10 March 2022
National Express Group PLC: Full Year Results for the year ended 31 December 2021

Evolve strategy and demand recovery delivering significantly improved results

Financial summary

	2021	2020	Change	Change in Constant FX
Group Revenue	**£2.17bn**	£1.96bn	11.0%	15.5%
Group EBITDA	**£300.0m**	£186.6m	60.8%	
Group Underlying[1] Operating Profit/(Loss)	**£87.0m**	(£50.8m)	£137.8m	
Group Underlying[1] PBT	**£39.7m**	(£106.1m)	£145.8m	
Underlying basic[1] EPS	**0.1p**	(14.6p)	14.7p	

Statutory

Group Operating Loss	**(£36.2m)**	(£381.4m)	£345.2m
Group PBT	**(£84.9m)**	(£444.7m)	£359.8m
Group PAT	**(£77.9m)**	(£326.7m)	£248.8m
Basic EPS	**(16.8p)**	(57.9p)	41.1p

Free cash flow[2]	**£123.4m**	(£196.0m)	£319.4m
Covenant Net Debt	**£866.6m**	£782.0m	£84.6m

Strategic, financial and operating highlights

Renewed Strategic Focus

- Launched Evolve, targeting an incremental £1billion of revenue and at least £100 million of EBIT from 2022 to 2027
- Purpose-driven with significant benefits for the environment and the business from modal shift to shared mobility.

Improving Financial Results

- Constant currency revenue growth of 15.5% benefitting from the lifting of mobility restrictions, with passenger journeys up 37% year on year
- EBITDA increased by 60.8% to £300.0 million
- Full year Group Underlying PBT of £39.7 million, up £146 million year on year
- Significant rebound in Underlying Operating Margins in North America (9%), ALSA (8%) and German Rail (3%)
- Underlying operating costs up just 3.8% despite strong revenue growth and inflation, reflecting the benefits of the cost reduction programmes announced last year, removing around £100 million of annualised costs
- Statutory loss before tax of £84.9 million; an improvement of £360 million year on year
- Fuel fully hedged at rates lower than 2021 and major input costs subject to long term price agreements, e.g. during the year we fixed UK energy prices for three years
- Generated £123.4 million of free cash flow in the year, an improvement of £319 million over the prior year
- Significant improvement in Gearing to 3.6x from 6.6x

Environmental Leadership

- Ambitious Group-wide zero emission fleet plans agreed, with a Group scope 1 & 2 net zero target of 2040
- Maximising return on investment, signing our first 'availability contract' with Zenobe, for around 200 electric buses in the UK, reducing capital expenditure and defraying technology risk

Positioned for Growth

- Current pipeline of growth opportunities amounting to £1.5 billion of revenue across our territories, prinicipally organic
- Intention to reinstate a dividend in respect of the full year 2022 results, at least 2 times covered, if the positive outlook ahead for profit, cash flow and deleveraging holds

Update on Stagecoach combination

- National Express notes the announcement of a counter-offer for Stagecoach. The Board of National Express is considering its options and will update the market in due course.

Ignacio Garat, National Express Group Chief Executive said:

"Mobility restrictions are lifting across our markets and people are travelling again. But we cannot return to 'travel as usual' if we are going to meet the pressing needs of COP 26. In 2021 we launched our Evolve Strategy with a clear vision and purpose, to be the world's premier shared mobility operator, leading modal shift from cars to public transport. Modal shift is a necessity for the planet (pre-pandemic, cars generated 70% of surface transport emissions in the EU) and good for our business (a 1% modal shift from cars to buses would increase bus passenger journeys by 23%). We have translated Evolve into detailed action plans in each of our businesses and we are already seeing the benefits.

I am proud of the fact that we have set ambitious environmental targets for each of our businesses and the Group overall, underpinned by solid action plans. National Express has a major role to play not only in tackling the challenge of climate change, but in driving improvements in social mobility by providing safe, reliable, affordable and accessible mobility solutions across the globe.

I am immensely proud of how the Group has responded to the continuing challenges of the pandemic and the improving performance that has resulted. I particulary want to thank our 44,500 employees who have played a critical role in helping to drive our business forward, as we continued to navigate our way through another stop-start year. I am also grateful for the ongoing support from governments and customers, which is testament to the strength of the relationships that we have built over many years. It was very encouraging to see that as restrictions lifted, we saw a rapid recovery in demand for our services and I am delighted to report a return to positive Underlying Operating Profit and free cash flow.

I anticipate further strong recovery in demand over the coming year, and I am excited about what lies ahead, with Evolve providing greater clarity of both the significant growth opportunities and the path towards it. Based on current projections, it is our intention to reinstate consistent dividend payments starting with a dividend for full year 2022."

Enquiries

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There will be a webcast presentation for investors and analysts at 9.00am on 10 March 2022. Details are available from Audrey Da Costa at Maitland.

Website

The full release and supplementary data will be available on our website from 7:00am (London time) on 10 March 2022. The web address is www.nationalexpressgroup.com/investors/results

Notes:

1. *To supplement IFRS reporting, we also present our results on an Underlying basis to show the performance of the business before separately disclosed items. These are detailed on page 14 and principally comprise intangible amortisation for acquired businesses, directly attributable gains and losses arising from the Covid-19 pandemic, restructuring costs and the re-measurement of the RRX onerous contract provision. In addition to alternative performance measures in respect of the income statement, free cash flow, Gearing and Covenant Net Debt are also alternative performance measures. Further explanation in relation to all alternative performance measures can be found on pages 20-21.*
2. *2020 free cash flow is restated for the reclassification from payables to Net Debt of amounts due under advance subsidy factoring arrangements. For further details see page 32.*

Notes

Legal Entity Identifier: 213800A8IQEMY8PA5X34
Classification: 1.1 (with reference to DTR6 Annex 1R)

Forward looking statements and other important information

This document contains forward-looking statements with respect to the financial condition, results and business of National Express Group PLC. By their nature, forward-looking statements involve risk and uncertainty and there may be subsequent variations to estimates. National Express Group PLC's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, National Express does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including without limitation, during management presentations to financial analysts) in connection with this document.

Group Chief Executive's Statement

I am delighted to report our full year results for 2021 which demonstrated continued sequential improvement, and delivered financial results at the top end of expectations. Indeed, we have delivered a steadily improving performance in revenue, EBITDA, operating profit and cash over the year, with the result that:

- Revenue rose by 15.5% in constant currency to £2.17 billion;
- EBITDA rose by 60.8% to £300.0 million, an improvement of £113.4 million over 2020;
- Underlying Operating Profit improved by £137.8 million to £87.0 million;
- Underlying PBT improved by £145.8 million to £39.7 million;
- Statutory loss before tax improved by £359.8 million to £84.9 million; and
- We delivered £123.4 million of free cash flow in the year, an improvement of nearly £320 million year on year, fuelling the rapid reduction in Gearing from 6.6 times at the end of 2020 to 3.6 times.

This performance has been driven by a number of factors. We have seen strong recovery in demand for our services as economies emerged from lockdown restrictions, with vaccination programmes allowing economies to reopen further and mobility increasing. We have benefitted from the management actions taken in 2020, with around £100 million of annualised structural costs permanently removed across the business. The ongoing support of customers and authorities has also contributed towards the improved performance in the year.

I am extremely proud of our colleagues across the Group who have continued to navigate through what has been another complex stop-start year, always ready to adjust to the varying restrictions in place in each of the territories in which we operate. I am also proud of the strong relationships with our customers across every Division and how we have worked together to provide service as far as possible, allowing for the restrictions in place.

Evolve Strategy

During the pandemic we saw a short-term shift in transport use back to the private car. If this were to continue as growth normalises, we would see over 400 billion more passenger km per year in North America and the UK alone. Over and above this, demand for transport is expected to increase by up to 30% by 2030 putting more pressure on roads, and increasing congestion and air pollution. At the same time, the world needs to cut carbon emissions to achieve our shared climate goals. Private cars are the primary driver of carbon emissions: pre-pandemic, cars generated 70% of surface transport emissions in the EU. Modern diesel cars each produce more Nitrogen Dioxide than a modern diesel bus full of passengers. More importantly, as we transition to a Zero Emission Vehicle future, a passenger taking a journey on an electric bus rather than an electric car can save well over 10 times total lifetime carbon emissions, and that bus can take 70 cars off the road, significantly reducing congestion and freeing up liveable spaces.

Modal shift from private cars to public transport therefore remains the single most important driver of reduced emissions and congestion. Governments around the world are increasingly aware of this and are adjusting policy towards greater use of public transport to meet their decarbonisation and clean air targets.

In 2021 we launched our Evolve strategy, rooted in our vision to be the world's premier shared mobility operator with leading levels of safety, reliability and environmental standards that customers trust and value. This, in turn, is embedded in our purpose, to lead the modal shift from cars to shared mobility. A 1% modal shift from cars to buses would increase bus passenger journeys by 23% and Evolve provides clarity in terms of both the significant potential growth ahead and the path towards it. At our Capital Markets Day in October we set ambitious targets for the years ahead:

- A further £1 billion of revenue growth by 2027 compared to 2022;
- Operating profit margin averaging around 9% over the coming years, with more than £100 million of additional profit in 2027 compared to 2022; and
- Cash conversion averaging over 80% a year, with a target to generate at least £1.25 billion of free cash between 2022 and 2027 inclusive.

Core to Evolve are five compelling customer propositions, each enabled by our focused application of technology, delivering superior outcomes for all our stakeholders. We have already made progress in 2021 in each of the five customer propositions as the examples below demonstrate.

<u>Reinvigorating public transport</u>: Rebuilding confidence in the public transport system by offering high-quality operations that passengers want to use.

In ALSA, we have substantially completed the mobilisation of Casablanca, our largest contract in Morocco, with the delivery of new fleet, transforming quality and the safety of our customers, as well as significantly improving social mobility in the city. At the same time, we have been able to cascade fleet to other cities to support growth in services, which in some cities, such as Tangier, are now running ahead of pre-pandemic levels. We have also started the mobilisation of our contracts in Portugal, where we expect services to commence in Lisbon in the second quarter of this year. In the UK, our partnership model with Travel for West Midlands is widely recognised at both central and local government levels for delivering for all stakeholders. In 2021, our UK Bus operations have delivered the lowest fares in

England, with innovative and flexible ticketing options such as contactless capping, helping to boost growth in passenger demand and revenue.

Multi-modal expansion: Expanding the breadth of our product offering, based on global know-how and local relationships.

In the UK, we expanded our transport solutions business, launching services in the West Midlands, leveraging the existing infrastructure, thereby extending our offer to private hire, contract coach work and a full range of transport solutions in the region. In Spain, we have connected passengers in Leon to last-mile services, with the introduction of bike rental services.

Operational transformation: Driving growth by delivering more efficient transport solutions.

In 2021, we rolled out the first phase of our quality management process through the 'Driving Excellence' programme in our North American School Bus business, standardising and improving a number of operational processes and locking them in with a new technology platform ensuring automated flow-through to billing. By focusing on small and detailed improvements, we are not only delivering improved performance for the customer, but are also eliminating waste and reducing costs. Once fully implemented we expect our 'Driving Excellence' programme to deliver annualised benefits of $40 million. In the UK we have commenced the roll-out of an engineering transformation programme, which has already delivered a 12% reduction in breakdowns versus 2019 and permanent cost savings of over £1 million a year, through measures such as more efficient use of parts and data to identify and address repeat defects.

Fill the transit gap: Helping businesses and cities transition from the private car in places that are not well served by existing mass public transit.

We continued to win new contracts in our North American Shuttle business in the year, worth around $20 million of annualised revenue. We successfully mobilised operations for two new customers and also extended a large existing account, which is now providing the opportunity for us to grow with one of our largest customers in other cities and regions across the US. In the UK, our Transport Solutions business has won new shuttle contracts including with Next and the Ministry of Defence, as well as providing team transport for the inaugural Cricket Hundred tournament.

Consolidate and compound fragmented markets to bring the benefits of scale and consistent service.

In 2021, ALSA acquired an urban bus business in Granada, building on our existing urban business in Almeria and regional services, consolidating our leadership position in Andalusia. We have also consolidated our existing business; for example the business review in our North American Transit business driving the exit from, or significant price increases on, low margin and loss making contracts and delivering a significant improvement in profitability in the year.

All of this has driven significant progress across each of the Evolve outcomes in 2021.

The Safest
Safety remains a top priority across the business. In Casablanca, we have delivered a 48% reduction in at-fault road accidents versus 2019, the year in which we first started operating services in the city. Across ALSA, driver behaviour and the risk score, as measured by Lytx through deployment of DriveCam technology, have improved by 50% versus 2019, and by 24% versus 2020. Similarly, in North America, we have seen a 42% improvement in driver behaviour/risk score versus 2019 and a 12% improvement in preventable accidents over the same period. In the UK, both our Bus and Coach businesses have been re-awarded a five-star British Safety Council audit.

The most reliable
By being the most reliable, we give ourselves a competitive edge, driving customer retention and powering growth. A prime example of this, is the largest emergency award ever in the German Rail market, where two rail contracts were awarded to our German rail operations after the incumbent operator handed back the services to the Passenger Transport Authorities (PTAs). This award is a direct result of the reputation as a trusted partner and reliable operator we have built up over the last few years with the PTAs.

The environmental leader
Following our previously announced zero emission fleet targets for our UK Bus and Coach businesses (2030 and 2035 respectively), we announced ambitious targets for a completely zero emission fleet across the Group: Spain Bus by 2035; Spain Coach, Morocco and North America by 2040. The plans supporting these targets underpin the firm commitment that Group as a whole will achieve a net zero target for Scope 1 and 2 emissions by 2040.

We have made good progress in 2021, most notably in our UK Bus operations, where we have started operating 20 hydrogen buses, in partnership with Birmingham City Council, with the ambition to scale up to over 200 buses next year. As lead operator in the UK's first all-electric city, Coventry, have placed orders for the first tranche of 174 electric vehicles, with services starting in early 2023. In addition, we have also signed our first 'availability' contract in the UK with Zenobe. This effectively provides the Group with "ZEVs as a service" providing buses and charging infrastructure

without the requirement for up-front capital expenditure and with the availability provider accepting risk transfer for issues such as battery performance and changing technology. This will enable us to transition our fleet faster than we could otherwise do and we are aiming to replicate similar structures in North America and ALSA.

<u>The most satisfied customers</u>
Satisfied customers are less likely to put contracts out to tender. In 2021, our North American business recorded its highest ever customer satisfaction score, with 66% of customers rating our services as five-star (highly satisfied), a significant increase from 55% in 2019. This record rating is a direct result of the improvements our teams have delivered through the 'Driving Excellence' programme. Our best in class rating in Morocco was key to us winning the contract in Casablanca.

<u>The employer of choice</u>
We remain committed to paying the real living wage or 10% above the national minimum wage, but our ambition goes beyond this, to becoming the employer of choice across all our markets. Building on strong foundations, our refreshed people strategy will focus on sector leading employee engagement; and creating a diverse and inclusive workplace. In 2022 we will undertake our first consistent global employee engagement survey that will allow us to track our improvement across all of our markets. In 2021 we have focused on our diversity, inclusion and well-being agenda, through our D&I Council that was established in 2019. Initiatives include unconscious bias training to promote an inclusive workforce, for example, in the UK we launched our Stronger Together Campaign.

<u>Strong financial returns</u>
National Express has always been focused on cash generation and return on investment. I am pleased to see the return to strong free cash generation in 2021 and, as we said at our recent Capital Markets day, we expect free cash flow conversion averaging over 80% a year over the coming years. Over time, our business will become more asset-light, and we have made an important move towards that in 2021 through signing the first of potentially many "availability arrangements" which reduce the capital burden on the Group's balance sheet as well as removing the residual value and technology change risk. Our capital allocation discipline remains unchanged: we will utilise the Group's strong free cash flow generation to invest for growth, targeting investments that deliver 15% returns; to pay a dividend, with targeted cover of at least 2 times; and to maintain Gearing in a range of 1.5 to 2 times. Gearing improved significantly in the year to 3.6 times, towards our range of 1.5 to 2 times which we expect to reach within the next two years. The Board intends to reinstate payment of a dividend in respect of full year 2022, based on our current expectations for the year.

Outlook

National Express had a track record of delivering strong and sustainable financial outcomes in the years before the pandemic and we expect to continue to deliver strongly over the coming years. We have seen consistently that as restrictions are lifted, demand recovers. The majority of our businesses rapidly returned to 80% or more of pre-pandemic patronage at peak last year. We will inevitably see some unevenness over the year ahead, but we now have six quarters of increasingly positive demand trajectory to build from. Whilst the impact on the Group is expected to be limited, we note the tragic events unfolding in Ukraine and our sympathies go to those affected. Fuel prices have risen significantly in recent days, but we had already fully hedged our fuel requirements for 2022 and the increased cost of operating a private car has the potential to drive modal shift into public transport.

We expect to continue to rebuild our revenue base during 2022 as we position the business for accelerated growth going forwards, and anticipate delivering revenue close to 2019 levels in 2022.

As set out at the launch of Evolve at our Capital Markets Day, we expect an average profit margin of 9% in the period 2022 to 2027, and having fully recovered to pre-pandemic margin levels of around 10% in the later stages of that period. However, in the short term we expect the recovery in profitability to lag our revenue recovery, and hence for margins initially to be below our target 2022-2027 average, due to the additional investment required to rebuild patronage; the current shortage of drivers we are experiencing in our North America School Bus operations; and an elevated level of cost inflation that has partially offset the structural cost reductions we have made.

We remain focused on return on investment and cash generation and anticipate free cash flow conversion in 2022 at around the pre-pandemic average of at least 60%, with ongoing actions to minimise maintenance capex and utilise availability arrangements to source vehicles. Over the medium term we are targeting an average free cash flow conversion of at least 80% for 2022 to 2027, as set out at our Capital Markets Day.

Ignacio Garat
Group CEO
9 March 2022

ALSA

Year ended 31 December	**2021 m**	2020 m
Revenue	**£718.4**	£559.3
Underlying Operating Profit	**£56.6**	£6.7
Statutory Operating Profit/(Loss)	**£30.2**	£(93.5)
Revenue	**€835.8**	€629.3
Underlying Operating Profit	**€65.9**	€7.5
Statutory Operating Profit/(Loss)	**€35.2**	**€(105.2)**
Underlying Operating Margin	**7.9%**	1.2%

Overview

ALSA has delivered strong growth in revenue, Underlying Operating Profit and cash in the year, driven by an improving trajectory in trading throughout the year, coupled with the benefit of actions taken in 2020 to reduce structural costs. ALSA continues to reap the benefits from the ongoing diversification strategy, with nearly 50% of its contracts being revenue protected, providing both balance and a stable base to support the growth areas of the business. Revenue grew by 32.8% to €835.8 million with strong recovery in demand in our Long Haul and Regional services in Spain, and in Morocco, driven by both new and existing contracts. Underlying Operating Profit of €65.9 million represents a €58.4 million improvement versus last year, with Underlying Operating Margin recovering to 7.9%. After separately disclosed items, the statutory operating profit was €35.2 million (2020: €105.2m loss); an improvement of €140.4 million.

We have seen sequential improvement across all business lines. In Urban bus, by the year-end passenger numbers recovered back to nearly 90% of pre-pandemic levels. Long-Haul passenger demand increased steadily over the summer and into the autumn, peaking at 70% of pre-pandemic levels (despite increased rail competition), before the arrival of the Omicron variant – with passenger demand bouncing back strongly in recent weeks to around 70%. Morocco traded ahead of pre-pandemic levels, with nearly 290 million passengers carried in 2021, an increase of 50% versus 2019, in part driven by the new contracts in Casablanca and Rabat, but also through growth in existing contracts with, for example, the addition of new routes in Tangier.

Progressing Evolve

ALSA has developed a reputation for reinvigorating public transport. A prime example of this is Casablanca, where we are transforming the lives of the people who live there. Nearly 600 new buses are now operating in this city, transforming the quality and safety of services, significantly improving social mobility and further strengthening our strong customer relationships with the local authorities. At the same time, we have been able to cascade fleet to other cities to support growth in services, where, for example, Tangier is now seeing passenger journeys ahead of pre-pandemic levels. This is resulting in tangible improvements in safety, with Casablanca seeing a 48% reduction in at-fault road accidents year on year. It is not just the new contracts where we are seeing such improvements; we have also driven a significant improvement in safety standards in other cities, finishing the year with a 17% reduction in at fault road accidents in our existing contracts versus 2019.

We continued to consolidate our position in the Regional and Urban bus market in Spain, with the acquisition of Rober, an Urban bus business in Granada. This acquisition builds on ALSA's existing Urban bus business in Almeria and in Regional services, consolidating our leadership position in the region. Having subsequently won a small Urban bus contract in Jaen, we have since integrated this into our Rober business, further consolidating our leadership position in Andalusia.

ALSA is an established multi-modal operator and, in 2021, we have continued to add to our diverse offering of mobility services. In Leon, we added further services to our multi-modal offering, with the launch of bike rental services. This adds to our existing services in the city, where we also provide Urban, Regional and Long-Haul, as well as dedicated school bus services.

A key aspect of the ALSA transformational plan is the increasing digitalisation of the business both operationally and commercially. A number of projects are underway including the launch of Mobi4U, a Mobility as a service (MaaS) app. This single app can be used for travel on all types of mobility services in the local area, making it more convenient for our customers to plan their journeys with real-time information on services, journey times and intermodal connections. Making public transport convenient and easier for our customers will help drive modal shift away from cars and help our cities to achieve their environmental targets, whilst also building our relationships with the local authorities. Already the

app has been launched in five areas, four in Spain and one in Morocco – and we will look to roll it out further in more towns and cities in 2022.

We have also developed other digital applications for operational projects, including the optimisation of driver scheduling in our Madrid Consortium Urban bus contracts, covering 1,500 drivers and are looking to extend this to further contracts across Spain in 2022.

It's pleasing to see that our customers appreciate our efforts, with customer satisfaction scores back very close to the all-time record set in 2019 despite ongoing mobility restrictions this year. Indeed, our customers love our services and the innovations we introduce, with a clear case in point being our Long-Haul services, where the introduction of night services and new pick-up and destination stops is helping to offset the impact of new lower-cost high speed rail competition.

We continue to make progress with our decarbonisation agenda, launching the following targets in the year for transitioning to fully zero emission fleet targets; Urban bus in Spain by 2035; Long-Haul & Regional Coach in Spain by 2040; and Morocco by 2040. Significantly, we are the first public transport operator in Spain to launch regular services using hydrogen buses, where, working alongside the Madrid Consortium, we are now operating hydrogen buses in Madrid, building on our commitment to sustainable mobility.

Our reputation as a trusted partner and for delivering superior outcomes helps to win and retain contracts. We have successfully extended our contract in Khouribga, Morocco, for a further five years, and in Spain we retained a number of Regional contracts and won new contracts, including the government holiday scheme for elderly people, in partnership with IMSERSO.

Looking ahead

We are excited by the many opportunities that lie ahead of us, starting with our entry into an entirely new market, with the first of our two Urban bus contracts in Portugal mobilising and operating services in 2022. Together these contracts are worth €43 million of revenue on an annualised basis and open up further opportunities in the country.

In addition, we have an attractive pipeline of both organic and inorganic opportunities in the next 12 months, worth nearly €200 million in revenue. We see opportunities both in our existing markets, particularly in the Urban and Regional segments, as well as adjacent markets such as France and Italy, and we are actively working on bids.

The Long-Haul concession renewal process remains on hold as the authorities continue to absorb the impact of the pandemic on transport and the need to finalise the network remapping, with no stated intention to restart the process in the near term. As a result, industry expectations are for no impact from the Long-Haul concession renewal process until late in 2023 at the earliest.

North America

Year ended 31 December	**2021 m**	2020 m
Revenue	**£872.0**	£869.2
Underlying Operating Profit	**£74.4**	£12.4
Statutory Operating Profit/(Loss)	**£46.5**	£(176.0)
Revenue	**US$1,199.7**	US$1,121.5*
Underlying Operating Profit	**US$102.3**	US$16.3*
Statutory Operating Profit/(Loss)	**US$63.8**	US$(226.1)
Underlying Operating Margin	**8.5%**	1.5%

* Revenue and Underlying Operating Profit at constant currency in respect of the Canadian Dollar to US Dollar foreign exchange rate movement in the year

Overview

North America has delivered growth in revenue, Underlying Operating Profit and cash in the year, with an improving trajectory in trading throughout the year. Revenue grew by 7.0% to $1,199.7 million led by a strong return to school for the 2021/2022 year. Underlying Operating Profit of $102.3 million represents an $86.0 million improvement versus last year, with a significant improvement in the Underlying Operating Margin, to 8.5%. After separately disclosed items, the statutory operating profit was $63.8 million (2020: $226.1m loss); an improvement of $289.9 million.

Our School Bus operations saw an improving trajectory throughout the year, with the first half impacted by school closures and a mix of full in-school learning and a 'hybrid' of in-school and at-home learning. Encouragingly, the start of the new school year saw all schools returning to full-in school learning, although a few have closed sporadically in response to Omicron. As schools opened back up, this was accompanied by driver shortages, which are likely to persist for the rest of the 2021/2022 school year. These driver shortages have inevitably impacted wage demands, with wage inflation rising to 5.4% in the current school year. School Bus operators are supported by grant funding through the Coronavirus Economic Relief for Transportation Services (CERTS) programme, which has offset the increase in driver wages and the other costs associated with a more complex start-up to the new school year. We have taken decisive action to mitigate the impact of driver shortages including implementing new standardised recruitment procedures, supported by an enlarged centralised driver recruitment team. At the same time we introduced various incentives such as referral and retention bonus schemes, while also engaging more regularly with employees throughout the year, with a particular focus on well-being.

In our Transit business, service volumes recovered to 76% of pre-pandemic levels. We have benefitted from our review of the portfolio of Transit contracts conducted in the previous year, where we exited loss making contracts and achieved significant price increases on a number of other contracts which were previously earmarked as potential exits. In addition, the implementation of 'Driving Excellence' measures and tight cost control has delivered improved profitability for some previously poor performing contracts.

Our Shuttle business has also seen an improving trajectory throughout the year, with increased demand for services to restart. Earlier in the year only a quarter of services were operating; however, the second saw a strong recovery, with the majority of our customers returning to their workplaces. Encouragingly, 87% of services were operating by the year end with more customers indicating their intention to return more employees to the office in the first half of this year.

Progressing Evolve

We have made significant progress in the year in operational transformation, spearheaded by our 'Driving Excellence' programme. The first phase of our quality management processes has been rolled out in our School Bus depots, both standardising and improving operational processes and locking them in with the roll-out of enabling technology to automate the flow-through to billing. This relentless focus on small improvements is delivering improved performance for the customer, while at the same time eliminating waste and reducing costs. One example being a 27% improvement in yard departure performance, resulting in improved on-time performance for our customers, and an 18% reduction in service penalties year on year.

Once fully implemented we expect our 'Driving Excellence' programme to deliver annualised benefits of $40 million. One of the five customer propositions set out in Evolve is 'filling the transit gap' and this is best exemplified by our Shuttle business, where we have won multiple new contracts in the year, worth around $20 million of annualised revenue and also retained a number of key contracts, worth around $30 million of annualised revenue. Whilst we expect the pandemic will bring some long-term changes in working arrangements, our customers view face-to-face collaboration as critical for innovation and long-term success and continue to buy up commercial real estate. In addition, with employees likely to adopt a hybrid way of working, there will be growth opportunities for operating more

hours of service or more vehicles to accommodate the flexibility the companies are offering. Reflecting new business wins and confidence in the recovery of the existing business, we have raised our expectations for growth in WeDriveU over the next couple of years.

A relentless focus on driving safety improvements has helped to deliver a 64% improvement in our overall safety performance, as measured by FWI. Particularly pleasing is the improvement in our driver behaviour/risk score, which has resulted in a 42% improvement in performance over that recorded in 2019. This in turn has resulted in a 12% improvement in preventable accidents and a 42% improvement in speeding performance over the same period. We had no at-fault major injuries in North America in 2021, an accomplishment we believe is unparalleled in a transport company of our scale.

It is gratifying to see that our School Bus operations recorded its highest ever customer satisfaction score in 2021: 66% of customers gave the highest possible score, a significant increase from the score of 55% in 2019. This record rating is a direct result of the improvements our teams have delivered through the 'Driving Excellence' programme, particularly in terms of on-time performance and accurate invoicing, together with regular Covid-related communications and updates with each of our customers.

This year we set a formal target for a net zero emission fleet by 2040 and have made further progress with our decarbonisation agenda. We are already running a number of electric School Bus pilots and are developing proposals to scale these to hundreds of buses, building on the 'avalability contract' pioneered in the UK. Pleasingly we are seeing increased demand from a number of Shuttle customers for zero emission vehicles (ZEV), where we currently operate nearly 100 ZEVs.

Looking ahead

We remain confident about the prospects for each of our businesses and anticipate further sequential improvements in performance in the coming year.

With the additional operational complexities presented by the current driver shortages being felt across all of the US School Bus market, we expect the current year to be one of consolidation, with a focus on retention of contracts rather than seeking to gain market share. Encouragingly, customers are recognising the challenges we face, and while very early in the bid season, we are seeing above-average price increases on contract renewals.

In Transit, we will continue to focus our bidding activity in paratransit opportunities, which are typically both asset light and higher margin: we are actively exploring a number of tenders that will come up for bid in the next 12-18 months, worth around $200 million of revenue.

As noted above, we believe the growth prospects are very strong for our Shuttle operations. Indeed, we have a strong pipeline of bidding opportunities in 2022, approaching $150 million of annualised revenue, both in the corporate and university Shuttle markets, with potential to further expand our geographical footprint across the US.

UK

Year ended 31 December	**2021 £m**	2020 £m
Revenue	**397.8**	388.2
Underlying Operating Loss	**(22.6)**	(49.0)
Statutory Operating Loss	**(46.4)**	(99.4)
Underlying Operating Margin	**(5.7)%**	(12.6)%

Overview

While the UK had a tough year with mixed fortunes in our Bus and Coach operations, the performance trajectory continued to improve in terms of revenue and operating profit, particularly so in the second half of the year. Revenue grew by 2.5% to £397.8 million (and up nearly 14% in the second half). The Underlying Operating Loss of £22.6 million represents a £26.4 million improvement versus last year, with all of the loss associated with our Coach business. Despite these challenges, the UK delivered a significantly reduced loss in the year. After separately disclosed items, the statutory operating loss was £46.4 million (2020: £99.4m); an improvement of £53.0 million.

Over the year, Bus has seen a sequential improvement in passenger demand, recovering to around 80% of pre pandemic levels in November, before the arrival of the Omicron variant, where the imposition of "Plan B" restrictions contributed to a short term reduction in demand for our services. However, we observed a rapid bounce back in passenger demand in the weeks following the lifting of all restrictions in England in late January with passenger demand now back to 80% and rising. Our Bus operations continued to receive government support throughout the year, initially through the Covid Bus Service Support Grant (CBSSG), and then latterly through the Bus Recovery Grant (BRG), which runs through to the end of March 2022. With passenger demand still recovering, we welcome the recent announcement of a new bus funding package, worth over £150 million, from April through to October 2022.

Meanwhile, Coach had a tough start to the year, with operations temporarily mothballed in the first quarter as re-imposed lockdown restrictions were in place in the UK. The second quarter saw significantly reduced service levels relative to pre-pandemic levels, with restrictions on long distance travel and social distancing in place for much of that period. The second half saw a significant recovery in passenger demand, peaking at 55% of pre-pandemic levels in November with an occupancy rate of 66%. With the arrival of Omicron, there was a temporary slowing, but we have already seen passenger demand and revenue bouncing back in the last few weeks to nearly 60% of pre-pandemic levels. The recovery has been driven by higher demand on our core intercity routes, while our airport routes have inevitably seen extremely low passenger volumes, in line with reduced levels of international travel. As we rebuild occupancy, bringing service back ahead of full patronage, this is impacting profit recovery in the short-term – however we believe this is the right strategy to drive higher medium-term returns. We expect to return to profit in our Coach business in 2022.

Our Transport Solutions business has also had a difficult year, with private hire and holidays particularly affected by the changing messaging around travel restrictions. Notwithstanding these challenges, Transport Solutions recovered to 60% of 2019 revenue, with some significant contract wins in the year.

Progressing Evolve

Our UK Bus operations have a great reputation for re-invigorating public transport, with our partnership model with Transport for West Midlands (TfWM) widely recognised at both central and local government levels for delivering for all stakeholders. Working in partnership with TfWM, we have submitted the West Midlands region's bid for Bus Service Improvement Plan funding (BSIP) with key features including bus priority measures, sustaining low fares and ticketing innovations such as contactless capping, together with additional ZEVs – all aimed at driving modal shift from cars onto our buses. We already have the lowest fares in England, which has helped to drive the strong recovery in passenger demand to around 80% of pre-pandemic levels; we have also developed our industry-leading 'tap and go, never overpay' contactless capping ticketing further, with the launch of 3-day and 7-day options, which are both attractive and convenient for customers.

We have continued to invest and improve our businesses through the rollout of new technology and processes in the year. One such example is CitySwift, a timetable optimisation platform which uses AI and machine learning to predict journey times. This has enabled our bus operations to match service provision to prevailing traffic conditions, driving both efficiency improvements and enhanced customer service.

Filling the transit gap is best exemplified by our Transport Solutions business, which has won a number of new Shuttle contracts including the provision of employee Shuttle services for NEXT and the Ministry of Defence, as well as providing team bussing for the inaugural Cricket Hundred tournament. And significantly, Transport Solutions won its first ZEV Shuttle contract, providing Shuttle services to the Harry Potter World studio tour.

Our relentless focus on safety has been recognised with both our Bus and Coach operations re-awarded a five-star British Safety Council audit.

Our customers are recognising our efforts with the Net Promoter Score for our core coach brand standing at 42.3 versus a score of 38 in 2019, while our Trust Pilot rating is 'Excellent' with a score of 4.4.

We have the most ambitious net zero emission fleet targets for a [large] public transport operator in the UK. We have made further progress towards those targets in the year, where, in partnership with Birmingham City Council, we are now operating 20 hydrogen buses around Birmingham, the first city in England to do so outside of London, with the ambition to scale up to over 200 buses from 2023. In addition, as lead operator in the UK's first all-electric city, Coventry, we have also placed orders for 130 electric vehicles, to enter operation in early 2023, through our first 'availability' contract in the UK with Zenobe, This effectively provides the group with "ZEVs as a service"; providing buses and charging infrastructure without the requirement for up-front capital expenditure and with the availability provider accepting risk transfer for issues such as battery performance and changing technology.

Looking ahead

Looking ahead, we expect to see a continuing recovery in demand for our bus and coach services with the combination of low fares against a backdrop of rising costs for car owners, coupled with the arrival of the Commonwealth Games in Birmingham this summer, all helping to drive further growth in passenger demand. We anticipate passenger journeys approaching 2019 levels by the end of 2022.

With countries around the world lifting travel restrictions for tourists, we anticipate significant pent-up demand for overseas holidays this year, which, in turn, should drive a strong recovery in our services to airports this summer. Crucially, we have the contracts with the airports to access this demand, providing a significant competitive advantage over other operators.

Germany

Year ended 31 December	**2021** **m**	2020 m
Revenue	**£182.1**	£139.2
Underlying Operating Profit/(Loss)	**£5.0**	£(4.9)
Statutory Operating Loss	**£(24.1)**	£(24.0)
Revenue	**€211.8**	€156.6
Underlying Operating Profit/(Loss)	**€5.8**	€(5.5)
Statutory Operating Loss	**€(28.0)**	**€(27.0)**
Underlying Operating Margin	**2.7%**	(3.5)%

Overview

Revenue was up 35.2% to €211.8 million, refelecting a full year of operations following the the start-up of our third service for the Rhine-Ruhr Express (RRX) services in December 2020. The Underlying Operating Profit of €5.8 million in the year, represents an improvement of €11.3 million over the prior year, reflecting good operational control plus receipt of additional subsidies from the local passenger transport authorities (PTAs) to compensate for the reduced levels of patronage compared to pre-pandemic levels. The prior year also included contract accounting adjustments that reduced the in-year profit, without which the business would have generated a small Underlying Operating Profit in 2020. After separately disclosed items, the statutory operating loss was €28.0 million (2020: €27.0m).

In 2020 and subsequently also in 2021, we conducted a review of the profitability of the RRX contract, which has been impacted not only by the pandemic but also by rising costs, particularly rising energy prices and personnel costs. This has resulted in an increased onerous contract provision being recognised in the year, the cost of which has been recorded as a separately disclosed item; full details can be found in note 5 to the Financial Statements.

With another successful mobilisation of services, National Express is increasingly seen by the local PTAs as an operator with a reputation for high performance and reliability. It is this reputation that has enabled us to not only adjust terms on some existing contracts, thereby improving their lifetime profitability, but also to pick up new contracts through the largest ever emergency award in the rail industry, with the incumbent operator handing back services to the PTA. This new contract award will see us running further services for RRX for the next two years, and with a good margin.

The net impact of all of these developments is clear line of sight to sustained profitability and cashflow from German Rail going forward.

Progressing Evolve

The new emergency contract award demonstrates the importance and value of building a reputation as a trusted and reliable partner with customers, be they fare paying passengers or local PTAs. Our success and capability in mobilising new contracts is a key differentiator, and with a much shorter mobilisation period than is normal, we have the opportunity to deepen our customer relationships yet further. One of the major determinants for success in rail contract mobilisation, is the recruitment and training of train drivers, something which some of our competitors have struggled with. Our approach to this key area has not only resulted in successful start-up to services, but also ensured that we retain our drivers as we build our reputation as the employer of choice.

Looking ahead

As we look ahead, we see revenue significantly higher than the level seen in 2019, reflecting the new services mobilised in 2021 and the emergency contract award. We also see further growth opportunities through selective bidding for rail franchises which allow us to consolidate and coupled with a smoother profile of profit delivery, compound our existing contracts.

Group Chief Financial Officer's review

Summary Income Statement

	Underlying result[1] 2021 £m	**Separately disclosed items[1] 2021 £m**	**Total 2021 £m**	Underlying result[1] 2020 £m	Separately disclosed items[1] 2020 £m	Total 2020 £m
Revenue	**2,170.3**	**-**	**2,170.3**	1,955.9	-	1,955.9
Operating costs	**(2,083.3)**	**(123.2)**	**(2,206.5)**	(2,006.7)	(330.6)	(2,337.3)
Operating profit/(loss)	**87.0**	**(123.2)**	**(36.2)**	(50.8)	(330.6)	(381.4)
Share of results from associates	**(1.0)**	**-**	**(1.0)**	(2.1)	-	(2.1)
Net finance costs	**(46.3)**	**(1.4)**	**(47.7)**	(53.2)	(8.0)	(61.2)
Profit/(loss) before tax	**39.7**	**(124.6)**	**(84.9)**	(106.1)	(338.6)	(444.7)
Tax	**(12.8)**	**19.8**	**7.0**	29.3	88.7	118.0
Profit/(loss) for the year	**26.9**	**(104.8)**	**(77.9)**	(76.8)	(249.9)	(326.7)

1: To supplement IFRS reporting, we also present our results on an Underlying basis which shows the performance of the business before separately disclosed items, principally comprising amortisation of intangibles for acquired businesses, certain costs arising as a direct consequence of the pandemic, restructuring costs and the re-measurement of the RRX onerous contract provision. Treatment as a separately disclosed item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Further explanation in relation to these measures, together with cross-references to reconciliations to statutory equivalents where relevant, can be found on pages 20-22.

2021 began with further mobiity restrictions imposed by governments around the world. However, as these were lifted the recovery in revenue was encouraging; revenue for the first half of the year increased to 77% of 2019 levels (on a constant currency basis) compared to the second half of 2020 being 66%. This improved further to 87% of 2019 in the second half of 2021. This resulted in full year Group revenue of £2,170.3 million (2020: £1,955.9m), an increase of 11.0% (15.5% on a constant currency basis) year-on-year.

Public transport, by its nature, relies on a combination of commercial and concessionary revenue and during the year, the Group received £162.9 million in Covid-related revenue support (2020: £115.5m) representing 7.5% of total Group revenue. In the UK, the Group recognised £80.6 million (2020: £83.2m) from the Covid-19 Bus Services Support Grant (CBSSG) in return for maintaining bus services at around 100% of pre-pandemic levels with social distancing provisions in place. This scheme ended in August 2021 and was replaced by the Bus Recovery Grant (BRG) for which the Group recognised £12.2m revenue in the year. In addition, the Group recognised £54.2 million (2020: £15.3m) and £15.9 million (2020: £15.6m) for Covid-19 government compensation in ALSA and German Rail respectively. Had these various revenue-related grants not been available the Group would have operated a significantly lower level of service in order to further reduce costs. There was no revenue support provided by the Government for UK coach operations.

The Group recorded an Underlying Operating Profit for the year of £87.0 million (2020: £50.8m loss). The year-on-year improvement of £137.8 million reflected the increase in revenue, combined with continued cost control and support from customers, governments and transport authorities. Despite variable cost increases as service levels increased to support the 11.0% revenue growth and the impact of inflation, the increase in Underlying operating costs was contained at 3.8%; this reflected the cost saving programmes implemented in late 2020 and early 2021 to remove around £100 million of cost from the Group, as well as increasing occupancy.

After £123.2 million (2020: £330.6m) of separately disclosed items, the statutory operating loss was £36.2 million (2020: £381.4m loss).

At the start of the year a significant number of employees were temporarily laid off or furloughed utilising government income protection schemes, but the vast majority returned to work during the year with only minimal numbers remaining on such schemes by the end of the year. In total, the cost support received in respect of job retention or wage subsidy schemes was £18.3 million (2020: £45.6m), comprising £8.9 million in the UK and £9.4 million in North America. In addition £45.7 million of cost support was recognised in respect of the Coronavirus Economic Relief for Transportation Services (CERTS) grant in North America.

Underlying net finance costs decreased by £6.9 million to £46.3 million (2020: £53.2m) reflecting the impact in the prior year of the partial double-carry of Sterling bonds, as well as the impact of lower average Net Debt.

After finance costs and a loss of £1.0 million from the share of results from associates (2020: £2.1m loss), the Group recorded an Underlying Profit Before Tax of £39.7 million (2020: £106.1m loss).

The Underlying tax charge was £12.8 million (2020: £29.3m credit) representing an Underlying effective tax rate of 32.2% (2020: 27.6%) broadly in line with the weighted average tax rates in the countries in which the Group operates, the increase being driven by generating profits in higher taxation jurisdictions and a loss in the UK. The statutory tax credit was £7.0 million (2020: £118.0m credit). Tax losses in most jurisdictions have been recognised as deferred tax assets with forecasts of future profits supporting their utilisation.

The statutory loss for the year, after the separately disclosed items explained below, was £77.9 million (2020: £326.7m loss).

Separately disclosed items

£124.6 million (2020: £338.6m) of separately disclosed items were recorded as a net cost before tax in the Income Statement, of which £44.4 million (2020: £126.9m) represented cash outflows in the year.

Separately disclosed items	**Income Statement 2021 £m**	Income Statement 2020 £m	**Cash 2021 £m**	Cash 2020 £m
Intangible amortisation for acquired businesses	**(38.8)**	(52.6)	–	–
Directly attributable gains and losses resulting from the Covid-19 pandemic	**(41.0)**	(245.7)	**(31.5)**	(109.6)
Restructuring costs	**(12.3)**	(14.0)	**(9.4)**	(10.8)
Re-measurement of the Rhine-Ruhr onerous contract provision	**(27.9)**	(16.8)	**(1.5)**	–
Other separately disclosed items	**(3.2)**	(1.5)	**(0.9)**	–
Separately disclosed operating items	**(123.2)**	(330.6)	**(43.3)**	(120.4)
Interest charges directly resulting from the Covid-19 pandemic	**(1.4)**	(8.0)	**(1.1)**	(6.5)
Total (before tax)	**(124.6)**	(338.6)	**(44.4)**	(126.9)

Consistent with previous periods the Group classifies the £38.8 million (2020: £52.6m) amortisation for acquired intangibles as a separately disclosed item.

£41.0 million (2020: £245.7m) of directly attributable gains and losses due to Covid-19 were incurred in the year. These principally comprised: £10.3 million (2020: £116.6m) in respect of onerous contracts; £17.0 million (2020: £99.3m) impairments of customer contracts and property, plant and equipment; and £11.5 million expense (2020: £33.9m gain) in respect of the re-measurement of the WeDriveU put liability. Going forward, we do not expect further Covid-related charges in separately disclosed items other than re-measurements of items previously recorded.

Costs of £12.3 million (2020: £14.0m) were incurred in respect of group-wide restructuring and long-term cost saving initiatives, as part of the Group's mitigations against the adverse impact of the pandemic on profit and cash.

A £27.9 million (2020: £16.8m) expense was incurred following the re-assessment of the Rhine-Ruhr Express (RRX) onerous contract in Germany. Whilst the outlook for the German Rail business overall is positive, with good profitability anticipated over the remaining life of the contracts in aggregate, the original RRX contract in isolation is anticipated to be onerous, driven by cost inflation for personnel and energy costs.

Further detail is set out in note 4 to the Financial Statements.

Segmental performance

	Underlying Operating Profit/(Loss) 2021 £m	**Separately disclosed items 2021 £m**	**Segment result 2021 £m**	Underlying Operating (Loss)/Profit 2020 £m	Separately disclosed items 2020 £m	Segment result 2020 £m
ALSA	**56.6**	**(26.4)**	**30.2**	6.7	(100.2)	(93.5)
North America	**74.4**	**(27.9)**	**46.5**	12.4	(188.4)	(176.0)
UK	**(22.6)**	**(23.8)**	**(46.4)**	(49.0)	(50.4)	(99.4)
German Rail	**5.0**	**(29.1)**	**(24.1)**	(4.9)	(19.1)	(24.0)
Central functions	**(26.4)**	**(16.0)**	**(42.4)**	(16.0)	27.5	11.5
Operating profit/(loss)	**87.0**	**(123.2)**	**(36.2)**	(50.8)	(330.6)	(381.4)

ALSA revenue increased by 33% resulting in a €58m increase in Underlying Operating Profit to €66m. The Urban bus businesses in Spain as well as in Casablanca are largely revenue-protected, which has provided a stable underpin to performance whilst patronage is rebuilt. Discretionary and tourist businesses have continued to be severely impacted

by the pandemic but Long Haul has recovered well, with revenues in the second half of the year improving to within 20% of pre-pandemic levels despite ongoing restrictions. Morocco revenues grew by 36% to €134m, principally driven by Rabat and Casablanca but with other cities also recovering strongly.

North America revenue increased by 7% resulting in an increase in Underlying Operating Profit of $86m to $102m. School Bus service levels built back throughout the first half of the year with 96% of Schools back by the end of the School year in June. The second half of the year for School Bus has been impacted by driver shortages which have driven a large number of lost routes, although the financial impact of this has been partially mitigated by CERTS grant funding. Transit continues to benefit from the 2020 portfolio review as well as some key contract extensions,with revenue peaking at nearly 80% of 2019 levels. Shuttle customers mostly continued to pay in full such that WeDriveU continues to deliver close to pre-pandemic levels of profit.

UK revenue increased by 3% resulting in an increase in profit of £26m although still producing an Underlying Operating Loss of £23m. Within this, the Bus and Coach businesses fared very differently. UK Bus revenue for the year was 1% up on pre-pandemic levels, with patronage growing sequentially and peaking at over 80% of pre-pandemic levels before dropping again as restrictions were reapplied. Coach revenue finished the year 48% down on 2019 having peaked at 36% down. The continued mobility restrictions coupled with building occupancy, bringing back service ahead of passenger demand, drove an operating loss.

Cash management

Funds flow	**2021 £m**	2020 Restated* £m
Underlying Operating Profit/(Loss)	**87.0**	(50.8)
Depreciation and other non-cash items	**213.0**	237.4
EBITDA	**300.0**	186.6
Net maintenance capital expenditure**	**(142.1)**	(215.9)
Working capital movement	**33.0**	(95.6)
Pension contributions above normal charge	**(7.2)**	(7.4)
Operating cash flow	**183.7**	(132.3)
Net interest paid	**(41.1)**	(56.0)
Tax paid	**(19.2)**	(7.7)
Free cash flow	**123.4**	(196.0)
Growth capital expenditure**	**(134.4)**	(35.3)
Acquisitions and disposals (net of cash acquired/disposed)	**(54.3)**	(48.0)
Separately disclosed items	**(44.4)**	(126.9)
Proceeds from equity instruments	**-**	725.6
Payment on hybrid instrument	**(5.3)**	-
Other, including foreign exchange	**65.1**	(57.2)
Net funds flow	**(49.9)**	262.2
Net Debt	**(1,069.8)**	(1,019.9)

** 2020 Net Debt is restated for the reclassification from payables to Net Debt of £78.3m amounts due under advance factoring arrangements. See below for further explanation.*
*** Net maintenance capital expenditure and growth capital expenditure are defined in the glossary of Alternative Performance Measures on page 20.*

The Group generated EBITDA of £300.0 million in the year (2020: £186.6m).

The net maintenance capital expenditure of £142.1 million (2020: £215.9m) represented a significant reduction on recent years, reflecting actions taken to reduce capital expenditure in response to the pandemic. The majority of spend in the year was in respect of fleet replacement in ALSA and North America. At the year end there was £104.3 million (2020: £289.6m) owing to vehicle suppliers in respect of either maintenance or growth capex, with the year-on-year decrease reflecting the payment of growth capex in the year, combined with tight control of capital additions.

The Group recorded a working capital inflow of £33.0 million for the year (2020: £95.6m outflow), reflecting a partial unwind of the outflow observed in the previous year, as receivables and payables both increased as a result of the continued recovery in activity levels.

Consistent with previous periods, the Group makes use of non-recourse factoring arrangements. These take two forms: a) typical factoring of receivables existing at the balance sheet date (principally utilised for School Bus in North America), and b) advance payments for factoring of divisional subsidies. The latter occurs principally in Germany where the cash flow profile of the RME contract is such that it creates a working capital requirement over the first half of the 15 year contract, and we factor certain of the subsidies due in order to ensure that the contract has a cash neutral impact on the Group. During the year the Group amended its accounting policy in respect of this form of factoring such that any amounts

drawn down are now classified as borrowings rather than as a working capital item – see note 2 to the Financial Statements for further information. At 31 December 2021 there was £77.9 million (2020: £78.3m) drawn down on these arrangements, which is now classified as borrowings rather than payables in both 2021 and 2020. The prior year comparatives in the table above have been restated accordingly. In addition to the advance subsidy factoring, at 31 December 2021 there was £48.5 million (2020: £33.3m) drawn down on receivables factoring. This increase reflected the growth in revenues; however, the amounts drawn down on such factoring remained below pre pandemic levels.

Net interest paid decreased by £14.9 million to £41.1 million (2020: £56.0m). There are two components to this reduction. Firstly, 2020 was a "double carry" year whereby the final interest payment on the 2020 bond maturing in June 2020 (payable annually in arrears) was made whilst at the same time making interest payments on new borrowings. Secondly, average Net Debt has decreased, resulting in lower interest charges. Given the double carry impact in the prior year, 2019 is a more comparable year. Net interest paid in that year was £45.4 million, compared to £41.1 million in 2021; the reduction being broadly in line with decrease in Net Debt.

The net impact of the factors outlined above was a free cash inflow of £123.4 million in the year (2020: £196.0m outflow), comprising an inflow of £40.6 million in the first half and an inflow of £82.8 million in the second half.

Growth capital expenditure of £134.4 million (2020: £35.3m) principally comprised vehicles to service new contracts in ALSA and North America. The year-on-year increase reflected payments in respect of the Rabat and Casablanca fleets, which had been delivered in the prior year. A £54.3 million outflow for acquisitions and disposals includes £22.8 million for the acquisition of Transportes Rober in Spain in June and £17.7 million for the purchase of a further 10% of the share capital of WeDriveU (upon exercise of put options by the vendor), with the remainder being deferred consideration in respect of acquisitions in previous years. The amounts outstanding in respect of deferred consideration at the end of the year had reduced to £13.4 million (2020: £28.8m; 2019: £49.0m).

A cash outflow of £44.4 million was recorded in respect of the items excluded from Underlying results as explained above.

In the previous year the Group received £725.6 million from a combination of the share placing in May 2020, delivering £230.1 million, and the hybrid instrument issue in November 2020, which raised £495.5 million net of costs. The hybrid instrument is accounted for as 100% equity under IFRS and is subject to a 4.25% coupon, paid annually in February, which is effectively treated as an equity dividend. £5.3 million of coupon payments on the hybrid instrument were made in the year, in respect of the first part-year.

Other movements of £65.1 million (reduction to Net Debt) principally reflect the movement in exchange rates and settlement of foreign exchange derivatives. The strengthening in the value of the pound decreased the value of debt denominated in foreign currency.

Net funds outflow for the period of £49.9 million (2020 restated: £262.2m inflow) resulted in Net Debt of £1,069.8 million (2020 restated: £1,019.9m).

Please see page 21 for a reconciliation to the statutory cash flow statement.

Dividend

The Group's capital allocation policy aims to achieve a balance between reinvesting in the business for future growth and returns, reducing gearing to within our revised target range of 1.5x to 2.0x and paying a growing dividend to shareholders. As previously guided, in light of the exceptional economic circumstances and conditions attaching to our amended covenants, the Group will not be paying a dividend in respect of 2021. Looking ahead, reflecting the improving financial performance of the Group and the outlook for profit and cash for the year ahead, the Board intends to reinstate a dividend in respect of the full year 2022, at least 2 times covered. We anticipate paying the entire dividend in respect of FY 2022 based on, and following delivery of, the full year results; reverting to a customary split between interim and final dividends for subsequent years.

Treasury management

The Group maintains a disciplined approach to its financing and is committed to an investment grade credit rating. Both Moody's and Fitch reaffirmed their investment grade ratings during the year with Fitch revising outlook upwards.

In light of the impact of the pandemic on EBITDA generation, the Group has renegotiated its covenants. The Gearing covenant has been waived by the lenders throughout 2020 and 2021, and will next apply at 31 December 2022, after which it reverts to the pre-amended level of 3.5x. The interest cover covenant had been amended to 1.5x and 2.5x for the 30 June 2021 and 31 December 2021 test periods respectively, and returns to its pre-amended level of 3.5x for 30 June 2022 onwards. In return for these waivers and amendments to the covenants the Group has agreed to a quarterly £250 million minimum liquidity test and a bi-annual £1.6 billion maximum Net Debt test during the amendment period. In addition the Group has agreed to pay no dividend during the period of the amendments if gearing exceeds 3.5x or interest cover is below 3.5x. At 31 December 2021, Gearing was 3.6x (31 December 2020: 6.6x); almost back within the pre-amended level. Interest cover at the end of the year was 6.3x (31 December 2020: 2.7x); this compares to an amended covenant of 2.5x. All covenants are on a pre-IFRS 16 basis.

At 31 December 2021, the Group had £1.9 billion (31 December 2020: £2.8bn) of debt capital and committed facilities, with an average maturity of 4.7 years. The decrease from 2020 reflects the planned maturity of the short-term financing facilities secured following the emergence of Covid-19, including the £0.6 billion available under the Bank of England Covid Corporate Financing Facility. At 31 December 2021, the Group's RCFs were undrawn and the Group had available a total of £0.9 billion (31 December 2020: £1.9bn) in net cash and undrawn committed facilities. The table below sets out the composition of these facilities.

Funding facilities	Facility £m	Utilised at 31 December 2021 £m	Headroom at 31 December 2021 £m	Maturity year
Core RCFs	495	-	495	2024-2025
2023 bond	400	400	-	2023
2028 bond	241	241	-	2028
Private placement	394	394	-	2027-2032
Divisional bank loans	112	112	-	various
Leases	219	219	-	various
Funding facilities excluding cash	1,861	1,366	495	
Net cash and cash equivalents		(376)	376	
Total		**990**	**871**	

To ensure sufficient availability of liquidity, the Group maintains a minimum of £300 million in cash and undrawn committed facilities at all times. This does not include factoring facilities which allow the without-recourse sale of receivables. These arrangements provide the Group with more economic alternatives to early payment discounts for the management of working capital, and as such are not included in (or required for) liquidity forecasts.

At 31 December 2021, the Group had foreign currency debt and swaps held as net investment hedges. These help mitigate volatility in the foreign currency translation of our overseas net assets. The Group also hedges its exposure to interest rate movements to maintain an appropriate balance between fixed and floating interest rates on borrowings. It has therefore entered into a series of swaps that have the effect of converting fixed rate debt to floating rate debt or vice versa. The net effect of these transactions was that, at 31 December 2021, the proportion of Group debt at floating rates was 18% (2020: 7%).

Group tax policy

We adopt a prudent approach to our tax affairs, aligned to business transactions and economic activity. We have a constructive and good working relationship with the tax authorities in the countries in which we operate and there are no outstanding tax audits in any of our main three markets of the UK, Spain and the USA. The Group's tax strategy is published on the Group website in accordance with UK tax law.

Pensions

The Group's principal defined benefit pension schemes are all in the UK. The combined deficit under IAS 19 at 31 December 2021 was £95.4 million (2020: £135.1m), with the decrease being principally driven by an increase in discount rates.

The two principal plans are the UK Group scheme, which is closed to new accrual, and the West Midlands Bus plan, which remains open to accrual for existing active members only. The deficit repayments on the West Midlands Bus plan will be around £7 million per annum, rising with inflation, until 2026.

On 23 September 2021, a full buy-out of the UK Group scheme was completed, following which Rothesay Life has become fully and directly responsible for the pension obligations. On completion of the buy-out, the defined benefit assets and matching defined benefit liabilities were derecognised from the Group's Balance Sheet. The buy-out transaction also triggered the return of surplus assets to the Company totalling £7.5 million, with the remaining £3.8 million assets retained in the scheme to cover final expenses in completing its wind up.

The IAS 19 valuation for the West Midlands Bus scheme at 31 December 2021 was a £96.1 million deficit (2020: £141.6m deficit).

Fuel costs

Fuel cost represents approximately 7% of revenue. Whilst it remains complex to forecast volume at the current time, based on current projections and as of February 2022, the Group is fully hedged for 2022 at an average price of 34.0p per litre; around 65% hedged for 2023 at an average price of 34.4p; and around 25% hedged for 2024 at an average price of 38.5p. This compares to an average hedged price in 2020 and 2021 of 37.2p and 37.8p respectively.

TCFD reporting

The Group had previously provided disclosures consistent with many of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has now fully adopted the recommendations for the 2021 annual report.

This is the culmination of a project undertaken during the year by an internal working group, with selected input from external experts. The most significant new activity was the completion of a detailed climate risk assessment. Our overall conclusion from this work is that neither an extreme physical scenario risk nor an extreme transition scenario would be likely to have a material adverse impact on the Group's profitability, cash flow, gearing or liquidity. On the contrary, we forecast that any downside impact would be dwarfed by the opportunities from modal shift likely to unfold in either scenario.

Going concern

The Board continues to believe that the Group's prospects are positive. We are diversified geographically, by mode of transport and by contract type and no single contract contributes more than 4% to revenue. Furthermore, a large proportion of the Group's contracts have some form of protection from volatility in passenger numbers. The Group is well positioned to benefit from the future trends in transportation. Public transport is key to increasing social mobility as well as being fundamental to addressing the challenges of congestion and poor air quality.

The Financial Statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Details of the Board's assessment of the Group's 'base case', 'reasonable worse case', and 'reverse stress tests' are detailed in note 1 to the Financial Statements.

Chris Davies
Group Chief Financial Officer
9 March 2022

Group wide risks

Principal risks and uncertainties

The Group's principal risks and uncertainties summarised here are in line with those that are detailed in the 2021 Annual Report and Accounts:

1. Extended Covid-19 impact: Once restrictions are lifted and mobility recovers, there may be lasting implications such as residual fear of travelling on public transport; significantly less travel for shopping; or a material change in working patterns with more of our passengers working from home
2. Economic conditions: parts of the business may be adversely affected by economic conditions as discretionary travel in some areas of the business is historically correlated to GDP and employment.
3. Political, geopolitical and regulatory changes: changes in political and regulatory environments can impact a regulated transport business through the operation of concessions; safety procedures; equipment specifications; employment requirements, and environmental procedures.
4. Climate change (physical): Loss of a key location to either a man-made hazard such as fire, or natural catastrophe such as a hurricane, can result in asset loss and lost revenue. Widespread events such as extreme weather can also interrupt operations and cause revenue loss even if the Group's assets are undamaged
5. Changing customer expectations: failure to adapt to changing customer expectations especially in the digital environment could affect customer satisfaction and the business's ability to capitalise on valuable customer data and commercial initiatives.
6. Climate change (transition): rapidly increased demand for alternative fuel vehicles (electric, hydrogen etc.) could require a significant change to infrastructure.
7. Competition and market dynamics: increased competition from other modes of transport and/or in terms of increased price competition.
8. HR risks: poor labour relations leading to operational disruption, reputational damage and increased costs; lack of available management talent/leaderships skills which could inhibit growth; shortages in drivers and other key staff.
9. Cyber security, IT failure and General Data Protection Regulations: loss of confidential data causing damage to brand reputation and incurring penalties; major IT failure causing severe or sustained disruption to the business.
10. Safety, litigation and claims: a major safety-related incident could impact the Group both financially and reputationally.
11. Credit/financing risk: Group liquidity could be impacted by a material increase in borrowing costs; and a material tightening of credit markets.

Cautionary statement

This Review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the Review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of these accounts should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other events, many of which are outside of the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Chris Davies
Group Chief Financial Officer
9 March 2022

Alternative performance measures

In the reporting of financial information, the Group has adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance. The key APMs that the Group focuses on are as follows:

Measure	Closest IFRS measure	Definition and reconciliation	Purpose
EBITDA	Operating profit[1]	Earnings Before Interest and Tax plus Depreciation and Amortisation. It is calculated by taking Underlying Operating Profit and adding back depreciation, fixed asset grant amortisation, and share-based payments. This is illustrated in the Group Chief Financial Officer's Report on page 15.	EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.
Gearing	No direct equivalent	The ratio of Covenant Net Debt to EBITDA over the last 12 months, after making the following adjustments to EBITDA: including any pre-acquisition EBITDA generated in that 12-month period by businesses acquired by the Group during that period; the reversal of IFRS 16 accounting; the exclusion of the profit or loss from associates; the exclusion of the profit or loss attributable to minority interest; and the add back of interest costs arising from the unwind of the discount on provisions.	The gearing ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of Underlying Profit After Tax. A reconciliation of Underlying Operating Profit and net cash flow from operating activities to free cash flow is set out in the supporting tables below.	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.
Net maintenance capital expenditure	No direct equivalent	Comprises the purchase of property, plant and equipment and intangible assets, other than growth capital expenditure, less proceeds from their disposal. It excludes capital expenditure arising from discontinued operations. It includes the capitalisation of leases initiated in the year in respect of existing business. A reconciliation of capital expenditure in the statutory cash flow statement to net maintenance capital expenditure (as presented in the Group Chief Financial Officer's Report) is set out in the supporting tables below.	Net maintenance capital expenditure is a measure by which the Group and interested stakeholders assesses the level of investment in new/existing capital assets to maintain the Group's profit.
Growth capital expenditure	No direct equivalent	Growth capital expenditure represents the cash investment in new or nascent parts of the business, including new contracts and concessions, which drive enhanced profit growth. It includes the capitalisation of leases initiated in the year in respect of new business.	Growth capital expenditure is a measure by which the Group and interested stakeholders assesses the level of capital investment in new capital assets to drive profit growth.
Net Debt	Borrowings less cash and related hedges	Cash and cash equivalents (cash overnight deposits, other short-term deposits) and other debt receivables, offset by borrowings (loan notes, bank loans and finance lease obligations) and other debt payable (excluding accrued interest). The components of Net Debt as they reconcile to the primary financial statements and notes to the accounts is disclosed in note 13.	Net Debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Covenant Net Debt	Borrowings less cash and related hedges	Net Debt adjusted for certain items agreed with the Group's lenders as being excluded for the purposes of calculating Net Debt for covenant assessment. The adjustments principally comprise the exclusion of IFRS 16 liabilities, the exclusion of amounts owing under arrangements to factor advance subsidy payments, the add back of trapped cash, and an adjustment to retranslate any borrowing denominated in foreign currency to the average foreign currency exchange rates over the preceding 12 months.	Covenant Net Debt is the measure that is applicable in the covenant gearing test.
Underlying earnings	Profit after tax	Is the Underlying Profit attributable to equity shareholders for the period, and can be found on the face of the Group Income Statement in the first column.	Underlying earnings is a key measure used in the calculation of Underlying earnings per share.

Underlying earnings per share	Basic earnings per share	Is Underlying earnings divided by the weighted average number of shares in issue, excluding those held in the Employee Benefit Trust which are treated as cancelled. A reconciliation of statutory profit to Underlying profit for the purpose of this calculation is provided within note 8 of the financial statements.	Underlying earnings per share is widely used by external stakeholders, particularly in the investment community.
Underlying Operating Profit	Operating profit[1]	Statutory operating profit excluding separately disclosed items, and can be found on the face of the Group Income Statement in the first column.	Underlying Operating Profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.
Underlying Operating Margin	Operating profit[1] *divided by revenue*	Underlying Operating Profit/(Loss) divided by revenue	Underlying Operating Margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders
Return on capital employed (ROCE)	Operating profit[1] and net assets	Underlying Operating Profit divided by average capital employed. Capital employed is net assets excluding Net Debt and derivative financial instruments, and for the purposes of this calculation is translated using average exchange rates. The calculation of ROCE is set out in the reconciliation tables below.	ROCE gives an indication of the Group's capital efficiency and is a key performance measure for the Executive Directors' remuneration.

[1] *Operating profit is presented on the Group income statement. It is not defined per IFRS, however is a generally accepted profit measure.*

Supporting reconciliations

Reconciliation of net cash flow from operating activities to free cash flow	**2021 £m**	2020 restated £m
Net cash flow from operating activities	**170.9**	(114.0)
Remove: Cash payments in respect of IFRIC 12 asset purchases treated as working capital for statutory cash flow*	**42.9**	-
Remove: Cash expenditure in respect of separately disclosed items	**44.4**	126.9
Add: Net maintenance capital expenditure	**(142.1)**	(215.9)
Add: Other non-cash movements	**(1.3)**	(4.0)
Profit on disposal of fixed assets	**8.6**	11.0
Free cash flow	**123.4**	(196.0)

*During the year the Group made payments in respect of assets (principally vehicles) acquired to fulfil a contract in Morocco that is accounted for under the IFRIC12 financial asset model and for which the statutory cash flow for these purchases is accordingly presented as a movement in working capital, with the assets being recorded as contract assets on the balance sheet rather than in property, plant and equipment or intangible assets. In order to be consistent with the treatment of asset purchases on other contracts, these asset purchases are reclassified to capital expenditure for the purposes of the "funds flow" presented in the CFO report. The asset purchases in 2021 were in respect of a new contract and therefore have been reclassified to growth capital expenditure, consistent with other asset purchases for new business and consistent with previous years.

Reconciliation of capital expenditure in statutory cash flow to funds flow	**2021 £m**	2020 £m
Purchase of property, plant and equipment	**(168.5)**	(215.3)
Proceeds from disposal of property, plant and equipment	**13.7**	17.7
Payments to acquire intangible assets	**(44.4)**	(22.7)
Proceeds from disposal of intangible assets	**0.7**	2.3
Net capital expenditure in statutory cash flow statement	**(198.5)**	(218.0)
Add: Profit on disposal of fixed assets	**(8.6)**	(11.0)
Add: capitalisation of leases initiated in the year, less disposals	**(26.5)**	(22.2)
Add: cash payments in respect of IFRIC 12 asset purchases*	**(42.9)**	-
Net capital expenditure in the funds flow (presented in the Group Chief Financial Officer's Report)	**(276.5)**	(251.2)
Split as:		
*Net maintenance capital expenditure***	***(142.1)***	*(215.9)*
*Growth capital expenditure***	***(134.4)***	*(35.3)*

* See explanation above

** These terms are defined in the glossary of APMs

Reconciliation of ROCE	**2021 £m**	2020 restated £m
Statutory operating profit	**(36.2)**	(381.4)
Add back: separately disclosed items	**123.2**	330.6
Return – Underlying Operating (Loss)/Profit	**87.0**	(50.8)
Average net assets	**1,462.1**	1,294.3
Remove: Average Net Debt	**1,044.9**	1,161.1
Remove: Average derivatives, excluding amounts within Net Debt	**(13.4)**	5.1
Foreign exchange adjustment	**33.1**	63.9
Average capital employed	**2,526.7**	2,524.4
Return on capital employed	**3.4%**	(2.0)%

Depreciation and other non-cash items	**2021 £m**	2020 £m
Depreciation charge	**199.7**	223.6
Underlying amortisation charge	**15.5**	16.5
Share-based payments	**1.0**	0.2
Amortisation of fixed asset grants	**(3.2)**	(2.9)
Depreciation and other non-cash items (as disclosed in the “funds flow” in the CFO report)	**213.0**	237.4

Covenant Net Debt	**2021 £m**	2020 £m
Net Debt (see note 13b to the financial statements)	**(1,069.8)**	(1,019.9)
Remove: IFRS 16 liabilities	**155.3**	190.5
Remove: amounts drawn down in respect of advance subsidy factoring	**77.9**	78.3
Other adjustments	**(30.0)**	(30.9)
Covenant Net Debt	**866.6**	782.0

Financial Statements
Group Income Statement

For the year ended 31 December 2021

	Note	**Underlying result 2021 £m**	**Separately disclosed items (note 4) 2021 £m**	**Total 2021 £m**	Underlying result 2020 £m	Separately disclosed items (note 4) 2020 £m	Total 2020 £m
Revenue	3	**2,170.3**	**–**	**2,170.3**	1,955.9	–	1,955.9
Operating costs		**(2,083.3)**	**(123.2)**	**(2,206.5)**	(2,006.7)	(330.6)	(2,337.3)
Group operating profit/(loss)		**87.0**	**(123.2)**	**(36.2)**	(50.8)	(330.6)	(381.4)
Share of results from associates and joint ventures		**(1.0)**	**–**	**(1.0)**	(2.1)	–	(2.1)
Finance income	5	**3.2**	**–**	**3.2**	3.3	–	3.3
Finance costs	5	**(49.5)**	**(1.4)**	**(50.9)**	(56.5)	(8.0)	(64.5)
Profit/(loss) before tax		**39.7**	**(124.6)**	**(84.9)**	(106.1)	(338.6)	(444.7)
Tax (charge)/credit	6	**(12.8)**	**19.8**	**7.0**	29.3	88.7	118.0
Profit/(loss) for the year		**26.9**	**(104.8)**	**(77.9)**	(76.8)	(249.9)	(326.7)
Profit/(loss) attributable to equity shareholders		**21.6**	**(103.2)**	**(81.6)**	(82.1)	(249.6)	(331.7)
Profit/(loss) attributable to non-controlling interests		**5.3**	**(1.6)**	**3.7**	5.3	(0.3)	5.0
		26.9	**(104.8)**	**(77.9)**	(76.8)	(249.9)	(326.7)
Earnings per share:	8						
– basic earnings per share				**(16.8)p**			(57.9)p
– diluted earnings per share				**(16.8)p**			(57.9)p

Details relating to separately disclosed items are provided in note 4.

Financial Statements

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 £m	2020 £m
Loss for the year	**(77.9)**	(326.7)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension plans	**41.9**	(48.4)
Deferred tax (charge)/credit on actuarial movements	**(2.7)**	10.8
Gains/(losses) on equity instruments classified as fair value through Other Comprehensive Income	**1.2**	(1.6)
	40.4	(39.2)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on retranslation of foreign operations	**(55.7)**	34.5
Exchange differences on retranslation of non-controlling interests	**(1.3)**	0.7
Gains/(losses) on net investment hedges	**26.5**	(10.0)
Gains/(losses) on cash flow hedges	**52.5**	(50.3)
Cost of hedging	**0.1**	0.2
Hedging (gains)/losses reclassified to Income Statement	**(3.3)**	34.8
Tax on exchange differences	**0.5**	1.6
Deferred tax on cash flow hedges	**(9.5)**	3.8
	9.8	15.3
Comprehensive income/(expenditure) for the year	**50.2**	(23.9)
Total comprehensive expenditure for the year	**(27.7)**	(350.6)
Total comprehensive (expenditure)/income attributable to:		
Equity shareholders	**(30.1)**	(356.3)
Non-controlling interests	**2.4**	5.7
	(27.7)	(350.6)

Financial Statements
Group Balance Sheet

At 31 December 2021

	Note	2021 £m	(Restated) 2020[1, 2] £m	(Restated) 2019[1, 2] £m
Non-current assets				
Intangible assets		**1,778.5**	1,851.8	1,901.8
Property, plant and equipment		**1,129.6**	1,233.2	1,348.2
Non-current financial assets		**32.6**	14.3	24.9
Investments accounted for using the equity method		**13.7**	15.6	17.9
Trade and other receivables		**147.1**	91.7	9.6
Finance lease receivable		**12.7**	10.6	3.6
Deferred tax assets		**150.6**	140.5	31.8
Defined benefit pension assets	12	**3.8**	12.3	14.2
Total non-current assets		**3,268.6**	3,370.0	3,352.0
Current assets				
Inventories		**28.8**	27.0	29.4
Trade and other receivables		**428.3**	391.7	496.8
Finance lease receivable		**4.1**	4.3	1.4
Derivative financial instruments		**31.0**	44.9	44.5
Current tax assets		**3.3**	2.6	1.6
Cash and cash equivalents	11	**508.4**	629.8	715.8
Total current assets		**1,003.9**	1,100.3	1,289.5
Assets classified as held for sale		**18.6**	18.8	4.3
Total assets		**4,291.1**	4,489.1	4,645.8
Non-current liabilities				
Borrowings		**(1,294.3)**	(1,313.0)	(1,091.0)
Derivative financial instruments		**(11.1)**	(10.6)	(9.6)
Deferred tax liability		**(39.2)**	(40.7)	(56.4)
Other non-current liabilities		**(123.8)**	(202.7)	(178.2)
Defined benefit pension liabilities	12	**(99.2)**	(147.4)	(104.2)
Provisions		**(68.8)**	(54.8)	(43.1)
Total non-current liabilities		**(1,636.4)**	(1,769.2)	(1,482.5)
Current liabilities				
Trade and other payables		**(787.7)**	(783.0)	(998.4)
Borrowings		**(302.3)**	(354.6)	(944.8)
Derivative financial instruments		**(24.5)**	(23.0)	(37.8)
Current tax liabilities		**(3.0)**	(2.2)	(8.8)
Provisions		**(89.0)**	(81.1)	(61.0)
Total current liabilities		**(1,206.5)**	(1,243.9)	(2,050.8)
Total liabilities		**(2,842.9)**	(3,013.1)	(3,533.3)
Net assets		**1,448.2**	1,476.0	1,112.5
Shareholders' equity				
Called-up share capital		**30.7**	30.7	25.6
Share premium account		**533.6**	533.6	532.7
Own shares		**(4.5)**	(3.5)	(6.0)
Hybrid reserve		**513.0**	497.6	–
Other reserves		**380.1**	367.8	130.7
Retained earnings		**(45.8)**	9.6	391.4
Total shareholders' equity		**1,407.1**	1,435.8	1,074.4
Non-controlling interests in equity		**41.1**	40.2	38.1
Total equity		**1,448.2**	1,476.0	1,112.5

1 Restated for a change in accounting policy where amounts outstanding in relation to advance subsidy factoring arrangements have been reclassified from trade and other payables to borrowings. See note 1 for further information

2 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 1 for further information.

I Garat — Group Chief Executive

C Davies — Group Chief Financial Officer

9 March 2022

Financial Statements

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2021	**30.7**	**533.6**	**(3.5)**	**497.6**	**367.8**	**9.6**	**1,435.8**	**40.2**	**1,476.0**
(Loss)/profit for the year	–	–	–	–	–	(81.6)	(81.6)	3.7	(77.9)
Comprehensive income/(expense) for the year	–	–	–	–	12.3	39.2	51.5	(1.3)	50.2
Total comprehensive income/(expense)	–	–	–	–	12.3	(42.4)	(30.1)	2.4	(27.7)
Shares purchased	–	–	(2.5)	–	–	–	(2.5)	–	(2.5)
Own shares released to satisfy employee share schemes	–	–	1.5	–	–	(1.5)	–	–	–
Share-based payments	–	–	–	–	–	1.0	1.0	–	1.0
Tax on share-based payments	–	–	–	–	–	0.3	0.3	–	0.3
Transaction costs on issuance of hybrid instrument	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Accrued payments on hybrid instrument	–	–	–	21.2	–	(21.2)	–	–	–
Payments on hybrid instrument	–	–	–	(5.3)	–	–	(5.3)	–	(5.3)
Deferred tax on hybrid bond payments	–	–	–	–	–	4.4	4.4	–	4.4
Purchase of subsidiary shares from non-controlling interest	–	–	–	–	–	4.0	4.0	(4.6)	(0.6)
Other movements with non-controlling interests	–	–	–	–	–	–	–	3.1	3.1
At 31 December 2021	**30.7**	**533.6**	**(4.5)**	**513.0**	**380.1**	**(45.8)**	**1,407.1**	**41.1**	**1,448.2**

Financial Statements

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2020	25.6	532.7	(6.0)	–	130.7	391.4	1,074.4	38.1	1,112.5
Loss for the year	–	–	–	–	–	(331.7)	(331.7)	5.0	(326.7)
Comprehensive expense for the year	–	–	–	–	13.0	(37.6)	(24.6)	0.7	(23.9)
Total comprehensive expense	–	–	–	–	13.0	(369.3)	(356.3)	5.7	(350.6)
Shares issued during the year (net of transaction costs)	5.1	0.9	–	–	224.1	–	230.1	–	230.1
Shares purchased	–	–	(3.9)	–	–	–	(3.9)	–	(3.9)
Own shares released to satisfy employee share schemes	–	–	6.4	–	–	(6.4)	–	–	–
Share-based payments	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Tax on share-based payments	–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
Issuance of hybrid instrument (net of transaction costs)	–	–	–	495.5	–	–	495.5	–	495.5
Accrued payments on hybrid instrument	–	–	–	2.1	–	(2.1)	–	–	–
Deferred tax on hybrid bond payments	–	–	–	–	–	0.4	0.4	–	0.4
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1.6)	(1.6)
Other movements with non-controlling interests	–	–	–	–	–	(2.5)	(2.5)	(2.0)	(4.5)
At 31 December 2020	30.7	533.6	(3.5)	497.6	367.8	9.6	1,435.8	40.2	1,476.0

In May 2020, the Group issued 101,918,947 ordinary shares of 230p each. The net proceeds were £229.1m and as the share issue qualified for merger relief under Section 612 of the Companies Act 2006, the excess of the net proceeds over the nominal value of the shares issued was credited to a merger reserve rather than the share premium account. At the same time, the Group directly issued 428,782 ordinary shares of 230p each to members of the Board and executive management team. The net proceeds were £1.0m and the excess proceeds over the nominal value of the shares were recorded in share premium.

In November 2020, the Group issued a Sterling denominated hybrid instrument of £500m, with an annual coupon rate of 4.25%. The contractual terms of the instrument allow the Group to defer coupon payments and the repayment of the principal indefinitely. However any deferred payments must be made in the event of a dividend distribution. The terms also allow for the instrument to be redeemed at the option of the Group at five years after issue (first call date) and 10 years (second call date), and subsequently at each coupon date or in the event of highly specific circumstances (such as a change in IFRS or change of control). As the Group has the unconditional right to avoid transferring cash or another financial asset in relation to this instrument, it is classified within equity. The annual coupon rate is fixed for the first five years, and thereafter reset according to the specific terms of the issuance. The net proceeds were £495.5m.

Financial Statements
Group Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £m	(Restated) 2020[1] £m
Cash generated from operations	13	**231.1**	(48.3)
Tax paid		**(19.2)**	(8.1)
Interest paid		**(45.0)**	(64.7)
Interest received		**4.0**	7.1
Net cash flow from operating activities		**170.9**	(114.0)
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired	10	**(20.8)**	(9.6)
Deferred consideration for businesses acquired	10	**(13.0)**	(27.3)
(Costs)/Proceeds from the disposal of business, net of cash disposed	10	**(0.9)**	4.4
Purchase of property, plant and equipment		**(168.5)**	(215.3)
Proceeds from disposal of property, plant and equipment		**13.7**	17.7
Payments to acquire intangible assets		**(44.4)**	(22.7)
Proceeds from disposal of intangible assets		**0.7**	2.3
Payments to settle net investment hedge derivative contracts		**–**	(15.7)
Receipts on settlement of net investment hedge derivative contracts		**35.1**	10.9
Receipts/(payments) relating to associates and investments		**0.9**	(0.1)
Net cash flow from investing activities		**(197.2)**	(255.4)
Cash flows from financing activities			
Share issue proceeds[2]		**–**	230.1
Issuance of hybrid instrument[3]		**(0.5)**	495.5
Dividends paid to holders of hybrid instrument		**(5.3)**	–
Principal lease payments		**(118.2)**	(97.7)
Increase in borrowings		**243.0**	858.3
Repayment of borrowings		**(220.1)**	(1,049.2)
Payments to settle foreign exchange forward contracts		**(11.9)**	(39.8)
Receipts on settlement of foreign exchange forward contracts		**20.7**	18.8
Purchase of own shares		**(2.5)**	(3.9)
Acquisition of non-controlling interests[4]		**(18.3)**	(4.0)
Dividends paid to non-controlling interests		**(0.4)**	(2.2)
Dividends paid to shareholders of the Company	7	**–**	–
Net cash flow from financing activities		**(113.5)**	405.9
Increase in net cash and cash equivalents		**(139.8)**	36.5
Opening net cash and cash equivalents		**520.5**	478.3
(Decrease)/Increase in net cash and cash equivalents		**(139.8)**	36.5
Foreign exchange		**(4.5)**	5.7
Closing net cash and cash equivalents	11	**376.2**	520.5

1 Prior year amounts have been restated with respect to advance subsidy factoring receipts and payments – see note 1 for further information

2 Prior year amounts are net of transaction fees totalling £5.3m

3 Net of transaction fees totalling £4.5m incurred during 2020. A further £0.5m of transaction costs were paid in 2021

4 Amounts in 2021 include £17.7m paid on exercise of 10% of the WeDriveU put liability

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For the year ended 31 December 2021

1 Basis of preparation

The results are based on the Group Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC') as issued by the International Accounting Standards Board (IASB), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These results are presented in pounds Sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

Going concern

The Financial Statements have been prepared on a going concern basis under the historical cost convention, except for the recognition of derivative financial instruments, financial assets at fair value through Other Comprehensive Income and contingent consideration.

In adopting the going concern basis, the Directors have considered the Group's:

- business activities;
- principal risks and uncertainties;
- exposure to the range of potential impacts of Covid-19 and also the depth and length of support provided by customers and governments; and,
- financial position, liquidity position and borrowing facilities as set out in the Chief Financial Officer's review within these Financial Statements.

The Group has maintained its strong liquidity position throughout the Covid-19 pandemic. As at 31 December 2021, and also as of the date of publishing these financial statements, the Group had £1.9bn of debt capital and committed facilities, with none of these due to expire until November 2023 at the earliest. At 31 December 2021, the Group had £0.9bn in net cash and undrawn committed facilities available to it.

The Group has positive relationships and regular dialogue with its lenders. Certain of the Group's borrowings are subject to covenant tests on gearing and interest cover on a bi-annual basis. While amendments have previously been made to the interest cover covenants, these have reverted to original levels (a minimum of 3.5x EBITDA) for the 30 June 2022 and 31 December 2022 tests. The gearing covenants at 30 June 2022 and 31 December 2022 have been amended to a maximum of 5.0x. In return for these waivers and amendments to the covenants the Group has agreed to a quarterly £250m minimum liquidity test (up to and including Q1 2023), a £1.6bn maximum net debt test as at 30 June 2022 and 31 December 2022 and a restriction on dividend payments until covenant amendments have expired (or until the Group has voluntarily relinquished them). All covenants are assessed on a pre IFRS 16 basis. At 31 December 2021, the gearing ratio was 3.6x (31 December 2020: 6.6x), although both covenants were waived. The interest cover ratio at 31 December 2021 was 6.3x (31 December 2020: 2.7x); this compares with an amended covenant of at least 2.5x (2020: at least 1.5x).

Since the onset of the pandemic, the Group has, along with the rest of the travel industry, been significantly impacted by the wide ranging mobility restrictions and social distancing guidance used by governments to contain and curtail the impact of the virus. Thanks to the success of vaccination programmes which, progressively, were rolled out to all adults in the Group's key markets over the course of 2021, new variants of the virus were able to be countered by much less severe restrictions than those utilised when the pandemic first emerged. As a result, 2021 has seen a marked decrease in the level of restrictions imposed, and a strong recovery in the Group's revenue, increasing by 15% relative to 2020 (on a constant currency basis). Encouragingly, Group revenue has rebounded quickly when restrictions have been rolled back, including in the UK following the easing, in late January 2022, of restrictions imposed in late 2021 in response to the emergence of the Omicron variant.

Additionally, the Directors continue to have a high degree of confidence in the Group's long-term prospects. New contracts continue to be won, with a strong pipeline of opportunities in multiple markets. Climate change is rising exponentially in the public conscience and on government agendas. In 2021 this was further demonstrated by the commitments made by world leaders at the COP26 conference to decelerate the pace of global warming, as well as making available up to £100tn of private capital to speed up progress towards net zero emissions. Clean, safe and efficient public transport is clearly part of the solution to reducing global emissions, and the Group is well placed to benefit from this; leading the modal shift from private car to public transport is the Group's defined purpose as set out in the launch of the Evolve strategy in 2021.

Notwithstanding the positive long-term outlook, the pandemic has clearly had an unprecedented impact on the Group and on the transport sector in general. Throughout 2021 there have been a range of mobility and distancing restrictions imposed and then rolled back at various points in the year. These have slowed, but not undone, the Group's progress in

1 Basis of preparation continued

revenue recovery towards pre-pandemic levels. Over the course of the year, revenue has recovered from 32% below 2019 levels in Q4 2020 to around 10% below 2019 levels in Q4 2021 at constant currency.

Overall, financial performance in 2021 tracked broadly in line with base case projections set out at the time of publishing the 2020 Financial Statements in March 2021. Revenue was lower than base case primarily due to lower passenger demand in the UK as a result of ongoing travel restrictions and in North America due to driver shortages. However, careful cost control, success in procuring additional government funding and the benefits of structural cost saving actions taken in 2020 delivered a favourable profit outcome compared with our base case.

Our observations of, and responses to, the impact of the pandemic over recent months, along with our latest expectations of its continued impact over the going concern assessment period, have been carefully considered in arriving at an updated base case and reasonable worst case. We have then corroborated our own assumptions with external references, such as the predictions published by the IMF and OECD. The Directors have reviewed the base case and reasonable worst case projections, which cover the period up to March 2023, along with reverse stress tests. These scenarios and stress tests were used to evaluate liquidity headroom and compliance with revised covenants.

The key assumptions in the base case scenario are as follows:

- Throughout 2022 Group revenue steadily recovers towards, and then beyond, pre-pandemic levels as Covid-19 related restrictions are rolled back and confidence in public transport returns.
- In the UK, commercial passenger revenues recover steadily during the year and reach pre-pandemic levels by December 2022. No further lockdowns or mobility restrictions are assumed.
- In North America, all schools are assumed to be open for in-person teaching. Driver shortages impact the first half of the year, but full service levels are resumed in time for the new school year commencing in August 2022.
- In ALSA, there is a steady recovery in patronage on long haul franchises and the regional contracts on which we are exposed to demand risk, but long haul revenue is still expected to remain below 2019 by the end of 2022. Urban revenues are expected to grow strongly due to the impact of the now fully mobilised Casablanca contract which commenced in Morocco in late 2019 and the acquisition of Transportes Rober in Spain in June 2021.
- Covid-19 related government support continues to be available as follows:
  - The CERTS funding from the US Government was received in 2021 and is being recognised in the Income Statement over the 2021/22 school year. Further support is possible, but none is assumed in our base case.
  - Subsidies are received from local government authorities to compensate for revenues lost as a result of ongoing Covid-19 impacts on demand in ALSA. However the level of subsidies assumed in the base case is materially lower than those received in 2021.
  - UK Bus continues to benefit from government funding, specifically the Bus Recovery Grant in H1 of 2022 and then Bus Service Improvement Plan funding in the latter part of the year. This funding is for bus operators to continue to operate all, or substantially all, services whilst passenger levels recover.
- There is an ongoing benefit from substantial cost saving initiatives implemented during 2020 and 2021, including group-wide reductions in administrative and managerial headcount, as well as the benefit of process efficiency improvements.
- A working capital outflow results from the unwind of deferred income in relation to grant funding received in cash in 2021 but for which the Income Statement recognition is spread over 2021 and 2022.
- Projections for the latter part of the assessment period in Q1 2023 are based on the Group's strategic plan which assumes a continuation in revenue recovery across the underlying pre-pandemic business to surpass 2019 levels, as well as incremental growth from acquisitions and new contract wins that have taken place over 2020 and 2021.

The reasonable worst case scenario assumes significant reductions in revenue across the Group, compared with the base case, due to a combination of: a prolonged impact from mobility restrictions similar to those seen in recent weeks following emergence of the Omicron variant; customer reticence to travel; driver shortages; increased competition; and lower government support. This results in a slower recovery trajectory.

In particular, this scenario assumes that Q1 of 2022 is severely impacted by driver shortages and that customers in each of our main markets remain reticent to travel in the wake of the Omicron variant. Furthermore, we assume in the reasonable worst case that another variant of concern emerges in Q4 2022, resulting in a similar reaction from governments and passengers as seen in the response to the Omicron variant.

Against this reasonable worst case the Group has applied mitigations in the form of further reductions in expenditure, over and above those reflected in the base case. The majority of these further cost savings have already been identified and could be swiftly implemented should the reasonable worst case scenario occur. Whilst the cost savings in the base case and reasonable worst case would involve restructuring activity, they do not involve significant structural changes

1 Basis of preparation continued

to the Group. Additionally, cash flow mitigations in the form of reducing or deferring capital expenditure have also been considered in the reasonable worst case.

In the base case and reasonable worst case scenarios the Group maintains significant headroom against each of its revised covenant tests, as well as a strong liquidity position. In the reasonable worst case, the monthly cash outflow for the next 12 months averages less than £10m, compared with the £0.9bn of liquidity as at 31 December 2021.

In addition to the base case and reasonable worst case scenarios, the Directors have reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach any of the covenant tests.

In applying a reverse stress test to liquidity the Directors have concluded that the set of circumstances required to exhaust it are so extreme as to be considered remote in likelihood.

Covenants that include EBITDA as a component are more sensitive to reverse stress testing, because of the material impact that events or actions outside of the control of the Group, such as government-imposed travel restrictions, can have on short-term revenue. The Directors have therefore conducted in-depth stress testing on interest cover and gearing covenants at both June and December 2022, these being the only covenant tests during the going concern period that contain an EBITDA component. In doing so, the Directors have considered all cost mitigations that would be within their control, and indeed would have no alternative but to pursue, if faced with a short-term material EBITDA reduction and no lender support to amend or waive EBITDA-related covenants. Calculations indicate that in order to trigger a breach of any of these covenants, the revenue loss relative to 2019 levels on a like-for-like basis (at constant currency, excluding acquisitions and new contract wins over 2020 and 2021), would need to be greater than that experienced during both 2020 and 2021, whereby the Group's businesses were subject to significant restrictions imposed by governments to contain the impact of Covid-19.

Taking this into account the Directors concluded that the circumstances that would be necessary for covenants to be breached were remote in likelihood.

In any case, should there be a more severe set of circumstances than those assumed in the reasonable worst case, the Group could also have a number of further mitigations available to it including: deeper and broader cost cutting measures; seeking further amendments or waivers of covenants; raising further equity; sale and leaseback of vehicles; disposal of properties; and disposal of investments or other assets. Furthermore, during the pandemic, customers, local authorities and governments have demonstrated a willingness to provide financial support to enable the provision of good quality, reliable transport services in the face of short-term reductions in demand.

In the event that a further, more severe downside akin to that seen in 2020 were to materialise, it is probable that similar support would be made available.

In conclusion, the Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2021.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for changes arising from new standards and amendments to existing standards that have been adopted in the current year. The following amendments and interpretations have been applied for the first time with effect from 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced by an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Consolidated Financial Statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable, but none were needed to be applied during the year ended 31 December 2021.

1 Basis of preparation continued

From a hedge accounting perspective, the Group no longer holds any derivative financial instruments linked to IBOR rates such as LIBOR and EURIBOR, therefore no existing hedge relationships were affected as a result of adopting this amendment.

Finally the Group has amended its revolving credit facility ("RCF") and bilateral facilities to replace GBP LIBOR with SONIA and USD LIBOR with SOFR, effective from 30 November 2021. Interest will be calculated based on a daily, non-cumulative compounded rate with
a five banking day look back. Similarly intercompany loan agreements have also been amended as above effective from 1 January 2022.

- **Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)**

This amendment did not have any impact on amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

- **Presentation of advance subsidy factoring liabilities**

The Group has a number of contracts with public bodies where the future cash flows are contracted. For some of these contracts, where the cash flows are back ended, the Group entered into factoring arrangements with a bank to factor certain future subsidy cash flows in advance of invoicing the relevant transport authority. Given the factoring is in advance of the contractual trigger to invoice the customer, there was no receivable asset to de-recognise on receipt of cash from the bank and so a liability was recorded in trade payables. This reflected the fact that the factoring arrangement was on a non-recourse basis i.e. all risks and rewards of default by the customer were transferred to the bank and the short term nature of amounts outstanding, with the majority of cash repaid to the banks within three months. Reference to this liability was provided in the Group Financial Statements in all years impacted. On subsequent receipt of the cash from the customer this was then immediately repaid to the bank, and debited against the liability recorded.

The presentation of the cash flows within the Statement of Cash Flows mirrored the Balance Sheet treatment, with the receipt of proceeds from the bank recorded within operating cash, just as if it had been directly received from the customer.

During the year we received an enquiry from the Financial Reporting Council (FRC) regarding these arrangements. Following this enquiry and recent clarifications regarding the presentation of financial liabilities within trade payables, the Group concluded, in consultation with the Group's auditors, that it is more appropriate that the resultant liability with the bank is recorded within borrowings rather than trade payables. The rationale is that the liability does not relate to goods or services and does not represent amounts invoiced or formally agreed with a supplier. The Group has therefore changed its accounting policy accordingly. The presentation of the associated cash flows has also been adjusted. The initial receipt from the bank will be treated as a financing inflow. As the customer continues to pay the Group, this will be recorded as an operating cash inflow, with the subsequent repayment to the bank as a financing cash outflow.

This has been applied by restating the earliest comparative period within this report, with the Financial Statement line items impacted as follows:

Balance Sheet	31 December 2020 (Reported)	**31 December 2020** (Restated)	**31 December 2019 (Reported)**	**31 December 2019 (Restated)**	**1 January 2019 (Reported)**	**1 January 2019 (Restated)**
Trade and other payables (current)	**(861.3)**	**(783.0)**	**(1,056.5)**	**(998.4)**	**(870.5)**	**(826.8)**
Borrowings (current)	**(167.0)**	**(245.3)**	**(649.2)**	**(707.3)**	**(59.3)**	**(103.0)**
Net assets	**–**	**–**	**–**	**–**	**–**	**–**
Net debt	**(941.6)**	**(1,019.9)**	**(1,224.0)**	**(1,282.2)**	**(1,165.2)**	**(1,208.9)**
Statement of Cash Flows						
(Decrease)/increase in payables	**(122.7)**	**(140.0)**	**53.4**	**36.2**	**–**	**–**
Net cash flow from operating activities	**(96.7)**	**(114.0)**	**356.2**	**339.0**	**–**	**–**
Increase in borrowings	**732.3**	**858.3**	**414.1**	**513.7**	**–**	**–**
Repayment of borrowings	**(940.5)**	**(1,049.2)**	**–**	**(82.4)**	**–**	**–**
Net cash flow from financing activities	**388.6**	**405.9**	**259.9**	**277.1**	**–**	**–**
Increase in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

As this was a Balance Sheet reclassification, there is no impact to operating profit or earnings per share. Equally, the change has no impact on the Group's compliance with covenants as net debt for covenant purposes excludes non-recourse factoring arrangements.

1 Basis of preparation continued

- **Presentation of cash and cash equivalents and bank overdrafts**

After the Consolidated Financial Statements for the year ended 31 December 2020 were issued it was determined that presentation of cash and cash equivalents and bank overdrafts did not meet the requirements for offsetting in accordance with 'IAS 32 Financial Instruments: Presentation'. This resulted in the incorrect presentation of the cash pooling arrangement on the balance sheet. The impact of this change is to increase both cash and cash equivalents and current borrowings as at 31 December 2020 by £109.3m (2019: £237.5m) on the Consolidated Balance Sheet. This has no impact on net assets, net debt or the Group's profit in any of the years impacted. Equally there is no change to the Statement of Cash Flows.

Use of judgements and estimates

The preparation of Financial Statements requires the Group to make estimates and judgements that affect the application of the Group's accounting policies and reported amounts.

Critical accounting judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Management considered, throughout the year, the financial reporting impact associated with our identified principal risks, which include the effects of Covid-19 and climate change.

The critical judgements and key estimates are the same as those applied in the previous financial year, together with the following updates:

- In the prior year, going concern was considered to be a critical judgement due to the level of uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of Covid-19. This year, going concern is not considered to be a critical judgement reflecting the Group's improved financial performance, strong financial position and business prospects.
- Also in the prior year, the valuation of the WeDriveU put liability (over 40% of the equity) was considered to be a significant estimate. During 2021, the first tranche of put options, for 10% of the equity of WeDriveU was settled. The second tranche, for a further 10% of the equity has been exercised during 2021, and will be settled during 2022. The final tranche for 20%, will be exercised at the final opportunity on 31 December 2022 and therefore there is no longer any uncertainty over the timing of exercise. The Group has determined the sensitivity of the valuation to a reasonable change in the future forecasts and discount rate, however given the range was not considered material, the Directors no longer consider the valuation to be a significant estimate.
- Additionally, onerous contracts were considered to be a significant estimate in the prior year. This reflected the uncertainty over future forecasts, in particular the extent to which Covid-19 had a lasting impact on the Group's performance. The Group has updated its forecasts, including an estimate of the recovery from Covid-19 and together with the short term remaining on the majority contracts and/or the mitigating actions available to the Group to minimise losses, the Directors no longer consider a reasonable possible change in the assumptions could result in material change to their carrying value in the next 12 months.
- Finally, in the prior year the impairment of goodwill in ALSA was considered to be a significant estimate. Following an increase in the level of headroom and the projected recovery from Covid-19, we no longer consider a reasonable possible change in assumptions could result in an impairment of goodwill in the next 12 months, and accordingly no longer consider this to be a significant estimate.

Consideration of climate change

In preparing the Financial Statements we have considered the impact of climate change. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with our assessment that climate change is not expected to have a meaningful financial impact on the Group in the medium term, and in the longer term is expected to be a net opportunity to the Group. This conclusion has been arrived at with reference to the climate risk assessment exercise carried out during the year. We have specifically considered the impact of climate change on the carrying value of fixed assets and in our goodwill impairment assessment.

2 Exchange rates

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

	2021 Closing rate	**2021 Average rate**	2020 Closing rate	2020 Average rate
US Dollar	**1.35**	**1.38**	1.37	1.28
Canadian Dollar	**1.71**	**1.72**	1.74	1.72
Euro	**1.19**	**1.16**	1.12	1.13

If the results for the year to 31 December 2020 had been retranslated at the average exchange rates for the year to 31 December 2021, North America would have achieved underlying operating profit of £11.8m on revenue of £815.2m, compared with underlying operating profit of £12.4m on revenue of £869.2m as reported, and ALSA would have achieved a underlying operating profit of £6.4m on revenue of £540.9m, compared with underlying operating profit of £6.7m on revenue of £559.3m as reported.

3 Revenue and segmental analysis

The Group's reportable segments have been determined based on reports issued to and reviewed by the Group Executive Committee, and are organised in accordance with the geographical regions in which they operate and the nature of services that they provide. Management considers the Group Executive Committee to be the chief decision-making body for deciding how to allocate resources and for assessing operating performance.

Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. Group financing activities and income taxes are managed on a Group basis and are not allocated to reportable segments.

The principal services from which each reportable segment derives its revenues are as follows:

- UK – bus and coach operations
- German Rail – rail operations
- ALSA (predominantly Spain and Morocco) – bus and coach operations
- North America (USA and Canada) – school bus, transit bus and shuttle operations

Central functions is not a reportable segment but has been included in the segmental analysis for transparency and to enable a reconciliation to the consolidated Group.

(a) Revenue

Revenue is disaggregated by reportable segment, class and type of service as follows:

	2021					
Analysis by class and reportable segment:	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	**49.3**	**195.3**	**136.5**	**7.0**	**9.7**	**397.8**
German Rail	**–**	**45.2**	**136.7**	**–**	**0.2**	**182.1**
ALSA	**159.5**	**323.6**	**175.1**	**30.4**	**29.8**	**718.4**
North America	**831.3**	**–**	**–**	**33.4**	**7.3**	**872.0**
Central functions	**–**	**–**	**–**	**–**	**–**	**–**
Total revenue	**1,040.1**	**564.1**	**448.3**	**70.8**	**47.0**	**2,170.3**
Analysis by major service type:						
Passenger transport	**1,040.1**	**564.1**	**448.3**	**70.8**	**18.7**	**2,142.0**
Other products and services	**–**	**–**	**–**	**–**	**28.3**	**28.3**
Total revenue	**1,040.1**	**564.1**	**448.3**	**70.8**	**47.0**	**2,170.3**

Included in grants and subsidies is £92.8m (2020: £84.7m) of grant income recognised in the UK in response to Covid-19. Up to 31 August 2021, £80.6m (2020: £83.2m) of revenue was recognised under the Covid Bus Services Support Grant (CBSSG) in England, in respect of the shortfall of revenue earned due to Covid-19 and the costs incurred whilst maintaining 100% of pre-Covid-19 service levels. Effective from 1 September 2021, CBSSG was replaced by the Bus Recovery Grant (BRG). The BRG is intended to compensate UK bus operators for continuing bus services during the Covid-19 recovery period, and whereby funding has been allocated to the operators according to revenue and mileage operated. Up to 31 December 2021, a total of £12.2m (2020: £nil) has been recognised in respect of the BRG. Following the disposal of our Dundee operations in the prior year, no amounts have been recognised under the Covid Support Grant (CSG) in Scotland during the year (2020: £1.5m). The grant income has been recognised in the Income Statement in the same period that the related revenue shortfall occurred and to the extent that there is reasonable certainty that Group will comply with the conditions of the grant and that it will be received and retained (taking account of the potential adjustments to grant payments as a result of the review process).

Also included in grants and subsidies is £15.9m (2020: £15.6m) additional subsidies in Germany in respect of the Federal Framework Regulation on Aid to Public Transport. Under this arrangement, additional subsidies may be claimed by public transport operators in Germany to compensate for the loss of passenger revenue due to Covid-19. Similarly, a further £54.2m (2020: £15.3m) was recognised in ALSA from Public Transport Authorities to compensate for revenue shortfalls due to Covid-19. In both cases, subsidy income has been recognised in the same period in the Income Statement to match the period in which the related shortfall of revenue occurred and to the extent there is reasonable certainty that the Group has complied with the conditions.

In ALSA, revenue of £10.8m (2020: £nil) has been recognised for additional services provided to a customer between 2015 and 2020. In previous years it was considered uncertain as to whether such amounts could be recovered, and therefore such amounts were constrained. Following an agreement with the customer during the year, the uncertainty has been resolved and the revenue recognised in full.

3 Revenue and segmental analysis continued

In German Rail, at the commencement of the Rhine-Münster Express (RME) contract in 2015 a fixed amount of subsidy was agreed with the PTA for the life of the contract and the amount recognised each year was measured by considering the proportion of contract costs incurred at each balance sheet date. As it does every year, the Group has re-forecast the contract out-turn and re-assessed its estimate of the stage of completion. As a result of additional Covid-19 related subsidies and updates in the contract profitability the re-assessment resulted in the re-phasing of revenue from later years to the current year of £3.8m, whereas in 2020 £5.2m was reversed.
There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities.

	2020					
Analysis by class and reportable segment:	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	24.1	194.1	135.7	26.1	8.2	388.2
German Rail	–	38.5	94.5	–	6.2	139.2
ALSA	134.1	276.3	106.7	27.9	14.3	559.3
North America	826.4	–	–	24.6	18.2	869.2
Central functions	–	–	–	–	–	–
Total revenue	984.6	508.9	336.9	78.6	46.9	1,955.9
Analysis by major service type:						
Passenger transport	984.6	508.9	336.9	78.6	24.9	1,933.9
Other products and services	–	–	–	–	22.0	22.0
Total revenue	984.6	508.9	336.9	78.6	46.9	1,955.9

There are no material inter-segment sales between reportable segments.

(b) Operating profit/(loss)

Operating profit/(loss) is analysed by reportable segment as follows:

	Underlying operating profit/(loss) 2021 £m	**Separately disclosed items 2021 £m**	**Segment result 2021 £m**	Underlying operating (loss)/profit 2020 £m	Separately disclosed items 2020 £m	Segment result 2020 £m
UK	**(22.6)**	**(23.8)**	**(46.4)**	(49.0)	(50.4)	(99.4)
German Rail	**5.0**	**(29.1)**	**(24.1)**	(4.9)	(19.1)	(24.0)
ALSA	**56.6**	**(26.4)**	**30.2**	6.7	(100.2)	(93.5)
North America	**74.4**	**(27.9)**	**46.5**	12.4	(188.4)	(176.0)
Central functions	**(26.4)**	**(16.0)**	**(42.4)**	(16.0)	27.5	11.5
Operating profit/(loss)	**87.0**	**(123.2)**	**(36.2)**	(50.8)	(330.6)	(381.4)
Share of results from associates and joint ventures	**(1.0)**	**–**	**(1.0)**	(2.1)	–	(2.1)
Net finance costs	**(46.3)**	**(1.4)**	**(47.7)**	(53.2)	(8.0)	(61.2)
Profit/(loss) before tax	**39.7**	**(124.6)**	**(84.9)**	(106.1)	(338.6)	(444.7)
Tax credit			**7.0**			118.0
Loss for the year			**(77.9)**			(326.7)

Further information on separately disclosed items is provided in note 4.

4 Separately disclosed items

The Group reports underlying measures because we believe they provide both management and stakeholders with useful additional information about the financial performance of the Group's businesses.

The total separately disclosed items before tax for the year ended 31 December is a net charge of £124.6m (2020: £338.6m). The items excluded from the underlying result are:

	2021 **£m**	2020[1] £m
Intangible amortisation for acquired businesses (a)	**38.8**	52.6
Directly attributable gains and losses resulting from the Covid-19 pandemic (b)[1]	**41.0**	245.7
Restructuring costs (c)	**12.3**	14.0
Re-measurement of the Rhine-Ruhr onerous contract provision (d)[1]	**27.9**	16.8
Other separately disclosed items (e)	**3.2**	1.5
Separately disclosed operating cost items	**123.2**	330.6
Interest charges directly resulting from the Covid-19 pandemic (f)	**1.4**	8.0
Total separately disclosed items	**124.6**	338.6

[1] Amounts in 2020 have been represented for consistency with the current year presentation of separately disclosed items

(a) Intangible amortisation for acquired businesses

Consistent with previous periods, the Group classifies the amortisation for acquired intangibles as a separately disclosed item by virtue of its size and nature. Its exclusion enables comparison and monitoring of divisional performance by the Group Executive Committee regardless of whether through acquisition or organic growth. Equally, it improves comparability of the Group's results with those of peer companies.

(b) Directly attributable gains and losses resulting from the Covid-19 pandemic

The pandemic continued to impact the Group throughout 2021 and therefore directly attributable gains and losses due to Covid-19 continue to be separately identified. The Group has identified a net expense of £41.0m (2020: £245.7m) relating to directly attributable gains and losses resulting from the pandemic. The net result relates to five separately identifiable areas of accounting judgement and estimates as follows:

	2021 **£m**	2020 £m
One-off costs, cancellation charges and compensation payments (i)	**2.2**	46.4
Discontinuation of fuel trades (ii)	**–**	17.3
Onerous contract provisions and associated impairment (iii)	**10.3**	116.6
Impairments and associated charges (iv)	**17.0**	99.3
Re-measurement of the WeDriveU put liability (v)	**11.5**	(33.9)
	41.0	245.7

These items are considered to be separately disclosed items as they meet the Group's definition, being significant in both nature and value to the results of the Group in the current period or reflect the finalisation of actions initiated during 2020, but completed in 2021. The impact that Covid-19 has had on underlying trading, such as the impact of lost revenue, is not recognised within separately disclosed items.

Further charges are not anticipated during 2022, other than changes to estimates that have been previously recorded in separately disclosed items.

(i) One-off costs, cancellation charges and compensation payments – £2.2m expense (2020: £46.4m expense)

Given the re-imposition of lockdowns at the beginning of the year and the scale back of our service offering, the Group continued to make a number of compensatory payments totalling £4.8m (2020: £12.7m) to third party operators in order to maintain and secure the Group's supply base for when demand picks up.

In addition, the Group incurred a further £1.4m (2020: £24.7m) of one-off charges relating to incremental health and safety costs and penalties whereby the pandemic prevented it from fulfilling certain contractual obligations.

A gain of £4.0m (2020: £9.0m expense) also arose following the re-measurement of the provision for employee compensation claims as a consequence of Covid-19.

4 Separately disclosed items continued

(ii) Discontinuation of fuel trades – £nil (2020: £17.3m expense)

During the period, hedge accounting was discontinued for a small number of fuel derivatives where volumes were in excess of actual or expected consumption. The majority arose in the UK, ALSA and North America following more stringent lockdown measures being implemented in early 2021 and slower recovery. Overall expenses and gains recycled to the Income Statement from Other Comprehensive Income netted to £nil (2020: £17.3m expense).

For the remaining effective hedges, gains or losses on the derivatives continue to be recognised in equity and on settlement are recycled to the Income Statement against the respective operating expense, and are not included in separately disclosed items.

(iii) Onerous contract provisions and associated impairment – £10.3m net expense (2020: £116.6m expense)
As a result of the pandemic, the Group undertook a review of its contracts with customers to firstly establish the re-measurement of previously recognised onerous contract provisions and secondly to identify any new ones. This resulted in a net exceptional expense of £8.9m reflecting some contracts performing better than anticipated at December 2020, mainly due to a quicker recovery in response to Covid-19 or additional government support, and some less well, where the recovery from the pandemic has been slower. In addition, some new onerous contracts were identified, typically where the contract length has been shortened (less time to recover contract losses due to the pandemic) or where recovery was slower than expected. In conjunction with the review, customer contract intangibles of £0.2m and property, plant and equipment totalling £1.2m were impaired.

(iv) Impairments and associated charges – £17.0m expense (2020: £99.3m expense)

In addition to the Group's goodwill impairment test and the identification of assets relating to onerous contracts, the Group reviewed its non-current assets. During the period the Group has continued to exit certain contracts or lines of business that were anticipated to be low margin over the medium term and/or that were now considered less strategically relevant. Accordingly, any dedicated assets associated with these contracts or lines of business were identified and assessed for impairment, after first considering if they could be re-used or repurposed.

The overall result of this review was the impairment of £10.6m of customer contracts and property, plant and equipment of £6.4m.

(v) Remeasurement of the WeDriveU put liability – £11.5m expense (2020: £33.9m gain)

The put liability, resulting from the acquisition of WeDriveU, is required to be re-measured at each reporting date. During 2020 the put liability was reduced by £33.9m reflecting the lower short to medium term projections for WeDriveU, principally driven by the impact of Covid-19. At December 2021, the liability was reassessed resulting in a net expense of £11.5m principally reflecting improved profitability for both 2021 and 2022. The expense has been recorded in separately disclosed items due to its size and nature and consistent with the treatment in the prior year.

The most significant driver for the current year expense is the adjustment to the in-year and future earnings as a result of better customer support and a more optimistic view of new growth opportunities in response to the pandemic. Consequently the expense has been categorised as part of the overall impact due to Covid-19.

(c) Restructuring costs

During the period, the Group incurred £12.3m of costs in respect of Group-wide restructuring initiatives and redundancies, as part of the Group's mitigations against the adverse impact of the pandemic on profit and cash.

(d) Rhine-Ruhr Express onerous contract provision

During 2020, profitability of the Rhine-Ruhr Express contract was assessed in light of the launch of the third and final line, the impact of the pandemic over the short to medium term and an updated outlook on costs. This assessment resulted in the impairment of contract costs recorded within intangibles of £16.8m. During 2021 a reassessment of the contracts profitability was performed. This identified a further reduction in profitability, resulting in all remaining contract costs of £4.8m being impaired and an onerous contract of £23.1m being recognised. The reduction in profitability is driven by an increase in overhead costs, principally energy costs in response to the recent surge in energy prices and personnel costs following the first full year of operation of all lines. These amounts have been included as separately disclosed items given their material size and by virtue of impairment of non-current assets and provision for future operating losses.

4 Separately disclosed items continued

(e) Other separately disclosed items

Other separately disclosed items relate primarily to transaction fees in respect of the Group's potential combination with Stagecoach, totalling £3.5m at December 2021, with further costs expected in 2022. These one-off charges are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as separately disclosable on this basis.

Also included in other is a £0.3m credit for the finalisation of the Dundee disposal transaction that took place in December 2020 consistent with the treatment in the prior year.

(f) Interest charges

Interest charges of £1.4m primarily relate to fees associated with the gearing covenant waivers on the Group's US private placement and banking facilities. These costs are not considered to be a normal finance cost of the Group.

5 Net finance costs

	2021 £m	2020 £m
Bond and bank interest payable	**32.0**	36.3
Lease interest payable	**10.5**	12.6
Other interest payable	**2.7**	4.3
Unwind of discounting	**2.5**	1.6
Net interest cost on defined benefit pension obligations	**1.8**	1.7
Finance costs before separately disclosed items	**49.5**	56.5
Separately disclosed finance costs	**1.4**	8.0
Total finance costs	**50.9**	64.5
Lease interest income	**(0.7)**	(0.6)
Other financial income	**(2.5)**	(2.7)
Net finance costs	**47.7**	61.2
Of which, from financial instruments:		
Financial assets measured at amortised cost	**(1.5)**	(0.7)
Financial liabilities measured at amortised cost	**44.0**	51.3
Derivatives	**(1.8)**	(2.0)
Loan fee amortisation	**1.2**	1.7

6 Taxation

(a) Analysis of taxation credit in the year

	2021 £m	2020 £m
Current taxation:		
UK corporation tax	**2.8**	(8.4)
Overseas taxation	**16.3**	10.1
Current income tax charge	**19.1**	1.7
Adjustments with respect to prior years – UK and overseas	**0.2**	(1.8)
Total current income tax charge/(credit)	**19.3**	(0.1)
Deferred taxation:		
Origination and reversal of temporary differences	**(22.7)**	(119.6)
Adjustments with respect to prior years – UK and overseas	**(3.6)**	1.7
Deferred tax credit	**(26.3)**	(117.9)
Total tax credit for the Group	**(7.0)**	(118.0)
The tax credit for the Group comprises:		
Tax charge/(credit) on profit before separately disclosed items	**12.8**	(29.3)
Tax credit on separately disclosed items	**(19.8)**	(88.7)
	(7.0)	(118.0)

In the current year, the tax credit on separately disclosed items of £19.8m (2020: £88.7m) comprises a £10.3m tax credit (2020: £11.5m) on intangibles, £14.9m (2020: £77.2m) tax credit on tax deductible expenditure on exceptional costs and a £5.4m charge (2020: £nil) of exceptional tax items.

The tax relief relating to intangible amortisation is determined by reference to the tax rates in the jurisdiction to which the intangible amortisation relates. The effective tax rate relating to intangible amortisation is significantly higher than the UK tax rate of 19% due to the weighting of intangibles in jurisdictions with higher tax rates than the UK, specifically the USA (26%) and Spain (25%).

(b) Tax on items recognised in Other Comprehensive Income or Equity

	2021 £m	2020 £m
Deferred taxation:		
Deferred tax charge/(credit) on actuarial (gains)/losses	**2.7**	(10.8)
Deferred tax charge/(credit) on cash flow hedges	**9.5**	(3.8)
Deferred tax credit on foreign exchange differences	**(0.5)**	(1.6)
Deferred tax credit on accrued hybrid instrument payments	**(4.4)**	(0.4)
Deferred tax (credit)/charge on share-based payments	**(0.3)**	1.6
	7.0	(15.0)

7 Dividends paid and proposed

No interim or final dividend has been proposed for the current period (2020: £nil).

8 Earnings per share

	2021	2020
Basic earnings per share	**(16.8)p**	(57.9)p
Underlying basic earnings per share	**0.1p**	(14.6)p
Diluted earnings per share	**(16.8)p**	(57.9)p
Underlying diluted earnings per share	**0.1p**	(14.6)p

8 Earnings per share continued

Basic EPS is calculated by dividing the earnings attributable to equity shareholders, a loss of £102.8m (2020: £333.8m loss), by the weighted average number of ordinary shares in issue during the year, excluding those held by the Group's Employee Benefit Trust which are treated as cancelled. Earnings attributable to equity shareholders is inclusive of amounts accruing to the holders of the hybrid instrument and are calculated as follows:

	2021	2020
	£m	£m
Loss attributable to equity shareholders	**(81.6)**	(331.7)
Accrued payments on hybrid instrument	**(21.2)**	(2.1)
Earnings attributable to equity shareholders	**(102.8)**	(333.8)

For diluted EPS, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The reconciliation of basic and diluted weighted average number of ordinary shares is as follows:

	2021	2020
Basic weighted average shares	**613,117,132**	576,031,523
Adjustment for dilutive potential ordinary shares[1]	**345,497**	–
Diluted weighted average shares	**613,462,629**	576,031,523

1 Potential ordinary shares have the effect of being anti-dilutive in 2021 and have been excluded from the calculation of diluted earnings per share. Whereas in 2020, both diluted earnings per share and underlying diluted earnings per share measures excluded potential ordinary shares as they had the effect of being anti-dilutive.

The underlying basic and underlying diluted earnings per share have been calculated in addition to the basic and diluted earnings per share required by IAS 33 since, in the opinion of the Directors, they reflect the underlying performance of the business' operations.

The reconciliation of the earnings and earnings per share to their underlying equivalent is as follows:

	2021			2020		
		Basic EPS	**Diluted EPS**		Basic EPS	Diluted EPS
	£m	**P**	**P**	£m	P	p
Earnings attributable to equity shareholders	**(102.8)**	**(16.8)**	**(16.8)**	(333.8)	(57.9)	(57.9)
Separately disclosed items	**124.6**	**20.3**	**20.3**	338.6	58.8	58.8
Separately disclosed tax	**(19.8)**	**(3.2)**	**(3.2)**	(88.7)	(15.4)	(15.4)
Separately disclosed non-controlling interests	**(1.6)**	**(0.2)**	**(0.2)**	(0.3)	(0.1)	(0.1)
Underlying profit/(loss) attributable to equity shareholders[1]	**0.4**	**0.1**	**0.1**	(84.2)	(14.6)	(14.6)

1 Includes amounts accruing to the holders of the hybrid instrument

9 Goodwill and impairment

Goodwill has been allocated to individual cash-generating units for annual impairment testing on the basis of the Group's business operations. The carrying value by cash-generating unit is as follows:

	2021	2020
	£m	£m
UK	**52.4**	52.6
North America	**669.5**	652.7
ALSA	**784.8**	820.1
	1,506.7	1,525.4

The calculation of value in use for each group of cash-generating units is most sensitive to the assumptions over discount rates and the growth rate used to extrapolate cash flows into perpetuity beyond the five-year period of the management plan.

9 Goodwill and impairment continued

The key assumptions used for the cash-generating units are as follows:

	Pre-tax discount rate applied to cash flow projections		Growth rate used to extrapolate cash flows into perpetuity	
	2021	2020	**2021**	2020
UK	**7.9%**	7.7%	**2.4%**	2.5%
North America	**7.2%**	7.6%	**2.9%**	3.1%
ALSA	**7.8%**	8.3%	**2.9%**	3.0%

Discount rates in North America and ALSA have fallen during the year, but are higher than they were in 2019.

The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. Forecast revenue and operating margins are based on past performance and management's expectations for the future, including an estimate of the recovery from the Covid-19 pandemic. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on current forecasts and long-term country-specific GDP growth rates. The cash flows are discounted using pre-tax rates that are calculated from country-specific WACC, principally derived from external sources. Capital expenditure is projected over the first three years using a detailed, contract-by-contract level forecast of the capital requirements of the Group for new and replacement vehicles and other assets. In the extrapolation of cash flows into perpetuity (the terminal value), capital expenditure is assumed to be a 1:1 ratio to depreciation.

The value in use of the North America division exceeds its carrying amount by £812.0m (2020: £633.6m).

The value in use of the ALSA division exceeds its carrying amount by £425.9m (2020: £266.8m).

The assumptions used to derive the cash flow projections over the first three years of the impairment assessment are consistent with those used for the going concern and viability assessments. In summary, the base case projections assume Group revenue recovers to pre-pandemic levels in 2022 whereas the downside scenario assumes this is a year later, in 2023. Whilst the pace of recovery from the pandemic in the next year could differ from that modelled, the vast majority of the value in use is in the terminal value, which is derived by applying the growth rate to the terminal year cash flow projection. Beyond the uncertainty over the medium term recovery, the Directors continue to assume there will not be any long-term net adverse impact from the pandemic based on the rapid recovery in demand for our services as restrictions have been lifted, the strength of our customer relationships and the revenue protections inherent in a significant proportion of the Group's contracts where we are not exposed to demand risk. Applying the downside scenarios used for going concern or viability assessments does not materially alter the headroom above the carrying value.

The assumptions behind the cash flow projections also take account of the climate change risk assessment exercise carried out during the year. The principal conclusions relevant for the impairment assessment are as follows:

- Whilst the global temperature rise above pre-industrial levels increases the likelihood of extreme weather events, the geographical diversity of the Group means that the risk to the Group as a whole is unlikely to be material.
- The Group's planning assumption is that input costs will not rise significantly above inflation on the basis that, for electric vehicles for example, supply will increase to match demand, and technological advances will also help decrease manufacture costs. Furthermore the Group assumes, based on its detailed modelling of electric vs diesel buses in the UK that the total cost of ownership of zero emission vehicles will be no worse than their diesel equivalents. This assessment is inclusive of the cost of new electric vehicle infrastructure and assumes no government funding. The Group expects to utilise hydrogen vehicles in the transition to zero emission fleet in long haul coach services and, whilst hydrogen vehicle technology is not currently as well developed as electric, the Group assumes that total cost of ownership for these vehicles will also be no worse than at parity with their diesel equivalents.
- The Group already has ambitious targets for the transition to zero emission fleets. These targets are expected to result in the Group having a zero emission fleet before any potential ban on diesel vehicles is imposed by governments. The Group has assessed as very low the risk of the current fleet having a net book value higher than their residual value at the Group's targeted transition dates and therefore no changes to the useful economic lives of the Group's current fleet are required.
- The opportunity from modal shift from private cars to public transport is potentially very material as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions. This opportunity has not currently been factored into the projections.

9 Goodwill and impairment continued

Sensitivities to key and other assumptions

The sensitivity analysis below has been presented in the interests of transparency only. It is not believed that any reasonably possible movement in key and other assumptions will lead to an impairment.

(i) North America

For North America, sensitivity analysis has been completed on each key assumption in isolation. This indicates that the value in use of the North America division will be equal to its carrying value, with an increase in the pre-tax discount rate of 250 basis points (2020: 210 basis points) or a reduction in the growth rates used to extrapolate cash flows into perpetuity of 270 basis points (2020: 220 basis points).

In addition, for North America, a reduction in operating profit margin of 360 basis points (2020: 280 basis points) will result in the value in use of the division being equal to its carrying amount.

(ii) ALSA

For ALSA, sensitivity analysis on each key assumption indicates that the value in use will be equal to its carrying amount following an increase in the pre-tax discount rate of 170 basis points (2020: 110 basis points) or a reduction in growth rates used to extrapolate cash flows into perpetuity of 170 basis points (2020: 110 basis points).

A reduction in ALSA's operating profit margin of 250 basis points (2020: 160 basis points) will result in the value in use of the division being equal to its carrying amount.

The Directors have concluded that there is no risk of impairment for the UK and have not provided sensitivity disclosure required by IAS 36.

The Directors consider the assumptions used to be consistent with the historical performance of each cash-generating unit and to be realistically achievable in light of economic and industry measures and forecasts, and therefore that goodwill is not impaired.

10 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA

During the period, the ALSA division acquired 100% control of Transportes Rober Group, a provider of urban bus services in Granada, Spain.

The provisional fair values of the assets and liabilities acquired were as follows:

	£m
Intangibles	**7.1**
Property, plant and equipment	**0.5**
Inventory	**0.4**
Trade and other receivables	**24.6**
Cash and cash equivalents	**0.2**
Borrowings	**(2.0)**
Trade and other payables	**(16.6)**
Deferred tax liability	**(1.0)**
Provisions	**(0.6)**
Net assets acquired	**12.6**
Goodwill	**14.0**
Total consideration	**26.6**
Represented by:	
Cash consideration	**21.0**
Deferred contingent consideration	**5.6**
	26.6

As permitted by IFRS 3 'Business Combinations', the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets.

Trade and other receivables had a fair value and a gross contracted value of £24.7m. The best estimate at acquisition date of the contractual cash flows not to be collected was £0.1m.

10 Business combinations, disposals and assets held for sale continued

Goodwill of £14.0m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our operations in ALSA, along with synergy and growth benefits expected to be achieved in consolidating the regional and urban bus market in Granada. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the consideration shown above is deferred contingent consideration of £5.6m. The Group is required to pay contingent consideration on renewal of contracts and other post-closing conditions, with a minimum expected undiscounted payment of £nil and maximum expected undiscounted payment of £5.6m. Based on projections, the Group expects the maximum amount to be paid. The amount recognised is undiscounted as the effect of discounting is not material.
The acquired business contributed £18.4m of revenue and a £1.5m profit to the Group's result for the period between the date of acquisition and the balance sheet date. Had the acquisition been completed on the first day of the financial year, the Group's revenue for the year would have been £2,183.8m and the Group's operating loss would have been £37.9m.

(b) Acquisitions – further information

Deferred consideration of £0.6m was paid in the period relating to acquisitions in ALSA in earlier years. Total cash outflow in the period from acquisitions in ALSA was £21.4m, comprising consideration for current year acquisitions of £21.0m and deferred consideration of £0.6m, less cash acquired in the businesses of £0.2m.

In North America and the UK deferred consideration of £10.1m and £2.3m respectively was paid in the period relating to acquisitions in earlier years.

Total acquisition transaction costs of £0.1m were incurred in the year to 31 December 2021 (2020: £0.4m).
The Group measures deferred contingent consideration at fair value through profit and loss and by reference to significant unobservable inputs i.e. classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are typically forecast earnings or estimating the likelihood that contracts will be renewed over a fixed period. The fair value movement in deferred contingent consideration in the year is as follows:

	2021 **£m**	2020 £m
Fair value:		
At 1 January	**28.8**	49.0
Additions in the year	**5.6**	7.5
Payments during the year	**(13.0)**	(27.3)
Fair value movement in the year	**(7.9)**	(1.2)
Foreign exchange	**(0.1)**	0.8
At 31 December	**13.4**	28.8

(c) Disposals

On 31 December 2020, the Group disposed of its 100% interest in Tayside Public Transport Co Limited, a provider of bus transportation services in Dundee, Scotland, in exchange for cash. A loss of £0.1m was recognised and comprised gross cash consideration of £11.8m less transaction costs of £1.3m, working capital adjustment of £0.4m and net assets of £10.2m. During 2020, total cash inflow from the disposal was £7.2m, comprising consideration of £11.8m, less transaction costs settled of £0.1m and cash disposed in the business of £4.5m. During 2021, the Group finalised the closing accounts resulting in an increase of the original gain of £0.3m, which has been recognised in separately disclosed items during the year for consistency. Transaction expenses totalling £0.6m were settled during 2021. Total cash outflow in the year from the disposal was £0.9m. No further cash flows are expected in 2022.

(d) Assets held for sale

In ALSA, a building with a carrying value of £17.6m (2020: £18.8m) and in the UK, public service vehicles with a carrying value of £1.0m (2020: £nil) met the held for sale criteria of IFRS 5 at 31 December 2021.

11 Cash and cash equivalents

	2021 £m	(Restated) 2020[1] £m
Cash at bank and in hand	**268.1**	241.2
Overnight deposits	**0.4**	49.7
Other short-term deposits	**239.9**	338.9
Cash and cash equivalents	**508.4**	629.8

[1] Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 1 for further information.

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions, or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group and total £11.9m (2020: £24.5m).

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the agreed short-term floating deposit rate. The fair value of cash and cash equivalents is equal to the carrying value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents and bank overdrafts in notional cash pooling arrangements are presented net. Bank overdrafts form an integral part of the group's cash management strategy as they arise from the Group's cash pooling arrangement with its bank. Net cash and cash equivalents comprise as follows:

	2021 £m	(Restated) 2020[1] £m
Cash and cash equivalents	**508.4**	629.8
Bank overdrafts	**(132.2)**	(109.3)
Net cash and cash equivalents	**376.2**	520.5

[1] Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 1 for further information.

12 Pensions and other post-employment benefits

The UK division (UK) and National Express Group PLC (the Company) both operate defined benefit pension schemes.

The Group also provides certain additional unfunded post-employment benefits to employees in North America and maintains a small defined benefit scheme for National Express Services Limited. These post-employment benefits have been combined into the 'Other' category.

The UK, the Company and North America also operate or contribute into a number of defined contribution schemes.

The Company defined benefit scheme was subject to a buy-in transaction on 11 October 2018 whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Rothesay Life under which the benefits payable to defined benefit members became fully insured. On 23 September 2021, a full buy-out of the defined benefit section was completed, following which Rothesay Life has become fully and directly responsible for the pension obligations. On completion of the buy-out, the defined benefit assets (comprising the Rothesay Life insurance policy) and matching defined benefit liabilities were derecognised from the Group's Balance Sheet. The buy-out transaction also triggered the return of surplus assets to the Company totalling £7.5m, with the remaining assets retained in the scheme to cover final expenses in completing its wind-up.

In 2020, the UK division agreed a new six-year annual deficit plan with the trustees of the West Midlands Integrated Transport Authority Pension Fund, which continues until March 2024 with an average contribution of £7.6m per annum. The plan remains open to accrual for existing members only.

The assets of the defined benefit schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries.

The Group expects to contribute £7.7m into its defined benefit pension plans in 2022.

The total pension cost charged to underlying operating loss in the year for the Group was £10.9m (2020: £11.2m), of which £6.0m (2020: £6.7m) relates to the defined contribution schemes.

12 Pensions and other post-employment benefits continued

The defined benefit pension (liability)/asset included in the Balance Sheet is as follows:

	2021 £m	2020 £m
Company	**3.8**	12.3
Pension assets	**3.8**	12.3
UK	**(96.1)**	(141.6)
Other	**(3.1)**	(5.8)
Pension liabilities	**(99.2)**	(147.4)
Total	**(95.4)**	(135.1)

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuations. The most recent triennial valuations are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19. Following the buy-out of the Company scheme there are no remaining pension liabilities at 31 December 2021, therefore a full set of assumptions was not derived. Therefore the Company assumptions listed below are those used to derive the schemes valuation immediately preceding the buy-out transaction, whereas for the UK scheme the assumptions listed below are those at 31 December 2021.

	2021		2020	
	UK	**Company**	UK	Company
Rate of increase in salaries	**2.5%**	**–**	2.5%	–
Rate of increase of pensions in payment	**2.8%**	**3.4%**	2.4%	2.9%
Discount rate	**1.8%**	**2.0%**	1.3%	1.4%
Inflation assumption (RPI)	**3.4%**	**3.4%**	3.0%	2.9%
Inflation assumption (CPI)	**2.8%**	**2.8%**	2.4%	2.3%
Post-retirement mortality in years:				
Current pensioners at 65 – male	**19.6**	**22.4**	19.9	22.4
Future pensioners at 65 – male	**21.0**	**23.7**	21.3	23.7
Current pensioners at 65 – female	**23.0**	**25.1**	23.2	25.1
Future pensioners at 65 – female	**24.6**	**26.6**	24.7	26.6

The Directors regard the assumptions around pensions in payment, discount rate, inflation and mortality to be the key assumptions in the IAS 19 valuation. The following table provides an approximate sensitivity analysis of a reasonably possible change to these assumptions:

(Increase)/decrease in the defined benefit obligation	**UK 2021 £m**	**Company 2021 £m**	UK 2020 £m	Company 2020 £m
Effect of a 0.5% increase in pensions in payment	**(30.4)**	**–**	(27.6)	–
Effect of a 0.5% increase in the discount rate	**36.1**	**–**	35.8	–
Effect of a 0.5% increase in inflation	**(34.8)**	**–**	(32.0)	–
Effect of a 1 year increase in mortality rates	**(18.0)**	**–**	(18.5)	–

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. Aside from the matching insurance contracts held in the UK scheme, no allowance has been made for any change in assets that might arise under any of the scenarios set out above.

13 Cash flow statement

(a) Reconciliation of Group loss before tax to cash generated from operations

	2021 £m	(Restated) 2020[2] £m
Loss before tax	**(84.9)**	(444.7)
Net finance costs	**47.7**	61.2
Share of results from associates and joint ventures	**1.0**	2.1
Depreciation of property, plant and equipment	**199.7**	223.6
Intangible asset amortisation	**54.2**	69.0
Amortisation of fixed asset grants	**(3.2)**	(2.9)
Gain on disposal of property, plant and equipment	**(8.0)**	(8.7)
Gain on disposal of intangible assets	**(0.6)**	(2.3)
Share-based payments	**1.0**	0.2
(Increase)/decrease in inventories	**(1.9)**	2.9
(Increase)/decrease in receivables	**(85.3)**	56.6
Increase/(decrease) in payables	**53.2**	(140.0)
Increase/(decrease) in provisions	**17.1**	(22.9)
Separately disclosed operating items[1]	**84.4**	278.0
Cash flows relating to separately disclosed items	**(43.3)**	(120.4)
Cash generated from operations	**231.1**	(48.3)

1 Excludes amortisation from acquired intangibles which is included within 'intangible asset amortisation'
2 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings – see note 1 for further information

b) Analysis of changes in net debt

Net debt is an alternative performance measure which is not defined or specified under the requirements of International Financial Reporting Standards. Please refer to the glossary for further information.

	(Restated) At 1 January 2021[4,5] £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2021 £m
Components of financing activities:						
Bank and other loans[1,4]	**(101.8)**	**(89.6)**	**(2.0)**	**4.4**	**(0.6)**	**(189.6)**
Bonds	**(647.0)**	**–**	**–**	**–**	**6.1**	**(640.9)**
Fair value of interest rate derivatives	**1.0**	**–**	**–**	**–**	**(7.3)**	**(6.3)**
Fair value of foreign exchange forward contracts	**4.6**	**(8.8)**	**–**	**(5.7)**	**–**	**(9.9)**
Cross currency swaps	**(5.7)**	**–**	**–**	**8.3**	**–**	**2.6**
Net lease liabilities[2]	**(311.3)**	**118.2**	**–**	**0.8**	**(26.6)**	**(218.9)**
Private placements	**(476.8)**	**66.8**	**–**	**15.5**	**0.6**	**(393.9)**
Total components of financing activities	**(1,537.0)**	**86.6**	**(2.0)**	**23.3**	**(27.8)**	**(1,456.9)**
Cash[5]	**241.2**	**28.7**	**0.2**	**(2.0)**	**–**	**268.1**
Overnight deposits	**49.7**	**(47.4)**	**–**	**(1.9)**	**–**	**0.4**
Other short-term deposits	**338.9**	**(98.4)**	**–**	**(0.6)**	**–**	**239.9**
Bank overdrafts[5]	**(109.3)**	**(22.9)**	**–**	**–**	**–**	**(132.2)**
Net cash and cash equivalents	**520.5**	**(140.0)**	**0.2**	**(4.5)**	**–**	**376.2**
Other debt receivables	**1.2**	**(0.1)**	**–**	**(0.1)**	**–**	**1.0**
Remove: fair value of foreign exchange forward contracts	**(4.6)**	**8.8**	**–**	**5.7**	**–**	**9.9**
Net debt[3]	**(1,019.9)**	**(44.7)**	**(1.8)**	**24.4**	**(27.8)**	**(1,069.8)**

1 Net of arrangement fees totalling £1.5m on bank and other loans
2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
3 Excludes accrued interest on long-term borrowings
4 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings. See note 1 for further information
5 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 1 for further information

13 Cash flow statement continued

Short-term deposits relate to term deposits repayable within three months.

Borrowings include non-current interest-bearing borrowings of £1,294.3m (2020: £1,313.0m).

Other non-cash movements include lease additions and disposals of £26.6m (2020: £21.1m) and a £1.2m net reduction from the amortisation of loan and bond arrangement fees (2020: £1.7m). A £7.3m decrease in the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings. This comprises a £6.4m fair value increase in bonds and a £0.9m fair value increase in private placements.

(Restated[4])

	At 1 January 2020 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2020 £m
Components of financing activities:						
Bank and other loans[1,4]	(242.6)	154.0	(11.3)	(1.0)	(0.9)	(101.8)
Bonds	(1,081.9)	448.4	–	(12.0)	(1.5)	(647.0)
Fair value of interest rate derivatives	3.3	–	–	–	(2.3)	1.0
Fair value of foreign exchange forward contracts	(20.4)	21.0	–	4.0	–	4.6
Cross currency swaps	11.7	(2.4)	–	(15.0)	–	(5.7)
Net lease liabilities[2]	(385.0)	97.7	(4.3)	1.4	(21.1)	(311.3)
Private placements	(68.3)	(407.9)	–	(3.6)	3.0	(476.8)
Total components of financing activities	(1,783.2)	310.8	(15.6)	(26.2)	(22.8)	(1,537.0)
Cash[5]	348.7	(109.3)	0.7	1.1	–	241.2
Overnight deposits	2.1	47.6	–	–	–	49.7
Other short-term deposits	365.0	(30.7)	–	4.6	–	338.9
Bank overdrafts[5]	(237.5)	128.2	–	–	–	(109.3)
Net cash and cash equivalents	478.3	35.8	0.7	5.7	–	520.5
Other debt receivables	2.4	(1.2)	–		–	1.2
Remove: fair value of foreign exchange forward contracts	20.4	(21.0)	–	(4.0)	–	(4.6)
Net debt[3]	(1,282.1)	324.4	(14.9)	(24.5)	(22.8)	(1,019.9)

1 Net of arrangement fees totalling £2.4m on bank and other loans
2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
3 Excludes accrued interest on long-term borrowings
4 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings. See note 1 for further information
5 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 1 for further information

(c) Reconciliation of net cash flow to movement in net debt

	2021 £m	2020[1] £m
(Decrease)/Increase in net cash and cash equivalents in the year	**(139.8)**	36.5
Cash outflow from movement in other debt receivables	**(0.1)**	(1.2)
Cash inflow from movement in debt and leases liabilities	**93.4**	274.2
Change in net debt resulting from cash flows	**(46.5)**	309.5
Change in net debt resulting from non-cash movements	**(3.4)**	(47.3)
Movement in net debt in the year	**(49.9)**	262.2
Opening net debt[1]	**(1,019.9)**	(1,282.1)
Net debt	**(1,069.8)**	(1,019.9)

1 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings – see note 1 for further information

14 Post balance sheet events

Although considered a non-adjusting post balance event, the recent events in Ukraine are still unfolding with the knock on effects at this stage uncertain and unquantifiable. Whilst the events are impacting on current fuel prices, as at the 9 March 2022 the Group is fully hedged for 2022 and around 65% hedged for 2023, which will help mitigate against such volatility.

15 Financial information

The financial information set out above does not constitute the Group's Financial Statements for the years ended 31 December 2021 or 2020, but is derived from those Financial Statements. Statutory Financial Statements for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditors have reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Annual Report will be posted to shareholders on 5 April 2022 and will also be available from the Company Secretary at National Express House, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham, B5 6DD. Copies are also available via www.nationalexpressgroup.com.