Thursday 30 May 2019
THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FIRSTGROUP PLC
RESULTS FOR THE YEAR TO 31 MARCH 2019

FirstGroup plc, a leading provider of transport services in the UK and North America, today reports growth in revenue, adjusted operating profit and adjusted EPS, and announces portfolio rationalisation plans

Results overview

- Underlying[1] Group revenue +5.7%, underlying[1] adjusted[2] operating profit +10.5%; adjusted[2] EPS +15.2%[3]
- Adjusted[2] operating profit ahead of our expectations at £332.9m, led by growth and margin expansion in First Student and First Bus
- Net cash inflow[4] of £197.3m, above expectations due to the phasing of certain First Rail cash inflows
- Due to a number of uncertainties, FirstGroup's share of future losses on SWR franchise of £102.1m recognised while negotiations continue with the Department for Transport; statutory operating profit of £9.8m also adversely impacted by a North America self-insurance charge of £94.8m
- Plans announced to rationalise the portfolio with the Group's future emphasis on First Student and First Transit, our core North American contracting businesses

Commenting, Chief Executive Matthew Gregory said:
"Our trading performance was ahead of our expectations for the year, with First Student returning to growth with increased margins, First Bus delivering growth and higher margins, and First Rail adjusted profit ahead of expectations in the year; Greyhound faces challenging market conditions but we are seeing early results from the plan we put in place last year.

"Although our UK rail franchise portfolio has generated £330.9m[5] in adjusted profit with net cash and dividends to the Group over the last five years, we have concerns with the current balance of risk and reward being offered. We await the outcome of the Williams review as it seeks to address these and other industry issues. Any future commitments to UK rail will need to have an appropriate balance of potential risks and rewards for our shareholders.

"Since becoming Chief Executive in November 2018, I have been focused on setting the Group on a clear path to enhance value. By executing the portfolio rationalisation plans we have detailed in a separate announcement today, our future emphasis will be on First Student and First Transit, our core contracting businesses in North America. We see significant potential to generate long term sustainable value and growth from the solid platform these businesses provide in the North American mobility services sector. We are intent on executing this strategy at pace, having full regard to the regulatory and stakeholder procedures and approvals that will be required.

"In parallel with our portfolio rationalisation plans we will continue to drive forward the clear strategies now established in each of our divisions to ensure they deliver further progress and growth in existing and adjacent markets, underpinned by plans to enhance our cost base further.

"Our plans will create a more focused portfolio, with leading positions in our core North American contracting markets, and is the most appropriate means for us to deliver enhanced sustainable value for all our stakeholders."

	Mar 2019 £m	Mar 2018 £m	Change	Change in constant currency[3]	Underlying change[1]
Revenue	**7,126.9**	6,398.4	+11.4%	+11.0%	+5.7%
Adjusted[2] operating profit	**332.9**	317.0	+5.0%	+4.0%	+10.5%
Adjusted[2] operating profit margin	**4.7%**	5.0%	(30)bps	(30)bps	+20bps
Adjusted[2] profit before tax	**226.3**	197.0	+14.9%	+13.1%	
Adjusted[2] EPS	**14.4p**	12.3p	+17.1%	+15.2%	
Net debt[6]	**903.4**	1,070.3	(15.6)%	(17.2)%	

Statutory	**Mar 2019 £m**	Mar 2018 £m	Change
Operating profit/(loss)	**9.8**	(196.2)	n/m[7]
Operating profit/(loss) margin	**0.1%**	(3.1)%	n/m[7]
Loss before tax	**(97.9)**	(326.9)	n/m[7]
EPS	**(5.5)p**	(24.6)p	n/m[7]

Financial summary *(percentage changes in constant currency unless otherwise stated)*

- Underlying[1] Group revenue +5.7%; including the South Western Railway (SWR) franchise that started in August 2017 and the 53rd week in the prior year, reported Group revenue growth was +11.0%
- Underlying[1] adjusted[2] operating profit growth +10.5%, reflecting growth and adjusted[2] margin improvement in First Student and First Bus, and a higher First Rail contribution, partially offset by lower Greyhound and First Transit performances
- Road divisions' growth excluding 53rd week +2.0% in revenue and +3.6% in adjusted[2] operating profit
- Adjusted[2] profit before tax +13.1% and adjusted[2] EPS +15.2%, reflecting refinancing and minority interests
- Increased net cash inflow of £197.3m (2018: £110.5m before SWR First Rail start of franchise cash flows); overperformance reflects approximately £90m of First Rail working capital inflows, and capital grant and external funding receipts which will unwind as the related capital projects are undertaken
- Reported net debt: EBITDA reduced to 1.3 times (2018: 1.5 times); Rail ring-fenced cash adjusted net debt: EBITDA 2.1 times (2018: 2.1 times)
- Charge of £94.8m recognised in the year to increase the level of North American self-insurance reserves, following a number of adverse judgments and deterioration in the claims environment and subsequent impact on actuarial risk calculations. An external review of the claims portfolio has been carried out as well as an additional independent actuarial review, resulting in a decision to increase the estimated value of the provision. The majority of these claims are expected to be settled over the next five years
- Statutory loss before tax of £(97.9)m (2018: loss before tax of £(326.9)m), reflects the self-insurance reserve charge noted above, the SWR onerous contract provision of £145.9m in total of which FirstGroup's 70% share is therefore £102.1m, £21.5m in respect of equalisation of guaranteed minimum pensions in the UK defined benefit schemes, £24.1m for restructuring and reorganisation costs principally from withdrawal of Greyhound services in Western Canada and £16.2m for loss on disposal and asset impairments of First Bus assets in Manchester, partially offset by a £9.3m gain on disposal of a major Greyhound depot
- Statutory EPS was (5.5)p (2018: (24.6)p)

Divisional performance

- First Student delivered revenue and fleet growth from strong contract retention and new business; ongoing pricing discipline and cost efficiencies outweighed driver inflation with adjusted[1] margin expanding 50bps to 9.5%
- First Transit delivered increased contract retention and won new business in both core and adjacent areas; adjusted[1] margin reduced by 70bps reflecting higher costs in the year partially offset by efficiencies
- Greyhound contribution lower year-on-year, with like-for-like[8] revenue +0.2%; action plan and withdrawal from Western Canada beginning to drive some progress during the second half
- First Bus delivered +1.6% like-for-like[8] passenger revenue and 180bps of adjusted[1] margin expansion to 7.5%, maintaining focus on making journeys simpler for customers and investing in our key markets
- First Rail like-for-like[8] passenger revenue +5.8%, with increased financial contribution driven mainly by GWR. Operational performance issues in the first half began to improve in the second

Group outlook

- In 2019/20, we expect to deliver revenue growth and financial progress in the Road divisions, offset by Rail's particularly strong adjusted profit contribution in 2018/19 moderating to more normal levels in the year ahead. Overall, we expect adjusted earnings to be broadly in line with our expectations

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A presentation for investors and analysts will be held at 9:00am today – attendance is by invitation. A live telephone 'listen in' facility is available – for joining details please call +44 (0) 20 7725 3354. A playback facility will be available together with presentation slides and a pdf copy of this report at www.firstgroupplc.com/investors.

Notes

1 *Growth excluding SWR franchise (which became part of First Rail in August 2017) and the 53rd week in the Road divisions in constant currency, as set out in note 4 to the financial statements.*
2 *'Adjusted' figures throughout this document are before self-insurance reserve charge, the SWR onerous contract provision, restructuring and reorganisation costs, other intangible asset amortisation charges and certain other items as set out in note 4 to the financial statements.*
3 *Changes 'in constant currency' throughout this document are based on retranslating 2018 foreign currency amounts at 2019 rates.*
4 *'Net cash inflow' is described in the table shown on page 17.*

[5] *Before onerous contract provisions recorded on SWR of £145.9m in total of which FirstGroup's 70% share is therefore £102.1m and on TPE of £106.9m.*
[6] *Net debt is stated excluding accrued bond interest, as explained on page 18.*
[7] *Not meaningful.*
[8] *'Like-for-like' revenue adjust for certain factors which distort the period-on-period trends in our passenger revenue businesses, described on page 20.*

Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93. Classification as per DTR 6 Annex 1R: 1.1, 2.2. This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of FirstGroup is Michael Hampson, Group General Counsel and Company Secretary.

FirstGroup plc (LSE: FGP.L) is a leading provider of transport services in the UK and North America. With £7.1 billion in revenue and around 100,000 employees, we transported 2.2 billion passengers last year. Whether for business, education, health, social or recreation – we get our customers where they want to be, when they want to be there. We create solutions that reduce complexity, making travel smoother and life easier.

***We provide easy and convenient mobility, improving quality of life by connecting people and communities**.*

Each of our five divisions is a leader in its field: In North America, First Student is the largest provider of home-to-school student transportation with a fleet of 42,500 yellow school buses, First Transit is one of the largest providers of outsourced transit management and contracting services, while Greyhound is the only nationwide operator of scheduled intercity coaches. In the UK, First Bus is one of Britain's largest bus companies with 1.6 million passengers a day, and First Rail is one of the country's largest and most experienced rail operators, carrying 345 million passengers last year.

Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.

CHIEF EXECUTIVE'S REVIEW

Introduction
I am pleased to report that the Group has taken action to move forward this year in several areas. Our Road divisions have made progress, principally reflecting the growth and adjusted margin expansion in First Student and First Bus we have delivered over recent years. While Greyhound's overall performance this year was disappointing, the plan we put in place last autumn is beginning to have a positive impact. The landscape of UK rail is challenging, and we have concerns with the current balance of risk and reward being offered. We await the outcome of the Williams review as it seeks to address these and other industry issues.

As I reflect on the seven months since being appointed Chief Executive, I am confident that each of our five businesses has a clear strategy in place, and is working hard to deliver it. Overall the Group is making progress, but what is equally clear is that different parts of our portfolio face increasingly divergent opportunities and challenges as they work to deliver for our customers – each requires an increasingly tailored approach and focus to move forward and innovate to generate value for both customers and shareholders alike.

Accordingly, we have separately announced today our plans to rationalise our portfolio with the Group's future emphasis on First Student and First Transit, our market leading contract-based businesses, which share increasingly similar attributes and opportunities to generate sustainable value and growth from the strong platforms they provide in the North American mobility services market.

Trading performance in the year
Our largest business **First Student** delivered a strong bid season last summer with excellent retention rates and significant new business wins, resulting in growth in revenue, bus count and market share for the first time in several years. We were also pleased to maintain our high customer satisfaction scores of 8.75 out of ten, reflecting our continued emphasis on serving our customers. With a solid school start-up, continued focus on managing our driver shortage challenges and more typical winter weather patterns, First Student was able to expand margins by 50bps to 9.5%. With continued bidding discipline, further operational, safety and efficiency improvement actions underway, a growing focus on selective acquisitions in the fragmented home-to-school market and opportunities to enter adjacent markets and develop complementary mobility and transportation services, First Student is increasingly well placed to build on its market leadership position in the years ahead.

First Transit also delivered a good contract retention performance, and together with the roster of new business wins we were able to offset the completion of certain high margin contracts in the Canadian oil sands region at the end of the prior year. The result was First Transit's revenue was essentially flat year-on-year, and the current inflationary cost environment reduced margins. However, First Transit is at the front end of the Group in capturing opportunities in Mobility as a Service (MaaS) and Shared Autonomous Vehicles (SAV), and we are confident this puts our First Transit business in a strong position to generate value in North American mobility services in future.

Greyhound has faced a particularly challenging market environment, but we have taken decisive action to chart a course to improved profitability with the withdrawal from Western Canada in October, and the changes we made to our pricing and yield strategies, commercial team, and the broader cost base following the business review we conducted last summer. We are pleased with the incremental signs of progress in yields since our plans were implemented.

Conditions in each of our local markets across the UK remain variable for **First Bus**, but we are encouraged that the division as a whole continues to achieve like-for-like growth and delivered 180bps of adjusted margin improvement, responding to the investments in customer convenience and the structural changes we have implemented in recent years.

The environment for our **First Rail** operations remains difficult, with timetabling, infrastructure issues and strike action all having an effect on our services for passengers. Since January our operational delivery for passengers has begun to improve. With regard to SWR, we have prepared updated financial forecasts until the initial franchise end date of 17 August 2024, which are based on a number of assumptions, most significantly passenger revenue growth and the impact of the Central London Employment and Gross Domestic Product revenue protection mechanisms, as well as the impact of changes in timetables, capacity, aging infrastructure and rolling stock. There is considerable uncertainty about the level of passenger revenue growth and future impact of the industrial action in addition to uncertainty as to the level of strike amelioration recoverable from the DfT, and we remain in negotiations with them. Progress has been made and we continue to be engaged in discussions with the DfT to agree potential commercial and contractual remedies but, at the current time, there is a range of potential outcomes. Based on these forecasts the Group has concluded that it has an onerous contract, the value of which is estimated to be £145.9m in total, which is the maximum unavoidable loss under the Franchise Agreement. Accordingly, this amount has been charged to the income statement. FirstGroup's 70% share is therefore £102.1m.

Overall, the **Group** delivered revenue growth of 5.7% and an increase in adjusted operating profit of 10.5% in constant currency (adjusting for the impact of a part-year of SWR and the 53rd week in the prior year), with lower finance and tax charges resulting in an increase in adjusted EPS of 15.2% in constant currency, to 14.4p (2018: 12.3p). However the Group's statutory results were adversely impacted by a number of events, recorded as adjusting items in the accounts. These arose principally as a result of the SWR onerous contract provision noted above, the charge required to enlarge the Group self-insurance reserve, costs associated with Greyhound's withdrawal from Western Canada, and the past service charge for the guaranteed minimum pensions. As a result, the Group reported a statutory operating profit of £9.8m in the year (2018: loss of £196.2m) and statutory EPS of (5.5)p (2018: (24.6)p).

Investing in easy and convenient mobility
During the year we have aligned our commercial plans and investments to the areas where they will make the most difference for our customers. For example, our delivery of contactless ticketing machines across all of our First Bus operations is offering our passengers an easy and convenient method of payment. Greyhound have further enhanced their website and customer service offering with strong take-up of online e-tickets which drivers can scan in a fast, seamless and simple boarding process. First Student and First Transit continue to roll out maintenance management and GPS-based driver systems to enhance efficiency and service for our clients. Each of our First Rail train operating companies is introducing new trains and refurbishing existing rolling stock, the designs of all of which have been developed through extensive consultation with passengers and other regional and national stakeholders. While we focus on putting our customers first when we develop these plans, we also aim to balance the needs of other stakeholders including our people, local communities, and environmental groups.

Unlocking value in the year
In addition to our commercial and investment activities, we have taken other significant actions to unlock value in the year. As well as the changes we have made to Greyhound's operational footprint in Canada, we have continued to optimise its property portfolio. Amongst other changes, we sold a large maintenance facility in Chicago in January. In First Bus we reviewed our Manchester operations, and announced the sale of Queens Road depot during the year.

Liability management
We continue to look for opportunities to optimise our funding costs. In the year we amended and extended our core £800m revolving bank facility to November 2023 and refinanced a £250m 6.125% coupon bond from cash on hand and revolving bank facilities as planned. The Group's next major refinancing is a £350m 8.75% bond due April 2021. At the start of the year the Group and Bus defined benefit schemes in the UK were closed to future accrual. In the year, we continue to work with trustees to facilitate members' engagement with and utilisation of their pensions freedoms, which assists in improving funding levels, and we are working with the various UK schemes to progressively derisk their investment strategies. Engagement with the UK Bus trustees on funding objectives was already well underway in advance of the 5 April 2019 triennial valuation date.

The Group has recognised a charge of £94.8m in the year to increase the level of the North American self-insurance reserves, following a deterioration in the claims environment and therefore an increase in the estimated level of settlements. A review of the claims portfolio has been carried out as well as an additional independent actuarial review, resulting in a decision to increase the estimated value of the provision. The majority of these claims are expected to be settled over the next five years. The Group has a very strong focus on safety and it is one of our five values. During the year the Group's continuous focus on behavioural change, safety assurance and technology implementation has resulted in a reduction in the number of injuries to passengers, employees and third parties, as well as vehicle collisions – though we view every such incident as one too many, and it strengthens our resolve to achieve zero harm.

Group trading outlook for the year ahead
In 2019/20, we expect to deliver revenue growth and financial progress in the Road divisions, offset by Rail's particularly strong adjusted profit contribution in 2018/19 moderating to more normal levels in the year ahead. Overall, we expect adjusted earnings to be broadly in line with our expectations. Our margin expectations are underpinned by structural change and efficiency programmes launched this year.

Matthew Gregory
Chief Executive
30 May 2019

OPERATING AND FINANCIAL REVIEW

Reported Group revenue in the year increased by 11.4% including a full year of the SWR franchise and the translation of our US Dollar-based businesses into pounds Sterling at stronger rates than the prior year, partly offset by the 53rd week in the Road divisions last year. Adjusting for these factors, Group revenue increased by 5.7% with growth in all our divisions apart from Greyhound, where revenues reflected the ongoing challenges in its long haul markets and withdrawal of services in Western Canada.

Group adjusted operating profit in constant currency increased by 4.0% or by 10.5% adjusting for SWR and the 53rd week in the Road divisions last year, reflecting progress in First Rail, First Bus and First Student partly offset by Greyhound and First Transit. Group adjusted operating profit margin in constant currency decreased by 30bps to 4.7%, with the Road divisions reduced by 10bps and the expected rebasing of the Rail margin. In reported currency, adjusted operating profit increased by 5.0% to £332.9m (2018: £317.0m).

	Year to 31 March 2019			Year to 31 March 2018		
	Revenue £m	**Operating profit[1] £m**	**Operating margin[1] %**	Revenue £m	Operating profit[1] £m	Operating margin[1] %
First Student	**1,845.9**	**173.5**	**9.4**	1,771.1	156.5	8.8
First Transit	**1,075.8**	**51.5**	**4.8**	1,072.7	58.2	5.4
Greyhound	**645.1**	**11.4**	**1.8**	690.2	25.5	3.7
First Bus	**876.1**	**65.8**	**7.5**	879.4	50.2	5.7
Group items[2]	**17.3**	**(41.6)**		16.2	(31.2)	
Road divisions	**4,460.2**	**260.6**	**5.8**	4,429.6	259.2	5.9
First Rail	**2,666.7**	**72.3**	**2.7**	1,968.8	57.8	2.9
Total Group	**7,126.9**	**332.9**	**4.7**	6,398.4	317.0	5.0
North America in USD	**$m**	**$m**	**%**	$m	$m	%
First Student	**2,424.9**	**230.0**	**9.5**	2,350.6	210.4	9.0
First Transit	**1,411.4**	**67.7**	**4.8**	1,420.4	77.8	5.5
Greyhound	**846.7**	**14.2**	**1.7**	912.7	32.8	3.6
Total North America	**4,683.0**	**311.9**	**6.7**	4,683.7	321.0	6.9

1 *Adjusted. The statutory operating profit for the year was £9.8m (2018: loss of £196.2m) as set out in note 4 to the accounts.*
2 *Tramlink operations, central management and other items.*

Net finance costs decreased to £106.6m (2018: £120.0m before bond ‘make whole’ costs), resulting in adjusted profit before tax of £226.3m (2018: £197.0m), an increase of 14.9%. Adjusted profit attributable to ordinary shareholders was £173.6m (2018: £147.7m), reflecting the higher adjusted profit and lower net finance costs. Adjusted EPS increased by 17.1% to 14.4p (2018: 12.3p). In constant currency, adjusted EPS increased by 15.2%. EBITDA decreased by 2.9% to £670.3m (2018: £690.6m).

Statutory operating profit of £9.8m (2018: loss of £196.2m) and statutory loss before tax of £97.9m (2018: loss of £326.9m), principally reflected the non-recurrence of Greyhound goodwill and other asset impairments, onerous contract provision for the TPE rail franchise and the bond ‘make whole’ costs relating to redemption of the September 2018 bond from prior year, together with the current year gain on disposal of a Greyhound facility and lower intangible asset amortisation. These were partly offset by the North America self-insurance reserve charge of £94.8m, the SWR onerous contract provision of £145.9m in total of which FirstGroup’s 70% share is therefore £102.1m, past service charge for the guaranteed minimum pensions and the loss on disposal and impairments in First Bus. Statutory EPS was (5.5)p (2018: (24.6)p) in the year.

The net cash inflow for the year was £197.3m (2018: £199.0m including £88.5m in First Rail start of franchise cash flows), which combined with movements in debt due to foreign exchange, resulted in a decrease in net debt of £166.9m (2018: £219.6m). The cash inflow from First Rail was particularly significant this year, though this reflects the phasing of approximately £90m in working capital, grant and other funding inflows, which we expect to reverse in the 2019/20 financial year. As at 31 March 2019, the net debt: EBITDA ratio was 1.3 times (2018: 1.5 times). Adjusting for cash ring-fenced in the First Rail division, net debt: EBITDA was 2.1 times (2018: 2.1 times).

Liquidity within the Group has remained strong; as at the year end there was £520.6m (2018: £766.4m) of headroom on committed facilities and free cash, being £353.3m (2018: £603.0m) of committed headroom and £167.3m (2018: £163.4m) of free cash. Our average debt maturity increased to 4.3 years (2018: 4.1 years), reflecting the Group’s agreement in November 2018 to amend and extend our main revolving bank facilities to November 2023, and the repayment of the £250m bond using free cash and drawings from our revolving bank facilities in January 2019.

During the year, gross capital investment of £459.1m (2018: £309.9m) was invested in our Road divisions, including operating leases with a capital value of £127.1m (2018: £6.0m). The increase in the Road divisions' gross capital expenditure was driven principally by the higher retention rates and new business wins achieved in First Student's summer 2018 bid season.

ROCE increased to 10.5% (2018: 8.9% at constant exchange rates and 9.5% as reported).

First Student

	$m		£m		
Year to 31 March	**2019**	2018	**2019**	2018	**Change in constant currency**[1]
Revenue	**2,424.9**	2,350.6	**1,845.9**	1,771.1	**+3.4%**
Adjusted operating profit	**230.0**	210.4	**173.5**	156.5	**+9.1%**
Adjusted operating margin	**9.5%**	9.0%	**9.4%**	8.8%	**+50bps**

1 *Based on retranslating 2018 foreign currency amounts at 2019 rates.*

First Student's revenue increased to $2,424.9m (2018: $2,350.6m), representing growth in constant currency of 3.4%. Following a number of years when our 'up or out' returns-based bidding strategy resulted in net business losses, this is the first year in more than a decade that First Student has grown each of revenue, bus fleet, and market share. Growth was driven by strong retention, net new business, pricing in excess of driver wage cost inflation and a net positive weather effect, partially offset by fewer operating days compared with the prior year due to the previous year's 53rd week and the overlay of the academic calendar with our financial year. Reported revenue was £1,845.9m (2018: £1,771.1m).

Adjusted operating profit increased faster than revenue to $230.0m (2018: $210.4m), resulting in an adjusted operating margin of 9.5% (2018: 9.0%), with contract portfolio pricing improvements, cost efficiency savings and new business wins exceeding the costs of driver shortages that persist as a result of the strong US employment market. The net weather impact was positive in the year, with both higher weather make up days (reflecting the severity of the winter in 2018) and a less severe 2019 winter. In reported currency, adjusted operating profit increased 10.9% to £173.5m (2018: £156.5m) and the division reported a statutory profit of £115.3m (2018: £88.4m), principally adjusting for amortisation of intangibles and First Student's portion of the North American self-insurance charge.

Focused and disciplined bidding
As previously noted, First Student had a strong summer 2018 bid season resulting in growth in bus fleet count for the first time in a number of years. We continued to focus our bidding strategy on only retaining or bidding for contracts at prices that reflect an appropriate return on the capital we invest. We secured average price increases in excess of the employee cost inflation we face from the strong employment market in parts of the US, while achieving a retention rate on 'at risk' business of 92%, the highest level for more than five years. Across the entire portfolio of multi-year contracts, retention was 97%. This strong performance on existing business was supplemented by new business won mainly from competitors and conversions from in-house to private provision representing approximately 1,580 additional buses, which was also ahead of our budget. Combined with a modest level of organic growth, we will be operating a bus fleet of approximately 42,500 vehicles for the balance of this school year.

Continuous improvement in operating and financial performance
First Student delivered further cost efficiencies, mainly from improvements to our engineering and maintenance practices and additional shop management strategies, in part using the expertise and technology solutions of First Transit's vehicle maintenance services segment. These and other management actions have delivered recurring cost savings of approximately $17m in the year.

We continue to invest in our driver recruitment, onboarding and retention programmes in response to the driver shortage pressures the industry faces, and this year have launched a driver app to help connect and engage with our geographically diverse workforce. We are also piloting additional driver connectivity systems which will further improve the driver experience while allowing us to manage and respond to route and other changes in real time. We were very encouraged to see a significant improvement in employee satisfaction scores in this year's survey, given the importance of driver commitment to the service we deliver for our customers.

We aim to grow our services to markets adjacent to the traditional home-to-school market. This includes our charter business (now 9% of divisional revenues) which benefits our asset utilisation rates, though growth has been held back by the driver shortages experienced in our home-to-school business. In the year we began to market First Transportation Services to school boards who currently manage home-to-school bus services in-house, which will grow to encompass a suite of managed technologies and mobility services previously only available to our outsourcing customers.

Prudent investment in our key assets
We have sustained our investment in systems and processes that differentiate our offering and enhance our customer service levels and safety performance. Our FirstView smartphone app, which provides real-time bus location tracking for parents and school boards, is now available in 203 school districts covering 350,000 students with 50,000 registered users to date. With the increase in retention rates and new business wins our investment in our fleet has increased and we continue to improve our approach to cascading buses around our operations, a significant competitive advantage of scale in the industry. Our average fleet age reduced to 6.9 years (2018: 7.1 years). In August 2018 we acquired a 70 bus business in Ontario which is performing in line with our plans. During the year we continued to build our pipeline of other potential acquisition opportunities as we look to benefit from the returns available from local consolidation in the highly fragmented home-to-school market.

Responsible partnerships with our customers and communities
We are entrusted with the safety and security of millions of children every day, and the seriousness of that responsibility is central to our culture as an organisation. We maintained our firm commitment to safety during the year and continue to focus on improving our performance further.

We were very pleased to maintain our high customer satisfaction score of 8.75 out of ten and our likelihood to recommend scores in the year, reflecting our continued emphasis on serving our customers through deep relationships at a local level and not just meeting our contractual obligations. We believe this approach differentiates us from the competition, and is reflected in the award of some contracts in the year where we were not the lowest priced bid, or where we were able to deliver a flawless start-up for 6,000 students on six weeks' notice when a competitor was unable to proceed.

Our services also support our customers and communities in other ways. The American School Bus Council estimates that each school bus takes 36 cars off the road during the morning and evening peaks, reducing congestion and fossil fuel use. Without school buses more than 17m more cars could be transporting students to school each day in the US. First Student's own emissions of particulates and nitrogen oxides (NOx) have fallen by 29%, and 15% respectively year-on-year, largely from our replacement of older fleet with lower-emission alternatives. We also continue to add to our alternative fuel fleet which now numbers more than 2,100 vehicles; principally Compressed Natural Gas (CNG) buses. First Student's carbon emissions have remained largely unchanged at 741,854 tonnes CO_2(e), comprising 28% of the entire Group footprint.

First Student priorities and outlook
We are pleased with First Student's improved performance in the year, and confident that as the largest business in the home-to-school market, it is now restored to a position of generating sustainable growth, cash and returns from its multi-year contract portfolio. We are focused on delivering further profitable growth through a combination of continued disciplined bidding, new business wins based on our market leading credentials in safety and customer service, some organic growth, development of complementary mobility services and M&A. In the 2019 bid season we will be striving to repeat the extremely strong retention and growth performance of last summer. We are also targeting further incremental margin improvements underpinned by our pricing strategy and efficiencies including several procurement, maintenance and driver labour initiatives.

First Transit

Year to 31 March	$m 2019	$m 2018	£m 2019	£m 2018	Change in constant currency[1]
Revenue	**1,411.4**	1,420.4	**1,075.8**	1,072.7	(0.4)%
Adjusted operating profit	**67.7**	77.8	**51.5**	58.2	(12.7)%
Adjusted operating margin	**4.8%**	5.5%	**4.8%**	5.4%	(70)bps

1 *Based on retranslating 2018 foreign currency amounts at 2019 rates.*

First Transit's revenue was $1,411.4m (2018: $1,420.4m), a reduction of 0.4% in constant currency (and increased by 1.4% adjusting for the 53rd week in the prior year). As expected, contract awards and organic growth in the rest of the division were sufficient to offset the loss of revenue from a number of contracts in the Canadian oil sands region and elsewhere which completed at the end of the prior year. Reported revenue increased modestly to £1,075.8m (2018: £1,072.7m).

Adjusted operating profit was $67.7m (2018: $77.8m), representing an adjusted operating margin of 4.8% (2018: 5.5%). New business wins and non-recurrence of prior year effects such as the Puerto Rico hurricane did not fully offset the impact of the completion of the high margin contracts in the Canadian oil sands region noted above, and above-inflation cost increases reflecting increased self-insurance costs and the acute driver shortages in certain areas. In reported currency, adjusted operating profit decreased to £51.5m (2018: £58.2m) and the division reported a statutory profit of £23.1m (2018: £34.3m), principally adjusting for amortisation of intangibles and First Transit's portion of the North American self-insurance charge.

Focused and disciplined bidding
We were pleased that we significantly increased our retention of 'at risk' contracts to 89% (2018: 82%) in the year, though we converted fewer new business opportunities this year compared with last. Notable renewals included a major fixed route contract for the Denver Regional Transportation District, a paratransit contract in Washington DC and one in Maryland that also included a major extension. We also renewed shuttle contracts with United Airlines in Houston, Texas and Georgia Southern University, Georgia, as well as a large maintenance contract with New York City Parks and Recreation, New York. New business wins included shuttle contracts for Stanford University, California, the City of Lawrence/University of Kansas and an energy sector customer in Western Canada, integrated fixed route and paratransit services for the city of Visalia, California, Tulsa, Oklahoma, and Sussex County, Delaware, and a fleet maintenance contract for the City of Roswell, New Mexico.

Continuous improvement in operating and financial performance
We continue to adapt and develop our technology infrastructure, management expertise and national service platform to underpin First Transit's performance in highly competitive markets. We are focused on further improvements to our recruitment, retention and training processes to offset the challenges of the tight US employment market. We continue to invest in systems to optimise our procurement, driver operations and maintenance functions in order to remain competitive in a dynamic market place where labour cost inflation remains a focus.

Prudent investment in our key assets
In the majority of our contracts we operate or manage services on behalf of our clients rather than providing vehicles. We continue to invest in driver management, predictive analytics and routing technology. First Transit has more than 70 ASE Blue Seal-certified maintenance shops in North America, more than all of our competitors combined, which demonstrates our commitment to stewardship of our customers' assets. We continue to take a disciplined approach to applying our expertise to new services and geographies to secure additional sources of growth. We are actively developing our expertise in Mobility as a Service (MaaS) systems, and we were recently selected as a MaaS preferred partner by Denton County Transportation Authority. We are actively participating in several SAV pilot programmes, and secured four new operations in Texas, California and Florida in the year. We continue to examine opportunities to extend our presence in adjacent markets where we believe we have a competitive advantage.

Responsible partnerships with our customers and communities
Our focus is on offering the best value package to our customers and the communities we serve, which means our service standards, expertise and safety credentials are as important as our cost efficiency in winning or retaining business. We continue to develop our safety behavioural change programme, focusing on our key risks, and we were pleased to have maintained our strong customer satisfaction scores during the year. First Transit is also a leader in operating mass transit technologies with low or no tailpipe emissions, such as the electric vehicles we operate in Minnesota as well as for our various SAV projects. We recently also added more than 40 electric vehicles to our shuttle fleet for one of our university campus clients, with further vehicles being added to the fleet in the year ahead.

First Transit priorities and outlook
Although revenue growth in any one year will as ever depend on the mix of contract wins and losses, we have significant sector expertise and exceptional management strength in North American transportation markets, where outsourcing trends continue to produce opportunities to achieve attractive returns and cash generation with relatively modest capital requirements. In the near term we expect our margins to be flat, reflecting the current cost inflationary environment in certain areas. We are confident in the long term prospects for further growth in our core markets, particularly in shuttle and in vehicle services, and we continue to pursue opportunities in certain adjacent markets where we have now established our credentials – such as commuter rail, bus rapid transit (BRT), and autonomous vehicle management. As our markets continue to evolve, we will look to enhance existing and new partnerships with ridesharing and other Transportation Network Companies (TNCs).

Our services are a compelling option for both local authorities and private customers to outsource their transportation management needs. We will therefore keep bidding for contracts where we can provide good value to clients while achieving appropriate margins with modest capital investment, as we continue to build our platform in mobility services.

Greyhound

Year to 31 March	$m 2019	$m 2018	£m 2019	£m 2018	Change in constant currency[1]
Revenue	**846.7**	912.7	**645.1**	690.2	**(7.0)%**
Adjusted operating profit	**14.2**	32.8	**11.4**	25.5	**(54.8)%**
Adjusted operating margin	**1.7%**	3.6%	**1.8%**	3.7%	**(180)bps**

1 *Based on retranslating 2018 foreign currency amounts at 2019 rates.*

In the year, Greyhound's revenue was $846.7m (2018: $912.7m), a reduction of (7.0)% in constant currency, driven by the withdrawal from Western Canada in October 2018, and the 53rd week in the prior year. Like-for-like revenue was +0.2%. In the year short haul growth including like-for-like growth of 0.2% by Greyhound Express was exceeded by growth in the 1,000+ mile long haul segment. Mid-range trips were slightly down year-on-year, experiencing competition from airline capacity increases in certain markets. Reported revenue reduced by £45.1m to £645.1m (2018: £690.2m).

Adjusted operating profit was $14.2m (2018: $32.8m), representing an adjusted operating margin of 1.7% (2018: 3.6%). The margin was heavily affected by higher maintenance, driver training and fleet costs, partially offset by management actions and gains on sales of property of $10.8m or £8.4m. Adjusted operating profit in reported currency decreased by 55.3% to £11.4m (2018: £25.5m) and the division reported a statutory loss of £33.8m (2018: loss of £266.3m) reflecting restructuring and reorganisation costs associated with the withdrawal from Western Canada and Greyhound's share of the North America insurance charge, partially offset by property disposals. The Group estimates that disposal proceeds from surplus properties in Western Canada will largely offset the cash costs of restructuring and reorganisation, over time.

Greyhound's performance has been disappointing, but it has begun to benefit from the changes we made following a review of its business and prospects during the first half of the financial year. We have brought new capabilities into the commercial team including the appointment of a new commercial director with a background at a leading US airline, delivered overhead reductions, and implemented a series of revenue improvement, cost reduction and investment initiatives in the middle of the year to turn around Greyhound's financial performance and enhance our services for customers. In the year we also completed the withdrawal of service in Western Canada from October, following the earlier closures of routes in British Columbia. In the second half revenue per mile and yield trends were stronger than the first half, benefitting from the pricing and other actions we have taken together with an increase in demand in the US south west.

Driving growth through attractive commercial propositions
Greyhound is a unique business with an iconic brand and, by linking large 'point-to-point' short-haul markets together to serve more than 245,000 smaller 'network' markets, we have the only true intercity coach network in North America. The business has taken several steps to transform all areas of the customer experience over recent years through investment in technology. During the current year the business has delivered further enhancements to its website, mobile app, customer call handling, onboard infotainment systems, as well as bus-side ticket scanning, which streamlines boarding times. Greyhound also continues to refine and enhance our pricing and yield management system by implementing forecasting and network optimisation functionality to leverage our network, similar to large airlines. Strategic marketing expenditure, highly targeted on our core customer demographic, is increasingly integrated with the commercial team's tactics across all market types.

Continuous improvement in operating and financial performance
We continue to strengthen our processes and maintenance systems to improve reliability, and this, assisted by our fleet renewal programme, resulted in an improvement in punctuality statistics from the middle of the year. In addition to the changes made to the Canadian network footprint, we continue to optimise overhead, procurement, driver training and other expenditures to improve efficiency and reduce cost. In the year we have also largely completed the integration of our Bolt point-to-point operations back into Greyhound.

Prudent investment in our key assets
Our maintenance and fleet availability performance is also beginning to improve with the investments we are making in fleet renewal and refurbishment. As noted elsewhere, following a number of years where the business required few additional vehicles, we have stepped up our fleet renewal plan, resulting in the addition of 108 new vehicles to the fleet this year. All have high-quality amenities as standard, including free onboard entertainment, Wi-Fi, leather seats and generous legroom. We continue to review our terminal footprint, looking for opportunities to move to intermodal transport hubs or new facilities better tailored to our needs. In addition to a number of smaller terminal changes, this year we completed the sale of a major Greyhound maintenance facility in Chicago. The resulting gain on sale of £9.3m was treated as an adjusting item.

We were the first international operator to provide both international links and domestic operations in Mexico, and in the year we launched a major new route in this market.

Responsible partnerships with our customers and communities
We continue to invest in customer service training and apprenticeships to improve our customer relationships further at the front line. We also continue to work to improve our environmental impact, principally through our investments in more efficient and aerodynamic buses. At 32.5g per passenger km, intercity travel by Greyhound already offers the lowest per-passenger carbon emissions of any modal alternative – around 89% lower emissions than an equivalent domestic passenger plane journey and 85% lower than the average US passenger car, largely unchanged from last year. Our 2018/19 investments in new, lower emission vehicles helped us drive down emissions, energy use and improve local air quality, reducing our emissions of particulates by 16%, and we expect to make further progress as our fleet modernisation programme continues.

Greyhound priorities and outlook
Since the changes we made following our review took effect during the year, we have begun seeing an encouraging improvement in key indicators such as revenue and yield per mile, which underpin our confidence that the mid-single digit margin target will be achieved in the medium term. We believe that at this stage in Greyhound's development, value for shareholders can best be delivered by seeking new owners for the business that will further support the delivery of the improved performance potential. As such a formal sale process for Greyhound is underway. During this time we will continue to execute our plans to enhance Greyhound's performance and our services for our customers with pace and commitment.

First Bus

	£m		
Year to 31 March	**2019**	2018	**Change in constant currency**[1]
Revenue	**876.1**	879.4	(0.4)%
Adjusted operating profit	**65.8**	50.2	+31.1%
Adjusted operating margin	**7.5%**	5.7%	+180bps

[1] *Based on retranslating 2018 foreign currency amounts at 2019 rates.*

First Bus like-for-like passenger revenue growth was 1.6%, though reported revenue of £876.1m (2018: £879.4m) was (0.4)% lower in constant currency terms, largely reflecting the 53rd week in the prior year. Like-for-like commercial passenger revenue increased by 2.0% and revenue per mile by 4.0%, although conditions for the industry remain uncertain and demand patterns continue to vary significantly amongst our local markets. As previously reported, retail footfall trends continue to affect demand in many markets, particularly in the North and Scotland, whilst traffic congestion in a number of cities magnifies these challenges. The overall like-for-like passenger volume decline of (0.7)% mainly reflected further reductions in concessionary passengers due to changes in bus pass entitlement and funding in the year. Our contract and tendered revenue decreased slightly in the year, primarily reflecting reduced funding from local authorities.

Adjusted operating profit was £65.8m (2018: £50.2m), or an adjusted margin of 7.5% (2018: 5.7%). Adjusted margin increased by 180bps, reflecting stabilised passenger volumes, the cumulative effect of our past and present cost efficiency and network actions and a fuel tailwind. Principally reflecting restructuring and reorganisation costs and the loss on disposal and impairments in Manchester, the division reported a statutory profit of £27.4m (2018: £29.3m).

Driving growth through attractive commercial propositions
Our customer offering continues to develop with a particular focus on easy and convenient ticketing. In September we became the first major UK bus operator to offer contactless payment on all our buses. Combined with increased mobile ticketing uptake we met our goal to reduce cash transactions to less than 45% of on-bus revenue by year end. Digital and other non-cash payments will accelerate boarding times while reducing our back office costs. We upgraded our passenger app to incorporate both multi-modal journey planning and mobile ticketing, and also introduced a customer feedback tool to the app in the year.

Drawing on our extensive Park & Ride experience, in the year we have rationalised and relaunched the Taunton, Somerset operations having taken commercial responsibility for routes that would otherwise have been withdrawn following reductions in local authority funding. We delivered contracted services for events such as the European Championships in Glasgow in August and numerous rail replacement services.

Continuous improvement in operating and financial performance
We continued to take action during the year to improve our cost efficiency, including through consolidation of our depot footprint. We closed our Clacton, Essex depot in July, and in Manchester we have made a number of changes, including announcing in February the sale of the Queens Road depot and operations to the Go-Ahead Group which will complete after year end. We continuously review networks to ensure we maximise demand for our services and enhance route performance for passengers using travel pattern data we are able to track for the first time. With every bus now equipped with GPS systems we can now optimise our routes in

real time in response to traffic incidents. During the year we have developed a shared service centre in Leeds which is allowing us to centralise a variety of customer facing and back office functions.

Prudent investment in our key assets
We remain focused on targeting our investment in areas where local authority stakeholders recognise the importance of the bus sector's role to meet air quality targets, reduce congestion and strengthen local economies. As many of our markets are introducing more stringent air quality plans, our investment in low emission vehicles continues. We took delivery of 328 new EURO VI emissions standard vehicles in the year, a more than twofold increase over the prior year. We upgraded 215 vehicles to cleaner EURO VI standards in the year, and anticipate retrofitting 1,200 more principally funded by grants, including from the Government's Clean Air Fund. At 84g of CO_2(e) per passenger km (2018: 81g), First Bus offers 26% lower per-passenger carbon emissions than the average UK passenger car. Each of our double decker buses could take up to 68 cars off the road on average. We also continue to gain experience of alternative fuel types such as hydrogen in Aberdeen and biogas in Bristol. In York, First Bus will become one of the largest operators of electric buses outside London with delivery of 21 double deck vehicles, partly funded by OLEV grants, later this year for the Park & Ride network, joining the 12 single deck electric buses which have been operating since 2014. We continue to work with our partners toward the introduction in 2020 of autonomous vehicles at the Milton Park Business Science Hub, providing services both on site and to connect to nearby Didcot Parkway Station.

Responsible partnerships with our customers and communities
Buses have a huge role to play in delivering the UK's clean air ambitions, but for them to maximise their potential and make a real impact on mitigating the effects of congestion, it is essential that operators and local authorities work together in partnership. We are proud of our track record in doing so, working for example over many years with Bristol City Council and the West of England Combined Authority to deliver a 42% increase in bus use over the past five years, the best performance in the UK. In May 2018 we started operating the new Metrobus route network in the area which is underpinned by dedicated bus lanes, bus priority at junctions and EURO VI-compliant diesel and compressed natural gas buses which are designed specifically for quicker and fewer stops, meaning faster journeys.

We have entered into a four-year partnership with Leeds City Council and the West Yorkshire Combined Authority with the shared objective of doubling passenger numbers by 2030 and securing compliance with air quality limits. We have committed to invest in 284 ultra-low emission buses while the local authorities are investing £174m to deliver five bus corridors, city centre improvements and four new or extended Park & Ride sites. Another 105 new vehicles joined this fleet during the year.

In Glasgow, we are collaborating with the City Council and other local partners to relaunch the bus partnership. We have invested in 150 new buses in support of Glasgow's new Low Emission Zone; the City Council is in turn developing a programme of bus priority measures.

We also engage extensively with the Department for Transport and the Welsh and Scottish devolved governments, seeking to ensure that buses deliver their full potential.

First Bus priorities and outlook
Over the past two years, First Bus has improved its adjusted margin by more than three percentage points while growing revenues despite a relatively challenging market backdrop. We have reinvested in our fleet and our systems, and are benefitting from the growing digitisation of our revenue collection, commercial decision making, and operations and maintenance processes. First Bus is now on a much stronger footing as a business, with margins on a path towards the double digit levels enjoyed by peers. There are however limited synergies between First Bus and our North American businesses, and we therefore believe now is the right time to pursue structural alternatives to deliver value to shareholders, while managing the longer term liabilities of the division. While we do this, our focus will remain on improving our returns by making journeys simpler for our customers, enhancing our efficiency and optimising investment in our core markets.

First Rail

	£m		
Year to 31 March	**2019**	2018	**Change**
Revenue	**2,666.7**	1,968.8	+35.4%
Adjusted operating profit	**72.3**	57.8	+25.1%
Adjusted operating margin	**2.7%**	2.9%	(20)bps

First Rail division revenue increased to £2,666.7m (2018: £1,968.8m), principally reflecting the inclusion of the SWR franchise for the full financial year (FirstGroup operated SWR for seven months of the prior financial year) and the transition of GWR from premium to subsidy in the year due to the cost of new rolling stock. Like-for-like passenger revenue growth was 5.8% and passenger volume growth improved to 2.0%. Growth rates across the industry continue to be affected by UK macroeconomic uncertainty, modal shift due to lower fuel prices and changing working practices, while our networks have experienced challenges from strike action in SWR's case and the effect of rail infrastructure upgrade works. The latter is particularly relevant to GWR, although like-for-like passenger revenue growth of 5.1% in the franchise accelerated during the year, benefiting in part from the additional capacity generated by the introduction into service of the Intercity Express Trains (IETs). TPE delivered like-for-like passenger revenue growth of 8.0%, with greater growth expected as we complete the introduction into service of new fleets in the coming period. At 6.0%, SWR's like-for-like passenger revenue growth and operational performance has been affected by a number of factors including infrastructure disruption.

Adjusted operating profit of £72.3m (2018: £57.8m) represents a margin of 2.7% (2018: 2.9%), and in part reflects payments associated with network unavailability due to delays on infrastructure improvements and repairs at GWR, as well as the resolution of certain historic claims in relation to Network Rail. All of our train operating companies were to some extent affected by the national rail industry decision to defer the December 2018 timetable changes, a significant and unforeseen change in circumstances which meant we could not deliver some additional services and other passenger benefits as originally scheduled under the franchises. Certain commercial and contractual changes have been discussed with DfT and recognised in part during the period, but we remain engaged in discussions with the DfT in relation to their effects over the longer term. TPE did not utilise the provision for forecast losses during the year, though we continue to expect the provision to be used in full over the franchise life, due to the reprofiling of the timetable changes. As noted elsewhere, management have prepared updated financial forecasts for the SWR franchise. Due to the range of uncertainties facing the franchise, the Group has made provision for £145.9m in total, which is the maximum unavoidable loss under the Franchise Agreement, and this has been charged to the income statement. FirstGroup's 70% share of the losses is therefore £102.1m. The Rail division reported a statutory loss of £77.1m (2018: loss of £50.6m) for the year.

Focused and disciplined bidding
GWR currently operates under a direct award which runs to the end of March 2020 following the DfT's decision to exercise an extension option. Discussions are ongoing regarding the DfT's stated intention to award a subsequent short-term contract to at least 2022. We are a shortlisted bidder for the upcoming West Coast Partnership franchise with Trenitalia. Away from franchising, we continue to develop our plans for a new single-class open access service between London, the North and Edinburgh from 2021 and in March this year we finalised an order with Hitachi for new trains for this operation.

Continuous improvement in operating and financial performance
We work closely with Network Rail, the DfT and all industry partners to deliver infrastructure upgrade projects while minimising disruption for passengers. Completion of these projects allows additional train capacity or services to be introduced, generating patronage growth that in turn drives franchise business plans and premia to the government. Each of our three franchises are undergoing periods of significant change, which require careful planning, management and negotiation with Network Rail and our other partners, in particular where delays can affect the delivery of franchise assumptions. Failure to manage these risks adequately could result in financial and reputational impacts to the Group.

Network Rail's upgrade work on the Great Western mainline, including electrification, continues albeit to a different timescale than originally envisaged. GWR have worked closely with our industry partners to ensure our franchise plans reflect the impact of this extended delivery time. Suburban electrification has now been completed on GWR's Newbury line, which allowed for further new electric trains and a new timetable to be introduced in January 2019. In turn, our transfer of suburban diesel trains to enhance capacity in Bristol and the West Country is ongoing. We have now taken delivery of 93 IETs from Hitachi, enabling a 40% increase in seat numbers on long-distance services compared to 2015, with quicker journey times and more frequent services.

SWR performance levels were challenging during the 2018 calendar year, reflecting historic infrastructure issues dating from before we took over the franchise in August 2017. We are working with Network Rail on plans to return service to levels that our customers expect, as set out in the independent review by Sir Michael Holden. The improvements made as part of these plans have helped lead to more stable performance since January. Our SWR customers have also faced considerable disruption to their journeys due to unnecessary and as yet unresolved RMT industrial action. We have guaranteed that a guard with safety critical competencies will be rostered on every train, no guards will lose their job because of these changes, and reminded our stakeholders that SWR will want more guards in future since our plans call for more services to be introduced. SWR remains focused on delivering a resolution of the industrial dispute in the interests of our passengers. Later this year SWR will begin introducing a fleet of 90 suburban trains manufactured by Bombardier, providing a 46% increase in peak capacity on London routes. Existing fleets are being completely refitted and refreshed, and an additional set of 18 fully refurbished trains will be re-introduced to the London-Portsmouth route by the summer. The May 2019 timetable change resulted in more than 300 additional train services a week for customers across the network, many of which have been introduced following extensive consultations and feedback sessions with local stakeholders and customers.

Our TPE franchise is being transformed into a true intercity network for the North, with capacity due to be increased by more than 80%. We have begun taking delivery of the first of 220 new carriages, comprising Hitachi IET-type trains and a further intercity fleet from CAF. TPE and others in the region were able to make changes in the December 2018 timetable which have helped to stabilise the poor performance resulting from the timetable changes earlier in the year.

Our open access operator Hull Trains continues to score well in the independent National Rail Passenger Survey. The company saw some challenges due to performance issues with the fleet during the year. New trains are due to be brought into the fleet later in 2019, and in the meantime two former GWR trains have been redeployed to give greater resilience to the service.

Management of rail franchise commitments
All our plans envisage new trains to be delivered for all of our rail operations and by next year, 90% of our customers are due to be travelling on a train less than five years old. Passenger benefits from these new trains include more seats and space, Wi-Fi and onboard entertainment options. Several other fleets are being completely refurbished to provide customers with similar amenities. Our franchises have also introduced more convenient ticketing options including smartcards, barcodes and auto-renewing season tickets. Easier, more generous and more flexible delay compensation has also been introduced to each franchise.

Responsible partnerships with our customers and communities
Customer and Communities Improvement Funds are in place at all three of our franchises, which work with community organisations across the network to give grants for projects. First Rail has an industry leading position in partnering to reduce carbon emissions. This includes the introduction of bi-mode diesel and overhead electric powered trains, enabling us to make use of electrification when it is available, without compromising our ability to continue servicing non-electrified parts of the network. Tri-mode trains, which also draw power from a third rail, are also due to be introduced during this year. Electrification of our routes has contributed to a 15% reduction in greenhouse gas emissions per passenger km in the past three years. This progress is likely to continue as the UK power grid further decarbonises and our rail network is progressively electrified.

First Rail priorities and outlook
We remain focused on working with our industry partners to deliver our plans for more capacity and better customer experiences at all our train operating companies, which will in turn drive patronage growth over time. Our rail portfolio has continued to generate good returns overall, although, because of ongoing industry conditions and the difficult operational environment our portfolio is experiencing, we expect a smaller year-on-year adjusted operating profit contribution from the rail division in 2019/20. The payments associated with network unavailability due to infrastructure improvements and repairs will continue to cause swings in period-to-period profits.

Looking ahead, we have a portfolio of separately managed rail franchise businesses in the UK which we will operate in accordance with their contractual terms. The UK government's rail franchising system is the subject of a major review of the most appropriate organisational and commercial frameworks to deliver services in future, which is currently ongoing. Any future commitments we make to UK rail will need to have an appropriate balance of potential risks and rewards for our shareholders.

Finance costs and investment income
Net finance costs before adjustments were £106.6m (2018: £120.0m) with the decrease principally reflecting lower bond interest due to the early bond redemption in March 2018 partly offset by the interest on the new senior unsecured loan notes.

Profit before tax
Adjusted profit before tax as set out in note 4 to the financial statements was £226.3m (2018: £197.0m), with the increase due principally to higher adjusted operating profit and lower net finance costs. An overall charge of £324.2m (2018: £523.9m) for adjustments including other intangible asset amortisation charges of £29.9m (2018: £70.9m) resulted in statutory loss before tax of £97.9m (2018: loss of £326.9m).

Tax
The tax charge, on adjusted profit before tax, for the year was £50.9m (2018: £44.2m) representing an effective tax rate of 22.5% (2018: 22.4%). There was also a tax credit of £40.8m (2018: £55.6m) relating to intangible asset amortisation charges and other adjustments of £324.2m (2018: £523.9m). In 2018 the US corporate income tax rate reduced from 35% to 21% under the US Tax Cuts and Jobs Act and this change also resulted in the re-measurement of brought forward deferred tax balances giving rise to a one-off tax credit in the income statement last year of £24.6m. The total tax charge was £10.1m (2018: credit £36.0m) representing an effective tax rate on the statutory loss before tax of (10.3)% (2018: 11.0%). This rate is different from the effective tax rate on adjusted profits primarily because the potential tax credit on the losses carried forward in SWR is not recognised. The Group's effective tax rate is sensitive to the geographic mix of profits including tax rates in the US and Canada (including state taxes) that are higher than in the UK and to changes in tax law and rates in the jurisdictions in which it operates.

The actual tax paid during the year was £7.5m (2018: £12.2m) and differs from the tax charge of £10.1m primarily because of capital allowances in excess of depreciation and the utilisation of carried forward tax assets.

EPS
Adjusted EPS increased 17.1% to 14.4p (2018: 12.3p) and basic EPS was (5.5)p (2018: (24.6)p).

Shares in issue
As at 31 March 2019 there were 1,208.6m shares in issue (2018: 1,203.1m), excluding treasury shares and own shares held in trust for employees, which decreased in the year to 5.3m (2018: 7.7m). 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) was 1,205.9m (2018: 1,205.1m).

Reconciliation to non-GAAP measures and performance
Note 4 to the financial statements sets out the reconciliations of operating profit/(loss) and loss before tax to their adjusted equivalents. The adjusting items are as follows:

Other intangible asset amortisation charges
The amortisation charge for the year was £29.9m (2018: £70.9m) with the reduction due to a number of customer contract intangibles which have now been fully amortised.

SWR onerous contract provision
Management have prepared updated financial forecasts for the SWR franchise until the initial franchise end date of 17 August 2024, which are based on a number of assumptions, most significantly passenger revenue growth and the impact of the Central London Employment and Gross Domestic Product revenue protection mechanisms, as well as the impact of changes in timetables, capacity, aging infrastructure and rolling stock. There is considerable uncertainty about the level of passenger revenue growth and future impact of the industrial action in addition to uncertainty as to the level of strike amelioration recoverable from the DfT, and we remain in negotiations with them. Progress has been made and we continue to be engaged in discussions with the DfT to agree potential commercial and contractual remedies but, at the current time, there is a range of potential outcomes. Based on these forecasts the Group has concluded that it has an onerous contract, the value of which is estimated to be £145.9m in total, which is the maximum unavoidable loss under the Franchise Agreement. Accordingly, this amount has been charged to the income statement. FirstGroup's 70% share is therefore £102.1m.

North America insurance provisions
The legal climate in North America, particularly in the US, continues to deliver judgments which are unpredictable, increasingly in favour of plaintiffs and punitive in certain regions. This is a complex and judgemental area, and we continue to base our reserve on the levels recommended by our actuarial advisors.

Following adverse settlements and developments on a number of aged insurance claims, and against a backdrop of a hardening of the wider motor claims environment and market, this has led to increasing our estimate of specific case reserves and adverse development factors.

Once this trend was identified, we initiated an additional independent actuarial review of the estimated risk position, including the claims handler's reserve position. This also confirmed a deterioration in the claims environment and market and therefore an increase in the estimated value of expected settlements. This has resulted in a decision to increase the provision to reflect the costs of meeting existing claims in the current environment.

This change in accounting estimate has resulted in the Group recording a charge of £94.8m ($125.0m), to increase the self-insurance reserve to a position towards the mid-point of the actuarial assessments undertaken. The charge relates to First Student £47.3m ($62.3m), First Transit £26.2m ($34.5m) and Greyhound £21.3m ($28.2m). This charge has been highlighted as an adjusted item. It is expected that the majority of these claims will be settled over the next five years.

The charge to the operating profit for the current financial year reflects this revised environment. For the 2019/20 financial year, the self-insurance charge is expected to increase in line with the level of revenue growth in the business, plus inflation. The Group has a strong focus on safety and risk mitigation in this area will continue to be an area of focus for the Group.

Restructuring and reorganisation costs
During the year there was a charge of £24.1m for restructuring and reorganisation costs principally relating to Greyhound's accelerated withdrawal of services in Western Canada. The £26.0m charge in 2018 was for the impairment of assets and reorganisation costs relating to the business turnarounds in First Bus (£20.6m) and costs related to contract losses and impairment of assets in First Transit (£5.4m).

Gain on disposal of property
During the year the sale of a Greyhound facility in Chicago was completed which resulted in a gain on sale of £9.3m (2018: £nil).

Guaranteed minimum pensions charge
A high court judgment in 2018 ruled that guaranteed minimum pensions should be equalised between male and female scheme members. As a result of this there is an increase in liabilities of £21.5m for the UK Bus and Group pension schemes.

Loss on disposal/impairment charges
During the year the First Bus Queens Road depot and operations were agreed to be sold to the Go-Ahead Group. This disposal, along with asset impairments on the remaining Manchester depots to bring these to their likely recoverable amounts, resulted in an overall charge of £16.2m.

Notional interest on TPE onerous contract provision
There was a charge of £1.1m (2018: £nil) in the year for notional interest on the unwinding of the TPE onerous contract provision.

Capital expenditure
Cash capital expenditure in the Road divisions was £322.3m (2018: £299.4m). It comprised First Student £232.3m (2018: £186.0m), First Transit £32.2m (2018: £19.0m), Greyhound £31.7m (2018: £46.6m), First Bus £25.1m (2018: £42.8m) and Group items £1.0m (2018: £5.0m). In addition, during the year we entered into operating leases for passenger carrying vehicles with capital values in First Bus of £61.9m, First Student of £27.0m, Greyhound of £34.8m and First Transit £3.4m (2018: First Bus £6.0m) and we expect our use of operating leases to increase going forward. First Rail cash capital expenditure is typically matched by franchise receipts, capital grants or other funding from third parties.

Gross capital investment was £571.1m (2018: £439.5m) of which £459.1m (2018: £309.9m) related to the Road divisions. It comprised First Student £284.8m (2018: £205.1m), First Transit £30.7m (2018: £28.5m), Greyhound £62.8m (2018: £44.4m), First Bus £79.8m (2018: £26.9m) and Group items £1.0m (2018: £5.0m). The balance between cash capital expenditure and gross capital investment represents new operating leases and creditor movements in the year.

Cash flow
The net cash inflow was £197.3m (2018: £110.5m before First Rail start of franchise cash flows) with the increase driven by higher proceeds from the disposal of property, plant and equipment primarily due to the sale of a Greyhound facility this year and lower interest payments as a result of the refinancing in March 2018

and the timing of certain working capital flows. Net cash inflow of £197.3m (2018: £199.0m including the First Rail start of franchise cash flows of £88.5m), combined with movements in debt due to foreign exchange, resulted in a decrease in net debt of £166.9m (2018: £219.6m) as detailed below.

	2019 £m	2018 £m
EBITDA	**670.3**	690.6
Other non-cash income statement charges	**3.7**	17.2
Working capital excluding First Rail start of franchise cash flows	**53.8**	36.9
Movement in other provisions	**(24.8)**	(10.5)
Pension payments in excess of income statement charge	**(47.8)**	(47.9)
Cash generated by operations excluding First Rail start of franchise cash flows	**655.2**	686.3
Capital expenditure and acquisitions	**(432.5)**	(425.6)
Proceeds from disposal of property, plant and equipment	**63.5**	11.4
Interest and tax	**(88.8)**	(137.6)
Acquisition of non-controlling interest	**-**	(13.8)
Dividends paid to non-controlling minority shareholders	**-**	(1.1)
Other	**(0.1)**	(9.1)
Net cash inflow before First Rail start of franchise cash flows	**197.3**	110.5
First Rail start of franchise cash flows	**-**	88.5
Net cash inflow after First Rail start of franchise cash flows	**197.3**	199.0
Foreign exchange movements	**(28.3)**	23.2
Other non-cash movements	**(2.1)**	(2.6)
Movement in net debt in the year	**166.9**	219.6

Balance sheet

Net assets have increased by £32.7m since the start of the year. The principal reasons for this are the favourable translation reserve movements of £160.8m partly offset by the retained loss for the year of £108.0m and actuarial losses on defined benefit pension schemes (net of deferred tax) of £31.6m.

CGU carrying value

The carrying value (net assets including goodwill but excluding intercompany balances) of each cash generating unit (CGU) was tested for impairment during the year by reference to their projected value in use and following their review of these projections, the Directors concluded that there continues to be sufficient headroom in all of the CGUs such that no reasonably possible changes in the assumptions would cause the carrying amount of the CGUs to exceed their recoverable amounts in respect of First Student, First Transit, First Bus and First Rail. Sensitivities on Greyhound are set out in note 8.

Funding and risk management

Liquidity within the Group has remained strong. At the year end there was £520.6m (2018: £766.4m) of headroom on committed facilities and free cash, being £353.3m (2018: £603.0m) of committed headroom and £167.3m (2018: £163.4m) of free cash. Largely due to the seasonality of First Student, committed headroom typically reduces during the financial year up to October and increases thereafter. Treasury policy requires a minimum level of committed headroom is maintained at all times. Our average debt maturity was 4.3 years (2018: 4.1 years). The Group's main revolving bank facilities require renewal in November 2023 following a two and a half year amendment and extension agreed in November 2018. The Group does not enter into speculative financial transactions and uses only authorised financial instruments for certain financial risk management purposes.

Fuel price risk

We use a progressive forward hedging programme to manage commodity risk. In 2018/19 in the UK, 90% of our 'at risk' crude requirements (1.9m barrels p.a.) were hedged at an average rate of $60 per barrel. We have hedged 84% of our 'at risk' UK crude requirements for the year to 31 March 2020 at $65 per barrel and 45% of our requirements for the year to 31 March 2021 at $65 per barrel.

In North America 64% of 2018/19 'at risk' crude oil volumes (1.3m barrels p.a.) were hedged at an average rate of $58 per barrel. We have hedged 52% of the volumes for the year to 31 March 2020 at $62 per barrel and 22% of our volumes for the year to 31 March 2021 at $66 per barrel.

Interest rate risk

We seek to reduce our exposure by using a combination of fixed rate debt and interest rate derivatives to achieve an overall fixed rate position over the medium term of at least 50% of net debt.

Foreign currency risk
'Certain' and 'highly probable' foreign currency transaction exposures including fuel purchases for the UK divisions may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

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

	Year to 31 March 2019		Year to 31 March 2018	
	Closing rate	**Effective rate**	Closing rate	Effective rate
US Dollar	**1.30**	**1.32**	1.40	1.34
Canadian Dollar	**1.74**	**1.72**	1.81	1.75

Net debt
The Group's net debt at 31 March 2019 was £903.4m (2018: £1,070.3m) and comprised:

			31 March 2019	31 March 2018
Analysis of net debt	**Fixed £m**	**Variable £m**	**Total £m**	Total £m
Sterling bond (2019)	**-**	**-**	**-**	249.9
Sterling bond (2021)	**-**	**348.4**	**348.4**	348.3
Sterling bond (2022)	**322.1**	**-**	**322.1**	321.6
Sterling bond (2024)	**199.8**	**-**	**199.8**	199.8
Bank loans	**-**	**446.7**	**446.7**	197.0
HP contracts and finance leases	**59.9**	**-**	**59.9**	104.7
Senior unsecured loan notes	**210.0**	**-**	**210.0**	195.2
Loan notes	**8.7**	**0.7**	**9.4**	9.5
Gross debt excluding accrued interest	**800.5**	**795.8**	**1,596.3**	1,626.0
Cash			**(167.3)**	(163.4)
First Rail ring-fenced cash and deposits			**(524.7)**	(391.5)
Other ring-fenced cash and deposits			**(0.9)**	(0.8)
Net debt excluding accrued interest			**903.4**	1,070.3

Under the terms of the First Rail franchise agreements, cash can only be distributed by the Train Operating Companies (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 ratio at the balance sheet date. First Rail ring-fenced cash increased by £133.2m in the period principally due to working capital inflows at all three franchises.

Pensions
We have updated our pension assumptions as at 31 March 2019 for the defined benefit schemes in the UK and North America. The net pension deficit of £273.7m at the beginning of the year has increased to £307.2m at the end of the year principally due to lower real discount rates and unfavourable foreign exchange movements partly offset by better asset returns and guaranteed minimum pension equalisation. Based on the most recent actuarial valuations as at 5 April 2016 and 5 April 2015 respectively, the combined funding deficit of the First Bus and Group defined benefit schemes in the UK, taking into account funding guarantees provided by FirstGroup plc, is approximately £250m higher than the balance sheet position on an accounting basis. The main factors that influence the balance sheet position for pensions and the principal sensitivities to their movement at 31 March 2019 are set out below:

	Movement	**Impact**
Discount rate	+0.1%	Reduce deficit by £28m
Inflation	+0.1%	Increase deficit by £23m

Dividends
The Board recognises that dividends are an important component of total shareholder return for many investors and remains committed to reinstating a sustainable dividend at the appropriate time, having regard to the Group's financial performance, balance sheet and outlook. The Board is not proposing to pay a dividend in

respect of the year to 31 March 2019 but will continue to review the appropriate timing for restarting dividend payments.

Seasonality
First Student generates lower revenues and profits in the first half of the financial year than in the second half of the year as the school summer holidays fall into the first half.

Impact of new accounting standards
IFRS 16 Leases replaces IAS 17 with effect from accounting periods commencing 1 January 2019. The new standard eliminates the operating lease classification and therefore on the balance sheet the lessees will be required to recognise an asset (the right to use the leased item) and lease liabilities for all leases unless they have a remaining term of less than twelve months or are of low value. On the income statement, the operating lease expense will be replaced by a combination of depreciation and interest.

The Group has performed a detailed impact assessment of IFRS 16. This assessment focused on the Group's existing lease portfolio, as well as considering wider contractual arrangements to determine if they constituted a lease under the definitions of the new standard.

As at 31 March 2019, the Group holds a significant number of operating leases that are expensed over the lease term. Management are finalising the assessment of the potential impact of this standard on the financial statements for the year ending 31 March 2020, and it is anticipated that the transition to IFRS 16 will have a material impact on the value of lease assets and liabilities recognised in the consolidated balance sheet.

As at the reporting date, the Group has non-cancellable operating lease commitments of £3.0bn. However, of these commitments, £1.0bn relates to track, station and depot access charges within the First Rail business which does not meet the definition of a lease under IFRS 16. This reflects the fact that either no identified asset exists or that the Group does not have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, or that Network Rail, not the Group, directs how and for what purpose the assets are used. Furthermore, the Group has entered into a number of leases where the commencement date falls after 1 April 2019. As such, lease commitments of £0.5bn have not been included in the IFRS 16 lease liability. Some leases include components which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of assets. As a result lease commitments of £0.2bn have not been included in the IFRS 16 lease liability.

In addition, approximately £12m of commitments relate to low value leases and £30m of commitments relate to leases where the lease term ends within 12 months from the date of initial application which the Group will elect to exempt and continue to expense through the Income Statement.

Based on the assessment performed to date, we anticipate that for the remaining lease commitments, discounted to present value, as at 1 April 2019 the Group expects to recognise right-of-use assets and lease liabilities of approximately £1.1bn, comprising approximately £0.8bn for First Rail and approximately £0.3bn for the Road divisions.

Our review of other contractual arrangements across the Group is substantially complete, and no further arrangements have been identified that meet the definition of a lease under IFRS 16.

IFRS 16 will be adopted on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

Contingent liabilities
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.

Investigations into the Croydon tram incident are ongoing and it is uncertain when they will be concluded. The tram network is operated by Tram Operations Limited (TOL), a subsidiary of the Company, under a contract with a 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. Management continue to monitor developments. To date, no proceedings have been commenced and, as such, it is not possible to assess whether any financial penalties or related costs could be incurred.

On 14 November 2017, Reading Borough Council served First Greater Western Limited (GWR), a subsidiary of the Group, and Network Rail Infrastructure Limited (a third party) with a noise abatement notice in respect of the operations at the Reading railway depot. The serving of the notice has been appealed and the related court hearing is currently anticipated to take place in early 2020 (unless the matter is settled between the parties before that date). It is not possible at this stage to quantify the implications for the GWR operations, if any, if they are not ultimately successful with respect to this appeal.

On 26 February 2019, class action proceedings were commenced in the UK Competition Appeal Tribunal (CAT) against First MTR South Western Trains Limited (SWR). Equivalent claims have been brought against Stagecoach South Western Trains Limited and London & South Eastern Railway. It is alleged that SWR and the other defendants breached their obligations under competition law, by (i) failing to make available, or (ii) restricting the practical availability of, boundary fares for TfL Travelcard holders wishing to travel outside TfL fare zones. The first substantive hearing, at which the CAT will decide whether or not to certify the class action, is scheduled to take place in November 2019. It is not possible at this stage to determine accurately the likelihood or quantum of damages and costs, if any, or timing of such damages and costs, which may arise from the proceedings.

The Pensions Regulator (TPR) has been in discussion with the Railways Pension Scheme (the Scheme) regarding the long term funding strategy of the Scheme. The Scheme is an industry-wide arrangement, and the Group, together with other owning groups, has been participating in a review of scheme funding led by the Rail Delivery Group. Whilst the review is still ongoing, changes to the current funding strategy are not expected in the short term. Whilst TPR believes that a higher level of funding is required in the long term, it is not possible at this stage to determine the impact to ongoing contribution requirements.

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. 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.

Definitions

Unless otherwise stated, all figures for the year to 31 March 2019 (the 'year' or '2019') include the results and financial position of First Rail for the year to 31 March 2019 and the results and financial position of all the other businesses for the 52 weeks ended 30 March 2019. The figures for the year to 31 March 2018 (the 'prior year' or '2018') include the results and financial position of the First Rail division for the year to 31 March 2018 and the results and financial position of all the other businesses for the 53 weeks ended 31 March 2018.

All references to 'adjusted' figures throughout this document are before Greyhound goodwill impairment, TPE onerous contract provision, SWR onerous contract provision, North American insurance provision, other intangible asset amortisation charges and certain other items as set out in note 4 to the financial statements.

References to the 'Road' divisions combine First Student, First Transit, Greyhound, First Bus and Group items.

‘ROCE’ or Return on Capital Employed is a measure of capital efficiency and is calculated by dividing adjusted operating profit after tax by all year end assets and liabilities excluding debt items.

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

'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.

References to ‘like-for-like’ revenue adjust for changes in the composition of the divisional portfolio, holiday timing, 53rd week, severe weather and other factors, for example engineering possessions in First Rail, that distort the period-on-period trends in our passenger revenue businesses.

Going concern

The Group has established a strong balanced portfolio of businesses with approximately 50% of Group revenues secured under medium term contracts with government agencies and other large organisations in the UK and North America.

The Group has a diversified funding structure with average debt duration at 31 March 2019 of 4.3 years (2018: 4.1 years) and which is largely represented by medium term unsecured bank facilities and long term unsecured bond debt. The Group has an £800m committed revolving banking facility of which £353.3m (2018: £603.0m) was undrawn at the year end. This facility has a maturity of November 2023.

The Directors have carried out a detailed review of the Group's budget for the year to 31 March 2020 and medium term plans, 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 financial statements have been prepared on a going concern basis.

Matthew Gregory
Chief Executive
30 May 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

Continuing operations	Notes	2019 £m	2018 £m
Revenue	2	**7,126.9**	6,398.4
Operating costs		**(7,117.1)**	(6,594.6)
Operating profit/(loss)		**9.8**	(196.2)
Investment income	5	**2.7**	1.3
Finance costs	5	**(110.4)**	(132.0)
Loss before tax		**(97.9)**	(326.9)
Tax	6	**(10.1)**	36.0
Loss for the year		**(108.0)**	(290.9)
Attributable to:			
Equity holders of the parent		**(66.9)**	(296.0)
Non-controlling interests		**(41.1)**	5.1
		(108.0)	(290.9)
Earnings per share			
Basic	7	**(5.5)p**	(24.6)p
Diluted	7	**(5.5)p**	(24.6)p
Adjusted results[1]			
Adjusted operating profit	4	**332.9**	317.0
Adjusted profit before tax	4	**226.3**	197.0
Adjusted EPS	7	**14.4p**	12.3p
Adjusted diluted EPS	7	**14.3p**	12.1p

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2019 £m	2018 £m
Loss for the year	**(108.0)**	(290.9)
Items that will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains on defined benefit pension schemes	**(38.7)**	26.6
Deferred tax on actuarial (losses)/gains on defined benefit pension schemes	**7.1**	(6.2)
Deferred tax on defined benefit pension schemes due to US tax reform	**–**	(20.4)
	(31.6)	–
Items that may be reclassified subsequently to profit or loss		
Derivative hedging instrument movements	**23.5**	45.1
Deferred tax on derivative hedging instrument movements	**(4.1)**	(9.3)
Deferred tax on derivative hedging instruments due to US tax reform	**–**	(1.4)
Exchange differences on translation of foreign operations	**160.8**	(324.9)
	180.2	(290.5)
Other comprehensive income/(loss) for the year	**148.6**	(290.5)
Total comprehensive income/(loss) for the year	**40.6**	(581.4)
Attributable to:		
Equity holders of the parent	**81.7**	(586.5)
Non-controlling interests	**(41.1)**	5.1
	40.6	(581.4)

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

CONSOLIDATED BALANCE SHEET
As at 31 March

	Note	2019 £m	2018 £m
Non-current assets			
Goodwill	8	**1,598.1**	1,496.8
Other intangible assets	9	**75.1**	89.8
Property, plant and equipment	10	**2,165.9**	2,090.1
Deferred tax assets	18	**40.6**	37.7
Retirement benefit assets		**69.2**	32.5
Derivative financial instruments	17	**20.5**	25.0
Investments		**34.1**	31.0
		4,003.5	3,802.9
Current assets			
Inventories	11	**60.2**	56.0
Trade and other receivables	12	**1,141.4**	888.0
Current tax assets		**3.4**	2.9
Cash and cash equivalents		**692.9**	555.7
Assets held for sale		**31.7**	0.9
Derivative financial instruments	17	**15.5**	27.3
		1,945.1	1,530.8
Total assets		**5,948.6**	5,333.7
Current liabilities			
Trade and other payables	13	**1,547.3**	1,233.7
Tax liabilities – Current tax liabilities		**3.9**	3.8
– Other tax and social security		**29.0**	31.7
Borrowings	14	**84.9**	351.5
Derivative financial instruments	17	**3.4**	6.7
Provisions	19	**265.9**	203.7
		1,934.4	1,831.1
Net current assets/(liabilities)		**10.7**	(300.3)
Non-current liabilities			
Borrowings	14	**1,564.1**	1,339.6
Derivative financial instruments	17	**1.9**	3.0
Retirement benefit liabilities		**376.4**	306.2
Deferred tax liabilities	18	**16.5**	22.2
Provisions	19	**532.0**	341.0
		2,490.9	2,012.0
Total liabilities		**4,425.3**	3,843.1
Net assets		**1,523.3**	1,490.6
Equity			
Share capital	20	**60.7**	60.5
Share premium		**684.0**	681.4
Hedging reserve		**17.5**	16.5
Other reserves		**4.6**	4.6
Own shares		**(4.7)**	(6.3)
Translation reserve		**544.3**	383.5
Retained earnings		**248.1**	340.6
Equity attributable to equity holders of the parent		**1,554.5**	1,480.8
Non-controlling interests		**(31.2)**	9.8
Total equity		**1,523.3**	1,490.6

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

Matthew Gregory
Chief Executive
30 May 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March

	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 1 April 2017	**60.4**	**678.9**	**(17.9)**	**4.6**	**(1.2)**	**708.4**	**621.9**	**2,055.1**	**20.8**	**2,075.9**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(296.0)**	**(296.0)**	**5.1**	**(290.9)**
Other comprehensive (loss)/income for the year	**–**	**–**	**34.4**	**–**	**–**	**(324.9)**	**–**	**(290.5)**	**–**	**(290.5)**
Total comprehensive (loss)/income for the year	–	–	34.4	–	–	(324.9)	(296.0)	(586.5)	5.1	(581.4)
Acquisition of non-controlling interests	–	–	–	–	–	–	13.8	13.8	(13.8)	–
Shares issued	0.1	2.5	–	–	–	–	–	2.6	–	2.6
Dividends paid/other	–	–	–	–	–	–	–	–	(2.3)	(2.3)
Movement in EBT and treasury shares	–	–	–	–	(5.1)	–	(8.0)	(13.1)	–	(13.1)
Share-based payments	–	–	–	–	–	–	8.9	8.9	–	8.9
Balance at 31 March 2018	**60.5**	**681.4**	**16.5**	**4.6**	**(6.3)**	**383.5**	**340.6**	**1,480.8**	**9.8**	**1,490.6**
Balance at 1 April 2018	**60.5**	**681.4**	**16.5**	**4.6**	**(6.3)**	**383.5**	**340.6**	**1,480.8**	**9.8**	**1,490.6**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(66.9)**	**(66.9)**	**(41.1)**	**(108.0)**
Other comprehensive income/(loss) for the year	**–**	**–**	**19.4**	**–**	**–**	**160.8**	**(31.6)**	**148.6**	**–**	**148.6**
Total comprehensive income/(loss) for the year	–	–	19.4	–	–	160.8	(98.5)	81.7	(41.1)	40.6
Shares issued	0.2	2.6	–	–	–	–	–	2.8	–	2.8
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	(18.4)	–	–	–	–	(18.4)	–	(18.4)
Dividends paid/other	–	–	–	–	–	–	–	–	0.1	0.1
Movement in EBT and treasury shares	–	–	–	–	1.6	–	(3.1)	(1.5)	–	(1.5)
Share-based payments	–	–	–	–	–	–	9.1	9.1	–	9.1
Balance at 31 March 2019	**60.7**	**684.0**	**17.5**	**4.6**	**(4.7)**	**544.3**	**248.1**	**1,554.5**	**(31.2)**	**1,523.3**

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March

	Note	2019 £m	2018 £m
Net cash from operating activities	21	**563.7**	636.9
Investing activities			
Interest received		**2.7**	1.3
Proceeds from disposal of property, plant and equipment		**63.5**	11.4
Purchases of property, plant and equipment		**(421.3)**	(395.9)
Purchases of software		**(8.9)**	(26.8)
Acquisition of businesses		**(2.3)**	(2.9)
Net cash used in investing activities		**(366.3)**	(412.9)
Financing activities			
Acquisition of non-controlling interest		–	(13.8)
Dividends paid to non-controlling shareholders		**–**	(1.1)
Shares purchased by Employee Benefit Trust		**–**	(11.2)
Shares issued		**2.1**	2.1
Proceeds from senior unsecured loans		**–**	193.3
Repayment of bond		**(250.0)**	(300.0)
Repayment of senior unsecured loans		**–**	(76.5)
Drawdowns from bank facilities		**255.0**	197.0
Repayment of loan notes		**(0.1)**	–
Repayments under HP contracts and finance leases		**(53.1)**	(62.1)
Fees for finance facilities		**(2.2)**	(1.0)
Net cash flow used in financing activities		**(48.3)**	(73.3)
Net increase in cash and cash equivalents before foreign exchange movements		**149.1**	150.7
Cash and cash equivalents at beginning of year		**555.7**	400.9
Foreign exchange movements		**(11.9)**	4.1
Cash and cash equivalents at end of year per consolidated balance sheet		**692.9**	555.7

Cash and cash equivalents are included within current assets on the consolidated balance sheet.

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

	2019 £m	2018 £m
Net increase in cash and cash equivalents in year	**149.1**	150.7
Decrease in debt and finance leases	**48.2**	48.3
Net cash flow	**197.3**	199.0
Foreign exchange movements	**(28.3)**	23.2
Other non-cash movements	**(2.1)**	(2.6)
Movement in net debt in year	**166.9**	219.6
Net debt at beginning of year	**(1,070.3)**	(1,289.9)
Net debt at end of year	**(903.4)**	(1,070.3)

Net cash flow is stated prior to cash flows in relation to debt and finance leases.

Net debt excludes all accrued interest.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The financial information set out above does not constitute the Company's Statutory Accounts for the year ended 31 March 2019 or 2018, but is derived from those accounts. Statutory Accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditors have reported on both sets of account; their reports were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not in itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2019. Copies of the Statutory Accounts for the year ended 31 March 2019 will be available to all shareholders in June and will also be available thereafter at the Registered Office of the Company at 395 King Street, Aberdeen, AB24 5RP.

Adoption of new and revised standards

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

IFRS 9 and IFRS 15 came into effect on 1 January 2018 and have been applied by the Group for the first time in the current year. The nature and effect of the changes from adopting these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the current year, but their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRS 9 Financial Instruments

This standard replaces IAS 39 with effect from accounting periods commencing 1 January 2018. The new standard covers three distinct areas: the classification and measurement of financial assets and liabilities; the impairment of financial assets; and new hedging requirements designed to give increased flexibility in relation to hedge effectiveness.

There are no changes in classification and measurement for the Group's financial liabilities. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The new general hedge accounting requirements retain the three types of hedge accounting which were available under IAS 39: fair value hedges, cash flow hedges and net investment hedges. However, the effectiveness testing requirements have been simplified. The Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application of 1 April 2018. All existing hedging relationships are eligible, and continued to be effective, under IFRS 9. IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under IAS 39. The simplified approach has been applied to trade receivables to determine expected credit losses. The transitional increase/decrease in the impairment allowance as a result of this change in accounting policy is immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduced a new revenue recognition model that recognises revenue either at a point in time or over time. It is based on the principle that revenue is recognised when control of a good or service transfers to the customer and is based on the fulfilment of performance obligations. The adoption of IFRS 15 has not had a material impact on Group revenue recognition, and there have been no adjustments required to opening retained earnings.

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

The Group has applied the new rules prospectively from 1 April 2018, having performed a detailed assessment of the effects of applying the new standard. Note 5 sets out a numerical disaggregation of revenue in accordance with the disclosure requirements of the new standard, with an explanation of the types of revenue included in the note set out below:

Passenger revenues

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

Contract revenues

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

Charter/private hire

Charter and private hire predominantly relates to charter work in First Student for both school districts with extracurricular activities and third parties with general transportation needs. Revenue is recognised over the period in which the charter/private hire is provided to the customer.

1 General information (continued)

Rail franchise subsidy receipts
Revenue in First Rail includes franchise subsidy receipts from the DfT and amounts receivable under franchise arrangements including certain funded operational projects. Amounts receivable are set out in the franchise agreement for each year of the franchise. The franchise agreement includes a minimum specification of passenger services to be provided, which is the key performance obligation. Franchise premium payments to the DfT for amounts due under the terms of a franchise are included in operating costs. Revenue also includes amounts attributable to the Train Operating Companies (TOCs), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts. Revenue is recognised over time as the performance obligations are met.

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

New standards and interpretations not applied
At the date of authorisation of these Financial Statements, the Group has not applied the following standards that have been issued but are not yet effective:

IFRS 16 Leases
IFRS 16 Leases replaces IAS 17 with effect from accounting periods commencing 1 January 2019. The new standard eliminates the operating lease classification and therefore on the balance sheet the lessees will be required to recognise an asset (the right to use the leased item) and lease liabilities for all leases unless they have a remaining term of less than twelve months or are of low value. On the income statement, the operating lease expense will be replaced by a combination of depreciation and interest.

The Group has performed a detailed impact assessment of IFRS 16. This assessment focused on the Group's existing lease portfolio, as well as considering wider contractual arrangements to determine if they constituted a lease under the definitions of the new standard.

As at 31 March 2019, the Group holds a significant number of operating leases that are expensed over the lease term. Management are finalising the assessment of the potential impact of this standard on the financial statements for the year ending 31 March 2020, and it is anticipated that the transition to IFRS 16 will have a material impact on the value of lease assets and liabilities recognised in the consolidated balance sheet.

As at the reporting date, the Group has non-cancellable operating lease commitments of £3.0bn. However, of these commitments, £1.0bn relates to track, station and depot access charges within the First Rail business which does not meet the definition of a lease under IFRS 16. This reflects the fact that either no identified asset exists or that the Group does not have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, or that Network Rail, not the Group, directs how and for what purpose the assets are used. Furthermore, the Group has entered into a number of leases where the commencement date falls after 1 April 2019. As such, lease commitments of £0.5bn have not been included in the IFRS 16 lease liability. Some leases include components which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of assets. As a result lease commitments of £0.2bn have not been included in the IFRS 16 lease liability.

In addition, approximately £12m of commitments relate to low value leases and £30m of commitments relate to leases where the lease term ends within 12 months from the date of initial application which the Group will elect to exempt and continue to expense through the Income Statement.

Based on the assessment performed to date, we anticipate that for the remaining lease commitments, discounted to present value, as at 1 April 2019 the Group expects to recognise right-of-use assets and lease liabilities of approximately £1.1bn, comprising approximately £0.8bn for First Rail and around £0.3bn for the Road divisions.

Our review of other contractual arrangements across the Group is substantially complete, and no further arrangements have been identified that meet the definition of a lease under IFRS 16.

IFRS 16 will be adopted on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements:
IFRIC 23 uncertainty over tax treatments
Amendments to IFRS 9 – Prepayment features with negative compensation
Amendments to IAS 28 – Long-term interests in associates and joint ventures
Amendments to IAS 19 – Plan amendment, curtailment or settlement
Annual improvements to IFRS standards 2015–2017 cycle – various standards
Amendments to references to conceptual framework in IFRS standards
IFRS 17 insurance contracts

2 Revenue

	2019 £m	2018 £m
Services rendered	**6,933.1**	6,398.4
First Rail franchise subsidy receipts	**193.8**	–
Revenue	**7,126.9**	6,398.4

3 Business segments and geographical information

The segment results for the year to 31 March 2019 are as follows:

	First Student £m	**First Transit £m**	**Greyhound[1] £m**	**First Bus £m**	**First Rail £m**	**Group Items[2] £m**	**Total £m**
Passenger revenue	**–**	**–**	**571.3**	**796.3**	**2,300.0**	**–**	**3,667.6**
Contract revenue	**1,680.0**	**947.7**	**–**	**68.3**	**–**	**17.1**	**2,713.1**
Charter/private hire	**153.2**	**4.9**	**3.3**	**–**	**–**	**–**	**161.4**
Rail franchise subsidy receipts	**–**	**–**	**–**	**–**	**193.8**	**–**	**193.8**
Other	**12.7**	**123.2**	**70.5**	**11.5**	**172.9**	**0.2**	**391.0**
Revenue	**1,845.9**	**1,075.8**	**645.1**	**876.1**	**2,666.7**	**17.3**	**7,126.9**
EBITDA[3]	**352.3**	**71.4**	**38.6**	**119.7**	**127.4**	**(39.1)**	**670.3**
Depreciation	**(178.8)**	**(19.9)**	**(27.7)**	**(56.1)**	**(81.0)**	**(2.5)**	**(366.0)**
Capital grant amortisation	**–**	**–**	**0.5**	**2.2**	**25.9**	**–**	**28.6**
Segment results	**173.5**	**51.5**	**11.4**	**65.8**	**72.3**	**(41.6)**	**332.9**
Other intangible asset amortisation charges	**(10.9)**	**(2.2)**	**(12.0)**	**(0.7)**	**(3.5)**	**(0.6)**	**(29.9)**
Other adjustments (note 4)	**(47.3)**	**(26.2)**	**(33.2)**	**(37.7)**	**(145.9)**	**(2.9)**	**(293.2)**
Operating profit/(loss)[4]	**115.3**	**23.1**	**(33.8)**	**27.4**	**(77.1)**	**(45.1)**	**9.8**
Investment income							**2.7**
Finance costs							**(110.4)**
Loss before tax							**(97.9)**
Tax							**(10.1)**
Loss after tax							**(108.0)**

The segment results for the year to 31 March 2018 are as follows:

	First Student £m	First Transit £m	Greyhound £m	First Bus £m	First Rail £m	Group items[1] £m	Total £m
Passenger revenue	–	–	597.2	795.5	1,825.0	–	3,217.7
Contract revenue	1,604.0	943.7	–	67.3	–	16.2	2,631.2
Charter/private hire	154.6	4.5	5.4	3.2	–	–	167.7
Other	12.5	124.5	87.6	13.4	143.8	–	381.8
Revenue	1,771.1	1,072.7	690.2	879.4	1,968.8	16.2	6,398.4
EBITDA[3]	335.2	79.8	58.8	116.3	129.4	(28.9)	690.6
Depreciation	(178.7)	(21.6)	(33.3)	(66.1)	(87.6)	(2.3)	(389.6)
Capital grant amortisation	–	–	–	–	16.0	–	16.0
Segment results	156.5	58.2	25.5	50.2	57.8	(31.2)	317.0
Other intangible asset amortisation charges	(54.7)	(2.8)	(11.0)	(0.2)	(2.1)	(0.1)	(70.9)
Other adjustments (note 4)	(13.4)	(21.1)	(280.8)	(20.7)	(106.3)	–	(442.3)
Operating (loss)/profit[4]	88.4	34.3	(266.3)	29.3	(50.6)	(31.3)	(196.2)
Investment income							1.3
Finance costs							(132.0)
Loss before tax							(326.9)
Tax							36.0
Loss after tax							(290.9)

1 *Greyhound segment results contains £8.4m of property gains on the disposal of four properties.*
2 *Group items comprise Tram operations, central management and other items.*
3 *EBITDA is adjusted operating profit less capital grant amortisation plus depreciation.*
4 *Although the segment results are used by management to measure performance, statutory operating (loss)/profit by operating division is also disclosed for completeness.*

4 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used 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 restructuring and reorganisation costs, property disposals, aged legal and self-insurance claims, significant adverse development factors on insurance provisions, onerous contract provisions, impairment charges and pension settlement gains or losses. In addition, management assess divisional performance before other intangible asset amortisation charges as these are typically a result of Group decisions and therefore the divisions have little or no control over these charges. Management consider that this overall basis more appropriately reflects operating performance and provides a better understanding of the key performance indicators of the business.

Reconciliation of operating profit/(loss) to adjusted operating profit	**Year to 31 March 2019 £m**	Year to 31 March 2018 £m
Operating profit/(loss)	**9.8**	(196.2)
Adjustments for:		
Other intangible asset amortisation charges	**29.9**	70.9
Restructuring and reorganisation costs	**24.1**	26.0
North America insurance provisions	**94.8**	32.7
SWR onerous contract provision	**145.9**	–
Gain on disposal of property	**(9.3)**	–
Guaranteed minimum pensions charge	**21.5**	–
Loss on disposal/impairment charges	**16.2**	–
Greyhound impairment charges	**–**	277.3
TPE onerous contract provision	**–**	106.3
Total operating profit adjustments	**323.1**	513.2
Adjusted operating profit (note 3)	**332.9**	317.0

Reconciliation of loss before tax to adjusted profit before tax and adjusted earnings	**Year to 31 March 2019 £m**	Year to 31 March 2018 £m
Loss before tax	**(97.9)**	(326.9)
Operating profit adjustments (see table above)	**323.1**	513.2
Notional interest on TPE onerous contract provision	**1.1**	–
Bond 'make whole' interest cost	**–**	10.7
Adjusted profit before tax	**226.3**	197.0
Adjusted tax charge (see below)	**(50.9)**	(44.2)
Non-controlling interests[1]	**(1.8)**	(5.1)
Adjusted earnings	**173.6**	147.7

1 *Statutory non-controlling interest of £41.1m credit comprise a £1.8m charge in respect of the results for the year and a £42.9m credit on the SWR onerous contract provision.*

Reconciliation of tax charge/(credit) to adjusted tax charge	**Year to 31 March 2019 £m**	Year to 31 March 2018 £m
Tax charge/(credit) (note 6)	**10.1**	(36.0)
Tax effect of adjusting items (note 7)	**40.8**	55.6
Tax effect of US tax reform	**–**	24.6
Adjusted tax charge	**50.9**	44.2

The adjusting items are as follows:

Other intangible asset amortisation charges
The amortisation charge for the year was £29.9m (2018: £70.9m) with the reduction due to a number of customer contract intangibles which have now been fully amortised.

Restructuring and reorganisation costs
During the year there was a charge of £24.1m for restructuring and reorganisation costs relating to Greyhound's accelerated withdrawal of services in Western Canada, net of a £8.8m gain on disposal relating to the initial property disposals completed in the region.

The £26.0m charge in 2018 was for the impairment of assets and reorganisation costs relating to the business turnarounds in First Bus (£20.6m) and costs related to contract losses and impairment of assets in First Transit (£5.4m).

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

Gain on disposal of property
During the year the sale of a Greyhound facility in Chicago was completed which resulted in a gain on sale of £9.3m (2018: £nil).

Guaranteed minimum pensions charge
A high court judgement in 2018 ruled that guaranteed minimum pensions should be equalised between male and female scheme members. As a result of this there is an increase in liabilities for the UK Bus and Group pension schemes.

Loss on disposal/impairment charges
During the year the First Bus Queens Road depot and operations were agreed to be sold to the Go-Ahead Group. This disposal along with asset impairments on the remaining Manchester depots to bring these to their likely recoverable amounts resulted in an overall charge of £16.2m.

Notional interest on TPE onerous contract provision
There was a charge of £1.1m (2018: £nil) in the year for notional interest on the unwinding of the TPE onerous contract provision.

North America insurance provisions
The legal climate in North America, particularly in the US, continues to deliver judgments which are unpredictable, increasingly in favour of plaintiffs and punitive in certain regions. This is a complex and judgemental area, and we continue to base our reserve on the levels recommended by our actuarial advisors.

Following adverse settlements and developments on a number of aged insurance and incurred but not received claims, and against a backdrop of a hardening of the wider motor claims environment and market, this has led to increasing specific case reserves and adverse development factors.

Once this trend was identified, we initiated an independent actuarial review of the expected risk position, including the claims handler's reserve position. This also confirmed a deterioration in the claims environment and market and therefore an increase in the expected level of settlements and loss factors. This revised position has resulted in a requirement to increase the provision, in respect of claims from prior years, to reflect the costs of meeting existing claims in the current environment.

This change in accounting estimate has resulted in the Group recording an adjusting charge of £94.8m ($125.0m), to increase the self-insurance provisions to a position approximately at the mid-point of the increased actuarial assessments undertaken. The charge relates to First Student £47.3m ($62.3m), First Transit £26.2m ($34.5m) and Greyhound £21.3m ($28.2m).

The charge to the income statement for the current financial year reflects this revised environment. For the 2019/20 financial year, the self-insurance charge is expected to increase in line with the level of revenue growth in the business, plus inflation.

The Group has a strong focus on safety and it is one of our five values, and risk mitigation in this area will continue to be an area of focus for the Group. It is expected that the majority of these claims will be settled within the next five years.

SWR onerous contract provision
Management have prepared updated financial forecasts for the SWR franchise until the initial franchise end date of 17 August 2024, which are based on a number of assumptions, most significantly passenger revenue growth and the impact of the Central London Employment and Gross Domestic Product revenue protection mechanisms, as well as the impact of changes in timetables, capacity, aging infrastructure and rolling stock.

There is considerable uncertainty about the level of passenger revenue growth and future impact of the industrial action in addition to uncertainty as to the level of strike amelioration recoverable from the DfT, and we remain in negotiations with them.

Progress has been made and we continue to be engaged in discussions with the DfT to agree potential commercial and contractual remedies but, at the current time, there is a range of potential outcomes. Based on these forecasts the Group has concluded that it has an onerous contract, the value of which is estimated to be £145.9m in total, which is the maximum unavoidable loss under the Franchise Agreement. Accordingly, this amount has been charged to the income statement. FirstGroup's 70% share is therefore £102.1m.

Reconciliation of underlying[1] adjusted[2]	**Year to 31 March 2019**			Year to 31 March 2018				
	Reported £m	SWR franchise £m	**SWR Adjusted £m**	Reported £m	Impact of 53rd Week £m	Effect of foreign exchange £m	Adjusted Constant Currency £m	% change
Revenue	7,126.9	(425.1)	**6,701.8**	6,398.4	(80.5)	24.8	6,342.7	+5.7%
Operating profit	332.9	8.9	**341.8**	317.0	(10.7)	3.1	309.4	+10.5%

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

		Year to 31 March 2018			
Reconciliation of constant currency[3]	**Year to 31 March 2019 £m**	Reported £m	Effect of foreign exchange £m	Constant Currency £m	% change
Revenue	**7,126.9**	6,398.4	24.8	6,423.2	+11.0%
Operating profit	**332.9**	317.0	3.1	320.1	+4.0%
Adjusted profit before tax	**226.3**	197.0	3.1	200.1	+13.1%
Adjusted EPS	**14.4p**	12.3p	0.2p	12.5p	+15.2%
Net debt	**903.4**	1,070.3	20.9	1,091.2	(17.2)%

1 *Growth excluding SWR franchise (which became part of First Rail in August 2017) and the 53rd week in the Road divisions in constant currency.*
2 *'Adjusted' figures throughout this document are before self-insurance reserve charge, the SWR onerous contract provision, restructuring and reorganisation costs, other intangible asset amortisation charges and certain other items as set out in note 4 to the financial statements.*
3 *Changes 'in constant currency' throughout this document are based on retranslating 2018 foreign currency amounts at 2019 rates.*

5 Investment income and finance costs

	2019 £m	2018 £m
Investment income		
Bank interest receivable	**(2.7)**	(1.3)
Finance costs		
Bonds	**59.9**	84.3
Bank borrowings	**14.0**	8.8
Senior unsecured loan notes	**8.9**	1.3
Loan notes	**1.1**	1.1
Finance charges payable in respect of HP contracts and finance leases	**2.7**	4.6
Notional interest on long term provisions	**14.6**	11.0
Notional interest on pensions	**8.1**	10.2
Finance costs before adjustments	**109.3**	121.3
Notional interest on TPE onerous contract provision	**1.1**	–
Bond 'make whole' cost[1]	**–**	10.7
Total finance costs	**110.4**	132.0
Finance costs before adjustments	**109.3**	121.3
Investment income	**(2.7)**	(1.3)
Net finance cost before adjustments	**106.6**	120.0

1 *The early redemption of the £300m bond in March last year resulted in a one-off £10.7m 'make whole' interest charge.*

6 Tax on loss on ordinary activities

	2019 £m	2018 £m
Current tax	**8.1**	8.9
Adjustments with respect to prior years	**0.1**	–
Total current tax charge	**8.2**	8.9
Origination and reversal of temporary differences	**4.8**	(14.1)
Adjustments with respect to prior years	**(2.9)**	(6.2)
Adjustments attributable to changes in tax rates and laws	**–**	(24.6)
Total deferred tax charge/(credit) (note 18)	**1.9**	(44.9)
Total tax charge/(credit)	**10.1**	(36.0)

7 Earnings per share (EPS)

EPS is calculated by dividing the loss attributable to equity shareholders of £66.9m (2018: £296.0m) by the weighted average number of ordinary shares of 1,205.9m (2018: 1,205.1m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

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

	2019 Number m	2018 Number m
Weighted average number of shares used in basic calculation	**1,205.9**	1,205.1
Executive share options	**8.1**	17.9
Weighted average number of shares used in the diluted calculation	**1,214.0**	1,223.0

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

		2019		2018
	£m	**EPS (p)**	£m	EPS (p)
Basic loss / EPS	**(66.9)**	**(5.5)**	(296.0)	(24.6)
Amortisation charges (note 9)	**29.9**	**2.5**	70.9	5.9
Notional interest on TPE onerous contract provision	**1.1**	**0.1**	–	–
Bond 'make whole' cost	**–**	**–**	10.7	0.9
Other adjustments (note 4)	**293.2**	**24.3**	442.3	36.7
Non-controlling interest share of the SWR onerous contract provision	**(42.9)**	**(3.6)**		
Tax effect of above adjustments	**(40.8)**	**(3.4)**	(55.6)	(4.6)
Tax effect of change in US tax legislation	**–**	**–**	(24.6)	(2.0)
Adjusted profit/EPS	**173.6**	**14.4**	147.7	12.3

Diluted EPS	**2019 pence**	2018 pence
Diluted EPS	**(5.5)**	(24.6)
Adjusted diluted EPS	**14.3**	12.1

8 Goodwill

	2019 £m	2018 £m
Cost		
At 1 April	**1,761.4**	1,960.1
Additions	**0.6**	1.2
Foreign exchange movements	**100.7**	(199.9)
At 31 March	**1,862.7**	1,761.4
Accumulated impairment losses		
At 1 April	**264.6**	4.0
Impairment	**–**	260.6
At 31 March	**264.6**	264.6
Carrying amount		
At 31 March	**1,598.1**	1,496.8

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2019 £m	2018 £m
Carrying amount		
First Student	**1,218.5**	1,137.6
First Transit	**296.1**	275.4
First Bus	**77.9**	78.2
First Rail	**5.6**	5.6
	1,598.1	1,496.8

8 Goodwill (continued)

Impairment testing

At the year end the carrying value of goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. For the purposes of this impairment review goodwill has been tested for impairment on the basis of discounted future cash flows arising in each relevant CGU.

The Group prepares cash flow forecasts derived from the most recent budget for 2019/20 and Three Year Plan projections up to 2021/22 which take account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated growth rates of 2.5% (2018: 2.5%) for the United Kingdom and 2.8% (2018: 2.8%) for North America which do not exceed the long term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate of 7.8% (2018: 7.3%) for the United Kingdom CGUs and 8.3% (2018: 8.2%) for the North American CGUs to arrive at the value in use. The pre-tax discount rates applied are derived from a market participant's weighted average cost of capital. The assumptions used in the calculation of the Group's weighted average cost of capital are benchmarked to externally available data. The Directors consider the assumptions to be reasonable based on the historic performance of each CGU and to be realistic in the light of economic and industry forecasts.

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. Sensitivity analysis has been performed on the calculations and confirms that no reasonably possible changes in the assumptions would cause the carrying amount of the CGUs to exceed their recoverable amount in respect of the First Transit, First Student, First Bus and First Rail divisions.

The value in use of the Greyhound division exceeds its carrying amount of £295.4m (2018: £590.4m) by £85.2m (2018: £(277.3)m shortfall). Sensitivity analysis indicates that the Greyhound margin would need to fall by 0.8% or more or growth rates would need to fall below 1.5% for there to be an impairment on this CGU. An increase in the discount rate of 134 basis points or more would lead to the value in use of the CGU being less than the carrying value. A reduction in the margin of 1.0% in all years, including the terminal margin, would result in an impairment charge of approximately £32.5m. A reduction in the growth rate of 2.0% in all years, including the terminal growth rate, would result in an impairment charge of approximately £35.2m.

Following their review of goodwill, the Directors have concluded that there is no impairment of goodwill in any of the CGUs.

9 Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Software £m	Total £m
Cost				
At 1 April 2017	491.0	74.7	42.9	608.6
Acquisitions	0.7	–	–	0.7
Additions	–	–	26.8	26.8
Disposals	–	–	(1.9)	(1.9)
Foreign exchange movements	(52.0)	(7.8)	(4.7)	(64.5)
At 31 March 2018	439.7	66.9	63.1	569.7
Acquisitions	0.7	–	–	0.7
Additions	–	–	8.9	8.9
Transfers	–	–	1.9	1.9
Disposals	–	–	(1.6)	(1.6)
Foreign exchange movements	31.0	4.6	3.9	39.5
At 31 March 2019	**471.4**	**71.5**	**76.2**	**619.1**
Accumulated amortisation and impairment				
At 1 April 2017	415.5	35.7	6.8	458.0
Charge for year	53.3	3.5	14.1	70.9
Disposals	–	–	(1.0)	(1.0)
Impairment	–	2.5	1.9	4.4
Foreign exchange movements	(47.1)	(3.9)	(1.4)	(52.4)
At 31 March 2018	421.7	37.8	20.4	479.9
Charge for year	8.6	3.2	18.1	29.9
Transfers	–	–	0.1	0.1
Foreign exchange movements	30.0	2.7	1.4	34.1
At 31 March 2019	**460.3**	**43.7**	**40.0**	**544.0**
Carrying amount				
At 31 March 2019	**11.1**	**27.8**	**36.2**	**75.1**
At 31 March 2018	18.0	29.1	42.7	89.8

10 Property, plant and equipment

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2017	522.1	3,469.3	777.9	4,769.3
Acquisitions	–	1.6	–	1.6
Additions in the year	11.1	243.5	150.5	405.1
Disposals	(6.8)	(42.4)	(113.0)	(162.2)
Reclassified as held for sale	–	(153.4)	–	(153.4)
Foreign exchange movements	(33.6)	(294.0)	(36.9)	(364.5)
At 31 March 2018	492.8	3,224.6	778.5	4,495.9
Acquisitions	–	1.5	–	1.5
Additions in the year	13.8	283.2	136.0	433.0
Transfers	–	–	(1.9)	(1.9)
Disposals	(39.8)	(87.9)	(58.9)	(186.6)
Reclassified as held for sale	(22.4)	(202.1)	(8.8)	(233.3)
Foreign exchange movements	19.5	165.3	22.0	206.8
At 31 March 2019	**463.9**	**3,384.6**	**866.9**	**4,715.4**
Accumulated depreciation and impairment				
At 1 April 2017	100.1	1,789.6	603.1	2,492.8
Charge for year	11.8	243.5	134.3	389.6
Disposals	(2.9)	(40.4)	(110.7)	(154.0)
Impairment	1.2	17.1	1.5	19.8
Reclassified as held for sale	–	(146.2)	–	(146.2)
Foreign exchange movements	(7.7)	(159.3)	(29.2)	(196.2)
At 31 March 2018	102.5	1,704.3	599.0	2,405.8
Charge for year	15.4	235.8	114.8	366.0
Transfers	–	–	(0.1)	(0.1)
Disposals	(12.8)	(82.5)	(57.8)	(153.1)
Impairment	–	10.7	2.3	13.0
Reclassified as held for sale	(8.8)	(176.0)	(7.9)	(192.7)
Foreign exchange movements	4.7	87.7	18.2	110.6
At 31 March 2019	**101.0**	**1,780.0**	**668.5**	**2,549.5**
Carrying amount				
At 31 March 2019	**362.9**	**1,604.6**	**198.4**	**2,165.9**
At 31 March 2018	390.3	1,520.3	179.5	2,090.1

11 Inventories

	2019 £m	2018 £m
Spare parts and consumables	**60.2**	56.0

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

12 Trade and other receivables

Amounts due within one year	**2019 £m**	2018 £m
Trade receivables	**617.9**	482.2
Loss allowance	**(3.6)**	(4.3)
Trade receivables net	**614.3**	477.9
Other receivables	**84.9**	106.8
Amounts recoverable on contracts	**43.3**	–
Prepayments	**164.0**	103.7
Accrued income	**234.9**	199.6
	1,141.4	888.0

13 Trade and other payables

Amounts falling due within one year	2019 £m	2018 £m
Trade payables	**278.7**	248.8
Other payables	**299.8**	230.2
Accruals	**710.3**	581.9
Deferred income	**167.8**	83.6
Season ticket deferred income	**90.7**	89.2
	1,547.3	1,233.7

14 Borrowings

	2019 £m	2018 £m
On demand or within 1 year		
Finance leases (note 15)	**41.5**	47.1
Bond 6.125% (repayable 2019)	**–**	261.3
Bond 8.75% (repayable 2021)[1]	**30.4**	30.1
Bond 5.25% (repayable 2022)[1]	**5.8**	5.8
Bond 6.875% (repayable 2024)[1]	**7.2**	7.2
Total current liabilities	**84.9**	351.5
Within 1-2 years		
Finance leases (note 15)	**18.1**	39.5
Loan notes (note 16)	**9.4**	9.5
	27.5	49.0
Within 2-5 years		
Syndicated loan facilities	**446.7**	197.0
Finance leases (note 15)	**0.2**	18.0
Bond 8.75% (repayable 2021)	**357.7**	358.9
Bond 5.25% (repayable 2022)	**322.1**	321.6
	1,126.7	895.5
Over 5 years		
Finance leases (note 15)	**0.1**	0.1
Senior unsecured loan notes	**210.0**	195.2
Bond 6.875% (repayable 2024)	**199.8**	199.8
	409.9	395.1
Total non-current liabilities at amortised cost	**1,564.1**	1,339.6

1 *Relates to accrued interest.*

15 HP contracts and finance leases

The Group had the following obligations under HP contracts and finance leases as at the balance sheet dates:

	2019 Minimum payments £m	2019 Present value of payments £m	2018 Minimum payments £m	2018 Present value of payments £m
Due in less than one year	**42.7**	**41.5**	48.3	47.1
Due in more than one year but not more than two years	**19.0**	**18.1**	41.6	39.5
Due in more than two years but not more than five years	**0.3**	**0.2**	19.6	18.0
Due in more than five years	**0.1**	**0.1**	0.1	0.1
	62.1	**59.9**	109.6	104.7
Less future financing charges	**(2.2)**	**–**	(4.9)	–
	59.9	**59.9**	104.7	104.7

16 Loan notes

The Group had the following loan notes issued as at the balance sheet dates:

	2019 £m	2018 £m
Due in more than one year but not more than two years	**9.4**	9.5

17 Financial instruments

	2019 £m	2018 £m
Total derivatives		
Total non-current assets	**20.5**	25.0
Total current assets	**15.5**	27.3
Total assets	**36.0**	52.3
Total current liabilities	**3.4**	6.7
Total non-current liabilities	**1.9**	3.0
Total liabilities	**5.3**	9.7

	2019 £m	2018 £m
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Coupon swaps (fair value hedge)	**16.2**	17.6
Fuel derivatives (cash flow hedge)	**2.7**	7.4
Currency forwards (cash flow hedge)	**1.6**	–
	20.5	25.0
Current assets		
Coupon swaps (fair value hedge)	**–**	11.4
Fuel derivatives (cash flow hedge)	**11.3**	15.9
Currency forwards (cash flow hedge)	**4.2**	–
	15.5	27.3
Current liabilities		
Fuel derivatives (cash flow hedge)	**3.4**	1.4
Currency forwards (cash flow hedge)	**–**	5.3
	3.4	6.7
Non-current liabilities		
Currency forwards (cash flow hedge)	**–**	2.9
Fuel derivatives (cash flow hedge)	**1.9**	0.1
	1.9	3.0

18 Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 April 2017	218.0	(85.9)	82.2	(215.8)	(1.5)
(Credit)/charge to income statement	(19.9)	(1.0)	2.7	(26.7)	(44.9)
Charge to other comprehensive income	–	26.6	10.7	–	37.3
Foreign exchange and other movements	(23.7)	6.5	(9.7)	20.5	(6.4)
At 31 March 2018	174.4	(53.8)	85.9	(222.0)	(15.5)
Charge/(credit) to income statement	2.8	3.5	10.3	(14.7)	1.9
Credit to other comprehensive income and equity	–	(7.1)	(0.6)	–	(7.7)
Foreign exchange and other movements	11.7	(2.6)	7.1	(19.0)	(2.8)
At 31 March 2019	**188.9**	**(60.0)**	**102.7**	**(255.7)**	**(24.1)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 £m	2018 £m
Deferred tax assets	**(40.6)**	(37.7)
Deferred tax liabilities	**16.5**	22.2
	(24.1)	(15.5)

19 Provisions

	2019 £m	2018 £m
Insurance claims	**292.7**	231.7
Legal and other	**35.5**	28.1
TPE onerous contract	**76.6**	79.2
SWR onerous contract	**125.5**	–
Pensions	**1.7**	2.0
Non-current liabilities	**532.0**	341.0

	Insurance claims £m	Legal and other £m	TPE onerous contract £m	SWR onerous contract £m	Pensions £m	Total £m
At 1 April 2018	368.8	67.6	106.3	–	2.0	544.7
Charged to the income statement	278.5	39.1	–	145.9	–	463.5
Utilised in the year	(210.0)	(40.5)	(0.5)	–	(0.3)	(251.3)
Notional interest	11.0	3.6	1.1	–	–	15.7
Foreign exchange movements	23.5	1.8	–	–	–	25.3
At 31 March 2019	**471.8**	**71.6**	**106.9**	**145.9**	**1.7**	**797.9**
Current liabilities	**179.1**	**36.1**	**30.3**	**20.4**	**–**	**265.9**
Non-current liabilities	**292.7**	**35.5**	**76.6**	**125.5**	**1.7**	**532.0**
At 31 March 2019	**471.8**	**71.6**	**106.9**	**145.9**	**1.7**	**797.9**
Current liabilities	137.1	39.5	27.1	–	–	203.7
Non-current liabilities	231.7	28.1	79.2	–	2.0	341.0
At 31 March 2018	368.8	67.6	106.3	–	2.0	544.7

The current liabilities above are included within accruals in note 13.

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 £27.9m (2018: £22.2m) can extend for up to 30 years. The utilisation of £210.0m (2018: £192.7m) represents payments made against the current liability of the preceding year as well as the settlement of certain large aged claims.

The insurance claims provisions contains £21.5m (2018: £15.5m) which is recoverable from insurance companies and is included within other receivables in note 12.

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 10 years. Also included are provisions in respect of costs anticipated on the exit of surplus properties which are expected to be settled over the remaining terms of the respective leases and dilapidation, other provisions in respect of contractual obligations under rail franchises and restructuring costs. The dilapidation provisions are expected to be settled at the end of the respective franchise.

The onerous contract provision in respect of TPE has been calculated based on updated financial forecasts for this franchise until the initial end date of 31 March 2025. The updated forecasts are based on a number of assumptions, most significantly passenger revenue growth. These are based on economic and other exogenous factors as well as changes in timetables, capacity and rolling stock. Whilst the onerous contract provision is based upon management's current best estimate, there can be no certainty that actual results will be consistent with those forecasts. The TPE onerous contract provision is sensitive to a change in the assumptions used, most notably to passenger revenue growth and the outcome of commercial negotiation with industry bodies. A reduction or increase of 0.5% in the cumulative annual passenger growth rate assumption would increase or decrease the onerous contract provision required by approximately £24m. The provisions are expected to be fully utilised within six years.

The onerous contract provision in respect of SWR has been calculated based on updated financial forecasts for this franchise until the initial franchise end date of 17 August 2024. The updated forecasts are based on a number of assumptions, most significantly passenger revenue growth and the impact of the Central London Employment and Gross Domestic Product revenue mechanisms, as well as the impact of changes in timetables, capacity and rolling stock. In addition, the effects of infrastructure performance and the ongoing effect from industrial action during the year continue. There is considerable uncertainty about the future impact of the industrial action and the level of strike amelioration recoverable from the DfT, and we remain in discussions with the DfT. Whilst the onerous contract provision is based on management's current best estimate, there can be no certainty that actual results will be consistent with those forecast. The SWR onerous contract is sensitive to the underlying assumptions, most notably to passenger revenue growth and to the extent or timing of impacts from strikes and the recovery of amelioration from the DfT. The £145.9m provision comprises

£87.4m parent company support, £15.0m performance bond, £30.0m agreed funding commitments and £13.5m of retained earnings which represents the maximum exposure. These factors make it impractical to provide a sensitivity analysis on one single measure and its impact on the onerous contract provision. The provision is expected to be fully utilised within six years although the timing is highly sensitive to the underlying assumptions.

The pension's provision relates to unfunded obligations that arose on the acquisition of certain First Bus companies. It is anticipated that this will be utilised over approximately five years.

20 Called up share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
1,213.9m (2018: 1,210.8m) ordinary shares of 5p each	**60.7**	60.5

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

During the year 3.1m shares were issued to satisfy principally SAYE exercises.

21 Net cash from operating activities

	2019 £m	2018 £m
Operating profit/(loss)	**9.8**	(196.2)
Adjustments for:		
Depreciation charges	**366.0**	389.6
Capital grant amortisation	**(28.6)**	(16.0)
Amortisation charges	**29.9**	70.9
Impairment charges	**13.0**	284.8
Share-based payments	**9.1**	8.9
(Profit)/loss on disposal of property, plant and equipment	**(23.5)**	8.3
Operating cash flows before working capital and pensions	**375.7**	550.3
(Increase)/decrease in inventories	**(2.0)**	4.6
Increase in receivables	**(209.4)**	(168.7)
Increase in payables and provisions due within one year	**332.5**	341.7
SWR onerous contract provision	**145.9**	–
TPE onerous contract provision	**(0.5)**	106.3
Increase/(decrease) in other provisions	**37.3**	(10.5)
Defined benefit pension payments in excess of income statement charge	**(24.3)**	(47.9)
Cash generated by operations	**655.2**	775.8
Tax paid	**(7.5)**	(12.2)
Interest paid	**(81.3)**	(122.1)
Interest element of HP contracts and finance leases	**(2.7)**	(4.6)
Net cash from operating activities	**563.7**	636.9

Responsibility Statement of the Directors on the Annual Report

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 March 2019. Certain parts thereof are not included within the announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Management Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for the shareholders to assess the Company's and the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Matthew Gregory
Chief Executive
30 May 2019