)	(0.7)
Movement in EBT and treasury shares	-	-	-	-	2.6	-	(13.4)	(10.8)	-	(10.8)
Share-based payments	-	-	-	-	-	-	2.3	2.3	-	2.3
Balance at 25 September 2021 (unaudited)	61.1	690.5	6.8	4.6	(6.4)	73.0	392.0	1,221.6	(22.0)	1,199.6

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 26 weeks to 24 September 2022 £m**	Unaudited 26 weeks to 25 September 2021 £m
Cash generated by operations		**249.7**	113.5
Tax paid		**(0.4)**	(12.2)
Interest paid		**(35.0)**	(156.0)
Net cash from/(used in) operating activities	19	**214.3**	(54.7)
Investing activities			
Interest received		**2.2**	0.3
Proceeds from disposal of property and plant and equipment		**23.0**	3.4
Purchases of property, plant and equipment		**(60.7)**	(135.2)
Purchases of software		**(0.8)**	(4.4)
Net proceeds from disposal of subsidiaries (net of cash disposed)[1]		**2.0**	2,293.4
Settlement of foreign exchange hedge		**(16.3)**	-
Acquisition of business		**-**	(2.7)
Net cash (used in)/from investing activities		**(50.6)**	2,154.8
Financing activities			
Shares purchased by Employee Benefit Trust		**(10.7)**	(17.4)
Shares issued		**0.3**	0.6
External dividends paid		**(8.2)**	-
Dividends paid to non-controlling shareholders		**-**	(0.3)
Repayments of CCFF		**-**	(298.2)
Repayment of bank facilities		**-**	(581.2)
Repayment of bond issues		**-**	(675.4)
Repayment of senior unsecured loans		**-**	(200.1)
Proceeds from/(repayment of) asset backed financial liabilities		**14.4**	(65.8)
Repayments of lease liabilities		**(271.6)**	(312.5)
Fees for finance facilities		**-**	(1.7)
Net cash flow used in financing activities		**(275.8)**	(2,152.0)
Net decrease in cash and cash equivalents before foreign exchange movements		**(112.1)**	(51.9)
Cash and cash equivalents at beginning of period		**700.2**	1,443.4
Foreign exchange movements		**8.6**	(3.9)
Cash and cash equivalents at the end of the period		**596.7**	1,387.6

1 H1 2023 amount of £2.0m comprises cash consideration received of £7.2m less cash and cash equivalent sold of £5.2m. H1 2022 amount of £2,293.4m comprises cash consideration received of £2,377.3m less cash and cash equivalent sold of £83.9m.

Cash and cash equivalents are included within current assets on the consolidated balance sheet. Cash and cash equivalents includes ring-fenced cash of £339.0m in H1 2023 (full year 2022: £468.1m). 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 Contracts and ERMAs. Non Rail ring-fenced cash includes three elements: (1) loss escrow funds maintained by various third-party administrators, the purpose of which is to provide a source of funds for use by the administrators for payment of the self-insurance liability for losses and loss adjustment expenses in accordance with agreements between the administrators and the Business; (2) balances within former First Transit subsidiaries which were retained by the Group following the sale of First Transit, where those subsidiaries act as a disbursement agent on the behalf of their customers and the cash is only allowed to be used to settle customer liabilities; (3) funds in escrow for upfront deposit received relating to the sale of Greyhound property portfolio.

Reconciliation to cash flow statement	Note	**Unaudited 24 September 2022 £m**	Audited 26 March 2022 £m
Cash and cash equivalents – Balance Sheet	20	**636.6**	787.7
Bank overdraft	20	**(39.9)**	(87.5)
Balances per consolidated cash flow statement		**596.7**	700.2

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

	Note	**Unaudited 26 weeks to 24 September 2022 £m**	Unaudited 26 weeks to 25 September 2021 £m
Net decrease in cash and cash equivalents in period		**(112.1)**	(51.9)
Decrease in debt excluding leases		**-**	1,756.6
Adjusted cash flow		**(112.1)**	1,704.7
Payment of lease liabilities		**276.5**	378.3
(Inception)/termination of leases		**(1,029.0)**	172.4
Fees capitalised against bank facilities and bond issues		**-**	(1.7)
Foreign exchange movements		**8.6**	(7.9)
Other non-cash movements		**-**	145.8
Movement in net debt in period		**(856.0)**	2,391.6
Net debt at beginning of period		**(619.0)**	(2,625.8)
Net debt at end of period	20	**(1,475.0)**	(234.2)

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The half yearly results for the 26 weeks to 24 September 2022 include the results and financial position of the First Rail division for the period ended 17 September 2022 and the results and financial position for the other divisions for the 26 weeks ended 24 September 2022. The comparative figures for the 26 weeks to 25 September 2021 include the results of the First Rail division for the period ended 18 September 2021 and the results of the other divisions for the 26 weeks ended 25 September 2021. The comparative figures for the 52 weeks ended 26 March 2022 include the financial position of the First Rail division at 31 March 2022 and the financial position of the other divisions at 26 March 2022.

These half yearly results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 26 March 2022 were approved by the board of directors on 14 June 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The half yearly results have been reviewed, not audited.

These condensed consolidated interim financial statements for the half year reporting period for the 26 weeks to 24 September 2022 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The condensed consolidated interim financial statements do not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 26 March 2022, and any public announcements made by FirstGroup plc during the interim reporting period.

The accounting policies applied are consistent with those described in the Group's latest annual audited financial statements, except for income tax which at the interim is based on applying expected full year effective tax rates to the interim results. There has been no material change as a result of applying these amendments. We have also included certain non-GAAP measures in order to reflect management's reported view of financial performance excluding other intangible asset amortisation charges and certain other items.

These results are unaudited but have been reviewed by the auditor. The comparative figures for the 26 weeks to 25 September 2021 are unaudited and are derived from the condensed consolidated interim financial statements for that period, which was also reviewed by the auditor.

Going concern – basis of preparation

The Directors have carried out a review of the Group's financial projections for the 18 months to 31 March 2024, with due regard for the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the half yearly results have been prepared on the going concern basis in preparing this report.

Update since the FY22 results

- The contractual arrangements in First Rail have continued to develop with the award of a six-year National Rail Contract to GWR in June 2022. In October an extension of the current contract arrangements was agreed for the West Coast Partnership to March 2023, and discussions are ongoing with DfT regarding the longer-term National Rail Contract for the West Coast Partnership.
- The Group's open access operations Lumo and Hull Trains were profitable in the period, a significant swing from losses incurred in the prior financial year in these operations, which reflected the start-up of Lumo and periodic pandemic-related closures of Hull Trains.
- In the First Bus division, good progress has been made in the period with several of the key drivers that the Group believes will support the improvement in Bus margins once the sector transitions to a more commercial model, including yield and pricing actions, network realignment and the sale of First Scotland East.
- Commercial passenger volume levels in First Bus have increased in the period although concessionary volumes continue to recover more slowly. In the near term the tapering of concession funding, the extension of the Bus Recovery Grant funding into H2 2023, inflation and continued driver shortages will limit the scope for significant margin progress.
- The Group has a £300m sustainability-linked Revolving Credit Facility ('RCF') with a group of its relationship banks. This committed RCF remains undrawn. In June 2022, the Group exercised its option to extend the maturity of the facility for a further year to August 2025.
- Management has demonstrated the flexibility of our businesses to generate cash flows well within required debt facility and covenant levels since the pandemic struck.

Evaluation of going concern

The Board evaluated whether it was appropriate to prepare the half yearly results in this report on a going concern basis and in doing so 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.

1 Basis of preparation (continued)

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 the post-pandemic operating environment, including assumptions on passenger volume recovery and government support arrangements as well as inflationary cost pressures.

Base case scenario
These projections were the subject of a series of executive management reviews and were used to update the base case scenario that was used for the purposes of the going concern assessment at the 2022 year end. The base case assumes a gradual recovery in passenger volumes in FY23 and FY24 as activity reaches its normalised post-pandemic levels, although passenger volumes remain below pre-pandemic levels in the going concern assessment period. The macro projections in the updated base case assume that the UK operates in a recovering, post-pandemic economy.

Severe, plausible downside scenario
In addition, a severe but plausible downside case was also modelled which assumes a more protracted post-pandemic recovery profile. In First Bus the severe but plausible downside case assumes slower recovery of passenger revenues in the second half of FY23 and through FY24 and further inflationary cost pressures. In First Rail, the downside case assumes reduced TOC performance fee awards, lower revenues in Hull Trains and East Coast Open Access, and the risk of losing one National Rail Contract. The downside case also assumed a delay in realising proceeds from the Greyhound property portfolio until after the going concern period.

Mitigating actions
If the future operating environment of the Group were to be more challenging 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 Bus are not required to be run for the governments and communities we support.

Going concern statement
Based on the scenario modelling undertaken, and the potential mitigating actions referred to above, the Board is satisfied that the Group's liquidity and covenant headroom over the going concern period is sufficient for the business needs.

Operating and financial review
The operating and financial review considers the impact of seasonality on the Group and also the principal risks and uncertainties facing it in the remaining six months of the financial year.

Summary of significant events in the Group
Significant events in relation to the change in the financial position and performance of the Group:

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration. The Group currently estimates the earnout consideration to be around $85m (£78.2m). In the first half of the year this gives rise to a non-cash, adjusting charge of £27.9m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

The contractual arrangements in First Rail have continued to develop with the award of a six-year National Rail Contract to GWR in June 2022. In October an extension of the current contract arrangements was agreed for the West Coast Partnership to March 2023, and discussions are ongoing with DfT regarding the longer-term National Rail Contract for the West Coast Partnership.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of these half yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these half yearly results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 26 March 2022, with the exception of the First Transit earnout where the estimated valuation is now underpinned by EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc.

This half yearly report has been prepared in respect of the Group as a whole and accordingly matters identified as being significant or material are so identified in the context of FirstGroup plc and its subsidiary undertakings taken as a whole.

These condensed consolidated interim financial statements were approved by the Board on 9 November 2022.

2 Revenue

Passenger revenue in First Bus was £322.3m (H1 2022: £266.3m) as passenger volumes continued their post-pandemic recovery. First Rail Passenger revenue was £1,290.9m (H1 2022: £699.2m).

The principal direct fiscal support recognised during the period comprised £247.1m (H1 2022: £920.2m) of EMA/ERMA funding in First Rail and £43.7m (H1 2022: £127.9m) of BRG, NSG+ and BES funding and concessions in First Bus. These are recognised within revenue in accordance with IFRS 15 (as per our policy on revenue recognition in the 2022 Annual Accounts), when control of the good or service is transferred to the customer and the Group is entitled to the consideration.

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. The current BRG scheme in England, which has been in place since September 2021, has recently been extended by the DfT to run through to the end of March 2023 providing a fixed monthly payment to operators to offset some of their commercial revenue losses. The Scottish NSG+ scheme provides operators with a fixed payment per km operated. In Wales the BES scheme which funds operators to a pre-agreed margin has been extended again and will now continue until March 2023.

First Rail: The Emergency Measures Agreements (EMAs), the Emergency Recovery Measures Agreement (ERMAs) and the National Rail Contracts (NRCs) transferred substantially all revenue and substantially all cost risk to the government and for the full period our First Rail franchises 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 for the full period. On 16 October 2022, the existing arrangement was extended by a further six months by the DfT to March 2023
- NRCs for SWR and TPE for the full period

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

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

3 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group’s adjusted performance is used to explain year-on-year changes when the effect of certain items are 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 include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; and pension settlement gains or losses. In addition, management assesses divisional performance before other intangible asset amortisation charges (excluding software amortisation), as these are typically a result of Group decisions and therefore the divisions have little or no control over these charges. Management considers that this overall basis more appropriately reflects operating performance and provides a better understanding of the key performance indicators of the business.

3 Reconciliation to non-GAAP measures and performance (continued)

Reconciliation of operating profit to adjusted operating profit on a continuing basis	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Operating profit on a continuing basis	**62.1**	52.2
Adjustments for:		
Loss on sale of Scotland East	**3.7**	-
Strategic items	**1.9**	-
Greyhound Canada	**(1.6)**	3.6
Rail termination sums net of impairment reversal	**-**	(4.0)
Total adjusting operating profit items on a continuing basis	**4.0**	(0.4)
Adjusted operating profit on a continuing basis	**66.1**	51.8

Reconciliation of operating (loss)/profit to adjusted operating (loss)/profit on a discontinued basis	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Operating (loss)/profit from discontinued operations including gains on sale of First Student and First Transit	**(28.6)**	592.3
Less gain on sale of First Student and First Transit	**-**	(479.4)
Operating (loss)/profit from discontinued operations	**(28.6)**	112.9
Adjustments for:		
Transit earnout charge	**27.9**	
Gain on sale of Greyhound properties	**(7.7)**	-
Other intangible asset amortisation charges	**-**	0.4
Other costs associated with the disposal of First Student and First Transit	**-**	31.5
Partial reversal of prior year impairments of Greyhound	**-**	(55.4)
Professional fees relating to Greyhound	**-**	2.9
Employment taxes relating to First Student and First Transit	**-**	6.6
North America insurance provisions	**-**	22.4
Total adjusting operating profit adjustments from discontinued operations	**20.2**	8.4
Adjusted operating (loss)/profit from discontinued operations	**(8.4)**	121.3

Reconciliation of profit before tax to adjusted profit before tax	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Profit before tax (including discontinued operations)[1]	**8.7**	516.5
Adjusting operating profit items – continuing operations	**4.0**	(0.4)
Adjusting operating profit items – discontinued operations	**20.2**	8.4
Gain on sale of First Student and First Transit	**-**	(479.4)
Adjusting operating profit items – total operations	**24.2**	(471.4)
Finance costs adjustment – continuing operations	**-**	58.6
Adjusted profit before tax including discontinued operations	**32.9**	103.7
Adjusted tax charge	**(6.1)**	(21.6)
Non-controlling interests[2]	**(2.0)**	(2.6)
Adjusted earnings including discontinued operations	**24.8**	79.5

1 See note 4.
2 Statutory non-controlling interests principally reflects Avanti West Coast and South Western Trains.

Adjusting items

The principal adjusting items in relation to the operating profit adjustments - continuing operations were as follows:

First Bus restructuring
As part of the restructuring of the Bus division to transition to a more commercial model, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m. In line with this transition plan, the Group also incurred costs of £(0.6)m relating to the reorganisation of its Bus management structure.

Other restructuring costs
Restructuring costs of £(1.3)m were incurred in relation to the Group's central functions, as part of its ongoing cost efficiency initiatives.

Greyhound Canada
A provision relating to the continued winding down of Greyhound Canada operations was released in the period.

3 Reconciliation to non-GAAP measures and performance (continued)

The principal adjusting items in relation to the operating profit adjustments - discontinued operations were as follows:

Transit earnout charge
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 $85m (£78.2m). This gives rise to a non-cash adjusting charge of £27.9m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

Greyhound US strategic items
A gain of £7.7m arose upon disposal of Greyhound US property during the first half of the year.

Group adjusted attributable EBITDA and operating profit

First Bus EBITDA comprises:

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m
Pre-IFRS16 EBITDA	**42.8**	47.6
IFRS16 adjustments[1]	**8.2**	7.9
First Bus adjusted EBITDA per segmental results (note 4)	**51.0**	55.5

First Rail EBITDA comprises:

Non-management fees based TOCs	**12.6**	(7.4)
Group's share of management fee income available for dividends	**19.1**	17.5
Depreciation relating to contracted TOCs	**-**	2.9
Pre-EMA/ERMA and other adjustments	**-**	4.1
Minority interest	**2.0**	2.8
Tax at 19%	**4.9**	4.7
IFRS16 adjustments[1]	**267.0**	279.6
First Rail adjusted EBITDA per segmental results table (note 4)	**305.6**	304.2

Group items EBITDA comprises:

Pre-IFRS16 EBITDA	**(9.6)**	(13.0)
IFRS16 adjustments[1]	**0.9**	0.8
Group items adjusted EBITDA per segmental results table (note 4)	**(8.7)**	(12.2)

First Rail adjusted operating profit comprises:

Non-management fees based TOCs	**12.0**	(7.6)
Group's share of management fee income available for dividends	**19.1**	17.5
Pre-EMA/ERMA and other adjustments	**-**	4.1
Minority interest	**2.0**	2.8
Tax at 19%	**4.9**	4.7
IFRS16 adjustments[1]	**17.4**	17.7
First Rail adjusted operating profit per segmental results table (note 4)	**55.4**	39.2

1 IFRS16 adjustments to EBITDA principally reflect the add back of operating lease rental costs charged to the income statement before the adoption of IFRS16. IFRS16 adjustments to operating profit reflect operating lease rental costs less depreciation charges on Right of Use Assets.

4 Business segments information

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

The segment results for the 26 weeks to 24 September 2022 are as follows:

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items[1] £m	Total £m	Greyhound £m	Group Items[1] £m	Total £m
Passenger revenue	322.3	1,290.9	-	-	1,613.2	-	-	1,613.2
Contract revenue	54.8	-	-	-	54.8	-	-	54.8
Rail franchise subsidy receipts	-	361.2	-	-	361.2	-	-	361.2
Other	50.6	132.6	-	-	183.2	2.7	-	185.9
Revenue	427.7	1,784.7	-	-	2,212.4	2.7	-	2,215.1
Adjusted EBITDA[2]	51.0	305.6	-	(8.7)	347.9	(8.4)	-	339.5
Depreciation	(33.2)	(310.4)	-	(1.0)	(344.6)	-	-	(344.6)
Software amortisation	(0.8)	(3.2)	-	(0.3)	(4.3)	-	-	(4.3)
Capital grant amortisation	3.7	63.4	-	-	67.1	-	-	67.1
Segment results	20.7	55.4	-	(10.0)	66.1	(8.4)	-	57.7
Other intangible asset amortisation charges	-	-	-	-	-	-	-	-
Other adjustments (note 3)	(4.3)	-	1.6	(1.3)	(4.0)	7.7	(27.9)	(24.2)
Operating profit/(loss)	16.4	55.4	1.6	(11.3)	62.1	(0.7)	(27.9)	33.5
Investment income	-	1.3	-	0.5	1.8	0.4	-	2.2
Finance costs	(1.1)	(19.5)	-	(6.3)	(26.9)	(0.1)	-	(27.0)
Profit/(loss) before tax	15.3	37.2	1.6	(17.1)	37.0	(0.4)	(27.9)	8.7
Tax								(7.3)
Profit after tax								1.4

1 Group items comprise central management and other items.
2 Adjusted EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.

4 Business segments information (continued)

Balance sheet at 24 September 2022	Total assets £m	Total liabilities £m	Net assets/(liabilities) £m
Greyhound retained	128.4	(150.0)	(21.6)
First Bus	720.6	(252.6)	468.0
First Rail	2,483.8	(982.8)	1,501.0
	3,332.8	(1,385.4)	1,947.4
Group items	287.7	(66.0)	221.7
Borrowings and cash	636.6	(2,111.8)	(1,475.2)
Taxation	65.8	(47.4)	18.4
Total	4,322.9	(3,610.6)	712.3
Greyhound (held for sale)[1]	46.0	-	46.0
Grand total	4,368.9	(3,610.6)	758.3

1 Greyhound US and Canada land and properties are classified as held for sale at 24 September 2022 and shown as such in the Condensed Consolidated Balance Sheet .

The segment results for the 26 weeks to 25 September 2021 are as follows:

	Continuing Operations					Discontinued Operations				
	First Bus £m	First Rail £m	Grey-hound £m	Group Items[1] £m	Continuing Operations £m	First Student £m	First Transit £m	Grey-hound £m	Group Items[1] £m	Total £m
Passenger revenue	266.3	699.2	-	-	965.5	-	-	132.6	-	1,098.1
Contract revenue	32.9	-	-	-	32.9	450.3	203.2	-	-	686.4
Charter/private hire	-	-	-	-	-	21.8	0.1	0.8	-	22.7
Rail franchise subsidy receipts	-	948.4	-	-	948.4	-	-	-	-	948.4
Other	93.3	99.0	-	-	192.3	7.4	96.4	58.0	-	354.1
Revenue	392.5	1,746.6	-	-	2,139.1	479.5	299.7	191.4	-	3,109.7
Adjusted EBITDA[2]	55.5	304.2	(0.2)	(12.2)	347.3	88.2	20.7	22.7	-	478.9
Depreciation	(30.3)	(302.5)	(0.2)	(1.3)	(334.3)	-	-	(10.5)	-	(344.8)
Software amortisation	(0.7)	(0.8)	-	(0.3)	(1.8)	-	-	(0.4)	-	(2.2)
Capital grant amortisation	2.3	38.3	-	-	40.6	-	-	0.6	-	41.2
Segment results	26.8	39.2	(0.4)	(13.8)	51.8	88.2	20.7	12.4	-	173.1
Other intangible asset amortisation charges	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Other adjustments (note 3)	-	4.0	(3.6)	-	0.4	(14.8)	(6.5)	44.0	448.7	471.8
Operating profit/(loss)	26.8	43.2	(4.0)	(13.8)	52.2	73.4	14.2	56.0	448.7	644.5
Investment income	-	0.2	-	0.1	0.3	-	-	-	-	0.3
Finance costs[3]	(1.3)	(20.8)	(0.7)	(94.2)	(117.0)	(7.5)	(0.7)	(3.1)	-	(128.3)
Profit/(loss) before tax	25.5	22.6	(4.7)	(107.9)	(64.5)	65.9	13.5	52.9	448.7	516.5
Tax										(3.2)
Profit after tax										513.3

1 Group items comprise central management and other items.
2 Adjusted EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.
3 Finance costs under Group items include £58.6m of adjusting items for total make-whole costs (bonds and facilities) and for the write off of unamortised bridge, bond and facility costs (see note 3).

Balance sheet at 26 March 2022	Total assets £m	Total liabilities £m	Net assets/(liabilities) £m
Greyhound retained	132.2	(137.0)	(4.8)
First Bus	806.0	(179.6)	626.4
First Rail	1,659.9	(1,062.6)	597.3
	2,598.1	(1,379.2)	1,218.9
Group items	370.4	(124.6)	245.8
Borrowings and cash	787.7	(1,406.7)	(619.0)
Taxation	39.2	(38.3)	0.9
Total	3,795.4	(2,948.8)	846.6
Greyhound (held for sale)[1]	38.5	-	38.5
Grand total	3,833.9	(2.948.8)	885.1

1 Greyhound US and Canada land and properties are classified as held for sale at 26 March 2022 and shown as such in the Condensed Consolidated Balance Sheet.

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

5 Investment income and finance costs

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m
Investment income		
Bank interest receivable	**(2.2)**	(0.3)
Finance costs		
Bonds	**6.9**	15.4
Bank interest and facility fees	**1.6**	14.9
Total make-whole costs (bonds and facilities)	**-**	50.0
Write off of unamortised bridge, bond and facility costs	**-**	8.6
Senior unsecured loan notes	**-**	3.2
Finance charges payable in respect of lease liabilities	**20.0**	22.9
Finance charges payable in respect of asset backed financial liabilities	**0.7**	1.7
Interest on long term provisions	**0.5**	3.4
Interest on pensions	**(2.8)**	5.8
Interest - other	**0.1**	2.4
Total finance costs (including discontinued operations)	**27.0**	128.3
Total finance costs	**27.0**	128.3
Investment income	**(2.2)**	(0.3)
Net finance costs (including discontinued operations)	**24.8**	128.0
Split:		
Adjusted net finance costs	**24.8**	69.4
Other adjustments (note 3)	**-**	58.6
	24.8	128.0

Investment income relating to discontinued operations was £(0.4)m (H1 2022: £nil) and finance costs relating to discontinued operations were £0.1m (H1 2022: £11.3m).

6 Tax on profit on ordinary activities

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m
Current tax charge	**0.5**	1.8
Deferred tax charge	**6.8**	1.4
Total tax charge (including discontinued operations)	**7.3**	3.2
Tax charge/(credit) attributable to:		
Profit/(loss) from continuing operations	**5.1**	(26.4)
Profit from discontinued operations	**2.2**	29.6

The tax effect of the adjustments disclosed in note 3 was a charge of £2.0m in H1 2023 (H1 2022: credit of £24.3m). In addition, there were further adjustments to brought forward tax balances giving rise to a net credit of £0.8m (H1 2022: charge of £5.9m).

7 Earnings per share (EPS)

EPS is calculated by dividing the (loss)/profit attributable to equity shareholders of £(0.6)m in H1 2023 (H1 2022: £510.7m) by the weighted average number of ordinary shares in issue of 739.8m (H1 2022: 1,203.4m). 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.

	24 September 2022 number m	25 September 2021 number m
Weighted average number of shares used in basic calculation	**739.8**	1,203.4
Executive share options[1]	**24.5**	-
Weighted average number of shares used in the diluted calculation	**764.3**	1,203.4

1 For the period ended 25 September 2021 the loss from continuing operations made the executive share options anti-dilutive and therefore the options were not included in this period.

7 Earnings per share (EPS) (continued)

The adjusted EPS is intended to highlight the recurring results of the Group before amortisation charges and certain other adjustments as set out in note 3. A reconciliation is set out below:

	26 weeks to 24 September 2022		26 weeks to 25 September 2021	
	£m	**EPS (p)**	£m	EPS (p)
Basic (loss)/profit / EPS	**(0.6)**	**(0.1)**	510.7	42.4
Amortisation charges (note 3)	**-**	**-**	0.4	-
Finance cost adjustments (note 3)	**-**	**-**	58.6	4.9
Other adjustments (note 3)	**24.2**	**3.3**	(471.8)	(39.2)
Tax effect of above adjustments	**2.0**	**0.3**	(24.3)	(2.0)
Other adjustments to deferred tax assets	**(0.8)**	**(0.1)**	5.9	0.5
Adjusted profit and EPS attributable to the ordinary equity holders of the company	**24.8**	**3.4**	79.5	6.6
Adjusted (loss)/profit from discontinued operations	**(8.1)**	**(1.0)**	84.4	7.0
Adjusted profit/(loss) EPS from continuing operations	**32.9**	**4.4**	(4.9)	(0.4)

	26 weeks to 24 September 2022 pence	26 weeks to 25 September 2021 pence
Diluted EPS	**(0.1)**	42.4
Adjusted diluted EPS	**3.2**	6.6

8 Goodwill and impairment of assets

	£m
Cost	
At 27 March 2022	93.5
At 24 September 2022	**93.5**
Accumulated impairment losses	
At 27 March 2022	-
At 24 September 2022	**-**
Carrying amount	
At 24 September 2022	**93.5**
At 26 March 2022	93.5

Disclosures including goodwill by cash generating unit (CGU), details of impairment testing and sensitivities thereon are set out on pages 185 to 186 of the 2022 Annual Report.

First Bus
At 24 September 2022 the First Bus impairment testing was revisited and it was concluded that there are no indicators of impairment since March 2022. Therefore no adjustment to the carrying value of First Bus is required at 24 September 2022.

Hull Trains
At 24 September 2022 the Hull Trains impairment testing was revisited and it was concluded that there are no indicators of impairment since March 2022. Therefore no adjustment to the carrying value of Hull Trains is required at 24 September 2022.

Lumo
At 24 September 2022 the Lumo operation's impairment testing was revisited and it was concluded that there are no indicators of impairment since March 2022. Therefore no adjustment to the carrying value of Lumo is required at 24 September 2022.

9 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
Additions	-	31.4	30.2	61.6
Disposals	(7.9)	(93.7)	(4.0)	(105.6)
Transfers	-	2.3	(2.3)	-
At 24 September 2022	**195.7**	**739.1**	**686.7**	**1,621.5**
Accumulated depreciation and impairment				
At 27 March 2022	76.9	484.2	448.0	1,009.1
Charge for period	1.9	22.8	62.0	86.7
Disposals	(4.5)	(68.6)	(2.8)	(75.9)
At 24 September 2022	**74.3**	**438.4**	**507.2**	**1,019.9**
Carrying amount				
At 24 September 2022	**121.4**	**300.7**	**179.5**	**601.6**
At 26 March 2022	126.7	314.9	214.8	656.4

9 Property, plant and equipment (continued)

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 and modifications	1,002.6	13.4	(0.3)	0.4	1,016.1
Disposals	(4.0)	(0.6)	(6.5)	(0.3)	(11.4)
Foreign exchange movements	-	0.5	-	-	0.5
At 24 September 2022	**3,584.2**	**69.2**	**53.4**	**7.6**	**3,714.4**
Accumulated depreciation and impairment					
At 27 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
Charge for period	246.8	4.0	6.3	0.8	257.9
Disposals	(0.8)	(0.2)	(3.9)	(0.1)	(5.0)
Foreign exchange movements	-	0.5	-	-	0.5
At 24 September 2022	**1,855.7**	**26.8**	**38.0**	**5.8**	**1,926.3**
Carrying amount					
At 24 September 2022	**1,728.5**	**42.4**	**15.4**	**1.8**	**1,788.1**
At 26 March 2022	975.9	33.4	24.6	2.4	1,036.3

The discounted lease liability relating to the right of use assets included above is shown in note 14.

£990.0m of additions relate to the extension of leases as a result of signing of the National Rail Contract in Great Western Railway. As at 24 September 2022 the Group had entered into contractual capital commitments amounting to £91.6m principally representing buses ordered in the United Kingdom.

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Carrying amount					
At 24 September 2022	**1,728.5**	**163.8**	**316.1**	**181.3**	**2,389.7**
At 26 March 2022	975.9	160.1	339.5	217.2	1,692.7

The maturity analysis of lease liabilities is presented in note 15.

Amounts recognised in income statement	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Depreciation expense on right of use assets	**257.9**	275.5
Interest expense on lease liabilities	**20.0**	24.6
Expense relating to short-term leases	**-**	0.3
Expense relating to leases of low value assets	**1.5**	1.7
	279.4	302.1

10 Assets held for sale

	24 September 2022 £m	26 March 2022 £m
Assets held for sale	**46.0**	38.5

Assets held for sale relate to properties in discontinued Greyhound US of £44.8m and properties in continuing Greyhound Canada of £1.2m.

11 Trade and other receivables

	24 September 2022 £m	26 March 2022 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	**78.2**	-
Amounts due after more than one year (from discontinued operations)		
Contingent consideration receivable	**-**	106.1

Amounts due within one year (from continuing operations)	**24 September 2022 £m**	26 March 2022 £m
Trade receivables	**300.9**	292.1
Loss allowance	**(20.6)**	(15.2)
Trade receivables net	**280.3**	276.9
Other receivables	**212.9**	194.7
Amounts recoverable on contracts	**53.4**	3.1
Prepayments	**71.4**	69.4
Accrued income	**186.4**	138.2
	804.4	682.3

12 Business disposals

First Scotland East Limited

On 19 September 2022, the Group completed the divestment of its subsidiary, First Scotland East Limited, to McGill's Bus Service Limited, for a total consideration of £11.0m. Of the total consideration, £7.2m of cash was received at completion, with the remaining £5.0m of cash to be received over the next three years. The cost of the disposal was £2.5m, including transaction fees, recognition of insurance indemnification and PCV warranty provisions, offset by a working capital adjustment of £1.3m. There are no conditions attached to the deferred consideration.

Net assets disposed were £14.7m, including £5.2m of cash, giving rise to a loss before tax on disposal of £3.7m. The loss has been recognised as an adjusting item. First Scotland East Limited was included within the Bus segment.

13 Discontinued operations

First Student and First Transit

The sale of First Student and First Transit was approved by a shareholder majority on 27 May 2021 and was reported as a discontinued operation in the financial statements for the 52 weeks ended 27 March 2022 for the period to the sale completion on 21 July 2021. Proceeds net of direct transaction costs/fees were £2,323.3m excluding earnout. Financial information relating to the discontinued operation for the period to the date of disposal (21 July 2021) was presented in the Group's FY22 Annual Report.

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

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As a result of this agreement, the Group estimates the earnout consideration to be around $85m (£78.2m). In the first half of the year this gives rise to a non-cash, adjusting charge of £27.9m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

At 26 March 2022, the earnout was fair valued using stochastic modelling of discounted cash flows and assumed EQT did not dispose of the business by the third anniversary (21 July 2024). Fair value at 26 March 2022 was $140m (£106.1m).

Greyhound

The disposal of Greyhound Lines, Inc to a wholly-owned subsidiary of FlixMobility GmbH was announced and completed on 21 October 2021. Greyhound US was therefore reported as a discontinued operation for the period to the sale completion in the financial statements for the 52 weeks to 26 March 2022. The properties relating to the retained Greyhound US business were classified as held for sale and therefore in FY23 continue to be treated as discontinued as it is anticipated that these properties will be disposed of in 2022 as part of a single plan to exit the Greyhound business. Financial information relating to the discontinued operation for the period to the date of disposal (21 October 2021) was presented in the Group's FY22 Annual Report.

14 Borrowings

	24 September 2022 £m	26 March 2022 £m
On demand or within 1 year		
Leases (note 15)[1]	**445.1**	573.4
Asset backed financial liabilities (note 15)[2]	**17.4**	9.0
Bank overdraft	**39.9**	87.5
Bond 6.875% (repayable 2024)[3]	**0.2**	7.1
Total current liabilities	**502.6**	677.0
Within 1 – 2 years		
Leases (note 15)[1]	**336.0**	167.8
Asset backed financial liabilities (note 15)[2]	**8.3**	15.7
Bond 6.875% (repayable 2024)	**199.9**	-
Loan notes	**0.6**	0.6
	544.8	184.1
Within 2 – 5 years		
Leases (note 15)[1]	**836.6**	294.4
Asset backed financial liabilities (note 15)[2]	**14.1**	10.5
Bond 6.875% (repayable 2024)	**-**	199.9
	850.7	504.8
More than 5 years		
Leases (note 15)[1]	**203.6**	47.6
Asset backed financial liabilities (note 15)[2]	**10.1**	0.3
	213.7	47.9
Total non-current liabilities	**1,609.2**	736.8

1 *The right of use assets relating to lease liabilities are shown in note 9. The maturity analysis of lease liabilities is presented in note 15.*
2 *The maturity analysis of asset backed financial liabilities is presented in note 15.*
3 *Includes accrued interest only.*

15 Lease liabilities and asset backed financial liabilities

The Group had the following lease liabilities at the balance sheet dates:

Lease liabilities	**24 September 2022 £m**	26 March 2022 £m
Due in less than one year	**503.4**	593.0
Due in more than one year but not more than two years	**374.0**	179.4
Due in more than two years but not more than five years	**893.8**	304.4
Due in more than five years	**217.3**	59.8
	1,988.5	1,136.6
Less future financing charges	**(167.2)**	(53.4)
	1,821.3	1,083.2
Comprising:		
Lease liabilities - Road	**40.4**	52.1
Lease liabilities - Rail	**1,780.9**	1,031.1

The Group had the following asset backed financial liabilities at the balance sheet dates:

Asset backed financial liabilities	**24 September 2022 £m**	26 March 2022 £m
Due in less than one year	**18.0**	9.3
Due in more than one year but not more than two years	**8.9**	16.6
Due in more than two years but not more than five years	**16.1**	11.9
Due in more than five years	**12.5**	0.5
	55.5	38.3
Less future financing charges	**(5.6)**	(2.8)
	49.9	35.5
Comprising:		
Asset backed financial liabilities - Road	**49.9**	35.5
Asset backed financial liabilities - Rail	**-**	-

16 Financial instruments

Non-derivative financial instruments

	24 September 2022 £m	26 March 2022 £m
Total non-derivatives		
Total non-current assets	**117.0**	117.0
Total assets	**117.0**	117.0

Certain pension partnership structures were implemented during the previous financial year. 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 amounts paid into the Bus and Group SPVs during the previous financial year were £95m and £22m respectively. Management have concluded that these amounts represent financial assets under IAS 32.

Derivative financial instruments

	24 September 2022 £m	26 March 2022 £m
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Fuel derivatives (cash flow hedge)	**2.2**	4.0
Currency forwards (cash flow hedge)	**3.0**	0.2
	5.2	4.2
Current assets		
Fuel derivatives (cash flow hedge)	**14.5**	25.6
Cross currency swaps (net investment hedge)	**6.9**	-
Currency forwards (cash flow hedge)	**-**	0.6
	21.4	26.2
Current liabilities		
Fuel derivatives (cash flow hedge)	**0.4**	**-**
Currency forwards (net investment hedge)	**20.8**	-
	21.2	-
Non-current liabilities		
Fuel derivatives (cash flow hedge)	**0.4**	-
	0.4	-

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:

					24 September 2022
				Fair value	**Carrying value**
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Total £m**
Financial assets and derivatives					
Trade and other receivables	**-**	**540.7**	**-**	**540.7**	**540.7**
Contingent consideration receivable	**-**	**78.2**	**-**	**78.2**	**78.2**
Derivative financial instruments	**-**	**26.6**	**-**	**26.6**	**26.6**
Financial liabilities and derivatives					
Borrowings[1]	**0.6**	**2,050.1**	**-**	**2,050.7**	**2,111.8**
Trade and other payables	**-**	**1,070.3**	**-**	**1,070.3**	**1,070.3**
Derivative financial instruments	**-**	**21.6**	**-**	**21.6**	**21.6**

					26 March 2022
				Fair value	Carrying value
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Total £m
Financial assets and derivatives					
Trade and other receivables	-	443.1	-	443.1	443.1
Contingent consideration receivable	-	-	106.1	106.1	106.1
Derivative financial instruments	-	30.4	-	30.4	30.4
Financial liabilities and derivatives					
Borrowings[1]	10.6	1,345.4	-	1,356.0	1,326.3
Trade and other payables	-	1,144.1	-	1,144.1	1,144.1
Derivative financial instruments	-	-	-	-	-

1 *Includes lease liabilities as set out in note 14.*

16 Financial instruments (continued)

The estimated fair value of cash and cash equivalents, short term trade and other receivables and short term trade and other payables is a reasonable approximation to the carrying value of these items.

Level 1: Quoted prices in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers between Level 1 and Level 2 during the current or prior year. The announcement of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc, means that the Group's valuation of the earnout now reflects an observable market value, and the contingent consideration receivable has therefore been reclassified from Level 3 to Level 2 at 24 September 2022.

17 Provisions

	Insurance claims £m	Legal and other £m	Pensions £m	Total £m
At 27 March 2022	**148.0**	**86.0**	**1.3**	**235.3**
Charged to the income statement	**7.6**	**17.2**	**(1.3)**	**23.5**
Utilised in the period	**(16.0)**	**(17.7)**	**-**	**(33.7)**
Notional interest	**0.6**	**-**	**-**	**0.6**
Foreign exchange movements	**18.9**	**3.0**	**-**	**21.9**
At 24 September 2022	**159.1**	**88.5**	**-**	**247.6**
Current liabilities	**55.7**	**52.2**	**-**	**107.9**
Non-current liabilities	**103.4**	**36.3**	**-**	**139.7**
At 24 September 2022	**159.1**	**88.5**	**-**	**247.6**
Current liabilities	51.8	62.7	0.1	114.6
Non-current liabilities	96.2	23.3	1.2	120.7
At 26 March 2022	148.0	86.0	1.3	235.3

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next five years although certain liabilities in respect of lifetime obligations of £9.5m in H1 2023 (full year 2022: £8.9m) can extend for up to 30 years. The utilisation of £16.0m in H1 2023 (full year 2022: £43.0m) represents payments made largely against the current liability of the preceding year.

The insurance claims provisions contain £94.8m in H1 2023 (full year 2022: £88.5m) which is recoverable from insurance companies and is included within other receivables in note 11.

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 and 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.

18 Called up share capital

	24 September 2022 £m	26 March 2022 £m
Allotted, called up and fully paid		
750.4m ordinary shares of 5p each (26 March 2022: 750.2m)	**37.5**	37.5

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

The directors have declared an interim dividend of 0.9p per ordinary share in respect of the period ended 24 September 2022, totalling approximately £6.7m.

19 Net cash from operating activities

	26 weeks to 24 September 2022 £m	26 weeks to 25 September 2021 £m
Operating profit/(loss) from:		
Continuing Operations	**62.1**	52.2
Discontinued Operations (including gain on sale of First Student and First Transit)	**(28.6)**	592.3
Total Operations	**33.5**	644.5
Adjustments for:		
Depreciation charges	**344.6**	344.9
Capital grant amortisation	**(67.1)**	(41.7)
Software amortisation charges	**4.3**	2.3
Other intangible asset amortisation charges	**-**	0.5
Loss/(gain) on disposal of subsidiaries	**3.7**	(479.4)
Reversal of impairment charges	**-**	(55.4)
Share-based payments	**1.6**	2.3
Profit on disposal of property, plant and equipment	**(8.0)**	(0.9)
Operating cash flows before working capital and pensions	**312.6**	417.1
Increase in inventories	**(2.6)**	(5.1)
Increase in receivables	**(95.8)**	(112.0)
Increase in payables due within one year	**6.5**	150.1
Decrease in contingent consideration receivable	**27.9**	-
(Decrease)/increase in provisions due within one year	**(14.2)**	1.5
Increase in provisions due over one year	**6.0**	0.5
Settlement of foreign exchange hedge	**(1.8)**	-
Aberdeen Local Government Pension Scheme refund	**11.8**	-
Defined benefit pension payments in excess of income statement charge	**(0.7)**	(338.6)
Cash generated by operations	**249.7**	113.5
Tax paid	**(0.4)**	(12.2)
Interest paid[1]	**(35.0)**	(156.0)
Net cash from/(used in) operating activities	**214.3**	(54.7)

1 *Interest paid includes £20.0m relating to lease liabilities (H1 2022: £22.9m).*

20 Analysis of changes in net debt – adjusted cash flow

	At 27 March 2022 £m	Cash flow £m	Foreign Exchange £m	Other £m	**At 24 September 2022 £m**
Components of financing activities:					
Bonds	(199.9)	**-**	**-**	**-**	**(199.9)**
Lease liabilities[1]	(1,083.2)	**271.6**	**-**	**(1,009.7)**	**(1,821.3)**
Asset backed financial liabilities[2]	(35.5)	**4.9**	**-**	**(19.3)**	**(49.9)**
Other debt	(0.6)	**-**	**-**	**-**	**(0.6)**
Total components of financing activities	(1,319.2)	**276.5**	**-**	**(1,029.0)**	**(2,071.7)**
Cash	319.6	**(30.6)**	**8.6**	**-**	**297.6**
Bank overdrafts	(87.5)	**47.6**	**-**	**-**	**(39.9)**
Ring-fenced cash	468.1	**(129.1)**	**-**	**-**	**339.0**
Cash and cash equivalents	700.2	**(112.1)**	**8.6**	**-**	**596.7**
Net debt	**(619.0)**	**164.4**	**8.6**	**(1,029.0)**	**(1,475.0)**

1 Lease liabilities 'Other' includes £1,009.7m net inception of new leases. This comprises £1,025.4m inception of new leases, being £1,011.8m of rolling stock leases, £13.4m of property leases and £0.2m of PCV leases, offset by £15.7m lease disposals. Lease disposals consists of £12.7m of rolling stock leases and £3.0m of property and other leases.

2 Asset backed financial liabilities 'Other' includes £19.3m of inception of leases in First Bus.

21 Retirement benefit schemes

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

- UK Bus and Group - including The First UK Bus Pension Scheme, The FirstGroup Pension Scheme and two Local Government Pension Schemes
- North America - legacy schemes from operations which have now been sold (see note 13)
- Rail - sponsoring six sections of the Railways Pension Scheme (RPS) relating to the Group's obligations for its TOCs, with an additional section for its Open Access Hull Trains business. Since the obligations to the TOC arrangements are considered to be limited to contributions during the period of the contract, these are fundamentally different to the obligations to the other pension arrangements.

Each of these groups of arrangements have therefore been shown separately. The scheme details are described on pages 220 to 229 of the Annual Report and Accounts for the 52 weeks ended 26 March 2022.

(a) UK Bus and Group (including Hull Trains)

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of defined benefit obligations (DBO) (Liabilities) for the UK Bus, Group and Hull Trains defined benefit schemes:

Income statement	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Operating		
– Current service and administration cost	**4.1**	5.1
– Past service gain including curtailments and settlements	**-**	-
Total operating	**4.1**	5.1
Interest (income)/cost	**(3.0)**	0.7
Total income statement	**1.1**	5.8

21 Retirement benefit schemes (continued)

Balance sheet	**24 September 2022** **£m**	26 March 2022 £m
Fair value of scheme assets	**2,068.3**	2,930.1
Present value of defined benefit obligations	**(1,930.7)**	(2,571.7)
Surplus before adjustment	**137.6**	358.4
Impact of shared cost	**(0.3)**	1.4
Adjustment for irrecoverable surplus[1]	**(73.2)**	(162.3)
Surplus in schemes	**64.1**	197.5
The amount is presented in the condensed consolidated balance sheet as follows:		
Non-current assets	**67.6**	203.0
Non-current liabilities	**(3.5)**	(5.5)
	64.1	197.5

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

(b) North America

Greyhound pension arrangements

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

The Group operates a single legacy defined benefit arrangement in the US, while in Canada, there are three funded legacy plans and a small unfunded supplementary executive retirement plan. The assets for the funded plans in Canada have been co-mingled in a master trust for a number of years and are being merged into a single plan (subject to regulatory approval) in order to further improve oversight and streamline investment strategy, which is expected to result in efficiency savings when winding up the plans.

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of defined benefit obligations (DBO) (Liabilities) for the North American defined benefit schemes:

Income statement	**26 weeks to 24 September 2022** **£m**	26 weeks to 25 September 2021 £m
Operating		
– Current service and administration cost	**0.9**	2.4
– Past service gain including curtailments and settlements	**-**	(27.7)
Total operating	**0.9**	(25.3)
Interest cost	**0.2**	1.1
Total income statement	**1.1**	(24.2)

Balance sheet	**24 September 2022** **£m**	26 March 2022 £m
Fair value of schemes' assets	**429.9**	412.4
Present value of defined benefit obligations	**(424.8)**	(408.7)
Surplus before adjustment	**5.1**	3.7
Change in irrecoverable surplus	**(9.0)**	(13.7)
Currency loss on irrecoverable surplus	**-**	(0.8)
Deficit in schemes	**(3.9)**	(10.8)
The amount is presented in the condensed consolidated balance sheet as follows:		
Non-current assets	**-**	-
Non-current liabilities	**(3.9)**	(10.8)
	(3.9)	(10.8)

During FY22, the Group transferred responsibility for the FirstGroup America (US) and Supplementary Executive (Canada) schemes. As such, these schemes have been removed from the balance sheet position and the tables above.

21 Retirement benefit schemes (continued)

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

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

	24 September 2022 £m	26 March 2022 £m
Assets	**317.1**	281.6
Liabilities	**(336.6)**	(322.1)
Deficits in schemes	**(19.5)**	(40.5)
Amounts recoverable from contracting authorities	**19.5**	40.5
Net deficits in schemes	**-**	**-**

(c) Rail contracts

The Railways Pension Scheme (RPS)

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

The Group currently sponsors six sections of the RPS, relating to its contracting obligations for its TOCs. The RPS is managed by the Railways Pension Trustee Company Limited, and is subject to regulation from the Pensions Regulator and relevant UK legislation. The RPS is a shared cost arrangement. All costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. For the TOC sections, under the contractual arrangements with the DfT, the employer's responsibility is to pay the contributions following triennial funding valuations while it operates the contracted services. These contributions are subject to change on consideration of future statutory valuations. At the end of the franchise, any deficit or surplus in the scheme section passes to the subsequent train operating company with no compensating payments from or to the outgoing TOC.

The statutory funding valuations of the various Rail Pension Scheme sections in which the Group is involved (last finalised with an effective date of 31 December 2013) and the IAS 19 actuarial valuations are carried out for different purposes and may result in materially different results. The IAS 19 valuation is set out in the disclosures below. The accounting treatment for the time-based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). The contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised) and the Group does not account for uncommitted contributions towards the sections' current or expected future deficits. Therefore, the Group does not need to reflect any deficit on its balance sheet. A TOC adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with the members. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise 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.

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of defined benefit obligations (DBO) (Liabilities) for the TOC defined benefit schemes:

Income statement	**26 weeks to 24 September 2022 £m**	26 weeks to 25 September 2021 £m
Operating		
– Current service cost	**69.6**	69.2
– Administrative cost	**0.7**	**-**
– Impact of franchise adjustment on operating cost	**(43.7)**	(42.2)
Total operating	**26.6**	27.0
Interest cost	**9.0**	8.4
Impact of franchise adjustment on net interest income	**(9.0)**	(8.4)
Total income statement	**26.6**	27.0

21 Retirement benefit schemes (continued)

Balance sheet	24 September 2022 £m	26 March 2022 £m
Fair value of schemes' assets	**3,769.5**	3,790.6
Present value of defined benefit obligations	**(3,770.8)**	(5,066.1)
Deficit before adjustment	**(1.3)**	(1,275.5)
Franchise adjustment (60%)	**0.8**	765.3
Adjustment for employee share of RPS deficits (40%)	**0.5**	510.2
Surplus/(deficit) in schemes	**-**	**-**

(d) Valuation assumptions

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

The key assumptions were as follows:

	24 September 2022			26 March 2022		
	First Bus %	**First Rail %**	**North America %**	First Bus %	First Rail %	North America %
Key assumptions used:						
Discount rate	**5.17**	**4.65**	**4.77 - 5.17**	2.91 - 2.97	2.83	3.72 - 4.19
Expected rate of salary increases	**3.84**	**3.25**	**n/a**	4.01	3.43	n/a
Inflation – CPI	**2.75 - 2.84**	**2.75**	**2.00**	2.89 - 3.01	2.93	2.00
Future pension increases	**2.74 - 2.84**	**2.75**	**n/a**	2.681	2.93	n/a

22 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 £71.3m (26 March 2022: £69.4m) and letters of credit for £224.0m (26 March 2022: £219.7m). The performance bonds primarily relate to residual North American obligations of £3.6m and the First Rail franchise operations of £67.7m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £98.5m to First Rail Train Operating Companies of which £60.6m remains undrawn. Following the sale of Greyhound, the majority of the surety bonds were cancelled, with a residual amount of £3.6m remaining as noted above. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

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

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

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

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 concluded in July 2021. The tram was operated by Tram Operations Limited (‘TOL’), a subsidiary of the Group, under a contract with a Transport for London (‘TfL’) subsidiary. TOL provides the drivers and management to operate the tram services, whereas the infrastructure and trams are owned and maintained by a TfL subsidiary. The Office of Rail & Road (‘ORR’) announced on 24 March 2022 that it had taken the decision to prosecute TfL, the driver of the tram and TOL for breaches of Health and Safety law. While TOL has indicated a guilty plea to the charge laid against it, the Company cannot yet accurately determine the quantum or timing of any financial penalties or related costs which may arise from these proceedings.

22 Contingent liabilities (continued)

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. A separate set of proceedings has been issued against London & South Eastern Railway Limited ('LSER') in respect of the operation of other rail services. The two sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT and LSER breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey.

A collective proceedings order ('CPO') was made by the CAT in January 2022 and following an unsuccessful appeal by FSWT, SSWT and LSER, the proceedings will now proceed with the next key step for FSWT, SSWT and LSER being to file their substantive defences. A trial date has not yet been set. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims. At present the Company cannot accurately determine the likelihood, quantum or timing of any damages and costs which may arise from these proceedings.

23 Related party transactions

There are no related party transactions or changes since the Group's 2022 Annual Report which could have a material effect on the Group's financial position or performance of the Group in the 26 weeks to 24 September 2022.

24 Post balance sheet events

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration. The Group currently estimates the earnout consideration to be around $85m (£78.2m). The Group considered this to be an adjusting event and therefore it was reflected in the fair value of the contingent consideration receivable for the earnout at 24 September 2022. In the first half of the year this gives rise to a non-cash, adjusting charge of £27.9m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

In light of the liquidity problems encountered by several UK defined benefit pension schemes which have resulted from recent rapid and significant movements in government bond yields, FirstGroup provided a short-term loan of £95m to the Bus Pension Scheme so that it could continue to maintain its current level of risk management during the uncertain times as the Bank of England support in the market is withdrawn, and to allow its asset portfolio to be rebalanced in an orderly manner. The Company utilised the Limited Partnership that was created following the sale of the North American business to support the Scheme funding strategy as the source of funds for the loan.

In October we agreed with DfT an extension of the current contractual arrangements for the West Coast Partnership to March 2023. Discussions are ongoing with DfT regarding the longer-term National Rail Contract for the West Coast Partnership.

On 28 October 2022, the Group announced that its Aircoach business had agreed a deal to purchase the Northern Ireland-based transport firm Airporter.

Responsibility statement

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first 26 weeks and their impact on the half yearly results, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The Directors of FirstGroup plc are listed on the Group's website at www.firstgroupplc.com.

Graham Sutherland
Chief Executive Officer
9 November 2022

Ryan Mangold
Chief Financial Officer
9 November 2022

Independent review report to FirstGroup plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed FirstGroup plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-Yearly Report of FirstGroup plc for the 26 week period ended 24 September 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 24 September 2022;
- the Condensed Consolidated Income Statement for the period then ended;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Yearly Report of FirstGroup plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Yearly Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half-Yearly Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half-Yearly Report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Yearly Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
9 November 2022