A transformed business

FirstGroup plc
Annual Report
and Accounts 2022

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We are FirstGroup

Connecting people and communities

FirstGroup is a leading private sector provider of public transport. We provide easy and convenient mobility, improving quality of life by connecting people and communities. Our services are a vital part of society – transporting customers for business, education, health, social and leisure purposes. Our businesses are at the heart of our communities, and the essential services we provide are critical to delivering wider economic, social and environmental goals.

Cautionary comment concerning forward-looking statements

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

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

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

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The vital role of public transport

FirstGroup's bus and rail operations have a critical role in creating a connected, healthy, zero carbon world.

Public transport networks are the lifeblood of vibrant towns and cities, essential drivers of local economies and vital to achieving global net-zero carbon ambitions.

Our businesses are at the heart of our communities; we have a clear social purpose and key role in delivering wider economic, social and environmental goals as the UK looks to 'build back better'.

Smarter customer solutions

The UK Government's National Bus Strategy and Williams-Shapps Plan for Rail focus on the importance of flexible, easy-to-understand and integrated fares to encourage the use of rail and bus services.

We are at the forefront of the industry in the use of innovative, real-time data to sustain efficient, value for money services and increase passenger demand and convenience through responsive ticketing options, real-time information, and mobile/contactless payments.

Mobile, contactless or app transactions now account for

70%

of First Bus commercial revenue

Changing demographics

Demand for our services is growing due to increased urbanisation and a greater desire to make sustainable travel choices.

83%

of the UK population live in urban areas

Levelling-up

Enhancing public transport connections is integral to economic growth agenda, particularly for 'left behind' towns, cities and regions.

The UK's Levelling Up Fund includes

£4.8bn

for investment in infrastructure

Green jobs

Public transport is critical long-term infrastructure, creating new green jobs and services, with opportunities in our business and throughout the industry supply chain.

Every ten people we employ directly supports

12.9 jobs

Climate change

Our services have a vital role to play in decarbonising transport, through modal shift from cars to buses and trains, and the transition of our own fleets to low/zero emission technologies.

Carbon emissions from buses, coaches and trains

4%

of UK transport total compared with 55% from cars

Liveable cities

We provide urban transport options that improve air quality, reduce congestion and respond to cost of motoring challenges.

One First Bus double decker takes up to

75 cars

off the road

Well positioned for the future

We are now a focused and resilient business, with a strong platform to grow as the partner of choice for innovative and sustainable transport.

We have a clear strategy, a strong balance sheet and opportunities for future value creation. Our strong platform from which to deliver long-term, sustainable value for all of our stakeholders is based on:

Leading positions in bus and rail transport in the UK

Inflection point for growth, underpinned by supportive government and social policies

Digital innovation to attract more customers, enhance business efficiency and flexibility

First Bus: ready to complete trajectory to 10% margin post-pandemic

First Rail: well placed for lower risk, long-term and cash generative rail operations

Opportunities from adjacent markets in bus and rail in the UK and elsewhere over time

Critical enabler of society's sustainability goals, accelerating the transition to a zero carbon world

A year of delivery

Through consistent execution, we have simplified and refocused the Group, unlocked substantial value for shareholders, strengthened the balance sheet and accelerated our sustainability progress, all while continuing to play our part in connecting people and communities throughout the pandemic.

A transformed business – delivered on our commitments to simplify and refocus the business while releasing value to shareholders

3

North American businesses sold for full strategic value

Balance sheet deleveraged and de-risked, with UK pension deficit payments no longer required

£500m

returned to shareholders through tender offer

Evolution of Board complete and new CEO Graham Sutherland in place

Encouraging progress in realising further sources of value

Greyhound legacy assets and liabilities management ahead of plan: expect to exceed

$155m

value realisation target from FY 2023 onwards

First Transit maximum earnout potential increased to

$290m

($140m carrying value)

Up to

£117m

potential escrow release and other cash returns from UK pensions over medium term

Resilient earnings base established, with First Bus more agile and longer term visibility for First Rail

First Bus now delivering data-driven network realignment, pricing and cost efficiency actions more flexibly in response to evolving passenger demand and the broader inflationary environment

Multi-year National Rail Contract for GWR close to being awarded; DfT expected to conclude Avanti's in autumn 2022 – longer term contractual income streams being secured in First Rail alongside established additional services income streams

Inflection point for government support of public transport in the UK, with significant funding for ambitious strategies to increase patronage and enhance modal shift from cars in the coming years

Additional earnings opportunities added in both divisions, including new B2B contracts and buyout of SPS joint venture partner in First Bus, and successful Lumo open access launch in First Rail

Solid foundations in place for sustainable, long term value creation: strong financial position and outlook underpins a balanced capital allocation policy including the start of annual dividends

While some uncertainty remains around the pace of recovery in light of the pandemic and broader economic backdrop, current trading is in line with our expectations, with the Group expected to make significant further progress in FY 2023

First Bus investment to meet zero emission fleet commitments well covered by divisional cash generation and government co-funding to facilitate the decarbonisation agenda

Actively developing further organic and inorganic opportunities for value creation in the UK and elsewhere

Progressive annual dividends to begin with final dividend of 1.1p per share proposed

Potential for further additional distributions to shareholders over time

Passengers travelling with us in FY 2022

324m

bus passenger journeys

201m

rail passenger journeys

Made further progress on our environmental commitments

Carbon intensity reduced by

9%

per year on average 2018-2022

Science-based targets aligned with 1.5°C ambition set to reduce Scope 1 and 2 emissions, currently assessing development of Scope 3 targets

Secured co-funding in FY 2022 to introduce a further

260+

zero emission buses to our fleet

Quantitative financial impact assessment and risk scenario analysis of our most material climate change risks and opportunities completed in accordance with TCFD principles

Increased our focus on diversity and inclusion

Expanding our successful programmes to support career progression of women and employees from minority ethnic groups

Our reported median gender pay gap is

16.6%

better than the UK national average

FirstGroup Board now Hampton-Alexander and Parker Review-compliant

Strategic report

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A leading UK public transport operator

FirstGroup is a leading private sector provider of public transport. We provide easy and convenient mobility, improving quality of life by connecting people and communities.

We are a market leader in public transport in the UK through our First Bus and First Rail divisions.

The Group has a strong platform on which to create sustainable value, and is well-positioned to help deliver wider economic, social and environmental goals at a key inflection point for public transport in the UK, following the sale of our North American businesses in the year.

The ongoing Group is cash generative with a balanced capital allocation policy that will support investment in our existing business, growth and returns to shareholders including annual dividends.

Our ambition is to be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero carbon world.

As part of our Mobility Beyond Today sustainability framework, we are formally committed to operating a zero emission First Bus fleet by 2035 and not to purchase new diesel buses after 2022. Furthermore, First Rail will help deliver the UK Government's goal to remove all diesel-only trains from service by 2040.

Key figures

Revenue
(as % of Group)

First Bus	14%
First Rail	68%
Discontinued	18%

Adjusted operating profit[1]
(as % of Group)

First Bus	18%
First Rail	35%
Discontinued	47%

Number of employees
(as % of Group)

First Bus	25%
First Rail	33%
Discontinued	42%

1 'Adjusted' figures throughout this document are before the gains on sale of the North American divisions, partial reversal of impairment charges on Greyhound and certain other items as set out in note 4 to the financial statements. Group items of £(26.3)m allocated to divisions.

First Bus

First Bus is the second largest regional bus operator in the UK, transporting hundreds of thousands of passengers a day. We serve two-thirds of the UK's 15 largest conurbations, with a fifth of the market outside London. We are a leading operator in the majority of our local areas, including major urban centres such as Glasgow, Bristol and Leeds.

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887,000
passenger journeys a day in FY 2022

Fleet of
4,900
buses operated

13,500
employees

53
depots and outstations

First Rail

First Rail is the UK's largest rail operator, with many years of experience running all types of passenger rail: long-distance, commuter, regional and sleeper services. We have four Department for Transport-contracted operations (Avanti, GWR, SWR, TPE) and two open access routes (Hull Trains and Lumo, our new East Coast service).

See page 26

550,000
passenger journeys a day in FY 2022

Fleet of
3,800
rail vehicles operated

17,500
employees

419
stations operated

Discontinued operations sold in the year

See page 30

Greyhound

The only national operator of scheduled intercity coaches in the US, with a unique nationwide network and iconic brand.

First Student

First Student is the largest provider of student transportation in North America – twice the size of the next largest competitor.

First Transit

First Transit is one of the largest private sector providers of public transit management and contracting in North America.

Review of the year

"FirstGroup is now a focused and resilient business with a strong platform from which to drive value for all our stakeholders."

David Martin Chairman

In the last financial year we have transformed FirstGroup by delivering on our commitments. Through consistent execution, we have simplified and refocused the Group, unlocked substantial value for shareholders, strengthened the balance sheet and accelerated our sustainability progress, all while continuing to play our part in connecting people and communities throughout the pandemic. FirstGroup is now a resilient and robust platform from which to develop and maximise the opportunities that exist for growth. The transformed FirstGroup has a clear and increasingly well-recognised role to play at the heart of our communities and economies, is cash-generative, well-capitalised, and able to invest in a low carbon future while supporting progressive dividends to shareholders. There are challenges ahead to be sure, with passenger demand growing but not yet restored to pre-pandemic levels and an increasingly inflationary environment to contend with, but we believe FirstGroup is very well placed to create substantial, and sustainable, shareholder value in future.

Since September 2021 I have carried out the role of interim Executive Chairman while the Board Nomination Committee conducted a thorough search process to appoint a Chief Executive Officer. Shortly after the end of the financial year we were pleased to appoint Graham Sutherland to the role. Graham has held a number of senior leadership positions in organisations that provide critical services to consumer, business and public sector customers across the UK, and I am confident that he is ideally suited to take the Group forward. I resume the role of Non-Executive Chairman from 1 July 2022 after a short handover period.

Continuing operations ahead of expectations and adjusted net debt reduced by

£1.4bn

Final dividend proposed

1.1p

subject to shareholder approval

Protecting our passengers and employees

Our first priority since the start of the coronavirus outbreak has been the health and safety of our passengers, employees and communities. As the pandemic has evolved, we have followed all relevant public health authority guidance for our businesses and worked closely with our suppliers to ensure we have the appropriate equipment in place. We continue to follow and also develop best practice in all matters relating to the safety of our passengers and people.

Corporate activity, balance sheet and future sources of value

As noted at the half year, in the short term our financial results are complex, reflecting the sale of the three North American divisions for a combined enterprise value of $4.6bn, c.£2.3bn of debt repayments and de-risking of pensions and other liabilities, the £500m cash return to shareholders and other corporate activity which took place during the financial year.

Going forward, the Group's financial position becomes progressively simpler. In February 2022 the Group concluded a reinsurance risk transfer agreement that de-risks c.$147m of Greyhound's legacy self-insurance liabilities with a leading non-life global speciality insurance company at a lower cash cost to the Group than budgeted for, as well as a subsequent de-risking of other legacy workers' compensation liabilities for $14m. These agreements reduce the Group's exposure to Greyhound's legacy self-insurance liabilities to c.$12m of claims not covered by the risk transfer agreements or recently settled, primarily relating to the Canadian operations that formally closed in May 2021 having ceased operating at the start of the pandemic. The Greyhound legacy pension obligations have also been de-risked, with the accounting deficit reduced to £10.9m (FY 2021: £104.7m).

Following the £220m cash contribution made during the year, the First Bus and Group defined benefit pension schemes in the UK are currently in surplus on an accounting basis, and are progressing to self-sufficiency on a funding valuation basis. As a result, the Group is anticipating no deficit reduction payments will be required going forward, compared to the annual deficit recovery payment of £30.0m in FY 2021. The Local Government Pension Schemes (LGPS) that First Bus participates in are also very well-capitalised, and shortly after the balance sheet date, £11.8m of excess funding was returned to the Group by a LGPS in Scotland. Assuming asset and liability performance in line with our expectations, our overall pension position would support a potential release of up to £117m that was paid into escrow by agreement with the First Bus and Group pension trustees over the coming triennial valuations.

The Group is also ahead of plan to realise the previously guided c.$155m in net value from the Greyhound assets and liabilities in the US and Canada from FY 2023 onwards, supported by the legacy liability de-risking noted above and the ongoing strengthening of valuations in the US commercial property market, with a further $38.9m received in FY 2022 from properties sold since the business disposal. The Group is in the advanced stage of a potential portfolio sale of the remaining Greyhound properties. Collections of CARES and ARP funding and the deferred consideration (see discontinued operations below) continue in line with expectations.

The earnout that was included as part of the sale of the First Transit business continues to be considered to have a carrying value of $140m in the accounts, although the maximum potential value has increased to $290m following post-closing contractual amendments agreed with the buyer.

The Group's main debt facility is now a £300m sustainability-linked Revolving Credit Facility (RCF), which is undrawn, £35.5m in finance leases and our remaining £200m bond which we expect to hold to maturity in September 2024, at which point we would expect to repay it or to refinance at substantially lower cost.

Capital allocation and dividends

As a result of the recent corporate activity, the Group is in a strong financial position, is expected to generate positive free cash flow after the sustained capital investment to deliver our commitment of a 100% zero emission bus fleet by 2035, and has an increasing degree of confidence in the delivery of the future sources of value noted above. As such, the Group is in a strong position to pursue a balanced capital allocation policy in the years ahead.

The Board is therefore proposing that regular, progressive dividends begin with a final dividend of 1.1p per share for FY 2022, in accordance with our previously articulated policy of an annual payout around three times covered by Group adjusted attributable profit. The Group is actively reviewing investment in some of the substantial organic and inorganic opportunities that exist adjacent to its existing portfolio in the UK and elsewhere, where it is confident this will create value for shareholders, and notes the capacity to increase gearing over time towards our target leverage ratio of less than two times adjusted net debt: Group EBITDA adjusted for First Rail management fees, as end market conditions and hence business performance continue to improve. The Board also remains committed to reviewing the potential for further additional distributions to shareholders over time.

The Board is proposing that a final dividend of 1.1p per share, resulting in a total dividend payment of c.£8.1m, be paid on 19 August 2022 to shareholders on the register at 15 July 2022, subject to approval of shareholders at the 2022 AGM.

Review of the year continued

Inflection point for public transport

In addition to our transformational transactions, the year in review has also been an important inflection point in the operating environment for public transport companies in the UK, and in particular for their prospects for sustainable growth in the medium term. More than £1bn in funding was allocated in April 2022 in support of the Government's National Bus Strategy in England, with First Bus operating areas set to benefit significantly from these ambitious strategies to increase bus patronage and enhance modal shift from passenger cars in the coming years.

Moreover, passenger volumes across our businesses have increased this year, as our economies, working and social lives continue to adapt to the aftershocks of the pandemic restrictions. Based on our increasingly granular understanding of our passengers' travel patterns, enabled by our industry-leading customer data tools and analytics, we remain confident in the long-term passenger growth potential of our First Bus operations. As we continue to focus on the application of data and technology to volume and yield management, operating efficiency and cost performance, First Bus is becoming a more agile business, well placed to deliver significant operating leverage as patronage increases over time.

The Government is also progressing the transition of the UK passenger rail industry to a lower risk, long-term model with delivery of quality services for passengers at its centre. With this process continuing, we have an increasing degree of visibility on the long-duration nature of the fees to be earned by our four incumbent management fee-based rail operations.

The Group has also begun to develop a number of growth opportunities adjacent to its market leading UK bus and rail operations. Revenue significantly increased this year from both Business-to-Business (B2B) contracts in First Bus and in First Rail's activities outside of the management fee-based train operating companies, including our open access operations, and we expect these to become increasingly important contributors to the Group's earnings in the coming years.

Operational highlights – First Bus

First Bus passenger volumes increased year-on-year by 91%, reflecting the increasing propensity to travel as pandemic restrictions were reduced, notwithstanding *the reimposition of guidance to avoid travel* where possible due to the Omicron variant for a period during the second half of the financial year.

Passenger revenue was up 49% reflecting improving volumes and yields, partly mitigated by lower pandemic-related funding, as operations in England and Scotland moved from broadly 'cost-plus' recovery schemes to block subsidy-style schemes in September 2021 and April 2022 respectively. Wales continues to operate under a cost-plus scheme until the end of July 2022. Commercial passenger volumes are increasing faster than concessions, with customer analytics suggesting most commercial customers are travelling again, but not as often as before the pandemic.

Meanwhile, our new data-driven pricing strategy has begun rolling out across our networks, including yield-enhancing changes to the construction of our fares baskets in each local area. We modestly reduced scheduled mileage in April 2022, and will continue to refine our networks and timetables based on our enhanced customer analytics capability as travel patterns evolve. We anticipate the next major milestone in this regard will be in the autumn of 2022, when the remaining recovery funding in England and Scotland is expected to come to an end.

With industry-wide driver shortages ongoing, we continue to focus on our driver recruitment and retention programmes, and on managing our multi-year pay deals with local unions. Our fuel hedging programme, under which we are 87% hedged for the remainder of the current financial year, provides some time and flexibility to respond to global fuel price changes. We expect to offset some of the impact of higher utility costs, engineering and other materials costs, through our fare and yield management processes.

In the year our B2B revenue increased, reflecting the buyout of our SPS joint venture and new contracts, including a major multi-site employee shuttle contract with a large online distributor. We are continuing to invest to capture more of the growing pipeline of activity we see in this area. In addition we see a number of potential opportunities as more of our fleets are electrified, for example in third party electric vehicle charging at our depots.

Buses have a central role to play in achieving many of society's objectives. The UK Government's Levelling Up White Paper, published in February 2022, reinforced the importance of public transport connectivity. Meanwhile in the announcement of Bus Service Improvement Plans (BSIPs) allocations in April 2022, local authorities in our operating areas received nearly a quarter of the funding made available to accelerate delivery of better, more reliable services for passengers in line with the ambitions of the National Bus Strategy.

Operational highlights – First Rail

In First Rail, our four management fee-based operations recorded profits in line with the fixed fees plus actual or accrual of two-thirds of the performance fees, based on expected performance scoring against their contractual metrics, with GWR and TPE slightly ahead as a result of final settlement of certain prior-period contractual claims. Under the new contract structures the 53% increase in like-for-like passenger journeys from these operations had no impact on our fee income, although clearly it is encouraging for the long-term prospects of the industry.

First Rail's open access operations also made good progress during the year, with lower than previously guided losses as a result of strong leisure demand since the Omicron-related restrictions were reduced and the successful launch of Lumo in October 2021. Both are performing well in the current financial year. Our additional services businesses in First Rail also had a good year, with Mistral Data, London Trams, First Customer Contact and consulting ahead of prior year partially offset by start-up costs of evo-rail.

Discontinued operations

With the completion of the sale of First Student and First Transit on 21 July 2021, the financial results of these two divisions were reported as discontinued operations. The transaction was structured on a 'locked box' basis as of 27 March 2021, with all economic benefits or costs for the buyer's account from that date.

The sale of Greyhound Lines, Inc. was completed on 21 October 2021. Greyhound remains eligible to receive further awards from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan (ARP) schemes and, to the extent that such recoveries are made which relate to the period Greyhound was under the Group's ownership, the buyer will pay equivalent amounts to FirstGroup under the terms of the contract. Between completion of the sale and the year end, the Group has received CARES and ARP payments of $9.0m, $3.3m in property rentals from Greyhound as well as $11.3m in deferred consideration with $21m still outstanding at year end. Furthermore, $38.9m has been received in property sales proceeds and $16.5m has been paid in further de-risking of the Greyhound pension schemes. C.$12m has been incurred in other contractual settlements since disposal and costs incurred for the closure of the Canadian operations.

Strong financial performance with continuing operations ahead of expectations

Revenue from continuing operations (comprising First Bus, First Rail and Group items) increased to £4,591.1m (FY 2021: £4,318.8m), principally reflecting improving First Bus passenger volumes partially offset by lower pandemic-related funding receipts, and significant revenue growth in First Rail.

Adjusted operating profit from continuing operations was ahead of expectations at £106.7m (FY 2021: £112.2m), with First Bus in line, a stronger First Rail performance than expected at start of year, and central cost reductions ahead of plan. Central costs were c.£6.2m lower than in the prior year, reflecting changes to the corporate structure implemented following the North American disposals during the year. Adjusted EPS from continuing operations was 1.6p (FY 2021: (2.8)p).

Discontinued operations contributed £996.9m (FY 2021: £2,526.0m) in revenue and £120.1m in adjusted operating profit (FY 2021: £108.0m) to the Group, reflecting part year contributions from the North American operations, now sold, as well as there being no charge for depreciation and amortisation under IFRS 5 from the point that the assets are classified as Held for Sale.

Statutory operating profit from continuing operations of £122.8m (FY 2021: £171.0m) reflects £16.1m credit from net adjusting items (FY 2021: £58.8m credit), and statutory EPS from continuing operations was (1.1)p (FY 2021: 0.9p).

Impact of First Rail fee income

The Group's accounts continue to consolidate the train operating companies which manage the four management fee-based operations, including their substantial ring-fenced cash balances and right of use liabilities under IFRS 16, which primarily relate to the leased rolling stock used to operate these contracts. Both ring-fenced cash and the IFRS 16 liabilities are excluded from the Group's Adjusted Net Debt measure.

Last year the Group introduced two new alternative profit performance measures, which focus on the contractually agreed net fees available to be distributed up to the parent company from the management fee-based operations (as described in more detail on page 34) rather than their earnings, which management believes is helpful to aid understanding of the Group's underlying performance. The first of these, Group adjusted attributable profit, increased by £16.3m in the year to £36.2m (FY 2021: £19.9m) principally due to higher earnings in First Bus and lower central costs. Meanwhile the Group's EBITDA adjusted for First Rail management fees was £98.6m (FY 2021: £87.1m), an increase of £11.5m. As previously noted, these metrics define our leverage and dividend policies going forward, as set out on page 32.

First Bus passenger volumes reached

76%

of equivalent 2019 levels recently

Review of the year continued

Substantial adjusted cash flow in period, ahead of expectations

The Group's adjusted cash flow of £1,008.9m (FY 2021: £258.9m) in the year reflects positive operational cash flow from the continuing divisions as well as the disposal proceeds, offset by the repayment of debt and de-risking of certain retained liabilities. Underlying operational cash flow under IFRS 16 before capital expenditure and lease payments in the year was £263.4m (FY 2021: £1,358.7m), ahead of expectations due to better business performance and timing of certain working capital flows.

At year end, the Group had Adjusted Net Debt of £3.9m (FY 2021: £1,438.7m). IFRS 16 lease liabilities (predominantly First Rail rolling stock leases in the management fee-based operations where the Group takes no risk) decreased to £1,083.2m (FY 2021: £1,850.0m), while ring-fenced cash was £468.1m (FY 2021: £662.9m). Taken together, reported net debt including IFRS 16 lease liabilities and ring-fenced cash decreased to £619.0m (FY 2021: £2,625.8m).

"The Group is expected to make significant further progress in FY 2023"

Looking ahead

While there remains some uncertainty around the pace of recovery in light of the evolving nature of the pandemic and the broader macroeconomic backdrop, current trading is in line with our expectations, and the Group is expected to make significant further progress in FY 2023 (as set out in more detail in the divisional business reviews). This will be supplemented by a further c.£5m in previously announced central cost reductions as we expect to exceed our target of £10m per annum in savings compared with FY 2021 levels. Positive free cash generation after c.£90m cash capital expenditure on First Bus zero-emission fleet is expected to result in a small Adjusted Net Cash position at the end of the current financial year (before any further sources of value which may be received).

Looking further ahead, in addition to delivering our 10% margin target and passenger volume and yield growth, First Bus will continue to actively develop our pipeline of growth opportunities in B2B, and will assess other adjacent areas, to drive profitable growth in the medium term. In First Rail we expect a broadly consistent level of contribution from First Rail's four management fee-based operations, with further growth from open access and additional rail services in the medium term. As indicated, the Group is also actively reviewing investment in some of the organic and inorganic opportunities adjacent to the existing portfolio in the UK and elsewhere, where this will create value for shareholders.

Sustainability developments

Our commitment to transforming our bus fleet to 100% zero emissions by 2035 continues to be well-supported, with £38m and £19m in co-funding announced from Westminster and Holyrood governments respectively during the year, supporting our investment in more than 260 state-of-the-art, zero emission buses.

The Group began implementing the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations in FY 2021, a year ahead of the regulatory mandate, and has built on this during the FY 2022 reporting cycle. At the Group level, we have now set a science-based target aligned with a 1.5°C ambition to reduce Scope 1 and 2 emissions, and are completing the development of our Scope 3 target for validation by the Science Based Target initiative.

We have strengthened our climate-related governance processes, including the establishment during the year of the Board Responsible Business Committee to oversee the Group's practices and performance with respect to health, safety and sustainability, including our transition to net-zero. We have also worked with Marsh to complete an in-depth risk scenario analysis and quantitative financial impact assessment of our most material risks.

We continue to work to create a more diverse and inclusive business in what has been a 'traditional' industry. Our women's development programmes are going from strength to strength, supporting women in frontline roles to transition into their first supervisory role; and from junior managerial roles to move into middle management. FirstGroup has also signed up to the 'Change the Race Ratio' programme, which commits the Group to taking action to increase our racial and ethnic diversity and create an inclusive culture. First Rail is now in the second year of programmes which support the career progression of employees from minority ethnic groups, and First Bus is now considering a similar approach. Since 2018, we have been making steady progress on attracting and hiring more employees from ethnically diverse backgrounds. We increased the proportion of applicants and hires from minority ethnic groups for the fourth successive year, with both now comparing positively to the ethnic diversity of the UK population.

The Group entered into a £300m sustainability-linked RCF in the year, under which the interest rate varies with the Group's leverage and its performance against two sustainability KPIs, being the level of Scope 1, 2 and 3 carbon emissions per £m of revenue from its First Bus and First Rail operations, and the relative growth of its zero emission bus fleet in the UK.

During the year the Remuneration Committee also reviewed the role of sustainability and climate-related measures within the Group's remuneration approach. Accordingly, our long-term incentive plans are now linked to carbon intensity and the electrification of our transport services, reinforcing our commitment to incorporating climate-related issues into core business decisions.

Board changes

Last year we committed to an orderly and appropriate evolution of the Board in order to ensure it has the right balance of skills, experience and diversity for the Group's future needs.

As noted above, Graham Sutherland joined the Board as an Executive Director and took up the role of Chief Executive Officer in May 2022. Graham has a strong track record in the delivery of critical services and in creating value for shareholders in rapidly evolving regulatory and technological environments, including as Chief Executive Officer of KCOM Group plc, a LSE-listed telecommunications company, and in senior executive roles within BT Group PLC over 12 years. Graham has an established record in strategic development, as well as delivering enhanced financial and operational performance and engaging a diverse range of stakeholders including consumer, business and public sector customers. I look forward to working with him to maximise the opportunities that exist for growth and sustainable value creation.

We also welcomed Myrtle Dawes and Claire Hawkings to the Board as independent Non-Executive Directors in 2022, building on the appointments of Peter Lynas and Jane Lodge in June 2021 as outlined in the Group's report and accounts last year. Myrtle's background in managing complex, safety critical engineering projects, as well as her wealth of knowledge and experience in both the energy transition and improving customer service through technology, will be of significant value to the Group. Claire is a qualified environmental scientist and an experienced environmental, social and governance (ESG) professional with expertise in a range of issues, including sustainability strategy, governance, business transformation, commercial transactions, performance management, and energy transition. Claire chairs FirstGroup's recently established Responsible Business Committee and is a member of the Audit Committee. Myrtle is a member of the Responsible Business Committee.

David Robbie stood down from the Board as a Director in June 2021 and Martha Poulter, Matthew Gregory and Steve Gunning stood down from the Board in September 2021. Warwick Brady and Julia Steyn have decided not to seek re-election at the 2022 AGM and will therefore retire as Non-Executive Directors at the conclusion of the meeting. I would like to thank them all for the significant contributions they have each made to the Board and the company. Following the Board changes over the last 12 months, the Board is now Hampton-Alexander and Parker Review-compliant.

Our people

The dedication and resilience of our employees has been vividly demonstrated throughout the last two years and I am extremely proud of all of our employees who have more than risen to the challenges in support of our customers and communities. We are deeply saddened by the loss of employees due to the pandemic, and on behalf of the Board and all employees at FirstGroup, I offer our heartfelt condolences and support to their families, friends and colleagues.

Conclusion

FirstGroup has a clear purpose to provide vital transport services that connect communities. Our services offer efficient, cost effective and convenient travel options for passengers, both within and between the UK's towns and cities. As critical long-term green infrastructure, public transport is fundamental to resolving the challenges of climate change, as well as air quality and congestion. The connections we offer are critical enablers of vibrant local economies and will play an important role in the UK's 'levelling up' agenda and society's wider sustainability goals. I am confident that the actions we have taken have created a focused and resilient Group, with a strong platform from which to drive value for all our stakeholders.

David Martin
Chairman
(Interim Executive Chairman
September 2021 – 30 June 2022)
14 June 2022

Business model

As a leading UK-focused transport operator our business model is designed to deliver value to a range of stakeholders by providing convenient, value for money transport services.

Key strengths and resources

Our people

Our more than 30,000 employees are at the heart of our business and have the skills, expertise and knowledge to drive the transition to a sustainable future.

Vehicle fleets and depots

We operate 4,900 buses and 3,800 train vehicles across the UK, providing vital services which connect people and communities.

Reputation for safe and reliable transport services

Our commitment to the safety of our customers, employees and others is an unwavering focus of the whole Group.

Relationships with key local authority and national government stakeholders

Our deep engagement and long-established relationships with government at all levels are essential to our success.

A stable financial platform

We have a cash generative business and maintain an investment grade credit rating.

Our business

Our businesses generate revenue

First Bus

One of the largest bus operators in the UK with a fifth of the market outside London.

See page 22

First Rail

The UK's largest rail operator, with many years of experience running all types of passenger operation.

See page 26

Underpinned by our Vision and Values

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

Committed to our customers

Dedicated to safety

Acting in accordance with *our sustainability framework...*

...which is aligned to six core United Nations Sustainable Development Goals

See page 40 for more information on our sustainability framework.

Accountable for performance

Supportive of each other

Setting the highest standards

Value creation for stakeholders

Customers

Delivering safe, reliable, value for money and easy-to-use travel services for millions of passengers each year.

Communities

Supporting stronger economies and local communities by enhancing our engagement activities, improving our services *and supporting social inclusion.*

Investors

We aim to deliver sustainable financial performance and long term value creation, with a capital allocation policy balanced between investment, growth, and shareholder returns.

Our people

Boosting productivity and skills through training and apprenticeships, to nurture, develop and grow talent in a safe and inclusive working environment for all employees.

Government

Operating efficient and reliable transport services that help to meet wider policy objectives such as levelling up, decarbonisation and air quality.

Strategic partners and suppliers

Building long-term relationships, optimising value, mitigating risk and increasing sustainability and ethical standards throughout our supply chain.

How our markets work

As a market leader in bus and rail in the UK, we are well placed to capture the significant opportunities for our operations to grow and succeed as the UK looks to 'build back better'.

First Bus

We are the second largest *regional bus operator in the* UK, serving two-thirds of its largest conurbations

Approximate First Bus market share of UK market outside of London (%)

The market

Local bus services in the UK (outside London) have been deregulated since the 1980s, with most services provided by private operators, though a small number of local authority-owned operators still exist. In local bus markets, operators set fares, frequencies and routes commercially while operating some socially necessary services under local authority contracts. In a typical year, around 2.6bn passenger journeys are made on bus services outside London, generating approximately £4.3bn in revenue.

Partnerships between operators and local authorities are a core principle for the industry and government, to support service delivery, minimise congestion and drive innovation and investment. There is a growing recognition at all levels of government that buses have a huge role to play in achieving social and environmental ambitions and improving local economies. This was demonstrated by the National Bus Strategy announced in March 2021, which includes a multi-billion pound funding package to support simpler fares, improved services and thousands of new green buses via local authority-led enhanced partnerships or franchising.

A range of emergency funding schemes were put in place to support the continued operation of regional bus services during the period of pandemic travel restrictions, and a number of recovery schemes are now in place to support the return of commercial operations.

In support of the decarbonisation agenda, Westminster and the devolved governments have a number of co-funding grant schemes which help to support the industry's investment in low and zero emission buses.

Customers

Bus market revenues principally comprise passenger ticket sales and concessionary fare schemes (reimbursements by local authorities for passengers entitled to free or reduced fares). A significant proportion of customers use bus services to commute (to work or education), to shop and for leisure. Income is also generated through tendered local bus services and bespoke contracts for businesses or one-off events, as well as tendered services for local authorities such as Park&Ride schemes.

Competitors

The UK bus market (outside London) is deregulated and highly competitive with hundreds of operators; consequently we face competition in all markets in which we operate. Through the year, operators have both entered and left the market. The main competitor is the private car.

Market attractions

- growth potential from strategies tailored to specific customer segments enhancing convenience and supporting clean air strategies
- opportunities in the youth demographic where car ownership is falling
- bus travel diversified by journey purpose
- digital innovation provides significant opportunities to optimise service provision
- significant government recognition of the critical role played by the industry in economic, social and environmental agendas

First Rail

We are the UK's largest passenger rail operator, with experience in running all types of railway service

Passenger revenue base of First Rail operations (%)

The market

Passenger rail services are primarily provided by private train operating companies (TOCs) through contracts awarded by the relevant authority, but may also be provided on an open access basis. The majority of the service elements provided to customers are mandated as part of the contract and others are left to commercial judgment. Rail track and infrastructure (signalling and major stations) are owned and managed by Network Rail, and TOCs typically lease rolling stock from leasing companies and most stations (which they manage) from Network Rail.

At the start of the pandemic the Government transitioned the contracted part of the industry to a fee for delivery-based model, rather than the previous system under which operators undertook considerable revenue and cost risk. The UK's passenger rail contracting system is currently undergoing a transition to a new structure which is intended to formalise this change going forward, with operators more heavily incentivised to improve passenger service metrics and a lower risk/lower reward financial profile.

In addition to the management fee-based services, additional opportunities include operating services on an open access basis and for the provision of additional services to TOCs.

Customers

Rail markets are generally categorised into three sectors: London and south-east commuter services, regional, and long distance. Certain networks also offer sleeper services. Parts of GWR fall into all four categories. SWR customers are largely commuters. TPE and Avanti are mainly long-distance intercity operations, while Hull Trains and Lumo cater to long distance and leisure travellers.

Competitors

The main competitor to rail in the UK is the private car. On some passenger flows there is competition from other rail services and, to a lesser extent, from long-distance coach services and airlines. First Rail bids for contracts against other current UK rail operators and public transport operators from other countries.

Market attractions

- more than £10bn of contract-backed passenger revenue in a typical year through 20 major contract opportunities
- new contracts have no revenue risk and clear performance based fee opportunities, with low capital intensity
- regulated environment, with limited cost risk protected by annual budgeting
- historically high levels of passenger numbers across the UK pre-pandemic

Business review

First Bus

First Bus is the second largest regional bus operator in the UK, transporting hundreds of thousands of passengers a day. We serve two-thirds of the UK's 15 largest conurbations, with a fifth of the market outside London.

"Buses have a central role to play in achieving many of society's objectives."

Janette Bell
Managing Director, First Bus

Revenue

£789.9m

FY 2021: £698.9m

Adjusted operating margin

5.7%

FY 2021: 5.2%

Adjusted operating profit

£45.2m

FY 2021: £36.6m

Average number of employees

13,500

FY 2021: 14,500

First Bus reported revenue of £789.9m (FY 2021: £698.9m), principally reflecting a 49% increase in like-for-like passenger revenue as volumes recovered following the easing of pandemic travel restrictions, offset by lower levels of government support.

For the full year, overall passenger volumes increased by 91% compared with the prior year, including the temporary reduction in volumes following the emergence of the Omicron coronavirus variant. Commercial passenger volumes for shopping and leisure trips, discretionary travel, and journeys to and from school and university (which together made up more than half of our patronage pre-pandemic), have recovered well, although this is partially offset by the increase in working from home and a slower recovery in concessionary volumes. Overall the pace of recovery in concessionary and peak-time commuter travel has therefore been slower, with commercial passenger volumes at 68% and concessions at 59% of 2019 equivalent levels for the year.

For a substantial portion of FY 2022 First Bus and other regional bus operators effectively provided their assets and expertise to operate a government-funded bus system on a broadly cash break-even basis to ensure continuity of service during the pandemic. Under these arrangements, called the Covid Bus Service Support Grant-Restart (CBSSG-R) programme in England, operators were paid the costs of operation, less revenue received from customers and other public sector monies. Recoverable costs included all reasonable operational costs, including depreciation and allocated debt finance, together with any pension deficit funding.

Despite the temporary reduction in mileage in December and January due to higher numbers of employees self-isolating due to Omicron, First Bus operated an average of c.85% of the service mileage in FY 2022 compared with the equivalent period in 2019.

The division reported adjusted operating profit of £45.2m (FY 2021: £36.6m) in the year, reflecting the improvement in passenger volumes and changes in funding models noted above, partly offset by higher service levels and increasing utility costs. Statutory operating profit was also £45.2m (FY 2021: £30.8m).

Continued Government support as volumes rebuild

The CBSSG-R programme in England formally came to an end on 1 September 2021, and since that time delivery of local bus services across England has been reinforced by the Department for Transport's (DfT) £226.5m Bus Recovery Grant (BRG) package, which was allocated to regional bus operators based on mileage and volumes. In March 2022, as travel restrictions were eased and passenger volumes continued to rebuild, the DfT announced a further £150m in transitional funding for regional bus and light rail operators to run until September 2022.

A condition of the transitional funding announced in March 2022 requires bus operators in England to undertake full network reviews and determine further network changes to help local authorities and other stakeholders understand the viability of all routes once the funding ends in the autumn.

In early February, the Scottish Government announced a new £94m bus grant scheme, which includes an additional £40m to support passenger volume recovery. The scheme, which contains a profit sharing mechanism above a certain margin, started from 1 April 2022, replacing the existing pandemic support arrangements and runs until the autumn. The cost-plus recovery grant scheme in Wales is currently funded to the end of July 2022.

Digital innovation

First Bus is at the forefront of the digital transformation of the bus industry, thanks to our investment in real-time passenger volume data capture, GPS functionality and ticketing. We now have significantly more actionable data than in the past, transforming our ability to understand and assess passenger flows and make commercial decisions more efficiently. We are able to accurately observe how passenger demand patterns are evolving, which is allowing us to optimise our networks, timetables and pricing strategies to align with passenger needs and attract new customers. We modestly reduced scheduled mileage from 89% to 84% of pre-pandemic levels in April 2022, in part reflecting local driver shortage challenges, and will continue to refine our networks and timetables based on our new customer analytics capabilities as travel patterns evolve.

In addition, we continue to introduce new ticketing options to customers, making use of our real-time, granular data which allows us to match our pricing strategy to demand and customer preferences more effectively. These measures have also included daily and weekly contactless capping fares in Leicester, Stoke-on-Trent, Bristol and West Yorkshire in recent months, with more areas to follow.

We also continued the roll out of innovative functionality to our customers during FY 2022, building on our award-winning mobile app. This included successfully launching 'tap on tap off' payment technology and ticketing options on our buses in West Yorkshire and Glasgow. This payment technology is now installed on half of our fleet. During the year, 70% of our ticket transactions were completed using contactless, mobile or other digital payment methods including our app. Not only does this deepen our knowledge of customers' needs and enable us to structure our pricing models more efficiently, but it also improves our overall yield by offering flexible tickets driven by customers' needs.

As well as investing in our data capture capability and mobile app, we are partnering with a specialist data company to roll out their scheduling platform across a number of our operations over the coming year. This follows successful trials which delivered significant improvements in punctuality throughout the day and more resource efficient operations, resulting in lower lost mileage and positive passenger and driver feedback.

Margin improvement

In addition to the operating leverage to volume growth and the realignment of our networks and pricing, we continued to progress the cost reduction and operational efficiency programmes in FY 2022. To date, these have delivered annualised savings of c.£20m since 2019, with further engineering savings expected. In FY 2022 increases in a number of key input costs, including fuel and utility costs, were largely offset by our fuel hedge programme which provides flexibility to respond to changes in prices over time. We currently have 87% of our FY 2023 exposure hedged at 37.5p per litre and FY 2024 is currently 53% hedged at 43.3p per litre.

Business review continued

As a major employer, the recruitment, training and management of our employees is a continuous focus. In FY 2022 we rolled out a number of changes to ensure that we continue to offer an attractive and competitive employee proposition both for our existing dedicated team and also for new and prospective employees, as industry-wide driver shortages remain elevated. In FY 2022 we concluded wage agreements for nearly two-thirds of our operations, a number of which are multi-year agreements, with others anticipated to be concluded in the next few months.

National Bus Strategy and other policy updates

Buses have a central role to play in achieving many of society's objectives. For example, in February 2022, the UK Government published its Levelling Up White Paper which reinforced the central role public transport plays in delivering economic growth and helping to create connected, vibrant and sustainable communities. This was followed in April 2022 by the DfT's announcement of more than £1bn of Bus Service Improvement Plan (BSIP) funding for 31 counties, city regions and unitary authorities throughout England. Local areas where First Bus has a presence received nearly a quarter of the funding commitments. We welcome this funding which will help local authorities and bus operators accelerate the delivery of better, more reliable services for passengers, in line with the ambitions of the National Bus Strategy (NBS).

We worked collaboratively with our local authority partners in England on their BSIP bids. The BSIP development process highlighted – and in some cases extended – the level of local ambitions and aspirations to work in partnership with innovative, experienced operators to improve bus services. The bids were bespoke to the local needs of each area and focused on actions to improve bus priority measures including bus lanes, funded fares reductions for certain groups of passengers, frequency and network enhancements on key routes, and further 'capped' period ticketing schemes. The vast majority of these measures are to be delivered in First Bus local areas through Enhanced Partnerships (rather than franchising).

In March 2022, the Mayor of Greater Manchester announced an accelerated roll out of a bus franchising scheme in the city region (4% of First Bus divisional revenue in FY 2022 was in the area). As an experienced operator with activities in a number of regions across the UK, we will assess and consider all business models as long as we can generate value for shareholders and good services for our customers.

In FY 2022 the Scottish Government committed to funding free bus travel for all under-22s from 31 January 2022, which we expect should also enhance passenger volumes over time.

Fleet decarbonisation

As leaders in sustainable mobility, we are fully aligned and working closely with central and local governments across the UK to support the delivery of national decarbonisation ambitions and commitments, including zero emission bus fleets. In 2020 we announced our commitments to operate a fully zero emission fleet by 2035 and not to order any new diesel buses after 2022. As an early mover in the sector, and an operator who strives to deliver innovation for customers, we are leading the industry in trialling and deploying various modes of vehicles and technologies across our fleet and at our depots, including electric, hydrogen and bio-methane solutions.

In electrification, we are partnering with a number of suppliers including new bus suppliers to the market, such as Arrival, as well as working with other longstanding partners including Alexander Dennis, Wrightbus, Yutong, Switch, and others. We are also looking at opportunities for new sources of revenue created by the transition of our fleet and depot infrastructure to electricity.

In FY 2022 we continued to be successful in securing government funding assistance for more than 260 zero emission vehicles which will more than double our zero emission fleet. In October 2021, we were awarded £13m in co-funding to support 68 new electric vehicles (EVs) in Leicester as part of the first 'fast-track' round of Zero Emission Buses Regional Area (ZEBRA) funding under the NBS. Subsequently, in March 2022, the UK Government announced further ZEBRA funding which included £25.2m towards a total of 125 EVs in four of our areas: York, Leeds, Norfolk and Portsmouth.

First Bus has committed to invest a further £46m to help fulfil these projects over the course of the next two years, to deliver a total of 193 new EVs in England. First Bus will convert depots and install the necessary infrastructure to operate these vehicles in partnership with the local electricity distribution network operators and local authorities.

In Scotland, First Glasgow and First Aberdeen were awarded a combined £18.6m in Transport Scotland's Scottish Zero Emission Bus (ScotZEB) funding in March 2022, to deliver 74 new EVs and related infrastructure across both cities by spring 2024, with First Bus committing to invest a further £16.4m. This new investment will see First Glasgow adding to the 126 new EVs that are being delivered to its Caledonia depot, taking the total number of First Bus EVs operating in Glasgow to 200 by the end of FY 2024, and accounting for more than 40% of the total buses operating out of the two First Glasgow city depots. First Aberdeen will have 24 new EVs, meaning its fleet will be made up of 30% zero emission vehicles. In 2021 First Aberdeen launched the world's first hydrogen powered double decker buses into service in partnership with Aberdeen City Council, and an additional ten vehicles are currently being introduced into the fleet.

During FY 2022 our Glasgow Caledonia depot continued its transformation into the largest electric vehicle charging hub in the UK. By the end of the financial year all of the chargers had been installed and 95 EVs were in operation. In November 2021, First Bus selected Hitachi Europe as prime strategic partner for the decarbonisation programme at the Caledonia depot, under which Hitachi will provide bus batteries 'as a service' for First Glasgow's electric fleet, smart charging software and will collaborate on other low carbon technology such as solar panels and battery energy storage solutions for the site. The depot held a joint event with Hitachi for delegates of the UN COP26 Climate Change Conference, during which we hosted over 1,000 visitors. First Glasgow also recorded over 137,000 delegate trips on board our new EV fleet as a key part of the conference's official shuttle service.

In order to support our ambitious decarbonisation targets, we have created a strategy to attract and retain talent and grow the future skills we know the industry will need. As part of First Bus' apprenticeship programme, we have partnered with Reaseheath College in Cheshire to establish the UK's first bus and coach engineering academy delivering tailored training to First Bus apprentice engineering technicians in the maintenance of next generation, zero emission transport vehicles.

B2B and Aircoach

As an experienced operator that transports large volumes of passengers on a daily basis, First Bus is well placed to make use of our assets and capabilities to develop and grow our share of the B2B bus services market. In FY 2022 we successfully grew these operations and we have further contracts in the pipeline.

In October 2021, we acquired the 50% shareholding we did not already own in Somerset Passenger Solutions (SPS), which operates the contract to provide passenger transport for the construction workers employed at the EDF Hinkley Point C nuclear power station in Somerset, for a consideration of up to £10m. SPS employs around 450 people running a 145 vehicle operation, delivering shuttle services seven days a week to and from the site, with annual revenues of c.£37m. In addition, First Bus was awarded significant multi-site contracts in October 2021 to operate passenger transport services for a major distribution centre customer.

In Ireland, we are seeing patronage numbers recovering at our Aircoach service, following the easing of travel restrictions. We have successfully repositioned the business for growth, increasing its network of intercity routes, launching a new route from Galway to Dublin, implementing new digital pricing and securing a multi-year car park contract at Dublin airport.

Looking ahead

Although clearly sensitive to the broader consumer spending outlook, we expect First Bus volumes to continue to increase in the current financial year with performance weighted to H2 2023, reflecting our increasing ability to adapt operations to passenger demand and manage the inflationary environment once recovery funding tapers off. When the current funding scheme comes to an end in England in the autumn, we expect to implement a further round of network realignments to ensure that our services are aligned with evolving passenger patterns.

Looking further ahead, in addition to delivering our 10% margin target and passenger volume and yield growth, First Bus will continue to actively develop our pipeline of growth opportunities in B2B, and will assess other adjacent areas including potentially some inorganic opportunities in the UK and internationally, to drive profitable growth in the medium term.

Aircoach returns to growth

Aircoach, our coach and bus operator in Ireland, has seen passengers gradually return to travel, allowing the operator to expand and grow its network of intercity routes. A brand-new route from Galway to Dublin was launched in July 2021. The new route runs ten daily services and connects Galway city to Dublin Airport and Dublin city centre. Aircoach also revealed a brand-new look in the year, updating its identity to create a new fresh and modern style in line with its ongoing evolution as an operator focused on value for money and excellent customer service.

Overall passenger volumes increased by

91%

compared with FY 2021

Government funding of more than

£1bn

allocated for Bus Service Improvement Plans throughout England

Business review continued

First Rail

First Rail is the UK's largest rail operator, with many years of experience running all types of passenger operation and significant capabilities across the rail service sector.

"We have a strong contract base with opportunities for growth in open access and additional services in the years ahead."

Steve Montgomery
Managing Director, First Rail

Revenue

£3,801.2m

FY 2021: £3,619.9m

Adjusted operating margin

2.3%

FY 2021: 3.0%

Adjusted operating profit

£87.8m

FY 2021: £108.1m

Average number of employees

17,500

FY 2021: 17,500

The First Rail division's total revenue increased modestly in FY 2022 to £3,801.2m (FY 2021: £3,619.9m). Under the contractual arrangements in place for our four management fee-based train operating companies (TOCs), changes in passenger revenue no longer impact our financial performance during the year and going forward. As a result, although like-for-like passenger revenues increased relative to FY 2021, there was an offsetting reduction in income received from the DfT.

Passenger volumes increased in FY 2022 following the easing of travel restrictions in England from spring 2021 and again in February 2022, when the restrictions implemented by Government in response to the Omicron variant were eased. In the leisure market, volumes have recovered particularly well, with demand on some flows higher than before the pandemic. We continue to work closely with the DfT on appropriate service provision, with services running at c.87% of 2019 equivalent levels on average during the year. We experienced some temporary shortages of employees during FY 2022, resulting from increased self-isolation, but this did not materially impact our financial performance. Open access and additional services contributed £119.2m in gross revenue in the year (FY 2021: £69.8m) before interdivisional eliminations.

In FY 2022 the four management fee-based operations delivered overall passenger and other performance metrics in line with our expectations and accordingly, have recorded actual performance fees and accrued for the fixed fees plus two-thirds of the performance fees as a result.

Adjusted operating profit was £87.8m (FY 2021: £108.1m), which principally reflects the earnings associated with the management fee-based contracts and final agreement on contractual matters related to settlements of claims under GWR's Direct Award and settlements at TPE relating to the pre-Emergency Measures Agreement period. Open access losses were less than expected on start-up of the new Lumo open access service and at Hull Trains due to stronger than anticipated passenger demand, while the adjusted operating profit contribution from additional services increased, with Mistral Data, London Trams, First Customer Contact and consulting ahead of the prior year, partially offset by start-up costs of evo-rail.

The division reported a statutory operating profit of £91.8m (FY 2021: £203.8m) reflecting a £4.0m final credit adjustment in relation to TPE and SWR franchise termination sums.

Rail attributable net income from management fee-based operations – being the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti) contracts with the DfT – was £45.5m (FY 2021: £42.3m). The Group receives an annual dividend from the TOCs reflecting the post-tax net management and performance fees. These dividends are available to be paid after September following the completion of the TOC audited accounts, and dividends received by the Group from these operations in the year was £51.5m, representing attributable net earnings up to 31 March 2021.

Passenger revenue base by operating company (%)

Transition to National Rail Contracts

At the start of the financial year all our First Rail contracts were being operated under the terms of the emergency arrangements put in place by the UK Government in response to the pandemic. In May 2021, SWR and TPE were the first TOCs to transition to the Government's new National Rail Contracts (NRCs). Under the NRCs, the DfT retains substantially all revenue and cost risk (including for fuel and wage increases). There is a fixed management fee and the opportunity to earn an additional performance fee. The punctuality and other operational targets required to achieve the maximum level of performance fee are designed to incentivise service delivery for customers. The NRCs achieve a more appropriate balance of risk and reward between operators and the Government and carry no significant contingent capital risk. SWR and TPE continue to be fully consolidated in the Group accounts with the net cost of operations and capital expenditure to be funded in advance by the DfT. The SWR and TPE NRCs will run to May 2023 with potential extensions to May 2025.

In March 2022 the DfT issued a Prior Information Notice which provides for a NRC for TPE starting in spring 2023 with a minimum core term of four years with up to a further four years at the DfT's discretion.

Discussions are ongoing with the DfT regarding NRCs for our other two management fee-based operations, GWR and West Coast Partnership (incorporating Avanti). The West Coast Partnership NRC that will follow the current Emergency Recovery Measure Agreement (which runs to October 2022) is expected to be awarded by the DfT in autumn 2022, with a duration of up to ten years. This is expected to incorporate continuing as the shadow operator for HS2 before transitioning to operating passenger services on the route when it opens in the late 2020s. GWR's NRC is expected to last up to six years to June 2028. In addition to the NRCs, in FY 2022 TPE was awarded additional work to assist in the Transpennine Route Upgrade project to upgrade railways in the north of England, worth c.£5m in fees over two years. The work on this industry change project further demonstrates our expertise in rail, as well as our ability to generate earnings from additional services to the wider industry.

Beyond the NRCs, the Government have begun engaging with rail operators about the next generation of Passenger Service Contracts which will focus private sector operators on continuing to run services efficiently and providing reliable and high-quality services for passengers, under the auspices of the planned new Great British Railways organisation.

Business review continued

Open access operations

Our two open access operations Lumo and Hull Trains primarily serve leisure passengers, which as a segment has seen a strong recovery in passenger demand, in some areas reaching higher levels than before the pandemic. As a result of this recovery in demand, both operations made good progress in FY 2022 and are on target to deliver a profit in FY 2023. This follows a combined £16.6m loss in FY 2022 as a result of the start-up costs for Lumo and a period of intermittent suspensions for Hull Trains due to pandemic-related travel restrictions, when open access operations were not eligible for emergency pandemic support from the DfT. Having restarted operations following the ending of lockdown restrictions in the spring, Hull Trains has seen encouraging passenger volumes due to the strong leisure demand referenced above.

Our Lumo open access service was successfully launched in October 2021. Its all-electric leased fleet provides a value for money and sustainable way to travel between London, Newcastle and Edinburgh, all routes where a significant number of passengers still travel by air. Lumo is currently outperforming initial expectations as a result of the successful start-up, which has delivered strong passenger bookings and positive yields.

Customer experience

Our operations continue to make use of their industry knowledge and expertise to work collaboratively with industry partners and stakeholders to enhance our service offering. During FY 2022 flexible season tickets were introduced across the country and we have continued to develop our suite of mobile ticketing and customer apps. New functionality includes the ability for SWR passengers to check car park capacity and a customer loyalty scheme. On 1 November 2021, SWR reopened the Isle of Wight's railway following a £26m investment into trains, stations and infrastructure, funded by the DfT, Isle of Wight Council, and Solent Local Enterprise Partnership. In March 2022 Avanti became the first UK TOC to offer an additional class of travel as part of its services, Standard Premium, which gives customers a greater choice of facilities; and have launched a seat picker service in the year. On 20 November 2021, GWR reopened the Dartmoor Line in partnership with Devon County Council and Network Rail, the first to be reinstated under the DfT's 'Restoring your Railway' initiative.

Innovation and adjacent rail opportunities

During the year we continued to develop, market and deploy our additional rail customer, industry and technology tools and services. Most of these were initially developed to strengthen our offering to passengers on our large passenger rail operations, but are increasingly being marketed to third party operators.

Our innovative evo-rail track-to-train superfast rail-5G technology uses trackside poles to provide a connectivity solution that we expect will improve the passenger experience and help to encourage modal shift towards rail. The evo-rail technology is generating strong interest, and following successful trials on the Isle of Wight, is being deployed on the SWR network. The business is also conducting trials in northern Spain, with further negotiations in progress in the UK and abroad.

Mistral Data, our analytics business, now has 13 software systems in operation, built on native cloud technology, allowing them to be quickly deployed and scaled up. They range from revenue management and business intelligence, to single views of train operations and customer transactions that enable real-time integration and the sharing of complex data. This is enabling our teams to identify and resolve problems before they arise, using real-time data pulled from several systems.

National revenue for leisure journeys has recovered to more than

100%

of pre-pandemic levels since start of 2022

First Rail has operated on average

20%

of the UK passenger rail market by revenue since 2007

Lumo offers new greener travel between Edinburgh and London

In October 2021 we launched Lumo, a new 100% electric rail service between London, Newcastle and Edinburgh. With more than 74,500 passengers typically flying between Edinburgh and London each month, the new low-carbon service offers a more convenient, comfortable and affordable option for more than 1m passengers a year. Lumo offers ergonomic seats, a new at-seat catering service, simplified fares, free Wi-Fi, paperless ticketing, a new entertainment system and a single class of quality service for all passengers. Lumo aims to create more than 13m additional passenger journeys in the next decade by encouraging travellers to use greener, electric rail travel.

The software also provides information to our customers via website and mobile app channels on the formation and facilities available on each train, allowing them to plan their journey with confidence.

At First Customer Contact, our passenger service centre which was built based on scalability and the latest technology, we further developed and integrated a variety of customer-facing and back office functions including ticket refund and revenue protection capability. The shared passenger service centre operates at a lower cost than our previous outsourcing arrangements and provides a single service for customer queries across several First Rail operations.

We have also continued to provide our consultancy expertise as 'shadow operator' to the HS2 infrastructure project during FY 2022. During the last financial year we completed more than 36 deliverables on time and in budget. These included technical and financial baseline reviews of operational plans for HS2, further analysis of the travel market on the West Coast corridor to support HS2's objective for local economic growth, and input into the HS2 rolling stock procurement, which was awarded to a Hitachi/Alstom joint venture in December 2021.

London Trams operated a full service throughout the year. During FY 2022 TfL's five year periodic funding review was completed in line with expectations.

Fleet upgrades

First Rail has an important contribution to make in meeting the challenges of climate change, and we are working with our partners to reduce carbon emissions through a number of initiatives including the introduction of electric trains to replace diesel where possible. Our expertise and capability will help the Government deliver its ambition to remove all diesel-only trains from service in the UK by 2040.

GWR have taken delivery of the UK's first tri-mode train which can use overhead wires, third rail or diesel power. New suburban rolling stock for SWR is expected to enter service this year and a new depot at Feltham was completed in the year to stable this fleet. New all-electric and bi-mode trains will also be introduced by Avanti in FY 2023 alongside the refurbishment of the operator's electric Pendolino fleet through a £117m investment programme financed by the fleet owners Angel Trains; the first fully refurbished Avanti Pendolino entered service in April 2022 with the upgrade programme expected to run until 2024.

We are also working to increase connectivity with other transport modes, with new secure bike spaces, bus connections and car parking introduced across our networks in the period. These included investment in a new multi-storey car park and station forecourt upgrade completed at Taunton station in 2021, the completion of a cycle hub at Newbury Station with 360 enclosed cycle spaces, the roll out of secure cycle parking at ten of Avanti's stations and agreeing plans to construct a new £7m cycle path in Cheltenham.

Rail policy

We have long advocated for a more sustainable balance of risk and reward for all parties which would underpin a longer-term approach to the railway with passengers at its centre. We welcomed the Government's Williams-Shapps Plan for Rail in May 2021, which aims to put the expertise, innovation and experience of private sector rail operators at the heart of the new model for providing efficient, reliable and high quality services for passengers in the coming years. We look forward to the enabling legislation which is expected in the next Parliament.

The rail sector is embarking on a period of reform necessary to modernise industry practices and secure the long-term future of the industry. A number of trade unions have announced plans for industrial action at train operating companies across the UK and at Network Rail. Notwithstanding the fact that under the management fee-based contracts operators bear no revenue risk and limited cost risk, prolonged industrial action presents enormous challenges for everyone, and most importantly for our passengers who rely on these services to go about their daily lives. We will work closely with our industry partners to do all that we can to minimise the effects of disruption for our passengers.

First Rail has on average operated 20% of the UK passenger rail market by revenue since 2007, and currently has a c.27% market share. As a result, we have a strong track record of delivery on major projects such as fleet introductions, capital projects on behalf of Network Rail, customer service innovations and managing the impact of significant infrastructure changes, from network electrification through to route upgrades, and through our experience as a 'shadow operator' on the HS2 infrastructure project. We believe this unrivalled knowledge and expertise stands us in good stead as the industry structure in the UK continues to evolve.

As the UK's largest operator we are well placed both to drive increased patronage and to generate resilient and consistent returns for shareholders as the UK passenger rail industry continues its evolution to a more customer-focused and sustainable railway system that works better for all parties.

Looking ahead

In FY 2023 we expect the four management fee-based operations to continue to deliver performance metrics in line with management expectations, and with our open access operations currently trading ahead of plan as a result of strong leisure demand, First Rail's performance in FY 2023 is expected to reflect a positive contribution from these businesses.

Looking further ahead, we expect a broadly consistent level of contribution from First Rail's four management fee-based operations, with further growth from open access and additional rail services in the medium term.

Business review continued

Discontinued operations

First Student

	FY 2022	FY 2021
Revenue	**£479.5m**	£1,226.2m
Adjusted operating profit	**£88.2m**	£55.8m
Adjusted operating margin	**18.4%**	4.6%

First Transit

	FY 2022	FY 2021
Revenue	**£299.7m**	£977.0m
Adjusted operating profit	**£15.6m**	£51.7m
Adjusted operating margin	**5.2%**	5.3%

Greyhound

	FY 2022	FY 2021
Revenue	**£217.7m**	£322.8m
Adjusted operating profit	**£16.3m**	£0.5m
Adjusted operating margin	**7.5%**	0.2%

As noted elsewhere, the sale of First Student and First Transit to EQT Infrastructure completed on 21 July 2021, and the sale of Greyhound Lines, Inc. to a subsidiary of FlixMobility GmbH on 21 October 2021.

First Student revenue was $669.5m or £479.5m (FY 2021: $1,617.7m or £1,226.2m) in the period prior to completion of the sale on 21 July 2021, reflecting the reopening of more schools compared with the prior period. At the adjusted operating level, profit increased significantly to $123.4m or £88.2m (FY 2021: $78.1m or £55.8m) as a result of the increased activity levels, and no depreciation charge in the current year due to the division being classed as held for sale. Statutory profit of £73.4m (FY 2021: £62.1m) reflects a self-insurance provision charge due to a deterioration in respect of prior years' insurance claims and also a one-off charge for accelerated state and federal employment taxes.

First Transit recorded revenue of $417.7m or £299.7m (FY 2021: $1,277.4m or £977.0m) in the period prior to completion of the sale on 21 July 2021, with a high level of service continuing to be maintained despite the pandemic, as it provides essential transportation options for passengers. Adjusted operating profit was $22.1m or £15.6m (FY 2021: $69.1m or £51.7m) up to the sale, including no depreciation charge in the current period due to the division being classed as held for sale. The division continued to win new business in the period, and remains well positioned for further growth. Statutory profit of £9.1m (FY 2021: £20.5m) reflects a self-insurance provision charge due to a deterioration in respect of prior years' insurance claims.

Greyhound's US operations generated revenue of $301.4m or £217.7m (FY 2021: $422.3m or £322.8m) in the period prior to completion of the sale on 21 October 2021, reflecting an improvement in passenger demand as pandemic restrictions eased, partially offset by lower CARES Act receipts in the period. Through continued cost management, federal funding receipts and other actions Greyhound was able to increase adjusted operating profit to $23.0m or £16.3m (FY 2021: $2.0m or £0.5m) in the period prior to sale. Statutory profit of £44.6m (FY 2021: £62.7m) reflects the partial reversal of prior year impairments of Greyhound, gain on disposal of properties, impairment of certain properties as well as a self-insurance provision charge due to a deterioration in respect of prior years' insurance claims prior to the reinsurance risk transfer agreement.

Financial summary

	FY 2022 (£m)			FY 2021 (£m)			Change (£m)		
	Continuing	**Dis-continued**	**Total**	*Continuing*	*Dis-continued*	*Total*	*Continuing*	*Dis-continued*	*Total*
Revenue	**4,591.1**	**996.9**	**5,588.0**	4,318.8	2,526.0	6,844.8	+272.3	(1,529.1)	(1,256.8)
Adjusted[1] operating profit	**106.7**	**120.1**	**226.8**	112.2	108.0	220.2	(5.5)	+12.1	+6.6
Adjusted[1] operating profit margin	**2.3%**	**12.0%**	**4.1%**	2.6%	4.3%	3.2%	(30)bps	+770bps	+90bps
Adjusted[1] profit/(loss) before tax	**24.8**	**108.6**	**133.4**	(29.7)	79.9	50.2	+54.5	+28.7	+83.2
Group adjusted *attributable profit*[2]	**36.2**	**–**	**36.2**	19.9	–	19.9	+16.3	–	+16.3
Adjusted[1] EPS[3]	**1.6p**	**8.6p**	**10.2p**	(2.8)p	6.1p	3.3p	+4.4p	+2.5p	+6.9p
Adjusted cash flow[4]			**1,008.9**			258.9			+750.0
Adjusted Net Debt[5]			**3.9**			1,438.7			(1,434.8)

	FY 2022 (£m)			FY 2021 (£m)		
Statutory	**Continuing**	**Dis-continued**	**Total**	Continuing	Dis-continued	Total
Revenue	**4,591.1**	**996.9**	**5,588.0**	4,318.8	2,526.0	6,844.8
Operating profit	**122.8**	**683.3**	**806.1**	171.0	114.8	285.8
Profit before tax			***654.1***			115.8
EPS			**60.2p**			6.5p
Net debt			**619.0**			2,625.8
– Bonds, bank and other debt net of (cash)			***(464.2)***			*775.8*
– IFRS 16 lease liabilities			***1,083.2***			*1,850.0*

'Continuing' refers to the continuing operations comprising First Bus, First Rail and Group items. 'Discontinued' refers to discontinued operations, being First Student, First Transit and Greyhound US. Statutory operating profit from discontinued operations of £683.3m includes the gains on sale of First Student, First Transit and Greyhound US.

1 'Adjusted' figures throughout this document are before the gains on sale of the North American divisions, partial reversal of impairment charges on Greyhound and certain other items as set out in note 4 to the financial statements.

2 For definitions of alternative performance measures and other key terms, see page 254.

3 Adjusted EPS based on weighted average number of shares in the year of 1,057.5m reflecting the tender offer completed in December 2021; pro forma adjusted EPS for the continuing group at the current number of shares in issue is 2.2p.

4 'Adjusted cash flow' is described in the table on page 36.

5 'Adjusted Net Debt/Cash' excludes ring-fenced cash and IFRS 16 lease liabilities from net debt as shown in the table on page 37.

- Total Group adjusted operating profit increased by £6.6m as pandemic effects on travel begin to recede and passenger volumes build:
  - Adjusted operating profit from continuing operations ahead of expectations at £106.7m (FY 2021: £112.2m), with a stronger First Rail performance than expected at start of year and central cost reductions ahead of plan following the North American sales, with First Bus in line
  - Discontinued operations adjusted operating profit was £120.1m (FY 2021: £108.0m), with part-year contributions from the North American operations, now sold, offset by no depreciation being charged to the income statement under the accounting rules once they became classed as held for sale
- £122.8m statutory operating profit from continuing operations (FY 2021: £171.0m) includes £16.1m credit from net adjusting items (FY 2021: £58.8m)
- £563.2m credit from net adjusting items in discontinued operations (FY 2021: £6.8m) principally reflects gains on sale of the North American businesses and the resulting uses of proceeds
- Group adjusted attributable profit[2] (which adjusts First Rail earnings to align to the cash fees attributable to the Group from the management fee-based operations) increased to £36.2m (FY 2021: £19.9m)
- Underlying operational cash flow was ahead of expectations due to better business performance and timing of certain working capital flows
- £3.9m adjusted net debt[5] (FY 2021: £1,438.7m), with more than £530m of undrawn committed liquidity
- Final dividend of 1.1p per share proposed resulting in a total dividend of £8.1m, in line with announced policy of 3x cover based on Group adjusted attributable profit[2]; payable on 19 August 2022 subject to approval of shareholders at the 2022 AGM

Financial review

Ryan Mangold
Chief Financial Officer

"Having transformed the balance sheet and de-risked our remaining legacy liabilities, the business is well-capitalised for the future."

FY 2023 financial outlook and financial policy framework

The financial outlook and financial policy framework for the ongoing Group for the financial year ending in March 2023 (FY 2023) and beyond can be summarised as follows:

FY 2023 outlook	▪ While some uncertainty remains around the pace of recovery in light of the pandemic and broader macroeconomic backdrop, current trading is in line with our expectations, with the Group expected to make significant further progress ▪ First Bus: although sensitive to the broader consumer spending outlook, expect volumes to continue to increase with performance weighted to H2 2023, reflecting our increasing ability to adapt operations to passenger demand and manage the infla tionary environment once recovery funding tapers off in the autumn ▪ First Rail: expect the four management fee-based operations to continue to deliver performance metrics in line with management expectations, with a positive contribution from our open access operations ▪ Other: on track to realise further c.£5m in previously announced central cost savings (exceeding £10m per annum saving target over FY 2021); interest including expected NRC award for GWR c.£70m, (of which c.30% cash); 19% UK corporation tax ▪ Cash flow: Positive free cash generation expected, resulting in a small Adjusted Net Cash position at end of current financial year (before any further sources of value which may be received)
Investment	▪ First Bus: c.£90m per annum in net cash capital expenditure, principally transition of bus fleet to 100% zero emissions by 2035 ▪ First Rail: continues to be cash capital-light, with any capital expenditure required by the four management fee-based operations fully funded under the new contracts ▪ Growth: actively reviewing adjacent organic and inorganic opportunities in the UK and elsewhere, where this creates value for shareholders
Balance sheet	▪ Less than 2x Adjusted Net Debt: First Rail management fee-adjusted EBITDA[1] target in the medium term ▪ Significant balance sheet strength
Returns for shareholders	▪ Dividends: regular annual dividends to begin ahead of plan: final dividend of 1.1p per share proposed ▪ Targeting progressive dividend 3x covered by Group adjusted attributable profit[2] going forward ▪ Cash returns: potential for further additional distributions to shareholders over time

1 First Bus and First Rail EBITDA from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs (see also page 34)

2 First Bus and First Rail adjusted operating profit from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs, minus cash interest, minus tax (see also page 34)

	52 weeks to 26 March 2022			52 weeks to 27 March 2021		
	Revenue £m	**Adjusted operating profit[1] £m**	**Adjusted operating margin[1] %**	Revenue £m	Adjusted operating profit[1] £m	Adjusted operating margin[1] %
First Bus	**789.9**	**45.2**	**5.7**	698.9	36.6	5.2
First Rail	**3,801.2**	**87.8**	**2.3**	3,619.9	108.1	3.0
Group items[2]	**–**	**(26.3)**		–	(32.5)	
Continuing operations	**4,591.1**	**106.7**	**2.3**	4,318.8	112.2	2.6
First Student	**479.5**	**88.2**	**18.4**	1,226.2	55.8	4.6
First Transit	**299.7**	**15.6**	**5.2**	977.0	51.7	5.3
Greyhound US	**217.7**	**16.3**	**7.5**	322.8	0.5	0.2
Discontinued operations	**996.9**	**120.1**	**12.0**	2,526.0	108.0	4.3
Total	**5,588.0**	**226.8**	**4.1**	6,844.8	220.2	3.2
North America in USD	**$m**	**$m**	**%**	$m	$m	%
First Student	**669.5**	**123.4**	**18.4**	1,617.7	78.1	4.8
First Transit	**417.7**	**22.1**	**5.3**	1,277.4	69.1	5.4
Greyhound US	**301.4**	**23.0**	**7.6**	422.3	2.0	0.5
Total North America (discontinued operations)	**1,388.6**	**168.5**	**12.1**	3,317.4	149.2	4.5

1 'Adjusted' figures throughout this document are before the gains on sale of the North American businesses, partial reversal of impairment charges on Greyhound and certain other items as set out in note 4 to the financial statements. The statutory operating profit including discontinued operations for the year was £806.1m (FY 2021: £285.8m) as set out in note 5.

2 Central management and other items.

Revenue

Revenue from continuing operations increased to £4,591.1m (FY 2021: £4,318.8m), principally reflecting improving passenger volumes in First Bus partially offset by lower receipts from pandemic-related government grant funding and increased revenue in First Rail.

Revenue from discontinued operations was £996.9m (FY 2021: £2,526.0m), reflecting the trading results of First Student and First Transit in the stub period of FirstGroup's ownership to 21 July 2021 and Greyhound's US operations in the stub period of FirstGroup's ownership to 21 October 2021. Overall, total revenue reduced to £5,588.0m (FY 2021: £6,844.8m), principally reflecting the stub year contributions from discontinued operations.

Adjusted operating performance

Adjusted operating profit from continuing operations was ahead of expectations at £106.7m (FY 2021: £112.2m), with the impact of the Omicron-related restrictions on First Bus in the second half more than offset by a stronger First Rail performance than was expected at the start of the year and central cost reductions ahead of plan. Westminster and the devolved governments continued to procure service capacity from First Bus through CBSSG-R for most of H1 2022 in England and for the whole year in Scotland and Wales, while fee income from the new low-risk management contracts and final settlement of certain prior-period contractual claims in First Rail were partially offset by open access rail losses, as previously indicated. The net impact of the add-back under IFRS 16 in the year was £37.3m (FY 2021: £34.8m) reflecting the currently relatively short durations of the rolling stock leases which broadly align to the management fee-based contracts in First Rail.

Adjusted operating profit from discontinued operations of £120.1m (FY 2021: £108.0m) relates to the part year contributions from the North American operations, which experienced an increased volume of travel activity compared with the equivalent period in FY 2021, ongoing receipt of grant funds by Greyhound and no depreciation being charged to the income statement in the period with the divisions classed as held for sale under accounting rules. Overall Group adjusted operating profit increased by £6.6m to £226.8m (FY 2021: £220.2m).

Financial review continued

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

	52 weeks to 26 March 2022 £m	52 weeks to 27 March 2021 £m
First Bus adjusted operating profit	**45.2**	36.6
Attributable net income from First Rail management fee-based operations[1] – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	**45.5**	42.3
First Rail adjusted operating profit from open access and additional services	**(9.7)**	(10.4)
Group central costs (operating profit basis)	**(26.3)**	(32.5)
Cash interest[2]	**(20.7)**	(21.3)
Tax[3]	**2.2**	5.2
Group adjusted attributable profit	**36.2**	19.9

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

		Movements			
	FY 2022 Group adjusted attributable profit £m	Adjusted First Rail earnings to IFRS 16 basis £m	Gross up tax and minority interests £m	Actual interest and tax £m	**FY 2022 Adjusted earnings after tax £m**
First Bus adjusted operating profit	**45.2**	–	–	–	**45.2**
Attributable net income from First Rail management fee-based operations[1]	**45.5**	34.0	18.0	–	**97.5**
First Rail adjusted operating profit from open access and additional services	**(9.7)**	–	–	–	**(9.7)**
Group central costs (operating profit basis)	**(26.3)**	–	–	–	**(26.3)**
Subtotal	**54.7**	34.0	18.0	–	**106.7**
Cash interest[2]	**(20.7)**	(33.1)	–	(28.1)	**(81.9)**
Tax[3]	**2.2**	–	(12.4)	7.5	**(2.7)**
Minority interest	**–**	–	(5.6)	–	**(5.6)**
Total	**36.2**	**0.9**	**–**	**(20.6)**	**16.5**

The Group's EBITDA adjusted for First Rail management fees performance measure is calculated as follows and also increased year-on-year:

	52 weeks to 26 March 2022 £m	52 weeks to 27 March 2021 £m
First Bus EBITDA[4]	**87.6**	84.5
Attributable net income from First Rail management fee-based operations[1] – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	**45.5**	42.3
First Rail EBITDA from open access and additional services[4]	**(9.7)**	(8.9)
Group central costs (EBITDA basis[4])	**(24.8)**	(30.8)
Group EBITDA adjusted for First Rail management fees	**98.6**	87.1

1 A reconciliation to the segmental disclosures is set out in note 4.

2 Pro forma interest charge excluding notional interest, lease interest on IFRS 16 Right of Use assets and interest on discontinued operations.

3 Pro forma taxation at 19%.

4 IAS 17 basis.

Reconciliation to non-GAAP measures and performance

Note 4 to the financial statements sets out the reconciliations of operating profit/(loss) and profit/(loss) before tax to their adjusted equivalents.

The principal adjusting items in relation to the continuing business are as follows:

Gain on disposal of Greyhound Canada properties

An overall gain of £13.8m was realised on the disposal of Greyhound Canadian properties, the largest of which was the disposal of the Toronto site.

Greyhound Canada closure

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

First Rail termination sums

£4.0m credit representing final adjustments of residual matters regarding the TPE and SWR termination sums.

The principal adjusting items in relation to the discontinued operations are as follows:

Other intangible asset amortisation charges

The amortisation charge for the year was £0.4m.

Gain on sale of First Student and First Transit

As a result of the disposal of First Student and First Transit, a gain on sale of £501.1m was realised. This includes a gain of £450.6m as a result of the unrealised translation reserves that have been realised on the disposal of First Student and First Transit. This represents the cumulative foreign currency gains on these businesses since the date of original acquisition and arises primarily from the Laidlaw acquisition in 2007 when the US Dollar rate was approximately $2.00:£1. See note 21 for more details.

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

£32.7m of costs were incurred in the year associated with the disposal of First Student and First Transit that were not directly attributable to the sale. These costs are therefore not included in the gain on disposal calculation. These comprise IT and other separation-related costs, certain management bonuses and incentives triggered by the disposal, premium on hedging costs in relation to disposal proceeds, lease termination and certain other costs.

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

As a result of the terms of the disposal of the Greyhound US business, there was a gain on disposal of £109.0m (including £92.8m of historic foreign currency gains on this business) and a credit of £55.4m representing the partial reversal of the prior years' impairment charges on tangible fixed assets and intangible assets which was recorded at the half year.

Other costs associated with the disposal of Greyhound

During the period there was a charge of £11.1m relating to the sale of Greyhound comprising principally legal and professional costs and certain other costs written off prior to disposal.

Employment taxes relating to First Student and First Transit

There was a charge of £6.6m during the period due to a one-off charge for accelerated state and federal employment taxes in relation to First Student and First Transit.

North American insurance provisions

During the period there was a charge of £31.5m for insurance costs comprising £11.4m in relation to First Student and First Transit due to a deterioration in respect of prior years' claims, and a charge of £20.1m for additional provisions required in Greyhound also due to a deteriorating insurance position on prior year claims.

In addition there was a charge of £19.3m for the de-risking of legacy Greyhound insurance liabilities representing the premium paid to de-risk these compared to the book value of the liabilities.

Gain on disposal of properties and impairment of land and buildings

An overall gain on disposal of Greyhound US properties of £6.5m was realised during the year.

An impairment charge of £7.2m was made on the Greyhound Miami and Pleasantville properties as the market value of these properties was less than the book value. It is anticipated that these properties will be disposed of in 2022 as part of a portfolio sale of the remaining Greyhound properties.

The adjusting items in relation to finance cost adjustments – continuing operations are as follows:

Total make-whole costs *(bonds and facilities)*

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

Write-off of unamortised bridge, *bond and facility costs*

There was a charge of £8.6m for unamortised fees which had been capitalised and were being amortised over the terms of the £325m 2022 bond, the $275m USPP and various bank facilities, including the £800m RCF and bridge facilities which were cancelled on completion of the sale of First Student and First Transit.

Discontinued operations

With the completion of the sale of First Student and First Transit to EQT Infrastructure on 21 July 2021, the financial results of the disposal group have been classified as discontinued operations on the face of the income statement and the balance sheet and cash flow statement adjusted accordingly. The transaction was structured on a 'locked box' basis as of 27 March 2021, with all economic benefits or costs for the buyer's account from that date onwards, albeit these will continue to be disclosed as discontinued operations up to the point of transaction completion.

On 21 October 2021 the Group announced the sale of Greyhound Lines, Inc. to a wholly owned subsidiary of FlixMobility GmbH. Accordingly, Greyhound US is also classified as discontinued operations and the retained assets and liabilities as held for sale as at the balance sheet date. Greyhound Canadian operations were not sold but were permanently closed in May 2021. Comparatives for this business are included within continuing operations albeit non-core activities.

Group statutory operating profit

Statutory operating profit from continuing operations was £122.8m (FY 2021: £171.0m) reflecting the £16.1m credit from net adjusting items compared with £58.8m credit in net adjusting items in FY 2021.

Financial review continued

Finance costs and investment income

Net finance costs were £152.0m (FY 2021: £170.0m) with the decrease principally due to lower finance costs following the repayment of leases and debt after receipt of the First Student and First Transit disposal proceeds partly offset by debt make-whole costs of £50.0m in total in relation to the early settlement of the £325m 2022 bond and the $275m USPP.

Profit before tax

Statutory loss before tax was £(17.7)m (FY 2021: profit of £29.1m). Adjusted profit before tax as set out in note 4 to the financial statements was £133.4m (FY 2021: £50.2m) including discontinued operations. An overall credit of £520.7m (including £58.6m of adjusting items in net finance costs) (FY 2021: £65.6m) for adjustments principally reflecting the profit on sale of the North American businesses and partial reversal of impairment charges on Greyhound, resulted in a total profit before tax of £654.1m (FY 2021: £115.8m).

Tax

The tax charge, on adjusted profit before tax including discontinued operations for the year was £20.4m (FY 2021: £4.2m), representing an effective tax rate of 15.3% (FY 2021: 8.4%).

The increase in effective rate is due to a significant increase in the adjusted profit before tax in the current year, mainly due to a reduction in adjusted finance costs, resulting in the reconciling items that reduce the tax charge (which were of a similar value to the previous year) having a lower impact in percentage terms in the current year. There was a tax credit of £21.8m (FY 2021: charge of £30.6m) relating to adjusting items and a tax charge of £13.5m (FY 2021: credit of £10.1m) from adjustments to deferred tax. The total tax charge, including tax on discontinued operations, was £12.1m (FY 2021: £24.7m). The actual tax paid during the year was £21.4m (FY 2021: £4.5m).

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

EPS

Total adjusted EPS was 10.2p (FY 2021: 3.3p). Basic EPS was 60.2p (FY 2021: 6.5p).

Shares in issue

476.2m shares were acquired in December 2021 pursuant to the tender offer and cancelled. As at 26 March 2022 there were 740.7m shares in issue (FY 2021: 1,206.4m), excluding treasury shares and own shares held in trust for employees of 9.5m (FY 2021: 15.4m).

The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the period was 1,057.5m (FY 2021: 1,203.6m).

Dividend

The Board is proposing that a final dividend of 1.1p per share, resulting in a total dividend payment of c.£8.1m, be paid on 19 August 2022 to shareholders on the register at 15 July 2022, subject to approval of shareholders at the 2022 AGM.

Adjusted cash flow

The Group's adjusted cash flow of £1,008.9m (FY 2021: £258.9m) in the year reflects positive operational cash flow from the continuing divisions as well as the disposal proceeds, offset by the repayment of debt and de-risking of certain retained liabilities. Underlying operational cash flow under IFRS 16 before capital expenditure and lease payments in the year was £263.4m (FY 2021: £1,358.7m), ahead of expectations due to better business performance and timing of certain working capital flows. The adjusted cash flow is set out below:

	52 weeks to 26 March 2022 £m	52 weeks to 27 March 2021 £m
EBITDA	**862.1**	1,178.9
Other non-cash income statement charges	**3.8**	9.6
Working capital	**(11.6)**	156.7
Movement in other provisions	**(27.4)**	72.7
Increase in financial assets/contingent consideration receivable	**(223.1)**	–
Pension payments in excess of income statement charge	**(340.4)**	(59.2)
Cash generated by operations	**263.4**	1,358.7
Capital expenditure and acquisitions	**(262.9)**	(391.0)
Proceeds from disposal of property, plant and equipment	**23.1**	119.0
Net proceeds from disposal of businesses	**2,320.0**	–
Interest and tax	**(196.6)**	(152.1)
Share buy back resulting from tender offer	**(506.0)**	–
Lease payments now in debt/other	**(632.1)**	(675.7)
Adjusted cash flow	**1,008.9**	258.9
Foreign exchange movements	**(3.8)**	78.5
Inception of new leases	**184.1**	(210.2)
Lease payments now in debt	**609.8**	669.3
Other non-cash movements	**207.8**	(161.4)
Movement in net debt in the period	**2,006.8**	635.1

Capital expenditure

Non-First Rail cash capital expenditure was £194.3m (FY 2021: £112.0m) and comprised First Student £72.6m (FY 2021: £50.6m), First Transit £21.8m (FY 2021: £16.2m), Greyhound £37.1m (FY 2021: £14.9m), First Bus £61.1m (FY 2021: £30.1m) and Group items £1.7m (FY 2021: £0.2m). In the year, the First Bus average fleet age was 10.1 years (FY 2021: 9.9 years). First Rail capital expenditure was £57.3m (FY 2021: £116.5m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

In addition, during the year leases in the non-First Rail divisions were entered into with capital values in First Student of £8.4m (FY 2021: £37.5m), First Transit of £1.7m (FY 2021: £17.0m), Greyhound of £0.2m (FY 2021: £9.0m) and First Bus of £11.3m (FY 2021: £4.6m) and Group items £0.8m (FY 2021: £0.3m). During the year First Rail entered into leases with a capital value of £8.7m (FY 2021: £105.2m).

Gross capital investment (fixed asset and software additions plus the capital value of new leases) was £374.8m (FY 2021: £516.1m) and comprised First Student £96.1m (FY 2021: £211.5m), First Transit £13.5m (FY 2021: £37.2m), Greyhound £37.2m (FY 2021: £14.7m), First Bus £74.5m (FY 2021: £28.6m), First Rail £147.6m (FY 2021: £223.8m) and Group items £5.9m (FY 2021: £0.3m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the year.

Funding

During the year, the Group sold First Student and First Transit to EQT Infrastructure in July 2021 for net cash proceeds of $3,123m and has subsequently reorganised and repaid the majority of the Group's debt arrangements. On 31 August 2021, the Group announced it had signed a new multi-year £300m sustainability-linked RCF with a group of its relationship banks, which contains customary financial covenants of Net Debt/EBITDA and EBITDA/Net Interest, all as defined within the credit agreement. The new RCF replaced all the Group's former committed syndicated and bilateral banking facilities, which have been repaid and cancelled. The Group also repaid the UK Government's Covid Corporate Financing Facility (CCFF) commercial paper, all of its Private Placement debt and redeemed the £325m bonds due November 2022. The £200m September 2024 bond remains outstanding.

During the second half of FY 2022, the Group completed the tender offer which returned £500m to shareholders in December 2021 and sold Greyhound Lines, Inc. to FlixMobility GmbH in October 2021 for initial cash proceeds of £100.9m, received cash proceeds from four Greyhound property sales, recovered funding awards from CARES and ARP relating to losses incurred while Greyhound was under the Group's ownership during the pandemic, as well as rental income and the first tranches of the deferred consideration.

As at the year end, the Group had £532.1m of undrawn committed headroom and free cash, being £300.0m (FY 2021: £346.1m) of committed headroom and £232.1m (FY 2021: £784.5m) of net free cash after offsetting overdraft positions.

Net debt

The Group's Adjusted Net Debt as at 26 March 2022, which excludes the effect of IFRS 16 and the capitalisation of Right of Use Assets and ring-fenced cash was £3.9m (FY 2021: £1,438.7m). Reported net debt was £619.0m (FY 2021: £2,625.8m) after IFRS 16 and including ring-fenced cash of £468.1m (FY 2021: £662.9m), as follows:

	26 March 2022	27 March 2021		
Analysis of net debt	**Total Group £m**	Continuing £m	Dis-continued £m	Total Group £m
Sterling bond (2021)	**–**	349.9	–	349.9
Sterling bond (2022)	**–**	323.4	–	323.4
Sterling bond (2024)	**199.9**	199.8	–	199.8
CCFF	**–**	298.2	–	298.2
Bank loans and overdrafts	**87.5**	620.1	–	620.1
Supplier financing	**–**	–	159.2	159.2
Lease liabilities	**1,083.2**	1,722.6	127.4	1,850.0
Asset backed financial liabilities	**35.5**	61.8	61.1	122.9
Senior unsecured loan notes	**–**	198.8	–	198.8
Loan notes	**0.6**	0.7	–	0.7
Gross debt excluding accrued interest	**1,406.7**	3,775.3	347.7	4,123.0
Cash	**(319.6)**	(784.6)	(49.7)	(834.3)
First Rail ring-fenced cash and deposits	**(440.4)**	(638.5)	–	(638.5)
Other ring-fenced cash and deposits	**(27.7)**	–	(24.4)	(24.4)
Net debt excluding accrued interest	**619.0**	2,352.2	273.6	2,625.8
IFRS 16 lease liabilities – rail	**1,031.2**	1,601.4	-	1,601.4
IFRS 16 lease liabilities – non-rail	**52.0**	121.2	127.4	248.6
IFRS 16 lease liabilities – total	**1,083.2**	1,722.6	127.4	1,850.0
Net (cash)/debt excluding accrued interest (pre-IFRS 16)	**(464.2)**	629.6	146.2	775.8
Adjusted Net Debt (pre-IFRS 16 and excluding ring-fenced cash)	**3.9**	1,268.1	170.6	1,438.7

Financial review continued

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. £51.5m has been paid in dividends from the TOCs after finalisation of their statutory accounts to the Group during the year. 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.

Interest rate risk

We seek to manage our exposure to floating interest rates by ensuring that at least 50% (but at no time more than 100%) of the Group's gross debt is fixed rate for the medium term.

Based on the current Adjusted Net Debt profile, the variable rate RCF is undrawn with only finance leases and the 2024 6.875% £200m fixed rate bond outstanding.

Fuel price risk

We use a progressive forward hedging programme to manage commodity risk. As at June 2022, 87% of our 'at risk' UK crude requirement for FY 2023 (94m litres, which is all in First Bus) was hedged at an average rate of 37.5p per litre, and 53% of our requirements for the year to the end of March 2024 at 43.3p per litre.

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, although this exposure is materially reduced following the sales of the North American divisions. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

Foreign exchange

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

	52 weeks to 26 March 2022		52 weeks to 27 March 2021	
	Closing rate	**Effective rate**	Closing rate	Effective rate
US Dollar	**1.32**	**1.40**	1.38	1.39
Canadian Dollar	**1.64**	**1.73**	1.74	1.75

Pensions

We have updated our pension assumptions as at 26 March 2022 for the defined benefit schemes in the UK and North America. The net pension deficit (comprising continued and discontinued operations) of £296m at the beginning of the year moved to a net surplus of £187m at the end of the year. The movement is principally due to cash contributed to the schemes following the sale of the North American divisions, and movements in the impacts of actuarial assumptions driven by the financial markets. The disposal of the FirstGroup America pension plan as part of the First Student and First Transit transaction has also contributed to the net surplus. The main factors that influence the balance sheet position for pensions and the principal sensitivities to their movement at 26 March 2022 are set out below:

	Movement	**Impact**
Discount rate	+0.1%	Increase surplus by £26.9m
Inflation	+0.1%	Decrease surplus by £19.5m
Life expectancy	+1 year	Decrease surplus by £68.9m

The cash contributed to the legacy Greyhound pension plans has enabled us to accelerate our de-risking of these plans, and we are developing plans for purchasing annuities and ultimately removing these plans from the balance sheet.

We have agreed the valuation results with the Trustees of the Group Pension Scheme, and expect shortly to agree the results with the Trustees of the First Bus pension schemes. We have agreed strategies with each Trustee for reaching a self-sufficiency funding target. We expect that the schemes should be able to reach the funding target without any further contributions (this compares with pension deficit reduction payments of c.£30.0m in FY 2021).

A total of £117m of assets were invested in Limited Partnerships following the sale of the North American divisions, of which £95m relates to the Bus scheme and £22m relates to the Group scheme, although we do not expect all the funds will be required to be paid into the schemes following the triennial valuations at April 2024 and 2030 respectively.

Shortly after the balance sheet date, £11.8m of excess funding was returned to the Group by a Local Government Pension Scheme in Scotland. This had been made possible by the transfer of assets and liabilities held within the Strathclyde Pension Fund into the North East Scotland Pension Fund and a subsequent annuity purchase.

Balance sheet

Net assets have decreased by £269.0m since 27 March 2021. The principal reasons are the capital return of £500m to shareholders in December 2021 partly offset by the profit for the year and actuarial gains in the pension schemes.

Balance sheets – Net assets/(liabilities)	**As at 26 March 2022 £m**	As at 27 March 2021 £m
First Bus	**626.4**	328.1
First Rail	**597.3**	925.6
Greyhound	**33.7**	(54.5)
Discontinued operation - First Student	**–**	2,381.1
Discontinued operation - First Transit	**–**	298.0
Divisional net assets	**1,257.4**	3,878.3
Group items	**245.8**	(48.1)
Net debt	**(619.0)**	(2,625.8)
Taxation	**0.9**	(50.3)
Total	**885.1**	1,154.1

Legacy North American assets and liabilities on balance sheet

As part of the disposal of First Transit to EQT, FirstGroup are entitled to an 'earnout' consideration of up to $290m (c.£220m). The earnout is for a period of three years from 21 July 2021 and is calculated as a percentage of the realised equity value on disposal of the First Transit business by EQT or an arm's length valuation as at the third anniversary of the sale (21 July 2024) if not disposed by this point. The earnout was fair valued at 26 March 2022 using stochastic modelling of discounted cash flows and assumes EQT does not dispose of the business by the third anniversary. Fair value was $140m (c.£106m) as at 26 March 2022.

Greyhound is carried as available for sale at a book value of $50.8m with expected net cash proceeds in excess of $155m principally made up of real estate, deferred consideration and CARES/ARP collections offset by final exits of c.$12m in legacy outstanding insurance liabilities and c.$15m in pension liabilities.

Post-balance sheet events

- On 31 March 2022, received £11.8m from the Aberdeen Local Government Pension Scheme for a refund of a surplus
- Agreed additional finance leases on a pre-IFRS 16 basis totalling £9.9m
- Received CARES and ARP payments totalling $4.7m

Ryan Mangold
Chief Financial Officer
14 June 2022

Responsible business

Our ambition is to be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero carbon world.

We are committed to building a business for the long term, and our sustainability agenda goes to the heart of who we are and what we do as an organisation. We have a critical role in creating a connected, healthy, zero carbon world, contributing to local prosperity and growth, reducing congestion on the roads, improving air quality and helping to reduce carbon emissions.

Climate leadership

In 2021, FirstGroup became the first public transport operator in the UK to formally commit to setting a science-based target aligned with limiting global warming to 1.5°C and to reaching net-zero emissions by 2050 or earlier. We were also the first public transport operator in the UK to officially support the Taskforce for Climate-related Financial Disclosures (TCFD).

Social value

We create jobs in many UK regions. We're committed to increasing the diversity of our workforce and building their skills for the future. All of which generates social value, alongside our support for communities.

We review our strategic priorities through robust materiality assessments and extensive dialogue and consultation with both internal and external stakeholders. We recognise this is a process that will continually evolve and so too will our work, with the needs and perspectives of our stakeholders continuing to inform our plans. See pages 106-109 for more information on our stakeholder engagement throughout FY 2022.

Our performance on ESG indices

We continue to be recognised as a leader by third party evaluations, ratings, and rankings of corporate ESG performance. We have been included in the Clean200 Report for a third consecutive year, which ranks the world's largest publicly listed companies by their total clean energy revenues from products and services that provide solutions for the planet and define a clean energy future. We also continued our long standing participation in the Dow Jones Sustainability Index and CDP global disclosure programme.

- recognised in the Clean200, top publicly listed companies by clean revenue
- ranked in the 94th percentile in our sector in the FTSE4Good Index
- 'Low Risk' rating on the Sustainalytics Index and ranked in the 92nd percentile in our sector
- 'Prime' status on the ISS ESG Index and ranked in the top decile in our sector
- 'AA' ranking on the MSCI ESG Index for the fifth year running

Mobility Beyond Today

Our strategic framework for driving sustainability

- **Our three priority areas** drive our sustainability ambitions
- ***Our foundations*** underpin our framework

Innovating for *our customers*

Our innovative solutions ensure we deliver the transport of choice for our customers, passengers, and communities

Read more on pages 42-44

Being the partner of choice for low and zero emission transport

Our business delivers low and zero emission transport solutions *to help combat climate change* and improve local air quality

Read more on pages 45-46

Supporting our people

Our workforce is diverse, healthy, supported, engaged and has the skills required now and in the future

Read more on pages 47-51

Form genuine, enduring *local relationships with the* **communities** we serve

Read more on pages 55-56

Embed ***environmental management*** to reduce our impact on the environment

Read more on page 57

Foster continuous *improvement in* **safety** towards our goal of zero harm

Read more on pages 52-54

Hold the highest **ethical standards**

Read more on pages 58-59

Innovating for our customers

We are focused on providing services that have innovation, ease, convenience, and sustainability at their core, in order to have more people than ever joining us in travelling on our bus and rail services and taking cars off the road.

Our aims

Enabling the shift
Helping more people to use bus and rail services, increasing ridership and leading to fewer car journeys being made.

Driving innovation
Embracing new technologies and ways of working to deliver easy, convenient and sustainable mobility solutions for our customers.

Using our influence
Collaborating and partnering with stakeholders to shape the sustainable communities of the future.

Providing alternative modes of travel
We play a critical role in reducing congestion on our roads, improving air quality and helping to lower carbon emissions. Independent analysis from the economics consultancy CEBR of the positive impact of FirstGroup services in the UK, shows that First Bus and First Rail deliver over £1.3bn in annual savings through reduced congestion and more than 900,000 tonnes of avoided carbon emissions this year, thanks to customers choosing to travel on our services over alternative modes including private cars, taxis and aeroplanes.

In the UK, Department for Transport statistics show that bus and coach transport accounts for only 2.5% of greenhouse gas emissions produced within the transport sector, while rail accounts for just 1.4% of transport emissions despite providing 10% of all journeys (pre-pandemic).

FirstGroup is already amongst the Clean200 global public companies ranked by green revenues in 2021. We have firm commitments to drive down our emissions further, and strong management and governance processes in place to ensure progress.

Just as importantly, we are focused on helping more people make the shift to our bus and rail services and encouraging more people back onto public transport following the pandemic. Not only is this environmentally desirable, but public transport is also vitally important for social inclusion, acting as a leveller for access to education, jobs and health facilities, and supporting social mobility and cohesion.

In October 2021, we launched our new, 100% electric Lumo rail service, providing low-carbon, affordable long-distance travel between London and Edinburgh. Lumo uses a £100m fleet of state-of-the-art Hitachi AT300 intercity electric trains to deliver this service. The trains stop at Newcastle, Morpeth and Stevenage, helping to improve regional connectivity and provide alternatives to travel by air from Newcastle and Luton airports. In its first six months of operation, our new Lumo service has welcomed more than 230,000 passengers.

Through Lumo we aim to create more than 13m additional passenger journeys in the next decade and we expect the service to contribute as much as £250m to the UK economy over ten years.

Simplifying end-to-end journeys and supporting active travel

To reduce journeys made by private car, we strive to improve and simplify end-to-end passenger journeys, and to increase the integration of active travel, including cycling and walking, in our networks.

This year, our rail businesses have continued to install hundreds of secure bike spaces to allow even more people to choose a sustainable way of getting to and from the station. As an example, SWR completed new cycle parking schemes at six Dorset train stations, with upgraded CCTV for greater security.

We also worked with other local providers to improve public transport links to and from our stations. GWR partnered with Devon County Council and Tally Ho coaches to launch a new bus service connecting Totnes station with local communities in Kingsbridge and Salcombe.

Improving accessibility

We are committed to making our services accessible and we make every effort to support customers with disabilities or restricted mobility.

We recognise that access to public transport services is often fundamental to such customers' independence. For example, user research has shown that people with a disability or mobility issue are more dependent on buses, using them approximately 20% more frequently than non-disabled people. We work with both national and local disability groups and continue to invest in making our services more accessible.

We accomplish this through both enhanced employee training, more accessible vehicles, and technology enhancements. TPE has partnered with MissionRoom to develop virtual online tours at Hull, Huddersfield and Manchester stations, to enable customers with disabilities to plot their route around the station in advance of travelling. They have also worked with GoodMaps to produce a point-to-point navigation system around seven stations to support blind and partially sighted customers.

Meanwhile, SWR has completed the rollout of new Assisted Boarding Points on station platforms across its entire network. This industry first assistance service means customers can WhatsApp or call a dedicated customer service team, who will contact the guard on the next available service and ensure assistance is provided when the train arrives. The service requires customers to give just ten minutes notice prior to travelling.

Combining excellent customer service with innovation

To encourage more people to use bus and rail services, we continue to invest in innovations to improve customer service, delivering more convenience, smarter, easier and more flexible ticketing, better real-time information and improved onboard amenities.

In the year we worked hard to support local authorities in their development of Bus Service Improvement Plans which form the backbone of the Government's aims to simplify services and enhance passenger convenience under England's new National Bus Strategy. With funding recently awarded to local authorities, we will be working with them and other industry partners to make these plans a reality for passengers in the coming years.

We introduced enhancements across various customer apps this year. On our award-winning First Bus app, customers can now access more accurate information about the available standing or seated space on our buses. Our Avanti West Coast app now includes a Seat Picker feature which allows customers to select their ideal seat for their journey.

Using our influence

Transport is public facing, often the topic of political debate and subject to significant interaction with government at local, regional and national level. Our goals are to advocate for innovation and investment in sustainable mobility, and to make the case for transport infrastructure decisions that help reduce congestion, enhance customer experience and decrease journey times. We achieve this by engaging with a wide range of stakeholders and policymakers.

Responsible business continued

The UN COP26 Climate Change Conference

The UN COP26 Climate Change Conference took place in Glasgow this year. FirstGroup was there to show how we are playing our part in the journey to net-zero and introducing the transport of the future. Transport Day took place in the second week and we used it as an opportunity to highlight the benefits of modal shift and electrification of our trains and buses.

COP26 highlights included:

- joining forces with some of Scotland's leading companies to launch the Scottish Business Climate Collaboration (SBCC)
- operating the official delegate shuttle between Glasgow city centre and the conference's blue/green zones. The shuttle service was operated by First Glasgow's brand-new fleet of 22 fully electric buses built in Scotland
- launching a wide-ranging strategic partnership with Hitachi Europe to deliver bus batteries for First Glasgow's electric vehicle (EV) fleet, smart charging software to manage EV charging, and a programme to explore low carbon energy opportunities
- collaborating with Hitachi Europe and Octopus Energy for the 'Together for Our Planet' event at our flagship Caledonia depot. The event saw more than 1,000 visitors to our new EV charging hub
- Avanti worked with Eurostar and other European partners to run a special 'climate train' to take influential leaders and industry dignitaries across Europe to Glasgow

With government

At Group level, we have long-established and strong relationships with government officials and departments, as well as positive engagement with ministers. We work with both government and opposition policy teams and advisers, as well as political influencers, including Parliamentary committee members.

Our experience, expertise and market-leading positioning is recognised when we intervene in policy debate. This allows us to engage meaningfully with decision-makers to promote the most effective form of private sector transport provision in our respective markets.

We also engage with policymakers and seek to influence the development of policy both directly, and through the membership of sector trade organisations in the UK, who engage with government and regulators to promote a positive policy environment for private sector transport. We welcomed the government's recent Levelling Up White Paper which included better public transport connections in all UK regions as one of its 12 key missions. We look forward to seeing further detail on the plans outlined in the paper, and ensuring the industry continues to progress beyond the pandemic and play its part in levelling up across the UK.

With local authorities

In First Bus we work closely with our local authority partners to pursue formal and informal partnerships which help us deliver better services through measures which reduce road congestion and give priority to buses.

In First Rail, we deploy Regional Development Managers within our operating companies who liaise with local and regional government, local businesses, user groups and others.

This commitment to, and experience of, effective local and regional partnerships, underpins our approach to the partnership options set out in the government's National Bus Strategy, as well as our engagement with the devolved nations, to ensure that the experience and expertise of private operators remains central to the delivery of public transport services.

With our industry

In the UK, we engage with, and support through formal membership, a number of business advocacy organisations, sustainability lobby groups and public transport campaigns. By working through these alliances, we amplify our influence on policy. We welcomed the government's Transport Decarbonisation Plan this year which set out clear commitments to support the roll out of zero emission buses; to deliver a programme of rail electrification; and to encourage innovation on battery trains.

This year we expanded our involvement in the various sustainability forums set up for the rail industry by the Rail Safety and Standards Board (RSSB). The managing director of TPE sits on its Sustainable Rail Executive and our Group Engineering Director chairs its Sustainable Rail Leadership Group. A key achievement this year has been the development of a prototype Sustainable Rail Strategy for the industry, created with input from representatives of all our rail businesses.

We comply with the Lobbying (Scotland) Act 2016 regulations and key personnel are registered with the UK Lobbying Register. FirstGroup's gifts and hospitality policy is strictly adhered to when engaging with stakeholders at all levels.

As company policy, we do not make political donations. More information on our stakeholder engagement strategies can be found on pages 106-109.

Being the partner of choice for low and zero emission transport

We are taking action to combat climate change and improve local air quality by delivering low and zero emission mobility solutions for our customers. One of our goals is to eliminate the carbon emissions associated with our operations in line with the latest climate science and for our operations to be net-zero by 2050.

Our aims

Zero carbon
Eliminating the carbon emissions associated with our operations.

Air quality
Improving local air quality in our towns and cities through our cleaner fleets.

Climate resilience
Incorporating climate adaptation measures to improve the resilience of our services.

The vital role of public transport has never been clearer in helping to address the challenges of climate change. We are committed to delivering a more sustainable future for the communities we serve.

We actively manage our greenhouse gas emissions across our business and are working to eliminate the carbon emissions associated with our operations.

Zero carbon
We continue to make significant investments in the expansion of our battery electric and hydrogen fuel cell vehicle fleets. Our scale also means we can work with a range of leading zero-emission vehicle manufacturers to stay at the vanguard of the industry as the technology continues to evolve.

As we go back to our pre-Covid service levels, we have seen an increase in passenger numbers in our rail and bus divisions. This has brought about a 7% increase in our carbon emissions compared with FY 2021. We expect to see these emissions continue to increase into FY 2023 until service levels stabilise and we start to see the benefits of electrification in FY 2024.

First Bus is at the forefront of the industry in the operation of low and zero emission vehicles and in 2020 announced a commitment to achieving a fully zero emission fleet by 2035.

During FY 2022, we have successfully secured funding to expand our fleet of electric buses including in York, Leeds, Norwich, Leicester, Portsmouth, Glasgow and Aberdeen. We have worked closely with local authority partners to obtain £56.6m of public funding through the Zero Emission Buses Regional Area (ZEBRA) scheme in England and through the ScotZEB scheme in Scotland. We will invest £61.7m of our own funds alongside this, to purchase 267 new electric buses over the next two years.

In Scotland, we have achieved funding for 74 new electric buses across Glasgow and Aberdeen. Over 40% of vehicles operating out of First Glasgow's Caledonia and Scotstoun depots will be fully electric and zero emission. Meanwhile, in the First Aberdeen depot, the fleet will be made up of 30% of zero emission vehicles. We also secured funding this year to add a further ten buses to our hydrogen-powered double-decker fleet in Aberdeen.

Responsible business *continued*

As we transition to a zero emission bus fleet, this also requires major infrastructure developments at our bus depots. Our First Glasgow Caledonia depot is set to become the UK's largest electric vehicle charging hub and we have already completed the first stage of its transformation this year by installing 11 state-of-the-art rapid charging units. With the remainder of the work scheduled to take place by the end of 2022, the depot has been redesigned to eventually accommodate and charge up to 300 electric buses on-site.

The electrification of our First Rail routes has contributed to a 68% reduction in carbon emissions per passenger kilometre compared to FY 2021. While our actual rail distance powered by electric traction has remained the same as last year at 73%. This will inevitably increase as the UK rail network gets progressively electrified.

To continue to reduce our carbon emissions we need to maintain our work with the government, the newly formed Great British Railways Transition Team and other key stakeholders in support of further electrification of the UK network. We welcomed the announcement this year of the Transpennine Route Upgrade as part of the Government's Integrated Rail Plan. As a key delivery partner, TPE continue to welcome an industry collaborative approach to transform and improve connectivity in the north, bringing electrification, increased capacity and line improvements for our customers.

Where full electrification is not going to be possible, we support the case for other low or zero carbon alternatives to diesel trains. In Avanti, we are replacing old diesel trains with 23 new electric and bi-mode trains, meaning that they can run on electric traction where feasible on the route. The bi-mode trains will reduce the use of diesel by approximately 80%.

This year GWR also signed a deal with manufacturer Vivarail to trial new charging technology on a battery-only train. Fast charge equipment will be installed at West Ealing station later in 2022 and tested with a battery-only Class 230 train, first showcased at the COP26 conference.

Sustainability is a key focus in all of the DfT rail contracts and we will continue to ensure carbon-related metrics are included in further contracts and negotiations in future.

73% of our rail kilometres are powered by electric traction

● Electric	**73%**
● Diesel	**27%**

Air quality

Air quality has a significant impact on the health of our communities, and many cities and towns are already working to place restrictions on the most polluting vehicles and prioritise public transport. An important aspect of improving local air quality is to encourage modal shift away from car journeys, and to invest in convenient and cost-effective low emission public transport networks.

Alongside our long-term commitment to transition our business to become net-zero, we also have programmes in place to reduce the emissions of air pollutants from our existing fleet. Through the process of contract renewal, new contracts and planned fleet replacement, we are replacing our older, higher emission fleet with new models.

In First Bus, we continued to retrofit additional Exhaust After-Treatment Systems (EATS) to older diesel vehicles to achieve the equivalent of Euro VI low emissions standards this year. These systems are designed to remove air pollutants such as nitrous oxides (NOx) and particulate matter (PM) before they can be emitted. We welcomed a further £3.4m in Scottish Government funding to retrofit more than 200 vehicles across our networks in Aberdeen, Glasgow and the Forth Valley operating areas.

We also continued to study the air quality impacts associated with brakes and tyres on our buses, known as non-exhaust emissions. We are currently monitoring ten vehicles in York (of which 50% are diesel and the other 50% are EV) to review whether the differences in engine types causes any variation in emissions.

We continued to support the rail industry's Air Quality Steering Group and this year formed part of the first ever Air Quality Monitoring Network across 105 stations in England and Wales. Our rail businesses have installed diffusion tubes and other monitoring equipment at various stations to monitor nitrogen oxide, nitrogen dioxide and particulate matters.

Climate resilience

Climate change will bring about greater and more frequent adverse weather. This will increase the risk of service disruption, and of reduced customer demand, with consequent financial impact.

Understanding the physical risks of climate change on our business, including our operations, infrastructure, people and customers, means taking into account the likely increase in extreme weather events and the consequent impacts on our service reliability, energy supply and our supply chain.

The likely impacts, and the opportunities to mitigate these risks, will vary depending on the geographic location of our individual businesses.

During FY 2022, we have strengthened our climate-related governance processes and worked with a specialist consultancy partner, Marsh, to complete an in-depth risk scenario analysis and quantitative financial impact assessment of our most material risks and opportunities. As we continue to embed climate considerations into our operations, this will improve our understanding of risk interdependencies and guide our risk mitigation plans.

In addition to this, whilst taking steps to ensure that climate impacts are taken into account for our own assets, we must also work with wider stakeholders to understand the risks and mitigations that are required for the infrastructure we rely on to deliver our services.

In our TCFD section on pages 60-67 we go into more detail about how we are exploring these risks and opportunities.

Supporting our people

We employ more than 30,000 people in depots, stations and offices, providing vital services which connect people and communities. Our people are at the heart of our business, and we are extremely proud of the way they have kept customers moving during the pandemic.

Our aims

Diversity and inclusion
We value diversity and inclusion, and our workforce represents the communities we serve, increasing effective participation and equal opportunities.

Skills for the future
Our people have the skills, expertise and knowledge to drive the transition to a sustainable future.

Wellbeing
Our culture means that our employees are supported towards good mental and physical wellbeing.

The past year has seen greater numbers of people choosing to move jobs post-pandemic and acute driver shortages in various industries, which underlines the importance of attracting, developing and retaining customer-oriented and skilled people.

Diversity and Inclusion
To better understand and meet the needs of the diverse customers and communities we serve, we are committed to increasing the diversity of our workforce. We recognise that attracting and retaining people with different backgrounds and experience requires an inclusive culture where everyone feels valued and respected. While we are proud of the progress being made in many areas, we acknowledge there is still more to do to in order to create an inclusive workplace for everyone.

The public transport industry remains male-dominated, so increasing gender diversity has been a key area of focus. We have made further progress on the four commitments we set out in 2017, namely to:

- increase the number of female applicants for all roles
- encourage more women to stay and progress their careers with the company
- support and develop more women into higher paying roles
- ensure men are aware of the role they play in creating an inclusive workplace that is welcoming to women

More information can be found in our 2021 Gender Pay Gap Report, which is available on our website.

Overall, this year the proportion of female colleagues in the Group was broadly unchanged at 20.3% (2021: 19.3%).[1,2]

The proportion of women in senior management positions has fallen since the last report from 27.3% to 20.5%.[3] This is mainly due to the sale of the US businesses in 2021.

At Board level, at 28 March 2022, female representation was 44% and with the appointment of Myrtle Dawes on 1 April 2022 this rose to 50%.

1 These current and prior year figures relate to our continuing operations in the UK.

2 In 2022, the gender of 31 of our employees was unknown (2021: 1; 2020: 0).

3 Hampton-Alexander definition: 'Executive Committee and direct reports'.

Responsible business continued

Leading by example is important and we are pleased that following recent changes we meet the recommendations of the Hampton-Alexander review, but we recognise we must go further to improve the proportion of women in senior management positions.

Our women's development programmes are going from strength to strength. 'Step Up' supports women in frontline roles to transition into their first supervisory role; of the 200 women who have attended since 2019, 31% have already been promoted.

We also moved into our second year of 'Step Forward', which supports women in junior managerial roles to move into middle management jobs. 44% of participants have now been promoted since attending.

We remain committed to improving the ethnic diversity of our workforces. As signatories to 'Change the Ratio' we have taken further action this year. We now have ethnically diverse representation on our Board and voluntarily published our first Ethnicity Pay Gap Report in December. We're pleased that 65% of our colleagues have disclosed their ethnicity to us and recognise the importance of this data in driving progress on our ethnicity programmes. We also have various initiatives underway to encourage even more employees to share their ethnicity with us.[4]

We're now also in our second year of our 'Reach Up' and 'Reach Forward' programmes, which support the career progression of employees from minority ethnic backgrounds in our rail division. As a result of these programmes, more of our minority ethnic employees are progressing into managerial roles; of the 75 employees who have taken part so far, 25% have already been promoted. Building on this success, our bus division is now considering replicating a similar approach to support the career progression of minority ethnic employees.

Since 2018, we have been making steady progress on attracting and hiring more employees from ethnically diverse backgrounds. The proportion of applicants from ethnic minorities increased for the fourth successive year, from 24.8% in 2018, to 25.6%, and hires from 13.1% to 16.6%. This compares positively to the ethnic diversity of the UK population (13%; ONS 2011 Census).

To create a diverse pipeline of future applicants, we have launched specific engagement programmes in schools to promote our job opportunities in areas with high minority ethnic populations. We have also redesigned our careers website and social media channels to showcase examples of colleagues from under-represented groups.

4 More information can be found in our 2021 Ethnicity Pay Gap Report.

As an example, TPE continually seeks ways to highlight available career opportunities to candidates with diverse backgrounds who might not previously have considered a career in the rail industry. This has included working with the Conscious Youth charity who support ethnically diverse young people in Kirklees, West Yorkshire. Inclusive recruitment initiatives have resulted in 20% of hires from minority ethnic backgrounds in TPE, up from 7% in the prior year.

We are committed to supporting disabled employees, with regard to training, career development and promotion. Across the Group, full and fair consideration is given to applications for employment from people with disabilities. 38% of our colleagues feel comfortable sharing their disability status with us and currently 0.9% of our workforce consider themselves as disabled.

First Bus has established an Equality, Diversity and Inclusion Governance Board, which has introduced a number of initiatives to support our work in this area. They have introduced two new Employee Resource Groups and are also focusing on how technology can assist colleagues with sharing their personal data.

Throughout our UK businesses, we operate a wide variety of employee networks covering different aspects of diversity, providing support to under-represented groups and advising senior management on ways to improve workforce diversity and foster an inclusive culture.

As an example, SWR has established five new networks covering gender, LGBTQ+, mental health, disability and ethnicity.

Avanti continued to expand their internal mentoring scheme for colleagues from under-represented groups including disabled people, colleagues from the LGBTQ+ community, women and people from ethnic minority backgrounds. There are now 170 active mentees with 90 female and 20 from other under-represented groups.

We also celebrated key notable dates such as International Women's Day, Black History Month and Pride across both our rail and bus divisions. We see them as a great opportunity to celebrate the diversity of both our employees and customers.

As an example, we launched Pride buses in our First Essex and First West of England bus companies. With many Pride events impacted by the pandemic, these buses enable us to demonstrate our support for the LGBTQ+ community all year round.

Reach Forward
Hassan Khalil – Head of Performance Evaluation, GWR

"Key lessons I took away included the importance of making time for relationships and networking, making time for my own personal development, and seeing my career as a project with risks and opportunities. Collectively, the programme influenced my time planning, stakeholder management and decision making.

I have been very fortunate in being surrounded by colleagues who support and believe in me, but personal responsibility is also paramount. The programme helped me to reflect on my career pathway and helped me to make better decisions. It gave me the confidence to 'put my hat in the ring' and take a leap of faith in myself."

Step Up
Claire Morgan – Regional Station Manager, GWR

"The Step Forward programme challenged my way of thinking and, in turn, how I approached my new role.

I learned through the shared knowledge and experience of fellow participants, and I developed relationships with colleagues that I would not normally have had the opportunity to meet.

I appreciated the time built into the course which allowed me to reflect on my own personal career journey."

Responsible business continued

Skills for the future

Each of our divisions provides training to enable our employees to deliver great service for our customers, and invests in the skills we need for the future. The changing nature of transport and mobility, particularly new vehicle technologies and energy transition, requires us to adapt the way we develop, operate and maintain our services. To deliver that change, we need a healthy, engaged, agile and diverse workforce with the skills and expertise for a zero carbon economy, equipped to innovate and deliver mobility for the future.

We are proud to support green job creation in the UK as we deliver the transition to zero emission public transport. The UK Government predicts that zero emission vehicles could support around 40,000 jobs through the supply chain by 2030, which we see reflected in our investment in new vehicles, cleaner energy and in training and development for drivers and engineers for our zero emission fleets.

Our apprenticeship programmes are an important way of growing the engineering and operational skills which are vital to our business. We are running industry leading programmes that are fully integrated into the fabric of our organisation, working in key areas of the business such as Engineering, Human Resources, Customer Service and Business Administration.

In our bus division, we have partnered with Reaseheath College, Cheshire to set up the UK's first bus and coach engineering academy for training apprentices on the next generation of zero emission vehicles. The academy has completed its first term with an intake of 22 apprentices.

This year we have significantly increased the number of apprentices in training across First Bus and First Rail to a total of over 730 as at the end of March 2022, with 31.5% of apprentices recruited over the last year being female.

Avanti were winners of the 'Best Apprenticeship Scheme' award at the Women in Rail Awards 2021 and over 15% of their learners received distinctions in their relevant apprenticeships.

To attract and retain the skills we need, we offer a competitive wage reflecting local market demands and conditions. In First Rail, both TPE and Tram Operations Ltd. are accredited Living Wage Employers and pay the Real Living Wage (RLW) to employees and to third-party contractors working directly for the company in accordance with the Living Wage Foundation rates of pay. GWR, SWR and Avanti also pay the RLW to directly employed colleagues. 97% of employees in First Bus, are paid at or over the RLW.

Celebrating our apprentices

Jarrad Church, Mechanic, First Cymru

"There is a lot of hands-on work. We learn the theory in college before being tasked with a job in the workshop. I really enjoy the problem solving and fault fixing too when I'm working in the depot.

I really enjoy the responsibility of having my own vehicles to repair. All the other mechanics are really friendly too and have made me feel very welcome."

Wellbeing

As the pandemic persisted, we continued to take steps to protect our most vulnerable employees and to provide technology that enabled colleagues to work effectively at home wherever the nature of their role made this possible.

We significantly expanded the number of trained mental health first aiders over the past year. We now have a total of 440 across the Group. Our bus division have worked with Mental Health First Aid England to evolve their training approach and coverage of first aiders has grown across all depots.

We marked various notable dates to promote mental health and signpost employees to the various wellbeing resources that are available on the employee portal. As an example, we partnered with Samaritans to mark Brew Monday across our rail and bus divisions. GWR handed out teabags at stations and encouraged our employees and customers to talk openly about mental health.

SWR promoted wellbeing by installing temporary health kiosks across various stations, in which our own employees were able to self-test indicators of their general health and wellbeing. More than 300 tests have been delivered to date.

Employee engagement

All our businesses carry out regular 'Your Voice' surveys giving employees the opportunity to share their views on the way they are managed, and how likely they are to recommend FirstGroup as an employer. These surveys are anonymous, and managed by an external specialist company to encourage candid feedback. Surveys across our businesses for 2022 have recently taken place. The results and feedback will be shared with colleagues and used to help inform the decisions we will take to ensure we continuously improve as a place to work and be an employer of choice.

Being a Mental Health First Aider
Clair Scott
First Aberdeen, King Street Depot

"I was glad to welcome the opportunity to become a Mental Health First Aider as there is far too much stigma and unknown when it comes to mental health, so whatever I can do to bring more awareness means a great deal to me."

Safety

Dedicated to safety, always front of mind – safety is our way of life

Our commitment to the safety of our customers, our employees, and all third parties interacting with our businesses, remains unwavering and is articulated though our Dedicated to Safety value which applies in everything we do.

9.5

Employee Lost Time Injury Rate (per 1,000 employees per year)

9.9

Passenger Injury Rate (per million miles)

Every day our trains, buses and trams carry nearly 1.5m customers and we are responsible for more than 30,000 employees. By its nature, the transport industry involves safety risk, and this is why we take seriously our duty of care to ensure that our customers and other stakeholders can use our services safely and that our employees have a safe place to work. While the industry we operate in has significant inherent safety risk, we are determined to achieve our long-term goal of zero harm.

We maintain robust safety management systems throughout the Group, with a clear focus on ensuring compliance with policies, processes, and procedures. Be Safe, our safety behavioural change programme, builds on this, making safety a personal core value for every employee.

Alongside this, we continue to invest in sophisticated technology solutions to assist our teams in delivering first class safety, reducing incidents and monitoring and managing performance. We are proud of the safety culture we have worked hard over many years to establish.

Coronavirus

Since the start of the pandemic, our priority, above all else, has been to safeguard the health and wellbeing of our customers and colleagues as we continued to run vital services. We have followed all appropriate public health authority guidance, using risk assessment to underpin our approach and ensured we have adequate safety and protective equipment in place. We have pioneered best practice in areas such as enhanced cleaning and decontamination of vehicles, depots and terminals.

The wellbeing of our colleagues will always be of paramount importance and we are grateful for the efforts of everyone and the steps they have taken to manage our response throughout the pandemic.

Our approach to the pandemic evolved quickly from its onset and matured with a robust management framework established within each division, overseen at Group level. This included divisionally led working groups that fed up through the management structure, which then in turn informed a regular review process with each business.

A similar process was established for the corporate centre, and a cross-functional team considered all relevant matters such as guidance in public health, safety or employment law. The situation was highly dynamic and therefore kept under close and constant review.

Our operating companies have drawn on their preparedness and increased agility to deal with the current landscape, implementing more stringent controls at short notice while keeping colleagues and customers safe and trains and buses operating.

Approach
We continued to adapt to the new challenge in the year of the Omicron variant, in particular the need to respond to the wider deviation of measures and rules across the home nations and Ireland and the speed with which these changed. Confirmed cases and self-isolations peaked in January 2022, which resulted in some operational impacts, which were managed both on a day-to-day basis and through revised timetabling.

Controls
Our on-bus/train and workplace controls focused on social distancing and continuing the industry-leading enhanced cleaning regimes that were developed, using new antiviral products and disinfectants to sanitise high touchpoint areas at increased frequencies. We also improved ventilation and introduced the use of CO_2 monitors in offices. We used our specially designated and trained 'Covid Marshals' in depots to ensure compliance with the Covid-19 control measures in place. We encouraged the use of face-coverings and good hand hygiene as required by government guidance as key measures.

Colleague Impact
Covid-19 case numbers fluctuated throughout the year, mirroring the national picture. We promoted Covid-19 vaccination uptake and use of testing with our employees, alongside increasing our mental health and general wellbeing support resources.

Wider impacts
Changes in traffic levels, customer demand and lower than normal staff turnover had a significant positive impact on collision and customer injury incident rates through the pandemic. We are now proactively managing the rising safety risks of increased traffic levels, customers returning and increases in the number of new drivers entering service with us.

The way ahead
As we learn to live with the pandemic, we continue to adapt to government guidance, emerging evidence and feedback from our customers and people, through a risk-based approach to Covid-19 management. Lessons learnt and more efficient ways of working are being adopted as business as usual, such as enhanced cleaning and ventilation, contactless payment and travel planning. Each business has kept a regular information flow and engagement with colleagues, supplemented by updates from the Group.

Be Safe
Be Safe is our Group-wide approach to embed safety as a personal core value for all colleagues through behaviour change.

The central elements of our Be Safe programme, including daily conversations (touchpoints) to reinforce good safety behaviours, have proved even more important for safety engagement during the coronavirus pandemic.

Weekly Be Safe debrief sessions for managers and supervisors continued throughout the lockdown periods, respecting government guidance in place at the time to prevent the spread of coronavirus. These weekly debriefs, where Be Safe touchpoints are reviewed, are used for knowledge sharing and to strengthen understanding around best practice.

Responsible business continued

Safety leadership and governance

Strong leadership from the top is a key feature of our safety culture. Our monthly Business Review Meetings (BRMs), involving the Executive Directors and Group Executive Committee together with Divisional Senior Leadership Teams, oversee the Group's safety strategy and the performance, procedures and practices of our divisions and operating companies. They supported the Board Safety Committee in promoting a positive safety culture across the Group and will continue to do so with the recently established Responsible Business Committee. The BRMs monitor relevant legislation and updates to standards as part of our control framework and commitment to maintaining safety compliance.

Despite the year continuing to be dominated by activities in response to the pandemic, other safety initiatives and measures have continued to be developed and implemented around the Group, including:

First Bus

This year we continued the momentum of our industry-leading programme to reduce the risk of collisions with low bridges.

Using the GPS capability of our Ticketer ticket machines onboard our buses, we can now provide an in-cab audio warning to the driver when they are in close proximity of a bridge that is lower than the height of the vehicle. This also triggers an alert to the depot to provide an immediate response and to commence an investigation into the near miss.

In addition to this, in partnership with the Institute of Transport Studies at Leeds University we undertook a study to better understand the psychology and behavioural drivers behind why these incidents occur, to help us further design out risk. The results of this study were shared with other operators through the Confederation of Passenger Transport to improve industry-wide performance in this area.

We are focused on our plans to welcome new drivers into the organisation as we recruit to fill vacancies after the pandemic. We have developed a support programme called Thru-Care that follows drivers from when they start through to their first year of service. We know from experience this is a time that shapes their driving performance standards, and the support also reduces potential attrition rates.

Cycling has increased as a mode of transport over recent years and we recognise cyclists as vulnerable road users that we should give our drivers additional training about. During the year, we received feedback from cyclists that led to us to re-examine our training in this area. As a result, we engaged with partners such as 'Bikeability' to draw out key messages we needed to include in our revised training and created a short video to engage drivers. This was backed up with regular communications and a competition highlighting cycle awareness.

First Rail

We continued to prioritise reductions in customer injuries on our trains and stations where we know slips, trips and falls are the most common cause of injury. Our station staff are focused on identifying and assisting vulnerable customers where possible. This applies especially for leisure trips and elderly customers and those who travel less frequently. Engaging publicity campaigns were developed that were themed around known risks such as not using handrails, minding gaps between trains and platforms and not rushing.

The elimination of Signals Passed at Danger (SPAD) risk continues to be at the forefront of management activities, with monitoring arrangements rigidly applied to both supporting performance metrics and the implementation of safety plans.

We have worked closely with the various authorities in the investigations into the Salisbury train collision between a SWR train and a GWR train on 31 October 2021. The Rail Accident Investigation Branch issued their interim report on 21 February 2022, and whilst the investigation remains ongoing, initial findings suggested that rail head contamination was evident and poor wheel adhesion to the track was a factor. We will continue to assist the authorities as required.

Our response to the pandemic and other safety activities demonstrate that safety is an ever-present focus for the Group. We are constantly striving for ways to build on our achievements and make the safest possible environment for customers, employees and all those who interact with our business.

Communities

Enduring relationships with local communities

We are proud to support the communities in which we operate. We use our skills, reach and influence to make a positive impact and help those causes that can make a difference, both locally and nationally.

£1.58m

invested this year in local communities

1,000

mental health training sessions funded for Action for Children staff since 2018

Strong community engagement is at the heart of what we do. This year we supported hundreds of community causes and charitable organisations through volunteering, corporate donations and gifts in kind. These included donating advertising space and vehicle hires, event sponsorships and travel tickets.

We recognise we can play an important role in helping local communities to 'build back better' as they recover from the pandemic. Our stations and depots are often a focal point in these communities and our employees have been devoting their time to a wide range of projects that meet specific local needs.

Supporting local needs

Three of our rail businesses have identified transport poverty as a material issue in the communities surrounding their stations. Over the past year they have donated over 400 bicycles abandoned at their stations to local social enterprises who can repair and refurbish them for affordable resale. These social enterprises typically employ and train people from disadvantaged backgrounds and provide training. Avanti has partnered locally with Community Recycle Cycles at its Crewe station. They take in donations of bikes into their retail shop, where volunteers with learning and physical disabilities repair and refurbish them.

Another innovative way for our rail businesses to support local communities is by providing redundant spaces for community use. This is happening widely across our station network. For example, SWR allowed a local charity to use an unused building in Swaythling station so that it could become a shop that is free to users, collecting food that would have otherwise been thrown away, and redistributing it to people who can make use of it.

New collaborations

SWR has become the first train operator in the UK to partner with Missing People, becoming a part of the charity's 'Safeguarding Briefing Network'. The initiative will see SWR, along with a network of other organisations, receive targeted notifications from Missing People when there is a likelihood that staff may come into contact with a missing person. These alerts will then be shared confidentially amongst selected teams, so staff can be on the lookout for loved ones.

GWR moved into its second year of supporting the 'Rail to Refuge' scheme, providing free train travel for women or men and their families who are fleeing domestic abuse and need to get to a place of safety. At least 230 people have used Rail to Refuge to travel on GWR services to date. Significantly, 64.4% of survivors said they would not have been able to travel to safety without a free ticket.

Providing free travel to those in need

Our response to the Ukraine crisis

In our rail and bus businesses, we quickly mobilised to support a DfT initiative to provide free train travel to any Ukrainian refugees escaping conflict and arriving in the UK. We offered free onward travel to anyone showing a Ukrainian passport and international travel ticket or boarding passes, from within the previous 48 hours. FirstGroup also made a corporate donation to the Ukraine appeal of the Disasters Emergency Committee and match-funded donations made by our employees.

Responsible business continued

Both Avanti and GWR have continued to redistribute surplus food to local people in need along their routes. To date they have donated more than 3.5 tonnes of food from onboard our trains and first-class lounges that would have otherwise gone to waste.

Despite our normal fundraising activities being hampered by coronavirus restrictions, our teams continued to raise donations for charities. In total, FirstGroup and our employees donated £1.58m during FY 2022, *as measured by the London Benchmarking* Group model for community impact. See page 70 for a more detailed breakdown of our contribution.

For information on how we engage with our communities to improve our services and incorporate their feedback into our decision-making processes, see pages 108-109 and our Section 172 statement on page 105.

Our partnership with Action for Children – our UK employee charity of choice

Our four year partnership came to the end of its term this year and we are now considering what our next community partnership model will look like. We are incredibly proud of all that we have achieved with UK children's charity Action for Children. Our award-winning partnership helped to transform the mental health and wellbeing of children and young people across the UK and raised awareness among our employees and customers.

As we bring the partnership to a close, it has generated over £3.5m in value. We have been able to raise funds and provide support to Action for Children worth more than £700,000 in FY 2022.

During the course of the partnership, we used our unique resources as a transport provider, volunteering drivers and vehicles to support our partnership, including donating advertising space across our bus and rail network to help Action for Children share their message with millions of people. Our employees provided further support, giving their time and effort to fundraise and support Action for Children.

FirstGroup colleagues have raised funds in *unique and impressive ways up and down* the country, including support for Action for Children's Boycott Your Bed and Secret Santa campaigns. A particular highlight has been our Graduate Challenge in which two teams from our new graduate intake staged a variety of events including depot tours, a railway memorabilia auction and bikeathons in busy stations. Collectively they raised £25,000 over six months.

Our support has continued to fund specialist mental health training provision for Action for Children's frontline employees across the UK, who work with vulnerable children on their emotional wellbeing. More than 1,000 training opportunities have already been taken up by Action for Children employees on topics such as self-harm mitigation, suicide prevention and building emotional resilience.

Our support has also led to more than 2,000 activities being provided through Action for Children's Enrichment Fund, giving children, who might otherwise miss out, access to enriching activities and experiences that improve mental health and wellbeing. Examples include trips to the zoo, cinema and even pantomime for foster families and their children.

The Bouncing Back programme

FirstGroup's funding has supported the training of Action for Children staff to deliver the Bouncing Back initiative, a one-day training programme that started in response to the pandemic. Aimed at 8-19-year-olds, the programme looks to equip young people with practical tools, an understanding of good mental health resilience, and the knowledge of when and where to seek additional support.

One of the children who took part in the Bouncing Back training, said: "The Action for Children Bouncing Back training will really help me cope with stressful situations. I've learnt that wellbeing is a way of being a better you and that if you fall over you get back up again. My confidence has had a real boost."

Environmental management

Reducing our impact on the environment

We have a robust framework in place for environmental management that supports continuous improvement.

Environmental excellence has always played a key role in business continuity. FirstGroup is committed to environmental protection and compliance, where we strive to reduce our environmental impact across the business. A robust environmental management system allows FirstGroup to consider the environmental impact of our services at the early stages of planning and monitoring. This allows FirstGroup to implement continuous improvement in our approach and operation.

We operate in accordance with BS EN ISO 14001 environmental management systems (EMS) across a large proportion of our First Rail and First Bus divisions. FirstGroup plc operates a localised approach to setting EMS systems with a framework. This allows our businesses divisions to adapt EMS systems to their specific needs allowing for a diverse portfolio of transport services.

An EMS allows the business to assess all environmental matters associated with a business, ranging from biodiversity, energy, carbon, water, waste management, circular economy, supply chain and community engagement. FirstGroup's environment policy outlines requirements for the Group and its divisions to reduce the impact of our operations and ensure legal compliance with regards to the environment. Supporting the environmental policy are internal standards for incidents and complaints, internal audit, carbon and energy reporting to provide more clarity on our governance and assurance of environmental management.

Across the UK, we are either certified or conform with ISO 14001 across nearly 100% of our activities, and are certified to ISO 50001 in nearly all First Rail operating companies.

The systematic approach to environmental management allows our Executive Committee access to information to build success over the long-term and create options for contributing to our Mobility Beyond Today sustainability strategy.

The implementation of an EMS has led to several improvements during FY 2022, such as:

- zero environmental penalties issued to FirstGroup
- 99% waste recycled or recovered
- 8% energy supplied from renewable sources
- 73% rail distance powered by electricity
- 98% of FirstGroup revenue is associated with externally certified ISO 14001 EMS
- SWR have installed a new, emissions-busting Living Wall at Portsmouth Harbour. The wall is set to reduce air pollution, boost biodiversity and help to reduce stress levels

Please see our 2022 Environmental Performance Report on our website, which expands upon the information provided in here. It provides 16 metrics that track our material issues in relation to carbon, energy and our environmental impacts, alongside comprehensive information on our calculation approach.

98%

of operations (by revenue) covered by ISO14001 Environmental Management System

99%

of waste diverted from landfill

Responsible business continued

Ethics

Hold the highest ethical standards

In line with our Values and the expectations of our customers and partners, we are committed to conducting our business in an open and ethical manner, including in all of our interactions with our customers, employees and other stakeholders.

Our Values and ethical commitment shape not only what we do, but also how we do it. We invest time and effort to put in place the right processes, policies and governance structures to ensure we meet these high standards of integrity and professionalism.

Our policy framework

Adhering to an ethical framework is a vital part of our commitment to our customers and stakeholders and helps to ensure that our Vision and Values are at the heart of everything we do at FirstGroup.

Our Code of Ethics, which is available at www.firstgroupplc.com/responsibility, makes sure that all of our businesses are performing to the highest ethical standards and are accountable for their performance. The Code of Ethics is approved by the Board and applies to everybody working for, or on behalf of, FirstGroup. It sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which apply across the Group and, along with the Code of Ethics itself, are implemented and managed by the senior management team in each of our divisions, including anti-slavery, anti-fraud and anti-bribery policies, as well as policies on data privacy, competition laws and other areas of legal and ethical compliance. Senior managers, and higher risk individuals, are required to complete an annual attestation for each of these policies. Regular compliance updates are provided to the Board.

Human rights

We are committed to recognising human rights on a global basis and recognise that we have a responsibility to ensure that FirstGroup operates in a way that respects, protects and champions the human rights of all those who come into contact with our operations. This includes a commitment to the prevention of modern slavery and human trafficking in all its forms both within our own businesses and in our supply chains. This commitment extends to all business dealings and transactions in which we are involved, regardless of location or sector. We have a zero-tolerance approach to any violations within our company or by business partners. Our Modern Slavery and Human Trafficking Statement, which is updated annually, sets out our policies and the steps we take to address risks in our business and our supply chains and can be found at www.firstgroupplc.com. In line with our commitment to improving our performance by sharing best practice across the Group, our statement applies to all of our businesses, including those which are not legally required to make a statement under the Modern Slavery Act or equivalent legislation, regardless of their location, size or turnover.

We have a zero-tolerance approach to fraud in any form, including the facilitation of tax evasion and bribery. We never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the UK Data Protection Act and the UK and EU General Data Protection Regulations. We have internal control systems and procedures in place to counter bribery and corruption, and to ensure that we comply with data privacy, competition and trade laws. These systems and procedures are kept under regular review, to ensure that we continue to adopt appropriate defences and mitigations to ethical and legal risks that are faced by our businesses, both at a central level and both divisions.

We have also mandated centrally a set of minimum standards for training and policy attestation across a range of ethical and compliance topics, including those referred to above. These standards are reviewed regularly at Executive Committee and Board level, and updated as appropriate to address new or evolving risks. Divisional management teams are responsible for ensuring that these core requirements are implemented and adhered to within their respective businesses. They are also responsible for assessing whether stricter or additional requirements are appropriate to the particular ethical and legal compliance risks faced by their respective businesses, and implementing such further measures as are deemed necessary to mitigate those risks.

We have an externally managed whistleblowing service for colleagues available across the Group with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. The hotline is actively communicated to colleagues via a number of channels, as well as being available via the Code of Ethics and other policy and training materials. All reported issues or concerns to the hotline are taken seriously and structures are in place to process reports and, where appropriate, investigate concerns and implement necessary mitigating steps, ensuring that confidentiality is respected at all times.

Climate-related financial disclosures

Our commitments, actions and focus areas going forward

Our ambition is to be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero carbon world. With global research highlighting the need for immediate and deep emissions reductions to mitigate the worst impacts from climate change, we recognise the vital importance of eliminating carbon emissions from our operations, supporting a modal shift to public transport, and building climate resilience across our business.

Building on our long-standing commitment to environmental sustainability, we have set some ambitious goals. First Bus has a target to operate a zero emissions fleet by 2035, starting with a commitment to cease purchasing any new diesel buses after 2022 and leading its decarbonisation journey with its Caledonia depot in Glasgow, the UK's largest rapid electric vehicle charging hub. First Rail is supporting the UK government's target to remove all diesel-only trains from service by 2040 and to deliver a net-zero railway network by 2050, with electrification of our First Rail routes delivering a 32% reduction in carbon emissions per vehicle kilometre since 2018.

At Group level, we have developed a science-based target for our Scope 1 and 2 emissions, aligned with the ambition of the Paris Agreement to limit annual average temperature increase to 1.5°C above pre-industrial levels. We have submitted this to the Science Based Targets initiative (SBTi) and are now finalising our approach to Scope 3 emissions, to complete submission and validation of our targets by the end of the year. We were the first UK public transport operator to officially support the Taskforce for Climate-related Financial Disclosures (TCFD) and to sign the UN's Business Ambition for 1.5°C pledge to set a long term science-based target to reach net-zero value chain GHG emissions by no later than 2050.

Climate change poses both challenges and opportunities for our business and has been an integral part of our risk management framework for many years. In this report, we expand on our voluntary TCFD response in FY 2021, providing details of progress made over the year and focus areas going forward.

During FY 2022, we have strengthened our climate-related governance processes and worked with Marsh to complete an in-depth risk scenario analysis and financial impact assessment of key risks and opportunities. We have also embedded sustainability considerations into our variable remuneration practices and our financing strategy, including the signing of a new sustainability-linked £300m Revolving Credit Facility (RCF).

Climate change is managed as one of our principal risks and is a core consideration in our business strategy. The insights from our quantitative climate risk assessment will help further refine and strengthen our strategy, financial planning and risk management processes. As we continue to embed climate considerations into our operations, this will improve our understanding of risk inter-dependencies and guide mitigation plans.

In the following pages, we report against the four TCFD pillars – Governance, Strategy, Risk Management, Metrics and Targets – and the individual requirements underneath (see table below for the location of relevant disclosures). In line with the UK Listing Rules, we confirm that disclosures are consistent with the TCFD Recommendations. However, we recognise that the results of our climate-related risk assessment are subject to current data availability, trend projections and underlying business assumptions. It will therefore be critical to monitor how our most material climate-related risks evolve and to continue improving data capture in this area.

Finally, we look at our TCFD work not just as a vital mechanism to build long-term business resilience, but also as an important step towards increased transparency around climate as well as broader sustainability-related risks and opportunities, in line with new recommendations by the International Sustainability Standards Board.

We will continue to be open and transparent with our progress on climate change issues and to publicly disclose decision-useful information. Through this report, we aim to keep stakeholders informed on our progress towards our net-zero goals, as well as our management of climate-related risks and opportunities. Alongside potential risks, we view a shift in consumer preferences towards lower carbon alternatives and strong governmental and regulatory support for transport decarbonisation as key opportunities for our business.

TCFD recommendations	Subheading	Page
GOVERNANCE:		
a) Describe the Board's oversight of climate-related risks and opportunities.	Board oversight	Pg. 61
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Management's role	Pg. 61
STRATEGY:		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Climate-related risks and opportunities	Pg. 61-62
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Impact on strategy and financial planning	Pg. 62-64
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy resilience	Pg. 64
RISK MANAGEMENT:		
a) Describe the organization's processes for identifying and assessing climate-related risks.	Approach to risk management	Pg. 65
b) Describe the organization's processes for managing climate-related risks.	Mitigating risks/capturing opportunities table	Pg. 65-66
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Approach to risk management	Pg. 65-66
METRICS & TARGETS:		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets	Pg. 67
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Greenhouse gas (GHG) emissions table	Pg. 71
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Metrics and targets	Pg. 67

Governance

TCFD recommendation:
Disclose the organisation's governance around climate-related risks and opportunities

Management and oversight of climate-related risks are aligned with the robust corporate governance frameworks and processes in place throughout the Group. The Board, Executive Committee (ExCo) and our individual bus and rail divisions assess climate-related risks in accordance with the Group's risk management framework and consider broader sustainability matters in line with duties included in the Corporate Governance Code and section 172, as shown on page 105. More detail on our risk management framework and the management of principal risks, including climate change, can be found on page 74 onwards, and more detail on our governance framework can be found on pages 92-93.

Board oversight

The Board is responsible for promoting the company's long-term sustainable success for the benefit of its shareholders. This aim extends to the setting of our strategy and approach to climate-related risks and opportunities and our net-zero ambitions, which form a key part of our broader sustainability strategy, 'Mobility Beyond Today', outlined on page 40 onwards.

The Board is updated on our sustainability and climate-related performance at least twice a year. In recognition of the significance of these matters to our core business strategy and long-term success, during FY 2022 a new Responsible Business Committee of the Board was established to provide further focus on our most material environmental and social risks and opportunities. The Committee comprises several Board members with specific climate-related expertise. Please see page 17, and page 86 onwards, for details on their expertise. The Committee meets at least three times a year to review the practices and performance of FirstGroup, its companies and joint ventures, primarily with respect to health, safety, environment, our people and communities, including our transition to net-zero.

In addition, the Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of risk management and internal control processes – including climate-related risks. The Board has overall responsibility for the Group's systems of internal control and their effectiveness. The Board reviews and confirms Group and divisional risks and the Audit Committee reviews the Group's risk management processes. See page 90 onwards for more information on Board Committees and how our Board operates, and page 74 onwards for more detail on how risks are reviewed and taken into account for strategic business decisions.

During 2021, the Remuneration Committee reviewed the role of sustainability matters, including climate-related measures, within the Group's remuneration approach. Our long-term incentive plan has included ESG key performance indicators (KPIs) since FY 2021, comprising a measure supporting the electrification of our transport services and an emissions reduction measure. These KPIs further reinforce our commitment to incorporating climate-related issues into key business decisions.

Management's role

The ExCo provides leadership and direction for the Group on sustainability matters, including climate change. Updates on material issues relating to sustainability and corporate responsibility issues are reported to the ExCo monthly, with ad hoc matters raised in-between formal reports.

Executive responsibility for climate-related financial risks and opportunities is held by the Chief Financial Officer, who represents these matters at Board level. Executive responsibility for sustainability matters is held by the Group Director of Corporate Services.

Each division has a named executive management individual responsible for climate-related risks, who embeds accountability within business strategy, plans and reporting. Related risks and opportunities at Group and divisional level are incorporated into our risk management framework. See pages 74 onwards for more detail on how we manage risk.

In addition, we have a dedicated TCFD working group, which includes representatives from key management and functional roles with expertise in risk, finance, insurance, property, strategic planning, and sustainability. This group is responsible for driving forward the technical work required for TCFD, providing relevant updates to the Board and ExCo, and supporting management in continuing the integration of climate-related considerations into core business processes across our divisions.

Strategy

TCFD recommendation:
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Climate change has been identified as a principal risk to the business. Our management of climate-related risks is driven, in large part, through our Group-wide strategic framework for sustainability, 'Mobility Beyond Today', which includes our commitment to accelerating the transition to a zero carbon world. For more information on how we manage our risks, please see page 74 onwards. For more on our progress in delivering our 'Mobility Beyond Today' strategy, see page 40 onwards.

Climate-related risks and opportunities

Building on last year's qualitative analysis, during FY 2022 we have worked with Marsh to quantify the potential financial impacts of key physical and transition risks and opportunities for our business – for example, how an increase in flooding incidents could negatively affect our operational and capital costs, or a change in consumer preferences towards more sustainable public transport could positively affect our revenues.

We created a digital twin of FirstGroup to model impacts across five different climate scenarios, from a world where there is little to no climate policy in place and global temperatures increase by a catastrophic 4°C, to a world where there is rapid transition to a low carbon economy and global temperature increase is limited to 1.5°C above pre-industrial levels. See Table 1 on page 62 for details.

While in some of our modelling work we considered five individual scenarios, for the purpose of this report we will focus on three of these – the two most extreme ones and the 'Stated Policy' scenario – to consolidate some of the findings, but still illustrate the full range of possible impacts.

Climate-related financial disclosures
continued

Table 1: Climate scenarios considered in risk modelling

Policy Pathway	No Policy	Current Policy	Stated Policy	Paris Agreement	Paris Aspiration
Global temperature increase	*>4°C*	*3°C*	*2.5°C*	*2°C*	*1.5°C*
Global emissions reduction target	0% by 2100	-50% by 2100	-75% by 2100	Net-Zero by 2070	Net-Zero by 2050

A 4°C ('No Policy') pathway is based on countries around the world choosing not to transition to low or zero carbon practices, with even existing policies being partly or fully removed. Runaway climate change would become a reality, with global temperatures rising significantly and leading to catastrophic physical effects – from extreme weather events to mass migration, due to certain geographies becoming uninhabitable. This pathway allowed us to assess potentially severe physical impacts of climate change on our business.

A 2.5°C ('Stated Policy') pathway is considered by our model as a middle ground. Globally, policies would remain relatively the same as stated today, with the possibility of some additional measures being introduced over time. However, the uptake of low carbon technology would be slow, resulting in increasing temperatures and higher frequency of extreme weather events. As countries around the world start aligning their policies with the goals of the UN's Paris Agreement, this would bring us closer to a 2°C ('Paris Agreement') pathway.

Finally, 1.5°C ('Paris Aspiration') pathway assumes countries worldwide come together to ensure that a global temperature rise is minimised as much as possible through immediate transition to net-zero carbon emissions. This is in line with the UN's Paris Aspiration and in line with what most of the major global economies have agreed they want to achieve. With transport globally still running mainly on fossil fuels, a 1.5°C pathway will have a profound impact on the transport sector. This pathway allowed us to assess potential transitional risks posed by climate change.

Across these different scenarios, we looked at the potential transition and physical impacts to our business from today until 2027, 2035 and 2050. The medium- to long-term scenarios align with First Bus's *target of a zero emissions fleet by 2035* and the UK's net-zero goal by 2050.

Our analysis of transition risks considered potential impacts from a shift to a low carbon economy, including risks and opportunities from changes in carbon policies, technology, investor expectations and consumer preferences. As we move from a 4°C to a 1.5°C world, carbon taxes and technology costs can create additional costs, while transport policies (such as road pricing) and customers' increasing climate consciousness are expected to accelerate a modal shift to public transport and active travel, thereby creating key business, environmental and societal opportunities for our business.

When looking at physical risks, we considered potential impacts of more frequent and more severe weather events in the short to medium term, such as floods, storms, extreme rainfall, heatwaves, and droughts, as well as the impacts of more chronic and long-term changes such as rising sea levels and a global increase in temperatures. Financial impacts from these events range from damage to assets and increases in operational and insurance costs, to a disruption of service and losses in revenues.

Impact on business strategy and financial planning

Building on last year's qualitative scenario analysis, in FY 2022 we supported this with quantitative modelling to stress test our operations, assess our exposure to transition and physical risks over the short, medium, and long term, estimate cumulative Enterprise Value at Risk over the next five years (2022-2027) and inform our long-term business strategy.

Transition risks appear more financially impactful to FirstGroup in the short term, while physical risks become more material as the time horizon lengthens. Alongside these time horizons, as the world moves closer to meeting the 1.5°C pathway ambition, transition risks and opportunities *magnify, while physical risks become* less relevant.

Impact of transition risks:
We considered potential impacts onto our business from changes in policy (carbon pricing), technology (capital expenditure required to meet increasing environmental standards), consumer preferences (the public's climate awareness and impact on modal shift), reputation (FirstGroup's environmental credentials and ability to meet key carbon reduction goals), and capital markets (investors' expectations and impact on funding access/ costs).

Looking at the three most relevant scenarios, *our modelling work identified impacts from* policy, technology, investor and customer behaviour as the most material to our business over the next five years (see Table 2 on page 63).

Financial impacts from individual transition risks, cumulative over the next five years, could range from less than £20m in a 'No Policy' scenario, to over £50m in a 'Paris Aspiration' scenario. These potential impacts focus on direct risks to FirstGroup, recognising that under the current National Rail Contracts some of the wider risks and opportunities would be shared with/ transferred to third parties.

Transition risks to FirstGroup are for example driven by increasing carbon prices and technology costs, should we be required to significantly accelerate our transition to net-zero operations.

Given our industry, we also expect growing opportunities over the coming years to counteract some of these risks, mainly linked to a more rapid modal shift supported by customers' increasing climate consciousness and more stringent climate policy and market incentives. We are working with our divisions to understand how the pace at which we electrify our fleet and progress towards our net-zero goals could affect our ability to capture these opportunities.

Impact of physical risks:
We have considered effects of both acute and chronic climate events on our infrastructure and operations, including higher annual temperatures, more intense precipitation events and rising sea levels.

All these impacts could lead to an increased risk of connective infrastructure damage, e.g. to electricity supply and digital connectivity. The increased likelihood and severity of flooding could lead to loss and damage to our assets, depreciation and stranded assets, health and safety risk to employees,

Table 2: Potential financial impacts from transition risks and opportunities, cumulative over 5-year period, assessed against different emissions pathways scenarios

Transition risks/ opportunities	No Policy	Stated Policy	Paris Aspiration
Policy **Action by central government/regulators, including carbon pricing**	• **Low impact** Expected carbon price of ~£2 per tonne by 2025 in some regions Low emission zones leading to some route constraints	• **Medium impact** Expected carbon price of ~£30 per tonne by 2025 across the UK Zero emission zones leading to further route constraints and potential loss of licence to operate	• **Medium impact** Expected carbon price of ~£65 per tonne by 2025 across the UK Zero emission zones leading to significant route constraints and potential loss of licence to operate
Technology **Cost and availability of new technology to support a lower-carbon economy**	• **Low impact** Potential impairment of carbon-intensive vehicles Ongoing investment in zero-emission fleet to meet current commitments	• **Medium impact** Increasing impairment of carbon-intensive vehicles Some investment in zero emission fleet ahead of current schedule Some increase in cost of zero carbon vehicles and green electricity	● **High impact** Significant investment in zero-emission fleet ahead of schedule Substantial increase in cost of zero carbon vehicles and green electricity, due to demand outstripping supply
Investors **Financing influenced by environmental credentials**	• **Low impact** Low focus from investors on green credentials	• **Medium impact** Moderate focus by investors More favourable interest rates for green companies	● **High impact** Significant focus by investors Expected green covenants in financing
Customers **Demand driven by sustainability of products and services, leading to increased modal shift towards public transport**	• **Limited opportunity** Small shift to public transport, due to increasing environmental impacts and customers' climate awareness No transport policy to encourage modal shift to public transport	• **Medium opportunity** Increasing shift to public transport due to customers' growing climate consciousness Some transport policy to encourage modal shift to public transport	● **High opportunity** Substantial shift to public transport due to customers' high climate consciousness Substantial transport policy to encourage modal shift

• **Low impact = <£20m**
• **Medium impact = £20m – £50m**
● **High impact = >£50m**

• **Limited opportunity = <£20m**
• **Medium opportunity = £20m – £50m**
● **High opportunity = >£50m**

passenger safety and driving safety risk for heavy rainfall events. It could also lead to an increase in vehicle accidents and operational route closures, insurance costs and uninsurable assets.

Similarly, heatwaves could impact on passengers, employees and driver wellbeing and create an increased need for cooling. Other impacts could include vehicle overheating, service disruption or increased vehicle damage from heat damaged roads and railway networks.

In a 'No Policy' scenario a growing risk of floods and heatwaves could lead to significant damage to the bus depots we own and to the roads, train stations and tracks so critical to our business.

This would not only lead to higher building repair and maintenance costs, but it is also expected to potentially challenge the implementation of new technologies and negatively affect revenues, due to a disruption in service and a temporary decrease in demand for public transport due to extreme weather conditions.

Our analysis identified flooding as one of our most immediate, material risks and we therefore carried out a separate, in-depth flood modelling exercise covering riverine, surface water and coastal flooding.

Climate-related financial disclosures
continued

The model considered the top 240 most critical assets owned and/or managed by FirstGroup or our subsidiary companies, and assessed the maximum metres of flooding expected at these locations over different timeframes.

The purpose of this exercise was to identify high risk flood assets, assess potential financial impact and strengthen mitigation measures going forward. The model showed that the majority of FirstGroup owned assets have limited/low exposure to flood risks in the short term and estimated potential financial impacts, cumulative over the next five years, to range from £20m in a 4°C world to £4m in a 1.5°C world.

We are conscious of the limitations of the current analysis and plan to continue refining our assessment going forward. Our initial work focused on the impacts on buildings infrastructure. Next, we are reviewing how we could assess risks to rail tracks, given how material these are to our operations, but mindful that tracks are owned and managed by Network Rail. Any exposure to risks and approach to mitigation actions therefore requires close collaboration with third parties. See more detail on our business model on page 18 onwards.

Strategy resilience

Our strategy to address climate-related risks and opportunities spans all areas of our business, including vehicle and infrastructure investment, operations, and business development. It drives climate resilience across our operations thanks to its focus on supporting the transition to a zero carbon world while managing the physical impacts of climate-related risks to our business.

In First Bus, key to managing our climate transition risks is our target to achieve a 100% zero emission fleet by 2035, and not to purchase any new diesel buses after 2022. In First Rail, our individual train operating companies have each set targets relating to climate change. As an example, Avanti aims to be net-zero carbon by 2031. See page 45 onwards for more detail on individual efforts by our train operating companies.

Physical risks are addressed within our property strategy and business continuity plans, with severe weather action plans and procedures in place across the Group.

We have also started to include climate-related considerations, such as potential financial impacts from stricter government decarbonisation policies, in our viability statement. Please see pages 82-83 for more detail on this.

Partnership and advocacy

To help accelerate the decarbonisation of public transport, we work in partnership with national, devolved and local governments, industry bodies, supply chain partners and other stakeholders to enable the right conditions to drive the net-zero transition. We actively engage with the Department for Transport (DfT) on its Transport Decarbonisation Plan, advocating for measures to enable more people to make the shift from private car journeys to active travel and public transport, while highlighting key financial and policy constraints to the rapid decarbonisation of our fleets and infrastructure. See more detail on our partnership approach and how we leverage our influence on pages 43-44.

Risk management

TCFD recommendation:
Disclose how the organisation identifies, assesses and manages climate-related risks.

Approach to risk management

We take a holistic approach to risk management, first building a picture of the principal risks at divisional level, then consolidating these alongside Group-level risks into a Group-wide view (see page 75). The Board assesses the effectiveness of the Group's risk management system and receives reports on principal risks and uncertainties. It also reviews the external risk environment, scrutinises assessment of key risks and determines strategic action points.

The Group's sustainability and public affairs teams provide regular ESG updates and insights on market developments to relevant colleagues across the Group, including our TCFD working group, senior management, ExCo and the FirstGroup Board. Climate change is managed as a principal risk, with the following aspects identified as most material and addressed by targeted mitigation plans:

Policy – increased carbon pricing

More stringent climate policy could result in e.g. increased carbon taxes, road pricing in low-emission zones, policy-driven compliance costs and enhanced emissions reporting requirements such as increased focus on companies to reduce Scope 3 emissions. An increase in carbon pricing is expected to drive increases in energy, facility, and material costs. Even in a 'No Policy' scenario, our analysis has highlighted this risk as the most significant transition risk we face. This would be exacerbated by increasing mandates on the carbon intensity of our fleet and a diminishing secondary market for legacy diesel vehicles, which are captured in the technology section below. At the same time, transport policies such as road pricing could support an accelerated modal shift from private cars to public transport and create key opportunities for our business.

Mitigating risks/capturing opportunities

- We work closely with governments, industry bodies and other stakeholder groups to continuously monitor regulatory developments, affect and foresee policy changes, and continue to pro-actively respond to evolving conditions. Both our First Bus and First Rail divisions have deep engagement with local and central government departments regarding transport decarbonisation plans and encouraging a modal shift away from more carbon-intensive travel modes. In addition, First Rail are strongly represented on the Sustainable Rail Executive, convened by RSSB, alongside DfT and other key stakeholders, and also chair RSSB's Sustainable Rail Leadership Group.
- As part of our quantitative risk assessment this year, we have considered different policy scenarios and are using particularly the insights from the 'Paris Aspiration' scenario to stress test our business strategy and financial planning.
- We have developed science-based carbon reduction targets for our Scope 1 and 2 emissions, have submitted these for validation to the SBTi, and are modelling 1.5°C trajectories to 2035 to inform our transition plans and interim targets. To achieve these targets, further decarbonisation of our operations will be key, which in turn would mitigate the risks from carbon prices if powered by renewable energy.

Technology – accelerated move to low/zero-emission vehicles

As we move towards a 'Paris Aspiration' scenario, the transformation to net-zero operations would have to be significantly accelerated, leading to potential write-offs, asset impairments and/or early retirement of existing fossil fuel-related infrastructure and vehicle assets. This would be exacerbated by increasing mandates on the carbon intensity of our fleet and a diminishing secondary market for legacy diesel vehicles. There could also be additional supply chain challenges if the entire transport sector starts competing for the same technology and specialist resources and if supply falls behind compared to demand. On the other hand, we anticipate that green hydrogen and battery pack prices will fall significantly as economies of scale are reached and with increasing innovation in technology. New battery technology is expected to give greater range and longer life spans with repair and reconditioning suppliers also emerging.

Mitigating risks/capturing opportunities

- Careful planning is taking place to ensure that the conversion of our existing infrastructure to one powered by electricity and hydrogen is carried out in the most cost-effective way. We recognise that there is competition for government funding, and emerging influence from disruptors around decarbonisation in the sector. However, our experience as a transport operator is unparalleled in the UK, across both the bus and rail sector, and we have already started delivering a cost competitive transition to net-zero.
- Our property plans are an integral part of our fleet decarbonisation strategy, from reviewing the locations and infrastructure of our depots, to ensuring increased access to energy supplies for electric vehicles. We are also focused on capturing new opportunities the transition to zero carbon will bring and are exploring how we may leverage our assets to support wider community electrification needs.
- New skills and knowledge will be necessary for our workforce to drive this transition. We have already started incorporating these requirements into our people strategy, from supporting electrical engineering skills to promoting new knowledge and skills for a zero carbon world for finance, procurement and business development teams.
- We work along our value chain with vehicle manufacturers, energy partners, professional associations and others to create low and zero emission mobility solutions supporting the transition from diesel to electric and hydrogen. For more detail, see our 'Mobility Beyond Today' section on page 40 onwards.

Climate-related financial disclosures
continued

Market – increased customer demand for sustainable transport solutions and investor expectations

This area of transition risks/opportunities focuses on understanding how growing awareness of climate change amongst the public affects demand for sustainable travel, and how the exposure to climate-related risks may affect investors' expectations and access to capital funds.

As we move towards a 1.5°C world, more aggressive emission reduction pathways are likely to drive increased climate consciousness and a shift from fossil fuels to electric vehicles, and from private cars to public transport. For our industry, this creates key opportunities to grow our customer base as well as the volume of transport services delivered to our existing customers, subject to the pace of our fleet electrification and the perception of the sustainability of our brand and services in relation to other operators and transport alternatives.

Mitigating risks/capturing opportunities

- Conscious of the role the transport industry plays in mitigating climate change and driven by our commitment to sustainability, we have set ambitious goals to achieve a net-zero bus fleet by 2035 and net-zero operations across the Group by 2050 or earlier. See page 45 onwards, and KPIs on page 71, for more detail on our progress against these goals.
- The UK government's plan to fully implement a 'Green Taxonomy' and provide a common standard for measuring the environmental impact of organisations sends a strong signal that capital could become cheaper for those companies able to demonstrate clear pathways to net-zero. We anticipate that with the increasing decarbonisation of our bus fleet (at 3.3% in FY 2022) as well as our First Rail operations (with 73% running under electric traction in FY 2022), our business will be considered increasingly 'green' under any future taxonomy. We have already started to adapt to this in our financing strategy during FY 2022, with the signing of a new sustainability-linked £300m revolving credit facility.
- Given significant availability of public sector co-financing to support decarbonisation, this is an area that we will pay close attention to and periodically re-evaluate how investor and public sector sentiment towards climate adaptation and sustainability evolve.
- We will continue to be open and transparent with our progress on climate change issues, highlighting our sustainability initiatives to our customers and disclosing decision-useful climate-related information to key stakeholders.

Physical risks – more acute weather events, floods and heatwaves

Both acute and chronic weather events will impact on our infrastructure and operations. More frequent extreme weather events could increase disruption to our services, affecting customer satisfaction and potentially customer inclination to use bus or rail services. There is a potential loss of revenue and compensation for disrupted services, as well as potentially increased building repair and maintenance costs and insurance premiums for infrastructure and vehicle assets. There could also be potential risks to the health, safety and wellbeing of our employees and customers due, for example, to extreme temperatures.

- We have robust business continuity plans already in place across the Group, to manage the risks from severe weather incidents. In our bus division, for example, a 'Winter Preparedness Plan' has been in place for many years. With the results of our more in-depth quantitative assessment of physical impacts this year we will be able to refine our business continuity plans further.

Metrics and targets

TCFD recommendation:
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

To assess potential financial impacts from climate-related risks and opportunities, the key metric used was Enterprise Value at Risk (EVR), as the measure of the total estimated financial impact of a given scenario over the next five years, discounted to today's value. This, in turn, is affected by other metrics such as our greenhouse gas emissions, used to assess e.g. our potential exposure to financial risks from carbon pricing.

We have been measuring and reporting our energy and carbon performance for many years. Please see details of our carbon metrics in the KPI section of this report on page 71, including:

- our carbon footprint and carbon intensity (per £m revenue)
- our energy consumption (in kWh) and the proportion of renewables in our energy mix
- our progress against our target of operating a zero emission fleet in First Bus by 2035

Our absolute carbon footprint has reduced by 12% between 2018 and 2022, and emissions per £m revenue have reduced by 45% over the same period. We report our Scope 1, Scope 2 and Scope 3 greenhouse gas emissions in line with the GHG Protocol methodology. Our Scope 3 emissions currently include rail replacement, business travel, waste disposal, water supply and water treatment.

During FY 2022, we have developed a science-based reduction target for our Scope 1 and 2 emissions, have submitted this for validation to the SBTi, and are modelling 1.5°C trajectories to 2035 to inform our transition plans and interim targets. As part of this work, we have also completed a full inventory of our Scope 3 emissions and are starting to develop a more formalised supply chain engagement plan to promote carbon reductions across our value chain.

We report in line with Sustainability Accounting Standards Board (SASB) GHG reporting recommendations for road and rail transport – noting that we report 'total fuel consumed' as MWh rather that Gigajoules, as UK SECR reporting guidelines require us to report our total underlying energy use in kWh in our Directors' report. With carbon under increasing focus from investors, policy makers and consumers, and in line with best practice, we are considering how a carbon price could be incorporated to future financial modelling processes.

Please see our Environmental Performance Report (at www.firstgroupplc.com) for a more detailed update on our key metrics, performance trends and progress against targets. As we continue to further expand the implementation of the TCFD recommendations, this will inform the development of any additional metrics and targets around the management and mitigation of risks, the integration of climate considerations and opportunities into business strategy, and the strengthening of climate-resilience across our operations.

Key Performance Indicators

The Group, its Executive Committee and divisional management focus on a range of financial and non-financial KPIs to measure progress and evaluate our performance over time.

Our financial KPIs include total revenue, adjusted operating profit, adjusted earnings per share (EPS), and return on capital employed (ROCE), which together drive our cash flow and value creation.

Non-financial KPIs include punctuality, safety, community investment and greenhouse gas (GHG) emissions.

During FY 2022, a number of our KPIs were affected by the consequences of the pandemic and these are highlighted below. Some were unable to be assessed at all, including the in-person surveys usually conducted by the independent body Transport Focus to measure customer satisfaction in the UK bus and rail sectors. As there has been no updated measurement of these KPIs in the year, they are not shown here. Customer satisfaction continues to be measured by our businesses using a variety of techniques and the results acted on as appropriate.

Following the sale of the North American divisions, please see the discontinued businesses section of the business review for a summary of their performance in the year.

Financial KPIs

Total revenue
(£m)

£5,588.0m ▼

Revenue from continuing operations increased to £4,591.1m (FY 2021: £4,318.8m), principally reflecting improving passenger volumes in First Bus partially offset by lower receipts from pandemic-related government grant funding and increased revenue in First Rail.

Revenue from discontinued operations was £996.9m (FY 2021: £2,526.0m), reflecting the trading results of First Student and First Transit in the stub period of FirstGroup's ownership to 21 July 2021 and Greyhound's US operations in the stub period of FirstGroup's ownership to 21 October 2021. Overall, total revenue reduced to £5,588.0m (FY 2021: £6,844.8m).

Non-financial KPIs

Punctuality

First Bus punctuality
(%)

91.3% ▼

First Bus punctuality measures percentage of services no more than one minute early or five minutes late. Following a significant increase in overall punctuality in FY 2021, largely as a result of reduced on-road congestion during the pandemic-related travel restrictions, punctuality levels have normalised as traffic has increased. Further work is ongoing with local authorities and through insights gained from GPS data systems on board our buses to enhance punctuality going forward.

Although travel patterns have begun to normalise resulting in a reduction in the high average scores for the industry standard measure of punctuality and reliability (PPM) at the height of travel restrictions, they remain above pre-pandemic levels despite some train crew availability challenges during the year. We are committed to maintaining a high level of performance with action plans implemented across all operations to deliver further improvements in future.

Financial performance

Adjusted operating profit
(£m)

£226.8m ▲

Adjusted EPS
(pence)

10.2p ▲

ROCE
(%)

7.4% ▲

Adjusted operating profit from continuing operations was £106.7m (FY 2021: £112.2m), with the impact of the Omicron-related restrictions on First Bus in the second half more than offset by a stronger First Rail performance than was expected at start of year and central cost reductions ahead of plan.

Adjusted operating profit from discontinued operations of £120.1m (FY 2021: £108.0m) relates to the part year contributions from the North American operations. Overall Group adjusted operating profit increased to £226.8m (FY 2021: £220.2m).

Adjusted EPS including discontinued operations increased considerably to 10.2p (FY 2021: 3.3p), reflecting higher adjusted operating profit and lower finance costs.

ROCE 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.

Total ROCE for the continuing group was 7.4% (on a post-IFRS 16 basis).

ROCE for prior years above includes the North American businesses which were sold during the financial year.

First Rail Public Performance Measure
(PPM) Percentage of passenger trains punctual at final destination[1]
by financial period and moving annual average (MAA)

Source: Network Rail

1 Punctual is defined as arriving at the final destination within five minutes of the planned timetable for London and South East, Regional and Scotland operators, or within ten minutes for long distance operators. A higher score is better. The moving annual average (MAA) reflects the proportion of trains on time in the past 12 months.

Key Performance Indicators continued

Non-financial KPIs continued

Safety

Lost Time Injury rate
(per 1,000 employees)

9.5 ▲

Passenger injury rate
(per million miles)

9.9 ▲

Note: Historical data is restated annually to incorporate the most accurate information for the previous 36 months.

Although we saw an increase in our lost time injury rate last year, this is against the backdrop of the second year of the pandemic. The pandemic changed our operating environment and we initially saw abnormal reductions in our lost time injury rate. During the year, as operational activity returned close to pre-pandemic levels, we have seen a year on year rise in lost time injuries of 23%. However, the rate was still 12% lower than pre-pandemic levels.

We have remained agile throughout the pandemic in implementing safety strategies to mitigate this risk within our environment. This remains an area of ongoing focus for our teams as well as managing our normal operational risk.

Passenger injuries per million miles had reduced significantly due to the changed operating environment during the pandemic. As passenger numbers increased last year our passenger injury rates were still 33% below pre-pandemic levels. We have implemented several strategies to help our passengers travel safely both during the pandemic and as passenger numbers recover.

This safety focus remains at the forefront of all our businesses' operational strategies to ensure continued safe operation.

Community investment
(£m measured using LBG model)

1.58 ▲

This year we contributed £1.58m to the communities we serve across the UK. This was measured by using the method of the London Benchmarking Group (LBG) model, which tracks cash contributions made directly by the Group, time (employee volunteering), in-kind support (such as travel tickets, advertising space) and leverage (including contributions from other sources such as employees, customers and suppliers).

These current and prior year figures relate to our continuing operations in the UK.

Greenhouse gas (GHG) emissions

(Tonnes of carbon dioxide equivalent – tCO_2e)

Tonnes of carbon dioxide equivalent (tCO_2e): Total by emission scope	**2022**	2021	2020	2019
Scope 1: Direct emissions from road and rail vehicle fuel, heating fuel, fleet fuel and fugitive refrigerant gas emissions	**599,869**	534,555	696,771	802,118
Scope 2: Indirect emissions from the generation of electricity purchased for buildings and to power electric road or rail vehicles (location-based)	**221,420**	239,844	221,018	217,277
Scope 3: Other indirect emissions inclusive of business travel, water use and downstream waste treatment and disposal	**9,192**	10,399	12,220	16,472
Out of Scope: Indirect emissions from biogenic content of our liquid and gas fuels	**30,848**	23,819	21,460	8,988
Total All scopes	**861,330**	808,617	951,469	1,044,855
% change YOY	**7%**	-15%	-9%	7%
% change (2018 baseline)	**-12%**	-17%	-2%	7%
Adjusted[1] Total All scopes	**861,330**	808,617	1,083,002	1,246,614
% change YOY	**7%**	-25%	-13%	-1%
% change (2018 baseline)	**-32%**	-36%	-14%	-1%
Per £m revenue (tCO_2e/£m)	**187**	187	236	293
Sub-total UK (tCO_2e)	**861,330**	808,617	951,469	1,044,855
Per £m revenue UK (tCO_2e/£m)	**188**	187	236	293

1 Adjusted total provides like-for-like comparison of our carbon emissions by adjusting for major changes in rail (inclusion of Avanti and SWR). Please see more detail in our methodologies section below.

The Group's overall carbon emissions increased by 7% from FY 2021 to FY 2022. This is primarily because FirstGroup service levels increased as *travel restrictions were lifted post-pandemic. The* data also includes emissions from Lumo, our new electric-only open access rail business. Despite an increase in our overall carbon emissions, we are continuing to pursue our goal to become a net-zero business by 2050 or sooner.

The primary factors impacting our FY 2022 performance are:

- First Rail and First Bus have increased service levels compared to FY 2021
- The incorporation of Lumo, our new electric-only open access rail business
- *Electrification of rail routes and the use of* bi-mode trains to where possible switch train operation from diesel to electric
- *Increased use of low emission and zero* emission buses
- A reduction in carbon emission factors for electricity purchased

For a more detailed analysis and an understanding of our Group carbon performance please see FirstGroup's Environmental Performance Report 2022.

First Bus brought into service 34 low emission buses and 106 zero emission buses during FY 2022. This has increased our zero emission vehicles proportion to 3.3% (1.1% in FY 2021).

Total energy use (kWh)

Kilowatt-hours of energy (kWh HHV): Total by energy source and renewable content	**2022**	2021	2020	2019
Non-renewable sources	**3,378,894,410**	3,102,497,653	3,499,209,894	3,763,697,692
Renewable energy sources	**309,115,330**	304,782,436	627,153,709	80,185,975
Total All	**3,688,009,740**	3,407,280,089	4,126,363,602	3,843,883,667
% change (year-on-year)	**8%**	-17%	7%	8%
% change (2018 baseline)	**4%**	-4%	16%	8%
Per £m revenue (MWh/£m)	**803**	789	1,021	1,080
Sub-total UK (kWh)	**3,688,009,740**	3,407,280,089	4,126,363,602	3,843,883,667
Per £m revenue (MWh/£m) UK only	**803**	789	1,021	1,080

First Bus

Percentage of low and zero emission passenger fleet – First Bus	**2022**	2021	2020
Low emission bus defined as a diesel or biomethane powered bus with a 15% or greater carbon saving from a standard alternative	**23.4%**	21.6%	20.2%
Zero emission bus electric or hydrogen powered	**3.3%**	1.1%	0.3%
Total passenger fleet	**4,974**	5,189	5,619

Key Performance Indicators *continued*

Monitoring our underlying energy use ensures we are focusing on energy efficiency as well as switching to low and zero carbon energy choices. The underlying energy use which effects our carbon footprint has increased 8% since last year, resulting from an increase in service levels post pandemic.

This year the proportion of renewable energy we used was 8%. For a more detailed analysis and understanding of our Group energy performance please see FirstGroup's Environmental Performance Report 2022.

Group revenues increased 6% compared to FY 2021. This, coupled with a 7% increase in carbon emissions and an 8% increase in energy use, has led to minimal change in our carbon per £m revenue and a 2% increase in our energy per £m revenue.

Energy efficiency initiatives

FirstGroup tracks and monitors energy-saving initiatives to ensure we continue to focus on energy efficiency alongside switching to low and zero carbon energy choices. The following examples are significant, approved initiatives in the short to medium term which will be driving our continued energy and carbon performance:

- 148 electric buses entering service in Glasgow are expected to reduce overall energy intensity per vehicle kilometres and significantly reduce carbon emissions in First Glasgow between 2021-2023
- The completion of the Caledonia depot with the introduction of a significant number of electric vehicles and associated charging infrastructure
- Our First Bus fleet rationalisation programme has removed 311 of our oldest vehicles permanently from service last year.

Methodologies and calculations

Our carbon and energy reporting approach is prepared in accordance with the following standards and guidelines:

- Greenhouse Gas Protocol (GHG Protocol) for Corporate Accounting and Reporting Standard
- UK Government Streamlined Energy and Reporting (SECR) Guidelines.

FirstGroup has an operational control boundary covering 100% of its business activities with a materiality reporting threshold of 5%.

The term 'carbon emissions' in this report refers to GHG emissions as required for a GHG inventory. This includes carbon dioxide alongside six other GHGs calculated in mass of carbon equivalent (CO_2e).

Our GHG inventory is reported in four categories or 'scopes', listing our direct and indirect emissions in accordance with the GHG Protocol:

Scope 1: Direct emissions from road and rail vehicle fuel, heating fuel and fugitive refrigerant gas emissions

Scope 2: Indirect emissions from the generation of electricity purchased for buildings and to power electric road or rail vehicles (location-based)

Scope 3: Other indirect emissions inclusive of business travel, waste disposal, water supply and water treatment

Out of Scope: relating to the combustion of biofuels

Our reported total carbon figure is inclusive of our reported 'Scope 3' and 'Out of scope' emissions.

Our gross carbon emissions are also provided with an adjusted total to account for the incorporation of SWR and Avanti in previous reported years. It applies the equivalent emissions of these businesses to prior reported years to better compare our performance free from the impacts of major business change. This is calculated in accordance with Appendix E of the GHG Protocol.

Our UK carbon and energy emissions are calculated using Government-issued emission factors:

- UK Government GHG conversion factors for company reporting: BEIS, 2021.

There are limited examples where emission factors have been developed as 'bespoke'.

To calculate underlying energy use, liquid and gaseous fuels have been converted from a volume to kWh (Gross Calorific Value). The following sources have been used to derive fuel energy properties for these calculations:

- UK Government GHG conversion factors for company reporting: BEIS, 2021.

A detailed understanding of our calculation methodologies is available within FirstGroup's Environmental Performance Report 2022, which can be found on our website at www.firstgroupplc.com.

Non-Financial reporting statement

Introduction

The EU Non-Financial Reporting Directive applies to the Group, and the tables below summarise where further information on each *of the key areas of disclosure required by the Directive can be found.*

Further disclosures, including our Group policies and non-financial targets and performance data, can be found on our website, and in our Environmental Performance Report 2022, at www.firstgroupplc.com.

Reporting requirement	Relevant section of this report
1. Description of our business model	▪ Our business model – pages 18-19
2. The main trends and factors likely to affect the future development, *performance and position of the Group's business*	▪ Our markets – pages 20-21 ▪ *Business review – pages 22-30*
3. Description of the principal risks and any adverse impacts of business activity	▪ Principal risks and uncertainties – pages 74-81
4. Non-financial key performance indicators	▪ Gender diversity – page 48 ▪ Punctuality – page 69 ▪ Safety – page 70 ▪ Community investment – page 70 ▪ Greenhouse gas emissions and energy – pages 71-72

Reporting requirement	Policies, processes and standards which govern our approach*	Risk management	Embedding, due diligence, and outcomes of our approach, and additional information
5. *Environmental* matters	▪ *Group-wide strategic framework* for sustainability – pages 41-59 ▪ Environmental Policy ▪ Environmental management systems around the Group, certified to ISO 14001 standard in much of our UK business ▪ Certified ISO 50001 systems in some of our TOCs	▪ *Climate-related risk – pages 76-77* ▪ Task Force on Climate-related Financial Disclosures (TCFD) – pages 60-67 ▪ Competition and emerging technologies – page 78 ▪ Regulatory compliance – page 81	▪ *Our markets – pages 20-21* ▪ Business review – pages 22-30 ▪ Group-wide strategic framework for sustainability – pages 41-59 ▪ Suppliers – pages 108-109 ▪ Greenhouse gas emissions and energy data – pages 71-72
6. Employees	▪ HR Policy framework across the Group ▪ Code of Ethics ▪ Gifts and Hospitality Policy ▪ Whistleblowing Policy and Procedure ▪ Health and Safety Policy ▪ Group-wide strategic framework for sustainability – pages 41-59	▪ Human resources risk – page 81 ▪ Safety risk – page 80 ▪ Task Force on Climate related Financial Disclosures (TCFD) – pages 60-67	▪ Safety – pages 52-53 ▪ Diversity and inclusion – pages 47-49 ▪ Employee engagement and representation – page 51 ▪ Board-level Employee Directors – page 100 ▪ Skills for the future – page 50 ▪ Health and wellbeing – page 51
7. Social and community matters	▪ Community engagement and community investment frameworks ▪ Code of Ethics ▪ Payroll Giving ▪ Matched Giving Guidelines and Exclusion Policy ▪ LBG impact measurement ▪ Health and Safety Policy ▪ Group-wide strategic framework for sustainability – pages 41-59	▪ Safety risk – page 80	▪ Business review – pages 22-30 ▪ Supporting communities – pages 108-109 ▪ Safety – pages 52-53 ▪ Accessible journeys – page 43 ▪ Government engagement – pages 106-107 ▪ Working with charities – pages 55-56 ▪ Community investment – page 70
8. Human rights	▪ Code of Ethics ▪ Supplier Code of Conduct ▪ Code of Conduct on Anti-Slavery and Human Trafficking Prevention ▪ Modern Slavery Statement 2021 ▪ Health and Safety Policy	▪ Regulatory compliance – page 81	▪ Safety – pages 52-53 ▪ Ethics – pages 58-59
9. Anti-corruption *and anti-bribery*	▪ Anti-Bribery Policy and *steering committee* ▪ Conflicts of Interest Policy	▪ Regulatory compliance – page 81	▪ Ethics – pages 58-59

* Some policies, processes and standards shown here are not published externally

Principal risks and uncertainties

With renewed focus on our UK operations, FirstGroup is dedicated to building on our strong position at a key inflection point for UK public transport.

To support the strategic goals and obligations of the Group, our risk management framework holistically considers the impacts of both the changing transportation market and our UK-focused operations. As a result, our principal risks and uncertainties are detailed on pages 76 to 81.

Our risk management approach

We take a holistic approach to risk management, first building a picture of the principal risks at the divisional level, then consolidating those principal risks alongside Group risks into a Group view. In addition, we continue to identify and analyse emerging risks, which are considered and approved in Business Review and Executive Committee meetings before being presented to the Audit Committee and Board for consideration and approval. The objective of this process is to ensure all key risks to the Group are known and are being actively monitored, and mitigating controls are put in place to ensure risk falls within the risk appetite set by the Board.

Our risk management framework and structure

Whilst some risks such as financial resource risk are managed at a Group level, all our businesses are responsible for identifying, assessing and managing the risks they face with appropriate assistance, review and challenge from the Group functions.

We seek to continue to improve the quality of risk management information generated by our divisions. The Group has developed a risk appetite framework which informs the business on the Board's appetite for certain risks and informs risk assessment.

Our risk management framework is shown in the adjacent diagram. Our current risk management structure is shown in the adjacent table.

Principal risks and uncertainties

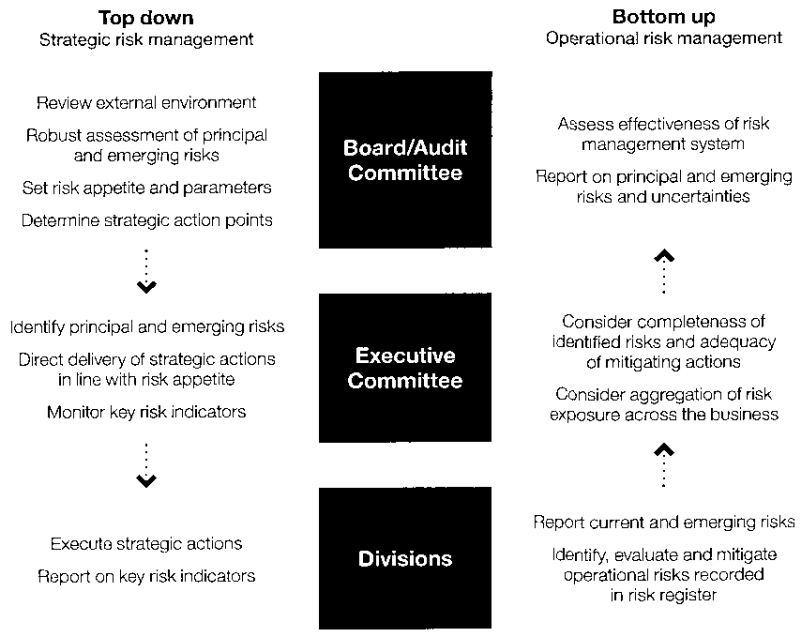
Discussion of our principal risks on page 76 onwards provides the current description of the principal risks, the existing mitigation activities, and corresponding movement of the risk.

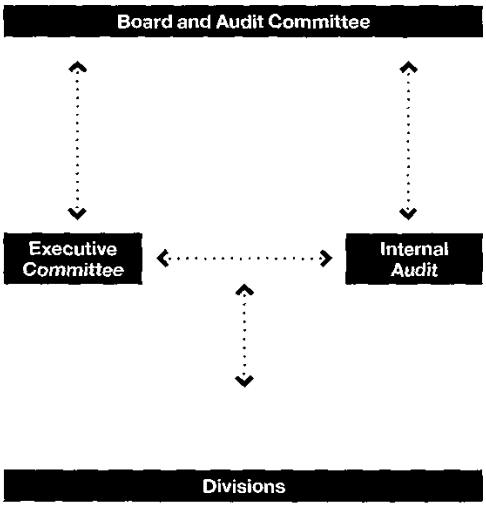
Our risk management methodology continues to aim at identifying the principal and emerging risks that could:

- adversely impact the safety or security of the Group's employees, customers and assets
- have a material impact on the financial or operational performance of the Group
- impede achievement of the Group's strategic objectives and financial targets
- adversely impact the Group's reputation or stakeholder expectations

Further information on our risk management processes is contained in the Governance section on pages 117 to 118.

Our risk management framework





Responsibility	Process
The Board has overall responsibility for the Group's systems of internal control and their effectiveness. The Audit Committee has a specific responsibility to review and validate the systems of risk management and internal control.	The Board reviews and confirms Group and divisional risks and the Audit Committee reviews the Group's risk management process.
The Executive Committee acts as Executive Risk Committee and reviews the Group's risk management processes. Internal Audit provides assurance on the key risk mitigating controls and ensures that the audit plan is appropriately risk-based.	The Executive Committee and other Group management review and challenge Group and divisional risk submissions.
The divisions and Group functions management have responsibility for the identification and management of risks, developing appropriate mitigating actions and the maintenance of risk registers.	Divisional and Group risk champions maintain and update risk registers for their function or division. Risks and mitigating actions are monitored through normal business management processes.

Principal risks

To deliver our strategy, it is important that we understand and manage the risks that face the Group. The table below outlines our principal risks:

Legend

◀▶ FY 2022 risk is stable ◀ FY 2022 risk is increasing ▶ FY 2022 risk is decreasing

Severity (Impact x Likelihood x Velocity) High ← → Low

External Risks	
Economic conditions	◀
Climate change	◀▶
Geopolitical	◀▶
Pandemic	◀▶
Strategic Risks	
Contracted business	◀▶
Competition and emerging technologies	◀▶
Transactions	◀▶
Operational Risks	
Financial Resources	▶
Safety	◀▶
Pension Scheme Funding	◀▶
Data Security & Privacy	◀
Regulatory Compliance	◀▶
Human resources	◀▶

How to use this scale:

During execution of the review and placement of the principal risks on the above table, management considered financial impacts based on pre-Covid First Bus annual revenue of c.£850m. Specifically, the 'High' end of the scale represents a combination of a catastrophic financial impact of greater than £50m and the 'Low' end considers financial impacts less than £4m.

Principal risks and uncertainties continued

Risk description, Group	Mitigation	Comment on risk change during the year
External Risks		
Economic conditions		
The Group's success depends on adapting to economic fluctuations which may negatively impact performance through increased costs, changing customer needs, reduced demand and/or reduced opportunities for growth. Globally, the economic outlook is less certain, and the Group specifically has experienced increased fuel costs related to the Russia-Ukraine war. All these market changes have the potential to decrease the Group's available financial resources to invest capital in innovative solutions that drive demand. Additionally, when these economic uncertainties are combined with rising fuel prices, they may further increase costs to the Group that they cannot pass to consumers particularly in our First Bus divisions.	In order to adapt to market uncertainties and continue to drive demand, the Group continues to be customer-focused and strives to provide innovative transport solutions. Whilst the Group has implemented hedging processes to offset temporary economic impacts driven by inflation and supply chain events we also continue to focus on strategic ventures to develop new innovative service offerings (e.g., fleet and ticket initiatives) in order to provide our customers with attractive transport solutions and retain customer demand through unstable economic conditions.	Although it is not yet clear the impacts of other macro-economic factors, the Group has continued to hedge exposure to FX and fuel fluctuations to minimize material impacts and fares are generally increased by wider inflation levels that offsets cost pressures. This has allowed for a certain level of visibility into pricing that can be built into the UK bus forecasting models.
Climate change		
Businesses globally continue to come under increasing pressure from all stakeholders, particularly policy makers and investors, to demonstrate strong progress on their climate-related performance. The pandemic has further increased the public's awareness of global environmental challenges and the threat posed by climate change. Inadequate attention to our climate-related risks and opportunities, as well as emerging technologies, could negatively impact the Group's performance, reputation and growth. The UK government has set a legally binding target for net-zero greenhouse gas emissions by 2050. All companies that operate in the UK or are owned by UK-based companies will be substantially impacted by decarbonisation policies introduced to meet this target. As a result, the Group is under increased pressure and scrutiny from both investors and government bodies to provide evidence of our strategic plans in place to mitigate climate change risks. Climate change poses both physical and transition risks to our business, from weather events impacting our assets, operations, service delivery and customer demand, to changes in policy, technology and market expectations impacting our capital and operational costs, our reputation, and access to funding. Delays in implementing our strategic plans to mitigate climate-related risks, including transitioning our fleets to zero emissions, could result in lost business, reduced revenue and reduced profitability.	The Group's strategic framework for sustainability, Mobility Beyond Today, sets out the company's ambition to be the partner of choice for innovative and sustainable transport. Climate change has been an integral part of our risk management framework for many years and, through Mobility Beyond Today, has become an integral part of core business strategy. In FY 2021, FirstGroup became the first bus and rail operator in the UK to formally commit to setting an ambitious science-based target aligned with limiting global warming to 1.5°C and reaching net-zero emissions by 2050 or earlier. During FY 2022, we have developed a science-based carbon reduction target for our Scope 1 and 2 emissions, submitted this for validation to SBTi, and are modelling 1.5°C trajectories to 2035 to inform our transition plans and interim targets. As part of this work, we have also completed a full inventory of our Scope 3 emissions and are developing a supply chain engagement plan to promote carbon reductions across our value chain. First Bus has set a target to operate a zero emissions fleet by 2035, starting with a commitment to stop purchasing any new diesel buses after 2022. First Rail is supporting the UK Government's target to remove all diesel-only trains from service by 2040, with electrification of our First Rail routes already delivering a reduction in carbon emissions per passenger kilometre. We continue to work with government and industry partners to support further electrification of Britain's rail network and implement alternative technologies such as battery power to help achieve zero emission trains.	The Group recognises the continued pressure and opportunity to create a more sustainable world and maintains our commitment to invest in new technologies and collaborate with partners to create a cleaner future. Our TCFD implementation work, the climate-related commitments we have made and the strategies we are developing to meet them will ensure we are managing our climate transition risks effectively and continue to build business resilience for the long term.

Risk description, Group	Mitigation	Comment on risk change during the year
Climate change continued		
	While eliminating carbon emissions associated with our operations, we are actively supporting a modal shift to public transport to further reduce emissions from transport. We also continue to embed the TCFD recommendations to assess and mitigate impacts from climate change onto our business and build *long-terms climate resilience across our operations.* Business continuity plans are in place for all areas of our businesses in case of extreme weather or other physical events. More details on our climate-related performance can be found in the non-financial KPI section (page 54), our Mobility Beyond Today update (page 35), our 2022 TCFD report (pages 60-67) and Environmental Performance Report (at www.firstgroupplc.com)	
Geopolitical		
The political landscape within which the Group operates is constantly changing. The Group's operations depend on government policy, funding regimes and infrastructure initiatives continuing to support private company operators in public transportation. Inability to maintain rail contracts and/ *or leverage national funding and develop government* partnerships, including the ability to attract and retain resources with the knowledge and skills necessary to maintain/develop government partnerships, may result in the reduction and/or elimination of rail contracts and/or an inability to sustain and develop new bus routes resulting in adverse financial impacts.	Whilst the Group collaborates with industry bodies to help anticipate government policy and/or funding regime changes in order to adjust operations, the Group is an apolitical organisation and does not have the ability to control or substantially influence government policy. The Group has been able to mitigate capability gap disruptions by defining a new operating model to *support government infrastructure initiatives and has* partnered with third-party consultants to help further drive the change portfolio and ensure the Group has the requisite skills and capabilities to leverage national funding.	After the UK government announced significant funding for the bus sector, including infrastructure investments to transform bus services across the country, both national and local governments continue to demonstrate willingness to support service provision whilst passenger volumes *continue to recover, while underpinning investment* to strengthen bus networks for the longer term. *Additionally, the DfT and UK Government continues to* support the delivery of rail services through lower-risk fee-based contracts, that better align the risk and reward for running the network than the traditional franchising model. See pages 26-29 for additional information on the negotiation of the outstanding National Rail Contract agreements.
Strategic Risks		
Contracted business		
The Group's contracted businesses are dependent on the ability to secure and renew contracts on profitable terms, effectively manage affiliates, deliver under contract terms and avoid termination. Additionally, *the ability of the Group to achieve performance* targets is dependent on our ability to exceed passenger performance metrics laid out in rail contracts. Failure to do so would result in reduced revenue and profitability and/or negative impact on delivering the Group's strategic objectives.	Contracts have been re-negotiated and concluded at SWR and TPE under the DfT's National Rail Contract structure framework, and negotiations are ongoing for the WCP contract award. The contract structure is *now concession-based with a fixed management fee* plus performance incentives resulting in a far better balance of risk and reward. As the largest incumbent with four UK rail operations expected to be in place until at least May 2023 for TPE and SWR (with an option for the DfT to extend for two years), negotiations are ongoing for an award in GWR and *Avanti in line with the respective prior information* Notices issued by the DfT to up to 2028 and 2032 respectively. Furthermore, we have the extensive operational expertise needed to meet requirements for the contract performance incentives. Our First Rail teams who focus on DfT negotiations and ensure that future commitments to UK rail will have an appropriate *balance of potential risks and rewards for* shareholders.	The transition from franchising to contracts has led to a better balance of risk and reward via reduced revenue risk, minimal cost and contingent capital risk, and will continue to provide more consistent cash *generation each year. As the largest incumbent, the* Group has the operational structure and expertise to exceed passenger delivery against performance targets and to build on our base business with no limited revenue risk. Additionally, future contracts now commit to a minimum of two-years awards and are expected to be longer allowing for better financial *and portfolio planning. Additionally, future contract* awards are expected to be longer dated in contract length as per the PIN's allowing for better financial portfolio planning.

Principal risks and uncertainties continued

Risk description, Group	Mitigation	Comment on risk change during the year
Strategic Risks continued		
Competition and emerging technologies		
The Group's market share and competitiveness is dependent on effectively competing in areas of pricing and service options. Our success is also dependent on identifying and developing innovative offerings in line with the Group's goal to the be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero carbon world. Our main competitors include the private car and other transportation service providers (e.g. ride share etc.). Zero emission and emerging technologies such as autonomous vehicles and on-demand schemes provide opportunities to grow and develop our market segments. The Group may also begin to experience more competitors for rail contracts as a result of the decreased contingent capital requirements of the National Rail Contract structure. Failure to effectively compete in the market and/or develop new and innovative options could result in decreased customer retention, decreased demand, reduced revenue, negatively impacting the effective execution of FirstGroup's strategy and/or other adverse financial and reputational impacts.	To meet our goal to be the partner of choice for innovative and sustainable transport, we continue to focus on service quality and delivery in order to attract passengers and other customers to our portfolio of businesses. We are leaders in the operation and maintenance of electric vehicles, and we continue to invest in the technology and services to support connected and on-demand travel. The Group also continues to have dedicated consumer experience teams in our divisions who help implement innovative customer convenience solutions (e.g. real-time seat capacity, contactless and capped ticketing, smart tickets, 5G/WiFi, data driven pricing) who focus on improving access to our services and our overall service to customers. Wherever possible the Group works with local and national bodies to promote measures aimed at increasing demand for public transport.	Changes in demand for public transportation due to increased remote work environments has led to reduced passenger volumes. Although the lasting impact to commuting behaviours and consumer travel demand continues to evolve, the Group's passenger volumes continued to increase following the lifting of restrictions. The Group has continued to invest in emerging technologies this year, including autonomous and electric vehicles, and services to support connected and on-demand travel, including mobility as a service (MaaS). We continue to increase the number of low and zero emission vehicles operating in our buses and open access trains fleet, Hull Trains and Lumo, and to focus on providing easy and convenient mobility, encouraging the switch from private car journeys to our services.
Transactions		
The Group's operational success in organic growth is dependent on effectively identifying and executing acquisitions and transactions. Our success is also dependent on the outcomes of favourable results of the transactions executed in the sale of First Student and First Transit through the Transit earn out, realising the value of the retained Greyhound real estate portfolio and fully discharging the retained Greyhound legacy pension and insurance liabilities. Additionally, the Group faces additional risk of continued industry consolidation, specifically within the bus operations. Failure to identify and/or execute acquisitions and other transactions in a timely manner, along with the failure to complete transactions in accordance with agreed terms, could result in negative impact on business operations (contracts, customers, employee retention, etc.), negative reputational impacts, the inability to meet financial obligations, and/or the inability to meet financial goals/projections.	The Group actively seeks out and reviews mergers and acquistion (M&A) opportunities that would be beneficial to our portfolio. We continued to gather insights from our strategic advisors and contacts within the business to evaluate potential transactions. Greyhound retained legacy insurance liabilities in the USA have been re-insured in the market to reduce exposure as well as further cash contributed to the legacy pension arrangements and investment strategy amendments to reduce future volatility and better match the liabilities as the respective schemes progress towards ultimate buyout. Greyhound retained real estate portfolio disposals continue to progress with a number property sales since disposal to Flix Mobility in October 2021 for a total of £150 million.	With the sale of the North American operations complete, we continue to focus on managing the outcomes of the transaction to ensure maximum value to the Group. We are closely monitoring any Transit earnout provisions to position us most favourably at time of settlement. Greyhound legacy insurance and pension de-risking has been completed to significantly reduce the risk of these exposures.

Risk description, Group	Mitigation	Comment on risk change during the year
Operational Risks		
Financial resources		
As set out in further detail in note 25 to the financial statements on pages 207 to 209, treasury risks include liquidity risks, risks arising from changes to foreign exchange and interest rates and fuel price risk. Liquidity risk includes the risk that the Company is unable to refinance debt as it becomes due. Foreign currency and interest rate movements may impact the profits, balance sheet and cash flows of the Group. Ineffective hedging arrangements may not fully mitigate losses or may increase them. The Group is credit rated by Standard & Poor's and Fitch. A downgrade in the Group's credit ratings to below current investment grade may lead to increased financing costs and other consequences and affect the Group's ability to invest in its operations. The Group's banking arrangements contain financial and other covenants with financial covenants tested semi-annually on 30 September and 31 March. In the event a covenant test level is breached the Company may not be able to negotiate sufficient headroom to allow it to continue to trade.	The Group monitors our leverage ratios and overall liquidity consistently to ensure we remain within our target range and have adequate financial resources on a two to three year period looking forward.	As a result of the sale of the North American operations and the significant deleveraging in the period, the business is in a much stronger credit position and has a well capitalised balance sheet with net debt (before IFRS 16 and ring-fenced cash). Credit is more available within the markets and the Group has sufficient cash and an a unutilised £300m sustainability-linked committed revolving credit facility balance to cover repayment on our bond to provide substantial debt facilities if required.
Pandemic		
Covid-19 has altered the way in which the Group operates and serves our communities. Our success depends on effectively managing operations to match modifying levels of passenger demand in line with government support requirements and continuing to anticipate and adapt to changes in consumer commuting and travel behaviours, especially for our Hull Trains and Lumo businesses which do not qualify for government support. Failure to balance operational changes to attune to consumer behaviours to future passenger demand levels as the UK continues to progress out of the crisis created by the pandemic, whilst also maintaining the necessary level of passenger volumes to qualify for government support, may result in adverse reputational or financial impacts.	To adapt operations to changing passenger demand and commuting patterns, whilst also meeting government pandemic funding requirements, the Group continues to implement new policies and procedures across all vehicle fleets. These policies and procedures include processes to track policy developments, modelling scenarios for efficiency of service levels, and fare strategies. Under National Rail Contracts the Group will not experience revenue risk as a result of decreased demand. However, our Hull Trains and Lumo businesses along with our bus businesses, have a greater risk of loss caused by decreased demand. While the Group saw demand increase during the last year, to adapt our operations to potential changes in commuting and travel behaviour, the Group has dedicated teams to assess and monitor workforce and route planning service levels, reducing these where necessary. The dedicated teams use advanced data analytics that reduce the overall time needed to adjust schedules. As end markets have emerged from Covid-19, the Group has begun to reshape routes and timetables to align with demand. The actions taken via these plans will be based on real-time passenger flow data now available following digital transformation initiatives.	Whilst the Group has implemented reduced service levels in Bus to c.85-90% of pre-pandemic levels in line with the grant funding in First Bus and variable costs, the Group remains vulnerable if passenger demand levels remain depressed as the UK emerges from the pandemic, given that grant funding is expected to reduce.

Principal risks and uncertainties continued

Risk description, Group	Mitigation	Comment on risk change during the year
Operational Risks continued		
Safety		
The Group is committed to fostering and maintaining a culture of safety. However, public transport inherently includes safety related risks, many of which are out of our control. These risks include terrorism, adverse weather, human error and increased traffic/congestion on public roadways. A safety incident, or a threat of an incident, could lead to reduced public confidence in public transportation overall and potentially reduce demand for our services.	In order to promote and maintain our culture of safety, all divisions have extensive safety plans and safety training for our drivers and employees. Access to vehicles is controlled to prevent against malicious access. Mechanical safety controls (speed monitoring, cameras, etc.) are implemented across our fleet of vehicles. Whilst the Group has implemented preventative safety measures and procedures, we recognise that incidents are ultimately out of our control and do at times result in legal claims. As a result, the Group has dedicated departments, utilising third party experts when needed, to analyse and maintain effective insurance structures and levels.	Although the Group continues to assess, update and implement safety procedures across our businesses, risk mitigation in this area continues to be a focus.
Pension scheme funding		
The Group sponsors or participates in several significant defined benefit pension schemes. Within the schemes, the Group's future cash contributions and funding requirements are dependent on investment performance, movements in discount rates, expectations of future inflation and life expectancy In order to maintain adequate cash funding and prevent adverse financial impacts or reputational damage, the Group must monitor the performance of our fund investments and movements in other contributing factors (e.g. discount rates, life expectancy, etc.).	In order to effectively monitor our funding requirements, all our cash models/forecasts include significant pension deficit funding. The Group also uses third party experts to advise on investment strategies and liability management, monitor movements in discount rates and inflation expectations. We continue to replace our defined benefit schemes with defined contribution arrangements where possible. We are also focusing on diversifying asset classes and reallocating riskier investments to investments that better match the characteristics of the liabilities as funding levels improve. Under the First Rail contracting arrangements, the Group's train operating companies are not responsible for any residual deficit at the end of a franchise contract with no cost risk during the contract so there is only short-term cash flow risk within any particular franchise.	The Group has closed most of its defined benefit schemes in its divisions to future accrual. This will lead to the natural reduction of the size and volatility of the pension funding risk over time. As part of the sale of the North American businesses and the capital return to shareholders, £220m was contributed to the First Bus pension scheme and £117m placed in an escrow arrangement where this cash could be returned to the Group in certain scenarios depending on the achievement of low dependency funding levels in 2024 and 2030 valuation for the First Bus and FirstGroup schemes respectively. Furthermore, significant cash contributions have been made into the legacy Greyhound pension arrangements in USA and Canada that have significantly de-risked these exposures.

Risk description, Group	Mitigation	Comment on risk change during the year
Data security and consumer privacy, including cyber-security		
The Group continues to see an increase of mobile and internet sales across all divisions. These mobile and internet channels gather large amounts of data which require safeguards in order to protect our customer's data and to comply with the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA). Whilst this data requires compliance with consumer privacy regulations, it also makes us a target of data security attacks by third parties. The Board has also implemented a clear policy on ransomware attacks should these occur. In addition to maintaining infrastructures that protect consumer data, our operations rely on information technology systems. Cyber-attacks, computer malware, viruses, spamming and phishing attacks have become more prevalent and may result in a breach of our systems. A breach of our facilities and/or networks could disrupt our operations and impair our ability to protect consumer data, and/or compromise our confidential business information. A failure to prevent, mitigate or detect security breaches and/or improper access to our business and/or customer information and/or comply with consumer privacy regulations could result in disruption to our operations, significant penalties and have an adverse impact on consumer confidence in the Group.	To protect our customer data and comply with all data privacy regulations, the Group has implemented IT infrastructure controls across the company. We also have dedicated compliance officers in each division. The Group administers a training programme to all employees, communicating their role in protecting and preventing the unauthorised access to sensitive data. Additionally, in order to comply with user preferences, the operations are implementing a software solution that makes it easier to record and update customer preferences. Business continuity plans continue to evolve and are updated as the transition to greater dependency on technology continues in order to minimise the impact of cyber-attacks and the potential impact to the continuity of our operations.	Despite the Group's continued efforts to mitigate this risk, the risk of a cyber-security attack for all companies remains and has escalated in recent times following heightened geopolitical tensions and increasing numbers of sophisticated threat actors. We continue to be diligent in evaluating and implementing enhanced techniques to protect our systems and data from threats.
Regulatory compliance		
The Group's operations are subject to a wide range of legislation and regulation. Complying with such legislation and regulations may increase the Group's operating costs, and non-compliance could lead to financial penalties, investigation expenses, legal costs or reputational damage. The Group's corporate governance, which is recognised by external ESG ratings as strong and well aligned with stakeholder interests, supports our ability to respond to, and prepare for, financial and ESG laws and regulations. The main regulatory compliance risks specific to the Group that are not covered in other principal risks include workplace compliance (employee wage and hour, meal and break matters, etc.), workplace health and safety and anti-trust/anti-bribery regulations.	To help the Group comply with all legislation and regulations, we have dedicated compliance professionals who ensure applicable laws by locality are followed. We also engage with third party legal experts when necessary to advise on policies and procedures and other related compliance matters. We provide a hotline for employees and third parties to report concerns. To help mitigate non-compliance risk with anti-bribery and anti-trust regulations we maintain robust policies and procedures and our employees receive regular training on the policies. We also complete periodic audits of our training programmes to ensure consistent training and participation.	Although our legislative and regulatory environment continues to change, the Group maintains our commitment to assess and adapt not only our insurance structure but also our policies and procedures to prevent non-compliance.
Human resources		
Employee costs represent the largest component of the Group's operating costs. These costs include expenses related to recruitment, retention and talent development. The costs are impacted by changes in employment markets, new regulatory requirements and diversity and inclusion programmes. A failure to effectively recruit and retain a diverse and talented workforce could have adverse financial, reputational and operational impacts. The employment market for drivers and technicians has become more challenging since the pandemic. This has increased our recruitment and retention costs and may impact operations as consumer travel demand increases. Our employee turnover has also been impacted by current wider economic circumstances, particularly rising inflation	In order to increase retention and decrease employee costs, the Group has enhanced recruitment practices, including launching a national media campaign to promote job openings and leveraging online channels for all roles. To help prevent overall employee turnover, we continue to focus on improving communication with employees, defining a new people strategy, investing in employee development and diversity and inclusion, and providing market competitive wages and benefits. Employee engagement survey results are reviewed to develop actions to address low performing metrics to further help retain our top talent	With industry-wide driver shortages stabilised, but at a higher level than historically, we continue to focus on our bus driver recruitment and retention programmes, and on managing our multi-year pay deals with local unions. This will require the Group to assess and adapt our operations in the future. Additionally, employee and community expectations continue to impact our recruitment, retention, diversity and development strategies.

Viability and going concern

Viability

Time horizon

The Directors have assessed the viability of the Group over a three-year period. This period reflects the Group's corporate planning processes and is considered appropriate for a fast-moving competitive environment such as passenger transport. Beyond three years, forecasts may be affected by changes in government transport policy and/or major contract wins and losses.

Scenario testing

In making their assessment, the Directors have taken into account the potential financial and operational impacts, in severe but plausible scenarios, of the principal and emerging risks which might threaten the Group's viability during the three-year period to 31 March 2025 and the likely degree of effectiveness of current and available mitigating actions that could be taken to avoid or reduce the impact or occurrence of such risks (details of the risks and mitigating actions are set out on pages 74 to 81). The assessment of the available mitigating actions include the Group's ability to manage its cost base and capital expenditure.

The broad details of the scenarios that were considered in the assessment are: 1) a protracted period of weak passenger volumes as a result of the continuing coronavirus recovery period comprising reductions of up to 10% in First Bus and 20% in non-contracted Rail and 50% lower than budgeted performance fees on NRC rail contracts; 2) heightened operational and environmental pressures including increased inflation 1% higher than budgeted levels, additional Governmental decarbonisation policy of £2m per annum and the loss of a number of First Rail contracts with operating profit impact increasing to £20m per annum in FY 2025; 3) one off safety, regulatory non-compliance or technology incidents leading to short-term reduced revenue and/or additional costs of £15m; and 4) inability of the Group to negotiate additional new credit facilities on acceptable terms leading to a reduction in facility headroom of £200m from September 2024 and delayed payment of the Transit earn out due in FY 2025.

In making their assessment, the Directors have made the assumption that the Group will retain £200m bond expiring in September 2024, and will have access to debt markets to negotiate additional new credit facilities if required. The results of this scenario testing showed that the Group would be able to remain viable and maintain liquidity over the assessment period.

Climate change

The Board has also considered how climate risks could impact the Group's viability. More detail on the Group's assessment of risks and opportunities from climate change is contained in our TCFD disclosures on pages 60 to 67. The key conclusions relating to the viability assessment were that given the Group's geographic diversity across the UK, the financial impact of extreme weather events over the three-year viability period was not judged to be material.

Transitional risks, related to changes to the governments decarbonisation policy, were unlikely to cause any material adverse impact over the viability period given that, whilst the vast majority of the Group's emissions are from vehicles, the Group is already targeting industry-leading timescales for transitioning its vehicles to zero emission.

Corporate planning processes

The Group's corporate planning processes include completion of a strategic review for the Rail and Bus divisions, preparation of a medium-term business plan and a quarterly re-forecast of current year business performance. The plans and projections prepared as part of these corporate planning processes consider the Group's cash flows, committed funding and liquidity positions, forecast future funding requirements, banking covenants and other key financial ratios, including those relevant to maintaining the Group's existing investment grade status. It also considers the ability of the Group to deploy capital. A key assumption underpinning these corporate planning processes is that credit and asset-backed financing markets will be sufficiently available to the Group to put additional new facilities in place, if required.

Viability statement

Based on the results of the analysis explained above, including scenario testing, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2025 and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote.

The Board confirms that in making this statement it carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and/or liquidity.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2023 and evaluated whether it was appropriate to prepare the full year results on a going concern basis. In doing the Board so considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period. No consideration has been given to the unsolicited, conditional proposals in relation to a possible offer for the Group by I Squared Capital Advisors (UK) LLP as announced to the market on 26 May 2022, or any other offer for the Group that may arise, in the preparation of the accounts.

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

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of the post-pandemic operating environment, including assumptions on passenger volume recovery and government support arrangements.

Base case scenario

The Board considered the annual budget to 31 March 2023 and medium term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2022 year end. These projections were the subject of a series of executive management reviews and were used to update the base case scenario that was used for the purposes of the going concern assessment at the FY 2022 year end. The base case assumes a continuing recovery in passenger volumes in FY 2023, but that passenger volumes remain below pre-pandemic levels in the going concern assessment period. The macro projections in the updated base case assume that the UK operates in a recovering coronavirus economy.

Downside scenario

In addition, a downside case was also modelled which assumes a more protracted post-pandemic recovery profile. In First Bus the downside case assumes slower recovery with passenger volumes a further 3% below pre-pandemic levels, partially offset by 1.5% mileage reductions. In First Rail, the downside case assumes TOC performance fee awards at 50% and Hull Trains and Lumo Trains revenue reduction of 20%.

Mitigating actions

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

Going concern statement

Based on the review of the financial forecasts for the period to September 2023 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12 month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Governance report

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Board of Directors

David Martin Ⓝ Ⓜ
Interim Executive Chairman

Appointed: 15 August 2019

Key areas of expertise: Surface Transportation, Business Turnaround, Performance Improvement, International Transport Contract Businesses, Strategic Transactions

Skills and experience: David is the former Chief Executive of Arriva, which he joined in 1998 as board member responsible for international development before taking over the leadership of the company in 2006. During his tenure, Arriva was transformed into a multinational transport services group through a number of key strategic mergers and acquisitions. In September 2010 the company was purchased by Deutsche Bahn, one of the world's leading passenger transport and logistics companies. David remained as Chief Executive throughout this period, before stepping down in January 2016. He remained on the Arriva Board advising on a range of issues until May 2017. He was formerly a Non-Executive Director at Ladbrokes plc and previously held roles at British Bus plc, where he was responsible for development of strategy and M&A, at shipping company Holyhead Group and at business services group Initial Services PLC. David is a chartered management accountant.

External appointments: Senior Independent Director at Biffa plc; member of the advisory board at Nottingham Business School; member of the steering committee at Nottingham Trent University.

Nationality: British

Graham Sutherland Ⓧ
Chief Executive Officer

Appointed: 16 May 2022

Key areas of expertise: Business Strategy, Performance Improvement, Government Contracting, Engineering and Infrastructure, Digital Transformation, Corporate Finance/ M&A, Governance

Skills and experience: Graham has a strong track record in the delivery of critical services and in creating value for shareholders in rapidly evolving regulatory and technological environments. Previously he was Chief Executive Officer of KCOM Group plc, a LSE-listed telecommunications company. Prior to this, Graham held a number of senior executive roles within BT Group PLC over twelve years. These included as Chief Executive Officer of the BT Business and Public Sector division, where he was responsible for profitable growth and led the integration of EE's Business unit, creating a division with £4.6bn in annual revenues and 13,000 employees. Graham was also Chief Executive of BT Ireland where he was responsible for all consumer, business and network activities. Prior to that he was Chief Executive of NTL Ireland and has also held senior financial roles including at Bombardier. Graham has an established record in strategic development, as well as delivering enhanced financial and operational performance and engaging a diverse range of stakeholders including consumer, business and public sector customers.

Nationality: British

Ryan Mangold Ⓧ Ⓜ
Chief Financial Officer

Appointed: 31 May 2019

Key areas of expertise: Corporate Finance/M&A, Turnaround, Pensions, Governance

Skills and experience: Ryan was appointed as CFO in May 2019, having previously been Group Finance Director of Taylor Wimpey Plc for eight years. Ryan has a strong track record of building financial discipline in the organisations he has worked at. During his time at Taylor Wimpey, Ryan played a leading and integral role in strengthening the balance sheet, driving operational improvements, rebuilding the business post the financial crisis (to become a constituent of the FTSE 100), the sale of the North American business and the improvement of its pensions position. Ryan was previously at the Anglo American group of companies, where he was Group Financial Controller at Mondi and played a significant role in its demerger from Anglo American in 2007. Ryan is a chartered accountant and has recent and relevant financial experience.

Nationality: South African/British

Key

- Ⓐ Audit Committee
- Ⓡ Remuneration Committee
- Ⓝ Nomination Committee
- Ⓑ Responsible Business Committee
- Ⓧ Executive Committee
- Ⓜ M&A Subcommittee
- ● Chair

Warwick Brady Ⓐ Ⓝ
Independent Non-Executive Director

Appointed: 24 June 2014

Key areas of expertise: Transportation/ Travel, Corporate Finance/M&A, Turnaround, Safety, Governance

Skills and experience: Warwick has a strong track record of delivering restructuring, cost reduction and modernisation programmes, particularly in the transportation sector. His previous roles include Chief Executive of Mandala Airlines in Asia, Deputy Operations Director at Ryanair plc, and Chief Operating Officer at Air Deccan/Kingfisher in India and easyJet plc, during its transformation to become a FTSE 100 business. Warwick also held board positions at Airline Group and NATS, the UK's airspace provider, Deputy CEO of Buzz and was CEO of Esken plc (formerly Stobart Group Ltd) until April 2021.

External appointments: President and CEO of Swissport International AG.

Nationality: South African/British

Sally Cabrini Ⓡ Ⓑ
Independent Non-Executive Director

Appointed: 24 January 2020

Key areas of expertise: HR, IT, Transformation

Skills and experience: Sally brings valuable experience of a number of sectors including UK regulated utilities, services and manufacturing. She has expertise in delivering significant business transformation programmes often including internal restructuring or divestment, pension changes and both cultural and significant technological changes. As Transformation, IT and People Director at Interserve Group Limited she had a strong focus on effective operational delivery and led a major transformation programme which had significant financial and strategic challenges and prior to that she was a senior executive at FTSE 100 constituent United Utilities for nine years, including four years as Business Services Director with responsibility for information technology, cyber security and human resources in a regulated CNI environment. Sally was also a Non-Executive Director and Chair of the Remuneration Committee at Lookers plc from January 2016 to 2020.

Sally is a fellow of the Chartered Institute of Personnel and Development.

External appointments: NED and Chair of the Remuneration Committee of Appreciate Group plc.

Nationality: British

Myrtle Dawes Ⓑ
Independent Non-Executive Director

Appointed: 1 April 2022

Key areas of expertise: Engineering, Safety, Technology and Digital Transformation, Project Management and Energy Transition

Skills and experience: Myrtle is an established leader with extensive experience in the energy sector both in the UK and internationally. A chartered Chemical Engineer, she has held a number of senior safety and engineering project management roles in the offshore oil and gas industry, including for BP and BHP Petroleum. Moving to Centrica in 2009, Myrtle performed a number of senior executive roles encompassing engineering, project management, technology and digital transformation including leading the team responsible for safety-critical, customer-facing residential assignments. She holds a Masters in Chemical Engineering and Chemical Technology from Imperial College.

External appointments: Solution Centre Director for the Net-Zero Technology Centre; Non-executive board member of the Centre for Process Innovation; member of the Board of Governors at the University of Lincoln and sits on the Technology Leadership Board; Fellow of the Institution of Chemical Engineers, the Energy Institute, the Forward Institute and Honorary Fellow of the Association for Project Management.

Nationality: British

Board of Directors continued

Anthony Green Ⓑ
Group Employee Director

Appointed: 15 September 2020

Key areas of expertise: *Transportation*, Employee Engagement, Safety, Learning and Development

Skills and experience: Ant is a bus driver and a trainer for First Bus. He has been the Employee Director of First Essex Buses Ltd since 2014, a company he joined in 2009. In 2015, he was seconded to roll out Be Safe the Group's safety behavioural change programme. Since then Ant has trained more than 1,900 colleagues and coached leaders on the implementation of successful safety techniques. Prior to joining First Essex, he worked at retailer Homebase for 16 years including in several managerial positions, and also volunteered at St John Ambulance.

Nationality: British

Claire Hawkings Ⓐ Ⓑ
Independent Non-Executive Director

Appointed: 21 January 2022

Key areas of expertise: *Sustainability* Strategy, Business Transformation, Governance, Commercial Transactions, Performance Management and Energy Transition

Skills and experience: Claire has more than 30 years' business experience, principally in the energy sector, and has held UK and international leadership positions, most recently with Tullow Oil plc, and prior to that with BG Group plc and British Gas plc. Claire is an environmental scientist and an experienced environmental, social and governance (ESG) professional and holds a degree in Environmental Studies awarded by Northumbria University and an MBA from Imperial College Management School. She is also a Fellow of the Energy Institute.

External appointments: Non-Executive Director and Chair of the ESG Committee of Ibstock plc, a Non-Executive Director of James Fisher and Sons plc and a Non-Executive Director of Defence Equipment and Support, a bespoke trading entity and arm's length body of the Ministry of Defence.

Nationality: British

Jane Lodge Ⓐ Ⓡ
Independent Non-Executive Director

Appointed: 30 June 2021

Key areas of expertise: *Transportation/* Travel/Engineering and Infrastructure, Corporate Finance/M&A, Governance

Skills and experience: Jane spent her executive career with Deloitte, where she spent more than 25 years advising multinational companies including businesses in transport, leisure, consumer and technology sectors. Since 2012 she has served as a non-executive director and audit committee chair at several UK public companies in a range of sectors. Previous roles include non-executive director of Sirius Minerals plc (2015-2020, when the company was acquired by Anglo American plc), Costain Group plc and of Devro plc (2012-2020) and non-executive director and audit committee chair of DCC plc (2012-2022). In addition to broad international experience in a range of sectors, Jane brings substantial audit, risk and audit committee expertise to the Board.

External appointments: Non-executive director and audit committee chair of Bakkavor Group plc; Non-executive director and remuneration committee chair of Glanbia plc; Non-executive director and audit committee chair of TI Fluid Systems plc.

Nationality: British

Peter Lynas Ⓐ Ⓡ Ⓑ
Senior Independent Non-Executive Director

Appointed: 30 June 2021

Key areas of expertise: Defence and Aerospace, Government Contracting, Turnaround, Corporate Finance/M&A, Pensions, Governance

Skills and experience: Peter was group finance director of BAE Systems plc (and a director of BAE Systems, Inc.) from 2011 until his retirement in 2020, having previously served in increasingly senior financial and M&A roles since joining the company in 1999. Peter's early career was spent at De La Rue Systems, which he joined as a trainee accountant, and then GEC Marconi from 1985 to 1999, where he became finance director of Marconi Electric Systems. In addition to his strong strategic and financial background Peter brings to the Board extensive experience in heavily regulated industries with significant contractual relationships with government.

External appointments: Non-executive director and audit committee chair of SSE plc since 2014.

Nationality: British

Julia Steyn Ⓐ Ⓡ
Independent Non-Executive Director

Appointed: 2 May 2019

Key areas of expertise: Transportation/Travel, Government Contracting, Corporate Finance/M&A, Governance

Skills and experience: Julia brings extensive knowledge of the US transport industry to the Board. Julia served as Vice President, Urban Mobility and Maven at General Motors (GM) until early 2019. Maven combines all of GM's car and ride-sharing offerings, including its strategic alliance with Lyft, under a single personal mobility brand. Julia first joined GM in 2012 as Vice President, Corporate Development and Global M&A, to manage GM's partnerships globally while also developing merger and acquisition opportunities. Prior to this, Julia was Vice President and Co-Managing Director for Alcoa's corporate development group, having previously worked in London, Moscow and New York for Goldman Sachs and A.T. Kearney.

External appointments: Chief Commercial Officer of VectolQ LLC and Non-Executive Chairperson of BOLT Mobility LLC (Chief Executive Officer from December 2019 until August 2020).

Nationality: American

Former Directors who served for part of the year:

David Robbie
Independent Non-Executive Director

Matthew Gregory
Chief Executive

Steve Gunning
Independent Non-Executive Director

Martha Poulter
Independent Non-Executive Director

Matthew, Steve and Martha stepped down *from the Board on 13 September 2021.* David left the Board on 30 June 2021.

Executive Committee members

Graham Sutherland
Chief Executive Officer

Ryan Mangold
Chief Financial Officer

Janette Bell
Managing Director, First Bus

David Blizzard
Group Company Secretary

Rachael Borthwick
Group Corporate Services Director

Dave Leach[1]
President, Greyhound

Steve Montgomery
Managing Director, First Rail

1 Stepped down from Executive Committee on completion of sale of Greyhound on 21 October 2021.

Chairman's report

David Martin
Chairman

"A robust and effective system of governance is key to the success of a company."

Dear Shareholder
On behalf of the Board, I am pleased to introduce the corporate governance report for FY 2022. This continues to be the Board's principal method of reporting to shareholders on our application of the principles of good corporate governance.

Governance
Strong governance is essential for the effective delivery of our strategy, the creation of value for all our stakeholders and the ongoing development and sustainability of our business. There have been challenges and changes this year. The pandemic has had a continual impact on our businesses. Our governance framework has served the Group well in a year of challenge and change helping us oversee the impact of the pandemic on our operations, the completion of the sale of the North American businesses and the return of £500m of the disposal proceeds to shareholders. The Directors' priority has remained the health and safety of our passengers and employees. The UK has seen a gradual return to normality with the all members of the Board able to finally meet in person in March 2022. Throughout the pandemic, the Board continued to meet via video conference and was able to deliver on its strategic commitments. The Board met thirteen times this year with seven ad hoc meetings in addition to the Board's six scheduled meetings (see page 93). The M&A Subcommittee, established in January 2020 to oversee the sale of the Group's North American divisions, met twice in the year. I would like to thank the Board for their time and dedication over the course of the year.

During the year, the Board undertook a review of its oversight of its ESG obligations to stakeholders. It was agreed that the Board Safety Committee would be replaced by the Responsible Business Committee with a wider remit to cover health, safety, and sustainability. The Committee will review and monitor the implementation of policies relating to safety and health, environment (including adaption for climate change and sustainability). The new committee was established in January 2022 and met for the first time at the end of May. The Responsible Business Committee will report to shareholders in the next annual report.

The activities of the Board and its principal Committees together with how we have applied the principles of the 2018 UK Corporate Governance Code ('Code') are set out in the following pages.

Board evaluation
This year's evaluation was undertaken internally involving a detailed and thorough review of the Board and its principal Committees which covered a wide range of topics. Further information on the process, progress against actions resulting from last year's externally facilitated review and actions identified in this year's internal review can be found on page 97. It is my view that the Board has discharged its duties effectively in the year under review. I am not, however, complacent and neither are my fellow Directors. The evaluation identified areas which can benefit from increased oversight and these topics will be amongst the key priorities for the Board.

Changes to the Board
We have seen several changes to our Board since last year.

As noted in last year's report, David Robbie stepped down as an Non-Executive Director on 30 June 2021. Jane Lodge and Peter Lynas joined the Board as Non-Executive Directors on 30 June 2021.

We also welcomed two new Non-Executive Directors to the Board, Claire Hawkings and Myrtle Dawes. Claire joined the Board on 21 January 2022 and has been appointed as Chair of the new Responsible Business Committee. Myrtle was appointed on 1 April 2022. In making appointments to the Board, our objective is to bring a range of expertise, experience, and diverse perspectives. In view of their substantial and varied experience, Claire and Myrtle will make a significant contribution to the Board.

Martha Poulter and Steve Gunning stood down as Non-Executive Directors at the conclusion of the 2021 AGM. I want to express my gratitude to Martha and Steve for the significant contribution they have each made to the Board since joining in 2017 and 2019 respectively.

Matthew Gregory stepped down as an Executive Director and Chief Executive Officer at the conclusion of the AGM in September 2021. I was appointed as Interim Executive Chairman following the AGM and will return to being Non-Executive Chairman on 1 July 2022. Graham Sutherland was appointed as Chief Executive Officer in May 2022. Graham has a strong track record in the delivery of critical services and in creating value for shareholders in rapidly evolving regulatory and technological environments.

Warwick Brady and Julia Steyn have decided not to seek re-election at the AGM In July 2022 and will retire as Non-Executive Directors at the conclusion of the meeting. I would like to thank Warwick and Julia for their considerable contribution to the Board and Group during a very challenging time. Warwick and Julia have been Non-Executive Directors of the Company since June 2014 and May 2019 respectively.

The Nomination Committee report on pages 110 to 112 sets out more information on the comprehensive search process for the new appointments to the Board made since the 2021 AGM.

Compliance with the Code

FirstGroup complied in all respects with the provisions of the Code in FY 2022, apart from provision 9 of the Code which states the role of the chair and chief executive should not be exercised by the same individual. FirstGroup was not compliant with provision 9 from the conclusion of the 2021 AGM and for the duration of my appointment as Interim Executive Chairman. Graham Sutherland was appointed as Chief Executive on 16 May 2022. I will serve as Interim Executive Chairman until 1 July 2022. During the year, the Board comprised a majority of independent Non-Executive Directors, including the Senior Independent Director, Peter Lynas. There continues therefore to be a strong and independent dimension to the Board's deliberations.

It remains only for me to thank again my fellow Directors, our colleagues, and our employees for their ongoing commitment and considerable efforts this past year.

David Martin
Chairman
14 June 2022

Snapshot of Code compliance

Independence

Over half of the Board (excluding the Chairman) comprises independent Non-Executive Directors and the composition of the Audit, Nomination and Remuneration Committees comply with the Code (pages 110, 111, 113 and 122).

Accountability and election

Matthew Gregory stepped down as Chief Executive at the conclusion of the 2021 AGM and David Martin was appointed Interim Executive Chairman. Graham Sutherland was appointed as the new Chief Executive on 16 May 2022. There is a clear separation of duties between the Chairman and Chief Executive (page 94).

External auditor tenure

PwC was appointed as external auditor in 2020 following an extensive tender process (page 118).

Workforce engagement

The Group Employee Director is a member of the Board and the Responsible Business Committee. He also attends the Remuneration and Audit Committees (pages 99 and 100).

Performance-related pay

A significant part of performance related pay for Executive Directors is delivered through shares (page 129).

Diversity

Information about the diversity of the Board is provided as well as more generally within the Group (pages 47, 48 and 96).

Senior Independent Director

The Senior Independent Director was David Robbie until he stepped down on 30 June 2021. Peter Lynas joined the Board on 30 June 2021 and was appointed as Senior Independent Director (page 89).

Attendance

There has almost been full attendance at all Board meetings and there has been nearly full attendance by Committee members at Committee meetings (pages 93, 110, 114, 120 and 146.

Non-audit policy

Details of non-audit policy and fees for non-audit services are provided in this report (page 119).

Stakeholder engagement

There has been strong engagement with all our stakeholders, which has been especially critical during the pandemic (pages 106 and 109).

Remuneration Policy

A new Policy was approved by shareholders at the 2021 AGM that is compliant with the Code (page 125).

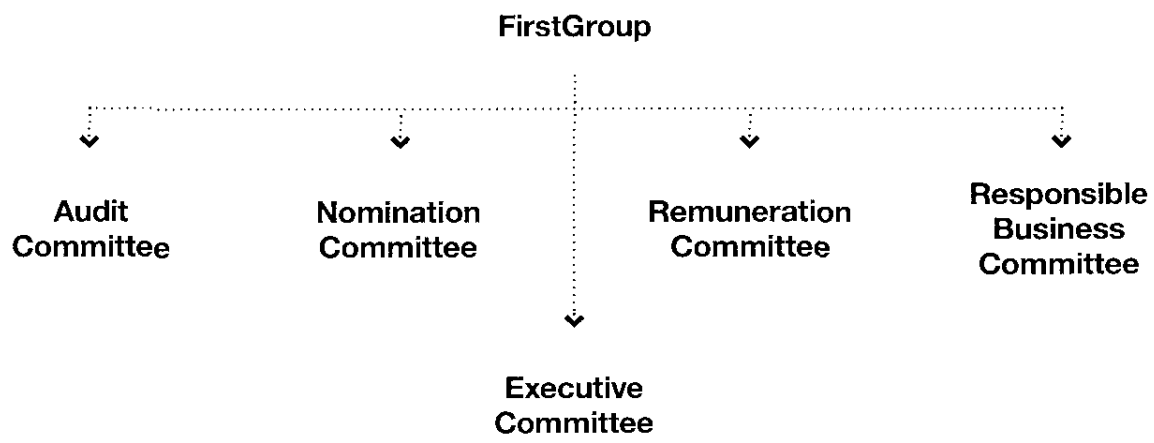
Culture

Information about how the Board assesses and monitors culture is provided (page 102).

Corporate governance report

Corporate governance framework

The corporate governance framework, comprising clearly defined responsibilities and accountabilities, is set out below:



Audit Committee
Provides independent assessment and oversight of financial reporting, internal controls, risk management and internal and external audit (pages 113).

Nomination Committee
Reviews the size, composition and skills of the Board and its Committees, monitors Board and senior management succession planning, considers diversity and inclusion matters (pages 110).

Remuneration Committee
Determines the remuneration framework and policy for Executive Directors and senior management, considers alignment of reward and incentives with regulation, market practice and culture and monitors workforce remuneration-related policies and practices (pages 122).

Board Safety Committee
Oversees and monitors safety performance and safety standards for managing safety risks and promotes a safety first culture (pages 120-121).

Disclosure Committee
Oversees the implementation of procedures related to the identification, control and disclosure of inside information (page 93).

M&A Sub-Committee
Oversaw the implementation of the sale of First Student and First Transit, other strategic portfolio actions and related financings. It is not expected to meet again. (page 93).

Chief Executive Officer
Provides leadership to the executive team in running the business and implements strategy (page 94).

Executive Committee
Supports the Chief Executive in the day-to-day running of the Group and acts as Executive Risk Committee (page 93).

Employee Directors' Forum
To represent the voice of the workforce and promote employee engagement (page 99).

The role of the Board
The Board is responsible for promoting the Company's long-term sustainable success for the benefit of its shareholders and stakeholders and for establishing the Company's Vision, Values, culture and strategy. The Board discharges some of these responsibilities directly and others through its Committees which it has established to provide dedicated focus on particular areas. Execution of the strategy and management of the Company's business is delegated to the Chief Executive Officer, with the Board retaining responsibility for overseeing, guiding and holding management to account.

The Board is also responsible for:

- establishing the Group's long-term objectives, strategy and risk appetite
- ensuring the necessary resources are in place for the business to meets its strategic objectives
- establishing policies and business practices that support the strategy and align with the Company's Values and culture
- overseeing the implementation of a robust governance and internal controls framework to allow for effective management of risk

- overseeing Board and Committee composition, Directors' independence and conflicts of interest and effective succession planning for senior management
- maintaining effective engagement with the Company's shareholders and stakeholders.

Further information on the role of the Board and the roles of individual Board members is provided in the following pages. Biographies of the Directors can be found on pages 86-89. The Schedule of Matters Reserved to the Board is available on the Company's website at www.firstgroupplc.com

The Committees of the Board

The four principal Committees of the Board are:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Responsible Business Committee

The Board has also established a Disclosure Committee and a M&A Subcommittee.

The Terms of Reference for the four principal Committees are available on the Company's website at www.firstgroupplc.com

M&A Subcommittee

The M&A Subcommittee was established in January 2020 and was mandated to oversee the implementation of the sale of the North American contract divisions, other strategic portfolio actions and any related financings. The membership of this Subcommittee comprises the Chairman of the Board, two independent Non-Executive Directors and the Executive Directors. The Subcommittee is chaired by the Chairman of the Board. The Subcommittee met twice in the year under review.

Disclosure Committee

The Board has delegated authority to the Disclosure Committee to oversee the timely and accurate disclosure of sensitive information. Meetings of the Disclosure Committee are convened as and when the need arises. Membership of the Committee comprises the Executive Directors together with the Company Secretary and the Corporate Services Director.

Executive Committee

The Executive Committee, chaired by the Chief Executive Officer, supports him in the day-to-day running of the Group. It meets monthly and its main responsibilities include:

- developing, implementing and monitoring operational plans
- reviewing financial performance, forecasts and targets
- prioritising initiatives and allocating resources
- developing strategy for submission to the Board
- overseeing risk management including identifying risks and developing and implementing risk mitigation plans
- developing and monitoring the internal control environment
- leading the Group's culture and safety programme.

Refer to page 89 for the members of the Executive Committee.

Board meetings

There were six scheduled Board meetings in the 52 weeks ended 26 March 2022 and an additional seven meetings were convened at short notice to consider the Board's response to developments related to the pandemic, both within the business and globally and other commercial, financial and strategic matters, including the sale of First Student and First Transit and the return of value to shareholders. In ordinary circumstances, the Board would regularly undertake site visits across its operations in the UK, however, this has not been possible this past year due to pandemic-related restrictions. Consequently, the majority of meetings during the year were held by video conference.

Commitment

All Directors are expected to attend each Board meeting and each Committee meeting for which they are members, unless there are exceptional reasons preventing them from participating. Only members of the Committees are entitled to attend their meetings, but others may attend at the Committee Chair's discretion. Non-Executive Directors have an open invitation to attend all Committee meetings, even if they are not a member, and they do so regularly to gain further insight. Executive Directors attend Committee meetings by invitation only.

Position	Member	Appointment date	Scheduled meetings	Ad hoc meetings
Chairman	David Martin	15 August 2019	6/6	7/7
Non-Executive Directors	Warwick Brady	24 June 2014	6/6	7/7
	Sally Cabrini	24 January 2020	6/6	4/4
	Steve Gunning	1 January 2019	3/3	4/4
	Jane Lodge	30 June 2021	5/5	4/4
	Peter Lynas	30 June 2021	5/5	7/7
	Claire Hawkings	21 January 2022	2/2	0/0
	Martha Poulter	26 May 2017	3/3	4/4
	David Robbie	2 February 2018	1/1	0/1
	Julia Steyn	2 May 2019	6/6	7/7
Group Employee Director	Anthony Green	15 September 2020	6/6	7/7
Executive Directors	Ryan Mangold	31 May 2019	6/6	7/7

1 Peter Lynas and Jane Lodge appointed to the Board on 30 June 2021.
2 David Robbie stepped down from the Board on 30 June 2021.
3 Steve Gunning stepped down from the Board on 13 September 2021.
4 Martha Poulter stepped down from the Board on 13 September 2021.
5 Matthew Gregory stepped down from the Board on 13 September 2021.
6 Claire Hawkings joined the Board on 21 January 2022.
7 Myrtle Dawes joined the Board on 1 April 2022.
8 Graham Sutherland joined the Board on 16 May 2022.

Corporate governance report continued

Roles and responsibilities

The Board has agreed a clear division of responsibilities between the Chairman and the Chief Executive Officer, and these roles, as well as those of other Directors, are clearly defined so that no single individual has unrestricted powers of decision.

Chairman David Martin	▪ Leads and manages the business of the Board ▪ Provides advice, support and constructive challenge to the Chief Executive Officer ▪ Provides direction and focus and ensures sufficient time is allocated to promote effective debate and sound decision making ▪ Promotes the highest standards of integrity and probity and ensures effective governance	▪ Manages Board composition, performance and succession planning ▪ Maintains effective communication with shareholders and ensures their views are understood by the Board ▪ Facilitates effective and constructive relationships and communications between Executive and Non-Executive Directors
Chief Executive Officer Graham Sutherland	▪ Provides leadership to the executive and senior management team in the day-to-day running of the Group's businesses ▪ Develops the Group's objectives and strategy for consideration and approval by the Board, taking in to account the interests of shareholders and stakeholders	▪ Implements the agreed strategy ▪ Promotes a safe working environment and a safety-focused culture across the Group ▪ Maintains an active dialogue with shareholders in respect of the Company's performance ▪ Responsible for implementing effective internal controls and risk management systems are in place
Chief Financial Officer Ryan Mangold	▪ Responsible for the financial stewardship of the Group's resources ▪ Responsible for the Group's finance, tax, treasury, IT, insurance, risk management and internal control functions	▪ Supports the Chief Executive Officer in providing executive leadership and developing strategy ▪ Supports the Chief Executive Officer to implement the agreed strategy ▪ Reports to the Board on operational and financial performance of the businesses
Senior Independent Director Peter Lynas	▪ Acts as an additional point of contact for shareholders to discuss matters of concern ▪ Provides a sounding board for the Chairman and serves as an intermediary for the other Directors	▪ Leads the annual review of the Chairman's performance taking in to account the views of the Non-Executive Directors and Executive Directors
Group Employee Director (GED) Anthony Green	▪ Brings insight into employee engagement and perspectives from the front line to Board deliberations ▪ Chairs the Employee Directors Forum ('EDF')	▪ Promotes employee involvement and participation in the affairs of the Group through share ownership, employee surveys and other means of employee involvement ▪ Promotes the Group's policies and procedures amongst employees, in particular those related to safety, diversity and inclusion, and business ethics
Non-Executive Directors (NEDs) Warwick Brady Sally Cabrini Myrtle Dawes Claire Hawkings Jane Lodge Peter Lynas Julia Steyn	▪ Provide a strong independent element to the Board and collectively provide a broad range of experience, knowledge and individual expertise ▪ Constructively support and challenge management	▪ Review management's performance in meeting agreed objectives and deliverables ▪ Review the integrity of financial information and determine whether internal controls and systems of risk management are robust
Company Secretary David Blizzard	▪ Provides advice and support to the Board, its Committees, the Chairman and other Directors individually as required, primarily in relation to legal and corporate governance matters	▪ Responsible, with the Chairman, for setting the agenda for Board and Committee meetings and for high quality and timely information and communication between the Board and its Committees and the Executive Directors and senior management

Board focus through the year

The following table provides an overview of the key business and activities of the Board during the year.

Strategy

- Completed the sale of the North American operations in October 2021 in line with the strategic plan and considered the options available for return of value to shareholders which was finalised in December 2021
- Conducted an annual review of strategy in January 2022

Performance

- Provided oversight and scrutiny during the pandemic and supported measures taken by management to deal with its impact
- Reviewed operational and financial performance relative to the business plan, budget and forecast at divisional and Group level
- Reviewed the Group's funding and liquidity position
- Reviewed and approved the Group's annual business plan and budget
- Reviewed and approved various capital expenditure request

Stakeholders

- Reviewed feedback from institutional shareholders and analysts
- Received reports from the Group Employee Director

Governance and risk management

- Received reports from the Board Committees
- Received reports on corporate governance and legal and regulatory updates from the Company Secretary and the Group's external legal advisers
- Approved the FY 2021 Annual Report, the 2021 AGM Notice and the FY 2022 half year results announcement
- Carried out a robust assessment of the Group's principal and emerging risks, their potential impact and the effectiveness of the mitigating controls in place
- Debated the Group's risk appetite and agreed the revised placement of certain risks
- Received an update on the TCFD
- Reviewed and approved the Modern Slavery Statement
- Reviewed and approved the Gender Pay Gap disclosure
- Considered feedback from the evaluation of the Board's and Committees' performance and agreed actions

Decisions taken by the Board during the year

The table below summarises some of the most significant decisions taken by the Board during the year and how stakeholder interests were taken into account.

Board decision / action	Stakeholders affected	Strategic, operational, financial and Section 172 considerations
Response to the pandemic	▪ Employees ▪ Customers ▪ Shareholders ▪ Government ▪ Creditors	▪ Health, wellbeing and safety of employees and customers ▪ Entry in to EMAs and ERMAs to ensure continued delivery of essential rail services ▪ Helping vulnerable employees and customers in the communities within which we operate ▪ Maintaining a sound funding and liquidity position
Completion of the sale of First Student and First Transit	▪ Shareholders ▪ Employees ▪ Customers	▪ Enables long standing liabilities to be addressed ▪ Ensures the Group has sufficient means for future development of retained businesses ▪ Provides for a return of value for shareholders
Return of Value to Shareholders following the completion of the sale of North American operations using a tender offer return up to £500m to shareholders	▪ Shareholders	▪ Realisation of value for shareholders
Sale of Greyhound properties	▪ Shareholders ▪ Employees	▪ Realisation of value for shareholders ▪ Contribution to the Group's funding and liquidity position
Approved TCFD governance framework and implementation framework	▪ Shareholders ▪ Employees ▪ Customers ▪ Government and regulators ▪ NGOs	▪ Drives the Group towards its ambition to achieve net-zero emissions by 2050 or earlier ▪ Communicate to our investors how we manage the financial impacts of climate change ▪ Regulatory and environmental compliance

Corporate governance report continued

Board balance and independence

As at 26 March 2022 the Board comprised the Executive Chairman, one Executive Director, the Group Employee Director and six Non-Executive Directors. The balance of Directors on the Board ensures that no individual or small group of Directors can dominate the decision-making process.

The biographies on pages 86-89 and the table below demonstrate a broad range of skills, sector experience and knowledge. The Board carries out an annual review of the independence of its Non-Executive Directors. All the Non-Executive Directors are considered to have the appropriate skills, knowledge, experience and character to bring independent and objective judgement and valuable insights to the Board's deliberations. Being an employee of the Group, the Group Employee Director is not considered by the Board to be independent. The Chairman was considered to be independent on appointment and is committed to ensuring that the Board comprises a majority of independent Non-Executive Directors.

Composition of the Board (as at 26 March 2022)

Independence

Independent	6
Non-independent	2
Chairman	1

Gender

Male	5
Female	4

Board balance

Non-Executive Director	6
Executive Director	1
Group Employee Director	1
Chairman	1

	Warwick Brady	Sally Cabrini	Myrtle Dawes	Anthony Green	Claire Hawkings	Jane Lodge	Peter Lynas	Ryan Mangold	David Martin	Graham Sutherland	Julia Steyn
Tenure (Years from appointment to 26 March 2022)											
8											
6											
4											
2											
Skills											
Transport/travel	●	●		●		●		●	●		●
Other sector experience	●	●		●		●		●	●		●
Government/regulators	●	●	●		●	●	●	●	●	●	●
Accounting/audit	●	●	●		●	●	●	●	●	●	●
Corporate finance	●	●			●	●	●	●	●	●	●
M&A	●	●	●		●	●	●	●	●	●	●
Commercial	●	●	●		●	●	●	●	●	●	●
Communications/IR	●	●			●	●	●	●	●	●	
International experience	●	●	●		●	●	●	●	●	●	●
Information technology		●	●		●	●	●	●			●
Marketing/brand management	●				●	●	●		●	●	
Operational	●	●	●	●	●	●	●	●	●	●	●
Safety/ESG	●		●	●	●				●	●	●
People/Remuneration	●	●	●	●	●	●	●	●	●	●	●
Legal/governance	●	●			●	●	●	●	●	●	●
Charities/academia			●						●		
CEO/CFO/other executive of listed company	●	●			●		●	●	●	●	●

Board evaluation

The Board undertakes a formal and rigorous review of its performance and that of its Committees and Directors each year, with an externally facilitated evaluation at least once every three years. The last such externally facilitated evaluation was undertaken in 2020 by Condign Board Consulting, a governance consultancy firm that has no other relationship with the Company. For FY 2022, an internal evaluation was carried out overseen by the Deputy Company Secretary, which involved completion of a questionnaire for the Board and each of its Committees. The views of the Directors were consolidated into a formal report which was discussed by the Board. The review of the Chairman was facilitated by confidential discussions between the Senior Independent Director and the other Directors.

The evaluation for the period was undertaken against the backdrop of a number of changes to the Board and the Group. The quantitative results for the Board were an average score of 4 (out of a maximum of 5) and no lower than 2.8 (out of a maximum of 3) for any of the Committees. However, there were areas where the quantitative results and the supporting comments suggest there are opportunities to improve. These included having more opportunities for the directors to engage and meet the senior management team, understanding stakeholder views, the papers submitted to the Board for review, board support and advice and management succession planning. The Directors acknowledged improvements in the reporting of the Group's risk profile.

Actions from 2021 Board evaluation

Area of focus	Progress
Relationships and level of engagement at Board level	Face to face meetings were started again as soon as the Covid restrictions were lifted. Plans are in place for a site visit later in the year and new Directors have visited the operations as part of their induction process.
Quality of Board papers	Management to enhance Board papers to aid decision making with the consistent use of KPIs, use of agreed templates, identify issues and complexities of the Group more clearly, make content more concise and point more clearly to the expected decision/risk/input.
Stakeholders	The oversight of stakeholder views was mixed, although understanding the views of shareholders, customers, employees and government were identified as relative strengths. Increasing exposure to the views of suppliers and communities was highlighted.
Culture	The Board currently considers a range of information in relation to culture which has been enhanced following the sale of the operations in North America.
Risk assessment	Assessment of the Group risk profile and risk appetite has been reviewed by the Board following a review after the completion of the Group's restructuring.
Succession planning	Board succession and retention of skilled, high potential individuals across the Group remain key areas of focus, as does the development of the management pipeline.

Actions from 2022 Board evaluation

Area of focus	Action
Board composition and dynamics	Create opportunities for the Board to spend more time together outside Board meetings and to meet a broader group of the management team.
Board and Committee support	Company Secretarial team to improve the service to the Board, its Committees and the Group.
Effectiveness of the meetings	The quality of Board papers to be further enhanced with more focused papers provided to the Directors.
Talent and succession	A detailed view of the Company's talent and succession plans to be presented to the Board during the year.
Stakeholders	Improve the Board's understanding of the views of customers, suppliers and the communities served.

Corporate governance report continued

Induction and development

On appointment, all new Directors receive a comprehensive and structured induction, tailored to each Director's individual experience, background and areas of focus. The induction programme typically includes visits to the Group's businesses and meetings with other Directors, senior managers, advisers and the external auditors. This is supplemented with a wide range of information, including historical Board and Committee papers, internal and external reports and presentations covering the key commercial, operational, financial and functional areas of the Group and relevant policies and governance procedures.

The programme is designed to accelerate a new Director's understanding of the Group's businesses, the key drivers of operational and financial performance, the role of the Board and its Committees, the Company's corporate governance practices and procedures and the duties, responsibilities and liabilities of being a director of a public limited company.

During the year, Jane Lodge, Peter Lynas and Claire Hawkings participated in a tailored induction programme, details of which are set out below. Site visits to any of the *Group's businesses were curtailed due to* the pandemic until the restrictions were lifted.

The Chairman, with support from the Company Secretary, has overall responsibility for ensuring that the Directors receive suitable training to enable them to discharge their duties. Training opportunities are provided through internal meetings, presentations and briefings by internal subject matter experts as well as external advisers. During the year, the Directors were given a training session on corporate governance, legal and regulatory developments.

Induction pack

- Access all papers and minutes with a focus on the last 12 months' Board and Committee meetings
- Briefing paper on the duties of directors
- Group policies and governance procedures such as the Share Dealing Policy, Whistleblowing Policy, Gifts and Hospitality Policy, Anti-Bribery Policy, Code of Ethics and the Safety Management Framework
- Directors' & Officers' liability insurance
- Schedule of Matters Reserved to the Board
- Schedules of Delegated Authority
- Terms of Reference for Committees
- Last Annual Report
- Articles of Association

Meetings with Directors/ senior management and areas of focus

- Chairman – long-term strategy, overview of the Board/Committees
- CEO – business model, operational performance, current strategic priorities, current issues
- CFO – financial performance, funding & liquidity, accounting issues, risk
- Company Secretary and the Deputy Company *Secretary – overview of Board/Committees*, legal and regulatory briefing, Board arrangements and meeting dates
- Chair of the Audit Committee – overview of role of the Committee and current focus areas
- Chair of the Board Safety Committee – overview of role of Committee and current focus areas
- Chair of the Remuneration Committee – overview of role of Committee, current focus areas and overview of remuneration structure
- Group HR Director – overview of remuneration incentive arrangements at executive and senior levels, current issues, best practice
- Group Legal Director – corporate history, business model, briefing on modern slavery and ethics programme

Meetings with advisers

- Corporate lawyers, Slaughter & May
- Corporate brokers, JP Morgan Cazenove Limited
- Corporate brokers, Goldman Sachs
- External auditors, PwC

Ongoing programme of meetings, training and refresher sessions

Information and support

The Company Secretary is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with, and that due account is taken of relevant codes of best practice. The Company Secretary is also responsible for ensuring there are effective communication flows between the Board and its Committees, and between senior management and Non-Executive Directors.

All Directors receive papers and other relevant information on the business to be conducted at each Board or Committee meeting well in advance, usually a week before, and all Directors have direct access to senior management should they wish to receive additional information on any of the items for discussion. The Divisional heads attend Board meetings on a regular basis to ensure that the Board is properly informed about divisional performance and any current issues.

All Directors have access to the advice of the Company Secretary and, in appropriate circumstances, may obtain independent advice at the Company's expense.

Workforce engagement

One of the key requirements of the Code is for boards to have in place mechanisms to ensure that they understand the views of the workforce. Many companies will have only recently established and started reporting on those mechanisms. FirstGroup has had an Group Employee Director (GED) on its Board since 1996 and on the majority of its UK operating companies' boards since the founding of the Company. The GED is also a member of the Responsible Business Committee and regularly attends the meetings of the Remuneration Committee and the Audit Committee. The role and responsibilities of the GED are described on page 94.

The GED chairs the EDF which currently comprises 12 Employee Directors, all of whom have been nominated through employee elections in their respective operating companies.

The Board also engages with the workforce through employee perception and wellbeing surveys, internal communications such as newsletters and the intranet and deep dives and site visits where the Board members have an opportunity to meet with a range of employees at all levels of the organisation. Due to the pandemic, site visits were curtailed for much of the past year but have now started again.

Corporate governance report *continued*

Interview with Ant Green
The role of the Group Employee Director

Q

How do you view your role as Group Employee Director?

A

My primary role is to act as a means for the Board to engage with the workforce of the Group. I attend all Board meetings and am a member of the Responsible Business Committee. In addition, I attend meetings of the Audit and Remuneration Committees. I consider that my primary role is to bring the employee voice into the boardroom and act as one of the most important links between the directors and the workforce. I also serve as the liaison point between the Board and the local employee directors, who sit on operating company boards, giving a tiered structure to this employee voice mechanism. All 12 of the local employee directors are elected by the workforce in their areas for a three-year term, and they in turn elect the Group Employee Director.

Q

How do you report to the Board on employee issues?

A

I prepare a paper for each meeting of the Board which gives a detailed update on employee views on a range of topics including community engagement and safety processes, the Employee Director Forum and community engagement. During the pandemic, I briefed the Board on the impact of Covid-19 on the workforce and the day-to-day challenges of operations at the front line during this challenging time. I present the paper at the Board and answer questions from my fellow directors.

Q

What has been the biggest challenge for you in taking on the appointment?

A

This role has challenged me and allowed me to use previous experiences and knowledge which I have really enjoyed. Progressing from representing over 850 colleagues at a local level, to broadening my role to represent more than 30,000 colleagues in both our bus and rail divisions has been the largest challenge.

The wider Employee Director network has been key in building my knowledge and understanding, my focus being meeting the needs of all our colleagues and providing specific feedback from their interactions and observations. This enables a broad spectrum of viewpoints to be accessed and analysed by the Board.

Q

How do you balance your role with your day job as a bus driver?

A

As Group Employee Director I am also expected to offer advice and opinions based on my own knowledge and direct experience, as well as the need to draw on the views and opinions of my fellow employees. Therefore, It is imperative that I continue in my driving role and with the daily duties which our workforce experience on the front line. This helps me to keep the Board informed about the everyday challenges of the Group's operational employees. My local depot is extremely supportive of my role; allowing me to work within my time frames, which means I can carry on driving and supporting the local community where I live and work.

Shareholder engagement

Topic	Participants	FY 2022 activity
Strategy, governance and remuneration	Chairman Group Corporate Services Director	Telephone/video conference meetings with institutional shareholders to discuss strategy and seek shareholder feedback.
Return of £500m proceeds to shareholders by a tender offer	Chairman Chief Financial Officer Group Corporate Services Director	Invitations were extended to institutional shareholders to discuss the proposed tender offer.
***Strategy, finance and operational* performance**	Chairman Chief Financial Officer Group Corporate Services Director	Live webcasts of key announcements and individual calls with institutional shareholders on results and other key announcements.
ESG	Chairman Group Corporate Services Director Group Director of Corporate Responsibility	Telephone/video conference meetings with institutional shareholders, often as part of wider strategic/operational discussions Interaction with ESG rating agencies

Shareholder engagement in FY 2022

The Board is committed to engaging effectively with our shareholders. The Board uses formal and informal communication channels to understand and take into account the views of shareholders, some of which are set out in the table above.

In addition to the above, the Board is provided with insight into the views of shareholders and their representative bodies on a more generalised basis. Copies of key sell-side analysts' notes on the Company are circulated to all Directors, as are summaries of their views collected anonymously by the Company's advisers. An independent review of the perceptions of the Company's major institutional shareholders is conducted on a regular basis, which is presented to the Board.

Responding to shareholder feedback

The Code provides that when 20% or more of votes have been cast against a board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult with shareholders in order to understand the reasons behind the result. The Code also states that companies should publish an update on the views received from shareholders and the actions taken, and that the board should provide a final summary in the annual report.

2021 AGM

The total votes for resolutions 4 and 10, to re-elect Warwick Brady and David Martin as Directors, were marginally below 80% (at 79.71% and 79.96% respectively). In March 2022, we published a statement on our website, which is also available to view on the Investment Association's website in the public register.

The Chairman and other members of the Board and senior management engaged extensively with the Company's major shareholders prior to the AGM, in connection with the Class 1 disposal of the North American divisions First Student and First Transit announced in April 2021, the Group's plans for use of the resulting proceeds and other matters, including business developments in relation to the pandemic.

Over the course of the six months prior to the AGM, meetings were offered to more than two dozen institutional shareholders of the Group, representing approximately 80% of the issued share capital, and the Chairman met with shareholders representing more than 70% of the issued share capital. A small subset of shareholders voted against the Board's recommendations including on resolutions 4 and 10. Most discussed the background to and their reasons for doing so with the Company, and their reasons principally related to the execution of the disposal and plans for the use of proceeds. Their views were subsequently relayed and explained to the Board before the AGM. The Board considered the feedback from all shareholders and remained confident in its recommendations to shareholders at the AGM. The Board has maintained its previously stated intention to oversee an orderly evolution of the Board to ensure it maintains the right balance of skills, experience and diversity for the Group's future needs, and has appointed two non-executive directors and a new Chief Executive since the AGM.

As noted above, the disposal was a class 1 transaction which was approved by shareholders in a general meeting, as was the subsequent return of £500m of proceeds to shareholders which completed in December 2021. Following engagement with shareholders the return of cash was structured as a tender offer, which allowed shareholders supportive of the Group's clearly articulated equity story going forward to increase their effective holding in the Company while those wishing to reduce their position were able to do so in an orderly way. Overall, the register is now more concentrated amongst shareholders supportive of the Board and the Company's strategy.

A trading update was released on 25 February 2022 which confirmed that trading was in line with management's expectations, notwithstanding the Omicron-related travel restrictions over the winter. The Group is simpler, more focused and continues to enhance its financial strength and resilience by proactively managing the legacy assets and liabilities associated with last year's portfolio rationalisation. The Chairman, Executive Directors and other members of the Board continue to engage regularly with the Company's shareholders.

Corporate governance report continued

2022 AGM

The meeting will be a physical meeting. Shareholders will be able to ask questions in advance and may also join the meeting remotely and listen to proceedings, though if they do 'listen-in' they will not technically be present at the meeting. Details will be set out in the Notice of AGM.

The Notice of AGM and other documentation will be sent to shareholders and will be available on the Company's website at www.firstgroupplc.com for those shareholders who have chosen to communicate with the Company by electronic means. Shareholders are strongly encouraged to return their Form of Proxy completed in favour of the chairman of the meeting or vote online in advance of the meeting.

Culture

Company culture is monitored and assessed by the Board through a range of inputs, which are reflected in the adjacent table. The Board takes seriously its responsibility for shaping and monitoring the corporate culture of the Group and remains committed to applying the highest standards of corporate governance, recognising that robust governance and culture underpin business success. A key component of FirstGroup's culture is its strong safety focus which is predicated on Zero Harm. Be Safe is a Group wide programme that embeds safety as a core Value and this Value has underpinned the Company's response to the pandemic. Further information can be found on pages 47 to 54.

Operating companies regularly undertake employee perceptions surveys, Your Voice, the results of which are reported to the Executive Committee and the Board. Further information on the Your Voice surveys can be found on page 51.

Reinforcing a healthy corporate culture

Risk management
Delegated to the Audit Committee and the Executive Committee

Risk appetite reviewed annually by the Board

Ethics and compliance
Continued embedding of the Code of Ethics that was rolled out in 2018

Modern Slavery Statement reviewed and approved annually by the Board

Payment Practices Report

Employee engagement
GED member of the Board

EDF meets in person twice yearly and monthly by other means

GED reports to the Board regularly and after each EDF meeting

Employee engagement survey run regularly, and results reported to the Board

How the Board monitors culture

Measuring our culture
The employee engagements survey runs regularly, and results reported to the Board

Annual report by the Group Corporate Services Director

Remuneration and culture
Delegated to the Remuneration Committee

Gender Pay Gap Report reviewed and approved annually by the Board

Company success
Continuity of transport is essential to governments, local communities and customers and that remains front of mind in our decisions

Regular reports from the Chief Executive Officer on performance

Divisional presentations at various times during the year

Our purpose and Vision

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

Our Values

Committed to our customers – we keep our customers at the heart of everything we do

Dedicated to safety – always front of mind, safety is our way of life

Supportive of each other – we trust each other to deliver and work to help one another succeed

Accountable for performance – every decision matters, we do the right thing

Setting the highest standards – we want to be the best, continually seeking a better way to do things.

Our Values are recognised across the Group and are fundamental to the way we operate. We see these Values as key to the way we work with our customers, suppliers, employees and stakeholders in general.

Ethics

In line with our Values and the expectations of our customers and partners, we are committed to conducting our business in an open and ethical manner, including in all of our interactions with our customers, employees and other stakeholders. Our Values and ethical commitment shape not only what we do, but also how we do it. We invest time and effort to put in place the right processes, policies and governance structures to ensure we meet these high standards of integrity and professionalism.

Adhering to an ethical framework is a vital part of our commitment to our customers and stakeholders and helps to ensure that our Vision and Values are at the heart of everything we do at FirstGroup. Our Code of Ethics helps our businesses to perform to the highest ethical standards and to be accountable for their performance. The Code of Ethics applies to everybody working for, or on behalf of, FirstGroup. It sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which apply across the Group and are implemented and managed by the senior management team in each of our divisions, including our Code of Conduct on Anti-Slavery and Human Trafficking Prevention and our Anti-Fraud and Anti-Bribery policies, as well as local policies on data privacy and other areas of legal and ethical compliance.

We are committed to recognising human rights on a global basis and recognise that we have a responsibility to ensure that FirstGroup operates in a way that respects, protects and champions the human rights of all those who come into contact with our operations. This includes a commitment to the prevention of modern slavery and human trafficking in all its forms both within our own businesses and in our supply chains. This commitment extends to all business dealings and transactions in which we are involved, regardless of location or sector. We have a zero-tolerance approach to any violations within our Company or by business partners. Our Modern Slavery and Human Trafficking Statement, which is updated annually, sets out our policies and the steps we take to address risks in our business and our supply chains and can be found at www.firstgroupplc.com. In line with our commitment to improving our performance by sharing best practice across the Group, our statement applies to all of our businesses, including those which are not legally required to make a statement under the Modern Slavery Act or equivalent legislation, regardless of their location, size or turnover.

We have a zero-tolerance approach to fraud in any form, including the facilitation of tax evasion and bribery. We never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation. We have internal control systems and procedures in place to counter bribery and corruption, and to ensure that we comply with data privacy, competition and trade laws. These systems and procedures are kept under regular review, to ensure that we continue to adopt appropriate defences and mitigations to ethical and legal risks that are faced by our businesses, both at a central level and within each division.

We have also mandated centrally a set of minimum standards for training and policy attestation across a range of ethical and compliance topics, including those referred to above. These standards are reviewed regularly at Executive Committee and Board level and updated as appropriate to address new or evolving risks. Divisional management teams are responsible for ensuring that these core requirements are implemented and adhered to within their respective businesses. They are also responsible for assessing whether stricter or additional requirements are appropriate to the particular ethical and legal compliance risks faced by their respective businesses, and implementing such further measures as are deemed necessary to mitigate those risks.

We have an externally managed whistleblowing service for colleagues available across the Group with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

Corporate governance report continued

Compliance with the UK Corporate Governance Code

The Annual Report and Accounts for the 52 weeks ending 26 March 2022 have been prepared in accordance with the Code published by the Financial Reporting Council (FRC) in 2018. The Code is available on the FRC's website at www.frc.org.uk.

The Board considers that it and the Company have, throughout the period to 26 March 2022, complied with provisions of the Code, with the exception of provision 9 of the Code upon the appointment of David Martin as Interim Executive Chairman at the conclusion of the Company's AGM on 13 September 2021 until the appointment of Graham Sutherland as the new Chief Executive Officer in May 2022 and the completion of the handover from David Martin to Graham Sutherland on all executive matters on 1 July 2022. See pages 92 to 94 for further information.

We explain throughout this report how we applied the principles and complied with the provisions of the Code. For ease of reference, the table below summarises where the relevant information can be found. The Company's auditors, PwC LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the FCA's Listing Rules.

Section	Code principles	Pages
Board leadership and company purpose	A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	12-83
	The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	12-83, 103
	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	68-70 74-81
	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	108-109
	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	47-53, 99
Division of responsibilities	The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	90-105
	The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	94, 96
	Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	93
	The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	99

Section	Code principles	Pages
Composition, succession and evaluation	Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	110-112
	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	96
	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	97
Audit, risk and internal control	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	118
	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	82-83
	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	117
Remuneration	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	125-128
	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	122-147
	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	130-131

Section 172 of the Companies Act 2006

The Directors are mindful of the duty they have under Section 172 to promote the success of the Company over the long term for the benefit of shareholders as a whole, having regard to the interest of a range of other key stakeholders. In performance of its duties throughout the year, the Board has had regard to the interests of the Group's key stakeholders and taken account of the potential impact on these stakeholders during its deliberations. Details of the Board's engagement with stakeholders during the year, in compliance with Section 172, can be found on pages 106 and 109 sets out the stakeholders and factors that were considered by the Board when making its most significant decisions during the year. In addition, further information on how the Board had regard to the following matters can be found as follows:

Section 172	Pages
Likely consequences of any decision in the long term	12-17
The interests of the Company's employees	47-54
The need to build and sustain the Company's business relationships with suppliers, customers and others	106-109
The impact of the Company's operations on the community and the environment	40-59
The desirability of the Company maintaining a reputation for high standards of business conduct	58-59, 103
The need to act fairly between shareholders of the Company	101, 107

Stakeholder engagement

We interact with a huge range of stakeholders every single day. Building strong relationships with them involves listening and working in collaboration.

Here is a summary of how we engage with some of our largest stakeholder groups.

Please see page 105 of the Governance Report for our Section 172 statement and page 95 for the decisions taken by the Board during the year.

Stakeholder group

Customers

The needs of our customers are unique to each journey and requirements constantly evolve. Listening, identifying future needs and being able to respond quickly is critical. Our teams use a variety of channels and approaches to engage with customers, assessing satisfaction and gathering feedback.

See pages 42-44

Investors

The Group welcomes open, meaningful discussion with shareholders on all matters. We have proactively engaged throughout the year with institutional, private and employee shareholders on a range of matters. Being fully aware of the range of views of our shareholders is a key aspect of good corporate governance and supports our commitment to ensuring that we promote the success of the Company for the long-term benefit of our members as a whole.

See page 102

Government

Strong engagement with Government at all levels is essential to our businesses. At Group and operational level, we have long-established relationships with local and national Government officials.

See pages 22-29

Why we engage them	How we engage with them	Key activities from the year
▪ Improve customer experience and satisfaction ▪ Respond to customer feedback ▪ Adapt to changing customer needs ▪ Build long-lasting and trusted relationships with our customers	▪ Regular customer and passenger satisfaction surveys to identify what we do well and where we can improve ▪ Robust customer feedback processes through online and traditional channels ▪ Customer panels and events ▪ Ongoing dialogue with customer representative groups ▪ Regular customer updates by the Chief Executive Officer to the Board	▪ Enhanced Covid-secure services ▪ Expanded paperless ticketing in First Rail services ▪ Capacity information and wheelchair access information for First Bus customers ▪ Developed and deployed next generation onboard 5G Wi-Fi from evo-rail, developed in-house by First Rail, to improve on-board information services for our rail customers ▪ Daily and weekly contactless 'tap and cap' fares are now being rolled out to multiple locations across First Bus
▪ Keep investors informed of key business activities and decisions ▪ Listen and respond to shareholders' concerns and interests ▪ Strengthen the long-term success of the Company	▪ Presentations from Executive Directors ▪ Annual report, website and regulatory statements ▪ Ongoing dialogue and individual engagement with shareholders by the Directors, including Chairman ▪ Engagement via the Investor Relations function with potential and existing investors and other market participants	▪ Class 1 disposal of First Student and First Transit approved by shareholders ▪ Use of proceeds to reduce debt, de-risk legacy liabilities and return value to shareholders articulated to investors ▪ Investment case for the ongoing Group communicated ▪ Return of value to shareholders by way of tender offer approved following engagement with shareholders regarding the methodology
▪ To advocate for policy solutions which ensure optimal operation of public transport by private operators, thus supporting sustainable economic growth and social mobility ▪ To ensure clear communication and understanding of the consequences of policy decisions at different levels of Government ▪ To aid effective delivery of public transport at the operational level	▪ Engagement with industry forums ▪ Direct engagement with policymakers ▪ Strong links with devolved national, regional, state and local Governments ▪ Regular surveys of political stakeholders ▪ Joining the Confederation of British Industry and the Scottish Council for Development and Industry to better influence wider Government policy development	▪ Post-pandemic economic recovery ▪ Played a leading role in the Rail Delivery Group and the Confederation of Passenger Transport discussions on rail and bus sector reform respectively ▪ Collaborated with advocacy groups, such as the Scottish Business Climate Collaboration, to share our views on the UN COP26 Climate Change Conference

Stakeholder engagement continued

Performing sustainably

We participate in evaluations, ratings and rankings of our ESG performance.

These provide insights to investors on our non-financial performance and demonstrate how we manage our ESG risks and opportunities in a way that positions us strongly for the future.

We have been recognised for our ESG leadership, having been named in the FTSE4Good Index Series for the 18th consecutive year.

Our above-average results (compared to our industry peers) in the CDP global disclosure rating also demonstrate our commitment to climate change mitigation, adaptation and transparency.

Stakeholder group

Our employees

Many thousands of FirstGroup employees work in depots, stations and offices to deliver great service to our millions of passengers. We have a broad range of mechanisms through which our employees have the opportunity to make their voices heard and inform the direction and governance of our business.

See pages 47-53

Communities

We have well-developed mechanisms in place to help us listen to and understand the needs of our communities, and we incorporate their feedback into our decision-making processes.

See pages 55-56

Strategic partners and suppliers

We work with more than 4,500 suppliers globally driving innovation, expertise and value for money from our supply chain to provide the goods and services required to meet and exceed the expectations to our customers and shareholders. Our suppliers range from small, independent companies to global corporations and we have dedicated teams of procurement specialists centrally, and within our divisions, who develop and maintain strong relationships with this supply chain driving value and reducing risk.

See pages 40-59

Why we engage them	How we engage with them	Key activities from the year
▪ Ensure our people have the skills and knowledge needed to deliver our services now and in the future ▪ Maximise the benefits of the expertise and experience of our employees in delivering our services ▪ To create a safe and inclusive working environment for all of our employees ▪ Increase effective participation and equal opportunities ▪ Improve customer experience and satisfaction	▪ Regular 'Your Voice' employee engagement surveys ▪ Dialogue with employee representatives, including Employee Directors and trade unions ▪ Inductions, onboarding sessions and employee handbooks ▪ Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps ▪ Individual performance reviews and development discussions and informal reviews from time to time	▪ Strengthened our governance and leadership focus on how we can improve workforce diversity ▪ As signatories to the 'Change the Race Ratio' we are committed to improving the ethnic diversity of our workforces and have voluntarily published our first Ethnicity Pay Gap Report ▪ Expanded the number of trained mental health first aiders in the business to support employee mental health and wellbeing ▪ Increased the number of apprentices participating in industry leading programmes, growing the engineering and operational skills which are vital to our business ▪ Grow our development programmes to increase the number of women and minority ethnic employees progressing into managerial roles
▪ Maintain our position at the heart of our communities ▪ To understand the needs of our communities to enhance our engagement activities and improve our services ▪ Support social inclusion and respond to the needs of our communities	▪ We conduct regular surveys to help us understand a range of views and enhance our engagement activities ▪ We also commit our time, skills and resources to help those charitable causes important to our communities, both locally and nationally	▪ FirstGroup and our employees donated £1.58m during FY 2022, as measured by the London Benchmarking Group model for community impact. See page 56 for a more detailed breakdown of our contribution
▪ Build long-term relationships to strengthen understanding, engagement and optimise value ▪ Identify, manage and mitigate risks in our supply chain ▪ Drive sustainable procurement, raising environmental and ethical standards in our supply chain	▪ Key suppliers are engaged through collaborative relationship management systems to provide us with clear, consistently applied processes to track performance and generate additional value ▪ Regular supplier relationship meetings and business reviews held to strengthen relationships and identify and manage risks ▪ Core principles shared across the entire supply chain in the FirstGroup Supplier Code of Conduct and Code of Ethics	▪ ISO 44001:2017 certification. Expanded the programmes operated, developed and implemented new supplier management standard further across our supply chain ▪ Manage more than 30 separate value improvement projects for key suppliers focused on value delivery to both parties in availability, capacity, customer satisfaction, technology and innovation ▪ Supply chain risk processes continue to be strengthened and developed. Working with internal stakeholders and in collaboration with external partners we are expanding our insight of compliance and driving sustainable procurement principles whilst capturing, monitoring and mitigating risk and to supporting the development of increased supply chain maturity

Nomination Committee report

David Martin
Chair, Nomination Committee

"The Committee's focus during the year has been Board succession with the appointment of a new Chief Executive Officer and new Non-Executive Directors to help the Group evolve following the completion of the restructuring."

Committee members:

David Martin (Chair)
Warwick Brady
Peter Lynas

Role and responsibilities

The primary role of the Nomination Committee is to ensure that the Board has the appropriate skills, knowledge, experience and diversity to operate effectively and deliver our strategy. The key responsibilities of the Committee are set out below and the Committee's Terms of Reference are available on our website.

- Evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this, prepare a description of the role and capabilities required for a particular appointment and lead the process for making any such appointment
- Give full consideration to succession planning for Directors and other senior executives and make recommendations to the Board
- Oversee compliance with the Code

The Committee Chair provides feedback and recommendations to the Board and copies of the minutes of its meetings are made available, where appropriate, to all Directors. The Committee is empowered to appoint search consultants and other external advisors as it sees fit to assist with its work.

Composition of the Nomination Committee and attendance

The Chairman of the Board, David Martin, chairs the Committee and independent Non-Executive Directors, Peter Lynas and Warwick Brady, are members. The Company Secretary attends all meetings. The Chief Executive Officer attends meetings of the Committee upon invitation. No individual participates in discussion or decision-making when the matter under consideration relates to him or her, other than on succession plans for their roles.

Member[1]	Appointment date	Scheduled meetings	Ad Hoc meetings
David Martin (Chair)	15 August 2019	2/2	2/2
Peter Lynas	30 June 2021	2/2	1/1
Warwick Brady	30 September 2019	2/2	1/2
David Robbie	5 November 2019	1/1	0/0

1 David Robbie stepped down on 30 June 2021 and was replaced by Peter Lynas

The work of the Committee during the year

This report of the Nomination Committee (the Committee) summaries its activities during FY 2022 in relation to composition of and succession to the Board and its Committees. The Committee is responsible for recommending appointments to the Board and ensures that plans have been put in place for the orderly succession to the Board, its committees and the senior management team. This includes the development of a pipeline of potential candidates, bearing in mind gender and ethnic diversity, to the Board and the senior management team with the necessary skills and experience. During the year, the Committee has undertaken searches for the Chief Executive Officer and two Non-Executive Directors. It engaged external search consultancies to assist with the process and to identify potential candidates from the wider market. Other than in the provision of recruitment services, none of the consultancies engaged has any connection with the Company or any of its Directors. Each is accredited with the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms. More details of the process are set out below.

The following table provides an overview of the key business and activities of the Committee during the year:

Board and Committee composition

- Considered the appointment of new Non-Executive Directors and made recommendations to the Board for the appointment of Claire Hawkings and Myrtle Dawes as Non-Executive Directors
- Considered the appointment of David Martin as Interim Executive Chairman following the resignation of Matthew Gregory as Chief Executive Officer to serve until a replacement was appointed
- Recommended the appointment of Graham Sutherland as Chief Executive Officer and Executive Director on 16 May 2022
- Reviewed the composition of the new Responsible Business Committee and made appropriate recommendations to the Board
- Reviewed the composition of the Board in respect of gender, ethnicity, skills, and experience of the Directors

Governance, regulatory and reporting

- Reviewed the role descriptions for the Chairman, Chief Executive Officer and Senior Independent Director to ensure separation of duties to comply with the UK Corporate Governance Code 2018
- Adopted a new Diversity Policy for the Board
- Adopted a Board Overboarding Policy to apply to all directors
- Considered feedback from the evaluation of the Committee's performance and agreed actions
- Reviewed and approved the Committee's report in the FY 2022 Annual Report

Appointment of the Chief Executive Officer

In September 2021, the Committee started the process to find a Chief Executive Officer, following the resignation of Matthew Gregory. The Committee selected Sam Allen Associates Limited as executive search consultant for the purposes of this role. A job specification was prepared in conjunction with the executive search consultant. A shortlist of internal and external candidates was drawn up and interviews were conducted by the Committee. The shortlisted candidates also met with other members of the Board. The Committee then recommended the appointment of Graham Sutherland to the Board.

Graham joined the Board on 16 May 2022 as an Executive Director and Chief Executive Officer. He has started a comprehensive and tailored induction programme and will meet with operational and functional members of the senior management team and met with key external advisers to the Board and the Group.

Appointment of Non-Executive Directors

As stated in last year's report, Jane Lodge and Peter Lynas joined the Board on 30 June 2021. David Robbie stepped down from the Board on the same date.

In November 2021, the Committee engaged ISP to facilitate a search for additional Non-Executive Directors with extensive experience in ESG matters and climate change technologies to bring additional expertise to the Board and Responsible Business Committee. A role specification was prepared in conjunction with ISP. A shortlist of candidates was drawn up by the consultant and interviews were conducted by the Committee. The Committee then made a recommendation for the appointment of Claire Hawkings and Myrtle Dawes to the Board. Claire joined the Board as a Non-Executive Director on 21 January 2022. She is a member of the Audit Committee and Chair of the Responsible Business Committee. Myrtle Dawes was appointed as a Non-Executive Director with effect from 1 April 2022 and is also a member of the Responsible Business Committee.

Diversity and Inclusion

The Board believes a diverse workforce is vital to the Group's success and values the differences each colleague brings to their role, making the Group stronger and better able to meet the needs of our customers and the communities within which we operate. At 1 April 2022 the Board comprised 50% female directors and was above its target of 25% female representation and above the Hampton-Alexander Review target of 33%. Three out of the Board's four principal Committees are chaired by female Non-Executive Directors of the Board.

Further information on our most recent gender pay report is available on the Company's website. The Board recognises that there is still much to do to improve our overall workforce diversity. FirstGroup is a signatory to the 'Change the Race Ratio' reflecting the commitment of the Chairman, the Chief Executive Officer and the Board to increase the racial and ethnic diversity of the Board, senior leadership and our workforce. Work is continuing to develop detailed plans, including diversity targets that can be measured and tracked (see pages 47-49 for further information).

Nomination Committee report *continued*

Policy on appointments to the Board

The Committee recognises the value that individuals from diverse backgrounds can bring to Board deliberations. The Committee considers diversity in its wider sense, including gender, length of tenure and nationalities. In line with the Committee's diversity policy, when considering the recruitment of a new Director, the Committee adopts a formal, rigorous and transparent procedure and due regard is given to ensuring fairness and diversity through the consideration of skills, experience, competencies, sector knowledge, independence and individual characteristics. Prior to making an appointment, the Committee evaluates the composition of the Board and, in light of this evaluation, prepares a full description of the role and capabilities required. In identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search
- considers candidates on merit and against objective criteria ensuring that appointees have sufficient time to fulfil their Board and, where relevant, Committee responsibilities in light of other potential significant positions. As part of this process, candidates disclose all other time commitments and, on appointment, undertake to inform the Board of any changes
- considers candidates from a wide range of backgrounds.

During the year, the Nomination Committee adopted a Board Diversity Policy which has been prepared to reflect best practice. It mirrors the recommendations of the Hampton Alexander Review and the Investment Association's Good Stewardship Guide published in 2021. It is available on the Company's website.

Directors' Overboarding Policy

During the year, the Committee considered an analysis of the Board's external commitments against relevant voting guidelines published by leading proxy advisers and large institutional shareholders. Although the Code does not recommend a limit for external appointments, this has been an increasing focus by investors. The Board agreed to adopt a policy on external directorships in line with the guidelines recently published by the Institutional Shareholder Services (ISS) which will be applied for all future appointments to the Board. The policy is set out below:

Directors may hold five mandates on publicly listed companies. For the purposes of calculating this limit:

- a non-executive directorship counts as one mandate;
- a non-executive chair counts as two mandates; and
- a position as executive director (or a comparable role) is counted as three mandates.

Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chair *at a different company will be classified* as overboarded.

The Company will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for Directors who serve on the boards of complex companies, those in highly regulated sectors, or Directors who chair a number of key committees. Likewise, a more lenient view may apply for directors who serve on the boards of less complex companies (for example, externally managed investment companies).

Committee evaluation

The performance of the Committee was considered through the annual Board evaluation process, in which members were requested to complete a questionnaire. The Committee members were satisfied that the Comm'ttee was effective.

Audit Committee report

Jane Lodge
Chair, Audit Committee

"Supporting the Board and **acting in the long-term interests of stakeholders by thoroughly reviewing and monitoring the integrity and accuracy of the Group's financial and narrative reporting; its compliance with laws and regulations, the internal control and risk management systems; and managing the external and internal audit processes."**

Committee members:

Jane Lodge (Chair)
Claire Hawkings
Peter Lynas
Warwick Brady
Julia Steyn

Dear Shareholder

Having succeeded David Robbie as Chairman of the Committee, who stepped down from the Board in June 2021, I am pleased to introduce the Audit Committee's report for the 52 weeks ended 26 March 2022.

This report provides insight into the activities undertaken by the Committee during the year and explains its performance against the terms of reference and information on its key activities in accordance with the annual work plan. The Committee continues to have a key governance role for the Company and reviews, on behalf of the Board and shareholders, important matters relating to financial reporting, internal controls, risk management, and compliance with laws and regulations. The terms of reference of the Committee are available on our website.

Focus during the year

This report provides an overview of the Committee's principal activities and key areas of focus during the year as well as the Committee's priorities for the year ahead. As part of the half year and full year reporting review process, the Committee challenged management's judgment relating to the valuation of the First Transit earn out, going concern, impairment, the assumptions for the valuation of the pension schemes, revenue recognition and the level of provisioning.

Coronavirus pandemic

In accordance with the restrictions imposed to deal with the pandemic, which ended in Spring 2022, the majority of the Committee's work during the year has been conducted in a virtual environment. The Committee continued to engage effectively with Group management and the Group internal audit function and were able to ensure that robust controls and risk management systems were well maintained. In addition, the Committee had ample opportunity to have detailed discussions with the external auditors on all matters related to the Group's external audit.

Priorities for the year ahead

The Committee's key priorities for the year ahead will include an in-depth review of processes and internal controls to assess areas for continued improvement of risk and financial management across the Group following the completion of the sale of the operations in North America. See pages 114 and 119 for further information.

Jane Lodge
Chair, Audit Committee

Audit Committee report continued

Role of the Audit Committee

The primary role of the Audit Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to oversee the Group's internal audit function, to oversee the relationship with the Group's external auditor and to report to shareholders on its activities. The Committee's Terms of Reference are available on the Company's website.

Composition of the Audit Committee and attendance

The Committee was chaired by David Robbie until 30 June 2021 and subsequently by Jane Lodge who joined the Board on 30 June 2021. Both David and Jane have recent and relevant financial experience and the requisite competence in accounting. Committee members include independent Non-Executive Directors, Warwick Brady, Claire Hawkings, Peter Lynas and Julia Steyn all of whom have the necessary skills and financial literacy to effectively discharge their duties. The Committee also has sector relevant competence, as disclosed in the biographies on page 86 to 89 and the charts on page 96.

Member[1,2,3,4,5]	Appointment date	Scheduled meetings	Additional Meetings
Jane Lodge (Chair)	30 June 2021	4/4	0/0
Warwick Brady	24 June 2014	4/4	1/1
Claire Hawkings	21 January 2022	1/1	0/0
Peter Lynas	30 June 2021	3/3	0/1
Julia Steyn	5 November 2019	3/4	1/1
David Robbie	2 February 2018	1/1	0/0
Steve Gunning	24 January 2019	1/1	1/1
Martha Poulter	26 January 2018	1/1	1/1

1 David Robbie stepped down on 30 June 2021 as Chair and member

2 Jane Lodge appointed on 30 June 2021 as Chair and member

3 Peter Lynas appointed on 30 June 2021

4 Claire Hawkings appointed on 21 January 2022

5 Steve Gunning and Martha Gunning stepped down on 13 September 2021

The Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Director of Finance, the Head of Internal Audit, the Group Financial Controller and the External Audit Partner routinely attend meetings of the Committee. In addition, other senior finance and business managers are invited to attend meetings as required to provide the Committee with a deeper level of insight on relevant business matters. Other members of the Board have an open invitation to attend Committee meetings and they frequently did so during the year under review to facilitate a deeper understanding of the business and support their role as Directors of the Company. The Deputy Company Secretary acts as Secretary to the Committee. The Committee meets periodically without management present and private meetings are held with the Internal Audit and External Audit teams without management present.

Summary of Committee activities through the year

The Committee has an extensive agenda of items of business focusing on financial reporting, internal control, risk management, internal audit and external audit in addition to certain standing matters that the Committee considers at each meeting as well as any specific topical items which have arisen during the course of the year. The work of the Committee in FY 2022 broadly fell under four main areas and is summarised below:

Accounting, tax and financial reporting

- Reviewed and approved the Group's half-yearly and annual results and considered the significant accounting policies, principal estimates and accounting judgements used in their preparation, the transparency and clarity of disclosures within them, and compliance with financial reporting standards
- The Committee reviewed the basis for preparing the Group half-yearly and full year accounts on a going concern basis with input from the external auditors. The related disclosures in the half-yearly results and in the Annual Report and Financial Statements were also reviewed
- Considered and approved management's assessment of the Group's prospects and longer-term viability contained in the Annual Report and Financial Statements
- Received reports from management and the external auditors on accounting, financial reporting regulation and taxation issues
- Reviewed and assessed whether the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable
- Reviewed and approved the Non-Audit Services Policy, Tax Strategy, Treasury Policy and Adjusted Items Policy
- Reviewed the assumptions such as future growth rates, cash flows and discount rate used in the impairment models and the output from the impairment review
- Reviewed the non-GAAP measures used in the Company's reporting
- Reviewed the accounting treatment for the EMA and ERMA and NRC arrangements
- Reviewed the accounting treatment of the disposal proceeds from the sale of the North American operations
- Reviewed assumptions of the fair value calculation for the First Transit earn out
- Reviewed the assumptions used to calculate the pension liabilities

Internal control, risk management and internal audit

- Reviewed the structure (Group Risk Management Framework and Group Risk Assessment Approach) and effectiveness of the Group's system of risk management and internal control and the related disclosures in the Annual Report and Financial Statements
- Reviewed the Group's risk management activities undertaken by the divisions and at Group level in order to identify, measure and assess the Group's principal and emerging risks and review the risk appetite statement, developed by management, for recommendation to the Board
- Approved the annual internal audit plan and reviewed reports from the internal audit department relating to control matters, monitored progress against the internal audit plan and any deviations to the plan were agreed
- Monitored and assessed the Group's insurance arrangements, insured and uninsured claims and material litigation
- Reviewed matters reported to the external whistleblowing hotline and considered the process for the investigation of the same and the outcome of those investigations.

External audit

- Considered and approved the scope, audit plan, terms of engagement and fees for the external audit work to be undertaken in respect of FY 2022
- Received reports from the external auditor on their findings during the half-yearly review and full year audit
- Considered the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking in to account their policies to safeguard independence, non-audit work undertaken by the external auditor and compliance with the Company's Policy on the provision on non-audit services and applicable regulations
- Considered and recommended to the Board the re-appointment of the external auditor
- Considered and approved letters of representation to the external auditor

Other matters

- Received reports from the Chief Information Officer on IT governance and cyber security
- Reviewed plans to improve the internal control environment ahead of expected changes to legislation
- Considered the response to the FRC following enquiries on the 2021 Annual Report

Audit Committee report continued

Significant issues

The matters the Committee considers to be significant for the FY22 Annual Report and Financial Statements are as follows:

Significant issues and judgments	How the Audit Committee addressed these issues
Assessment of Impairment	
First Bus, Hull Trains and Lumo Rail have been assessed for impairment based on the final Three Year Plan to March 2025 and included the financial impact of climate change related risks. These operations were considered to have sufficient headroom. Consistent with prior year practice, the Franchised Train Operating Companies were not tested for impairment as they are protected through the EMA/ERMA/NRC regime.	The Committee received reports from the management team and the external auditors on the assessment of impairment for the Group's operations and concluded that the assessments were reasonable. Further detail on impairment is provided in note 2 in the consolidated financial statements.
Revenue recognition	
Estimates are made on an ongoing basis when determining the recoverability of amounts due and the carrying value of related assets and liabilities arising from franchises and long-term service contracts. In addition, revenue recorded may be subject to manual adjustment to reflect the timing and valuation of revenue recognised, e.g. due to timing of travel or where amounts are unbilled at a period end. The various fiscal measures implemented in our markets by governments in response to the pandemic in several cases have been classified as revenue.	The Committee reviewed the revenue recognition policies and procedures and challenged the appropriateness of such policies and recognition criteria. Regular forecasts are compiled on the outcome of these types of franchises and contracts to assess the reasonableness of the assumptions applied. It was concluded at the Committee meeting held in May 2022 that these policies and approach and their application were appropriate. Further detail on revenue recognition is provided in note 2 in the consolidated financial statements.
Pension assumptions and funding	
The Group participates in a number of defined benefit pension schemes. Management exercises significant judgement when determining the assumptions used to value the pension liabilities as these are particularly sensitive to changes in the underlying assumptions. Scheme valuations were conducted during the year and changes were made to the assumptions which were considered to be in acceptable ranges.	Management engaged with external experts and the Committee considered and challenged the assumptions used for estimating the liabilities. Sensitivity analysis was performed on the key assumptions: inflation, discount rate and mortality. The overall liabilities were assessed for reasonableness. Further detail on pensions is provided in note 37 in the consolidated financial statements.
Greyhound disposal and insurance reserves	
Following the disposal of the Greyhound business in North America, the Committee considered the accounting treatment of the gain on the sale proceeds of Greyhound. In addition, the Committee reviewed the two insurance de-risking transactions concluded in early 2022. These have significantly reduced the residual liability of retained insurance claims.	The Committee received detailed updates at its meetings in March and May 2022 on the accounting treatment of the de-risking transactions. Confirmation was provided by the external auditor that the proposed treatment was appropriate. Further detail on these transactions is provided in note 21 in the consolidated financial statements.
Going concern and viability	
The Group regularly prepares an assessment detailing available resources to support the going concern assumption and the long-term viability statements. The medium-term impact of the recovery in passenger volumes, following the pandemic, and the terms of the contracted rail operations is becoming clearer. Management concluded that the financial statements should be prepared on a going concern basis and there were no material uncertainties which require disclosure. We continue to provide essential services to our customers and the communities we serve and anticipate doing so for the foreseeable future.	The Committee reviewed and challenged management's funding forecasts and sensitivity analysis and the impact of various possible downside scenarios, which took account of the recovery of passenger volumes, the level of performance fees in the Rail Division and ESG related risks Including climate change. Following the review, which the Committee carried out at its meeting in May 2022, the Committee recommended to the Board the adoption of both the going concern and viability assessment, and the related statements for inclusion in this report.
First Transit Earn Out	
The gain on the disposal of First Student and First Transit included the estimated carrying value of the First Transit earn out of $140m as assessed in the 2021 Annual Report. Revised terms of the earn out which were agreed with EQT in April 2022 resulted to an improvement to the terms originally offered. The carrying value of the earnout has been re-assessed at FY 2022, broadly in line with last year at $140m.	Management engaged with external advisors and the Committee challenged the assumptions used to ensure that the fair value of the Transit earn out was appropriately assessed. Further details are set out in note 21 in the consolidated financial statements

Internal controls and risk management

The Board is responsible for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed. Periodic review and ongoing monitoring of risk management and internal control frameworks are essential components of any sound system of risk management and internal control.

The Committee monitors the Company's risk management and internal control systems and, in addition to periodic reviews by the Committee, the Board undertakes an annual in-depth review of the effectiveness of internal controls, including the operation of financial, operational and compliance controls.

The Committee also guides the Board on the nature and extent of the principal and emerging risks the Company may be willing to take in order to achieve its long-term strategic objectives. The output from this system is the Company's risk appetite policy, which is subsequently reviewed by the Board.

The process the Committee applied in reviewing the effectiveness of the system of risk management and internal control is set out below, together with a summary of the actions that have been or are being taken to improve the overall control environment.

Internal controls

The Committee receives regular updates on the Group's system of internal control including progress made to the overall programme and conclusions on the design and effectiveness of key controls mitigating financial, operational and compliance risk. Management intends to continue to improve the standardisation and documentation of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

Overall, the Committee is satisfied that the Group's internal control framework was operating effectively as at the year end. The Committee will continue to oversee the improvement programme that has been put in place to enhance the internal control framework.

Risk management

The Board, through the Committee, is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives and for maintaining sound risk management and internal control systems. The Committee oversees a Group-wide system of risk management and internal control that identifies and enables management and the Board to evaluate and manage the Group's principal and emerging risks. This system is bespoke to the Company's particular needs and the risks to which it is exposed and is designed to manage, rather than eliminate, risk. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss.

The Committee assessed the Group's risk management methodology, which is used to identify and manage the principal and emerging risks, as well as the reporting and categorisation of Group risks, and made recommendations for improvement. Changes were implemented with the Committee's oversight. See page 74 for further information on the Group's risk management system.

The Committee also reviewed the process for assessing the principal and emerging risks that could threaten the Company's business model, future performance, solvency or liquidity in order to make the long-term viability statement on page 82 and considered the appropriate period for which the Company was viable.

The Company's policies on financial risk management, including the Company's exposure to liquidity risk, credit risk and certain market-based risks including foreign exchange rates, interest rates and fuel prices, can be found on page 167 and in note 2 to the consolidated financial statements.

Key elements of the Group's risk management framework that operated throughout the year are:

- divisions identifying and reviewing their principal and emerging risks and controls for monitoring and managing risks, which are reviewed by senior executive management. The updated divisional and Group risk profiles, which are reviewed by the Chief Executive Officer and Chief Financial Officer, are presented to the Executive Committee on a regular basis
- an agreed methodology for ranking the level of risk in each of its business operations and the principal and emerging risks
- implementation of appropriate strategies to mitigate principal and emerging risks, including careful internal monitoring and ensuring external specialists are consulted where necessary
- a centrally co-ordinated internal audit programme to verify that policies and internal control procedures are being correctly implemented and to identify any risks at an early stage
- reviewing and monitoring the confidential reporting system that allows employees to raise concerns about possible legal, regulatory, financial reporting or any other improprieties
- a remuneration policy for executives that motivates them, without delivering excessive benefits or encouraging excessive risk-taking.

Twice a year the Board is presented with an update for its assessment of the principal and emerging risks facing the Group, together with a risk map, highlighting any changes made since the previous update and the reasons for any changes. Each Committee that reports regularly to the Board provides an update on the status of risks considered within its remit.

Audit Committee report continued

Financial and business reporting

The Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in its reporting to shareholders. This responsibility encompasses all published information including, but not limited to the half-yearly and full year financial statements, regulatory news announcements and other publicly disclosed information.

The quality of the Company's reporting is ensured by having in place procedures for the review of information by management. There are also strict procedures to determine who has authority to release information. A statement of the Directors' responsibilities for preparing the financial statements can be found on page 151.

The Group adopts a financial reporting and information system that complies with generally accepted accounting practice. The Group Finance Manual details the Group's accounting policies and procedures with which subsidiaries must comply. Budgets are prepared by subsidiary company management which are then consolidated into divisional budgets. These are subject to review by both senior management and the Executive Directors followed by formal approval by the Board. Regular forecast updates are completed during the year and compared against actions required. Each subsidiary unit prepares a monthly report of operating performance with a commentary on variances against budget and the prior year, which is reviewed by senior management. Similar reports are prepared at a Group level. Key performance indicators, both financial and operational, are monitored on a weekly basis. In addition, business units participate in strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives.

Reviews of internal controls within operating units by internal audit have sometimes highlighted control weaknesses, which are discussed with management and, where appropriate, the Committee, and remedial action plans are agreed. Action plans are monitored by internal audit and, in some cases, follow up visits to the operating entity are conducted until such time as the controls that have been put in place are working effectively. No material losses, contingencies or uncertainties that would require disclosure in the Annual Report and Accounts have been identified during the year by this process.

The Committee, in conjunction with management, regularly reviews and develops the internal control environment to make continual improvements. No significant internal control failings were identified during the year. Where any gaps were identified, processes were put in place to address them and these are monitored. In addition, as stated above, management intends to continue to improve the standardisation and documentation of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

The process is designed to provide assurance by way of cumulative assessment. It is a risk-based approach.

Internal audit

The internal audit function advises management on the extent to which systems of internal control are adequate and effective to manage business risk, safeguard the Group's resources, and ensure compliance with the Group's policies and legal and regulatory requirements. It provides objective assurance on risk and controls to senior management, the Committee and the Board. Internal audit's work is focused on the Group's principal and emerging risks. The mandate and programme of work of the internal audit function is considered and approved by the Committee bi-annually and includes a number of internal audits and health checks across the Group's divisions. Findings are reported to relevant operational management and to the Committee. The internal audit function follows up on the implementation of recommendations and reports on progress to senior management and to the Committee at each meeting.

The internal audit function is in part outsourced to KPMG; particularly where subject matter expertise is required to support delivery. The Interim Head of Internal Audit & Risk reports functionally to the Chairman of the Committee and administratively to the Chief Financial Officer.

The effectiveness of the internal audit function's work is continually monitored using a variety of inputs including the ongoing audit reports received, the Committee's interaction with the function's head, an annual review of the function's internal quality assurance report, a quarterly summary dashboard providing a snapshot of the progress against the internal audit plan tabled at each Committee meeting as well as any other periodic quality reporting requested.

Taking all these elements into account, the Committee concluded that the internal audit function was an effective provider of assurance over the Company's risks and controls and appropriate resources were available as required.

External audit

External auditor independence and objectivity

PwC were appointed the Company's external auditor following a competitive tender process in 2020. Matthew Mullins is the Senior Statutory Auditor.

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. PwC's independence and objectivity are safeguarded by a number of control measures including:

- limiting the nature of non-audit services performed by the external auditor
- the external auditor's own internal processes to vet and approve any requests for any non-audit work to be performed by the external auditor
- monitoring changes in legislation related to auditor independence and objectivity to assist the Company to remain compliant
- the rotation of the lead auditor partner after five years
- independent reporting lines from the external auditor to the Committee and ensuring the external auditor is afforded the opportunity for in camera sessions with the Committee
- placing restrictions on the employment by the Group of certain employees of the external auditor
- providing a confidential helpline that employees can use to report any concerns, including those relating to the relationship between Group employees and the external auditor
- an annual review by the Committee of the policy in place to ensure the objectivity and independence of the external auditor is maintained.

Assessing the effectiveness of the external audit process

The Committee, other Board members, senior management in both the corporate functions and within the operations and the internal audit team evaluated PwC's performance and the effectiveness of the external audit process during FY 2022. The Committee also considered the independence and objectivity of PwC. The following factors were considered:

- the quality of the interactions between the audit team and the Committee, other Board members, management and those involved in the preparation of the accounts
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective audit
- the external auditor's progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks
- the competence with which the external auditor handled the key accounting and audit judgements and communication of the same with management and the Committee
- the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners
- the expertise and resources of the external audit team conducting the audit
- whether the statutory audit contributed to the integrity of the Group's financial reporting.

Taking into account the above factors and feedback from management, members of the Committee and the Board, the Committee concluded that the external audit process and services provided by PwC were satisfactory. The feedback will be shared with PwC and any opportunities for improvement will be considered and agreed.

Policy on the provision of non audit services

The Committee's policy on the use of the external auditor for non-audit services includes the identification of non-audit services that may be provided and those that are prohibited. The policy requires that the external auditor will only be used for non-audit services where regulation permits, the Group benefits in a cost-effective manner and the external auditor maintains the necessary degree of independence and objectivity. The policy provides for a cap on fees for non-audit work of 70% of the average of fees paid to the audit firm over the previous three years for audit services.

The Committee receives regular reports on all non-audit assignments awarded to the external auditor and a breakdown of non-audit fees incurred. The Committee is satisfied that the Company was compliant during the year with both the Code and the FRC's Ethical Standard in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by PwC who is in the second year as external auditor. Details of amounts paid to the external auditor for audit and non-audit services for the 52 weeks ended 26 March 2022 are set out in note 6 to the consolidated financial statements.

Tax strategy

We believe we have a responsibility to manage our tax affairs in a way that sustainably benefits the customers and communities we serve. We also have a responsibility to shareholders to ensure we pay the right amount of tax and ensure compliance with the tax rules in each country in which we operate. Further information on our tax strategy, which was reviewed by the Committee and subsequently approved by the Board in September 2021, is available on our website. The tax strategy is reviewed annually by the Committee.

Compliance with the Competition and Markets Authority

Pursuant to Article 7.1 of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the Company confirms that it has complied with the provisions of the CMA Order during FY 2022, including Part 5 in relation to the role of the Committee.

Financial Reporting Council (FRC)

The Company was notified by the FRC that the Company's FY 2021 Annual Report and Financial Statements had been reviewed in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures relating to transfers between property, plant and equipment and right of use assets. A full review of the FY 2021 Annual Report and Financial Statements was not undertaken. As a result of this review, the comparatives for FY 2021 consolidated cash flow statement and balance sheet notes to the accounts for borrowings notes have been restated. In the consolidated cash flow statement 'purchases of property, plant and equipment' have increased by £31.0m, 'repayments of lease liabilities' have increased by £15.8m and a new line 'proceeds from asset backed financial liabilities' of £46.8m is presented. Further details are set out in note 2. The Chair of the Committee and the Chief Financial Officer discussed the FRC's queries with the management team and the external auditors and responded accordingly. The FRC was satisfied with the response and has raised no other issues.

Committee evaluation

The Committee's performance was considered through the annual Board evaluation process, in which members were requested to complete a questionnaire. Feedback from Committee was generally positive and it was concluded that the Committee was effective in discharging its responsibilities.

Board Safety Committee report

Peter Lynas
Chair, Board Safety Committee

"FirstGroup's commitment to safety is unwavering. As one of our core Values, safety is always front of mind."

Committee members:

Peter Lynas
Sally Cabrini
Anthony Green

The Board Safety Committee was replaced by the Responsible Business Committee in January 2022. There is more information on the Responsible Business Committee which includes safety in its remit on page 90.

Role and responsibilities

FirstGroup is committed to the safety and wellbeing of our employees, customers, the communities within which we operate and all stakeholders that interact with our businesses. Our approach to safety is reflected in our core Values and our long-term goal is to achieve Zero Harm. For more information, refer to pages 52-53.

The primary role of the Board Safety Committee is to assist the Board in obtaining assurance that appropriate systems are in place to deal with the management of safety risks and to review the Group's operational safety performance and culture. The key responsibilities of the Committee are set out below and the Committee's terms of reference are available on our website:

- review safety performance and significant safety incidents, considering the key causes and ensuring actions are taken and communications made by management to prevent similar incidents occurring in the future
- keep under review the development and maintenance of a framework of policies and standards for managing safety risks and their impact on the Group's activities
- assess the impact of safety decisions and actions taken by the Group on its reputation, employees and other stakeholders
- monitor and assess the commitment and behaviour of management towards safety-related risks and promote a positive safety culture throughout the Group
- make recommendations to the Remuneration Committee in relation to the use of appropriate safety performance metrics and targets for incentive plans for the Executive Directors and certain senior managers, and assess the annual performance against those metrics
- review the findings of any internal or external reports on the efficiency and effectiveness of the Group's safety systems and culture, assess any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board on such matters.

Member	Appointment date	Scheduled meetings
Peter Lynas (Chair)	30 June 2021	2/2
Sally Cabrini	14 February 2020	2/3
Anthony Green	15 September 2020	3/3
Martha Poulter[1]	30 September 2019	1/1

1 Martha Poulter stepped down from the Board and Committee on 13 September 2021

The Committee was supported by the Business Review Meetings, which take place monthly between the Group Executive and the Senior Leadership Team of each Division. Safety formed part of this meeting and the role is to review and have oversight of policy, performance and practices.

The Committee Chair provided feedback and recommendations to the Board and copies of the minutes of its meetings are made available to all Directors.

Composition of the Board Safety Committee and attendance

The Committee members were Peter Lynas (Chair) and Sally Cabrini, both of whom are Non-Executive Directors, and Anthony Green, Group Employee Director. The members brought a wide range of sector experience and insights to Committee deliberations, including the employee perspective through the involvement of Anthony Green.

The Company Secretary attends all meetings and, at the request of the Committee Chair, the Chief Executive, the Corporate Services Director, the Group Safety Director and the Assistant Company Secretary attend all meetings of the Committee. Other senior managers attend as required for deep dives, when incidents have occurred in operations under their control or when their specialist expertise is required.

Committee focus through the year

The following table provides an overview of the key business and activities of the Committee during the year:

Operational

- Received comprehensive updates on the impact of the coronavirus pandemic and the measures taken by management
- Reviewed safety performance reports at Group and divisional level, including trend data
- Reviewed actual and potential serious and fatal incidents, including the circumstances leading to and key learnings from the incidents
- Reviewed the impact of safety initiatives
- Received a deep dive presentation on Tram Operations in the Rail Division, including reviewing the Joint Improvement Plan
- Received detailed updates from the Bus and rail Divisions covering performance, serious Incidents, safety challenges and mitigations and health& wellbeing

Governance, regulatory and reporting

- Considered feedback from the evaluation of the Committee's performance and agreed actions
- Reviewed and approved the Committee report and other safety related disclosures in the FY 2021 Annual Report
- Reviewed the FY 2021 performance outcome under the Group's incentive plans in relation to safety and the design for the FY 2022 safety metrics/targets
- Received an update on current and emerging safety legislation and regulations
- Considered and approved the revised Health & Safety Policy

Remuneration Committee report

Sally Cabrini
Chair, Remuneration Committee

"The last financial year has been one of delivery on our promises. We have simplified and refocused the Group, unlocked substantial value for shareholders, strengthened the balance sheet and accelerated our sustainability progress, all while continuing to play our part in connecting people and communities."

Committee members:

Sally Cabrini, Chair
Jane Lodge
Peter Lynas
Julia Steyn

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the financial year ended 26 March 2022.

The Remuneration Report covers the required regulatory information and provides further context and insight into our pay arrangements for Directors and other Group employees. We set out our key decisions since last year, the assessment of FY 2022 performance and determination of pay, and our approach to ensuring executive pay outcomes are fair in the context of wider employee pay.

FY 2022 was a very active and significant year in FirstGroup's evolution, including the successful sale of our North American businesses, managing the continuing impact of the pandemic and a leadership transition. Our focus for FY 2022 was on successfully completing the transactions, returning significant value to our shareholders and strengthening our balance sheet in the process, as well as keeping our customers and employees safe. We continued running our vital services throughout the pandemic, as our services are part of the critical infrastructure that enable people to travel safely, including key workers providing essential services.

Directorate changes

Matthew Gregory stepped down as Chief Executive Officer and from the Board at the 2021 AGM, at which point David Martin became Interim Executive Chairman. From the period he stepped down as Chief Executive Officer on 13 September 2021 until the date his notice expires on 27 July 2022, Matthew has been available to provide assistance in relation to ongoing projects and to work closely with David as required to ensure a smooth transition.

Matthew's remuneration arrangements have been fully disclosed in the Section 430(2B) statement and are in line with his service contract and the shareholder approved Remuneration Policy. His salary, pension and benefits continued to be paid as usual during this period and Matthew was eligible to participate in the 2021/2022 Executive Annual Bonus Plan (EABP). If the termination date had been brought forward from 27 July 2022, then any payments made in respect of the unexpired notice period would have been made in instalments, and subject to mitigation and reduction in the event Matthew took up alternative employment.

The Remuneration Committee carefully considered the matter and determined, that on Matthew's leaving employment his deferred bonus shares under the EABP, awarded in 2019 (which relates to 138,406 shares) and any deferred bonus awarded in 2022 (as part deferral of any bonus for FY 2022), will not lapse by reason of his leaving employment, and will remain eligible to vest on their respective normal vesting dates in accordance with the rules of the EABP. Matthew's unvested awards under the Long-Term Incentive Plan (LTIP), awarded in 2020 will not lapse by reason of his leaving employment, and will remain eligible to vest on the normal vesting date in accordance with the rules of the LTIP and subject to the satisfaction of performance conditions and pro-rating for his period of employment. On vesting, the resulting shares are subject to a further two-year holding period.

No LTIP award was made to Matthew in 2021, and no further awards will be made.

Full details are set out in the section Payments to past Directors on pages 137-138.

David Martin became interim Executive Chairman at the conclusion of the AGM in September 2021 and will resume the role of Non-Executive Chairman on 1 July 2022. For this period, he was paid an additional fee, bringing his total fees to £535,000 p.a. Full details are set out in the Non-Executive Directors' and Chairman's fees section on page 139.

Graham Sutherland was appointed as Chief Executive Officer on 16 May 2022. In line with our agreed Remuneration Policy the following package was agreed, commensurate with a Group now focused on UK public transport operations:

- base salary of £550,000
- pension allowance of 5% of salary
- maximum EABP opportunity of 150% of salary
- maximum LTIP opportunity of 200% of salary
- shareholding requirement of 200% of salary

On an annualised basis, fixed pay (defined as base salary and pension allowance) for the Chief Executive Officer role is c.22% lower than under his predecessor and his base salary will not be reviewed before 1 April 2023.

We also welcomed Jane Lodge, Peter Lynas, Claire Hawkings and Myrtle Dawes as new Non-Executive Directors and Steve Gunning, Martha Poulter and David Robbie stood down from the Board during the year.

New Remuneration Policy

We received the support of the vast majority of our shareholders and approval of the Policy at last year's AGM, and a summary of the voting is shown on page 147.

This, I believe, demonstrates our commitment to aligning our remuneration decisions with our business strategy and performance, as well as the shareholder consultation and engagement process undertaken beforehand. The full Policy can be found on the FirstGroup Plc website and on pages 132-141 in the FY 2021 Directors' Remuneration Report.

Overview of financial performance, operating achievements, and strategic progress.

FY 2022 has been a year of delivery and has seen the successful completion of the sale of our North American businesses for $4.6bn with a subsequent return of value to shareholders of and de-risking of the Group's legacy liabilities. Specifically:

- we returned £500m to shareholders through a tender offer
- we are on track to restore regular, progressive annual dividends, beginning with a final dividend of 1.1p per share for FY 2022 proposed
- we strengthened the balance sheet by repaying or de-risking c.£2.3bn in debt and other liabilities
- we significantly strengthened our UK Group and Bus pension funding positions. Assuming asset and liability performance in line with our expectations, this would support a release of £117m held in escrow over the coming triennial valuations

FY 2022 has also been a year of robust financial performance for the Group.

The continuing Group has delivered a resilient financial performance, with operating profit and cash generation materially exceeding the outlook for the year. As a Committee we believe it is imperative to strike the right balance between incentivising the management team, rewarding strong performance and being equitable in the broader context, taking into account the experience of our wider stakeholders, including our employees and shareholders.

FY 2022 EABP: The FY 2022 EABP was based 70% on financial metrics (40% EBIT, 30% cash flow) and 30% on non-financial metrics (15% on strategic metrics and 15% on individual performance).

The Committee carefully considered performance against each of the financial and non-financial targets and then a broader consideration of overall performance. Achievement for both financial metrics was 100% of maximum. The strategic targets for our Executive Directors were in relation to the successful completion of disposals of the North American businesses, subsequent return of value to shareholders and de-risking of Group's legacy liabilities. The Committee assessed performance against the strategic objectives at 100% of maximum. In respect of individual performance, the Committee awarded Ryan Mangold 80% of maximum. Matthew Gregory's individual performance was assessed at 80% of maximum.

The formulaic EABP award for the Executive Directors resulted in awards of 97% for Matthew Gregory and 97% for Ryan Mangold of the maximum. The Committee reviewed the overall outcome in the context of the Group's underlying performance and were satisfied with this level of payout, particularly given the downwards discretion exercised in the previous two years, which resulted in no bonus being awarded in either 2020 or 2021.

Full details of targets and performance achieved are set out on pages 133-135.

2019 LTIP: The vesting of the LTIP granted in 2019 was subject to three performance measures:

- 40% Earnings per Share (EPS) Growth
- 40% relative Total Shareholder Return (TSR)
- 20% Return on Capital Employed of the Road Divisions (Road ROCE)

The 2019 LTIP targets were set before the strategic decision to pursue portfolio rationalisation had been undertaken and consequently had been set on the basis that the Company would have five operating divisions. Following the disposal of the North American divisions the Committee considered and applied adjustments to the performance measures to account for the impact of the sale, subsequent tender offer and the accompanying share consolidation (see pages 135-136 for further details).

- the Company delivered strong earnings growth of 8.7% per annum, resulting in resulting in 82.7% vesting under the EPS element (33.1% of the overall award)
- relative TSR performance was at the 71st percentile versus the peer group, resulting in 88.6% vesting under this element (35.4% of the overall award)
- road ROCE was assessed at 7.5% (a +160bps improvement), resulting in 100% vesting under this element and 20% of the overall award

The overall vesting of the 2019 LTIP award was therefore 88.5%. The Committee carefully reviewed the overall vesting outcome in the context of the Group's underlying performance and were satisfied that there was no need to exercise downwards discretion. The shares will be held for an additional two years to provide alignment with our shareholders.

Full details of targets and performance achieved are set out on pages 135-136.

2021 LTIP: The Committee determined that the 2021 LTIP award made to the CFO and other senior leaders would be measured against EPS, Relative TSR and a new Sustainability Scorecard (comprising two environmental measures), over a three-year period. The Committee considered that inclusion of these ESG measures in our LTIP was appropriate and well aligned with our wider ESG strategy and investment case as a provider of public transport and mobility services.

Full details of targets are set out on pages 136-137.

Remuneration Committee report continued

Remuneration fairness

As a Remuneration Committee we take our responsibility to consider senior team pay in the context of wider workforce pay, policies and practices and a number of items are tabled at Committee meetings every year to ensure the approach throughout the Group is fair.

The 'Remuneration in Context' section of the report on pages 130-131 provides a summary of the items and the factors that the Committee considers when making executive reward decisions.

Remuneration for FY 2023

It is the Committee's intention to make awards under the LTIP this year and it is anticipated that the approach regarding metrics will be similar to that adopted in the 2021 LTIP, which is, 50% EPS, 35% Relative TSR and 15% on a Sustainability Scorecard. The targets for these awards are set out on page 140.

The Committee considers the forward-looking annual bonus targets to be commercially sensitive but full disclosure of targets and performance outcome will be set out in next year's Remuneration Report setting out the bonus outcome. At least half will be based on the financial performance of the Group in line with our Policy. The maximum award levels will be in line with our shareholder-approved Policy and implementation over recent years.

Following the appointment of Graham Sutherland as CEO in May 2022, no increase in his base salary will be considered until April 2023. However, following two years of no base salary increase, the Committee considered that an increase, aligned to that awarded to employees not covered by collective bargaining agreements, is appropriate for the CFO, therefore, an increase of 2.5% has been approved.

What the Remuneration Committee has looked at in the last 12 months

The Committee has:

- approved the termination arrangements for Matthew Gregory
- approved a temporary fee increase for David Martin for the period as Interim Executive Chairman
- approved the remuneration package for the new CEO, Graham Sutherland
- approved FY 2022 EABP payout for Executive Directors and other senior employees
- determined the appropriate treatment of performance conditions for in-flight LTIP awards following the disposals of our North American businesses
- determined the vesting of the 2019 LTIP
- reviewed and approved the FY 2021 Directors' remuneration report
- approved the 2021 LTIP awards, including the introduction of ESG targets
- agreed FY 2023 EABP approach
- reviewed the 2021 Gender and Ethnic Pay Gap reporting ahead of publication
- reviewed wider workforce remuneration and related policies
- reviewed its Terms of Reference

Governance

The Committee actively monitors developments in corporate governance and the guidelines produced by shareholders and their representative bodies.

Our Group Employee Director is encouraged to attend all Committee meetings, and regularly does so, and I also periodically attend meetings of the Employee Directors' Forum to hear directly from our network of Employee Directors.

We have provided further details on our approach to pay throughout the Group on pages 130-131.

In conclusion

We will continue to monitor governance developments and are committed to maintaining an open and transparent dialogue with our shareholders on executive remuneration. We consider ongoing engagement to be vital in ensuring that our approach to remuneration continues to be aligned with the long-term interests of the Group's shareholders and wider stakeholders.

We welcome the feedback received during the year and hope to receive your support at our upcoming AGM.

Sally Cabrini
Chair, Remuneration Committee

Remuneration Policy summary

In conducting last year's policy review, the Committee were cognisant of the plans to divest our North American businesses and the significant impact this would have on the Group's future size, shape, and strategy. Therefore, the changes were deliberately minimal and focused on further alignment of FirstGroup with market and governance best practice. The full Policy, which was approved at the 2021 Annual General Meeting on 13 September 2021, can be found on the FirstGroup plc website and on pages 132-141 in the FY 2021 Directors' Remuneration Report.

The following table sets out how the agreed Remuneration Policy addresses the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity	The Committee considers that FirstGroup's remuneration structures are transparent and welcomes open and frequent dialogue with shareholders on its approach to remuneration. Major shareholders have been consulted on the Committee's approach to remuneration.
Simplicity	The overall Remuneration Policy is designed to be comprehensive without becoming overcomplicated and to encourage the Executive Directors to concentrate on providing easy and convenient mobility, improving quality of life by connecting people and communities, and delivering ongoing shareholder value through an attractive annual dividend.
Risk	One of the Committee's principles is that the majority of the reward opportunity for Executive Directors should be provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk. Reward under these incentives is linked to both individual and Group performance. The Committee is satisfied that the structures of the incentive arrangements do not encourage inappropriate risk taking. In addition, the following, best-practice, measures are in place to minimise risks: ▪ EABP deferral, the LTIP holding period and shareholding requirement, including post-cessation provisions, provide a clear link to the Group's ongoing performance and shareholder experience ▪ the Committee has discretion to adjust the formulaic incentive outcomes if it considers that they are not reflective of the underlying performance of the Group or any individual, and has demonstrated in recent years that it is prepared to use its discretion to reduce a formula driven outcome where this does not reflect broader Company performance or the shareholder experience ▪ malus and clawback provisions apply to EABP and LTIP awards
Predictability	The table below sets out four illustrations of the application of the Remuneration Policy including potential opportunity levels resulting from threshold, target and maximum performance under the EABP and LTIP.
Proportionality	Performance measures and target ranges under the EABP and LTIP are designed to be sufficiently stretching in order to ensure outturns are fully aligned with Group performance. As above, the Committee has discretion, and has demonstrated in recent years that it is prepared to use its discretion, to override formulaic outcomes in order to ensure performance is reflective of FirstGroup's underlying performance.
Alignment to culture	The Committee believes in an approach to executive pay that is commensurate with value creation for shareholders. The Remuneration Policy and the Company's incentive schemes have been designed to drive appropriate behaviours consistent with FirstGroup's purpose, values and strategy and are aligned to wider workforce policies and practice.

The Company's Policy remains to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of FirstGroup and align with shareholder interests.

The diagram below illustrates the balance of pay and time period of each element of the Policy for Executive Directors.

Total pay over five years	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Fixed Pay	Salary				
Benefits and Pension	Benefits, Pension				
EABP (Malus and clawback provisions apply)	50% in cash	50% in shares. Three-year deferral period. No further performance conditions			
LTIP (Malus and clawback provisions apply)	Up to 200% of salary. Three-year performance period			Two-year holding period. No further performance conditions	

Remuneration Policy summary continued

Total remuneration opportunity at various levels of performance

The graphs and tables below provide an indication of the reward opportunity for each Executive Director under the policy as at 1 April 2022[1].

Graham Sutherland, Chief Executive Officer
Total remuneration (£'000s)

Value of package (£'000)	Fixed	EABP	LTIP	**Total**
Minimum	580			**580**
On target	580	413	220	**1,212**
Maximum	580	825	1,100	**2,505**
Maximum with share price appreciation	580	825	1,650	**3,055**

Composition of package (%)	Fixed	EABP	LTIP	**Total**
Minimum	100%			**100%**
On target	48%	34%	18%	**100%**
Maximum	23%	33%	44%	**100%**
Maximum with share price appreciation	19%	27%	54%	**100%**

Ryan Mangold, Chief Financial Officer
Total remuneration (£'000s)

Value of package (£'000)	Fixed	EABP	LTIP	**Total**
Minimum	544			**544**
On target	544	346	161	**1,052**
Maximum	544	692	807	**2,044**
Maximum with share price appreciation	544	692	1,211	**2,447**

Composition of package (%)	Fixed	EABP	LTIP	**Total**
Minimum	100%			**100%**
On target	52%	33%	15%	**100%**
Maximum	26%	34%	40%	**100%**
Maximum with share price appreciation	22%	28%	49%	**100%**

1 Graham Sutherland's remuneration opportunity reflects a full financial year, however, he joined the Company as Chief Executive Officer on 16 May 2022 and his FY 2022 remuneration received will be pro-rated as such.

The basis of calculation and key assumptions used to complete the charts are as follows:

Minimum – Only fixed pay is payable, i.e., base salary, benefits and pension or cash in lieu of pension. No bonus is payable, and no vesting achieved under the LTIP. The Executive Directors' pension benefit is included at 5% of salary for the CEO and 15% of salary for the CFO.

On-target – Fixed pay plus 50% of maximum annual bonus payout and 20% vesting under the LTIP.

Maximum – Fixed pay plus 100% of maximum annual bonus payout and 100% vesting under the LTIP.

Maximum + 50% share price growth – A maximum scenario showing maximum plus 50% share price growth has been included.

For the minimum, on-target and maximum scenarios, it is assumed that the share price will remain unaltered.

The table below sets out an overview of the key areas of the Policy and summarises how the Committee applied the Policy in FY 2022, together with details of how the Committee intends to implement the Policy in FY 2023.

Operation	Opportunity	How we implemented the Policy in FY 2022	How we plan to implement the Policy in FY 2023
Fixed Pay To attract and maintain high-calibre executives with the attributes, skills and experience required to deliver the Group's strategy.			
Salaries are normally reviewed annually on 1 April, and take account of individual performance, experience and contribution, Company performance and affordability, developments in the relevant employment market, the wider economic environment, and internal relativities.	Any increases (in percentage terms) will normally be within the range for those of Group employees. However, a higher increase may be proposed in the event of a role change or promotion, or other exceptional circumstances. The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially and to realign it over the following years as the individual gains experience in the role.	There was no increase in Executive Directors' salaries on 1 April 2021. This was aligned with non-collectively bargained employees.	An increase of 2.5% was applied to the CFO from 1 April 2022. This increase was aligned to the general non-collectively bargained employee salary increase. The base salary for the new CEO will not be reviewed until 1 April 2023.
Benefits and Pension To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.			
Benefits may include car allowance, private medical insurance, life assurance, health screening and other incidental benefits and expenses. In addition, Executive Directors are eligible to participate in all-employee share plans on the same terms as other eligible employees. A payment may be made into a pension scheme or delivered as a cash allowance.	The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically. A maximum contribution or allowance of 15% in line with the average value of employee pension benefits.	Normal Company benefit provision.	The new CEO will receive a pension contribution or allowance of 5% of base salary. The pension contribution or allowance for the CFO will remain at 15% of base salary.
Executive Annual Bonus Plan To focus on the delivery of annual goals, strive for superior performance and achieve specific targets that support the strategy. The deferred share element of our EABP encourages retention and provides a link between the bonus and share price growth.			
Bonuses are awarded annually. 0% of maximum may be payable at threshold, with 100% vesting at maximum. At least half of the bonus award will be deferred into shares, normally for three years. The EABP is reviewed annually to ensure performance measures and targets are appropriate and support the strategy. Malus and clawback provisions apply.	The maximum bonus opportunity is 150% of base salary for Executive Directors.	Performance measures (as a % of maximum): EBIT – 40% Cash flow – 30% Strategic objectives – 15% Personal objectives – 15% Bonuses awarded of: The FY 2022 EABP award was 145.5% of base salary (97% of maximum) for both the CEO and CFO (50% deferred into shares). See pages 133-135 for further details on outcomes.	No change to the maximum opportunity or payment mechanisms of bonuses. Performance measures will be disclosed in next year's Report with at least half being based on the financial performance of the Group in line with our Policy.

Remuneration Policy summary *continued*

Operation	Opportunity	How we implemented the Policy in FY 2022	How we plan to implement the Policy in FY 2023
Long-Term Incentive Plan Incentivises the execution of strategy and drives long-term value creation and alignment with longer term returns to shareholders.			
Awards are conditional rights to shares or nil-cost options over shares, subject to continued employment or good leaver status and one or more performance conditions. 20% of maximum may be payable at threshold, with 100% vesting at maximum. Targets are measured over three financial years from the year of award. Shares that vest are subject to an additional two-year holding period following the three-year performance period. Awards are subject to malus and clawback.	Normal award policy is for a maximum award opportunity of 200% of base salary for the CEO and 175% for other Executive Directors. In exceptional circumstances, awards of up to 300% of base salary may be made, such as to aid recruitment.	Performance measures (as a % of maximum): 50% EPS, 40% Relative TSR and 10% Sustainability Scorecard. Grant levels: CEO – no 2021 award was made CFO – 175% of salary The 2019 LTIP vested in the year at 88.5%. See pages 135-136 for further details. See pages 136-137 for details of the targets for the 2021 LTIP awards granted in the year.	No change to maximum LTIP opportunities or the performance conditions. See page 140 for detail on LTIP awards to be granted.
Shareholding Guidelines To ensure that Executive Directors' interests are aligned with those of shareholders over a longer-term time period.			
Executive Directors are expected to hold shares to the value of 200% of base salary within a five-year period from their date of appointment.		CEO – 200% of salary CFO – 200% of salary See pages 141-142 for further details on shareholding requirements and outstanding share awards.	No change to requirements.

Remuneration at a glance

Adjusted Operating Profit (pre-IFRS 16)	Adjusted Cash Generation	Adjusted EPS (pre-IFRS 16)[1]	Relative TSR	Road ROCE (pre-IFRS 16)
£85.7m	£120.8m	18.2p	71st percentile	7.5%

1 For 2019 LTIP purposes

This section summarises the pay that our Executive Directors received in respect of their FY 2022 performance, and the proposed rates for FY 2023. Further details are set out on pages 132-140.

FY 2022

Fixed pay and shareholding

Base Salary

£288,795 Matthew Gregory (CEO) (Reflects base salary until he stepped down from the Board on 13 September 2021)

£450,000 Ryan Mangold (CFO)

Executive Directors had no salary increase in FY 2022

Benefits
Include car allowance, medical and life insurance

Pension
Executive Directors receive a pension allowance of 15% of base salary

Shareholding
Guideline levels, % of base salary as at 26 March 2022

200% CEO
200% CFO

Actual levels, % of base salary as at 26 March 2022

136% CEO
70% CFO

Malus and clawback apply to all incentive awards.

Executive Annual Bonus Plan

FY 2022 EABP

£923,925 CEO
£654,750 CFO

FY 2021 EABP

£0 CEO
£0 CFO

FY 2022 bonus targets outcome

97% CEO
97% CFO

Long-Term Incentive Plan

2019 LTIP Outcome

£983,765 CEO
£697,156 CFO

2018 LTIP Outcome

£136,786 CEO
n/a CFO

2019 Vesting outcome (% of max)

Measures	Outcome	Vesting
EPS Growth	8.7%	82.7%
Relative TSR	71st percentile	88.6%
Road ROCE	7.5%	100%
		88.5%

Shares are subject to a two year holding period that extends beyond the Executive Director's tenure.

FY 2023

Fixed pay and shareholding

Base Salary

£550,000 Graham Sutherland (CEO)

£461,300 Ryan Mangold (CFO) *2.5% increase*

Pension
Pension allowance of 5% of base salary.
Pension allowance of 15% of base salary.

Benefits
Includes medical and life insurance
Includes car allowance, medical and life insurance

Shareholding
Target levels, % of base salary 2022

200% CEO
200% CFO

Executive Annual Bonus Plan

Target % of salary

150% CEO
150% CFO

Long-Term Incentive Plan

Maximum % of salary

200% CEO
175% CFO

2022 LTIP measures

Measures	Weighting
EPS Growth	50%
Relative TSR	35%
Zero emission fleet transformation	7.5%
Emissions reduction	7.5%

Shares are subject to a two-year holding period that extends beyond the Executive Director's tenure.

Remuneration in context

In setting the Remuneration Policy for Executive Directors, the Committee takes account of the overall approach to rewarding other employees in the Group. Due to the varied nature of the operations of our divisions and their respective employment markets, we have a range of remuneration practices across the organisation. These are designed to be relevant to each individual market. Approximately 90% of our employees are covered by collective bargaining arrangements.

A number of items are tabled at Committee meetings each year to ensure the approach throughout the organisation is consistent and fair:

- report summarising wider workforce pay policies and practices with updates provided on a regular basis
- Gender and Ethnicity Pay Gap Reports including statistics from each UK reporting entity
- actions management are taking to improve diversity in the workforce and close pay gaps where they exist
- CEO pay ratio and underlying statistics

The diagram on page 131 (Wider workforce remuneration) summarises the FirstGroup approach to pay. The main difference between our most senior employees' remuneration and that of the wider workforce is that senior employee's remuneration is more heavily weighted to variable pay, that is linked to business performance.

Treating our people fairly

In First Bus, nearly 10,000 colleagues received a special £300 Christmas bonus, followed by a further £200 bonus in March 2022, in recognition of the commitment our frontline workers had shown throughout the pandemic to ensuring the continuation of vital bus services to our customers.

Employee engagement

While the Committee does not formally consult with employees on Executive Director remuneration, a number of different mechanisms are in place to gather feedback and insights from employees across a range of issues.

Information on how we engage our employees is set out on pages 108-109.

The Group also engages with its workforce through our Employee Directors and the Group Employee Director is invited to attend all of the Committee's meetings. Our Committee Chair, Sally Cabrini, will also periodically attend the Employee Director forum meetings to explain how executive remuneration aligns with wider workforce pay. More information on the role of our Group Employee Director is set out on page 94.

The Committee believes that it is important for our employees to understand how the remuneration of our Executive Directors is determined and utilises the different communication channels operating across the Group to ensure our employees are aware of the information available in the Directors' Remuneration Report.

CEO pay ratio

In line with reporting requirements, the table below sets out the ratio at the median, 25th and 75th percentiles of the total remuneration received by the Chief Executive Officer, compared to the total remuneration received by our UK employees. The Company has calculated the ratios in accordance with the Option B methodology laid out in the pay gap regulations that were deemed the most reasonable and practical approach given the collation of data exercise required for GPG reporting. There has been no departure from this methodology and no pay has been omitted. It should be noted that the pay ratio may vary year-on-year and the incentive outcomes for the Chief Executive Officer can impact the results significantly. We will provide an explanation in each year's Report around the change in the ratio as well as any additional context, where helpful, to understand variance. The UK employees at the lower quartile, median and upper quartiles were identified as at 5 April 2021 and their salary and total remuneration were calculated in respect of the 52 weeks ended 26 March 2022.

The Committee is satisfied that these pay ratios are consistent with our pay, reward and progression policies and that these colleagues are representative of the relevant percentiles across the organisation, as they represent frontline workers in our First Bus and First Rail divisions, i.e., the large majority of our UK workforce receiving basic pay, overtime, holiday pay and employers pension contributions. The figures also include sick pay (where relevant).

There has been an increase in the CEO pay ratio between FY 2021 and FY 2022 reflecting the salary sacrifice and lack of bonus for the CEO in FY 2021 in response to the impact of coronavirus on the Group's wider stakeholders.

The Committee is satisfied that the data included in the CEO Pay Ratio table reflect the goals of the Group's Remuneration Policy to support colleagues in the performance of their roles in collectively delivering the Group's strategy. In particular, the Committee notes that factors such as the Company's philosophy to pay the going market rates of pay, to operate a performance-based framework that rewards employees for their individual efforts and the performance of the Company, and to structure pay in a simple and transparent manner, have been applied consistently.

Year	Method	Chief Executive Total Remuneration		Population	25th percentile	Median	75th percentile
FY 2022	Option B	£2,246,181	Employee total remuneration		£33,073	£36,395	£55,051
			CEO to employee ratio		68:1	62:1	41:1
FY 2021	Option B	£839,822	Employee total remuneration		£27,560	£34,002	£53,437
			CEO to employee ratio		30:1	25:1	16:1
FY 2020	Option B	£788,400	Employee total remuneration		£24,600	£32,000	£45,400
			CEO to employee ratio		32:1	25:1	17:1

Wider workforce remuneration

Element	Eligibility
Fixed pay including salary and benefits	All employees, regardless of role ▪ base salaries are reviewed annually. When considering salary for Executive Directors and Executive Committee members, the Committee pays close attention to increases available to the wider workforce ▪ we are committed to helping our colleagues save for retirement through a variety of company pension arrangements, designed in line with market practice. We operate a number of different pension plans that reflect the history and requirements of our various businesses ▪ our Employee Assistance Programme offers all employees access to free, 24/7 confidential telephone, online and face-to-face advice for problems they may be experiencing at home or work ▪ other benefits include discounted travel on our rail and bus services, discounts on shopping, entertainment and eating out ▪ our larger businesses have dedicated in-house Occupational Health teams and our other businesses use external specialist advisers to support employees with health problems that may affect performance ▪ all divisions run workplace health and wellbeing programmes to support employees in staying fit and healthy
Annual Bonus	Senior executives and management population – incentivises successful execution of our business strategy and operational goals with participants including both corporate centre and divisional roles. Our train operating companies businesses also offer commission schemes for Customer Hosts, Guards and Revenue Protection staff to drive revenue.
Long-Term Incentive Plan	Senior executives with sufficient line of sight to drive long-term sustained value creation for our shareholders.
Shareholding Guidelines	Senior executives ensuring alignment with the shareholder experience.

Strategic alignment of remuneration

The table below sets out how each of the performance measures used in our incentive plans are aligned to the Company's strategy and business objectives:

	Measure	Focused and disciplined bidding in our contract businesses	Driving growth through attractive commercial propositions in passenger revenue businesses	Continuous improvement in operating and financial performance	Prudent investment in our fleets, systems, and people	Maintain responsible partnerships with our customers and communities
EABP	EBIT		●	●		
	Cash		●	●	●	
	Operational Measures			●	●	
	Safety			●	●	●
	Customer Satisfaction		●	●	●	●
	Individual Performance	●		●		●
LTIP	EPS	●	●	●	●	
	Relative TSR	●	●			
	Sustainability Scorecard				●	●

Annual report on remuneration

The annual report on remuneration sets out

- Directors' remuneration for FY 2022, pages 132-139
- the statement of the planned implementation of policy in FY 2023, page 140
- the Committee's responsibilities and activities, pages 145-146

This part of the Directors' Remuneration Report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 9.8.6 of the Listing Rules. The annual report on remuneration and Chair's statement will be put to an advisory shareholder vote at the 2022 AGM.

Single total figure of remuneration for Executive Directors (audited)

	Matthew Gregory		Ryan Mangold	
	CEO[1]	CEO	**CFO**	CFO
£'000s	**FY 2022**	FY 2021	**FY 2022**	FY 2021
Salaries[2]	**289**	593	**450**	420
Taxable Benefits	**6**	14	**14**	14
Pension	**43**	95	**68**	68
Total fixed remuneration	**338**	702	**532**	502
Annual Bonus cash	**462**	0	**327**	0
Annual Bonus value of deferred shares	**462**	0	**327**	0
LTIP[3,4]	**984**	137	**697**	-
Total variable remuneration	**1,908**	137	**1,352**	0
Total remuneration	**2,246**	839	**1,883**	502

1 Matthew Gregory stepped down from the Board on 13 September 2021 but will remain in employment until 27 July 2022. His total fixed remuneration disclosed in the *table above relates to his time in office from 1 April 2021 to 13 September 2021. Fixed remuneration in respect of the period 14 September 2021 to 31 March 2022 is* included in "Payments to past Directors" on pages 137-138. The full value of the annual bonus awarded in respect of FY 2022 (calculated with reference to his total base salary received during FY 2022 of £635,000) and the full value of the 2019 LTIP vesting is included in the single total figure, for transparency (rather than pro-rated figures until the date he stepped down for the Board).

2 Matthew Gregory and Ryan Mangold FY 2021 salaries reflect an agreed 20% base salary cut from April to July 2020, as part of coronavirus cost reduction measures across the Group, amounting to reductions of £42,333 and £30,000 respectively. Their car allowance and pension allowance remained at the 100% level.

3 The value of the 2019 LTIP at vesting was calculated using the average share price for the period 1 January to 31 March 2022 (102.95p). In line with the requirements under the UK Companies (Miscellaneous Reporting) Regulations 2018, none of the total value of £983,765 or £697,156 for the CEO and CFO, respectively, at vesting can be attributed to share price growth as the share price at award was 117.62p in 2019.

4 The value of the 2018 LTIP reported in last year's report (£137,883) was an estimate based on the average share price over the last three months of 2020/21 (82.66p). The actual value of the 2018 LTIP, on the 22 July 2021 vesting date was £136,786 (based on a closing share price of 82.00p).

More detail can be found on pages 132-138.

Benefits (audited)

Benefits for Executive Directors include the provision of a company car allowance, family private medical cover, life assurance and advisory fees. Matthew Gregory's benefits for the year comprised a £5,500 car allowance and £920 for UK private medical insurance. Ryan Mangold's benefits for the year comprised a £12,000 car allowance and £2,022 for UK private medical insurance.

Pension (audited)

Matthew Gregory received a pension allowance of £43,320 including a defined contribution pension input amount of £1,820. Ryan Mangold received a pension allowance of £67,500. This comprised 15% of their contractual base salary, which is in line with the average pension benefit for the wider workforce[1]. No Director has a prospective benefit under a defined benefit pension.

FY 2022 performance and reward decisions

As a Committee, we believe it is imperative to strike the right balance between incentivising the management team, rewarding strong performance, and being equitable in the broader context.

When assessing the performance of the Executive Directors, the Remuneration Committee takes a broad view of financial performance delivered, the shareholder experience and the outcome for the Company's stakeholders, including customers, employees and the communities in which we operate. When considering remuneration outcomes, the Committee takes into account performance against specific metrics on safety, including workplace fatalities and injuries, and customer satisfaction, as well as environmental, social, and governance matters such as significant environmental incidents, large or serial fines or sanctions from regulatory bodies, and significant adverse legal judgments or settlements. The Committee has broad discretion to ensure incentive outcomes are appropriate.

1 We operate a number of different pension arrangements across the Group including defined benefit pensions in our rail operating companies. The value of the average pension benefit across the UK workforce exceeds 15%.

FY 2022 Executive Directors' annual bonus

For FY 2022, the annual bonus maximum opportunity was 150% of salary for both Executive Directors. As in previous years, the EABP aimed to incentivise improved performance against a range of financial and non-financial metrics. The structure of the bonus was weighted so that 70% was based on financial metrics and 30% on non-financial metrics. Within the non-financial component, a 15% weighting on key strategic objectives was included, given the number of material strategic objectives that needed to be delivered by the management team in FY 2022. The Committee retains overriding discretion to adjust the overall bonus outturn (including to £nil) if a serious safety failing or deterioration is identified.

The chart below sets out the targets, performance achieved and corresponding bonus outturns on a formulaic basis against the financial and qualitative targets.

FY 2022 annual bonus outcome (audited)

Measure	Weighting	Threshold	Maximum	Actual Result	Bonus Achievement	Payout %
Adjusted Group EBIT (Pre-IFRS 16 basis)	40%	£37.3m	£57.3m	£85.7m	100%	40%
Adjusted Group Cash flow	30%	£43.4m	£63.4m	£120.8m	100%	30%

Measure	Weighting	Actual Result	Bonus Achievement	Payout %
Strategic Objectives	15%		100%	15%

Assessment Criteria

The extent to which a number of the Group's key strategic objectives for FY 2022 had been achieved. These were as follows:

- successful completion of the sale of First Student and First Transit at full strategic value
- *completion of the return of value to shareholders following the sale*
- the conclusion of the portfolio rationalisation through the divestment of Greyhound
- establishing a retained Group with an attractive investment proposition and an optimum operating model, including successfully managing the de-risking process for the Group's legacy liabilities

Performance Assessment

The Committee concluded that all of the key strategic objectives had been fully achieved and therefore this element of the bonus should be awarded in full, at 15%, noting the following achievements:

- sale of First Student and First Transit concluded at full strategic value for a headline enterprise value of $4.6bn on 21 July 2021. Further upside potential through the First Transit earnout exists
- returned £500m to shareholders via the tender offer, which was fully subscribed for. Further value expected to be realised through First Transit earnout and Greyhound property sales
- sale of Greyhound Lines, Inc. to FlixMobility GmbH for net cash proceeds of c.£100m
- c.£2.3bn in debt and other liabilities repaid or de-risked following sale of North American businesses
- *established a new financial framework for investment, gearing and shareholder returns and completion of a capital structure reorganisation*, including £676.4m of liquidity
- restructure of the Corporate centre following sale of the North American businesses delivering more than the targeted £10m per annum savings

Measure	Weighting
Personal objectives	15%

Matthew Gregory

Objectives	Performance Assessment:
Demonstrate personal leadership of action to protect customers and employees from health and safety risks including Covid-19, and further improve our health and safety culture.	Ensured there was no compromise to the stringent safety arrangements put in place per government guidelines for the protection of our staff and customers.
Minimise the negative financial impact of Greyhound through obtaining additional awards of 5311f/ARP funding, as well as controlling the network mileage and cost base.	Played a critical leadership role in managing the Greyhound business to ensure recovery of the losses for miles run through the recovery of funding under the cares programme. Greyhound did not incur any losses up to the point of sale, conversely it made a profit of £11.9m.
Obtain National Rail Contracts (NRCs) in SWR and TPE at terms that are acceptable to the Board and resolve the termination for the TPE contract at a lower level than the previous onerous contract provision.	Obtained NRCs for SWR and TPE on acceptable terms. TPE termination sum agreed and settled with the DfT on a materially lower cost than the onerous contract provision.

Annual report on remuneration continued

Post-September AGM, assist the Chairman with the transition to the ongoing Group.	Successfully achieved. Remained available to the Group and assisted, as required, throughout the year.	
Bonus Achievement for Matthew Gregory		80%
Payout % for Matthew Gregory		12%

Ryan Mangold		
Objectives	Performance Assessment:	
Minimise the negative financial impact of Greyhound through obtaining additional awards of 5311f/ARP funding, as well as controlling the network mileage and cost base.	The CFO played a critical role in managing the Greyhound business up to the point of sale to ensure recovery of the losses for miles run through the recovery of funding under the CARES programme. Greyhound did not incur any losses up to the point of sale, *conversely it made a profit of £11.9m.*	
Deliver Corporate centre cost base (on a run-rate basis) in line with the projected £20m cost announced to the market and oversee the delivery of First Bus cost reduction activities in line with the 10% margin target objectives for the first full year post impact of the pandemic.	The CFO oversaw a restructuring of the Corporate centre following the sale of the North American businesses, including IT reconfiguration to extract the ongoing Group business out of the North American domain with the reorganisation delivering more than the targeted corporate savings. The CFO worked closely with First Bus to oversee the delivery of First Bus cost reduction. The grant funding regime continued throughout FY 2022 with a prescribed minimum mileage level. Processes continued to be advanced to facilitate First Bus getting to a 10% operating margin at the point of emerging fully from the pandemic.	
Deliver a Group Finance function that is fit for purpose for the reduced, decentralised business.	The CFO successfully led on the reorganisation of Group roles, where greater emphasis has been placed on the decentralised structure with greater ownership at a divisional level.	
Significantly improve control environment for the remaining business, ensuring that strong controls in place that are effective in a decentralised environment.	The CFO has led on the SOX-lite preparation and review of the control environment. He has led on commencing the implementation of the new OneStream consolidation platform to be ready for FY 2023 allowing a far more effective alignment with underlying ERP systems and Group financial reporting.	
Bonus Achievement for Ryan Mangold		80%
Payout % for Ryan Mangold		12%

As noted in the Chairman's report, performance on the financial measures was ahead of our expectations with the impact of the Omicron-related restrictions on First Bus in the second half more than offset by a stronger First Rail performance than expected at the start of the year. There was also strong performance in respect of the non-financial measures (as detailed above).

The Committee determined that Matthew and Ryan had delivered their personal objectives to a high standard. The Committee accordingly awarded them both 12% out of a possible 15% for their personal objectives.

Taking into account the above outcomes, the formulaic EABP award for Matthew Gregory and Ryan Mangold resulted in a potential award of 97% of the maximum. The Committee considered this formulaic performance in the context of the Group's wider performance and decided that it did not need to exercise any discretion to reduce this outcome. Under the approved Policy, 50% of the award is normally paid in cash with 50% deferred into shares (that do not vest for three years and are not subject to any further performance conditions).

The overall bonus payout for FY 2022 was therefore as follows:

	Matthew Gregory	Ryan Mangold
Maximum EABP opportunity (% of salary)	150%	150%
EABP Achieved (as % of maximum)	97%	97%
EABP (% of salary)	145.5%	145.5%
Total EABP	£923,925	£654,750
EABP – Cash	£461,693	£327,375
EABP – Deferred Shares	£461,692	£327,375

Long-Term Incentive Plan

The vesting of 2019 LTIP awards was subject to achieving the following performance conditions over a three-year performance period from 1 April 2019 to 31 March 2022.

Vesting of 2019 Long-Term Incentive Awards (audited)

Metrics	Weighting	Outturn	0%	Threshold: 20%	Maximum: 100%	% of award which vested
EPS growth[1]	40%	**8.7%**	<4% CAGR	4% CAGR	10% CAGR	**82.7%**
Relative TSR[2]	40%	**71st percentile**	<Median	Median	Upper Quartile	**88.6%**
Road ROCE[3]	20%	**+160 basis points improvement**	<30 basis points improvement	+30 basis points improvement	+150 basis points improvement	**100%**
Total						**88.5%**

1 Adjusted EPS (per the Annual Report and Accounts) adjusted for translation constant currency

2 TSR performance was measured against a comparator group of 28 companies of comparable scale, complexity and activity to FirstGroup.

3 Absolute improvement in ROCE for the Road divisions only.

The 2019 LTIP targets were set before the strategic decision to pursue portfolio rationalisation had been undertaken and consequently had been set on the basis that the Company would have five operating divisions. Following the disposal of the North American divisions (First Student and First Transit in July 2021 and Greyhound in October 2021), the Committee needed to determine how these material disposals and the tender offer and accompanying share consolidation that followed, should be factored into the targets and performance assessment for the 2019 LTIP.

In reaching a decision the Committee were guided by adherence to the following principles:

- maintaining the stretch of the performance targets – change is appropriate if the changes in the business are such that the incentive plan no longer supports the original intentions. However, the targets should not be made any easier, or harder, than was originally the case
- alignment with shareholder experience – the experience for share plan participants should be aligned with the experience of other shareholders

The Committee considered a number of potential approaches, but as the North American divisions were part of the portfolio for the vast majority of the three-year performance period (First Student and First Transit for 28 months and Greyhound 31 months of the 36-month performance period), concluded it would be most appropriate to include a measure of earnings performance in respect of these divisions as opposed to calculating performance solely on an ongoing Group basis (which might have been the appropriate course of action if the disposals took place towards the start of the performance period). Similarly, the Committee considered splitting the performance period into three separate performance periods for each disposal to be an overly complex approach particularly when the disposals took place so close to the end of the performance period.

The 2020 LTIP and 2021 LTIP are not impacted by the disposals on the basis that the 2020 LTIP was subject to Relative TSR performance conditions only (which do not require adjustment for the disposals) and the 2021 LTIP performance conditions were set on the basis of the current portfolio and share capital.

Annual report on remuneration continued

EPS Growth – FY 2022 earnings for 2019 LTIP purposes (for both the EPS and Road ROCE) performance conditions have therefore been determined based on actual earnings from First Bus and First Rail and forecast earnings for First Student, First Transit, and Greyhound. The Committee were satisfied that they had access to detailed and robust FY 2022 earnings forecasts, as these were supplied to the respective buyers of these divisions as part of the transactions. These forecasts were subject to extensive due diligence work by the buyers and their advisers and were accepted as credible on the basis that they underpinned the transaction price(s). The Committee considered this to be a fair assessment of performance, given the improvements to underlying earnings potential in these divisions delivered by the management team through the cost saving initiatives and disciplined contract bidding.

The share consolidation that took place in December 2021 has reduced the number of shares in issue compared to when the EPS growth target was set in 2019 (i.e. this would be a positive to reported EPS). To ensure that the targets retained the same stretch and measured delivery of actual earnings growth, the Committee decided it would be most appropriate to calculate EPS on a 'constant share' basis for the 2019 LTIP. This means using FY 2022 earnings divided by the number of shares in issue immediately prior to the tender offer. This aligns with the approach to calculating earnings based on the five operating divisions of FirstGroup prior to the disposals.

Road ROCE – Road ROCE was calculated on a consistent basis to the EPS measure, to determine FY 2022 ROCE we use actual FY 2022 First Bus Road ROCE and the detailed forecasts for First Student, First Transit, and Greyhound. The share consolidation had no impact on the Road ROCE performance condition.

Relative TSR – The disposals and share consolidation did not impact the TSR performance targets or outcome and therefore no action was required in respect of this element of the LTIP.

As a result of this outcome, awards vested as follows:

Executive Director	Total number of shares granted	Proportion of award vesting (% max)	Face value of shares vesting (£'000)[1]	Value attributable to share price movement (£'000)	Value of dividend equivalents due (£'000)	Value of resultant award (£'000)
CEO	1,079,748	88.5%	984	0	0	984
CFO	765,175	88.5%	697	0	0	697

1 The face value of the 2019 LTIP at vesting has been calculated based on the average share price over the last three months of FY 2022 (102.95p). None of the total value of £983,765 or £697,156 for the CEO and CFO, respectively at vesting can be attributed to share price growth as the share price at award was 117.62p in 2019.

Long-Term Incentive Awards made during the year

As disclosed in last year's report, the Committee decided to delay 2021 LTIP target setting to allow adequate time to better understand uncertainties around the impact of coronavirus on the wider economy and our business and the impact and timing of the sales of our North American businesses.

The Committee determined that the 2021 awards would be measured against EPS, Relative TSR and a new Sustainability Scorecard (comprising two environmental measures), over a three-year period.

The 2021 LTIP absolute EPS target was set reflecting the current portfolio (comprising only First Bus and First Rail), therefore, no adjustment was required in respect of the disposals. However, the share consolidation that took place in December 2021 has reduced the number of shares in issue compared to when the EPS target was set in November 2021. In order to ensure the EPS targets retain the same level of stretch as before the share consolidation the EPS targets have been restated to reflect current shares in issue.

A broader comparator group was selected for the TSR measure to better reflect the experience of our shareholders relative to the universe of companies they might otherwise have invested in and to reflect the Company's domestically focused business, post completion of the portfolio rationalisation strategy.

ESG measures have been introduced as part of a Sustainability Scorecard, with the Committee selecting a measure relating to progress in transforming our First Bus fleets through the deployment of zero emission technology, which will have the most significant impact on reducing our carbon and air pollution emissions, and an emissions measure (Carbon Intensity as tonnes of CO_2 equivalent per £1m of revenue) which measures performance across our whole business in a way that allows a single measure to be used for both First Bus and First Rail operations and allows for like-for-like comparisons across peer companies and industries. In selecting the measures for use in the Sustainability Scorecard, the Committee considered it important to choose those which most closely aligned with our strategy and investment case, and selected metrics that are quantifiable and capable of being independently verified. Both of these measures meet these tests and will be tracked, measured and reported to our banking partners as part of the Company's sustainability-linked Revolving Credit Facility.

Awards were made in August 2021 and the awards are subject to a two-year holding period following the three-year performance period as well as malus and clawback. Before an award vests, the Committee must be satisfied that the underlying performance of the Group is satisfactory and has the ability to amend the formulaic vesting outcome if they believe this is appropriate. The Committee believes that having a performance override is an important feature of the plan, as it mitigates the risk of unwarranted vesting outcomes.

Details of the performance metrics, targets and comparator group for the 2021 LTIP awards are set out below.

2021 Long-Term Incentive Plan performance metrics (audited)

			Sustainability Scorecard	
	Adjusted EPS (50%)[2]	Relative TSR vs FTSE250[3]	Additional ZE[4] buses in service/ on order by 31 March 2024	Group Carbon Intensity (tCO_2e per £1m revenue)[5]
Weighting	50%	40%	7.5%	2.5%
Threshold (20% vesting)[1]	5.8p	Median	260	221
Maximum (100% vesting)	9.9p	Upper quartile	400	212

1 Vesting will be on a straight-line basis between threshold and maximum.

2 EPS will be assessed on a pre-IFRS 16 basis as this aligns with how performance is measured internally and is most readily understood by management teams (EBIT in the EABP is measured on a pre IFRS 16 basis for the same reason). A reconciliation from IAS17 to post-IFRS 16 EPS will be included in the FY 2024 Directors' Remuneration Report so to provide clarity between the LTIP targets and achievement relative to the reported EPS on a statutory basis.

3 Relative TSR will be assessed against the FTSE250 Index.

4 Zero emission.

5 Tonnes of carbon dioxide equivalent (tCO_2e) per £1m of revenue

An LTIP award of 175% of salary was granted to Ryan Mangold on 2 August 2021. No 2021 LTIP award was made to Matthew Gregory.

2021 Long-Term Incentive Plan grants (audited)

Details of Ryan Mangold's award (granted in the form of nil-cost options) is set out below:

Executive Director	Share price at date of grant[1]	Face value (% of base salary)	Number of shares awarded	Face value of award	% of award which vests at threshold	Performance Period
Ryan Mangold	84.29p	175%	934,274	£ 787,500	20%	1.4.21 – 31.3.24

1 The share price at grant for the LTIP awards is the average closing mid-market share price for the five days preceding the grant date.

As is normal practice, the Committee will ensure that any vesting is appropriate in the context of underlying financial performance and the experience of our wider stakeholders. The Committee retains the ability to apply discretion in the event that the value at vesting is considered to be an unjustified windfall gain taking into account the performance of the Group.

Directorate changes

Matthew Gregory stepped down from his role as Chief Executive Officer and from the Board at the 2021 AGM, at which point David Martin became Interim Executive Chairman and will resume the role of Non-Executive Chairman on 1 July 2022. Graham Sutherland was appointed as Chief Executive Officer on 16 May 2022.

All Executive Directors are on a rolling contract terminable by either party on 12 months' notice.

Payments to past Directors and payments for loss of office (audited)

From the period he stepped down as Chief Executive Officer on 13 September 2021 until the date his notice expires on 27 July 2022, Matthew has been available to provide assistance in relation to ongoing projects and to work closely with David, as required, to ensure a smooth transition.

In line with Matthew Gregory's service contract and the shareholder approved Remuneration Policy, his salary, pension and benefits continued to be paid as usual during this period and Matthew was eligible to participate in the 2021/2022 EABP. If the termination date had been brought forward from 27 July 2022, then any payments made in respect of the unexpired notice period would have been made in instalments, and subject to mitigation and reduction in the event Matthew took up alternative employment.

Annual report on remuneration continued

Amounts paid after Matthew stepped down from the Board are set out below.

Executive Director	Salary £000s	Benefits[1] £000s	Pension £000s	Payments in lieu of notice £000s	Total £000s
Matthew Gregory	346	92	52	0	490

1 Benefits include car allowance, medical insurance, legal advice and outplacement assistance.

The Remuneration Committee, having considered the matter carefully, determined that Matthew's deferred bonus shares under the EABP, awarded in 2019 (which relates to 138,406 shares) and any deferred bonus awarded in 2022 (as part deferral of any bonus for the FY 2022 financial year), will not lapse by reason of his leaving employment, and will remain eligible to vest on their respective normal vesting dates in accordance with the rules of the EABP.

Matthew's unvested awards under the LTIP, awarded in 2020 (in relation to 3,164,556 shares) will not lapse by reason of his leaving employment, and will remain eligible to vest on the normal vesting date in accordance with the rules of the LTIP and subject to the satisfaction of performance conditions and pro-rating for his period of employment. On vesting, the resulting shares are subject to a further two-year holding period. No further LTIP awards will be made to Matthew.

Performance graphs

The graph below shows the TSR performance of £100 invested in FirstGroup plc shares over the past ten-years compared to an equivalent investment in the FTSE 250. The FTSE 250 Index has been selected as it provides an established and broad-based index, of which the Company is a constituent.

TSR is measured according to a return index calculated by Thomson Reuters Datastream on the basis that all the Company's dividends are reinvested in the Company's shares. The return is the percentage increase in the Company's index over the ten-year period.

Remuneration of the Chief Executive Officer

The table below shows the total remuneration figure for the highest paid Executive Director, the Chief Executive Officer, during each of the past ten-years. The total remuneration figure includes the annual bonus and LTIP awards that vested based on performance in those years. The annual bonus percentages show the payout for each year as a percentage of the maximum.

	2013	2014	2015	2016	2017	2018	2019 (Tim O'Toole)	2019 (Wolfhart Hauser)	2019 (Matthew Gregory)	2020	2021	**2022 (Matthew Gregory)**	**2022 (David Martin)**
Total remuneration (£000s)	1,068	1,986	1,647	1,243	1,267	1,100	175[4]	266[5]	422[6]	788	840	**2,246[7]**	**320[8]**
EABP (% of maximum potential)	–[1]	59.1	57	15.9	–[2]	–[3]	-	n/a	33.4	–	–	**97**	**n/a**
LTIP vesting (% of maximum potential)	–	–	–	-	16.3	–	–	n/a	12.5	12	14.6	**88.5**	**n/a**

1 Tim O'Toole waived his bonus in 2013.

2 An EABP was not paid to Tim O'Toole in 2017 and instead he received a conditional deferred share award.

3 No EABP was paid to Tim O'Toole in 2018.

4 Relates to the remuneration of Tim O'Toole to 31 May 2018. Tim O'Toole was not eligible for an annual bonus or LTIP awards.

5 Relates to the remuneration of Wolfhart Hauser for his period as Executive Chairman, 1 June to 12 November 2018. Wolfhart Hauser was not eligible for EABP or LTIP awards.

6 Relates to the remuneration of Matthew Gregory as Chief Executive from 13 November 2018 to 31 March 2019.

7 Relates to the remuneration of Matthew Gregory as reported in the single total figure of remuneration on page 132.

8 Relates to the remuneration of David Martin for his period as Interim Executive Chairman from 13 September 2021. David Martin was not eligible for EABP or LTIP awards.

Non-Executive Directors' (NEDs) and Chairman's fees (audited)

No changes were made to NEDs' fees in FY 2022. These remained at £58,000 p.a. with additional fees of £12,000 p.a. payable to the Senior Independent Director and the Chairs of the Audit, Board Safety, and Remuneration Committees.

During the period 13 September 2021 to 1 July 2022, David Martin took on the interim role of Executive Chairman, while a new Chief Executive Officer was being recruited. To recognise the additional time commitment associated with this, the Committee agreed a temporary increase in fees to £535,000 p.a.

	FY 2022					FY 2021				
£'000	**Basic Fee**	**Committee Chair**	**SID**	**Taxable Benefits[2]**	**Total**	Basic Fee[8]	Committee Chair	SID	Taxable Benefits[2]	Total
David Martin[1]	**435**			**33**	**468**	289				289
Warwick Brady	**58**				**58**	54				54
Sally Cabrini	**58**	**12**		**2**	**72**	54	12			66
Claire Hawkings[3]	**11**	**2**			**13**					
Steve Gunning[4]	**26**				**26**	54				54
Jane Lodge[5]	**44**	**9**		**2**	**55**					
Peter Lynas[5]	**44**	**7**	**9**	**1**	**61**					
Martha Poulter[4]	**26**	**5**			**31**	54	12			66
David Robbie[6]	**14**	**3**	**3**		**20**	54	12	12		78
Julia Steyn	**58**			**2**	**60**	54				54
Ant Green[7]	**58**				**58**	32				32

1 David Martin became Executive Chairman on 13 September 2021 and will resume the role of Non-Executive Chairman on 1 July 2022. For this period, he was paid an additional fee, bringing his total fees to £535,000 p.a.

2 The Company meets all reasonable travel, subsistence, accommodation, and other expenses, including any tax where such expenses are deemed taxable, incurred by the Chairman and NEDs in the course of performing their duties.

3 Claire Hawkings was appointed as a NED on 21 January 2022 and her fees were pro-rated.

4 Steve Gunning and Martha Poulter resigned on 13 September 2021 and their fees were pro-rated.

5 Jane Lodge and Peter Lynas were appointed as NEDs on 30 June 2021 and their fees were pro-rated.

6 David Robbie resigned on 30 June 2021 and his fees were pro-rated.

7 Anthony Green was appointed as Group Employee Director on 15 September 2020. In addition to his fee as Group Employee Director, Anthony received earnings from the Group as an employee amounting to £25,398 in FY 2022.

8 The Chairman and NEDs voluntarily reduced their base fees by 20% for the first four months of the 2020/21 financial year, in light of the actions taken by the Group in response to the pandemic and the impact on the Group's wider stakeholders.

Annual report on remuneration continued

Implementation of Remuneration Policy for FY 2023

Annual base salary

On his appointment as Chief Executive Officer, it was agreed that Graham Sutherland's base salary would not be reviewed before 1 April 2023. Ryan Mangold's salary on appointment as Chief Financial Officer was £450,000 and would ordinarily have been reviewed with effect from 1 April 2020. However, in light of the unprecedented trading disruption caused by coronavirus, the 2020 and 2021 annual salary reviews for the entire Group were cancelled for those employees not part of collective bargaining agreements, including the Executive Directors. The Committee decided that it is now appropriate to award Ryan Mangold a salary increase of 2.5% to £461,300 from 1 April 2022, which is aligned to the average increase awarded to our UK employees not covered by collective bargaining agreements.

FY 2023 Executive Directors' annual bonus

For FY 2023, the EABP will continue to incentivise improved performance against a range of financial and non-financial metrics. The financial targets are set by the Committee based on a number of factors such as the Group's business plan, individual business unit level performance, consensus, and expectations for FY 2023. The performance measures and targets for FY 2023 will be disclosed in next year's report when they are no longer commercially sensitive, however at least 50% of the bonus will be based on financial measures in line with the approved shareholder Remuneration Policy.

The FY 2023 annual bonus maximum and threshold levels of bonus as a percentage of base salary will be as follows:

Executive Director	Maximum	Threshold
Graham Sutherland	150%	0%
Ryan Mangold	150%	0%

Any FY 2023 EABP payment for Graham Sutherland will be pro-rated to reflect his period of service during the year.

All payouts will be subject to the Committee's discretion as well as malus and clawback provisions. 50% of any bonus earned will be deferred into the Company's shares for three years, conditional upon continued employment. The Committee has demonstrated in assessing bonus outcomes, including in respect of the most recent financial year, that it is prepared to set aside the formulaic outcome and reduce awards or introduce a further condition, to ensure that business performance or the impact of a significant event is properly reflected.

2022 Long-Term Incentive Awards

It is the Committee's intention to make awards under the LTIP this year. Awards of 200% and 175% of salary will be made to the Chief Executive Officer and Chief Financial Officer, respectively.

The measures of the 2022 LTIP will be consistent with the 2021 LTIP with the only difference being to align the emissions reduction measure with the Science Based Targets (SBT), set during FY 2022, for a reduction in our Scope 1 and 2 emissions.

Emissions reduction aligned to our SBT will become the main emissions metric that we report on and a key performance indicator for the Group. In addition, we consider that using an absolute carbon reduction metric is ultimately more appropriate than a carbon intensity measure, on the basis that the latter is affected by changes in revenue as well as carbon performance. As was the case with the previous measure, the Scope 1 and 2 emissions reduction targets are quantifiable, capable of being independently verified and are closely aligned with our strategy and investment case. As such, we have included a Scope 1 and 2 emissions reduction measure in our 2022 LTIP.

Details of the performance metrics, targets and comparator group for the 2022 LTIP awards are set out below.

			Sustainability Scorecard	
	Adjusted EPS (50%)[2]	Relative TSR vs FTSE250[3]	Additional ZE[4] buses in service/ on order by 31 March 2025	Emissions Reduction: Scope 1&2 emissions (tCO_2e) reduction[5]
Weighting	50%	35%	7.5%	7.5%
Threshold (20% vesting)[1]	9.4p	Median	340	1,030,000tCO2e
Maximum (100% vesting)	13.6p	Upper quartile	550	990,000tCO2e

1 Vesting will be on a straight-line basis between threshold and maximum.

2 EPS will be assessed on a pre-IFRS 16 basis as this aligns with how performance is measured internally and is most readily understood by management teams (EBIT in the EABP is measured on a pre-IFRS 16 basis for the same reason). A reconciliation from IAS17 to post-IFRS 16 EPS will be included in the FY 2025 Directors' Remuneration Report so to provide clarity between the LTIP targets and achievement relative to the reported EPS on a statutory basis.

3 Relative TSR will be assessed against the FTSE250 Index.

4 Zero emission.

5 Tonnes of carbon dioxide equivalent (tCO_2e)

Leadership Transition

As announced in the Chairman's statement, Matthew Gregory stepped down from his role as Chief Executive Officer and from the Board at the 2021 AGM, at which point David Martin became Interim Executive Chairman until 1 July 2022. Graham Sutherland was appointed as Chief Executive Officer on 16 May 2022. Details of his remuneration arrangements can be found on page 122.

Remuneration arrangements relating to Matthew's cessation were in line with his service contract and the shareholder approved Remuneration Policy and reflected his period of employment. Further details are set out in the section 'Payments to past Directors and payments for loss of office' on pages 137-138.

Directors' interests in share awards (audited)

The outstanding LTIP, deferred share bonus and Save As You Earn (SAYE) awards of Directors are set out in the table below. There have been no changes to the terms of any share awards granted to Directors.

				During year							
Director	Plan[1]	Date of grant	Number of shares under award as at 28.03.21	Awards granted	Awards exercised[2]	Awards lapsed	Number of shares under award as at 26.03.22[3]	Exercise price (£)	Face value of awards (£)[4]	Date on which awards vest/ become exercisable[5]	Expiry date
Matthew Gregory[6,7]	LTIP	05.07.18	909,550	–	132,794	776,756	–	nil	773,390	01.04.21	01.04.22
		14.11.18	232,998	–	34,017	198,891	–	nil	194,693	01.04.21	01.04.22
		19.08.19	1,079,748	–	–	–	1,079,748	nil	1,294,186	01.04.22	01.04.23
		24.09.20	3,164,556	–	–	–	3,164,556	nil	1,230,063	01.04.23	01.04.24
	Deferred bonus shares	19.06.18	86,958	–	86,958	–	–	nil	72,662	19.06.21	19.06.22
		02.07.19	138,406	–	–	–	138,406	nil	136,247	02.07.22	02.07.23
Ryan Mangold[6]	LTIP	19.08.19	765,175	–	–	–	765,175	nil	917,139	01.04.22	01.04.23
		24.09.20	1,962,274	–	–	–	1,962,274	nil	762,736	01.04.23	01.04.24
		02.08.21	–	934,274	–	–	934,274	nil	787,500	01.04.24	01.04.25
Group Employee Director											
Anthony Green	SAYE	06.12.18	1,542	–	1,542	–	–	0.70	1,337	01.02.22	31.07.22

1 LTIP – nil cost options granted under the Long-Term Incentive Plan.
Deferred bonus shares – granted in the form of nil cost options under the EABP.
SAYE – option granted under the Sharesave Plan.
Participants are entitled to receive accrued dividends and dividend equivalents under the LTIP and EABP pro-rated in proportion to the amount of the award that vests.

2 The market share price on the date of exercise, 28 July 2021, was £0.86, for a total market value of £219,256.

3 The table above shows the maximum number of shares that could be released if awards were to vest in full. In respect of LTIP and deferred bonus awards, participants are entitled to receive dividends or dividend equivalent amounts, once the share awards have vested.

4 The face value of LTIP and deferred bonus awards has been calculated by multiplying the maximum number of shares that could vest by the average closing mid market share price for the five days preceding the grant date. The face value for the SAYE option has been calculated using the closing mid-market share price on the date of grant (£0.867).

5 LTIP awards vest on the date the Committee determines whether performance conditions have been met, or if on that date dealing restrictions apply, the first date after dealing restrictions cease to apply.

6 LTIP and EABP awards are subject to clawback and malus in line with best practice and investors' expectations and LTIP awards granted from 2019 are subject to an additional two-year holding period.

7 Matthew stepped down from the Board on 13 September 2021.

Annual report on remuneration continued

Directors' shareholding, shareholding guidelines and summary of outstanding share interests (audited)

Under the terms of the Policy approved by shareholders at the 2021 AGM, Executive Directors are expected to hold shares, or rights to shares in the Company, equivalent to a minimum of 200% of base salary within a five-year period from their date of appointment to create greater alignment of the Executive Directors' interests with those of shareholders. This represents an increase for the CFO from 150%. The Committee reserves the right to relax or waive the application of such guidelines in certain circumstances, including the impending retirement of an Executive Director.

The table below sets out the shareholdings of the Executive Directors and their connected persons' shareholdings (including beneficial interests) and a summary of outstanding and unvested share awards as at 26 March 2022. It shows that Matthew Gregory's current shareholding is 136% of his base salary and Ryan Mangold's current shareholding is 70% of his base salary.

The Committee believes that it is an essential part of the Policy that Executive Directors build significant shareholdings. The retention and build-up of equity is important in a long-term business such as FirstGroup, as it encourages decisions to be made on a long-term, sustainable basis for the benefit of customers and shareholders.

There has been no change in the Directors' interests in the ordinary share capital of the Company between those set out below and 14 June 2022. The beneficial interests of Directors who served during the year ending 26 March 2022 and their connected persons in the shares of the Company as at that date and 28 March 2021 are shown below.

		Ordinary shares beneficially owned							
Directors	Date of appointment	at 28.03.21 or appointment date if later	at 26.03.22[1]	Unvested Annual Bonus/ SIP Shares[2,3]	Unvested LTIP Shares[4]	Vested but not exercised Annual Bonus/ LTIP awards	Shareholding requirement as % of salary	Current shareholding as % of salary[5,6,7]	% shareholding requirement achieved
Executive Directors									
Matthew Gregory[8]	1 Dec 15	557,061	691,144	138,406	4,244,304	–	200%	136%	68%
Ryan Mangold	31 May 19	238,661	280,485	462	3,661,723	n/a	200%	70%	35%
Non-Executive Directors[9]									
David Martin[10]	15 Aug 19	–	–	–	–		–	–	–
Warwick Brady	24 Jun 14	108,701	108,701	–	–		–	–	–
Sally Cabrini	24 Jan 20	–	–	–	–	–	–	–	–
Anthony Green	15 Sep 20	–	1,542	–	–	–	–	–	–
Claire Hawkings	21 Jan 22	–	–	–	–	–	–	–	–
Steve Gunning[11]	1 Jan 19	–	–	–	–	–	–	–	–
Jane Lodge	30 June 21	–	15,000	–	–	–	–	–	–
Peter Lynas	30 June 21	–	60,000	–	–	–	–	–	–
Martha Poulter[11]	26 May 17	60,000	60,000	–	–	–	–	–	–
David Robbie[12]	2 Feb 18	160,000	160,000	–	–	–	–	–	–
Julia Steyn	2 May 19	–	–	–	–	–	–	–	–

1 Ryan Mangold participates in the all-employee Share Incentive Plan (SIP). His Partnership Shares are held in trust and are not at risk of forfeiture. Ryan Mangold acquired an additional 379 Partnership Shares between 27 March 2022 and the date of approval of this Report.

2 Annual bonus shares are deferred shares that are subject to continued employment, but not subject to further performance conditions.

3 SIP Matching Shares awarded to Ryan Mangold are held in trust and are at risk of forfeiture if the corresponding Partnership Shares are withdrawn from trust within three-years. Ryan Mangold was awarded an additional 51 Matching Shares between 27 March 2022 and the date of approval of this Report.

4 LTIP awards are conditional share awards subject to ongoing performance conditions.

5 Based on the closing mid-market share price on 31 March 2022 (£1.123).

6 Ryan Mangold has until 31 May 2024 to meet his current shareholding guideline.

7 The % shown includes the after-tax value of vested but unexercised awards and the after-tax value of unvested EABP awards that are subject to continued employment.

8 Matthew Gregory stepped down from the Board on 13 September 2021.

9 Shares for Non-Executive Directors are held outright with no attaching performance conditions.

10 David Martin does not have a beneficial interest in shares previously identified as being beneficially owned by him and 300,000 shares are held by a person closely associated with him.

11 Steve Gunning and Martha Poulter stepped down from the Board on 13 September 2021.

12 David Robbie stepped down from the Board on 30 June 2021.

Dilution

The Company ensures that the level of shares granted under the Company's share plans and the means of satisfying such awards remains within best practice guidelines, so that dilution from employee share awards does not exceed 10% of the Company's issued share capital for all share plans and 5% in respect of executive share plans in any ten-year rolling period. The Committee monitors dilution levels at least once a year. At 26 March 2022, 4.7% of the Company's issued share capital had been issued for the purpose of the SAYE, BAYE, and LTIP over a ten-year period.

Employee Benefit Trust (EBT)

The FirstGroup EBT has been established to acquire ordinary shares in the Company, by subscription or purchase, from funds provided by the Group to satisfy rights to shares arising on the exercise or vesting of awards under the Group's share-based incentive plans. As at 26 March 2022, 9,178,578 shares were held by the EBT to hedge outstanding awards of 42,753,658. This means that the EBT holds sufficient shares to satisfy approximately 21.5% of outstanding awards.

Non-Executive Directors' dates of appointment

Non-Executive Directors have an agreement for service for an initial three-year term, that can be terminated by either party giving three months' notice. In line with the Code, all Non-Executive Directors, including the Chairman, are subject to annual re-election by shareholders at each AGM. The table below sets out the appointment dates for those Non-Executive Directors who served during the year ending 26 March 2022. David Robbie stood down from the Board on 30 June 2021. Steve Gunning and Martha Poulter stood down from the Board on 13 September 2021. All other Non-Executive Directors will put themselves for election or re-election at the 2022 AGM.

Non-Executive Director	Date of appointment
David Martin	15 August 2019
Warwick Brady	24 June 2014
Sally Cabrini	24 January 2020
Myrtle Dawes	1 April 2022
Steve Gunning	1 January 2019
Claire Hawkings	21 January 2022
Jane Lodge	30 June 2021
Peter Lynas	30 June 2021
Martha Poulter	26 May 2017
David Robbie	2 February 2018
Julia Steyn	2 May 2019
Anthony Green	15 September 2020

External board appointments

Where Board approval is given for an Executive Director to accept an outside Non-Executive Directorship, the Director is entitled to retain any fees received, unless the appointment is in connection with the business of the Group. None of the Executive Directors currently sit on any other external company boards.

Annual report on remuneration continued

Percentage change in remuneration levels

The table below shows the movement in the salary, benefits, and annual bonus for all Directors between the current and previous financial year compared to that for the average UK employee (First Bus and First Rail, but excluding Group). For the benefits and bonus per employee, the figures are based on those employees eligible to participate in such schemes.

			Executive Directors		Non-Executive Directors										
		Average UK employees[2]	MG[4]	RM[5]	DM[6,7]	WB	SC[6]	CH[8]	SG[9]	JL[8]	PL[8]	MP[9,10]	DR[9,11]	JS[6]	AG[12]
% change to FY 2022	Salary/Fees[1]	11.1%	7.1%	7.1%	7.1%	7.1%	6.1%	n/a	7.1%	n/a	n/a	6.1%	4.9%	7.1%	0.0%
	Benefits	4.2%	0.0%	0.0%	n/a[13]	0.0%	n/a[13]	n/a	0.0%	n/a	n/a	0.0%	0.0%	n/a[13]	0.0%
	Annual Bonus	576.6%	n/a[3]	n/a[3]	–	–	–	–	–	–	–	–	–	–	–
% change to FY 2021	Salary/Fees[1]	(2.4%)	(6.7%)	(6.7%)	(6.7%)	(6.7%)	(5.7%)	n/a	(6.7%)	n/a	n/a	(5.7%)	(4.7%)	(6.7%)	n/a
	Benefits	9.4%	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	0.0%	n/a	n/a	(100%)	0.0%	(100%)	n/a
	Annual Bonus	(66.2%)	0.0%	0.0%	–	–	–	–	–	–	–	–	–	–	–
% change to FY 2020	Salary/Fees	6.1%	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a	10.3%	17.1%	n/a	n/a
	Benefits	(4.8%)	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a	100.0%	0.0%	n/a	n/a
	Annual Bonus	37.2%	(100.0%)	n/a	–	–	–	–	–	–	–	–	–	–	–

1 Directors' salary/fee figures present actual FY 2021 amounts after the voluntary 20% reduction between 1 April to 31 July 2020. Matthew Gregory's last increase was on 13 November 2018 when he was appointed as CEO and Ryan Mangold has not had a salary increase since appointed as CFO on 31 May 2019. There have been no changes to NED fees since 2019.

2 FirstGroup plc does not employ anyone directly, other than the Directors. Pay increases for the majority of UK employees in First Bus and First Rail are collectively bargained with trade unions in individual operating companies within First Bus and First Rail. Some of these agreements are multi-year deals. The increase in benefits in FY 2021 reflects the inclusion of Avanti for a full year. No management bonuses were paid in First Rail in FY 2021.

3 Bonuses were not paid in FY 2020 or FY 2021, therefore, the percentage change in annual bonus to FY 2022 is 'n/a', meaning that the year on year change cannot be calculated.

4 Matthew Gregory stepped down as CEO and from the Board on 13 September 2021, therefore, FY 2022 pay has been annualised for comparison purposes.

5 Ryan Mangold was appointed to the Board as CFO on 31 May 2019, therefore, FY 2020 pay has been annualised for comparison purposes.

6 David Martin, Sally Cabrini, and Julia Steyn were appointed to the Board in FY 2020. FY 2020 fees have been annualised for comparison purposes.

7 David Martin was appointed Interim Executive Chairman on 13 September 2021, as such he received a temporary fee increase to £535,000 p.a. David Martin will resume the role of Non-Executive Chairman from 1 July 2022, therefore, for comparison purposes FY 2022 fees reflect annualised fees of Non-Executive Chairman of £310,000 p.a.

8 Claire Hawkings, Jane Lodge and Peter Lynas were appointed to the Board in FY 2022, as such, no comparison to FY 2021 is available.

9 Steve Gunning, Martha Poulter and David Robbie resigned from the Board in FY 2022. FY 2022 fees have been annualised for comparison purposes.

10 Martha Poulter was appointed as Chair of the Board and Safety Committee on 30 September 2019. FY 2020 fees have been annualised based on ongoing fees.

11 David Robbie was appointed SID on 31 May 2020. He received additional fees of £31,000 for acting as interim Chairman in FY 2020. The comparison to FY 2021 has been made on the basis of annualised FY20 ongoing fees.

12 Anthony Green was appointed to the Board in FY 2021, as such, no comparison to FY 2020 or FY 2021 is available.

13 No taxable benefits were received in FY 2021, therefore, the percentage change in benefits to FY 2022 is 'n/a', meaning that the year on year average cannot be calculated.

Relative importance of spend on pay

The table below illustrates the Company's expenditure on pay in comparison to adjusted operating profit and distributions to shareholders *by way of dividend payments.*

	FY 2022 £m	FY 2021 £m	% change
Adjusted operating profit[1,2]	**226.8**	220.2	3%
Distributions to shareholders	**500**	–	n/a
Total employee pay[3]	**2,154.2**	2,869.5	(25)%

1 Group adjusted operating profit has been used as a comparison as it is a key financial metric that the Board considers when assessing Company performance.

2 *Group adjusted operating profit for FY 2021 has been restated since the results have been split into the results for the continuing operations and the results for discontinued operations.* Discontinued operations now includes Greyhound entities which were sold in the year.

3 Total employee pay is the total pay for all Group employees, including pension and social security costs. The average monthly number of employees in FY 2022 was 53,323 (FY 2021 was 89,053). The decrease in total employee pay from FY 2022 to FY 2021 is a result of the sale of our North American businesses.

Role of the Remuneration Committee

The Committee is primarily responsible for determining the policy for Executive Director remuneration and setting the remuneration for the Chairman, the Executive Directors and senior management. The Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration.

The Committee's full terms of reference are available on the Company's website. The Committee's principal responsibilities are summarised below:

- determining and agreeing with the Board the framework for executive remuneration that ensures Executive Directors and members of senior management are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner for their individual contribution towards the success of the Company. Senior managers are defined as the Executive Committee and other employees agreed between the Chair of the Committee, the Chairman, and the Chief Executive Officer
- ensuring that the Remuneration Policy is appropriate and consistent with effective risk management
- within the agreed framework, setting and determining the total individual remuneration arrangements for Executive Directors and senior managers, giving due regard to individual and Company performance, and remuneration trends across the Group
- approving the design of, and determining the targets for, any performance-related plans and the total annual payments made under such plans to Executive Directors and senior managers
- determining the terms of employment and remuneration of each Executive Director and senior executive, including recruitment and termination arrangements

Annual report on remuneration continued

Committee membership and attendance as at 26 March 2022

Committee member	Appointment date	Scheduled meetings	Additional meetings
Sally Cabrini (Chair)	24 Jan 2020	5/5	2/2
Jane Lodge	30 June 2021	5/5	2/2
Peter Lynas	30 June 2021	4/5	2/2
David Robbie[1]	2 February 2018	n/a	1/1
Julia Steyn	2 May 2019	4/5	2/2

1 David Robbie stepped down from the Board and the Committee on 30 June 2021.

The Committee met on seven occasions (five scheduled meetings and two additional meetings) during the year. After each meeting, the Chair of the Committee presents a report on its activities to the Board. The Chairman, Chief Executive Officer, Group HR Director, and General Counsel and Company Secretary will normally attend meetings by invitation, to provide advice and respond to specific questions. Other attendees may include the Chief Financial Officer, the Group Corporate Services Director, the Group Head of Reward, and the Committee's external remuneration adviser. Attendees are not involved in any decisions and are specifically excluded from any matter concerning their own remuneration. The Deputy Company Secretary acts as secretary to the Committee.

The Committee's key responsibilities include determining:

	Senior Management	
	Executive Directors	Executive Committee
Performance Framework	●	
Remuneration Policy	●	●
Actual remuneration and benefits	●	●
Annual Bonus and Long-Term Incentive Measures and Targets	●	●

In addition, the Committee has the responsibility for determining the Chair of the Board's remuneration. The Committee monitors the level and structure of remuneration for senior executives below Senior Management and makes recommendations, if appropriate, to ensure consistency and alignment with FirstGroup's remuneration objectives.

The Committee reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration. In exercising its responsibilities, the Committee takes into account a variety of stakeholder considerations. The Committee operates within an agreed set of Terms of Reference, which it reviews annually. They were last updated on 15 March 2021 and can be viewed on the Company's website.

The Chair of the Board was consulted on remuneration proposals affecting the Chief Executive Officer, and the Chief Executive Officer was consulted on proposals relating to the Chief Financial Officer and Senior Management.

Principles

The principles that underpin the Committee's approach to executive remuneration are set out in the 'Directors' Remuneration Policy' that can be found on the FirstGroup plc website. The Committee considered the provisions of the UK Corporate Governance code, and has sought to reflect the principles of clarity, simplicity, risk management, predictability, proportionality, and alignment to culture in deciding FY 2022 pay outcomes and developing FY 2023 policy.

Who supports the Committee?

The Committee continues to receive advice from independent external remuneration advisers, Willis Towers Watson (WTW). The Committee appointed WTW in FY 2020, following a competitive tender process led by the Chair of the Committee. The Committee is solely responsible for their appointment, retention and termination and for approval of the basis of their fees and other terms. The Chair of the Committee agrees the protocols under which WTW provide advice.

WTW is a member of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent. During the course of the year, WTW provided independent advice and commentary on a range of topics including Directors' remuneration reporting, discretionary share plans, corporate governance and executive remuneration trends and shareholder consultation. WTW fees for advice provided to the Committee were £115,500 (FY 2021: £153,750), charged on a time-spent basis. WTW provides remuneration advice, including the provision of benchmark data, to the Company.

Shareholder voting on remuneration

At the 2021 AGM, shareholders approved the Directors' Remuneration Report and Directors' Remuneration Policy which were published in the FY 2021 Annual Report and Accounts. The results of these votes are shown below, together with the result of previous shareholder votes on remuneration resolutions since 2015.

To approve the Directors' Remuneration Report at the 2021 AGM

2021 AGM voting

● Votes for	**969,027,041**
● Votes against	**15,447,237**
Votes withheld	**3,534,533**

To approve the Directors' Remuneration Policy at the 2021 AGM

2021 AGM voting

● Votes for	**943,536,831**
● Votes against	**40,940,117**
Votes withheld	**3,531,863**

* Note: A 'Vote withheld' is not a vote in law and is not counted in the calculation of the votes 'For' and 'Against' a resolution.

To approve the relevant Directors' Remuneration Report	Votes For	Votes Against
2021 AGM	98.43%	1.57%
2020 AGM	99.99%	0.01%
2019 AGM	76.32%	23.68%
2018 AGM	96.37%	3.63%
2017 AGM	91.32%	8.68%
2016 AGM	96.53%	3.47%

To approve the Directors' Remuneration Policy	Votes For	Votes Against
2021 AGM	95.84%	4.16%
2018 AGM	84.52%	15.48%
2015 AGM	92.82%	7.18%

Further engagement

The Committee values its continued dialogue with shareholders and engages directly with them and their representative bodies at the earliest opportunity. Shareholder feedback received in relation to the AGM, as well as any additional feedback and guidance received during the year, is considered by the Committee as it develops the Company's remuneration framework and practices.

In line with provision 3 of the Code, the Committee Chair welcomes questions from shareholders on the Committee's activities.

Sally Cabrini
Chair, Remuneration Committee

Directors' report and additional disclosures

The Directors present their report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the for the 52 weeks to 26 March 2022. Information required to be disclosed in the Directors' report may be found below and are incorporated into the Directors' Report by cross reference to the following sections of the Annual Report and Financial Statements in accordance with the Companies Act 2006 (the 2006 Act) and Listing Rule 9.8.4R of the Financial Conduct Authority.

Information	Pages
Sustainability governance	40
Greenhouse gas emissions	71
Likely future developments in the business	29
Risk factors and principal risks; going concern and viability statements	74-81 82-83
Governance arrangements; human rights and anti-corruption and bribery matters	103
Long-term incentive schemes	128
Financial instruments and related market transactions	167-168

Directors

The Directors of the Company who served during the year, and those appointed after the end of the financial year, are shown on pages 86-89 Warwick Brady and Julia Steyn informed the Board that they would not be seeking re-election at the Company's forthcoming AGM. Matthew Gregory, Steve Gunning and Martha Poulter decided not to seek re-election last year and stepped down from the Board with effect from 13 September 2021. Claire Hawkings, Myrtle Dawes and Graham Sutherland were appointed to the Board with effect from 21 January 2022, 1 April 2022 and 16 May 2022 respectively.

Details of the Directors' interests in shares can be found in the Directors' remuneration report on page 142.

During the year, no Director had any interest in any shares or debentures in the Company's subsidiaries, or any material interest in any contract with the Company or a subsidiary being a contract of significance in relation to the Company's business.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles.

Directors' indemnities and liability insurance

FirstGroup maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to the extent permitted by law to each of the Directors, the Company Secretary and a number of other executives and senior managers. These indemnities are uncapped in amount in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director or Officer of the Company or any of its associated companies. Neither the indemnity, nor insurance cover provides cover in the event a Director or Officer is proved to have acted fraudulently or dishonestly. The indemnity is categorised as a 'qualifying third-party indemnity' for the purposes of the Companies Act 2006 and will continue in force for the benefit of Directors and Officers on an ongoing basis.

Conflicts of interest

The Directors have a statutory duty under the Companies Act 2006 to avoid situations in which they have, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. This duty is in addition to the existing duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The Company's conflict of interest procedures are reflected in the Articles. In line with the Companies Act 2006, the Articles allow the Directors to authorise conflicts and potential conflicts of interest where appropriate. The decision to authorise a conflict can only be made by non-conflicted Directors. Directors do not participate in decisions concerning their own remuneration or interests.

The Company Secretary minutes the consideration of any conflict or potential conflict of interest and authorisations granted by the Board. On an ongoing basis, the Directors inform the Company Secretary of any new, actual or potential conflict of interest that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when authorisation is given, a Director is not absolved from their duty to promote the success of the Company.

Furthermore, the Articles include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director from breaching their duty if a conflict of interest arises. These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors. The Board considers that the formal procedures for managing conflicts of interest currently in place have operated effectively during the year under review.

Election and re-election of Directors

Directors are required under the Articles to submit themselves for election by shareholders at the AGM following their appointment by the Board. Also, in accordance with best practice and the Code, all of our Directors put themselves forward for re-election by shareholders annually. Claire Hawkings, Myrtle Dawes and Graham Sutherland appointed with effect from 21 January 2022, 1 April 2022 and 16 May 2022 respectively, will therefore retire and submit themselves for election. All other Directors, except for Warwick Brady and Julia Steyn will submit themselves for re-election at the forthcoming AGM.

Disclosure of information to the external auditor

Each of the Directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information (being information needed by the auditor in connection with preparing their audit report), of which the Company's auditor is unaware, and each of the Directors has taken all the steps that they ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Share capital

As at 26 March 2022, the Company's issued share capital was 750,240,410 ordinary shares of 5 pence, each credited as fully paid. The Company holds 157,231 ordinary shares in treasury, and the issued share capital of the Company which carries voting rights of one vote per share comprises 750,083,181 ordinary shares.

Further details of the Company's issued share capital are shown in note 28 to the Company's financial statements.

The Company's shares are listed on the London Stock Exchange.

Substantial shareholdings

As at 26 March 2022, the Company had been notified under the FCA's Disclosure, Guidance and Transparency Rule of the following interests in its total voting rights of 3% or more:

Name of shareholder	Number of ordinary shares	% of total voting rights	Date of notification
Schroders Plc	121,396,345	16.18	7 March 2022
Ameriprise Financial Inc.	119,426,332	15.99	24 January 2022
Coast Capital Management LP	168,200,445	13.79	23 March 2020
Aberforth Partners LLP	49,386,172	6.61	3 December 2021
Majedie Asset Management Limited	60,915,714	4.99	3 February 2021
Lombard Odier Asset Management Limited	55,461,667	4.54	16 December 2020

Between 26 March 2022 and the date of this report:

1 BlackRock, Inc. notified the Company on 25 April 2022 that their holding had increased to 40,524,824 shares which represented 5.40% of total voting rights as at the date of notification

2 Schroders Plc notified the Company on 9 May 2022 that their holding had increased to 121,266,540 shares which represented 16.17% of total voting rights at the date of notification. On 27 May 2022, it then notified the Company that their holding had increased to 121,396,442 shares which represneted 16.18% of total voting rights at the date of notification.

3 Coast Capital Management LP notified the Company on 20 May 2022 that their holding had decreased to 25,169,383 shares which represented 3.35% of total voting rights on the date of notification.

Articles of Association

The description in this section summarises certain provisions of the Company's Articles and applicable Scottish law concerning companies. This summary is qualified in its entirety by reference to this Company's Articles and the Companies Act 2006. The Company's Articles may be amended by a special resolution of the Company's shareholders.

Shares

The rights attached to the ordinary shares of the Company are defined in the Company's Articles. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Voting rights

Shareholders are entitled to attend and vote at any general meeting of the Company. It is the Company's practice to hold a poll on every resolution at general meetings. Every member present in person or by proxy has, upon a poll, one vote for every share held. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

Dividend rights

Shareholders may by ordinary resolution declare dividends but the amount of the dividend may not exceed the amount recommended by the Board.

Transfer of shares

There are no specific restrictions on the size of a holding, nor on the transfer of shares which are both governed by the general provisions of the Company's Articles and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights at any meeting of the Company.

Going concern and viability

Directors are required to consider if it is appropriate to adopt the going concern basis of accounting. Disclosure of the Directors' deliberations to determine whether it is appropriate to adopt the going concern basis of accounting can be found in the Going Concern statement on page 83, the Audit Committee report on page 113 and in note 2 to the financial statements. In summary, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 82.

Employee share plans

The Company operates a number of employee share plans, details of which are set out in note 36 and in the Directors' Remuneration Report on page 122.

All of the Company's employee share plans contain provisions relating to change of control. On a change of control, options and awards granted to employees may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at the time.

Employment of disabled persons

Applicants with disabilities are given full and fair consideration during recruitment processes. We are committed to supporting employees with disabilities with regard to training, career development and promotion. Our policies on employee consultation and on equal opportunities for all employees can be found on pages 47 to 51.

Employee engagement

We remain committed to employee involvement throughout the Group. Employees are kept well informed of the performance and strategy of the Group and other matters of concern through a variety of means including personal briefings, regular meetings, email and broadcasts by the Group Chief Executive and other senior managers. Refer to page 51 for further information.

Stakeholder engagement

The Board has determined that the Group's stakeholders are customers, investors, government, employees, communities and our strategic partners and suppliers. The Board is aware that its actions and decisions impact our stakeholders. Effective engagement with stakeholders is important to the Board as it strengthens the business and helps to deliver a positive result for all our stakeholder groups. In order to comply with Section 172 of the Companies Act, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which Directors have discharged this duty during the year. The Group's stakeholders are identified on pages 106 to 109 and the statement of compliance with Section 172 is set out on page 105. Further information on workforce engagement can also be found on page 99.

Directors' report and additional disclosures continued

Purchase of own shares
At the AGM of the Company in 2021 authority was granted for the Company to purchase up to 10% of its ordinary shares. The Company undertook a return of value to shareholders of £500m in 2021. Under the existing authority the Company may purchase up to 122,246,788 ordinary shares. This authority remains in place until the 2022 AGM, when the Company intends to seek a renewal.

Political donations
At the 2021 AGM, shareholders passed a resolution to authorise the Company and its subsidiaries to make political donations to political parties or independent election candidates, to other political organisations, or to incur political expenditure (as such terms are defined in sections 362 to 379 of the 2006 Act), in each case in amounts not exceeding £100,000 in aggregate. As the authority granted at the 2021 AGM will expire, renewal of this authority will be sought at this year's AGM. Further details are available in the Notice of AGM.

As a result of the broad definition used in the 2006 Act of matters constituting political donations, it is possible that normal business activities, which might not be thought to be political expenditure in the usual sense, could be covered. Accordingly, authority is being sought as a precaution to ensure that the Company's normal business activities do not infringe the 2006 Act, but it is not the policy of the Company to make donations to EU political organisations, nor to incur other political expenditure in the EU.

No political donations nor expenditure was incurred by the Company and its subsidiaries during FY 2022.

Change of control – significant agreements
Financing agreements
As at 26 March 2022, the Group had a £300m multi-currency revolving credit and guarantee facility between, amongst others, the Company and The Royal Bank of Scotland plc dated 27 August 2021, maturing in August 2025, which refinanced the Group's existing revolving credit and guarantee facilities. Following any change of control of the Company, individual lenders may negotiate with the Company with a view to resolving any concerns arising from such change of control. If the matter has not been resolved within 30 days, an individual bank may cancel its commitment and the Company must repay the relevant proportion of any drawdown.

The £200m 6.875% bonds due 2024 issued by the Company may also be affected by a change of control of the Company. Upon a change of control of the Company, provided that certain further thresholds in relation to the credit rating of the bonds are met, the bondholders have the option to require the Company to redeem the bonds.

First Rail
The Group's contracted passenger rail operators, First TransPennine Express Limited, First Greater Western Limited, First MTR South Western Trains Limited (jointly owned with MTR Corporation) and First Trenitalia West Coast Rail Limited (jointly owned with Trenitalia) are each party to a contractual agreement with the Secretary of State for Transport. These agreements are subject to termination clauses which may apply on a change of control. First MTR South Western Trains Limited, First TransPennine Express Limited, First Greater Western Limited, First Trenitalia West Coast Rail Limited and the Group's non-contracted rail operator, Hull Trains Company Limited, each hold railway licences as required by the Railways Act 1993 (as amended); these licences may be revoked on three months' notice if a change of control occurs without the approval of the Office of Rail and Road. All of these operators also require and hold track access agreements with Network Rail Infrastructure Limited under which they are permitted to access railway infrastructure.

Failure by any of the operators to maintain its railway licence is a potential termination event under the terms of the track access agreements. The Group's railway operators also lease rolling stock from specialist rolling stock leasing companies such as Eversholt Rail Group, Rock Rail Limited, Beacon Rail Limited, Porterbrook Leasing Company Limited and Angel Trains Limited. A material number of the individual leasing agreements include change of control provisions. The Group is also involved from time to time in bidding processes for UK rail operating contracts and transport contracts further afield which customarily include change in circumstance provisions which would be triggered on a change of control and could result in termination or rejection from further participation in the relevant competitions.

Significant shareholders' agreements
The Group, through First Rail Holdings Limited, has shareholders' agreements governing its relationship with MTR Corporation in relation to the SWR rail operator and with Trenitalia in relation to the West Coast Partnership rail operator. As is customary, these agreements include provisions addressing change of control.

Post balance sheet events
Information on material events that occurred from 26 March 2022 to the date of this report can be found on page 229 and note 39.

Branch disclosure
The Group has a branch in France (First Travel Solutions Ltd), which was established on 28 March 2019.

Streamlined Energy and Carbon Reporting (SECR) compliance
In compliance with the SECR requirements, our GHG emissions and our energy consumption and energy and emissions reduction initiatives are reported on page 71.

Management report
The Strategic and Directors' reports together are the management report for the purposes of the FCA's DGTR 4.1.5R.

The Strategic report was approved on behalf of the Board on 13 June 2022.

David Blizzard
Company Secretary
14 June 2022
395 King Street, Aberdeen AB24 5RP

Directors' responsibility statement

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- the Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the group's and company's auditors are unaware
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information

Ryan Mangold
Chief Financial Officer
14 June 2022
395 King Street, Aberdeen AB24 5RP

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Consolidated income statement

For the 52 weeks ended 26 March

Continuing Operations	Notes	2022 £m	2021 £m
Revenue	3,5	**4,591.1**	4,318.8
Operating costs	6	**(4,468.3)**	(4,147.8)
Operating profit	5,6	**122.8**	171.0
Investment income	8	**1.1**	1.8
Finance costs	8	**(141.6)**	(143.7)
(Loss)/profit before tax		**(17.7)**	29.1
Tax	9	**11.9**	(6.3)
(Loss)/profit from continuing operations		**(5.8)**	22.8
Profit from discontinued operations	21	**647.8**	68.3
Profit for the year		**642.0**	91.1
Attributable to:			
Equity holders of the parent		**636.4**	78.4
Non-controlling interests		**5.6**	12.7
		642.0	91.1
Earnings per share			
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		**(1.1)p**	0.9p
Diluted earnings per share		**(1.1)p**	0.9p
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	10	**60.2p**	6.5p
Diluted earnings per share	10	**60.2p**	6.4p
Adjusted results (from continuing operations)[1]			
Adjusted operating profit	4	**106.7**	112.2
Adjusted profit/(loss) before tax		**24.8**	(29.7)
Adjusted EPS	10	**1.6p**	(2.8)p
Adjusted diluted EPS		**1.5p**	(2.8)p

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

Prior year restatements are detailed in note 2.

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

Consolidated statement of comprehensive income

For the 52 weeks ended 26 March

	Notes	2022 £m	2021 £m
Profit for the year		**642.0**	91.1
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	37	**122.3**	(49.3)
Deferred tax on actuarial (gains)/losses on defined benefit pension schemes		**(22.1)**	15.5
		100.2	(33.8)
Items that may be reclassified subsequently to profit or loss			
Derivative hedging instrument movements	29	**43.9**	16.4
Deferred tax on derivative hedging instrument movements		**(10.8)**	(3.6)
Exchange differences on translation of foreign operations – continuing operations		**(5.6)**	1.3
Exchange differences on translation of foreign operations – discontinued operations		**0.3**	(112.2)
Non-controlling interests share of loan waived		**35.4**	–
Reclassification of foreign currency translation reserve on discontinued operations (see note 21)		**(543.4)**	–
		(480.2)	(98.1)
Other comprehensive loss for the year		**(380.0)**	(131.9)
Total comprehensive income/(loss) for the year		**262.0**	(40.8)
Attributable to:			
Equity holders of the parent		**221.0**	(53.5)
Non-controlling interests		**41.0**	12.7
		262.0	(40.8)

Total comprehensive income/(loss) for the year attributable to owners of FirstGroup Plc arises from:

Attributable to:		
Continuing operations	**149.1**	(49.3)
Discontinued operations	**112.9**	8.5
	262.0	(40.8)

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

Consolidated balance sheet

As at 26 March

	Notes	2022 £m	2021 £m
Non-current assets			
Goodwill	11	**93.5**	83.9
Other intangible assets	12	**12.4**	16.2
Property, plant and equipment	13	**1,692.7**	2,443.7
Contingent consideration receivable	17	**106.1**	–
Deferred tax assets	26	**36.1**	35.0
Retirement benefit assets	37	**203.0**	52.9
Derivative financial instruments	25	**4.2**	1.2
Financial assets	25	**117.0**	–
Investments	14	**2.2**	8.3
		2,267.2	2,641.2
Current assets			
Inventories	16	**28.9**	29.4
Trade and other receivables	17	**682.3**	676.7
Current tax assets		**3.1**	0.4
Cash and cash equivalents	20	**787.7**	1,438.9
Derivative financial instruments	25	**26.2**	14.9
		1,528.2	2,160.3
Assets held for sale – continuing operations	18	**–**	11.9
Assets held for sale – discontinued operations	18,21	**38.5**	3,479.5
Total assets		**3,833.9**	8,292.9
Current liabilities			
Trade and other payables	19	**1,245.1**	1,587.6
Tax liabilities – Current tax liabilities		**–**	14.4
– Other tax and social security		**38.3**	34.6
Borrowings	22	**677.0**	1,326.2
Derivative financial instruments	25	**–**	11.8
Provisions	27	**114.6**	74.4
Current liabilities		**2,075.0**	3,049.0
Liabilities held for sale – discontinued operations	21	**–**	1,136.6
		2,075.0	4,185.6
Net current liabilities		**(546.8)**	(888.7)
Non-current liabilities			
Borrowings	22	**736.8**	2,492.0
Derivative financial instruments	25	**–**	1.2
Retirement benefit liabilities	37	**16.3**	324.5
Provisions	27	**120.7**	135.5
		873.8	2,953.2
Total liabilities		**2,948.8**	7,138.8
Net assets		**885.1**	1,154.1
Equity			
Share capital	28	**37.5**	61.1
Share premium		**692.8**	689.6
Hedging reserve	29	**19.3**	(3.4)
Other reserves	29	**22.4**	4.6
Own shares	29	**(9.0)**	(9.0)
Translation reserve	30	**(24.0)**	524.7
Retained earnings/(deficit)		**137.6**	(89.6)
Equity attributable to equity holders of the parent		**876.6**	1,178.0
Non-controlling interests		**8.5**	(23.9)
Total equity		**885.1**	1,154.1

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

Ryan Mangold
14 June 2022

Consolidated statement of changes in equity

For the 52 weeks ended 26 March

	Share capital (note 28) £m	Share premium £m	Hedging reserve (note 29) £m	Other reserves (note 29) £m	Own shares (note 29) £m	Translation reserve (note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 29 March 2020	61.0	688.6	(28.3)	4.6	(10.2)	635.6	(141.5)	1,209.8	(33.1)	1,176.7
Profit for the year	–	–	–	–	–	–	78.4	78.4	12.7	91.1
Other comprehensive income/(loss) for the year	–	–	12.8	–	–	(110.9)	(33.8)	(131.9)	–	(131.9)
Total comprehensive (loss)/income for the year	–	–	12.8	–	–	(110.9)	44.6	(53.5)	12.7	(40.8)
Shares issued	0.1	1.0	–	–	–	–	–	1.1	–	1.1
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	15.2	–	–	–	–	15.2	–	15.2
Reserves reclassification	–	–	(3.1)	–	–	–	3.1	–	–	–
Dividends paid/other	–	–		–	–	–	(1.6)	(1.6)	(3.5)	(5.1)
Movement in EBT and treasury shares	–	–	–	–	1.2	–	(6.1)	(4.9)	–	(4.9)
Share-based payments	–	–	–	–	–	–	11.9	11.9	–	11.9
Balance at 27 March 2021	61.1	689.6	(3.4)	4.6	(9.0)	524.7	(89.6)	1,178.0	(23.9)	1,154.1
Balance at 28 March 2021	**61.1**	**689.6**	**(3.4)**	**4.6**	**(9.0)**	**524.7**	**(89.6)**	**1,178.0**	**(23.9)**	**1,154.1**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**636.4**	**636.4**	**5.6**	**642.0**
Other comprehensive income/(loss) for the year	**–**	**–**	**33.1**	**–**	**–**	**(548.7)**	**100.2**	**(415.4)**	**35.4**	**(380.0)**
Total comprehensive income/(loss) for the year	**–**	**–**	**33.1**	**–**	**–**	**(548.7)**	**736.6**	**221.0**	**41.0**	**262.0**
Shares issued	**0.2**	**3.2**	**–**	**–**	**–**	**–**	**–**	**3.4**	**–**	**3.4**
Shares bought back and cancelled	**(23.8)**	**–**	**–**	**17.8**	**–**	**–**	**(500.0)**	**(506.0)**	**–**	**(506.0)**
Derivative hedging instrument movements transferred to balance sheet (net of tax)	**–**	**–**	**(10.4)**	**–**	**–**	**–**	**–**	**(10.4)**	**–**	**(10.4)**
Disposal of non-controlling interest in First Transit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Dividends paid/other	**–**	**–**	**–**	**–**	**–**	**–**	**2.0**	**2.0**	**(7.9)**	**(5.9)**
Movement in EBT and treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**(16.8)**	**(16.8)**	**–**	**(16.8)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**5.4**	**5.4**	**–**	**5.4**
Balance at 26 March 2022	**37.5**	**692.8**	**19.3**	**22.4**	**(9.0)**	**(24.0)**	**137.6**	**876.6**	**8.5**	**885.1**

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

Consolidated cash flow statement

For the 52 weeks ended 26 March

	Notes	2022 £m	2021 (restated) £m
Cash generated by operations	32	**263.4**	1,358.7
Tax paid		**(21.4)**	(4.5)
Interest paid		**(176.6)**	(149.8)
Net cash from operating activities	32	**65.4**	1,204.4
Investing activities			
Interest received		**1.4**	2.0
Proceeds from disposal of property, plant and equipment		**23.1**	119.0
Purchases of property, plant and equipment		**(241.9)**	(416.5)
Purchases of software		**(9.7)**	(4.1)
Net proceeds from disposal of subsidiaries (net of cash disposed)[1]		**2,320.0**	–
Acquisition of businesses	31	**(11.3)**	(1.4)
Net cash used in investing activities		**2,081.6**	(301.0)
Financing activities			
Shares purchased by Employee Benefit Trust		**(23.5)**	(4.7)
Shares issued		**2.9**	0.5
Shares bought back and costs directly associated with tender offer		**(506.0)**	–
(Repayment of)/proceeds from CCFF		**(298.2)**	298.2
Repayment of bonds		**(674.4)**	–
Repayment of senior unsecured loans		**(200.0)**	–
Drawdowns from bank facilities		**–**	117.7
Repayment of bank facilities		**(579.3)**	(89.6)
Repayment of loan notes		**–**	(8.7)
Repayment of lease liabilities		**(600.4)**	(685.0)
(Repayment of)/proceeds from asset backed financial liabilities		**(9.4)**	46.8
Fees for finance facilities		**(1.7)**	(2.1)
Net cash flow used in financing activities		**(2,890.0)**	(326.9)
Net (decrease)/increase in cash and cash equivalents before foreign exchange movements		**(743.0)**	576.5
Cash and cash equivalents at beginning of year		**1,443.4**	886.5
Foreign exchange movements		**(0.2)**	(19.6)
Cash and cash equivalents at end of year		**700.2**	1,443.4

1 £2,320.0m comprises cash consideration of £2,478.7m less cash and cash equivalents sold of £158.7m per Note 14 (b) and (c).

FY 2021 comparatives have been restated as follows. 'Purchases of property, plant and equipment' have increased by £31.0m, 'Repayments of lease liabilities' have decreased by £15.8m and 'Proceeds from asset backed financial liabilities' have increased by £46.8m. See note 2 for further details.

The line 'Purchases of property, plant and equipment' includes cash flows from both purchased assets and purchased assets from within a *disposal group previously classified as assets held for sale.*

Cash flows of discontinued operations are shown in note 21.

	Notes	2022 £m	2021 £m
Reconciliation to cash flow statement			
Cash and cash equivalents – Balance Sheet	20	**787.7**	1,438.9
Cash and cash equivalents – Held for Sale		**–**	58.3
Cash and cash equivalents – total operations		**787.7**	1,497.2
Bank overdraft		**(87.5)**	(53.8)
Cash and cash equivalents at end of year per consolidated balance sheet		**700.2**	1,443.4

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

	Notes	2022 £m	2021 (restated) £m
Net (decrease)/increase in cash and cash equivalents in year		**(743.0)**	576.5
Decrease/(increase) in debt excluding leases		**1,751.9**	(317.6)
Adjusted cash flow		**1,008.9**	258.9
Payment of lease liabilities		**609.8**	669.3
Net inception of new leases		**184.1**	(210.2)
Fees capitalised against bank facilities and bond issues		**–**	2.1
Foreign exchange movements		**(3.8)**	78.5
Other non-cash movements		**207.8**	(163.5)
Movement in net debt in year		**2,006.8**	635.1
Net debt at beginning of year		**(2,625.8)**	(3,260.9)
Net debt at end of year	33	**(619.0)**	(2,625.8)

Prior year restatements are detailed in note 2.

Other non-cash movements consist of movements in supplier financing of £159.2m (2021: £(159.2)m), transfer of asset backed financial liabilities of £61.0m (2021: £nil) on sale of disposal First Student and First Transit, amortisation of debt issue fees of £(12.4)m (2021: £(3.2)m) and other non-cash movements of £nil (2021: £(1.1)m).

Supplier Financing are amounts due to the principal supplier of school buses in the US and Canada for deliveries of vehicles. As the ageing of these payables exceed 6 months interest starts to be charged and they are subsequently transferred from trade payables to borrowings. On completion of the sale of First Student and First Transit, this liability was transferred to EQT infrastructure.

Management considers that adjusted cash flow is an appropriate measure for assessing the Group cash flow as it is the measure that is *used to assess both Group and divisional cash performance against budgets and forecasts. Adjusted cash flow is stated prior to cash flows* in relation to debt excluding leases. This is a change and a restatement from the treatment reported in the financial statement for the 52 weeks to 27 March 2021 when adjusted cashflow was stated prior to cash flows in relation to debt and to finance leases.

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

Notes to the consolidated financial statements

1 General information

FirstGroup plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 395 King Street, Aberdeen, Scotland, United Kingdom AB24 5RP. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 8-83.

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

2 Significant accounting policies

Basis of accounting

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

The consolidated financial statements of FirstGroup plc comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with IFRSs as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. There were no unendorsed standards effective for the period ended 26 March 2022 affecting these consolidated and separate financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on a going concern basis as described in the going concern statement within the Strategic report on pages 82-83.

As set out on pages 82-83, the Group has undertaken detailed reviews of the potential impact of recovery from coronavirus using financial outlook modelling. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the Group is exposed, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for at least a twelve-month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements for the 52 weeks ended 26 March 2022 include the results and financial position of the First Rail business for the year ended 31 March 2022 and the results and financial position of all the other businesses for the 52 weeks ended 26 March 2022. The financial statements for the 52 weeks ended 27 March 2021 include the results and financial position of the First Rail businesses for the year ended 31 March 2021 and the results and financial position of all the other businesses for the 52 weeks ended 27 March 2021.

Restatements

During the year the Financial Reporting Council (FRC) enquired about certain sale and leaseback transactions and certain lease buy outs which occurred in the 52 weeks ended 27 March 2021. As a result of this enquiry, management reassessed the accounting treatment adopted for these transactions. Since the leasing arrangements included buy-back options, management concluded that they did not constitute sale and lease-back transactions. Rather these arrangements should have been accounted for as financing transactions in which the underlying assets were not derecognised. In the FY 2021 consolidated cash flow statement, the proceeds of these transactions had been incorrectly netted off purchases of property, plant and equipment (£46.8m). The liabilities associated with these assets were classified as lease liabilities as at 27 March 2021 whereas they should have been classified as asset backed financial liabilities. The investment income and finance costs note (note 8), borrowings note (note 22) and the liabilities note (note 23) have been updated to reclassify these balances accordingly. The other impacts of this change in accounting treatment have been assessed to be immaterial.

In addition, certain lease buy outs of £15.8m had been incorrectly included in purchases of property, plant and equipment rather than as a repayment of lease liabilities.

Accordingly, the comparatives for FY 2021 consolidated cash flow statement and balance sheet notes to the accounts for borrowings notes have been restated. In the consolidated cash flow statement 'purchases of property, plant and equipment' have increased by £31.0m, 'repayments of lease liabilities' have increased by £15.8m and a new line 'proceeds from asset backed financial liabilities' of £46.8m is presented.

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now include Greyhound entities which were sold in the year.

Basis of consolidation

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

2 Significant accounting policies continued

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

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

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

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

Business combinations

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date, with the exception of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements, liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment and non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of non-controlling shareholders in the acquiree may initially be measured at fair value, or at the non-controlling interests' proportionate share of their fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis.

Assets and disposal groups held for sale and discontinued operations

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

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

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

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

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

Goodwill and intangible assets

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

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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

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

- Customer contracts – over the estimated life of the contract (9 to 10 years)
- Franchise agreements – over the initial term of the franchise (2 to 10 years)
- Software – over the estimated life of the software (3 to 5 years)

Revenue recognition

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

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

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

Note that revenues include contractual and direct fiscal support as a result of coronavirus. This is covered in more detail further on in this note.

Passenger revenues

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

Contract revenues

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

Charter/private hire

Charter and private hire predominantly relate to charter work in First Student (generated before the sale of the division) 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.

Rail contract subsidy receipts

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

Other revenues

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

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 the 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.

2 Significant accounting policies continued

Contractual and direct fiscal support as a result of coronavirus

The principal direct fiscal support recognised during the year comprised £1,635.6m (2021: £2,900.7m) of EMA/ERMA/NRC funding in First Rail, £32.3m (2021: £99.7m) of CARES Act 5311(f) and American Rescue Plan Act funding in Greyhound, and £190.2m (2021: £266.5m) of CBSSG, BRG, concessions and other funding in First Bus. These are recognised within revenue in accordance with IFRS 15 when control of the good or service is transferred to the customer and the Group is entitled to the consideration.

Government grants were obtained in the UK and in North America businesses, through the UK furlough scheme and the CARES and CEWS Acts respectively. There was £7.7m (2021: £95.7m) of CARES and CEWS Act employee retention credits in First Student, £2.8m (2021: £28.9m) in First Transit and £0.2m (2021: £3.2m) in Greyhound accounted for through operating costs, as well as furlough support obtained in the UK. These amounts were recognised as an offset to the related costs when conditions were met and expenses were incurred.

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

Greyhound

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

First Bus

Funding schemes were in place across the vast majority of the operation (initially CBSSG and then BRGs in England, CSG-R in Scotland and BES2.0 in Wales). CBSSG, CSG-R and BES2.0 were all in place from the start of the year and take the form of a grant payable to operators to offset any losses incurred from running an agreed level of mileage with CSG-R and BES2.0 remaining in place throughout the majority of the financial year. CBSSG was replaced by BRG across England on 1 September 2021 with BRG being a more commercially focused scheme than its predecessor which makes fixed payments to operators to run a minimum level of commercial mileage but also gives them the flexibility to make greater levels of adjustments to the network and increase fares to improve its underlying commercial viability.

First Rail

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

- EMA in respect of GWR for the full year,
- ERMA in respect of WCP / Avanti for the full year
- ERMAs for SWR and TPE from 1 April 2021 to 30 May 2021, and the new NRCs from 30 May 2021 to 31 March 2022

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

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

First Bus coronavirus related grants

First Bus has received coronavirus related grants which are government grants receivable in light of the ongoing coronavirus situation. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme (CJRS), the Bus Recovery Grant (BRG), the COVID-19 Bus Services Support Grant (CBSSG) scheme, the COVID-19 Support Grant (CSG) scheme for Scotland and the Bus Emergency Scheme (BES) for Wales. Under the CJRS, grant income may be claimed in respect of certain costs to the Group of furloughed employees. CJRS income is recognised in the income statement in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received. Under the BRG, CBSSG, CSG and BES schemes, grant income may be claimed by operators of local bus services to close the shortfall of revenue earned by them during the period affected by coronavirus and the costs incurred by them in that period. The extent to which certain costs are eligible for inclusion in claiming bus support grant income and how certain costs should be determined for the purposes of the schemes remains subject to reconciliation processes. Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

CJRS funding was also received for First Rail employees and certain other UK based employees of the Group.

CJRS grant income is disclosed as a negative cost, matching the direct staff costs it relates to. The other coronavirus related grants are disclosed in revenue.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Leasing

The accounting policy for leasing is as follows:

Lease identification

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

Right of use asset (ROUA)

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

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

Lease liability

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

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

Short-term leases and leases of low-value assets

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

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

Foreign currencies

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

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

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

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

2 Significant accounting policies continued

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

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

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

Non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items are significant, including gains on disposal of businesses (including the recycling of cumulative foreign currency gains relating to these businesses), restructuring and reorganisation costs, property gains or losses, aged legal and self-insurance claims, significant adverse loss development factors on insurance provisions, onerous contract provisions, impairment charges, taxation 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 KPI's of the business. See note 4 for the reconciliation to non-GAAP measures and performance.

Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs. In the current year non-GAAP adjusting items principally relate to other intangible amortisation charges, strategy costs, rail termination sums net of impairment reversal, impairment of land and buildings, gain on disposal of properties and significant adverse loss development factors on insurance provisions.

From the year ended 26 March 2022 the Group formulated a new performance measure of Rail-adjusted EBITDA. This comprises First Bus and non-contracted First Rail EBITDA plus contracted First Rail dividends minus central costs.

Retirement benefit costs

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

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

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

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

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

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

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

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

Retirement benefit costs are also covered in the critical accounting judgement section of note 2 below.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Tax

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Right-of-use assets are depreciated over the shorter period of the lease and the useful life of the underlying asset. If the right-of-use asset includes costs relating to purchase options which the Group expects to exercise then the related right-of-use asset is depreciated over the useful life of the underlying asset.

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

2 Significant accounting policies continued

Capital grants

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately except in the case of goodwill, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where the purchase of inventory was the hedged item in a cash flow hedge relationship, the initial carrying amount of the recognised inventory is adjusted by the associated hedging gain or loss transferred from the hedging reserve (a basis adjustment). There are no material inventory allowances.

Financial instruments

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

Financial assets

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

Financial assets are classified into one of three primary categories:

Financial assets at amortised cost

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

Fair value through profit and loss

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

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

Fair value through other comprehensive income

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

Financial liabilities and equity instruments

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

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Financial liabilities

Bank borrowings

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

Bonds and loan notes

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

Supplier financing

Supplier financing is initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. Due to its nature, the supplier financing facility is included in note 33 as part of net debt.

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

Provisions

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

Self-insurance

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

2 Significant accounting policies continued

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

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

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

Adoption of new and revised standards
The accounting policies adopted are consistent with those of the previous financial year except for the changes arising from new standards and amendments to existing standards which have been adopted in the current year. Adoptions in the current year include amendments to *IAS 1 'Presentation of Financial Statements'*, amendments to *IFRS 3 'Business Combinations'* and *Phase 2 of the 'Interest Rate Benchmark Reform'*. There has been no material change as a result of applying these amendments and no significant impact is expected from any of the future standards and amendments that are visible.

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

The following are the critical estimates, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

First Transit earn-out
Under the terms of the sale of First Transit and First Student, if First Transit is sold within 3 years of the completion date for more than $380m then the Group will get 80.67% of the first $90m excess and 66% of any further excess subject to an overall cap of $290m. If First Transit is not sold within 3 years then an independent valuation will be performed on the First Transit business to calculate the amount payable to the Group based on the same parameters.

Management have valued the receivable using an Income Approach based on discounted cash flows and a Market Approach using earnings multiples and determined that the fair value of the earn-out as at 26 March Is $140m (2021: $140m). Sensitivities around the assumptions used in arriving at this fair value are set out in note 25.

Impairment of assets in CGUs
The key sources of estimation uncertainty in relation to impairment of assets in CGUs relate to the cash flow forecasts including significant judgements in deciding what assumption to make regarding how the impact of the pandemic recovery might evolve over the coming months in our CGUs. This is covered in more detail in note 11.

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

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

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

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

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

For the 52 weeks ending 31 March 2022 the impact of this alternative approach would be an increase in costs of £102.7m (2021: £54.9m) in the income statement and a credit to OCI of £70.9m (2021: debit of £43.6m). In addition, the balance sheet would reflect a surplus of £25.0m (2021: £56.8m). Since the contract only refers to the contribution requirements during its term, and not any reimbursement rights, in the Directors' view contributions are shared with the next contractor and therefore the treatment of the arrangement as contribution-sharing is considered the most appropriate.

The UK schemes retirement benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. Another key estimate is the longevity of members. We take specialist advice on this from our actuarial advisers which aims to consider the likely experience taking into account each scheme's characteristics. Our approach is to review these assumptions for each scheme following completion of their funding valuations, and more frequently only if appropriate to do so.

The Pension Regulator (TPR) has been in discussions with the RPS (the Scheme) regarding the long-term funding strategy of the Scheme. Whilst TPR believes that 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.

The carrying amount of the Group's continuing retirement benefit arrangements at 31 March 2022 was an asset of £186.7m (2021: liability £271.6m). Further details and sensitivities are set out in note 37.

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided (including the Incurred But Not Reported (IBNR) element) is adjusted as required. Given the diversity of claim types, their size, the range of possible outcomes and the time involved in settling these claims, a material change could be required to the carrying value of claims provisions in the next financial year. These factors also make it impractical to provide sensitivity analysis on one single measure and its potential impact on overall insurance provisions. The Group's total self-insurance provisions as at the balance sheet date were £148.0m (2021: £561.6m) as set out in note 27. Of this £96.5m relates to North America of which £86.9m is de-risked with insurance, leaving £9.6m where the actuarial range is £8.6m to £9.5m (2021: £477.7m and actuarial range £401.4m to £523.9m). A receivable matching the value of the de-risked provision of £86.9m is recorded within "other receivables" to account for the recovery from the third-party insurer.

Uncertain tax positions

Uncertainties exist in relation to differing interpretations of complex tax law in the jurisdictions in which the Group operates. It may take several years to determine the final tax consequences of certain transactions in some jurisdictions. The tax liabilities and assets recognised by the Group are based on estimates made by management on the application of tax laws and management's estimate of the future amounts that will be agreed with tax authorities. Further details on the tax on profit on ordinary activities are set out in note 9.

There is a risk that the amounts eventually agreed with tax authorities may differ from the amounts recognised by the Group and could lead to future adjustments to tax assets and liabilities.

Determining the incremental borrowing rate used to measure lease liabilities

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

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

2 Significant accounting policies continued

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2023 and on a going concern basis. In doing so, the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period. No consideration has been given to the unsolicited, conditional proposals in relation to a possible offer for the Group by I Squared Capital Advisors (UK) LLP as announced to the market on 26 May 2022, or any other offer for the Group that may arise, in the preparation of the accounts.

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

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of the post-pandemic operating environment, including assumptions on passenger volume recovery and government support.

Update since the FY21 results

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

On 21 July 2021 the Group completed the sale of First Student and First Transit divisions to EQT Infrastructure for net disposal proceeds of $3,194m (excluding earn out). The resultant gain on disposal was £501.1m which includes £450.6m of cumulative foreign exchange gains on these businesses since original acquisition recycled through the Income Statement.

Following the receipt of the proceeds of sale, the Group completed the reorganisation of the Group's debt arrangements and settled the majority of its outstanding financial indebtedness as set out below:

Debt repayments since completion of sale of Student and Transit	Date	£m	$m	C$m
Bank Debt				
China Constructed Bank bilateral	**15 July**	–	82.5	–
Bridge Facility	**23 July**	250.0	–	–
RCF Repayments	**23 July**	–	295.0	–
Caixa Bank Bilateral	**26 July**	60.0	–	
RCF Repayment	**28 July**	70.0	50.0	–
RCF Repayment	**3 August**	–	–	95.0
		380.0	427.5	95.0
Other debt:				
Government CCFF	**28 July**	299.0	–	–
US Private Placement (inc. Make-whole costs (MW))	**11 August**	–	321.1	–
Bond 6 Repayments (inc MW)	**17 September**	358.3	–	–
		657.3	321.1	–
Total Debt repaid		**1,037.3**	**748.6**	**95.0**

In addition £220.0m was paid into the First Bus Pension Scheme on 26 July 2021, $51.2m was paid into the Greyhound ATU Pension Scheme on 2 August 2021, $18.2m was paid into the Greyhound ATU pension scheme following the disposal of certain properties and CAD$48.7m was paid into the Greyhound Canada pension scheme to replace Letters of Credit.

On 31 August 2021, the Group signed a new multi-year £300m sustainability-linked Revolving Credit Facility ('RCF') with a group of its relationship banks. The new RCF replaced all the Group's former committed syndicated and bilateral banking facilities, which were repaid and cancelled.

In First Rail both TPE and SWR transitioned from Emergency Recovery Measures Agreements to National Rail Contracts during the year.

In First Bus following the end of the CBSSG scheme across England on 30 August 2021, the DfT introduced a £204m discretionary Bus Recovery Grant designed to support local bus operators to return to commercial operation during the period 1 September 2021 to 15 March 2022. Each operator received a share of the overall funding based on lost revenue and relative mileage.

On 21 October 2021, the Group completed the sale of Greyhound Lines, Inc. to a wholly-owned subsidiary of FlixMobility GmbH for a cash consideration of $139.0m. As a result of the disposal there was a partial reversal of prior years' impairment charges of £55.4m. The gain on disposal of Greyhound was £109.0m including £92.8m of cumulative foreign exchange gains on this business since original acquisition.

In December 2021 the Group completed a tender offer which returned £500m to shareholders.

In February 2022 the Group concluded a risk transfer agreement that de-risked c.$147m of Greyhound's legacy self-insurance liabilities with a leading non-life global speciality insurance company and subsequently bought out other Greyhound legacy workers' compensation liabilities for $14m.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Base case scenario

The Board considered the annual budget to 31 March 2023 and medium term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2022 year end. These projections were the subject of a series of executive management reviews and were used to update the base case scenario that was used for the purposes of the going concern assessment at the 2022 year end. The base case assumes a continuing recovery in passenger volumes in FY 2023, but that passenger volumes remain below pre-pandemic levels in the going concern assessment period. The macro projections in the updated base case assume that the UK operates in a recovering coronavirus economy.

Downside scenario

In addition, a downside case was also modelled which assumes a more protracted post-pandemic recovery profile. In First Bus the downside case assumes slower recovery with passenger volumes at 76% of pre-pandemic levels, partially offset by 1.5% mileage reductions. In First Rail, the downside case assumes TOC performance fee awards at 50% and Hull Trains and Lumo revenue reduction of 20%.

Mitigating actions

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

Going concern statement

Based on the review of the financial forecasts for the period to September 2023 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12 month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report

3 Revenue

	2022 £m	2021 (restated) £m
Services rendered	**2,537.0**	967.3
First Rail contract subsidy receipts	**1,662.1**	2,905.9
Other revenues	**392.0**	445.6
Revenue from continuing operations	**4,591.1**	4,318.8
Discontinued operations	**996.9**	2,526.0
Revenue	**5,588.0**	6,844.8

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now includes Greyhound entities which were sold in the year.

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

Other revenue principally represents recoveries in relation to coronavirus grants in First Bus and First Rail.

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 that are significant, including gains on disposal of businesses (including cumulative foreign currency gains in the businesses), restructuring and reorganisation costs, material property gains or losses, 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 KPIs of the business.

Reconciliation of operating profit to adjusted operating profit on a continuing basis	**52 weeks ending 26 March 2022 £m**	52 weeks ending 27 March 2021 (restated) £m
Operating profit on a continuing basis	**122.8**	171.0
Adjustments for:		
Other intangible asset amortisation charges	**–**	0.2
Strategy costs	**–**	(0.9)
Impairment of land and buildings	**–**	16.6
Rail termination sums net of impairment reversal	**(4.0)**	(95.7)
(Loss)/gain on disposal of properties	**(13.8)**	0.7
Greyhound Canada	**1.7**	20.3
Total operating profit adjustments on a continuing basis	**(16.1)**	(58.8)
Adjusted operating profit on a continuing basis (note 5)	**106.7**	112.2

Reconciliation of operating profit/(loss) to adjusted operating profit on a discontinued basis	**52 weeks ending 26 March 2022 £m**	52 weeks ending 27 March 2021 (restated) £m
Operating profit from discontinued operations	**683.3**	
Gain on sale of First Student and First Transit	**(501.1)**	
Gain on sale of Greyhound	**(109.0)**	
Operating profit from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	**73.2**	114.8
Adjustments for:		
Other intangible asset amortisation charges	**0.4**	3.9
Other costs associated with the disposal of First Student and First Transit	**32.7**	–
Other costs associated with the disposal of Greyhound	**11.1**	–
Greyhound insurance de-risking	**19.3**	–
Employment taxes relating to First Student and First Transit	**6.6**	–
Partial reversal of prior year impairments of Greyhound	**(55.4)**	–
Impairment of land and buildings	**7.2**	–
Strategy costs	**–**	28.9
Gain on disposal of property	**(6.5)**	(71.8)
North America insurance provisions	**31.5**	32.2
Total operating profit adjustments from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	**46.9**	(6.8)
Adjusted operating profit from discontinued operations	**120.1**	108.0

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

Reconciliation of profit/(loss) before tax to adjusted profit before tax and adjusted earnings	**52 weeks ending 26 March 2022 £m**	52 weeks ending 27 March 2021 (restated) £m
Profit before tax (including discontinued operations)	**654.1**	115.8
Adjusting operating profit adjustments – continuing operations	**(16.1)**	(58.8)
Adjusting operating profit adjustments – discontinued operations excluding gain on sale	**46.9**	(6.8)
Gain on sale of First Student and First Transit	**(501.1)**	–
Gain on sale of Greyhound	**(109.0)**	–
Operating profit adjustments – total operations	**(579.3)**	(65.6)
Adjusting finance cost items – continuing operations	**58.6**	–
Adjusted profit before tax including discontinued operations	**133.4**	50.2
Adjusted tax charge	**(20.4)**	(4.2)
Non-controlling interests[1]	**(5.6)**	(6.1)
Adjusted earnings including discontinued operations	**107.4**	39.9

1 Statutory non-controlling interests in 2022 principally reflect Avanti West Coast and South Western Railway. Statutory non-controlling interests in 2021 principally reflect Avanti West Coast. Adjusted non-controlling interests of £nil (2021: £6.6m) relate to termination sums and other adjustments at South Western Railway.

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now includes Greyhound entities which were sold in the year.

Reconciliation of tax charge to adjusted tax charge	**52 weeks ending 26 March 2022 £m**	52 weeks ending 27 March 2021 £m
Tax charge (note 9)	**12.1**	24.7
Tax effect of adjusting items (note 10)	**21.8**	(30.6)
Adjustments attributable to changes in tax rates and laws	**1.4**	–
Write back of previously unrecognised deferred tax assets (note 10)	**25.7**	10.1
Write down of previously recognised deferred tax assets (note 10)	**(40.6)**	–
Adjusted tax charge (including discontinued)	**20.4**	4.2

The principal adjusting items in relation to the continuing business are as follows:

Gain on disposal of properties
An overall gain of £13.8m (2021: loss of £0.7m) was realised on the disposal of Greyhound Canadian properties, the largest of which was the disposal of the Toronto site.

Greyhound Canada closure
£1.7m (2021: £20.3m) in relation to Greyhound Canada restructuring and closure costs were incurred during the period.

First Rail termination sums net of impairment reversal
£4.0m (2021: £95.7m) credit representing final adjustments of residual matters regarding the TPE and SWR termination sums.

The principal adjusting items in relation to the discontinued operations are as follows:

Other intangible asset amortisation charges
The amortisation charge for the year was £0.4m (2021: £3.9m).

Gain on sale of First Student and First Transit
As a result of the disposal of First Student and First Transit, a gain on sale of £501.1m was realised. This includes a gain of £450.6m as a result of the unrealised translation reserves that have been realised on the disposal of First Student and First Transit. This represents the cumulative foreign currency gains on these businesses since date of original acquisition and arises primarily from the Laidlaw acquisition in 2007 when the US Dollar rate was approximately $2.00:£1. See note 14 for more details.

4 Reconciliation to non-GAAP measures and performance continued

Other costs associated with the disposal of First Student and First Transit
£32.7m of costs were incurred in the year associated with the disposal of First Student and First Transit that were not directly attributable to the sale. These costs are therefore not included in the gain on disposal calculation. These comprise IT and other separation related costs, certain management bonuses and incentives triggered by the disposal, premium on hedging costs in relation to disposal proceeds, lease termination and certain other costs.

Gain on sale and partial reversal of prior year impairments of Greyhound
As a result of the terms of the disposal of the Greyhound US business, there was a gain on disposal of £109.0m (including £92.8m of historic foreign currency gains on this business) and a credit of £55.4m representing the partial reversal of the prior years' impairment charges on tangible fixed assets and intangible assets which was recorded at the half year. See note 21 for details.

Other costs associated with the disposal of Greyhound
During the period there was a charge of £11.1m relating to the sale of Greyhound comprising principally legal and professional costs and certain other costs written off prior to the disposal.

Employment taxes relating to First Student and First Transit
There was a charge of £6.6m during the period due to a one-off charge for accelerated state and federal employment taxes in relation to First Student and First Transit.

North American insurance provisions and Greyhound insurance de-risking
During the period there was a charge of £31.5m for insurance costs comprising £11.4m in relation to First Student and First Transit due to a deterioration in respect of prior years' claims, and a charge of £20.1m for additional provisions required in Greyhound also due to a deteriorating insurance position on prior year claims.

In addition there was a charge of £19.3m for the de-risking of legacy Greyhound insurance liabilities representing the premium paid to de-risk there compared to the book value of the liabilities.

Gain on disposal of properties and impairment of land and buildings
An overall gain on disposal of Greyhound US properties of £6.5m was realised during the year.

An impairment charge of £7.2m was made on the Greyhound Miami and Pleasantville properties as the market value of these properties was less than the book value. It is anticipated that these properties will be disposed of in 2022 as part of a portfolio sale of remaining Greyhound properties.

The adjusting items in relation to finance cost adjustments – continuing operations are as follows:

Total make-whole costs (bonds and facilities)
Costs of £50.0m comprise a charge of £30.4m for the early repayment of the $275m US Private Placement (USPP) and a charge of £19.6m for the early repayment of the £325m 2022 bond.

Write-off of unamortised bridge, bond and facility costs
There was a charge of £8.6m for unamortised fees which had been capitalised and were being amortised over the terms of the £325m 2022 bond, the $275m USPP and various bank facilities, including the £800m RCF and bridge facilities which were cancelled on completion of the sale of First Student and First Transit.

	52 weeks ending 26 March 2022	52 weeks ending 27 March 2021			
Reconciliation of constant currency from continuing operations[3]	**£m**	Reported £m	Effect of foreign exchange £m	Constant Currency £m	**% change**
Revenue	**4,591.1**	4,318.8	(0.1)	4,318.7	**6.3%**
Adjusted operating profit	**106.7**	112.2	0.1	112.3	**(5.0)%**
Adjusted profit/(loss) before tax	**24.8**	(29.7)	0.2	(29.5)	**n/m**
Adjusted EPS	**1.6p**	(2.8)p	-	(2.8)p	**n/m**
Net debt	**619.0**	2,625.8	43.6	2,669.4	**76.8%**

1 'Adjusted' figures throughout this document are before self insurance reserve charges, strategy costs, impairments, other intangible asset amortisation charges and any other charges which are included above.

2 Changes 'in constant currency' throughout this document are based on retranslating 2021 foreign currency amounts at 2022 rates.

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

Group adjusted attributable EBITDA and operating profit

First Bus EBITDA comprises:

	52 weeks to 26 March 2022 £m	52 weeks to 27 March 2021 £m
Pre-IFRS 16 EBITDA	**87.6**	84.5
IFRS 16 adjustments[1]	**16.8**	16.3
First Bus adjusted EBITDA per segmental results table above	**104.4**	100.8

First Rail EBITDA comprises:

Non-management fees based TOCs pre-IFRS 16 EBITDA	**(9.7)**	(8.9)
Group's share of management fee income available for dividends (net of tax and minority interest)	**45.5**	42.3
Tax	**12.0**	11.8
Minority interest	**5.8**	7.9
Depreciation relating to contracted TOCs	**3.0**	26.9
Pre-EMA/ERMA and other adjustments	**–**	22.6
IFRS 16 adjustments[1]	**593.3**	608.5
First Rail adjusted EBITDA per segmental results table above	**649.9**	711.1

Group items EBITDA comprises:

Pre-IFRS 16 EBITDA	**(24.8)**	(30.8)
IFRS 16 adjustments[1]	**1.7**	1.7
Group items adjusted EBITDA per segmental results table above	**(23.1)**	(29.1)

First Rail adjusted operating profit comprises:

Non-management fees based TOCs	**(9.7)**	(10.4)
Group's share of management fee income available for dividends (net of tax and minority interest)	**45.5**	42.3
Tax	**12.0**	11.8
Minority interest	**5.8**	7.9
Pre-EMA/ERMA and other adjustments	**–**	22.6
IFRS 16 adjustments/other[1]	**34.2**	33.9
First Rail adjusted operating profit per segmental results table above	**87.8**	108.1

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

5 Business segments and geographical information

For management purposes, the Group is organised into five operating divisions – First Student, First Transit, Greyhound, First Bus and First Rail. First Student and First Transit were categorised as Discontinued Operations at 27 March 2021 and the sale of these completed on 21 July 2021. Greyhound was categorised as Discontinued Operations at 25 September 2021 and the sale of this completed on 21 October 2021.The divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in. There is a clear distinction between each division and no judgement is required to identify each reportable segment.

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

	Continuing Operations					Discontinued Operations				
	First Bus £m	First Rail £m	Grey-hound £m	Group items1 £m	Continuing Operations £m	First Student £m	First Transit £m	Grey-hound £m	Group items1 £m	Total £m
Passenger revenue	570.0	1,886.4	–	–	2,456.4	–	–	150.4	–	2,606.8
Contract revenue	80.6	–	–	–	80.6	450.3	203.2	–	–	734.1
Charter/private hire	–	–	–	–	–	21.8	0.1	0.9	–	22.8
Rail contract subsidy receipts	–	1,662.1	–	–	1,662.1	–	–	–	–	1,662.1
Other revenues	139.3	252.7	–	–	392.0	7.4	96.4	66.4	–	562.2
Revenue	789.9	3,801.2	–	–	4,591.1	479.5	299.7	217.7	–	5,588.0
EBITDA[2]	104.4	649.9	–	(23.1)	731.2	88.2	15.6	27.1	–	862.1
Depreciation	(63.3)	(669.5)	–	(2.6)	(735.4)	–	–	(11.0)	–	(746.4)
Software amortisation	(1.6)	(2.1)	–	(0.6)	(4.3)	–	–	(0.4)	–	(4.7)
Capital grant amortisation	5.7	109.5	–	–	115.2	–	–	0.6	–	115.8
Segment results	45.2	87.8	–	(26.3)	106.7	88.2	15.6	16.3	–	226.8
Other intangible asset amortisation charges	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Other adjustments (note 4)	–	4.0	12.1	–	16.1	(14.8)	(6.5)	28.7	556.2	579.7
Operating profit/(loss)[3]	45.2	91.8	12.1	(26.3)	122.8	73.4	9.1	44.6	556.2	806.1
Investment income	–	0.6	–	0.5	1.1	–	–	0.4	–	1.5
Finance costs	(2.8)	(37.6)	(1.1)	(100.1)	(141.6)	(7.5)	(0.7)	(3.7)	–	(153.5)
Profit before tax	42.4	54.8	11.0	(125.9)	(17.7)	65.9	8.4	41.3	556.2	654.1
Tax										(12.1)
Profit after tax										642.0

	Continuing Operations					Discontinued Operations				
	First Bus £m	First Rail £m	Grey-hound £m	Group items1 £m	Continuing Operations £m	First Student £m	First Transit £m	Grey-hound £m	Group items1 £m	Total £m
Capital additions	113.8	52.6	–	5.1	171.5	87.7	12.2	37.1	–	308.5

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

Notes to the consolidated financial statements *continued*

5 Business segments and geographical information *continued*

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

1 Group items comprise central management and other items.

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

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

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

The segment results for the 52 weeks ended 27 March 2021 are as follows:

	Continuing Operations					Discontinued Operations				
	First Bus £m	First Rail £m	Grey-hound[1] £m	Group items[2] £m	Continuing Operations £m	First Student £m	First Transit £m	Grey-hound £m	Group items[2] £m	Total £m
Passenger revenue	383.1	537.7	–	–	920.8	–	–	179.1	–	1,099.9
Contract revenue	46.5	–	–	–	46.5	1,191.8	867.1	–	–	2,105.4
Charter/private hire	–	–	–	–	–	18.1	0.6	1.3	–	20.0
Rail franchise subsidy receipts	–	2,905.9	–	–	2,905.9	–	–	–	–	2,905.9
Other	269.3	176.3	–	–	445.6	16.3	109.3	142.4	–	713.6
Revenue	698.9	3,619.9	–	–	4,318.8	1,226.2	977.0	322.8	–	6,844.8
EBITDA[2]	100.8	711.1	–	(29.1)	782.8	282.6	87.1	26.4	–	1,178.9
Depreciation	(68.7)	(607.9)	–	(2.8)	(679.4)	(223.6)	(32.9)	(24.8)	–	(960.7)
Software amortisation	(1.4)	(1.4)	–	(0.6)	(3.4)	(3.2)	(2.5)	(2.2)	–	(11.3)
Capital grant amortisation	5.9	6.3	–	–	12.2	–	–	1.1	–	13.3
Segment results	36.6	108.1	–	(32.5)	112.2	55.8	51.7	0.5	–	220.2
Other intangible asset amortisation charges	–	–	(0.2)	–	(0.2)	(3.0)	–	(0.9)	–	(4.1)
Other adjustments (note 4)	(5.8)	95.7	(20.9)	(10.0)	59.0	9.3	(31.2)	63.1	(30.5)	69.7
Operating profit/(loss)[3]	30.8	203.8	(21.1)	(42.5)	171.0	62.1	20.5	62.7	(30.5)	285.8
Investment income	–	1.6	–	0.2	1.8	0.2	–	–	–	2.0
Finance costs	(2.6)	(55.7)	(1.1)	(84.3)	(143.7)	(17.8)	(3.4)	(7.1)	–	(172.0)
Profit before tax	28.2	149.7	(22.2)	(126.6)	29.1	44.5	17.1	55.6	(30.5)	115.8
Tax										(24.7)
Profit after tax										91.1

	Continuing Operations					Discontinued Operations				
	First Bus £m	First Rail £m	Grey-hound[1] £m	Group items[2] £m	Continuing Operations £m	First Student £m	First Transit £m	Grey-hound £m	Group items[2] £m	Total £m
Capital additions	24.1	118.5	–	–	142.6	246.4	27.8	18.3	–	435.1

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

5 Business segments and geographical information continued

Balance sheet at 27 March 2021

Balance sheet[4]	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
Greyhound retained	266.1	(320.6)	(54.5)
First Bus	732.1	(404.0)	328.1
First Rail	2,272.0	(1,346.4)	925.6
	3,270.2	(2,071.0)	1,199.2
Group items[1]	68.9	(107.0)	(38.1)
Borrowings and cash	1,438.9	(3,775.3)	(2,336.4)
Taxation	35.4	(48.9)	(13.5)
Total continuing operations	4,813.4	(6,002.2)	(1,188.8)
First Student	2,848.6	(467.5)	2,381.1
First Transit	572.2	(274.2)	298.0
Group items[1]	–	(10.0)	(10.0)
Borrowings and cash	58.3	(347.7)	(289.4)
Taxation	0.4	(37.2)	(36.8)
Total discontinued operations	3,479.5	(1,136.6)	2,342.9
Total	8,292.9	(7,138.8)	1,154.1

1 *Group items comprise central management and other items.*

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

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

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

Geographical information

The Group's operations are located predominantly in the United Kingdom, United States of America and Canada. The following table provides an analysis of the Group's revenue by geographical market:

Revenue	**2022 £m**	2021 £m
United Kingdom	**4,591.1**	4,318.8
Total continuing operations	**4,591.1**	4,318.8
United States of America – discontinued operations	**908.2**	2,256.2
Canada – discontinued operations	**88.7**	269.8
Total discontinued operations	**996.9**	2,526.0
	5,588.0	6,844.8
Canada – adjusting item	**–**	0.2
Total revenue	**5,588.0**	6,845.0

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

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

	Non-current assets excluding financial instruments deferred tax and pensions		Additions to property, plant and equipment and intangible assets		Carrying amount of segment total assets	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
United Kingdom	**2,021.3**	2,400.6	**171.5**	142.6	**3,613.2**	4,554.5
United States of America – continuing operations	**2.5**	148.6	**–**	–	**179.3**	216.1
Canada – continuing operations	**–**	2.9	**–**	–	**2.2**	7.4
Unallocated corporate items	**–**	–	**–**	–	**39.2**	35.4
Total – continuing operations	**2,023.8**	2,552.1	**171.5**	142.6	**3,833.9**	4,813.4
United States of America – discontinued operations	**–**	2,530.3	**128.6**	260.1	**–**	3,075.1
Canada – discontinued operations	**–**	321.9	**8.4**	32.4	**–**	404.0
Unallocated corporate items	**–**	–	**–**	–	**–**	0.4
Total – discontinued operations	**–**	2,852.2	**137.0**	292.5	**–**	3,479.5
	2,023.8	5,404.3	**308.5**	435.1	**3,833.9**	8,292.9

6 Operating profit

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

	2022 £m	2021 (restated) £m
Depreciation – owned assets	**157.1**	86.3
Depreciation – ROU assets	**578.3**	594.6
Operating commitments	**483.3**	461.7
Other intangible asset amortisation charges	**4.3**	3.6
Capital grant amortisation	**(115.2)**	(12.2)
Cost of inventories recognised as an expense	**236.6**	200.7
Employee costs (note 7)	**1,469.4**	1,384.9
Gain on disposal of property, plant and equipment	**(13.8)**	(64.1)
Rail termination sums net of impairment reversal (note 4)	**(4.0)**	(95.7)
Impairment charges	**–**	16.6
North America insurance provisions (note 4)	**–**	11.2
Auditor's remuneration (see below)	**4.7**	5.2
Rail franchise payments	**24.6**	4.9
Foreign exchange	**(1.0)**	0.9
Other operating costs[1]	**1,644.0**	1,549.2
Operating costs – continuing operations	**4,468.3**	4,147.8
Operating costs – discontinued operations	**313.6**	2,411.2
Operating costs – continuing and discontinued operations	**4,781.9**	6,559.0

1 Other operating costs includes £48.0m (2021: £53.0m) received or receivable from Government bodies in respect of non-CBSSG bus service operator grants and fuel duty rebates.

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now includes Greyhound entities which were sold in the year.

6 Operating profit continued

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

	2022 £m	2021 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.2**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**3.4**	3.4
Total audit fees	**3.6**	3.6
Audit-related assurance services	**0.5**	0.3
Other non-audit services	**0.6**	1.3
Total non audit fees	**1.1**	1.6

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

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance report on page 118. *No services were provided pursuant to contingent fee arrangements.*

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

7 Employee costs

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

	2022 Number	2021 (restated) Number
Operational	**49,162**	83,139
Administration	**4,161**	5,914
	53,323	89,053
Less – discontinued operations	**(22,513)**	(57,120)
	30,810	31,933

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

	2022 £m	2021 (restated) £m
Wages and salaries	**1,946.8**	2,634.3
Employee retention credits[1]	**(69.9)**	(168.1)
Social security costs	**186.6**	291.0
Pension costs (note 37)	**90.7**	112.3
	2,154.2	2,869.5
Less – discontinued operations	**(684.8)**	(1,484.6)
	1,469.4	1,384.9

1 £61.1m (2021: £124.6m) of these credits were in First Student, First Transit and Greyhound as part of the coronavirus temporary relief measures through the CARES Act in the US and the Canada Emergency Wage Subsidy (CEWS) in Canada. In addition, £8.8m (2021: £43.5m) relates to relief in First Bus from the Coronavirus Job Retention Scheme (CJRS).

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now includes Greyhound entities which were sold in the year.

Wages and salaries include a charge in respect of share-based payments of £5.4m (2021: £11.9m).

Disclosures on Directors' remuneration, share options, long-term incentive schemes and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Conduct Authority (FCA) are contained in the tables/notes within the Annual report on remuneration on pages 132-139. Directors' emoluments in aggregate were £5.1m (2021: £2.0m).

Notes to the consolidated financial statements continued

8 Investment income and finance costs

	2022 £m	2021 £m
Investment income		
Bank interest receivable	**(1.5)**	(2.0)
Finance costs		
Bonds	**22.2**	55.8
Bank borrowings	**14.1**	15.7
Total make-whole costs (bonds and facilities)	**50.0**	–
Write off of unamortisated bridge, bond and facility costs	**8.6**	–
CCFF funding	**0.7**	2.0
Supplier financing	**1.5**	3.0
Senior unsecured loan notes	**3.2**	9.1
Loan notes	**–**	0.1
Finance charges payable in respect of lease liabilities[1]	**41.0**	69.5
Finance charges payable in respect of asset backed financial liabilities[1]	**2.3**	3.6
Interest on long-term provisions	**4.9**	3.8
Interest on pensions	**2.6**	9.0
Interest – other	**2.4**	0.4
Total finance costs (including discontinued operations)	**153.5**	172.0
Finance costs before adjustments	**153.5**	172.0
Investment income	**(1.5)**	(2.0)
Net finance cost before adjustments	**152.0**	170.0
Split:		
Adjusted net finance costs	**93.4**	170.0
Other adjustments (note 4)	**58.6**	–
	152.0	170.0

1 In the prior year these balances were combined and presented as 'finance charges payable in respect of leases', however following a Financial Reporting Council enquiry these balances have now been reclassified. See note 2 for further details.

Finance costs are stated after charging fee expenses of £4.2m (2021: £2.1m). There was no interest capitalised into qualifying assets in either the 52 weeks ending 26 March 2022 or 27 March 2021.

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

9 Tax on profit/(loss) on ordinary activities

	2022 £m	2021 £m
Current tax	**2.9**	17.2
Adjustments with respect to prior years	**1.2**	5.5
Total current tax charge (including discontinued operations)	**4.1**	22.7
Origination and reversal of temporary differences	**5.2**	27.0
Adjustment in respect of prior years	**(10.7)**	(14.9)
Adjustments attributable to changes in tax rates and laws	**(1.4)**	–
Writing down of previously recognised deferred tax assets	**40.6**	–
Write back of previously unrecognised deferred tax assets	**(25.7)**	(10.1)
Total deferred tax charge (note 26)	**8.0**	2.0
Total tax charge (including discontinued operations)	**12.1**	24.7
Tax charge/(credit) attributable to:		
(Loss)/profit from continuing operations	**(11.9)**	6.3
Profit from discontinued operations	**24.0**	18.4

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

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

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Deferred tax has been provided at 19% on temporary differences that are forecast to unwind prior to 1 April 2023. Deferred tax has been provided at 25% on temporary differences expected to unwind on or after that date.

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

	2022 £m	**2022 %**	2021 £m	2021 %
(Loss)/profit from continuing operations before income tax expense	**(17.7)**	n/a	29.1	n/a
Profit from discontinued operations before income tax expense	**671.8**	n/a	86.7	n/a
Profit from total operations	**654.1**	100.0	115.8	100.0
Tax at the UK corporation tax rate of 19% (2020: 19%)	**124.3**	19.0	22.0	19.0
Non deductible expenditure	**8.7**	1.3	11.9	10.3
Non taxable income	**(3.2)**	(0.5)	(0.2)	(0.2)
Capital expenditure super deduction	**(1.6)**	(0.2)	–	–
Tax rates outside of the UK	**(2.8)**	(0.4)	3.2	2.8
Unrecognised losses	**(0.9)**	(0.1)	6.9	5.9
Non taxable income statement effects of the disposals of US businesses	**(104.3)**	(16.0)	–	–
Other adjustments in relation to prior years	**(9.5)**	(1.5)	(9.4)	(8.1)
Reversal of previously unrecognised deferred tax assets on Greyhound[1]	**(11.6)**	(1.8)	0.4	0.4
Writing down of previously recognised deferred tax assets[2]	**40.6**	6.2	–	–
Write back of previously unrecognised deferred tax assets[3]	**(25.7)**	(3.9)	(10.1)	(8.8)
Increased deferred tax rates on current year temporary differences	**(0.5)**	(0.1)		
Adjustments attributable to changes in tax rates and laws	**(1.4)**	(0.2)	–	–
Tax charge and effective tax rate for the year	**12.1**	1.8	24.7	21.3

1 The previous impairment of Greyhound resulted in deferred tax assets that were not recognised in prior years because it was not probable that there would have been sufficient future profits available for the assets to be utilised. The partial unwind of these unrecognised deferred tax assets in the current year does not give rise to any tax charge.

2 Certain deferred tax assets were written down prior to the disposal of First Student and First Transit as it was not probable that there would be sufficient future profits to offset those assets.

3 Certain deferred tax assets which had previously not been recognised have now been written back as there are sufficient forecast profits anticipated at the balance sheet date.

Future years' tax charges would be impacted if the final liability for currently open years is different from the amount currently provided for. The future tax charge may also be affected by the levels and mix of profits in the countries in which we operate including differing foreign exchange rates that apply to those profits. Changes to the prevailing tax rates and tax rules in any of the countries in which we operate may also impact future tax charges. From 1 April 2023 the UK corporation tax rate will increase from 19% to 25%. This rate was substantively enacted on 24 May 2021.

In addition to the amount charged/(credited) to the income statement, deferred tax relating to actuarial losses on defined benefit pension schemes £(22.1)m (2021: £(15.5)m) and cash flow hedges £(10.8)m (2021: £3.6m) have been charged/(credited) to comprehensive income together with a further £5.0m (2021: £6.4m) taken directly to equity on cash flow hedges. These amount to a total charge/(credit) of £(27.9)m (2021: £(5.5)m) recognised in other comprehensive income and equity.

10 Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £636.4m (2021: profit £78.4m) by the weighted average number of ordinary shares of 1,057.5m (2021: 1,203.6m). 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.

	2022 Number m	2021 Number m
Weighted average number of shares used in basic calculation	**1,057.5**	1,203.6
Executive share options	**35.6**	27.9
Weighted average number of shares used in the diluted calculation	**1,093.1**	1,231.5

Notes to the consolidated financial statements continued

10 Earnings per share (EPS) continued

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

	2022		2021	
	£m	EPS (pence)	£m	EPS (restated) (pence)
Basic profit/EPS	**636.4**	**60.2**	78.4	6.5
Amortisation charges (note 4)	**0.4**	**–**	4.1	0.3
Other adjustments (note 4)	**(579.7)**	**(54.7)**	(69.7)	(5.8)
NCI on SWR	**–**	**–**	6.6	0.6
Adjusting finance costs (note 4)	**58.6**	**5.5**	–	–
Tax effect of above adjustments	**(21.8)**	**(2.1)**	30.6	2.5
Adjustments attributable to changes in tax rates and laws	**(1.4)**	**(0.1)**	–	–
Write down of previously recognised deferred tax assets	**40.6**	**3.8**	–	–
Write back of previously unrecognised deferred tax assets	**(25.7)**	**(2.4)**	(10.1)	(0.8)
Adjusted profit and EPS attributable to the ordinary equity holders of the company	**107.4**	**10.2**	39.9	3.3
Adjusted profit from discontinued operations	**90.9**	**8.6**	73.1	6.1
Adjusted profit/(loss)/EPS from continuing operations	**16.5**	**1.6**	(33.2)	(2.8)

	2022 pence	2021 (restated) pence
Diluted EPS	**60.2**	6.4
Adjusted diluted EPS	**9.8**	3.2

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

	2022		2021	
	£m	EPS (pence)	£m	EPS (restated) (pence)
Basic (loss)/profit/EPS	**(11.4)**	**(1.1)**	10.9	0.9
Amortisation charges (note 4)	**–**	**–**	0.2	–
Other adjustments (note 4)	**(16.1)**	**(1.4)**	(59.0)	(5.0)
NCI on SWR	**–**	**–**	6.6	0.6
Adjusting finance costs (note 4)	**58.6**	**5.5**	–	–
Tax effect of above adjustments	**(7.1)**	**(0.7)**	18.2	1.5
Adjustments attributable to changes in tax rates and laws	**(1.4)**	**(0.1)**	–	–
Write back of previously unrecognised deferred tax assets	**(6.1)**	**(0.6)**	(10.1)	(0.8)
Adjusted profit/(loss)/EPS from continuing operations	**16.5**	**1.6**	(33.2)	(2.8)

	2022 pence	2021 (restated) pence
Diluted EPS	**(1.1)**	0.9
Adjusted diluted EPS	**1.5**	(2.8)

The results for the 52 weeks to 27 March 2021 have been restated since they have been split into the results for the continuing operations and the results for the discontinued operations. Discontinued operations now includes Greyhound entities which were sold in the year.

11 Goodwill

	2022 £m
Cost	
At 28 March 2021	**347.7**
Additions[1]	**9.7**
Transfers to held for sale – discontinued operations	**(264.6)**
Foreign exchange movements	**0.7**
At 26 March 2022	**93.5**
Accumulated impairment losses	
At 28 March 2021	**263.8**
Transfers to held for sale – discontinued operations	**(264.6)**
Foreign exchange movements	**0.8**
At 26 March 2022	**–**
Carrying amount	
At 26 March 2022	**93.5**
At 27 March 2021	83.9

1 Additions of £9.7m relate to continuing operations. Additions shown in note 31 also include £1.3m relating to an acquisition by First Student which was subsequently disposed of as part of the First Student disposal in the year therefore this is not included in the above note as First Student was transferred to discontinued operations in the prior year.

Goodwill transferred to held for sale – discontinued operations on 25 September 2021 in relation to Greyhound is shown in the table above.

Goodwill in the above table relates to First Bus and Hull Trains.

Impairment testing

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

In carrying out this review, climate related impacts were considered, as identified and assessed in the TCFD work with Marsh. This work assessed FirstGroup's potential exposure to climate related transition and physical risks, across different climate scenarios, over the short, medium and long term, and estimated cumulative Enterprise Value at Risk over the period FY 2023 to FY 2027.

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

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

Full detailed impairment testing has been performed on a value in use basis on First Bus for the 52 weeks ending 26 March 2022, and for Hull Trains and Lumo for the year ending 31 March 2022. The value of the Franchised TOC asset base is protected by the passthrough and termination arrangements of the respective EMA/ERMAs or NRCs, such that no impairment is expected to arise on these assets.

The Group prepares cash flow forecasts derived from the Board approved plan for 2022/23 to 2024/25 which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from a market participant's weighted average cost of capital, benchmarked to externally available data.

Notes to the consolidated financial statements continued

11 Goodwill continued

Impairment testing – First Bus

First Bus value in use has been assessed based on the projected cash flows for 2022/23 and 2023/24 from the board approved forecasts. These have been extrapolated to perpetuity cash flows and discounted to a net present value based on the following assumptions.

First Bus has £628m of positive headroom at 26 March 2022 (27 March 2021: £594m) based on a 9.3% discount rate (FY 2021: 9.1%) and 10.6% terminal margin (FY 2021: 10.9%), which reflects the planned resizing of network and timetables post-CBSSG support.

Break-even would arise at:

- 16.5% discount rate (with a 10.6% terminal margin),
- 3.5% terminal margin (applying the cap to just the final year/terminal value) using a 9.3% discount rate, or
- 4.8% terminal margin throughout the forecast period and terminal margin (applying the cap all years at 4.8%, not just the terminal years) using a 9.3% discount rate

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

Impairment testing – Hull Trains

The carrying value of non-current assets of the Group includes £31.6m in respect of our Hull Trains operation which does not benefit from the EMA/ERMA/NRC mechanisms that support our Franchised TOC portfolio.

The Group prepares cash flow forecasts for Hull Trains through to the end of the current open access agreement in December 2032. These forecasts take into account past performance and expectations for future developments. In order to test for impairment, the cash flows are discounted using a pre-tax discount rate derived from the IFRS 16 Right of Use leases agreements, which are the principal non-current assets of the business.

Cash flows have been projected forward beyond 2021/22 using an average annual revenue growth rate of 4.6%, an operating cost growth rate of 2.7% and is discounted using a 3.38% pre-tax discount rate assumption. On this basis the value in use of Hull Trains exceeds its carrying value by £53.0m.

The calculation of value in use for Hull Trains is most sensitive to the principal revenue and operating cost growth rate assumptions. A reduction in the average annual revenue growth rate to 1.8% from 2023/24 or an increase in the annual operating cost growth rate to 5.4% would reduce the value in use headroom to nil.

As the break-even points lie outwith management's range of reasonable expectation, no impairment of Hull Trains is proposed.

Impairment testing – Lumo

The carrying value of non-current assets of the Group includes £44.3m in respect of our Lumo operation which does not benefit from the EMA/ERMA/NRC mechanisms that support our Franchised TOC portfolio.

The Group prepares cash flow forecasts for Lumo through to the end of the current open access agreement in March 2032. These forecasts take into account past performance and expectations for future developments. In order to test for impairment, the cash flows are discounted using a pre-tax discount rate derived from the IFRS 16 Right of Use leases agreements, which are the principal non-current assets of the business.

Cash flows have been projected forward beyond 2022/23 using an average annual revenue growth rate of 6.3%, an operating cost growth rate of 3.8% and is discounted using a 2.3% pre-tax discount rate assumption. On this basis the value in use of Lumo exceeds its carrying value by £52.5m.

The calculation of value in use for Lumo is most sensitive to the principal revenue and operating cost growth rate assumptions. A reduction in the average annual revenue growth rate to 0.9% from 2024/25 or an increase in the annual operating cost growth rate to 7.3% from 2023/24 would reduce the value in use headroom to nil.

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

12 Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Software £m	Total £m
Cost				
At 28 March 2020	501.8	74.2	87.9	663.9
Acquisitions (note 31)	0.9	–	–	0.9
Additions	–	–	4.1	4.1
Transfers to held for sale – discontinued operations	(460.6)	–	(21.2)	(481.8)
Disposals	–	–	(3.8)	(3.8)
Foreign exchange movements	(42.1)	(5.8)	(6.9)	(54.8)
At 27 March 2021	–	68.4	60.1	128.5
Acquisitions (note 31)	–	–	0.2	0.2
Additions	–	–	9.7	9.7
Transfers to held for sale – discontinued operations	–	(57.7)	(39.4)	(97.1)
Disposals	–	(14.0)	(0.3)	(14.3)
Foreign exchange movements	–	3.3	1.7	5.0
At 26 March 2022	**–**	**–**	**32.0**	**32.0**
Accumulated amortisation and impairment				
At 28 March 2020	481.3	64.7	66.0	612.0
Charge for year	2.9	1.2	11.0	15.1
Transfers to held for sale - discontinued operations	(443.7)	–	(16.3)	(460.0)
Disposals	–	–	(3.3)	(3.3)
Foreign exchange movements	(40.5)	(5.1)	(5.9)	(51.5)
At 27 March 2021	–	60.8	51.5	112.3
Charge for year	–	0.3	6.1	6.4
Impairment[1]	–	1.6	–	1.6
Impairment reversal[2]	–	(3.4)	(0.8)	(4.2)
Transfers to held for sale – discontinued operations	–	(48.2)	(38.7)	(86.9)
Disposals	–	(14.0)	(0.3)	(14.3)
Foreign exchange movements	–	2.9	1.8	6.7
At 26 March 2022	**–**	**–**	**19.6**	**19.6**
Carrying amount				
At 26 March 2022	–	–	**12.4**	**12.4**
At 27 March 2021	–	7.6	8.6	16.2

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

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

Notes to the consolidated financial statements continued

13 Property, plant and equipment

Owned assets	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 28 March 2020	480.2	3,440.1	876.0	4,796.3
Acquisitions (note 31)	–	0.6	–	0.6
Additions	4.9	197.4	135.5	337.8
Transfers to right of use assets[1]	–	(89.2)	–	(89.2)
Transfers from right of use assets[1]	–	91.7	–	91.7
Disposals	(37.0)	(119.6)	(93.0)	(249.6)
Reclassified as assets held for sale	(14.6)	(110.4)	–	(125.0)
Transferred to held for sale – discontinued operations	(134.2)	(2,150.6)	(251.5)	(2,536.3)
Foreign exchange movements	(23.9)	(233.1)	(32.4)	(289.4)
At 27 March 2021	275.4	1,026.9	634.6	1,936.9
At 28 March 2021	275.4	1,026.9	634.6	1,936.9
Acquisitions[3]	–	–	–	–
Additions	3.7	92.6	51.7	148.0
Transfers from right of use assets	–	50.8	–	50.8
Disposals	(5.4)	(42.2)	(6.8)	(54.4)
Reclassified as assets held for sale	(47.6)	(10.3)	–	(57.9)
Transfers	10.3	–	16.8	27.1
Transferred to held for sale – discontinued operations	(36.7)	(326.9)	(36.6)	(400.2)
Foreign exchange movements	3.9	8.2	3.1	15.2
At 26 March 2022	**203.6**	**799.1**	**662.8**	**1,665.5**
Accumulated depreciation and impairment				
At 28 March 2020	119.9	1,878.6	678.4	2,676.9
Charge for year	13.5	226.6	51.7	291.8
Transfers to right of use assets[1]	–	(11.5)	–	(11.5)
Transfers from right of use assets[1]	–	44.3	–	44.3
Disposals	(8.9)	(103.7)	(86.9)	(199.5)
Impairment[2]	16.6	–	–	16.6
Reclassified as assets held for sale	(2.7)	(106.5)	–	(109.2)
Transferred to held for sale – discontinued operations	(52.6)	(1,076.6)	(229.0)	(1,358.2)
Foreign exchange movements	(8.3)	(131.0)	(24.3)	(163.6)
At 27 March 2021	77.5	720.2	389.9	1,187.6
At 28 March 2021	77.5	720.2	389.9	1,187.6
Charge for year	6.0	44.2	106.6	156.8
Transfers from right of use assets	–	6.3	–	6.3
Disposals	(2.5)	(42.5)	(4.0)	(49.0)
Impairment[2]	7.3	(34.8)	(2.6)	(30.1)
Reclassified as assets held for sale	(9.5)	(10.3)	–	(19.8)
Transfers	2.6	–	16.5	19.1
Transferred to held for sale – discontinued operations	(5.8)	(209.6)	(60.3)	(275.7)
Foreign exchange movements	1.3	10.7	1.9	13.9
At 26 March 2022	**76.9**	**484.2**	**448.0**	**1,009.1**
Carrying amount				
At 26 March 2022	**126.7**	**314.9**	**214.8**	**656.4**
At 27 March 2021	197.9	306.7	244.7	749.3

1 Transfers to right of use assets represents purchased property, plant and equipment that was transitioned to lease shortly after purchase. Transfers from right of use assets represents lease buyouts.

2 The impairment reversal of £37.4m relates to Greyhound (2021: charge of £16.6m in 2021 relates to properties associated with First Bus and Group). The impairment charge of £7.3m relates to retained Greyhound properties, these have subsequently been transferred to assets held for sale.

3 Acquisitions of £nil relate to continuing operations. Acquisitions shown in note 31 include £1.4m relating to an acquisition by First Student which was subsequently disposed of as part of the First Student disposal in the year therefore this is not included in the above note as First Student was transferred to discontinued operations in the prior relating to First Student which was transferred to discontinued operations in the prior year.

13 Property, plant and equipment continued

An amount of £0.8m (2021: £0.8m) in respect of assets under construction is included in the carrying amount of land and buildings, plant and equipment.

At 26 March 2022/31 March 2022 the Group had entered into contractual capital commitments amounting to £32.2m (2021: £266.8m), principally representing buses ordered in the United Kingdom and commitments under Avanti West Coast.

Right of use assets

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost					
At 28 March 2020	2,541.4	261.3	332.8	6.8	3,142.3
Additions	102.9	56.6	13.7	0.5	173.7
Transfer to owned assets[1]	–	–	(91.7)	–	(91.7)
Transfer from owned assets[1]	–	–	89.2	–	89.2
Disposals	(46.8)	(4.3)	-	–	(51.1)
Transferred to held for sale – discontinued operations	–	(177.0)	(174.3)	(0.4)	(351.7)
Foreign exchange movements	–	(20.9)	(24.7)	–	(45.6)
At 27 March 2021	2,597.5	115.7	145.0	6.9	2,865.1
At 28 March 2021	2,597.5	115.7	145.0	6.9	2,865.1
Additions	93.1	3.2	9.4	1.0	106.7
Transfer to owned assets	–	–	(50.8)	–	(50.8)
Disposals	(105.0)	(3.7)	(1.9)	–	(110.6)
Transferred to held for sale – discontinued operations	–	(62.2)	(42.2)	(0.4)	(104.8)
Foreign exchange movements	–	2.9	0.7	–	3.6
At 26 March 2022	**2,585.6**	**55.9**	**60.2**	**7.5**	**2,709.2**
Accumulated depreciation and impairment					
At 28 March 2020	652.3	94.0	138.4	2.5	887.2
Transfer to owned assets[1]	–	–	(44.3)	–	(44.3)
Transfer from owned assets[1]	–	–	11.5	–	11.5
Charge for period	571.2	52.7	44.7	1.8	670.4
Impairment[2]	(146.5)	3.5	–	–	(143.0)
Disposals	(17.4)	(1.5)	–	–	(18.9)
Transferred to held for sale – discontinued operations	–	(79.0)	(93.2)	(0.4)	(172.6)
Foreign exchange movements	–	(8.3)	(11.3)	–	(19.6)
At 27 March 2021	1,059.6	61.4	45.8	3.9	1,170.7
At 28 March 2021	1,059.6	61.4	45.8	3.9	1,170.7
Transfer to owned assets	–	–	(6.3)	–	(6.3)
Charge for period	553.2	10.9	17.0	1.6	582.7
Impairment[2]	–	(10.4)	(3.4)	–	(13.8)
Disposals	(3.1)	(1.6)	(1.0)	–	(5.7)
Transferred to held for sale – discontinued operations	–	(39.9)	(17.3)	(0.4)	(57.6)
Foreign exchange movements	–	2.1	0.8	–	2.9
At 26 March 2022	**1,609.7**	**22.5**	**35.6**	**5.1**	**1,672.9**
Carrying amount					
At 26 March 2022	**975.9**	**33.4**	**24.6**	**2.4**	**1,036.3**
At 27 March 2021	1,537.9	54.3	99.2	3.0	1,694.4

1 Transfers from owned assets represents purchased property, plant and equipment that was transitioned to lease shortly after purchase. Transfers to owned assets represents lease buyouts.

2 The impairment reversal of £13.8m relates to Greyhound (2021: charge of £3.5m relates to First Student, reversal of £146.5m relates to SWR and TPE).

Notes to the consolidated financial statements continued

13 Property, plant and equipment continued

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

Owned assets and right of use assets	Rolling stock £m	Land and buildings £m	*Passenger* carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Carrying amount					
At 26 March 2022	**975.9**	**160.1**	**339.5**	**217.2**	**1,692.7**
At 27 March 2021	1,537.9	252.2	405.9	247.7	2,443.7

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

Amounts recognised in income statement (including discontinued operations)	**2022 £m**	2021 £m
Depreciation expense on right of use assets	**582.7**	670.4
Interest expense on lease liabilities	**41.0**	73.1
Expense relating to short-term leases	**–**	4.7
Expense relating to leases of low value assets	**3.4**	3.4
	627.1	751.6

14 Investments

	2022 £m	2021 £m
US deferred compensation plan assets	**–**	6.4
Other investments	**2.2**	1.9
	2.2	8.3

On 26 March 2022 investments of £nil (2021: £30.9m) were transferred to held for sale – discontinued operations, see note 21.

15 Subsidiaries and non-controlling interests

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

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

The non-controlling interests of the Group are First Trenitalia West Coast Limited (70% ownership and voting rights), First MTR South Western Trains Limited (70% ownership and voting rights) and Leicester CityBus Limited (94% ownership and voting rights). The registered addresses are disclosed in note 40. The non-controlling interest share of profit for the financial year is a profit of £2.8m which relates to First Trenitalia West Coast Limited and £2.8m which relates to MTR South Western Trains Limited.

UK and Ireland local bus and coach operators	*Rail companies*
First Aberdeen Limited[1]	First Greater Western Limited
First Beeline Buses Limited	First TransPennine Express Limited
First Cymru Buses Limited	Hull Trains Company Limited
First Eastern Counties Buses Limited	First Trenitalia West Coast Limited (70%)
First Essex Buses Limited	First MTR South Western Trains Limited (70%)
First Glasgow (No. 1) Limited[1]	
First Glasgow (No. 2) Limited[1]	
First Hampshire and Dorset Limited	
First Manchester Limited	
First Midland Red Buses Limited	
First Potteries Limited	
First Scotland East Limited[1]	
First West of England Limited	
First South West Limited	
First South Yorkshire Limited	
First West Yorkshire Limited	
First York Limited	
Last Passive Limited[2]	
Leicester CityBus Limited (94%)	
Midland Bluebird Limited[1]	
Somerset Passenger Solutions Ltd.	

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

1 Registered in Scotland.

2 Incorporated in the Republic of Ireland.

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

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

16 Inventories

	2022 £m	2021 £m
Spare parts and consumables from continuing operations	**28.9**	29.4

On 26 March 2022 inventories of £nil (2021: £19.5m) have been transferred to held for sale – discontinued operations, see note 21.

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.

Notes to the consolidated financial statements continued

17 Trade and other receivables

Amounts due after more than one year (from continuing operations)	2022 £m	2021 £m
Contingent consideration receivable	**106.1**	–

Amounts due within one year (from continuing operations)	2022 £m	2021 £m
Trade receivables	**292.1**	223.5
Loss allowance	**(15.2)**	(7.3)
Trade receivables net	**276.9**	216.2
Other receivables	**194.7**	162.4
Amounts recoverable on contracts	**3.1**	23.3
Prepayments	**69.4**	75.6
Accrued income	**138.2**	199.2
	682.3	676.7

Movement in accrued income:	2022 £m	2021 £m
Balance as at 27 March 2021/28 March 2020	**199.2**	251.6
Additions	**591.9**	2,212.0
Accrued income invoiced during the year	**(652.9)**	(2,054.8)
Transferred to held for sale – discontinued operations	**–**	(198.2)
Foreign exchange movements	**–**	(11.4)
Balance as at 26 March 2022/27 March 2021	**138.2**	199.2

On 26 March 2022 Trade and other receivables of £nil (2021: £548.4m) have been transferred to held for sale – discontinued operations, see note 21.

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

Other receivables includes £35.9m (2021: £48.4m) of VAT receivables, £4.3m (2021: £8.4m) of receivables from government bodies for fuel duty rebates, £88.5m (2021: £24.7m) of insurance recoveries and £1.7m (2021: £70.6m) of CBSSG.

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

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

Credit risk

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

Credit risk exists in relation to the Group's financial assets, which comprise trade receivables, amounts recoverable on contracts and accrued income of £433.1m (2021: £446.0m), cash and cash equivalents of £787.7m (2021: £1,438.9m) and derivative financial instruments of £30.4m (2021: £16.7m).

The Group's maximum exposure to credit risk for all financial assets at the balance sheet date was £1,261.2m (2021: £1,889.0m). The exposure is spread over a large number of unconnected counterparties and the maximum single concentration with any one counterparty was £246.0m (2021: £232.0m) at the balance sheet date.

The Group's credit risk is primarily attributable to its trade receivables, amounts recoverable on contracts and accrued income. The amounts presented in the balance sheet are net of credit loss allowances, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit loss allowance at the balance sheet date was £15.2m (2021: £7.3m).

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

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

17 Trade and other receivables continued

Impairment of trade receivables amounts recoverable on contracts and accrued income

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

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

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

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

The coronavirus situation has not given rise to an increase in the impairment of trade receivables and accrued income. The majority of the Group's customers are governmental or similar bodies and hence there is not considered to be any issues with the recoverability of these receivables. Further there has not been any significant issues with the recoverability of non-governmental receivables.

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

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

			Days past due: 2021			
	Carrying amount £m	Current £m	Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	1.6%	–	1.7%	1.8%	31.9%	9.6%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	446.0	352.6	23.3	11.4	4.7	54.0
Loss allowance (from continuing operations)	7.3	–	0.4	0.2	1.5	5.2

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

Movement in the loss allowance for trade receivables	**2022 £m**	2021 £m
At 27 March 2021/28 March 2020	**7.3**	4.9
Amounts written off during the year	**(0.7)**	(3.2)
Increase in allowance recognised in the income statement	**9.0**	9.5
Amounts recovered during the year	**(0.4)**	–
Transferred to held for sale – discontinued operations	**–**	(3.8)
Foreign exchange movements	**–**	(0.1)
At 26 March 2022/27 March 2021	**15.2**	7.3

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

Notes to the consolidated financial statements continued

18 *Assets held for sale*

	2022 £m	2021 £m
Assets held for sale	**38.5**	11.9

Assets held for sale relate primarily to properties in Greyhound discontinuing business.

Movement in assets held for sale	£m
At 27 March 2021	**11.9**
Net book value of additions	**34.4**
Net book value of disposals	**(8.3)**
Foreign exchange movements	**0.5**
At 26 March 2022	**38.5**

19 Trade and other payables

Amounts falling due within one year (from continuing operations)	2022 £m	2021 £m
Trade payables	**253.3**	182.3
Other payables	**165.9**	239.5
Accruals	**703.2**	1,047.0
Deferred income	**109.8**	112.8
Season ticket deferred income	**12.9**	6.0
	1,245.1	1,587.6

On 26 March 2022 Trade and other payables of £nil (2021: £325.4m) have been transferred to held for sale – discontinued operations, see note 21.

Movement in deferred income	2022 £m	2021 £m
Balance as at 27 March 2021/28 March 2020	**112.8**	152.3
Additions	**296.6**	574.7
Recognised as revenue during the period	**(295.9)**	(609.0)
Transferred to held for sale – discontinued operations	**(3.7)**	(4.2)
Foreign exchange movements	**–**	(1.0)
Balance as at 26 March 2022/27 March 2021	**109.8**	112.8

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

Other payables includes £12.1m (2021: £21.3m) for the purchase of property, plant and equipment where increased payment terms have been agreed with the supplier due to the nature of the payable. Other payables also include deferred capital grants from government or other public bodies of £101.0m (2021: £150.6m).

The average credit period taken for trade purchases is 30 days (2021: 25 days). The Group has controls in place to ensure that all payments are paid within the appropriate credit timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

20 Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents from continuing operations	**787.7**	1,438.9

On 26 March 2022 Cash and cash equivalents of £nil (2021: £58.3m) have been transferred to held for sale – discontinued operations, see note 21.

The fair value of cash and cash equivalents approximates to the carrying value. Cash and cash equivalents includes ring-fenced cash of £468.1m (2021: £662.9m). Ring Fenced Cash is cash held In the Group which has restrictions around its use or distribution. The most significant ring-fenced cash balances are held by the Group's First Rail subsidiaries. All non distributable cash in franchised Rail subsidiaries is considered ring-fenced under the terms of either the National Rail Contract, Emergency Measures Agreement or Emergency Recovery Measures Agreement. Ring-fenced cash balances of £27.8m (2021: £24.4m) are held outside the First Rail subsidiaries. These other ring-fenced cash balances include three elements: (1) loss escrow funds of £3.8m maintained by various third-party administrators, the purpose of which is to provide a source of funds for use by the administrators for payment of the self-insurance liability for losses and loss adjustment expenses in accordance with agreements between the administrators and the Business, (2) balances of £8.4m within former First Transit subsidiaries which were retained by the Group following the sale of First Transit, where those subsidiaries act as a disbursement agent on the behalf of their customers and the cash is only allowed to be used to settle customer liabilities, and (3) funds of £15.6m withheld from the de-risking insurer as permitted under the de-risking agreement.

21 Discontinued operations

First Student and First Transit

The sale of First Student and First Transit was approved by a shareholder majority on 27th May 2021 and was reported as a discontinued operation in the financial statements for the 52 weeks ended 27 March 2021. The sale completed on 21 July 2021. Proceeds net of direct transaction costs/fees were £2,323.3m excluding earn out.

First Student and First Transit are therefore reported in the 52 weeks ended 26 March 2022 as discontinued operations. Financial information relating to the discontinued operation for the period to the date of the disposal (21 July 2021) is set out below in (a).

Greyhound

The disposal of Greyhound Lines, Inc to a wholly owned subsidiary of FlixMobility GmbH was announced and completed on 21 October 2021. Greyhound US is reported as a discontinued operation for the 52 weeks to 26 March 2022. The properties relating to the retained Greyhound business have been classified as held for sale and are therefore treated as discontinued as it is anticipated that these properties will be disposed of in 2022 as part of a single plan to exit the Greyhound business.

(a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 52 weeks ending 26 March 2022, and include the results of First Student and First Transit to the period before disposal on 21 July 2021, and the results of Greyhound to the period before disposal on 21 October 2021.

Discontinued Operations	2022 £m	2021 £m
Revenue	**996.9**	2,526.0
Operating costs	**(313.6)**	(2,411.2)
Operating profit	**683.3**	114.8
Investment income	**0.4**	0.2
Finance costs	**(11.9)**	(28.3)
Profit before tax	**671.8**	86.7
Tax	**(24.0)**	(18.4)
Profit for the year after tax	**647.8**	68.3
Attributable to:		
Equity holders of the parent	**647.8**	67.5
Non-controlling interests	**–**	0.8
	647.8	68.3

Notes to the consolidated financial statements continued

21 Discontinued operations continued

EPS	2022 pence	2021 pence
Basic EPS	**61.3**	5.6
Diluted EPS	**61.3**	5.5

Cash flow	2022 £m	2021 £m
Net cash inflow from operating activities	**233.4**	256.2
Net cash outflow from investing activities	**(286.6)**	(126.7)
Net cash outflow from financing activities	**(20.3)**	(124.6)
Net (decrease)/increase in cash generated	**(73.5)**	4.9

Other comprehensive income/loss

	52 weeks to 26 March 2022 £m	52 weeks to 27 march 2021 £m
Actuarial gains on defined benefit pension schemes	**12.1**	51.4
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	**–**	(4.6)
Hedging instrument movements	**2.7**	7.6
Deferred tax on hedging instrument movements	**(0.7)**	(2.0)
Exchange differences on translation of discontinued operations	**(5.6)**	(112.2)
Total	**8.5**	(59.8)

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

	52 weeks to 26 March 2022 £m	52 weeks to 27 March 2021 £m
Consideration received or receivable:		
Cash	**2,377.3**	–
Direct transaction costs/fees	**(54.0)**	–
Fair value of contingent consideration	**101.8**	–
Total net disposal consideration	**2,425.1**	–
Carrying amount of net assets sold	**(2,374.6)**	–
Gain on sale before tax and reclassification of foreign currency translation reserve	**50.5**	–
Reclassification of foreign currency translation reserve	**450.6**	–
Gain on sale of the division before tax	**501.1**	–
Tax on gain	**–**	–
Gain on sale of the divisions after tax	**501.1**	–

As part of the disposal of First Transit, FirstGroup are entitled to an 'earn out' consideration of up to $290m (c. £220m). The earn out is for a period of 3 years from 21 July 2021 and is calculated as a percentage of the Realised Equity Value.

The earn out was fair valued at 26 March 2022 using an Income Approach based on discounted cash flows and a Market Approach using earnings multiples and assumes EQT does not dispose of the business by the third anniversary (21 July 2024). Fair value was $140m (c. £106m) at 26 March 2022.

21 Discontinued operations continued

The carrying amounts of assets and liabilities as at the date of sale (21 July 2021) were:

	21 July 2021 £m
Non-current assets	
Goodwill	1,448.0
Other intangible assets	23.0
Property, plant and equipment	1,464.3
Investments	26.4
	2,961.7
Current assets	
Inventories	21.8
Trade and other receivables	411.9
Assets held for sale	0.5
Cash and cash equivalents	83.9
	518.1
Total assets	3,479.8
Current liabilities	
Trade and other payables	361.7
Tax liabilities – Current tax liabilities	2.4
Borrowings	65.1
Provisions	131.2
	560.4
Net current liabilities	(42.3)
Non-current liabilities	
Borrowings	194.9
Retirement benefit liabilities	24.4
Deferred tax liabilities	71.3
Provisions	254.2
	544.8
Total liabilities of discontinued operations	1,105.2
Net assets	2,374.6

(c) Details of the sale of Greyhound

	52 weeks to 26 March 2022 £m	52 weeks to 26 March 2021 £m
Consideration received or receivable:		
Cash	101.4	–
Direct transaction costs/fees	(17.0)	–
Fair value of contingent consideration	23.3	–
Total net disposal consideration	107.7	–
Carrying amount of net assets sold	(91.5)	–
Gain on sale before tax and reclassification of foreign currency translation reserve	16.2	–
Reclassification of foreign currency translation reserve	92.8	–
Gain on sale of the division before tax	109.0	–
Tax on gain	–	–
Gain on sale of the division after tax	109.0	–

Notes to the consolidated financial statements continued

21 Discontinued operations continued

The carrying amounts of assets and liabilities as at the date of sale (21 October 2021) were:

	21 October 2021 £m
Non-current assets	
Goodwill	–
Other intangible assets	10.2
Property, plant and equipment	171.7
	181.9
Current assets	
Inventories	4.7
Trade and other receivables	39.8
Current tax assets	0.3
Investments	2.0
Cash and cash equivalents	74.8
	121.6
Total assets	303.5
Current liabilities	
Trade and other payables	126.4
Tax liabilities – Other tax and social security	1.0
Borrowings	14.8
Provisions	8.6
	150.8
Net current liabilities	(29.2)
Non-current liabilities	
Finance lease liabilities	43.3
Retirement benefit liabilities	1.9
Provisions	16.0
	61.2
Total liabilities of discontinued operations	212.0
Net assets	91.5

21 **Discontinued operations** continued

(d) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 26 March 2022 in relation to Greyhound and as at 27 March 2021 in relation to First Student and First Transit.

	2022 £m	2021 £m
Non-current assets		
Goodwill	–	1,442.0
Other intangible assets	–	21.8
Property, plant and equipment	–	1,357.2
Derivative financial instruments	–	0.5
Investments	–	30.9
	–	2,852.4
Current assets		
Inventories	–	19.5
Trade and other receivables	–	548.4
Current tax assets	–	0.4
Derivative financial instruments	–	0.1
Assets held for sale	**38.5**	0.4
Cash and cash equivalents	–	58.3
	38.5	627.1
Total assets of discontinued operations	**38.5**	3,479.5
Current liabilities		
Trade and other payables	–	325.4
Tax liabilities – current tax liabilities	–	3.5
Derivative financial instruments	–	0.9
Borrowings	–	68.4
Provisions	–	138.6
	–	536.8
Net current assets	**38.5**	90.3
Non-current liabilities		
Borrowings	–	279.3
Derivative financial instruments	–	0.2
Retirement benefit liabilities	–	24.7
Deferred tax liabilities	–	33.6
Provisions	–	262.0
	–	599.8
Total liabilities of discontinued operations	–	1,136.6
Net assets of discontinued operations	**38.5**	2,342.9

Notes to the consolidated financial statements continued

22 Borrowings

	2022 £m	2021 £m
On demand or within 1 year		
Lease liabilities (note 23)[3,4]	**573.4**	570.7
Asset backed financial liabilities (note 23)[4]	**9.0**	10.7
Bank overdraft	**87.5**	53.8
CCFF	**–**	298.2
Bond 8.75% (repayable 2021)[1]	**–**	380.1
Bond 5.25% (repayable 2022)[2]	**–**	5.6
Bond 6.875% (repayable 2024)[2]	**7.1**	7.1
Total current liabilities from continuing operations	**677.0**	1,326.2
Amounts relating to held for sale – discontinued operations	**–**	68.4
Total current liabilities (including discontinued operations)	**677.0**	1,394.6
Within 1-2 years		
Syndicated loans	**–**	116.5
Lease liabilities (note 23)[3,4]	**167.8**	561.7
Asset backed financial liabilities (note 23)[4]	**15.7**	11.1
Loan notes (note 24)	**0.6**	0.7
Bond 5.25% (repayable 2022)	**–**	323.4
	184.1	1,013.4
Within 2-5 years		
Syndicated loan facilities	**–**	449.8
Lease liabilities (note 23)[3,4]	**294.4**	541.5
Asset backed financial liabilities (note 23)[4]	**10.5**	35.5
Bond 6.875% (repayable 2024)	**199.9**	199.8
Senior unsecured loan notes	**–**	72.5
	504.8	1,299.1
Over 5 years		
Lease liabilities (note 23)[3,4]	**47.6**	48.8
Asset backed financial liabilities (note 23)[4]	**0.3**	4.4
Senior unsecured loan notes	**–**	126.3
	47.9	179.5
Total non-current liabilities at amortised cost from continuing operations	**736.8**	2,492.0
Amounts related to held for sale – discontinued operations	**–**	279.3
Total non-current liabilities (including discontinued operations)	**736.8**	2,771.3

1 Includes accrued interest.

2 Includes accrued interest only.

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

4 The maturity analysis of lease liabilities and asset backed financial liabilities is presented in note 23. In the prior year these balances were combined and presented as 'leases', however they have now been reclassified. See note 2 for further details.

22 Borrowings continued

Fair value of bonds and senior unsecured loan notes issued

	Par value £m	Interest payable	Month	2022 Fair value £m	2021 Fair value £m
Bond 8.75% (repayable 2021)	350.0	Annually	April	–	380.3
Bond 5.25% (repayable 2022)	325.0	Annually	November	–	351.3
Bond 6.875% (repayable 2023)	200.0	Annually	September	**225.8**	236.9
	$m			£m	£m
Senior unsecured loan notes	275.0	Semi-annually	March and September	–	194.7

The fair value of the bonds and senior unsecured loan notes are inclusive of accrued interest. The fair values are calculated by discounting the future cash flow that will arise under the contracts.

There is no material difference between the fair value of the syndicated loan facilities and their carrying value due to their short-term and floating rate nature.

Effective interest rates

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

	2022	Maturity	2021	Maturity
Bank overdraft	**LIBOR + 1%**	–	LIBOR + 1%	–
Syndicated loan facilities	**LIBOR + 0.97%**	**August 2025**	LIBOR + 0.5%	November 2023
Bond 2021[1]	–	–	7.02%	April 2021
Bond 2022	–	–	5.49%	November 2022
Bond 2024	**6.93%**	**September 2024**	6.93%	September 2024
Senior unsecured loan notes	–	–	4.37%	March 2025/March 2028
HP contracts and finance leases	**Average fixed rate of 3.1%**	**Various**	Average fixed rate of 2.93%	Various
Loan notes	**LIBOR + 0.5%**	**March 2024**	LIBOR + 0.5%	March 2024

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

	2022 £m	2021 £m
Pounds Sterling	**1,403.8**	3,098.1
Euro	**0.1**	–
US Dollar	–	965.7
Canadian Dollar	**0.7**	102.1
	1,404.6	4,165.9

Borrowing facilities

The Group had £300.0m (2021: £346.1m) of undrawn committed borrowing facilities as at year end. Total bank borrowing facilities at year end stood at £316.1m (2021: £935.8m) of which £300m (2021: £920.0m) was committed and £16.1m (2021: £15.8m) was uncommitted.

Capital management

The Group aims to maintain an investment grade credit rating and appropriate balance sheet liquidity headroom. The Group has a net debt to EBITDA ratio of 0.8 times as at March 2022 for the continuing Group (2021: 2.9 times).

Liquidity within the Group has remained strong. At year end there was £532.1m (2021: £1,130.6m) of committed headroom and free cash. The Group's Treasury policy requires a minimum of £200m of committed headroom at all times. The Group's net debt, excluding accrued bond interest at 26 March 2022, was £619.0m (2021: £2,625.8m) as set out on page 37 of the Financial review.

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

Notes to the consolidated financial statements continued

23 Lease liabilities and asset backed financial liabilities

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

	Lease liabilities[1]		Asset backed financial liabilities[1]	
Maturity analysis	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Due in less than one year	**593.0**	621.3	**9.3**	11.0
Due in more than one year but not more than two years	**179.4**	581.1	**16.6**	11.8
Due in more than two years but not more than five years	**304.4**	566.3	**11.9**	40.3
Due in more than five years	**59.8**	66.4	**0.5**	5.3
	1,136.6	1,835.1	**38.3**	68.4
Less future financing charges	**(53.4)**	(112.6)	**(2.8)**	(6.5)
	1,083.2	1,722.5	**35.5**	61.9

1 In the prior year these balances were combined and presented as 'lease liabilities', however they have now been reclassified. See note 2 for further details.

On 26 March 2022 lease liabilities of £nil and asset backed financial liabilities of £nil (2021: lease liabilities of £126.5m and asset backed financial backed of £61.0m) have been transferred to held for sale - discontinued operations, see note 21.

Lease liabilities have a fair value of £1,083.2m and asset backed financial liabilities have a fair value of £36.4m (2021: lease liabilities £1,722.6m, asset backed financial liabilities £64.4m).

The total cash outflow for the lease liabilities and asset backed financial liabilities recorded on the balance sheet amounted to £600.4m and £9.4m respectively (2021: £685.0m and £25.1m), this includes cash outflow relating to held for sale – discontinued operations amount to £nil (2021: £124.6m).

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

24 Loan notes

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

	2022 £m	2021 £m
Due in less than one year	**–**	–
Due in more than one year but not more than two years	**0.6**	0.7
	0.6	0.7

The loan notes have been classified by reference to the earliest date on which the loan note holder can request redemption. Loan notes of £nil (2021: £nil) are supported by unsecured bank guarantees.

The loan notes have an average effective borrowing rate of 1.7% (2021: 1.7%) and an average remaining term of two years (2021: three years) *assuming that the holders do not request redemption. The fair value of the loan notes has been determined to be £0.6m (2021: £0.7m).* This has been calculated by discounting future cash flows that will arise under the loan notes.

25 Financial instruments

Non-derivative financial instruments

	2022 £m	2021 £m
Total non-derivatives		
Total non-current assets	**117.0**	–
Total assets from continuing operations	**117.0**	–
Amounts relating to held for sale – discontinued operations	–	–
Total assets	**117.0**	–

Certain pension partnership structures were implemented during the year. These structures involved the creation of special purpose vehicles (SPVs) to hold cash to fund the Bus and Group pension schemes if required based on a designated funding mechanism. The amounts paid into the Bus and Group SPVs during the year were £95m and £22m respectively. Management have concluded that these amounts represent financial assets under IAS 32.

Derivative financial instruments

	2022 £m	2021 £m
Total derivatives		
Total non-current assets	**4.2**	1.2
Total current assets	**26.2**	14.9
Total assets from continuing operations	**30.4**	16.1
Amounts relating to held for sale – discontinued operations	–	0.6
Total assets	**30.4**	16.7
Total current liabilities	–	11.8
Total non-current liabilities	–	1.2
Total liabilities from continuing operations	–	13.0
Amounts relating to held for sale – discontinued operations	–	1.1
Total liabilities	–	14.1
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Fuel derivatives (cash flow hedge)	**4.0**	1.0
Cross currency swaps (net investment hedge)	–	0.3
Currency forwards (cash flow hedge)	**0.2**	–
	4.2	1.3
Current assets		
Fuel derivatives (cash flow hedge)	**25.6**	1.9
Cross currency swaps (net investment hedge)	–	13.5
Currency forwards (cash flow hedge)	**0.6**	–
	26.2	15.4
Current liabilities		
Fuel derivatives (cash flow hedge)	–	4.8
Currency forwards (cash flow hedge)	–	1.1
Currency forwards (net investment hedge)	–	6.4
	–	12.3
Non-current liabilities		
Currency forwards (cash flow hedge)	–	0.6
Fuel derivatives (cash flow hedge)	–	0.8
	–	1.4
Derivatives designated classified as held for trading		
Current liability		
Fuel derivatives	–	0.4
	–	0.4

Notes to the consolidated financial statements continued

25 Financial instruments *continued*

The Group enters into derivative transactions under International Swaps and Derivatives Association Master Agreements that allow for the related amounts to be set-off in certain circumstances. The amounts set out as Fuel Derivatives and Currency forwards in the table above represent the derivative financial assets and liabilities of the Group that may be subject to the above arrangements and are presented on a gross basis. Derivative liabilities of £nil (2021: £14.1m) were subject to netting arrangements.

Total cash flow hedges are an asset of £30.4m (2021: £4.4m liability). Total fair value hedges are an asset of £nil (2021: £nil).

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

	2022 £m	2021 £m
Operating (profits)/losses	**(13.8)**	19.1

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

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

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

On 26 March 2022 fair value of financial assets and financial liabilities of £nil (2021: £(292.7)m) have been transferred to held for sale – discontinued operations.

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

					2021
				Fair value	Carrying value
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Total £m
Financial assets and derivatives					
Trade and other receivables	–	446.0	–	446.0	446.0
Derivative financial instruments	–	16.1	–	16.1	16.1
Financial liabilities and derivatives					
Borrowings[1]	865.2	2,948.5	–	3,813.7	3,764.6
Trade and other payables	–	1,437.0	–	1,437.0	1,437.0
Derivative financial instruments	–	13.0	–	13.0	13.0

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

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

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

There were no transfers between Level 1 and Level 2 during the current or prior year.

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

25 Financial instruments continued

Fair value measurements using significant unobservable inputs (level 3)

As part of the disposal of First Student and First Transit on 21 July 2021, FirstGroup are entitled to an earnout payment of up to £220m ($290m) relating to First Transit. The earnout is for a period of 3 years from 21 July 2021 and is calculated as 80.67% of the realised equity value up to $90m and 66.0% thereafter up to a maximum of $290m. This will result in a payment of between nil and $290m.

There is a contingent consideration receivable within trade and other receivables of £106.1m ($140.0m) at 26 March 2022 (2021: £nil). This represents the fair value of the earnout of First Transit from the sale of First Student and First Transit on 21 July 2021 and has been calculated using an Income Approach based on discounted cash flows and a Market Approach using earnings multiples and assumes that EQT (the buyer) does not dispose of the business by the third anniversary (21 July 2024).

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurement of the contingent consideration receivable:

Fair value at 26 March 2022 £m	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
£106.1m	Weighted average cost of capital	6.5%	An increase or decrease in the discount rate of 50 bps would decrease or increase the fair value by £18.6m and £20.3m respectively
	FY22/EBITDA multiple	+/-10%	If expected cash inflow were 10% higher or lower, the fair value would increase or decrease by £18.0m and £16.1m respectively
	Asset volatility	30.6%	If asset volatility were 2.5% higher or lower, the fair value would decrease or increase by £3.5m and £3.4m respectively

An assessment of the contingent consideration receivable was undertaken as at 26 March 2022 and will be undertaken at the end of each reporting period. These assessments are reviewed by the Chief Financial Officer and included in the Accounting Judgements as presented to the Audit Committee.

Financial assets/(liabilities)	**Fair values at 26 March 2022 £m**	Fair values at 27 March 2021 £m	Fair value hierarchy	Valuation technique(s) and key inputs
Derivative contracts				
1) Coupon swaps	–	–	Level 2	Discounted cash flow; future cash flows are estimated based on forward interest rates and contract interest rates and then discounted at a rate that reflects the credit risk of the various counterparties.
2) Fuel derivatives	**29.6**	(3.1)	Level 2	Discounted cash flow; future cash flows are estimated based on forward fuel prices and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.
3) Currency forwards	**0.8**	(8.1)	Level 2	Discounted cash flow; future cash flows are estimated based on forward foreign exchange rates and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.
4) Cross currency swaps	–	13.8	Level 2	Discounted cash flow; future cash flows are estimated based on forward foreign exchange rates and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.

Notes to the consolidated financial statements continued

25 Financial instruments continued

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

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

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

Classification of financial instruments	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	Total £m
				2021
Financial assets and derivatives				
Cash and cash equivalents	1,438.9	–	–	1,438.9
Trade and other receivables	446.0	–	–	446.0
Derivative financial instruments	–	–	16.1	16.1
	1,884.9	–	16.1	1,901.0
Financial liabilities and derivatives				
Interest bearing loans and borrowings	3,818.4	–	–	3,818.4
Trade and other payables	1,437.0	–	–	1,437.0
Derivative financial instruments	–	0.4	12.6	13.0
	5,255.4	0.4	12.6	5,268.4

25 Financial instruments continued

As at 26 March 2022	Cash flow hedges	
	Commodity price risk	Foreign exchange price risk
Nominal amount of hedging	0.73m bbls	$59.4m
< 1 year	0.51m bbls	$39.9m
1 – 2 years	0.22m bbls	$19.5m
2 – 5 years	–	
> 5 years	–	
Average hedged rate	$75.62/bbl	1.3398
Maturity	Apr22-Mar24	Apr22-Mar24
Carrying amount of hedging instruments		
Assets – Derivatives (£m)	29.6	0.8
Liabilities – Derivatives (£m)	–	–
(Liabilities – Borrowings (£m)	–	–
Carrying amount of hedged item		
Liabilities – Borrowings (£m)	–	–
Accumulated amount of fair value hedging adjustments included in carrying amount of hedged item		
Liabilities – Borrowings (£m)	–	–
Changes in fair value of hedged item used for calculating hedge effectiveness	(42.3)	(1.6)
Changes in fair value of hedging instrument used in calculating hedge effectiveness	42.3	1.6
Changes in fair value of hedging instrument accumulated in cash flow hedge reserve	20.9	1.7

The following gains and losses on derivatives designated for hedge accounting have been charged through the consolidated income statement in the year:

As at 26 March 2022	**2022 £m**	2021 £m
Losses on hedging instruments in fair value hedges	–	(6.4)
Gains on hedged item attributable to hedged risk fair value hedges	–	6.4
Hedge ineffectiveness in cash flow hedges	–	(0.3)
	–	(0.3)

Financial risk management

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

Liquidity risk

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

Group treasury policy requires a minimum of £200m of committed liquidity headroom at all times within medium-term bank facilities and such facilities must be renewed or replaced well before their expiry dates. At year end, the total amount of these facilities stood at £300.0m (2021: £920.0m), and committed headroom was £300.0m (2021: £346.1m), in addition to free cash balances of £232.1m (2021: £784.5m). The next material contractual expiry of revolver bank facilities is in August 2025.

The average duration of net debt (excluding ring-fenced cash) at 26 March 2022 was 3.0 years (2021: 2.7 years).

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

Notes to the consolidated financial statements continued

25 Financial instruments continued

	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
					2022
Borrowings[1]	**683.6**	**197.3**	**516.8**	**45.8**	**1,443.5**
Fuel derivatives	–	–	–	–	–
Currency forwards	–	–	–	–	–
Trade and other payables	**1,144.1**	–	–	–	**1,144.1**
	1,827.7	**197.3**	**516.8**	**45.8**	**2,587.6**

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

	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
					2021
Borrowings[1]	1,977.0	632.9	1,262.5	209.5	4,081.9
Fuel derivatives	4.4	0.6	–	–	5.0
Currency forwards	7.5	0.6	–	–	8.1
Trade and other payables	1,437.0	–	–	–	1,437.0
	3,425.9	634.1	1,262.5	209.5	5,532.0

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

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

Adoption of new standards Inter-Bank Offered Rate ('IBOR') Reform – Phase 1 and Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These reforms were issued in September 2019 and was applied for the first time with effect from 1 January 2020 and 1 January 2021 respectively. The Company did not hold any derivative financial instruments linked to IBOR rates such as LIBOR that expired beyond *31 December 2021, therefore no existing hedge relationships were affected as a result of adopting these amendments.*

Currency risk

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

The Group's principal operations outside the UK are in the US and Canada, with the US being the most significant. Consequently, the principal currency risk relates to movements in the US Dollar to pounds Sterling. Following the disposal of Student, Transit and Greyhound, this exposure has been significantly reduced.

'Certain' and 'highly probable' foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group is also exposed to currency risk relating to its UK fuel costs which are denominated in USD. This is hedged through entering a series of average rate forward contracts on a similar profile to our fuel hedging programme. Forward currency risk is designated in the cash flow hedges, however valuation movements arising from changes in currency-basis spreads are excluded from the relationships as costs of hedging. At the balance sheet date the value to be recorded in a separate component of equity was immaterial, and as such no separate reserve has been shown within the primary financial statements. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Company does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant. US dollar debt balances are designated as a net investment hedge of US investments.

25 Financial instruments continued

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

	2022 £m	2021 £m
Impact on profit after tax	**3.9**	2.1
Impact on hedging reserve	**(1.8)**	0.3

Interest rate risk

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

At 26 March 2022, 99% (2021: 50%) of gross debt (pre IFRS 16) was fixed. This fixed rate protection had an average duration of 2.4 years (2021: 2.9 years).

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

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

	2022 £m	2021 £m
Impact on profit after tax	**4.1**	1.2

Interest rate hedges

The following table details the notional amounts of interest rate swap contracts designated as a cash flow or fair value hedge which were outstanding at the reporting date, the average fixed rate payable or receivable under these swaps and their fair value. The average interest rate is based on the outstanding balances at the reporting date. The fair value of interest rate swaps is determined by discounting the future cash flows.

The interest rate swaps settle on a quarterly or semi-annual basis. The differences between the fixed and floating rates are settled on a net basis.

	Average fixed rate		*Notional principal amount*		*Fair value asset*	
Fair value hedges	**2022 %**	2021 %	**2022 %**	2021 %	**2022 %**	2021 %
Less than one year	**–**	–	**–**	–	**–**	–
One to two years	**–**	–	**–**	–	**–**	–
Two to five years	**–**	–	**–**	–	**–**	–

Fuel price risk

The Group purchases its fuel on a floating price basis and is therefore exposed to changes in diesel prices, primarily in relation to First Bus operations. The Group's policy objective is to maintain a significant degree of fixed price protection in the short term with lower levels of protection in the medium term, so that the businesses affected are protected from any sudden and significant increases and have time to prepare for potentially higher costs, whilst retaining some access for potentially lower costs over the medium term. To achieve this the Group operates a progressive hedging policy. The policy hedge target levels differ by division but are monitored monthly and appropriate actions taken to maintain satisfactory hedge levels. Gasoil derivatives are used to hedge UK exposure. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased diesel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the core risk component of the fuel grade ultimately purchased and there is a very strong correlation between the movements in the prices of the derivative underlying and the purchased fuel. Variances in pricing of the derivative commodities and the purchased fuel are primarily driven by further refinement of the fuel or the associated transportation costs which were excluded from the hedge relationship. Currently First Bus diesel exposure is hedged 77% to March 2023 and 36% to March 2024.

Notes to the consolidated financial statements continued

25 Financial instruments continued

The Group has entered into swaps for periods from April 2022 to March 2024 with the majority of these swaps relating to the 52 weeks ending 25 March 2023. The swaps give rise to monthly cash flow exchanges with counterparties to offset the underlying settlement of floating price costs, except where they have a deferred start date. Gains or losses on fuel derivatives are recycled from equity into inventory on qualifying hedges to achieve fixed rate fuel costs within operating results.

The following analysis details the Group's sensitivity on profit after tax and equity if the price of diesel fuel had been $10 per barrel higher during the 52 weeks ending 26 March 2021 and at the year end:

	2022 £m	2021 £m
Impact on profit after tax	**(4.9)**	(3.9)
Impact on hedging reserve	**4.5**	8.0

Volume at risk for the year to 25 March 2023 is 0.6m (year to 26 March 2022: 1.7m) barrels for which 77% is hedged to diesel price risk.

26 Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax loses £m	Total £m
At 28 March 2020	207.3	(30.6)	91.7	(263.2)	5.2
Charge to income statement	6.8	6.4	(26.8)	15.6	2.0
(Credit)/charge to other comprehensive income and equity	–	(15.5)	10.0	–	(5.5)
Transferred to held for sale - discontinued operations	(185.8)	6.3	(77.4)	223.3	(33.6)
Foreign exchange and other movements	(17.6)	1.0	(10.8)	24.3	(3.1)
At 27 March 2021	10.7	(32.4)	(13.3)	–	(35.0)
Charge/(credit) to income statement	1.2	39.0	(39.7)	7.5	8.0
Charge to other comprehensive income and equity	–	22.1	5.8	–	27.9
Transferred to held for sale – discontinued operations	(16.6)	20.6	1.3	(43.0)	(37.7)
Foreign exchange and other movements	(1.4)	(0.7)	1.0	1.8	0.7
At 26 March 2022	**(6.1)**	**48.6**	**(44.9)**	**(33.7)**	**(36.1)**

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

	2022 £m	2021 £m
Deferred tax assets	**(36.1)**	(35.0)
Deferred tax liabilities	–	33.6
	(36.1)	(1.4)

With respect to the total net deferred tax asset of £36.1m, UK net deferred tax assets of £14.4m have been recognised as the Group forecasts sufficient taxable profits in future periods and a deferred tax asset of £21.7m relating to the US is recognised because it is probable that book gains will arise on the Greyhound property portfolio.

No deferred tax has been recognised on deductible temporary differences of £105.1m (2021: £232.2m) and tax losses of £95.6m (2021: £430.4m).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This rate was substantively enacted on 24 May 2021. Deferred tax has been provided at 19% on temporary differences that are forecast to unwind prior to 1 April 2023. Deferred tax has been provided at 25% on temporary differences expected to unwind on or after that date.

27 Provisions

	2022 £m	2021 £m
Insurance claims	**96.2**	111.9
Legal and other	**23.3**	22.8
Pensions	**1.2**	0.8
	120.7	135.5

On 26 March 2022 provisions of £nil (2021: £400.6m) have been transferred to discontinued operations, see note 21.

	Insurance claims 2022 £m	Legal and other £m	Pensions £m	Total £m
At 27 March 2021	172.2	36.5	1.2	209.9
Charged to the income statement	33.2	55.3	0.1	88.6
Utilised in the year	(43.0)	(14.8)	–	(57.8)
Transferred from accruals	–	9.6	–	9.6
Notional interest	3.0	–	–	3.0
Transferred to held for sale – discontinued operations	(22.6)	(2.0)	–	(24.6)
Foreign exchange movements	5.2	1.4	–	6.6
At 26 March 2022	**148.0**	**86.0**	**1.3**	**235.3**
Current liabilities	**51.8**	**62.7**	**0.1**	**114.6**
Non-current liabilities	**96.2**	**23.3**	**1.2**	**120.7**
At 26 March 2022	**148.0**	**86.0**	**1.3**	**235.3**
Current liabilities	60.3	13.7	0.4	74.4
Non-current liabilities	111.9	22.8	0.8	135.5
At 27 March 2021	172.2	36.5	1.2	209.9

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 £8.9m (2021: £10.3m) can extend for up to 30 years. The utilisation of £43.0m (2021: £186.0m) represents payments made against the current liability of the preceding year as well as the settlement of certain large aged claims.

The insurance claims provisions, of which £96.0m relates to legacy Greyhound claims, includes £88.5m (2021: £24.7m) which is recoverable from insurance companies and a receivable is included within other receivables in note 17.

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

The pensions provision 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.

Notes to the consolidated financial statements continued

28 Called up share capital

	Number of shares million	2022 £m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 28 March 2021	1,221.8	61.1
Shares bought back and cancelled	(476.2)	(23.8)
SAYE/BAYE exercises	4.6	0.2
Balance as at 26 March 2022 (ordinary shares of 5p each)	**750.2**	**37.5**

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

Following the completion of the sale of First Student and First Transit, the Company announced and completed a tender offer to purchase 476.2m ordinary shares at a price of 105 pence per share, for a total cost of £506.0m, including transaction costs of £6.0m. The shares acquired under the tender offer were immediately cancelled.

During the year 4.6m shares were issued to satisfy principally SAYE and BAYE exercises.

29 Reserves

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

The Hedging reserve includes £1.2m in relation to the cost of hedging.

The hedging reserve records the movement on designated hedging items.

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

Hedging reserve

The movements in the hedging reserve were as follows:

	2022 £m	2021 £m
Balance at 27 March 2021 / 28 March 2020	**(3.4)**	(28.3)
Transfer to hedging reserve through consolidated statement of comprehensive income		
Fuel derivatives	**42.3**	22.5
Currency forwards	**1.6**	(6.1)
	43.9	16.4
Tax on derivative hedging instrument movements through statement of comprehensive income	**(10.8)**	(3.6)
Transfer from hedging reserve to the balance sheet:		
Fuel derivatives	**(14.6)**	21.2
Currency forwards	**0.7**	(2.1)
	(13.9)	19.1
Tax on derivative hedging instrument movements to the balance sheet	**3.5**	(3.9)
Balance at 26 March 2022 / 27 March 2021	**19.3**	(0.3)
Transfer to translation reserve	**–**	(3.1)
	19.3	(3.4)

Own shares

The number of own shares held by the Group at the end of the year was 9,472,372 (2021: 15,432,525) FirstGroup plc ordinary shares of 5p each. Of these, 9,282,623 (2021: 15,242,776) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2021: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2021: 157,229) were held as treasury shares. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 26 March 2022 was £10.2m (2021: £14.2m).

29 Reserves continued

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
Balance at 27 March 2021	1.9	2.7	4.6
Shares bought back and cancelled	17.8	–	17.8
Balance at 26 March 2022	**19.7**	**2.7**	**22.4**

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

30 Translation reserve

	2022 £m	2021 £m
At 27 March 2021/28 March 2020	**524.7**	635.6
Reclassification of foreign currency translation reserve on discontinued operations (see note 21)	**(543.4)**	
Movement for the financial year	**(5.3)**	(110.9)
At 26 March 2022/27 March 2021	**(24.0)**	524.7

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

31 Acquisition of businesses and subsidiary undertakings

	2022 £m	2021 £m
Provisional fair value of net assets acquired:		
Property, plant and equipment	**1.4**	0.6
Other intangible assets	**0.2**	0.9
Current assets	**4.7**	–
Other liabilities	**(4.2)**	–
	2.1	1.5
Goodwill	**11.0**	–
Satisfied by cash paid and payable	**13.1**	1.5

On 1 June 2021 the Group completed the acquisition of Mid State School Bus Inc. a provider of school transportation services in Nebraska, United States of America.

The total consideration of £2.9m represents £2.7m cash paid during the year and £0.2m deferred to be paid in future periods.

The business was subsequently disposed of as part of the sale of First Transit on 21 July 2021 and therefore did not contribute to the Group's revenue from continuing operations or operating profit from continuing operations.

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

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

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

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

Notes to the consolidated financial statements continued

32 Net cash from operating activities

	2022 £m	2021 £m
Operating profit from:		
Continuing operations	**122.8**	224.3
Discontinued operations	**683.3**	61.5
Total operations	**806.1**	285.8
Adjustments for:		
Depreciation charges	**746.4**	962.3
Capital grant amortisation	**(115.8)**	(13.3)
Software amortisation charges	**4.7**	11.2
Other intangible asset amortisation charges	**0.4**	4.1
Gain on disposal of subsidiaries and businesses	**(66.7)**	–
Recycling of translation reserve	**(543.4)**	–
(Reversal of impairment)/impairment charges	**(48.1)**	16.6
Share-based payments	**5.4**	11.9
Profit on disposal of property, plant and equipment	**(22.1)**	(73.0)
Operating cash flows before working capital and pensions	**766.9**	1,205.6
(Increase)/decrease in inventories	**(6.4)**	12.0
Decrease/(increase) in receivables	**95.5**	(5.9)
(Decrease)/increase in payables due within one year	**(52.4)**	197.0
Increase in financial assets	**(117.0)**	–
Increase in contingent consideration receivable	**(106.1)**	–
Increase/(decrease) in provisions due within one year	**36.5**	(1.7)
(Decrease)/increase in provisions due over one year	**(13.2)**	10.9
Defined benefit pension payments in excess of income statement charge	**(340.4)**	(59.2)
Cash generated by operations	**263.4**	1,358.7
Tax paid	**(21.4)**	(4.5)
Interest paid[1]	**(176.6)**	(149.8)
Net cash from operating activities[2]	**65.4**	1,204.4

1 Interest paid includes £41.0m relating to lease liabilities (2021: £69.5m).

2 Net cash from operating activities is stated after an outflow of £9.1m (2021: outflow of £17.2m) in relation to financial derivative settlements.

33 Analysis of changes in net debt

	At 28 March 2021 £m	Cash flow £m	Foreign exchange movements £m	Other £m	**At 26 March 2022 £m**
Components of financing activities:					
Bank loans	(566.3)	579.3	(2.4)	(10.6)	**–**
Bonds	(873.1)	674.4	–	(1.2)	**(199.9)**
Senior unsecured loan notes	(198.8)	200.0	(0.6)	(0.6)	**–**
CCFF	(298.2)	298.2	–	–	**–**
Supplier financing[1]	(159.2)	–	–	159.2	**–**
Lease liabilities[2]	(1,850.0)	600.4	(1.0)	167.4	**(1,083.2)**
Asset backed financial liabilities[3]	(122.9)	9.4	0.3	77.7	**(35.5)**
Other debt	(0.7)	–	–	0.1	**(0.6)**
Total components of financing activities	(4,069.2)	2,361.7	(3.7)	392.0	**(1,319.2)**
Cash	834.3	(514.5)	(0.2)	–	**319.6**
Bank overdrafts	(53.8)	(33.7)	–	–	**(87.5)**
Ring-fenced cash	662.9	(194.8)	–	–	**468.1**
Cash and cash equivalents	1,443.4	(743.0)	(0.2)	–	**700.2**
Net debt (including held for sale – discontinued operations)	(2,625.8)	1,618.7	(3.9)	392.0	**(619.0)**

1 Supplier financing relates wholly to First Student and the payable in respect of these items is included within discontinued operations in note 21.

2 Lease liabilities 'other' includes £167.4m net inception of new leases. This comprises £116.9m inception of new leases, being £9.4m of PCV leases, £93.1m of rolling stock leases and £14.4m of property and other leases, offset by £284.3m termination of leases. Termination of leases includes £101.9m in relation to rolling stock leases, £31.8m in relating to PCV leases and £151.1m relating to property and other leases.

3 Asset backed financial liabilities 'other' includes £61.0m of of First Student and First Transit leases that were included as part of the disposal and £16.7m of Greyhound leases that were terminated prior to disposal

On 26 March 2022 net debt of £nil (2021: £289.4m) relates to held for sale – discontinued operations, see note 21.

	At 29 March 2020 (restated) £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 27 March 2021 £m
Components of financing activities:					
Bank loans	(573.9)	(28.1)	35.7	–	(566.3)
Bonds	(877.5)	–	–	4.4	(873.1)
Fair value of interest rate coupon swaps	6.4	–	–	(6.4)	–
Senior unsecured loan notes	(219.8)	–	21.3	(0.3)	(198.8)
CCFF	–	(298.2)	–		(298.2)
Supplier financing[1]	–	–	–	(159.2)	(159.2)
Lease liabilities[2]	(2,382.0)	644.1	26.8	(138.9)	(1,850.0)
Asset backed financial liabilities[3,4]	(91.2)	25.1	14.3	(71.1)	(122.9)
Other debt	(9.4)	8.7	–	–	(0.7)
Total components of financing activities	(4,147.4)	351.6	98.1	(371.5)	(4,069.2)
Cash	319.5	532.5	(17.7)	–	834.3
Bank overdrafts	(82.4)	28.6	–	–	(53.8)
Ring-fenced cash	649.4	15.4	(1.9)	–	662.9
Cash and cash equivalents	886.5	576.5	(19.6)	–	1,443.4
Net debt (including held for sale –discontinued operations)	(3,260.9)	928.1	78.5	(371.5)	(2,625.8)

1 Supplier financing relates wholly to First Student and the payable in respect of these items is included within discontinued operations in note 21.

2 Lease liabilities 'other' includes £138.9m net inception of new leases. This comprises £171.7m inception of new leases, being £102.9m of rolling stock leases, £12.5m of PCV leases and £55.8m of property and other leases, offset by £32.8m termination of leases. Termination of leases includes £29.4m in relation to rolling stock leases and £3.4m relating to property and other leases.

3 In the prior year lease liabilities and asset backed financial liabilities balances were combined and presented as 'lease liabilities', however following a Financial Reporting Council enquiry these balances have now been reclassified.

4 Asset backed financial liabilities includes items relating to First Student and First Transit which were transferred to held for sale – discontinued operations in the year.

Accrued interest of £7.1m (2021: £42.9m) is excluded from the values above and derivative valuations are presented as the clean values.

Notes to the consolidated financial statements continued

34 Contingent liabilities

To support subsidiary undertakings in their normal course of business, the FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £69.4m (2021: £743.0m) and letters of credit for £219.7m (2021: £422.8m). The performance bonds primarily relate to residual North American obligations of £6.3m. (2021: £517.3m) and the First Rail franchise operations of £63.1m (2021: £225.7m). The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £27.5m to First Rail Train Operating Companies of which all remains undrawn. Following the sale of First Student and First Transit, the letters of credit, surety bonds and parent company guarantees relating to First Student and First Transit were cancelled. Following the sale of Greyhound, the majority of the surety bonds and parent company guarantees were cancelled, with a residual amount of £6.3m remaining as noted above. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

The Group is party to certain unsecured guarantees granted to banks for overdraft and cash management facilities provided to itself and subsidiary undertakings. The Company has given certain unsecured guarantees for the liabilities of its subsidiary undertakings arising under certain loan notes, HP contracts, finance leases, operating leases and certain pension scheme arrangements. It also provides unsecured cross guarantees to certain subsidiary undertakings as required by VAT legislation. First Bus subsidiaries are jointly and severally liable for any contributions due to the Group's multi-employer schemes in which they participate. Some of the Company's North American subsidiaries participate in multi-employer pension plans in which their contributions are pooled with the contributions of other contributing employers, and the funding of these plans is therefore reliant on the ongoing participation by third parties.

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

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

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

First MTR South Western Trains Limited ('FSWT'), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the 'CAT') in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited ('SSWT') (the former operator of the South Western network) is also a defendant to these proceedings. A separate set of proceedings has been issued against London & South Eastern Railway Limited ('LSER') in respect of the operation of other rail services. The two sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT and LSER breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. In November 2021, the CAT handed down a judgment in which it indicated it would make a collective proceedings order ('CPO') in both sets of proceedings, thereby allowing them to proceed to trial. The CAT made the CPO in January 2022. The Court of Appeal has since granted FSWT, SSWT and LSER permission to appeal the CAT's decision. The appeal hearing is scheduled for mid-June 2022. In the meantime, the proceedings in the CAT have been stayed pending the outcome of the appeals. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims. At present the Company cannot accurately determine the likelihood, quantum or timing of any damages and costs which may arise from these proceedings.

35 Operating commitments

	2022 £m	2021 £m
Minimum payments made under contractual terms recognised in the income statement for the year:		
Plant and machinery	**3.8**	3.9
Track and station access	**475.3**	455.7
Hire of rolling stock	**1.9**	–
Other assets	**2.3**	3.5
Discontinued operations	**2.3**	3.6
	485.6	466.7

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

	2022 £m	2021 £m
Within one year	**511.0**	495.4
In the second to fifth years inclusive	**420.9**	1,112.0
After five years	**0.3**	–
	932.2	1,607.4

Included in the above commitments are contracts held by the First Rail businesses with Network Rail for access to the railway infrastructure, track, stations and depots of £922.9m (2021: £1,595.1m).

36 Share-based payments

Equity-settled share option plans

The Group recognised total expenses of £5.4m (2021: £11.9m) related to equity-settled share-based payment transactions.

(a) Save as you earn (SAYE)

The Group operates an HMRC approved savings-related share option scheme. Grants were made as set out below. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months.

	SAYE Dec 2017 Options Number	SAYE Dec 2018 Options Number
Outstanding at the beginning of the year	5,844,257	7,513,178
Exercised during the year	(732,688)	(5,408,534)
Lapsed during the year	(5,111,569)	(493,365)
Outstanding at the end of the year	**–**	**1,611,279**
Exercisable at the end of the year	–	1,611,279
Weighted average exercise price (pence)	83.0	70.0
Weighted average share price at date of exercise (pence)	85.7	103.1

(b) Deferred bonus shares (DBS)

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

	DBS 2012 Options Number	DBS 2013 Options Number	DBS 2014 Options Number	DBS 2015 Options Number
Outstanding at the beginning of the year	52,646	128,922	151,416	290,952
Exercised during the year	–	(4,613)	(14,683)	(166,290)
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	**52,646**	**124,309**	**136,733**	**124,662**
Exercisable at the end of the year	52,646	124,309	136,733	124,662
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	Nil	81.7	92.6	93.5

Notes to the consolidated financial statements continued

36 Share-based payments continued

	DBS 2016 Options Number	DBS 2017 Options Number	DBS 2018 Options Number	DBS 2019 Options Number	DBS 2020 Options Number	DBS 2021 Options Number
Outstanding at the beginning of the year	478,194	345,407	576,597	1,858,180	2,163,617	–
Granted during the year	–	–	–	4,811	–	1,227,495
Forfeited during the year	–	–	–	–	–	–
Lapsed during the year	–	–	–	(10,149)	(27,382)	(4,877)
Exercised during the year	(229,607)	(277,290)	(509,565)	(585,768)	(1,351,505)	(90,805)
Outstanding at the end of the year	**248,587**	**68,117**	**67,032**	**1,267,074**	**784,730**	**1,131,813**
Exercisable at the end of the year	248,587	68,117	67,032	122,735	213,932	–
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	91.4	88.3	89.0	89.6	94.7	Nil

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

At 26 March 2022 there were 4,570 (2021: 4,869) participants in the BAYE scheme who have cumulatively purchased 30,574,677 (2021: 27,988,255) shares with the Company contributing 9,843,232 (2021: 9,027,444) matching shares on a cumulative basis.

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

	LTIP 2017 Options Number	LTIP 2018 Options Number	LTIP 2019 Options Number	LTIP 2020 Options Number	LTIP 2021 Options Number
Outstanding at the beginning of the year	155,121	6,624,619	6,240,510	14,041,142	–
Granted during the year	–	–	–	–	3,649,846
Forfeited during the year	–	–	–	–	–
Lapsed during the year	–	(4,755,950)	(880,996)	(2,231,197)	(538,273)
Exercised during the year	(155,121)	(1,868,669)	(2,054,709)	(5,969,997)	–
Outstanding at the end of the year	**–**	**–**	**3,304,805**	**5,839,948**	**3,111,573**
Exercisable at the end of the year	–	–	–	–	–
Weighted average share price at date of exercise (pence)	Nil	Nil	Nil	Nil	Nil

(e) Divisional Incentive Plan (DIP)
The DIP were one-off awards which vested over the period 16 December 2015 to 16 June 2019 and are typically settled by equity.

	DIP Options Number
Outstanding at the beginning of the year	29,922
Exercised during the year	(29,922)
Outstanding at the end of the year	**–**
Exercisable at the end of the year	–
Weighted average exercise price (pence)	Nil
Weighted average share price at date of exercise (pence)	91.0

36 Share-based payments continued

(f) Executive Share Plan (ESP)

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

	ESP 2015 Options Number	ESP 2016 Options Number	ESP 2017 Options Number	ESP 2018 Options Number	ESP 2019 Options Number	ESP 2020 Options Number	ESP 2021 Options Number
Outstanding at the beginning of the year	187,143	224,862	741,066	2,263,325	7,917,778	16,728,889	–
Granted during the year	–	–	–	–	13,826	148,566	3,194,077
Forfeited during the year	–	–	–	–	–	–	–
Lapsed during the year	–	–	–	(9,678)	(307,157)	(480,408)	(242,759)
Exercised during the year	(64,170)	(118,759)	(451,642)	(1,604,262)	(3,270,209)	(14,088,887)	–
Outstanding at the end of the year	**122,973**	**106,103**	**289,424**	**649,385**	**4,354,238**	**2,308,160**	**2,951,318**
Exercisable at the end of the year	122,973	106,103	289,424	649,385	429,739	144,404	20,484
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	92.5	89.3	93.0	89.4	91.9	91.7	N/A

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

	2022	2021
Weighted average share price at grant date (pence)		
– DBS	**85.7**	54.3
– LTIP	**84.3**	53.7
– ESP	**93.4**	47.3
Weighted average exercise price at grant date (pence)		
– DBS	**–**	–
– LTIP	**–**	–
– ESP	**–**	–
Expected volatility (%)		
– DBS	**N/A**	N/A
– LTIP	**59**	57
– ESP	**N/A**	N/A
Expected life (years)		
– DBS	**3.0**	3.0
– SAYE schemes	**3.0**	3.0
– LTIP	**2.66**	2.41
– ESP	**3.0**	3.0
Rate of interest (%)		
– DBS	**N/A**	N/A
– LTIP	**–**	–
– ESP	**–**	–
Expected dividend yield (%)		
– DBS	**–**	–
– LTIP	**–**	–
– ESP	**–**	–

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

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

Notes to the consolidated financial statements continued

36 Share-based payments continued

The Group used the inputs noted above to measure the fair value of the new share options.

	2022 pence	2021 pence
Weighted average fair value of options at grant date		
– DBS	**85.7**	54.3
– LTIP	**71.8**	53.7
– ESP	**93.4**	47.3

37 Retirement benefit schemes

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

- First Bus and Group – including The First UK Bus Pension Scheme, The FirstGroup Pension Scheme and two Local Government Pension Schemes
- North America – legacy schemes from operations which have now been sold (see note 21)
- Rail – sponsoring six sections of the Railways Pension Scheme (RPS) relating to the Group's obligations for its TOCs, with an additional section for its Open Access Hull Trains business. Since the obligations to the TOC arrangements are considered to be limited to contributions during the period of the contract, these are fundamentally different to the obligations to the other pension arrangements. Details for these arrangements have therefore been shown separately.

Overall, the duration of the company's obligations is approximately 19 years although the durations of the individual schemes tend to vary with the UK exposures tending to be of longer duration and the North American exposures tending to be of shorter duration.

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

At their last valuations, the defined benefit schemes had funding levels between 82% and 114% (2021: 71% and 114%). The market value of the assets as at 26 March 2022 for all non-contract rail operation defined benefit schemes totalled £3,343m (2021: £3,071m).

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

Defined contribution plans (shown on a continuing basis)

Payments to defined contribution plans are charged as an expense as they fall due. There is no further obligation to pay contributions into a defined contribution plan once the contributions specified in the plan rules have been paid. The total expense recognised in the consolidated income statement of £21.6m (2021: £36.6m) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group operates defined contribution plans for all Group and First Bus employees who have joined a pension arrangement since April 2013. They receive a company match to their contributions, which varies by salary and/or service.

Defined benefit plans (shown on a continuing basis)

The Group has full responsibility for the retirement benefits for former and current employees of Group, First Bus and Hull Trains who are members of the schemes described in the following paragraphs, bearing all the risks and responsibilities of management and sponsorship of these schemes. These comprise 5 funded defined benefit plans across its First Bus and Group operations (including Hull Trains which, unlike the majority of First Rail operations, is operated under open access), covering approximately 35,500 former and current employees. With the exception of Hull Trains, all of these schemes are closed to new entrants.

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

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

The First UK Bus Pension Scheme

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

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

37 Retirement benefit schemes continued

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

Local Government Pension Schemes

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

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

The Hull Trains Shared Cost Section of the Railways Pension Scheme

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

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

	2022		2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
At beginning of period	**2,732.4**	**2,792.8**	2,586.3	2,466.2
Income statement				
Operating				
– Current service cost	**–**	**8.3**	–	8.7
– *Past service gain including curtailments and settlements*	**–**	**–**	–	0.9
Total operating	**–**	**8.3**	–	9.6
Interest income/cost	**57.3**	**56.0**	61.0	57.6
Total income statement	**57.3**	**64.3**	61.0	67.2
Amounts paid to/(from) scheme				
Employer contributions	**245.5**	**–**	44.2	–
Employee contributions	**1.3**	**1.3**	0.9	0.9
Benefits paid	**(118.5)**	**(118.5)**	(113.4)	(113.4)
Total	**128.3**	**(117.2)**	(68.3)	(112.5)
Expected closing position	**2,918.0**	**2,739.9**	2,579.0	2,420.9
Change in financial assumptions	**–**	**(220.6)**	–	435.7
Change in demographic assumptions	**–**	**7.9**	–	(44.7)
Employee share of changes	**0.3**	**(0.7)**	0.8	1.3
Return on assets in excess of discount rate	**11.8**	**–**	152.6	–
Experience	**–**	**45.2**	–	(20.4)
Total	**12.1**	**(168.2)**	153.4	371.9
At end of period	**2,930.1**	**2,571.7**	2,732.4	2,792.8
Surplus/(deficit) before adjustment		**358.4**		(60.4)
Impact of shared cost		**1.4**		2.2
Adjustment for irrecoverable surplus[1]		**(162.3)**		(108.7)
Surplus/(deficit) in schemes		**197.5**		(166.9)
The amount is presented in the consolidated balance sheet as follows:				
Non-current assets		**203.0**		52.9
Non-current liabilities		**(5.5)**		(219.8)
		197.5		(166.9)

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

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Adjustment for First Bus irrecoverable surplus

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

	2022 £m	2021 £m
At beginning of period	**(108.7)**	(216.6)
Interest on irrecoverable surplus	**(2.2)**	(5.1)
Actuarial gain/(loss) on irrecoverable surplus	**(51.4)**	113.0
At end of period	**(162.3)**	(108.7)

Asset Allocation

At March 2022	Quoted £m	Unquoted £m	Total £m
Equity	**318.2**	**157.5**	**475.7**
Other return seeking assets	**–**	**78.9**	**78.9**
Real estate	**19.4**	**7.9**	**27.3**
Fixed income/liability driven	**1,664.5**	**(41.7)**	**1,622.8**
Other income generating	**197.8**	**255.2**	**453.0**
Annuities	**–**	**160.6**	**160.6**
Cash and cash equivalents[1]	**111.8**	**–**	**111.8**
	2,311.7	**618.4**	**2,930.1**

At March 2021	Quoted £m	Unquoted £m	Total £m
Equity	391.3	109.5	500.8
Other return seeking assets	–	251.1	251.1
Real estate	18.6	9.2	27.8
Fixed income/liability driven	1,528.7	117.6	1,646.3
Other income generating	32.6	1.7	34.3
Annuities	–	175.3	175.3
Cash and cash equivalents[1]	97.0	–	97.0
	2,068.2	664.4	2,732.6

1 Includes net current assets.

(b) North America

Greyhound pension arrangements

Following the sales of all of the businesses which the Group owned in North America, the Group retained certain responsibilities for the provision of retirement benefits for a number of legacy schemes. These arrangements were closed to further accrual of benefits during the year and prior to sale, and are described in the following paragraphs.

The Group operates a single legacy defined benefit arrangement in the US (2021: two), while in Canada, there are three funded legacy plans (2021: four) and a small unfunded supplementary executive retirement plan. The assets for the funded plans have been co-mingled in a master trust for a number of years and are being merged into a single plan (subject to regulatory approval) in order to further improve oversight and streamline investment strategy, which is expected to generate savings over the long term.

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

37 Retirement benefit schemes continued

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

	2022		2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
At beginning of period (including held for sale)	**437.8**	**567.2**	417.6	636.1
Income statement				
Operating				
– Current service cost	**–**	**3.0**	–	8.0
– Past service gain including curtailments and settlements	**(81.1)**	**(109.7)**	(14.6)	(13.1)
Total operating	**(81.1)**	**(106.7)**	(14.6)	(5.1)
Interest income/cost	**11.9**	**13.6**	12.9	18.7
Total income statement	**(69.2)**	**(93.1)**	(1.7)	13.6
Amounts paid to/(from) scheme				
Employer contributions	**102.0**	**–**	34.1	–
Employee contributions	**–**	**–**	0.2	-
Benefits paid	**(61.9)**	**(61.9)**	(57.9)	(58.0)
Total	**40.1**	**(61.9)**	(23.6)	(58.0)
Expected closing position	**408.7**	**412.2**	392.3	591.7
Change in financial assumptions	**–**	**(34.5)**	–	(0.6)
Change in demographic assumptions	**–**	**1.1**	–	25.7
Employee share of change in DBO	**–**	**–**	–	0.2
Return on assets in excess of discount rate	**(16.4)**	**–**	68.0	–
Experience	**–**	**9.2**	–	(12.7)
Total	**(16.4)**	**(24.2)**	68.0	12.6
Currency gain/loss	**20.1**	**20.7**	(22.5)	(37.1)
At end of period	**412.4**	**408.7**	437.8	567.2
Surplus/(deficit)				
Calculated as at 26 March		**3.7**		(104.7)
Change in irrecoverable surplus		**(13.8)**		–
Currency loss on irrecoverable surplus		**(0.8)**		-
Presented in the consolidated balance sheet as Non-current liabilities		**(10.9)**		(104.7)

At the previous year end, the net pension liability of £24.7m, comprising assets of £72.9m and liabilities of £97.6m, was transferred to held for sale – discontinued operations, see note 21.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

At March 2022	Quoted £m	Unquoted £m	Total £m
Equity	**17.4**	**–**	**17.4**
Real estate	**–**	**24.9**	**24.9**
Fixed income/liability driven	**206.5**	**115.2**	**321.7**
Cash and cash equivalents[1]	**49.6**	**(1.3)**	**48.3**
	273.5	**138.8**	**412.3**

At March 2021	Quoted £m	Unquoted £m	Total £m
Equity	110.0	(0.9)	109.1
Real estate	–	68.9	68.9
Fixed income/liability driven	148.1	–	148.1
Other income generating	2.2	–	2.2
Cash and cash equivalents[1]	36.6	–	36.6
	296.9	68.0	364.9

1 Includes net current assets.

During the year, the Group transferred responsibility for the FirstGroup America (US) and Supplementary Executive (Canada) Schemes. As such, these schemes have been removed from the balance sheet position as at 26 March 2022. For comparison purposes, the assets for these schemes have also been excluded from the values as at 27 March 2021 In the tables above.

First Transit management contracts

The Group retained 10 First Transit Management Contracts following the sale of First Transit in 2021. As at the balance sheet date, the Group's First Transit subsidiary companies sponsored a total of 5 single-employer pension arrangements (2021: 7). The Group is indemnified against any pension liabilities by the relevant transit authorities, and pension costs are reimbursed as they fall due. The Group will not retain any pension liability upon expiry of the contract or if the contracts are reassigned.

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

	2022 £m	2021 £m
Assets	**281.6**	349.6
Liabilities	**(322.1)**	(454.2)
Deficits in schemes	**(40.5)**	(104.6)
Amounts recoverable from contracting authorities	**40.5**	104.6
Net deficits in schemes	**–**	–

37 Retirement benefit schemes continued

(c) Rail contracts

The Railways Pension Scheme (RPS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Reconciliation of Rail contracts:

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Franchise adjustment £m	Net £m
At 1 April 2021	**3,370.6**	**(5,318.6)**	**779.2**	**1,168.8**	**–**
Income statement					
Operating					
– Service cost	**–**	**(253.4)**	**101.4**	**100.8**	**(51.2)**
– Admin cost	**–**	**(11.1)**	**4.4**	**–**	**(6.7)**
Total operating	**–**	**(264.5)**	**105.8**	**100.8**	**(57.9)**
Financing	**69.4**	**(105.1)**	**14.3**	**21.5**	**–**
Total income statement	**69.4**	**(369.6)**	**110.1**	**122.3**	**(57.9)**
Amounts paid to/(from) scheme					
Employer contributions	**57.9**	**–**	**(23.1)**	**23.1**	**57.9**
Employee contributions	**37.9**	**–**	**(15.2)**	**(22.7)**	**–**
Benefits paid	**(129.5)**	**129.5**	**–**	**–**	**–**
Total	**(33.8)**	**129.5**	**(38.3)**	**0.4**	**57.9**
Expected closing position	**3,406.2**	**(5,558.6)**	**861.0**	**1,291.4**	**–**
Change in financial assumptions	**–**	**510.0**	**(204.0)**	**(306.0)**	**–**
Return on assets in excess of discount rate	**384.4**	**–**	**(153.8)**	**(230.7)**	**–**
Experience	**–**	**(17.5)**	**7.0**	**10.5**	**–**
Total	**384.4**	**492.5**	**(350.8)**	**(526.1)**	**–**
At 31 March 2022	**3,790.6**	**(5,066.1)**	**510.2**	**765.3**	**–**

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Franchise adjustment £m	Net £m
At 1 April 2020	2,786.1	(4,231.6)	578.2	867.3	–
Income statement					
Operating					
– Service cost	–	(177.1)	70.8	58.0	(48.2)
– Admin cost	–	(14.0)	5.6	–	(8.4)
Total operating	–	(191.1)	76.4	58.0	(56.6)
Financing	66.3	(98.2)	12.8	19.1	–
Total income statement	66.3	(289.3)	89.2	77.1	(56.6)
Amounts paid to/(from) scheme					
Employer contributions	56.6	–	(22.6)	22.7	56.6
Employee contributions	36.9	–	(14.8)	(22.2)	–
Benefits paid	(118.1)	118.1	–	–	–
Total	(24.6)	118.1	(37.4)	0.5	56.6
Expected closing position	2,827.8	(4,402.7)	630.0	945.0	–
Change in financial assumptions	–	(1,119.9)	447.9	671.9	–
Change in demographic assumptions	–	220.3	(88.1)	(132.2)	–
Return on assets in excess of discount rate	542.8	–	(217.1)	(325.7)	–
Experience	–	(16.2)	6.5	9.7	–
Total	542.8	(915.8)	149.2	223.8	–
At 31 March 2021	3,370.6	(5,318.6)	779.2	1,168.8	–

During the year £11.1m (2021: £14.1m) of gross administrative expenses were incurred, included in benefits paid above.

Finance costs above include interest income £41.6m (2021: £39.8m) and employee share of interest on assets £27.8m (2021: £26.5m)

37 Retirement benefit schemes continued

Income statement charges on liabilities above of £369.6m (2021: £289.3m) represent:

	2022 £m	2021 £m
Current service costs	**158.6**	114.7
Interest costs	**63.1**	58.9
Employee share of change in DBO (not attributable to franchise adjustment)	**147.9**	115.7
	369.6	289.3

Asset Allocation

At 26 March 2022/31 March 2022	Quoted £m	Unquoted £m	Total £m
Equity	**–**	**2,241.9**	**2,241.9**
Other return seeking assets	**–**	**1,089.7**	**1,089.7**
Real estate	**–**	**450.8**	**450.8**
Cash and cash equivalents[1]	**8.2**	**–**	**8.2**
	8.2	**3,782.4**	**3,790.6**

At 27 March 2021/31 March 2021	Quoted £m	Unquoted £m	Total £m
Equity	–	2,031.7	2,031.7
Other return seeking assets	–	908.5	908.5
Real estate	–	408.7	408.7
Cash and cash equivalents[1]	21.7	–	21.7
	21.7	3,348.9	3,370.6

1 Includes net current assets.

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

(d) Valuation assumptions

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

	First Bus 2022 %	First Rail 2022 %	North America 2022 %	First Bus 2021 %	First Rail 2021 %	North America 2021 %
Key assumptions used:						
Discount rate	**2.91 - 2.97**	**2.83**	**3.72 - 4.19**	2.05	2.05	2.87
Expected rate of salary increases	**4.01**	**3.43**	**n/a**	2.55	3.05	2.50
Inflation – CPI	**2.89 - 3.01**	**2.93**	**2.0**	2.55	2.55	2.00
Future pension increases	**2.68[2]**	**2.93**	**n/a**	2.55	2.55	–
Post retirement mortality (life expectancy in years)[1]						
Current pensioners at 65:	**19.9**	**20.6**	**19.7 - 21.5**	19.1	20.1	20.1
Future pensioners at 65 aged 45 now:	**21.4**	**22.1**	**21.2 - 22.6**	20.6	21.9	21.5

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

2 Weighted average for principal scheme.

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

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

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

The method used to derive the sensitivities is the same as that used to calculate the main disclosures. The exception is longevity where we have instead applied a general rule that one year's extra life expectancy adds c.4% to the defined benefit obligation (with resultant impacts on rail and irrecoverable surplus adjustments). This is consistent with the method applied to deriving last year's sensitivities.

A 0.1% movement in the discount rate would impact the balance sheet position by approximately £27m. A 0.1% movement in the inflation rate would impact the balance sheet position by approximately £19m. A one-year movement in life expectancy would impact the balance sheet position by approximately £68m.

Management considers that, while greater variation might also be reasonably possible, the figures provide a suitable indication of the potential impact of each 0.1% change in the financial assumptions and one-year change in the mortality assumption.

(f) Consolidated statement of comprehensive income

Amounts presented in the consolidated statement of comprehensive income comprise:

	2022 £m	2021 £m
Actuarial gain/(loss) on DBO	**684.3**	(1,300.0)
Actuarial gain on assets	**380.1**	764.1
Actuarial (loss)/gain on franchise adjustments	**(876.9)**	373.6
Adjustment for irrecoverable surplus	**(65.2)**	113.0
	122.3	(49.3)
Less discontinued operations	**–**	(20.5)
Actuarial gains / (losses) on defined benefit schemes	**122.3**	(28.8)

(g) Cash contributions

The estimated amounts of employer contributions expected to be paid to the defined benefit schemes during the 52 weeks ending 25 March 2023 is £70m based on current contributions schedules in force (26 March 2022: £405m).

(h) Risks associated with defined benefit plans:

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

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

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

37 Retirement benefit schemes continued

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

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

38 Related party transactions

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

Remuneration of key management personnel

The remuneration of the Directors, which comprise the plc Board who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Annual report on remuneration on pages 132-138.

	52 weeks ending 26 March 2022 £m	52 weeks ending 27 March 2021 £m
Basic salaries[1]	**1.6**	1.1
Benefits in kind	**–**	0.1
Fees	**0.9**	0.7
Share-based payment	**2.6**	0.1
	5.1	2.0

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

39 Post balance sheet events

- On 31 March, received £11.8m from the Aberdeen Local Government Pension Scheme for a refund of a surplus
- *The NRC for GWR has a core 3-year term to 21 June 2025 with an option for the DfT to extend by up to three further years to June 2028*
- Agreed additional finance leases on a pre-IFRS 16 basis totalling £9.9m
- Received CARES and ARP payments totalling $4.7m

Notes to the consolidated financial statements continued

40 Information about related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 26 March 2022 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held indirectly by FirstGroup PLC, the entities are unlisted, and have one type of ordinary share capital, the year end is 31 March. The Group's interest in the voting share capital is 100% unless otherwise stated. During the year there was no change in any ownership with the exception of Somerset Passenger Solutions Ltd as detailed in note 31. No subsidiary undertakings have been excluded from the consolidation:

Subsidiaries – wholly owned and incorporated in the United Kingdom

A E & F R Brewer Limited,[4,5] Heol Gwyrosydd, Penlan, Swansea, SA5 7BN

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

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

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

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

CCB Holdings Limited (03128545),[3,4] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

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

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

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

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

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

East Coast Trains Limited,[7] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

East West Rail Limited,[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Eastern Scottish Omnibuses Limited,[5] Carmuirs House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

FCOC (Holdings) Limited,[5] Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

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

FB Canada Holdings Limited (SC356482),[3,4] 395 King Street, Aberdeen, AB24 5RP

FG Canada Investments Limited (SC356484),[3,4] 395 King Street, Aberdeen, AB24 5RP

FG Properties Limited,[8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FGI Canada Holdings Limited (SC356485),[3,4] 395 King Street, Aberdeen, AB24 5RP

First Aberdeen Limited,[7] 395 King Street, Aberdeen, AB24 5RP

First Beeline Buses Limited,[7] Bus Depot, Empress Road, Southampton, Hampshire, SO14 0JW

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

First Caledonian Sleeper Limited,[5] 395 King Street, Aberdeen, AB24 5RP

First Capital Connect Limited,[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

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

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

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

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

First Customer Contact Limited,[8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Cymru Buses Limited,[7] Heol Gwyrosydd, Penlan, Swansea, West Glamorgan, SA5 7BN

First Dublin Metro Limited,[5] 8th Floor The Point, 37 North Wharf Road, London, W2 1AF

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

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

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

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

First Glasgow Limited,[1,5] 100 Cathcart Road, Glasgow, G42 7BH

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

First Glasgow (No.2) Limited,[7] 100 Cathcart Road, Glasgow, G42 7BH

First Great Western Limited,[5] 8th Floor The Point, 37 North Wharf Road, London, W2 1AF

First Great Western Trains Limited,[5] 8th Floor The Point, 37 North Wharf Road, London, W2 1AF

First Greater Western Limited,[7] 8th Floor The Point, 37 North Wharf Road, London, W2 1AF

First Hampshire & Dorset Limited,[7] Bus Depot, Empress Road, Southampton, Hampshire, SO14 0JW

First Information Services Limited (SC288178),[1,3,8] 395 King Street, Aberdeen, AB24 5RP

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

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

First Manchester Limited,[7] Wallshaw Street, Oldham, OL1 3TR

First Merging Pension Schemes Limited,[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

First Midland Red Buses Limited,[7] Abbey Lane, Leicester, England, LE4 0DA

First North West Limited (02862042),[3,4] Wallshaw Street, Oldham, OL1 3TR

First Northern Ireland Limited,[7] 21 Arthur Street, Belfast, BT1 4GA

First Pioneer Bus Limited,[5] Wallshaw Street, Oldham, OL1 3TR

First Potteries Limited,[7] Abbey Lane, Leicester, England, LE4 0DA

First Provincial Buses Limited,[4] Empress Road, Southampton, Hampshire, SO14 0JW

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

First Rail Procurement Limited,[1,8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

First Scotland East Limited,[7] Carmuirs House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

First ScotRail Limited,[5] 395 King Street, Aberdeen, AB24 5RP

First ScotRail Railways Limited,[5] 395 King Street, Aberdeen, AB24 5RP

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

First South West Limited,[7] Union Street, Camborne, Cornwall, TR14 8HF

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

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

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

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

First TransPennine Express Limited,[7] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

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

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

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

First York Limited,[7] Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

FirstBus (North) Limited,[1,4] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstBus (South) Limited,[1,4] 8th Floor, ThePoint, 37 North Wharf Road, London, W2 1AF

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

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

FirstGroup American Investments (SC330038),[3,4] 395 King Street, Aberdeen, AB24 5RP

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

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

FirstGroup Holdings Limited,[1,8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup (QUEST) Trustees Limited,[1,5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup US Finance Limited (SC330060),[1,3,6] 395 King Street, Aberdeen, AB24 5RP

FirstGroup US Holdings (SC330054),[3,4] 395 King Street, Aberdeen, AB24 5RP

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

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

G.A.G. Limited,[1,4] Enterprise House, Easton Road, Bristol, BS5 0DZ

GB Railways Group Limited,[1,4] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Great Western Trustees Limited,[5] Milford House, 1 Milford Street, Swindon, SN1 1HL

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

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

GRT Bus Group Limited (SC114203),[1,3,4] 395 King Street, Aberdeen, AB24 5RP

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

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

Hampshire Books Limited,[5] Empress Road, Southampton, Hampshire, SO14 0JW

Hull Trains Company Limited,[7] The Point, 8th Floor, 37 North Wharf Road, London, England, W2 1AF

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

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

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

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

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

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

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

Mainline Partnership Limited,[1,4] Olive Grove, Sheffield, South Yorkshire, S2 3GA

Midland Bluebird Limited,[7] Carmuirs House, 300 Stirling Road Larbert, Stirlingshire, FK5 3NJ

Midland Travellers Limited,[5] Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

Mistral Data Limited,[8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

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

Northampton Transport Limited,[5] Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Quickstep Travel Ltd,[5] Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

Reiver Ventures Properties Limited,[4] Carmuirs House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

Reiver Ventures Limited,[5] Carmuirs House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

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

Rider Holdings Limited (02272577),[3,4] Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

Rider Travel Limited,[5] Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

Scott's Hospitality Limited,[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Sheafline (S.U.T.) Limited,[5] Olive Grove, Sheffield, South Yorkshire, S2 3GA

Sheffield & District Traction Company Limited,[5] Olive Grove, Sheffield, South Yorkshire, S2 3GA

Sheffield United Transport Limited,[5] Olive Grove, Sheffield, South Yorkshire, S2 3GA

Skillplace Training Limited,[5] Heol Gwyrosydd, Penlan, Swansea, West Glamorgan, SA5 7BN

Smiths of Portland Limited,[5] Enterprise House, Easton Road, Bristol, BS5 0DZ

SMT Omnibuses Limited,[5] Carmuirs House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

Somerset Passenger Solutions Ltd,[7] J24 Hinkley Point C, Park and Ride, Huntworth Business Park, Bridgwater, TA6 6TS

Southampton CityBus Limited,[4] Empress Road, Southampton, Hampshire, SO14 0JW

Southampton City Transport Company Limited,[4] Empress Road, Southampton, Hampshire, SO14 0JW

Strathclyde Buses Limited,[5] 100 Cathcart Road, Glasgow, G42 7BH

Streamline Buses (Bath) Limited,[1,5] Enterprise House, Easton Road, Bristol, BS5 0DZ

Taylors Coaches Limited,[5] Enterprise House, Easton Road, Bristol, BS5 0DZ

The FirstGroup Pension Scheme Trustee Limited,[8] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

The First UK Bus Pension Scheme Trustee Limited,[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

Tram Operations Limited,[7] Tramlink Depot, Coomber Way, Croydon, CR0 4TQ

Transportation Claims Limited,[8] Abbey Warf, 57-75 King Road, Reading RG1 3AB

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

West Dorset Coaches Limited,[4] Enterprise House, Easton Road, Bristol, BS5 0DZ

Western National Holdings Limited,[4] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

ATE Management of Duluth,[7] 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

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

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

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

H.N.S. Management Company,[8] Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

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

Laredo Transit Management,[6] Inc. 2221 E Lamar Blvd, Suite 500, Arlington, Texas 76007

Merrimack Valley Area Transportation,[7] Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Special Transportation Services,[7] Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

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

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

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

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

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

Subsidiaries – wholly owned and incorporated in Ireland

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

Last Passive Limited,[7] 25–28 North Wall Quay, Dublin

Subsidiaries – wholly owned and incorporated in Panama

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

Subsidiaries – wholly owned and incorporated in Canada

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

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

Greyhound Canada Transportation ULC,[7] Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia V7X 1L3

Greyhound Canada 149 Investments Inc,[4] 20th Floor 250 Howe Street Vancouver, British Columbia, V6C 3R8

Subsidiary not wholly owned but incorporated in Canada

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

Subsidiaries not wholly owned but incorporated in the United Kingdom

Careroute Limited (80%),[5] Empress Road, Southampton, Hampshire, SO14 0JW

First/Keolis Holdings Limited (55%),[1,5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First/Keolis TransPennine Holdings Limited (55%),[4] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First/Keolis TransPennine Limited (55%),[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

First Trenitalia East Midlands Rail Limited (70%),[5] 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

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

Leicester CityBus Benefits Limited (94%),[5] Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Leicester CityBus Limited (94%),[2,7] Abbey Lane, Leicester, England, LE4 0DA

LCB Engineering Limited (94%),[5] Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Nicecon Limited (50%),[5] 395 King Street, Aberdeen, AB24 5RP

1 Directly owned by FirstGroup plc.

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

3 For the year ending 26 March 2022 these subsidiaries are exempt from audit of individual accounts under S479A of the UK Companies Act 2006.

4 Primary business is a holding company

5 Primary business is a dormant company

6 Primary business is an inter group financing company

7 Primary business is the provision of transportation services

8 Primary business is an administrative or support services company

Independent auditors' report to the members of FirstGroup plc

Report on the audit of the financial statements

Opinion

In our opinion:

- FirstGroup plc's group financial statements and company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the company's affairs as at 26 March 2022 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and accounts 2022 (the 'Annual Report') , which comprise: the consolidated balance sheet and the company balance sheet as at 26 March 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

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

Our audit approach

Context

The Group sold the Student and Transit business on 21 July 2021 and sold the Greyhound business on 21 October 2021, leaving all continuing trading divisions in the UK consisting of Rail and Bus. The sale of these US divisions has provided large cash inflows which the Group have used to settle significant amounts of external debt. COVID-19 has continued to impact the demand for transport services in the UK, however the government has continued to support these services. In the Rail Division, all train operating companies continue to be on fixed fee contracts, with TransPennine Express (TPE) and SouthWestern Railway (SWR) on National Rail Contracts, Avanti West Coast (AWC) under an Emergency Recovery Measures Agreement (ERMA) and Great Western Railway (GWR) on an Emergency Measures Agreement (EMA), which has meant a fixed management fee was received to operate at agreed service levels, as well as a performance-based fee element. This has reduced the revenue and cost risk compared to the previous franchise arrangements. First Bus continued to receive government support through COVID-19 Bus Service Support Grant (CBSSG) until September 2021, however has received further support, to continue to operate services, through the Bus Recovery Grants (BRG) to compensate for slower return of passenger levels. There are a number of changes to our key audit matters this year as explained later in the report. This year we have also specifically set out our consideration of the impact of climate change on the audit which is further explained below. As explained in the Climate-related financial disclosures, the Group is mindful of its impact on the environment and focussed on ways to reduce climate related impacts as they continue to work towards their Net Zero goal in 2050. Whilst the Group started to quantify some of the impacts that may arise as they aim towards their net zero goal; the future financial impacts are clearly uncertain given the medium to long term time horizon. We have discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the Group's future operations are obtained.

Overview

Audit scope

- The scope of our audit determines where we go and what we do, the best types of audit evidence to obtain, the right areas of operations to focus on and the resources needed to deliver this. As group auditors we are required to obtain sufficient audit evidence from the components of the group. We have determined there are six components for group reporting purposes
  - Each Rail Train Operating Company (TOC) is a separate component, totalling four components being Great Western Railway (GWR), SouthWestern Railway (SWR), TransPennine Express (TPE) and Avanti West Coast (AWC)
  - UK Bus
  - Student and Transit in the US, that continued to contribute significantly to the Group trading results to the point of their disposal.

Key audit matters

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

Materiality

- Overall group materiality: £9,750,000 (2021: £10,500,000) based on 0.2% of revenue from continuing operations.
- Overall company materiality: £27,128,000 (2021: £15,000,000) based on 1% of total assets restricted for the purposes of the Group audit.
- Performance materiality: £7,300,000 (2021: £7,875,000) (group) and £20,346,000 (2021: £11,250,000) (company).

The scope of our audit

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

Key audit matters

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

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

Valuation of the Transit Earn Out (group) is a new key audit matter this year. Valuation of North American insurance reserves (group), Valuation of assets held in Greyhound division (group), and Ability of the group and company to continue as a going concern (group and company), which were key audit matters last year, are no longer included because of the sale of the North American businesses in the year and the improved liquidity position of the group, and the de-risking of the retained Greyhound self-insurance reserve. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of FirstGroup plc continued

Key audit matter	How our audit addressed the key audit matter
Valuation of pension liabilities driven by salary increase, mortality, discount rate and inflation levels assumptions (group)	
The group has gross defined benefit obligations in the UK and US totalling £8,046.5m at 26 March 2022 (2021: £8,581.0m). The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increase, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions. In addition, there are restrictions under IAS19 and IFRIC 14 as to when a net pension surplus should be recognised, as well as balance sheet adjustments in respect of First Rail due to the franchise contracts. Refer note 37 and the Critical accounting judgements and key sources of estimation uncertainty section in note 2. Refer to the Audit Committee report on page 116 for a description of its assessment of this significant judgement.	We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the US and UK were reasonable and in line with accounting standards. We assessed whether mortality rate assumptions and salary increases were consistent with the specifics of each plan and, where applicable, with relevant national actuarial data. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line within line with market information. We reviewed the trust deeds and statutory legislation relevant to each plan and concur with management's view that the surplus in the Local Government Pension Schemes cannot be recognised in full on the balance sheet. We tested the IFRIC 14 adjustments in respect of these plans and found them to be reasonable, based on the specifics of each plan. We also assessed management's judgement with regard to the rail franchise adjustment and found no exceptions. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions used. Where there has been a new triennial valuation we have tested the census data for each scheme by comparing the number of members to the latest triennial valuation performed and investigated any differences. In addition we performed two-way testing of the listings of active members back to the scheme administrator records, or alternate procedures where appropriate. We have reviewed the controls report of the administrators and identified no exceptions relating to members data. Based on procedures performed we consider that the assumptions used to value the pension obligation are within an acceptable range. We assessed the appropriateness of the related disclosures in note 37 of the group financial statements and consider them to be materially appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of complex investments within the pension assets (group)	
As set out in note 37, the group has gross defined benefit plan assets in the UK and US totalling £7,133.2m at 26 March 2022 (2021: £6,467.9m) from continuing operations (excluding agent arrangements). The pension schemes in which the Group participates hold unquoted plan assets in private equity, infrastructure and property funds. There is significant estimation uncertainty in determining the valuation of the investments which are based on inputs that are not directly observable. The funds where the valuation requires significant judgement across the group total £531m. The funds are present in the UK and US businesses, with £25m present in the US businesses and £506m in the UK. The majority of the complex assets (£463m) sit in the First Group First UK Bus Pension Scheme. There is a potential range of reasonable outcomes to the valuations of these assets greater than our materiality for the financial statements as a whole.	We obtained pricing confirmations directly from investment managers as primary sources of evidence. We also performed additional procedures on investments that are more complex in nature to evaluate whether there is any contradictory evidence suggesting that the pricing confirmations do not reflect an appropriate valuation as at the balance sheet date. These procedures included one or more of the following: ▪ Obtained third party controls assurance reports and bridging letters on the investment managers' operations for the current financial year; ▪ Reviewed the pricing of transactions taking place close to the balance sheet date; ▪ Performed look back testing of previous valuations provided by investment managers to audited financial statements of the underlying funds; ▪ Performed independent internet based searches for information suggesting any doubts in the investment managers' capability of pricing; or ▪ Reviewed investment contributions and distributions between the valuation date and the balance sheet date and obtained affirmations from investment managers that the price taken is the latest price available where the valuation date is different to the balance sheet date. Based on the procedures performed we have no findings to report.
Valuation of the Transit Earn Out (group)	
As set out in note 21, as part of the disposal of First Student and Transit, under the terms of the sale, if First Transit is sold within 3 years of the completion date for more than $380m then the Group will get 80.67% of the first $90m excess and 66% of any further excess subject to an overall cap of $290m. If First Transit is not sold within 3 years then an independent valuation will be performed on the First Transit business to calculate the amount payable to the Group based on the same parameters. The fair value of the Earn Out recorded at 26 March 2022 is $140m (£106.1m) As required by the sale and purchase agreement, the buyer (EQT) are required to provide FirstGroup a valuation of the Earn Out on a bi annual basis using an independent valuer. Management has engaged a third party expert to perform a review of the valuation from EQT and perform their own independent assessment of the enterprise value of the business (which drives the earn out value). Management have valued the receivable using an Income Approach based on discounted cash flows and a Market Approach using earnings multiples. We consider the valuation of the Earn Out in relation to the sale of Transit to be significant risk due to the subjectivity in the assumptions being used to calculate the value. Refer note 21 and the Critical accounting judgements and key sources of estimation uncertainty section in note 2. Refer to the Audit Committee report on page 116 for a description of its assessment of significant judgement.	We have obtained management's assessment of the valuation of the Earn Out Using our internal valuation specialists we evaluated the inputs to the fair value calculation and challenged the key assumptions including the EBITDA in the cashflow projections. We compared the EBITDA in the valuation to current year trading performance and previous forecasts. We met with EQT management to understand any future events which could be expected to adversely impact the cashflows. We have reviewed the discount rate applied and compared this to the level of risk considered to be in the cashflow. Using our internal valuation specialists we considered the alternative valuation methods presented in the management's experts report including the use of EBIT and EBITDA multiples to calculate an enterprise value. We performed independent analysis of transactional and market discount rates which resulted in ranges broadly consistent with the management expert. In light of the earn out being a level 3 financial asset, we reviewed the adequacy of disclosures made in the financial statements and challenged management to include the key assumptions used in determining the value and sensitivities of these key assumptions. Based on our work summarised above, we have concluded that the fair value recorded for the earn out is materially reasonable and that appropriate assumption and sensitivity disclosures have been made in the financial statements.

Independent auditors' report to the members of FirstGroup plc continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the company's investments in subsidiary undertakings (parent)	
As set out in note 5 to the Company financial statements, investments in subsidiaries are £2,149.7m (2021: £1,534.8m). Of this balance, £692m relates to the direct and indirect ownership of the Bus division. The investments are accounted for at cost less provision for impairment in the Company balance sheet at 26 March 2022. The carrying value of the investment in Bus is supported by the recoverable amount which has been calculated on a value in use basis. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of any impairment loss. Consideration is also given to whether there are indications that impairments previously booked should be reversed. Following the onset of Covid-19, an impairment was booked in the period ending 28 March 2020 to reduce the carrying value of the company's investment in Bus. Management have prepared a value in use model which shows significant headroom compared to the carrying value of the investment. Therefore a reversal of £254m of the previously recorded impairment has been booked. This is considered a significant audit risk. Judgement is required in this area, particularly in assessing whether the carrying value of an asset can be supported by the recoverable value, being the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. Refer note 5 in the Plc company accounts and the Critical accounting judgements and key sources of estimation uncertainty section in note 2	In addition to procedures performed over the non Bus investments, We evaluated management's determination of whether there were indicators that the previously booked impairment should reverse. The recoverable value of the investment in First Bus was determined from the discounted future cash flows of the Bus division. We obtained management's value in use impairment assessment and ensured the calculations were mathematically accurate. We evaluated the inputs in the value in use calculation and challenged the key assumptions including: ▪ The operating margins forecast to be achieved, noting that the margins in the terminal year are consistent with those achieved in the industry; ▪ Using our internal valuation experts to calculate an independent WACC rate range, with reference to comparable businesses; ▪ With the support of internal valuation experts assessing the long term growth rate applied. We evaluated the extent to which the considerations of climate change, such as capital expenditure on battery, electric and hydrogen fuel cell vehicle fleets had been reflected in the underlying cash flows. We recalculated management's own sensitivity analysis of key assumptions used in the value in use assessment and also performed our own independent sensitivity testing to include the application of reasonable alternative individual and combined risk scenarios in order to assess for any potential material impairment under such conditions As a result of our work, we are satisfied that the closing balance of the investment following the impairment reversal in the Bus division is supportable. We have assessed the disclosures provided and consider them to be appropriate.

How we tailored the audit scope

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

Following the disposal of First Student, First Transit and Greyhound, the Group is organised into two operating divisions, First Bus and First Rail. There are 113 reporting units within the consolidation, the majority of which are inactive although there is some trading activity in 7 reporting units in addition to those included in Group reporting scope. We have defined a component as a business unit where legal entities have been grouped together based on the fact they have the same management, the same control environment and also considering the way the component reports to the group. We have determined there are six components required for Group reporting as follows:

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£9,750,000 (2021: £10,500,000).	£27,128,000 (2021: £15,000,000).
How we determined it	0.2% of revenue from continuing operations	1% of total assets restricted for the purposes of the Group audit
Rationale for benchmark applied	Revenue is considered to be the most appropriate benchmark for the financial year. In the engagement leader's judgement £9.75 million is an appropriate materiality for a group of the scale and size of FirstGroup plc.	The entity is a holding company of the rest of the Group and is not a trading entity. Therefore an asset based measure is considered appropriate

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £3,300,000 - £9,300,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £7,300,000 (2021: £7,875,000) for the group financial statements and £20,346,000 (2021: £11,250,000) for the company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £470,000 (group audit) *(2021: £525,000) and £470,000 (company audit) (2021: £525,000) as well as misstatements below those amounts that, in our view, warranted* reporting for qualitative reasons.

Independent auditors' report to the members of FirstGroup plc continued

Conclusions relating to going concern

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

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report and additional disclosures
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 26 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

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

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

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

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

Independent auditors' report to the members of FirstGroup plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 5 November 2020 to audit the financial
Following the recommendation of the Audit Committee, we were appointed by the members on 5 November 2020 to audit the financial
statements for the year ended 27 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 27 March 2021 to 26 March 2022.

Other matter

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

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 June 2022

Group financial summary

Unaudited

Consolidated income statement (includes discontinued operations)	**2022 £m**	2021 £m	2020 £m	2019 £m	2018 £m
Group revenue	**5,588.0**	6,844.8	7,754.6	7,126.9	6,398.4
Operating profit before amortisation charges and other adjustments	**226.8**	220.4	256.8	314.8	317.0
Amortisation charges	**(0.4)**	(4.1)	(4.9)	(11.8)	(70.9)
Other adjustments	**579.7**	69.7	(404.6)	(293.2)	(442.3)
Operating profit/(loss)	**806.1**	285.8	(152.7)	9.8	(196.2)
Net finance cost	**(153.5)**	(172.0)	(146.9)	(107.7)	(130.7)
Investment income	**1.5**	2.0	–	–	–
Profit/(loss) before tax	**654.1**	115.8	(299.6)	(97.9)	(326.9)
Tax	**(12.1)**	(24.7)	(25.0)	(10.1)	36.0
Profit/(loss) for the year	**642.0**	91.1	(324.6)	(108.0)	(290.9)
EBITDA	**862.1**	1,178.9	1,108.9	670.3	690.6

Earnings per share	**pence**	pence	pence	pence	pence
Adjusted	**10.2**	3.3	6.8	13.3	12.3
Basic	**60.2**	6.5	(27.0)	(5.5)	(24.6)

Consolidated balance sheet	**£m**	£m	£m	£m	£m
Non-current assets	**2,267.2**	2,641.2	6,225.1	4,003.5	3,802.9
Net current (liabilities)/assets	**(546.8)**	(876.8)	(701.9)	10.7	(300.3)
Non-current liabilities	**(753.1)**	(2,817.7)	(3,927.5)	(1,958.9)	(1,671.0)
Held for sale – discontinued operations	**38.5**	2,342.9	–	–	–
Provisions	**(120.7)**	(135.5)	(419.0)	(532.0)	(341.0)
Net assets	**885.1**	1,154.1	1,176.7	1,523.3	1,490.6

Share data Number of shares in issue	**millions**	millions	millions	millions	millions
At year end	**750.2**	1,221.8	1,219.5	1,213.9	1,210.8
Average (excluding treasury shares and shares in trusts)	**1,057.5**	1,203.6	1,210.9	1,205.9	1,205.1

Share price	**pence**	pence	pence	pence	pence
At year end	**107**	92	50	91	82
High	**107**	95	138	117	153
Low	**73**	31	28	79	77

Market capitalisation	**£m**	£m	£m	£m	£m
At year end	**803**	1,124	610	1,105	993

Continuing operations	**2022 £m**	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	**4,591.1**	4,318.8	4,039.6	3,506.1	2,864.4
Adjusted operating profit	**106.7**	112.2	81.3	91.7	76.8
Operating profit/(loss)	**122.8**	171.0	38.2	(94.8)	(52.6)
EBITDA	**731.2**	782.8	623.3	208.0	216.8

Company balance sheet

As at 26 March

	Note	2022 £m	2021 £m
Non-current assets			
Trade and other receivables	3	**376.4**	1,768.1
Derivative financial instruments	4	**0.2**	0.3
Investments	5	**2,147.9**	1,534.8
		2,524.5	3,303.2
Current assets			
Cash and cash equivalents		**186.8**	659.5
Trade and other receivables	3	**0.9**	–
Derivative financial instruments	4	**0.6**	13.5
		188.3	673.0
Total assets		**2,712.8**	3,976.2
Current liabilities			
Trade and other payables	7	**1,518.4**	1,025.1
Derivative financial instruments	4	**–**	7.8
		1,518.4	1,032.9
Net current liabilities		**(1,330.1)**	(359.9)
Non-current liabilities			
Trade and other payables	7	**199.9**	1,289.4
Derivative financial instruments	4	**–**	0.6
		199.9	1,290.0
Total liabilities		**1,718.3**	2,322.9
Net assets		**994.5**	1,653.3
Equity			
Share capital	8	**37.5**	61.1
Share premium		**692.8**	689.6
Other reserves		**167.3**	149.7
Own shares	9	**(9.0)**	(9.0)
Retained earnings		**105.9**	761.9
Total equity		**994.5**	1,653.3

The company reported a loss for the 52 weeks ending 27 March 2022 of £150.8m (2021: loss of £69.3m).

Ryan Mangold
14 June 2022

Company number SC157176

Statement of changes in equity

For the 52 weeks ended 26 March

	Share capital £m	Share premium £m	Own shares £m	Hedging reserve £m	Merger reserve £m	Capital reserve £m	Capital Redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 29 March 2020	61.0	688.6	(10.2)	(3.5)	166.4	93.8	1.9	722.1	1,720.1
Loss for the year	–	–	–	–	–	–	–	(69.3)	(69.3)
Other comprehensive loss for the year	–	–	–	(3.4)	–	–	–	(2.2)	(5.6)
Total comprehensive loss for the year	–	–	–	(3.4)	–	–	–	(71.5)	(74.9)
Reserves reclassification	–	–	–	(3.1)	–	–	–	3.1	–
Shares issued	0.1	1.0	–	–	–	–	–	–	1.1
Movement in EBT and treasury shares	–	–	1.2	–	–	–	–	(6.1)	(4.9)
Share-based payments	–	–	–	–	–	–	–	11.9	11.9
Reclassification to retained earnings	–	–	–	–	(102.4)	–	–	102.4	–
Balance at 27 March 2021	61.1	689.6	(9.0)	(10.0)	64.0	93.8	1.9	761.9	1,653.3
Balance at 28 March 2021	**61.1**	**689.6**	**(9.0)**	**(10.0)**	**64.0**	**93.8**	**1.9**	**761.9**	**1,653.3**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(150.8)**	**(150.8)**
Other comprehensive (loss)/income for the year	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**–**	**6.2**	**6.0**
Total comprehensive loss for the year	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**–**	**(144.6)**	**(144.8)**
Shares issued	**0.2**	**3.2**	**–**	**–**	**–**	**–**	**–**	**–**	**3.4**
Shares bought back and cancelled	**(23.8)**	**–**	**–**	**–**	**–**	**–**	**17.8**	**(500.0)**	**(506.0)**
Movement in EBT and treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16.8)**	**(16.8)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5.4**	**5.4**
Balance at 26 March 2022	**37.5**	**692.8**	**(9.0)**	**(10.2)**	**64.0**	**93.8**	**19.7**	**105.9**	**994.5**

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

Notes to the Company financial statements

1 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments and on a going concern basis as described in the going concern statement within the Strategic report on pages 82-83.

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

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

The financial statements for the 52 weeks ending 26 March 2022 include the results and financial position of the Company for the 52 weeks ending 26 March 2022. The financial statements for the 52 weeks ending 27 March 2021 include the results and financial position of the Company for the 52 weeks ending 27 March 2021.

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

Investments

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

Dividend distribution

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

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

Key sources of estimation uncertainty

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

Investment in subsidiaries

Estimation is required in relation to the recoverability of the investments and are sensitive to changes in cash flow forecasts supporting the recoverable amount. There is a significant risk that material adjustment to the carrying amounts of the investments and receivables could be required within the next financial year, including the reversal of prior year impairments. The carrying value of investments at 27 March 2022 is £2,147.9m (2021: £1,534.8m).

2 Loss for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a loss for the financial year ended 27 March 2022 of £150.8m (2021: loss of £69.3m).

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are disclosed in note 6 of the Group accounts. The Company had no employees in the current or preceding financial year.

3 Trade and other receivables

	2022 £m	2021 £m
Amounts due within one year		
Prepayments	**0.9**	–
	0.9	–

Notes to the Company financial statements continued

3 Trade and other receivables continued

	2022 £m	2021 £m
Amounts due after more than one year		
Amounts due from subsidiary undertakings	**345.8**	1,771.6
Loss allowance	**(0.7)**	(3.5)
Net amounts due from subsidiary undertakings	**345.1**	1,768.1
Deferred tax asset (note 6)	**31.3**	–
	376.4	1,768.1

4 Derivative financial instruments

	2022 £m	2021 £m
Total derivatives		
Total assets – due after more than one year	**0.2**	0.3
Total assets – due within one year	**0.6**	13.5
Total assets	**0.8**	13.8
Total creditors – amounts falling due within one year	**–**	7.8
Total creditors – amounts falling due after more than one year	**–**	0.6
Total creditors	**–**	8.4
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Cross currency swaps (net investment hedge)	**–**	0.3
Total assets	**–**	0.3
Current liabilities		
Currency forwards (net investment hedge)	**–**	7.5
Total liabilities	**–**	7.5
Derivatives classified as held for trading		
Non-current assets		
Currency forwards (cash flow hedge)	**0.2**	–
Current assets		
Currency forwards (net investment hedge)	**–**	13.5
Currency forwards (cash flow hedge)	**0.6**	–
	0.6	13.5
Total assets	**0.8**	13.5
Current liabilities		
Fuel derivatives (cash flow hedge)	**–**	0.3
	–	0.3
Non-current liabilities		
Fuel derivatives (cash flow hedge)	**–**	0.6
	–	0.6
Total liabilities	**–**	0.9

Full details of the Group's financial risk management objectives and procedures can be found in note 25 of the Group accounts. As the holding company for the Group, the Company faces similar risks over foreign currency and interest rate movements.

5 Investments in subsidiary undertakings

	Unlisted subsidiary undertakings £m
Cost	
At 27 March 2021	2,198.8
Additions	519.0
At 26 March 2022	**2,717.8**
Provision for impairment	
At 27 March 2021	664.0
Impairment	160.3
Reversal of impairment	(254.4)
At 26 March 2022	**569.9**
Carrying amount	
At 26 March 2022	**2,147.9**
At 27 March 2021	1,534.8

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; The investments of £2,147.9m principally relate to an investment In the Group's former North American divisions and holding companies of £1,451.7m and the First Bus business of £693.7m.

The First Bus value in use requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow forecasts, the long term growth rate to be applied and the discount rate used to discount the estimated cash flows to present value.

The provision for impairment during the year primarily relates to investments in the Group's former North American divisions and holding companies, following the sale of First Student, First Transit and Greyhound for which the combined recoverable amount is £1,451.7m and therefore the carrying amount of the investments have been impaired by £156.7m. A provision of £1.8m relates to investments in First Group Holdings for which the recoverable amount is £nil and therefore the carrying amount of the investment has been fully impaired. A further provision of £1.8m relates to investments in First Rail for which the recoverable amount is £nil and therefore the carrying amount of the investment has been fully impaired.

The reversal of impairment during the year relates to investments in First Bus, for which the combined recoverable amount is £693.7m based on the value in use, and therefore the impact of prior year impairments have been partially reversed by £254.4m.

The additions in the year relate to an investment in First Bus Investment Ltd and IFRS 2 share based charges.

The investments in First Bus would break even using a discount rate of 11.1% or a reduction of terminal margin to 0.2%.

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

6 Deferred tax

The deferred tax asset/liability recognised by the Company and the movements thereon during the current and prior reporting periods are as follows:

	Other temporary differences £m
At 27 March 2021	1.1
Credit to income statement	(31.0)
Credit to reserves	(1.5)
Charge to hedging reserve	0.1
At 26 March 2022	**(31.3)**

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

	2022 £m	2021 £m
Deferred tax (asset)/liability due after more than one year	**(31.3)**	1.1

Notes to the Company financial statements continued

7 Creditors

	2022 £m	2021 £m
Amounts falling due within one year		
Bank overdraft	**87.5**	53.8
CCFF	–	298.2
£350.0m Sterling bond – 8.750% 2021	–	380.1
£325.0m Sterling bond – 5.250% 2022	–	5.6
£200.0m Sterling bond – 6.875% 2024	**7.1**	7.1
Amounts due to subsidiary undertakings	**1,415.6**	278.8
Accruals and deferred income	**8.2**	1.5
	1,518.4	1,025.1
Amounts falling due after more than one year		
Syndicated loan facilities	–	566.3
£325.0m Sterling bond – 5.250% 2022	–	323.4
£200.0m Sterling bond – 6.875% 2024	**199.9**	199.8
Senior unsecured loan notes	–	198.8
Deferred tax liability (note 6)	–	1.1
	199.9	1,289.4

Borrowing facilities

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

	2022 £m	2021 £m
Facilities maturing:		
Due in more than two years	**300.0**	350.1

Details of the Company's borrowing facilities are given in note 22 to the Group accounts.

8 Called up share capital

	Number of shares million	2022 £m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 28 March 2021	1,221.8	61.1
Shares bought back and cancelled	(476.2)	(23.8)
SAYE/BAYE exercises	4.6	0.2
Balance as at 26 March 2022 (ordinary shares of 5p each)	**750.2**	**37.5**

Following the completion of the sale of First Student and First Transit, the Company announced and completed a tender offer to purchase 476.2m ordinary shares at a price of 105 pence per share, for a total cost of £506.0m, including transaction costs of £6.0m. The shares acquired under the tender offer were immediately cancelled.

The number of ordinary shares of 5p in issue, excluding treasury shares held in trust for employees, at the end of the period was 740.7m (2021: 1,206.4m). At the end of the period 9.5m shares (2021: 15.4m shares) were being held as treasury shares and own shares held in trust for employees.

9 Own shares

	Own shares £m
At 27 March 2021	(9.0)
Movement in EBT, QUEST and treasury shares during the year	–
At 26 March 2022	**(9.0)**

The number of own shares held by the Group at the end of the year was 9,472,372 (2021: 15,432,525) FirstGroup plc ordinary shares of 5p each. Of these, 9,282,623 (2021: 15,242,776) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2021: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2021: 157,229) were held as treasury shares. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 26 March 2022 was £10.2m (2021: £14.2m).

10 Contingent liabilities

To support subsidiary undertakings in their normal course of business, the FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £69.4m (2021: £743.0m) and letters of credit for £219.7m (2021: £422.8m). The performance bonds primarily relate to residual North American obligations of £6.3m. (2021: £517.3m) and the First Rail franchise operations of £63.1m (2021: £225.7m). The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £27.5m to First Rail Train Operating Companies of which all remains undrawn. Following the sale of First Student and First Transit, the letters of credit, surety bonds and parent company guarantees relating to First Student and First Transit were cancelled. Following the sale of Greyhound, the majority of the surety bonds and parent company guarantees were cancelled, with a residual amount of £6.3m remaining as noted above. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

The Group is party to certain unsecured guarantees granted to banks for overdraft and cash management facilities provided to itself and subsidiary undertakings. The Company has given certain unsecured guarantees for the liabilities of its subsidiary undertakings arising under certain loan notes, HP contracts, finance leases, operating leases and certain pension scheme arrangements. It also provides unsecured cross guarantees to certain subsidiary undertakings as required by VAT legislation. First Bus subsidiaries are jointly and severally liable for any contributions due to the Group's multi-employer schemes in which they participate. Some of the Company's North American subsidiaries participate in multi-employer pension plans in which their contributions are pooled with the contributions of other contributing employers, and the funding of these plans is therefore reliant on the ongoing participation by third parties.

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

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

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

First MTR South Western Trains Limited ('FSWT'), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the 'CAT') in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited ('SSWT') (the former operator of the South Western network) is also a defendant to these proceedings. A separate set of proceedings has been issued against London & South Eastern Railway Limited ('LSER') in respect of the operation of other rail services. The two sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT and LSER breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. In November 2021, the CAT handed down a judgment in which it indicated it would make a collective proceedings order ('CPO') in both sets of proceedings, thereby allowing them to proceed to trial. The CAT made the CPO in January 2022. The Court of Appeal has since granted FSWT, SSWT and LSER permission to appeal the CAT's decision. The appeal hearing is scheduled for mid-June 2022. In the meantime, the proceedings in the CAT have been stayed pending the outcome of the appeals. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims. At present the Company cannot accurately determine the likelihood, quantum or timing of any damages and costs which may arise from these proceedings.

Shareholder information

Annual General Meeting

The AGM will be held on 27 July 2022 at Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London, SW1P 3EE. It will be a physical meeting but shareholders will be able to follow proceedings remotely via an audiocast.

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

Shareholders are encouraged to submit proxies for the 2022 AGM electronically by logging on to www.sharevote.co.uk. Electronic proxy appointments must be received by the Company's Registrar, Equiniti, no later than 48 hours, excluding non-business days, before the time fixed for the AGM.

Shareholders who wish to ask questions relating to the business of the AGM are encouraged to do so by submitting questions in advance of the AGM by email to companysecretariat@firstgroup.co.uk, or by post for the attention of the Company Secretary (see address on the next page). Shareholders attending electronically may ask questions via the website by typing and submitting their question in writing – select the messaging icon from within the navigation bar and type your question at the top of the screen. Once finished, press the 'send' icon to the right of the message box to submit your question. Alternatively, you can call the phone number displayed on the screen and ask a question during the Q&A session when invited to do so. We will consider all questions received and, to the extent practicable, answers will also be published on the Company's website. For all other queries regarding the AGM, please contact the Company Secretary.

Website and shareholder communications

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

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

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

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

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

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

Shareholder enquiries

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

Registrar

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

Tel: 0371 384 2046*
(or from overseas on Tel: +44 (0)121 415 7050)

Online: help.shareview.co.uk (from here, you will be able to email Equiniti securely with your enquiry).

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

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

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

ShareGift

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

FirstGroup's policy on discounts for shareholders

It is not the Group's policy to offer travel or other discounts to shareholders. FirstGroup is focused on overall returns which are of benefit to all shareholders.

Unsolicited advice on the Company's shares

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

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

Half-yearly results

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

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Canary Wharf
London E14 5JP

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1 Embankment Place
London WC2N 6RH

Glossary

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

Adjusted cash flow
Adjusted cash flow is described in the table shown on page 36 of the Financial review

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

Adjusted measures (other)
References to 'adjusted operating profit', 'adjusted profit before tax', and 'adjusted EPS' throughout this document are before the gains on sale of the North American divisions, partial reversal of impairment charges on Greyhound and certain other items as set out in note 4 to the financial statements

AGM
Annual General Meeting

ARP
American Rescue Plan

Avanti
Avanti West Coast, a train operating company

BAYE
Buy As You Earn

The Board
The Board of Directors of the Company

BRG
Bus Recovery Grant

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

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

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

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

CGU
Cash Generating Unit

CJRS
Coronavirus Job Retention Scheme, under which grant income may be claimed in respect of certain costs to the Group of furloughed employees

$CO_2(e)$
Carbon dioxide equivalent, allowing other greenhouse gas emissions to be expressed in terms of carbon dioxide based on their relative global warming potential. Usually expressed as per kilometre or per passenger kilometre

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

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

COP26
2021 United Nations Climate Change Conference to be held in Glasgow in October/November 2021

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

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

DfT
Department for Transport (UK Government)

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

Dividend
Amount payable per ordinary share on an interim and final basis

EABP
Executive Annual Bonus Plan

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

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

EBT
Employee benefit trust

EDF
Employee Directors' forum

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

EPS
Earnings per share

ESG
Environmental, social and governance

EV
Electric vehicle

GED
Group Employee Director

GPG
Gender pay gap

GHG
Greenhouse gas emissions

GPS
Global positioning system

Group
FirstGroup plc and its subsidiaries

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

GWR
Great Western Railway, a train operating company

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

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

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

LGPS
Local Government Pension Scheme

Like-for-like revenue
Revenue adjusted for changes in the composition of a divisional portfolio, holiday timing, severe weather and other factors, for example engineering possessions in First Rail, that distort the period-on-period trends in our passenger revenue businesses

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

LTIP
Long-Term Incentive Plan

M&A
Mergers and acquisitions

MaaS
Mobility as a Service integrates various forms of transport services into a single mobility service accessible on demand

NBS
National Bus Strategy, announced by UK Government in March 2021

NRC
National Rail Contract

NSC
National Safety Council

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

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

NOx
A generic term for the nitrogen oxides that are most relevant for air pollution

Ordinary shares
FirstGroup plc ordinary shares of 5p each

PLC
Public limited company

PMs
Particulate matter, which is emitted during the combustion of fuel; a source of air pollution

PPE
Personal Protective Equipment

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

RCF
Revolving credit facility

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

Road divisions
Combines First Student, First Transit, Greyhound, First Bus and Group items

ROCE
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

RSSB
Rail Safety and Standards Board

SAYE
Save As You Earn

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

SWR
South Western Railway, a train operating company

TCFD
Task Force on Climate-Related Financial Disclosures

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

TOC
Train operating company

TPE
TransPennine Express, a train operating company

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

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

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