Notes to the Consolidated Accounts

For the year ended 31 December 2023

1 Corporate information

The Consolidated Financial Statements of Mobico Group PLC and its subsidiaries (the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 21 April 2024. Mobico Group PLC is a public limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange.

The principal activities of the Group are described in the Strategic Report that accompanies these Financial Statements.

2 Accounting policies

Basis of preparation

a) Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards (IFRS).

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

b) Parent Company Financial Statements

The separate accounts of the Parent Company are presented as required by the Companies Act 2006. The accounts have been prepared on a going concern basis and under the historical cost convention, except for financial instruments which have been measured at fair value, and in accordance with applicable accounting standards in the United Kingdom.

The Parent Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the Parent Company Financial Statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework as issued by the Financial Reporting Council.

The Parent Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, IFRS 16 Leases, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are included within the Group Consolidated Financial Statements.

No Income Statement is presented by the Parent Company as permitted by Section 408 of the Companies Act 2006. The profit or loss attributable to the Parent Company is disclosed in the footnote to the Company's Balance Sheet.

The key accounting policies for the Group and the Parent Company are set out below and have been applied consistently except where indicated. Where policies are specific to the Group or to the Parent Company this is set out in the relevant policy.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have considered the Group's business activities, principal risks and uncertainties, exposure to macroeconomic conditions, financial position, covenant compliance, liquidity and borrowing facilities.

The Group continues to maintain a strong liquidity position, with £0.9bn in cash and undrawn committed facilities available to it as of 31 December 2023 and total committed facilities of £2.0bn at this date. There is no expiry of these facilities within the going concern outlook period. During July 2023 the Group re-financed its revolving credit facility, increasing the size to £600m (from £527m). The new facility is committed for five years (to July 2028), with two annual extension options to July 2030. Covenants and other key terms are consistent with those of the Group's former RCF. The Group has also recently refinanced its £400m sterling bond (which was due to mature in November 2023), replacing it with an eight year, €500m euro-denominated bond in September 2023. 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. A gearing covenant whereby net debt must be no more than 3.5x adjusted EBITDA and an interest covenant whereby adjusted EBITDA must be at least 3.5x interest expense apply to the Group. Each input is subject to certain adjustments from reported to covenant measure as defined in the facility agreements, principally for presentation on a pre-IFRS 16 basis.

The Group has continued to recover in 2023, growing revenue but falling behind its expected profit recovery trend due to higher driver recruitment costs in North America, higher driver pay settlements in UK Bus coupled with lower than expected passenger recovery and slower recovery of the UK Transport Solutions business (NXTS). Additionally, higher costs associated with driver shortages (resulting in more expensive agency labour) and energy costs in Germany have been incurred in the latter part of 2023, adversely impacting both underlying profit and cash utilisation. Furthermore, following significant inflationary pressure on the cost base and a review of unit costs, it has become increasingly clear that the cost base has reached levels that are not consistent with the Group's margin and return ambitions. As a result, cost reduction programmes were launched in 2023, with £15m of savings already delivered in 2023, which will annualise into 2024; in addition we have launched a new productivity improvement and cost reduction programme, where we are targeting at least £20m of annualised savings.

We acknowledge that the Group has remained loss-making on a statutory basis in 2023, however this is not considered representative of the trading prospects of the Group since i) the statutory result was significantly impacted by the £99.2m onerous contract remeasurement in German Rail, brought about as a result of non-recurring, industry-wide factors; and ii) adjusting items also related to restructuring costs which will enable achievement of significant cost savings in future, improving both adjusted and statutory profitability.

Despite the prevailing macroeconomic uncertainty, we are confident in the Group's prospects as a value-for-money provider of essential public services, and therefore consider the business highly resilient to cost-of-living pressures. The outlook for 2024 is encouraging and the Directors remain confident in the longer-term outlook for the Group. This growth ambition is strengthened by government policy which is highly supportive of public transport as part of the solution to climate change.

2 Accounting policies continued

The base case projections, which cover the period to June 2025, assume a steady continuation of passenger demand increases across the Group, in line with the trends seen across 2023 and the exit rate into 2024, as well as an improvement in adjusted operating margin in the UK and North America following significant cost reduction and pricing actions undertaken in 2023 and similar actions ongoing into 2024.The key points of note regarding the base case are as follows:

- In the UK, the Bus business will focus on improving adjusted profitability, benefitting from price increases (some of which were already implemented in 2023) and operational cost efficiencies to combat increases in the cost base. The Coach business will continue to grow patronage and yields, targeting new areas (such as festivals and events) whilst also controlling the cost base through further efficiencies. There is assumed to be some benefit from ongoing rail strikes in 2024, but to a much lesser extent than in 2023. Additionally there is a strong focus on the turnaround of the NXTS private hire business in 2024, for which work is already underway with positive early results. The current funding package for UK Bus is expected not to extend past December 2024; the base case includes a number of initiatives to replace this shortfall through further cost efficiencies and commercial revenue growth.
- In ALSA, revenue and profit in Long Haul is expected to reduce marginally in 2024 as we lap the benefit of the 'Young Summer' government initiative seen in 2023 and see increased competition from High Speed Rail as new corridors are launched across Spain. Elsewhere in the business, we will see increases in demand for Regional, Urban and Discretionary services as well as ongoing growth in recently expanded areas such as Portugal and Healthcare transport. We remain protected from significant inflation by CPI-linked indexation clauses in most of our contracted revenue streams.
- The North American School Bus business has substantially recovered the cumulative impact of wage inflation, achieving a 13% pricing uplift on contracts up for renewal in 2023 (creating a significant tailwind into 2024), with further rate increases anticipated, in the remainder of the portfolio which has yet to be addressed. Significant progress on route recovery has been made throughout 2023, with around 97% of contractual maximum route numbers currently being operated and an expectation that the remaining 3% of routes will be recovered in 2024.
- The North American Shuttle and Transit business will continue to be impacted by weakness in the Technology sector but will deliver expansion into new sectors, with many such contracts already secured in 2023. There will be a continued focus on growth, with active bidding on a large pipeline of opportunities in strategic target markets. Rate increases and operational turnarounds have been secured across a number of key locations, providing a pathway to improved profitability in 2024.
- In Germany, expectations are that 2024 will continue to suffer from industry-wide driver scarcity and lower levels of energy subsidy than previously anticipated. A reduced level of adjusted operating profit and additional cash flows reflecting unwind of the onerous contract provision are therefore expected in 2024.
- 2024 will benefit from cost reduction programmes that were launched in 2023, with £15m of savings already delivered in 2023, which will annualise into 2024; in addition we have launched a new productivity improvement and cost reduction programme, where we are targeting at least £20m of annualised savings.
- There is no Covid-related funding assumed in the base case plan from 2024 onwards. The Group continues to partner with governments and local authorities in order to encourage the shift to public transport.
- Given the uncertainty on timing of disposal, the base case assumes that the North America School Bus business remains part of the Group throughout the going concern assessment period. A disposal of this business would be highly favourable to covenant gearing and liquidity headroom.

The reasonable worst case ("RWC") is fully aligned with the Viability Assessment and forms the first 18 months of that assessment (to June 2025). In summary, the downside risks modelled are all correlated with the Group's principal risks as outlined on pages 40 to 47. These downsides modelled include, but are not limited to:

1. Reduced passenger demand as a result of lower disposable incomes adversely affecting revenues by up to 3% in those lines of business without passenger revenue protection, fewer new contract wins and increased competition from other operators and modes of transport whereby 50% of growth opportunities are assumed to be lost and a material worsening of the bid season outcome in School Bus.
2. Higher inflation on the cost base, both for labour (with a 50% worsening of wage increases in most divisions) and general costs (increased by up to 2.5% above base case levels), with none of this being able to be passed on to customers.
3. Price rises from customers are lower than anticipated.
4. A material delay in realising cost savings in the new productivity improvement and cost reduction programme.

Against this severe but plausible downside scenario, we apply cost saving mitigations which would be within our control and which could be reasonably enacted without material short term damage to the business. The quantum and nature of these mitigations is broadly consistent with those assumed in prior years' assessments and include but are not limited to:

1. Reduced discretionary spending, with up to £15m per annum of cost savings across Travel & Accommodation, Advertising & Marketing, Training & Development and Legal & Professional fees which is more than achievable as demonstrated during the Covid pandemic.
2. The removal of any planned annual discretionary bonuses.
3. A reduction in the pace of replacement of fleet leading to in year savings.

Additionally, we assume cash flow mitigations, primarily in the form of deferral of capital expenditure, consistent with prior assessments. Further information about the downsides and mitigations can be found in the Viability Assessment on pages 48 and 49.

The Directors have reviewed the base case and RWC projections and in both scenarios the Group has a strong liquidity position over the going concern assessment period and would be able to comply with the covenant tests, albeit under RWC, reliant on the cost saving mitigations discussed above.

In addition to the base case and RWC 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.

2 Accounting policies continued

In applying a reverse stress test to liquidity the Directors have concluded that the set of circumstances required to exhaust it are considered remote. As ever, covenants that include adjusted EBITDA as a component are more sensitive to reverse stress testing; the Directors have therefore conducted in-depth stress testing on all covenant tests at June 2024, December 2024 and June 2025. In doing so, the Directors have considered all cost mitigations that would be within their control if faced with another short-term material adjusted EBITDA reduction and no lender support to amend or waive adjusted EBITDA-related covenants. Taking this into account the Directors concluded that the probability was remote that circumstances arise that cause covenants to be breached. Reverse stress tests have been performed against a reduction in revenue, incremental inflation that cannot be recovered, and an inability to achieve planned cost savings and in all instances, the likelihood of circumstances occurring that would result in a breach of covenants was considered remote.

In any case, should there be a more severe set of circumstances than those assumed in the reasonable worst case, a number of further mitigating actions are available to the Group, including: deeper and broader cost cutting measures, sale and leaseback of vehicles, disposal of properties, delays or reductions to capital expenditure and disposal of investments or other assets. The Group could also seek to raise further equity or seek further amendments or waivers of covenants, as was demonstrated during the Covid pandemic.

In conclusion, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 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 2023.

Changes in accounting policies and the adoption of new and revised standards

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 have been applied for the first time with effect from 1 January 2023:

- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

  The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

  - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

  The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the 2022 tax filings, country-by-country reporting and financial statements for the constituent entities in the Group.

  Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply, and the Pillar Two effective tax rate is below 15%. The profits in these countries are not significant however and so the Group anticipates that the exposure to Pillar Two income taxes in those jurisdictions to be insignificant.

In addition, the following amendments have been applied for the first time with effect from 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

These amendments did not have a material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Prior year restatement of the German Rail onerous contract provision

The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation are key contributing factors to the significant increase to the German rail onerous contract provision as at 31 December 2023 compared to prior year. The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out below:

- 31 December 2021 (restated): £29.7m, represents an increase of £8.6m of the previously reported balance primarily as a result of corrections to the model in relation to the allocation of central costs and depreciation of centrally held assets in the German rail business.
- 31 December 2022 (restated): £46.9m, represents an increase of £25m to the previously reported balance as a result of the matters described above, corrections to the model for assumptions made about revenue compensation for government sponsored ticket initiatives, and a change in the discount rate to reflect the use of the risk-free rate (a company specific borrowing rate was incorrectly applied in determining the 2022 provision).

Additionally, the implementation of the annual unwind of the discount to finance costs based on the restated provision values and the updated discount rate has also been reflected within the restated amounts, see note 10 for the impact on finance costs. The deferred tax assets have also been restated to reflect the tax effect of the adjustments made to the onerous contract provision summarised above, see note 27 for details.

As a result, adjusting items in respect of the German onerous contract provisions have also changed with the charges for the year ended 31 December 2022 increasing by £24.6m (previously reported for the 2022 year: £9.3m). Retained earnings for the year ended 31 December 2021 have also decreased by £5.8m. See note 5 for further details.

2 Accounting policies continued

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

Group Income Statement

	Reported			Restated		
	Adjusted result 2022 £m	Adjusting items (note 5) 2022 £m	Total 2022 £m	Adjusted result 2022 £m	Adjusted items (note 5) 2022 £m	Total 2022 £m
Operating costs	(2,610.2)	(355.8)	(2,966.0)	(2,610.2)	(370.8)	(2,981.0)
Group operating profit/(loss)	197.3	(355.8)	(158.5)	197.3	(370.8)	(173.5)
Finance costs	(53.2)	–	(53.2)	(53.2)	(0.4)	(53.6)
Profit/(loss) before tax	145.9	(355.8)	(209.9)	145.9	(371.2)	(225.3)
Tax (charge)/credit	(30.3)	19.5	(10.8)	(30.3)	24.4	(5.9)
Profit/(loss) for the year	115.6	(336.3)	(220.7)	115.6	(346.8)	(231.2)
Basic EPS			(39.7)p			(41.4)p
Diluted EPS			(39.7)p			(41.4)p

Group Statement of Comprehensive Income

	Reported 2022 £m	Adjustment £m	Restated 2022 £m
Loss for the year	(220.7)	(10.5)	(231.2)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of foreign operations	146.9	(0.6)	146.3
Other comprehensive income for the year	141.1	(0.6)	140.5
Total comprehensive expense for the year	(79.6)	(11.1)	(90.7)
Total comprehensive (expense)/income attributable to:			
Equity shareholders	(83.8)	(11.1)	(94.9)
Non-controlling interests	4.2	–	4.2
	(79.6)	(11.1)	(90.7)

Group Balance Sheet

	Reported 31 December 2022 £m	Adjustment £m	Restated 31 December 2022 £m	Reported[1] 31 December 2021 £m	Adjustment £m	Restated 31 December 2021 £m
Deferred tax assets	185.5	8.1	193.6	159.4	2.8	162.2
Total non-current assets	3,206.1	8.1	3,214.2	3,277.4	2.8	3,280.2
Total assets	4,153.9	8.1	4,162.0	4,299.9	2.8	4,302.7
Provisions	(65.7)	(13.6)	(79.3)	(68.8)	(8.0)	(76.8)
Total non-current liabilities	(1,165.0)	(13.6)	(1,178.6)	(1,611.7)	(8.0)	(1,619.7)
Provisions	(75.6)	(11.4)	(87.0)	(89.0)	(0.6)	(89.6)
Total current liabilities	(1,598.2)	(11.4)	(1,609.6)	(1,206.5)	(0.6)	(1,207.1)
Total liabilities	(2,763.2)	(25.0)	(2,788.2)	(2,818.2)	(8.6)	(2,826.8)
Net assets	1,390.7	(16.9)	1,373.8	1,481.7	(5.8)	1,475.9
Other reserves (Translation reserve)	481.7	(0.6)	481.1	384.0	–	384.0
Retained earnings	(207.4)	(16.3)	(223.7)	(16.2)	(5.8)	(22.0)
Total shareholders' equity	1,347.7	(16.9)	1,330.8	1,440.6	(5.8)	1,434.8
Total equity	1,390.7	(16.9)	1,373.8	1,481.7	(5.8)	1,475.9

1 As reported in the Group's 2022 Annual Report and Accounts

2 Accounting policies continued

Group Statement of Changes in Equity

	Reported[1]				Restated			
	Other reserves £m	Retained earnings £m	Total £m	Total equity £m	Other reserves £m	Retained earnings £m	Total £m	Total equity £m
At 1 January 2021	373.2	38.4	1,470.0	1,510.2	373.2	38.4	1,470.0	1,510.2
Loss for the year	–	(80.8)	(80.8)	(77.1)	–	(86.6)	(86.6)	(82.9)
Other comprehensive income for the year	10.8	39.2	50.0	48.7	10.8	39.2	50.0	48.7
Total comprehensive income/(expense)	10.8	(41.6)	(30.8)	(28.4)	10.8	(47.4)	(36.6)	(34.2)
At 31 December 2021	384.0	(16.2)	1,440.6	1,481.7	384.0	(22.0)	1,434.8	1,475.9

1 As reported in the Group's 2022 Annual Report and Accounts

	Reported				Restated			
	Other reserves £m	Retained earnings £m	Total £m	Total equity £m	Other reserves £m	Retained earnings £m	Total £m	Total equity £m
At 1 January 2022	384.0	(16.2)	1,440.6	1,481.7	384.0	(22.0)	1,434.8	1,475.9
Loss for the year	–	(221.8)	(221.8)	(220.7)	–	(232.3)	(232.3)	(231.2)
Other comprehensive income for the year	97.7	40.3	138.0	141.1	97.1	40.3	137.4	140.5
Total comprehensive income/(expense)	97.7	(181.5)	(83.8)	(79.6)	97.1	(192.0)	(94.9)	(90.7)
At 31 December 2022	481.7	(207.4)	1,347.7	1,390.7	481.1	(223.7)	1,330.8	1,373.8

As there was no impact on cash and cash equivalents, the statement of cash flows has not been re-presented.

Critical accounting judgements and key sources of estimation uncertainty

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 includes the effects of climate change and inflation.

No critical accounting judgements or key sources of estimation uncertainty have been identified specific to the Parent Company only.

(i) Critical accounting judgements

Recognition of deferred tax assets

The recognition of deferred tax assets in North America and the UK requires management's assessment of the probability of the recovery of these losses based on future financial projections. Management's view is that these losses will be recovered in the future as prior losses have been caused by a one-off event that was the pandemic from which our recovery has been slower than anticipated – due to positive revenue growth not being sufficient to offset inflationary headwinds. Management expect Group profitability will continue to improve through actions taken on a combination of pricing, and cost management and restructuring.

New management in North America and the UK has also given the Group confidence in our financial forecasts and the recovery of these deferred tax assets. We will continue to assess the recognition of these deferred tax assets at each reporting date.

We have provided further detail relating to these critical accounting judgments below:

i) North America

At the 31 December 2023 the Group has a $136.1m (2022: $152.6m) deferred tax asset in relation to past losses in North America; being $107.8m in relation to federal losses and $28.3m for state losses. This is calculated as 21% federal tax and 6.7% state tax, being the substantially enacted rate set by US Federal governments at the balance sheet date, multiplied by gross US cumulative historic losses of $513.3m (2022: $536.7m) and $423.9m (2022: $593.6m) respectively. The majority of these losses may be carried forward indefinitely under US tax rules. At 31 December 2023, there are also other deferred tax assets, including surplus restricted interest costs and general business tax credits, offset by deferred tax liabilities which gives an overall total net deferred tax asset of $102.2m (2022: $104.4m) at 31 December 2023.

In assessing the probability of recovery of these losses, and the overall deferred tax asset, management have looked at the last three years' financial performance as well as future financial projections. While the North America business as a whole has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic, from which our recovery from has been slower than anticipated.

2 Accounting policies continued

As a result of near full route recovery and successful price increases, acting to mitigate the impact of inflation, we are expecting a return to taxable profits in North America in the year ended 31 December 2025 and beyond. In addition, new leadership in North America is making an immediate difference and has given management additional confidence in the financial forecasts of the North American business. We have also capitalised intragroup debt into our North American business which reduces future interest costs in the North American group and thus increases future taxable profits. As such, our financial projections based upon our strategic plans indicate that the deferred tax asset will be recovered by 2030 and therefore the net deferred tax asset has been recognised on the basis of future taxable profits, in line with IAS 12. Given the inherently subjective nature of future profits forecasts, we have also performed a sensitivity analysis which shows that, even if our North American profits fall by 20% from our financial projections, the deferred tax assets will still be utilised in full by 2031. During the period, management have considered the recoverability of the deferred tax asset in relation to state tax losses and it was assessed that $10m would expire before utilisation and therefore these amounts have been written off.

ii) UK

At the 31 December 2023 the Group has a £85.5m (2022: £88.8m) deferred tax asset in relation to past losses in the UK business. This is calculated as 25%, being the substantially enacted tax rate set by the UK government from April 2023, multiplied by UK cumulative historic losses of £342m (2022: £356m). These losses are post-2017 tax losses (which can be used against any future UK profits) and may be carried forward indefinitely under UK tax rules. The group also has £83.6m of gross pre-April 2017 tax losses, which are restricted in their use to specific profits in the entity in which they arose.

In assessing the probability of recovery of the post-2017 losses, in line with IAS 12 management have looked at the last three years' financial performance as well as future financial projections, in line with IAS 12. While the UK business has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic, which our recovery from this has been slower than anticipated. In 2023, we adopted a new transfer pricing policy that will generate additional income into the UK and a new leadership team in the UK is making an immediate difference and has given management additional confidence in the financial forecasts of the UK business. We are expecting a return to taxable profits in the year ended 31 December 2025 and onwards.

As such, it is reasonable to rely upon future projections when assessing the probability of recovery of these losses. Based upon future financial projections, we estimate post-2017 tax losses in the UK business will be utilised by 2035. Given the inherently subjective nature of profit forecasts we have considered sensitivities in the forecast. In particular, potential changes to the business model in respect of the UK Bus business. The impact of this shows that the losses will still be utilised by 2037.

In relation to the pre-2017 losses, management assessed that as a result of a change to the forecasted future taxable profits during the period that it was not probable that these losses will be utilised and therefore, we have written-off £21.0m in the period.

Adjusting items

The Directors believe that the profit and earnings per share measures before adjusting items provide additional useful information to shareholders on the performance of the Group. These measures are consistent with how business performance is measured internally by the Board and the Group Executive Committee. In addition, the lender covenant calculations follow the accounting recognition for adjusting items and therefore the accounting judgment can also have an impact on covenant headroom.

The classification of adjusting items requires significant management judgement after considering the nature, cause of occurrence and the scale of the impact of that item on reported performance. The Group's definition of adjusting items is outlined on page 252. Note 5 provides further details on current year adjusting items.

(ii) Key sources of estimation uncertainty

Management have considered the following are key sources of estimation uncertainty during the year.

ALSA and North America goodwill impairment

Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units and requires the entity to estimate the future cash flows expected to arise, the growth rate to extrapolate cash flows into perpetuity and a suitable discount rate in order to calculate present value. Cash flow projections involve the use of estimates, notably revenue levels, operating margins and the proportion of operating profit converted to cash in each year. Despite an increased level of headroom in the current year and an impairment of goodwill in ALSA in the prior year, Management still consider impairment to be a key source of estimation uncertainty with respect to both our ALSA and North America divisions due to the level of estimation uncertainty involved. The key assumptions used and their sensitivities are included in note 14.

Insurance and other claims

The claims provision arises from estimated exposures at the year end for auto and general liability, workers' compensation and environmental claims, the majority of which will be utilised in the next five years. The estimation of the claims provision is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not been reported to the Group. The Group makes assumptions concerning these judgemental matters with the assistance of advice from independent qualified actuaries. At 31 December 2023 the claims provision was £78.1m (2022: £77.4m).

In certain limited cases, additional disclosure regarding these claims may seriously prejudice the Group's position and consequently this disclosure is not provided. Given the differing types of claims, their size, the range of possible outcomes and the time involved in settling these claims, there is a reasonably possible chance that a material adjustment would be required to the carrying value of the claims provision in the next financial year. These different factors also make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the overall claims provision. For further information see note 26.

RRX rail contracts

The Group operates the Rhine-Ruhr Lots 1, 2&3 under rail contacts in Germany, where the Group receives subsidy revenue for operating the contract. These contracts are gross cost contracts with no exposure to passenger revenue risk.

2 Accounting policies continued

Lots 2&3

On the rail contracts for Lots 2 & 3 ('RRX 2&3'), following mobilisation in 2019 significant cost increases versus the original bid model (which contained bid errors) were identified, in respect of energy consumption and personnel costs, leading to the contract being identified as onerous in 2021. When the contract became onerous, related assets on the Balance Sheet were impaired, and a provision was booked for the anticipated losses expected to be incurred while operating the contract over the remaining term to 2033. The provision is re-measured each period end based on the latest estimate of losses expected to be incurred operating the services under the contract.

The level of uncertainty in the estimate of overall loss over the contract life has increased during the year, primarily due to the continuing volatility in energy prices (and, more importantly, a decoupling in the year of the behaviour of specific indices used in the recovery of costs relative to energy prices as set out in further detail below), industry-wide driver shortages in Germany (which exacerbate the issues caused by the bid errors), and persisting levels of cost inflation.

The provision totals £118.3m at 31 December 2023 (2022 restated: £46.9m), but in reaching this estimate significant estimation uncertainties has been identified in respect of future energy costs, the level of energy compensation to be received from the Public Transport Authority ("PTA") and the impact and duration of labour shortages. The key assumptions and estimates adopted have been based on third party information where available, including the forecasts for energy prices, the compensation for which is based on recent energy index data published by the German Federal Statistical Agency, updated regression models which are used to forecast the behaviour of the indices relative to energy cost assumptions. The revised assumptions about driver availability are based on our internal manpower planning models,and published industry wage inflation data (noting that our assumption is that the wage inflation index will track our cost inflation assumptions). We have included further detail relating to associated sensitivities in Note 26.

In respect of energy compensation on the RRX 2&3 contract, the assumption is based on how certain published indices respond to changes in wholesale prices. The energy index relevant to RRX 2&3 is published monthly by DeStatis, the German Federal Statistics Agency, and is referred to as Index 625. During 2023, the way that Index 625 has behaved has decoupled from our previous expectations (which are derived from regression analysis against wholesale electricity costs), resulting in lower expectations for future energy recovery.

Negotiations are underway with the PTA to move to a different (and more representative) index, and the year-end provision assumes based on recent discussions that the change in index will be made albeit with a conservative view of how that change might be implemented.

In respect of labour shortages, the driver costs have also been impacted by a significant investment in driver training and recruiting costs, and industry-wide driver shortages meaning that agency drivers have had to be employed, thereby increasing the total cost of employment. Changes to the terms and conditions of drivers, which have reduced the number of hours drivers are able to work, as a result of increased union activity in the sector has also meant that more drivers are required than previously forecast to be able to run the lines. The industry standard is for it to take 12-18 months to train a driver, therefore the current shortages are anticipated to persist in the short term and then be alleviated as more drivers enter the industry. We anticipate that the situation regarding labour shortages, and its adverse impact on contract profitability will improve substantially throughout 2024, but will not be fully resolved until the end of 2025.

The re-measurement of the provision has been included in adjusting items (note 5) consistent with previous years and the Group policy on adjusted profit.

Lot 1

The RRX1 franchise commenced on 10 December 2023, succeeding the Emergency Award contract that had been in operation from 1 February 2022 to 9 December 2023. This contract does not suffer from the bid-errors that are described above for RRX 2&3, and its energy recovery is based on an alternative energy index. However, it is still exposed to the driver shortage issues that are impacting the industry.

As at 31 December 2023, the RRX1 contract is not assessed as onerous. The contract is, however, subject to material adverse cost pressures in 2024 and 2025 (predominantly linked to the driver shortage affecting the industry) and the resulting reduced mileage and penalties that are triggered under the contract. On the assumption that the driver shortage issues are resolved in the timeframe expected by management (i.e substantially resolved by the end of 2025), the RRX1 contract is expected to be profitable over the remainder of its life.

RME rail contract

The Group operates the Rhine-Münster Express (RME) rail contract to 2030, where the Group receives both passenger revenue and subsidy revenue for operating the contract. Passenger revenue is recognised when passengers travel, and the subsidy revenue is recognised over the life of the contract, by using the input method to measure progress against the performance obligation. The amount of subsidy revenue recognised in each period is a proportion of the total subsidy revenue to be earned over the term of the contract, and is based on a percentage of completion, applying net costs (passenger revenue less costs) incurred as a proportion of total expected net costs, which is what the subsidy is intended to compensate for.

At each balance sheet date, the Group reforecasts the contract out-turn and performs a re-assessment of the subsidy revenue to be recognised by reference to the stage of completion. This reassessment during the current year resulted in a decrease in the IFRS 15 contract asset recognised on the balance sheet under the contract to £48.6m at 31 December 2023 (2022: £53.8m).

The recognition of this contract asset is sensitive to estimates relating to the future profitability of the rail contract, particularly relating to the estimate of future passenger revenues over the remainder of the contract and, to a lesser extent, the level of energy compensation and manpower cost inflation, including the number of drivers required to run the contracts. We have included further detail relating to the sensitivity of the contract asset to a change in the forecast future passenger revenues in Note 20.

Pensions

The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. At 31 December 2023 the UK defined benefit pension liability was £30.0m (2022: £39.7m). The key areas of estimation uncertainty are in respect of the discount rate, rate of inflation, assumptions on post-retirement pension increases, and mortality rate. While the Board believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may significantly change the pension obligation. The Group makes assumptions with the assistance of advice from independent qualified actuaries. Details of the assumptions are set out in note 33 to these Financial Statements, along with their sensitivities.

2 Accounting policies continued

Consideration of climate change

In preparing the Financial Statements we have considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with the findings disclosed within the TCFD disclosures in the Strategic Report. We have specifically considered the impact of climate change on the carrying value of fixed assets (see note 15) and in our goodwill impairment assessment (see note 14).

Basis of consolidation

These Consolidated Financial Statements comprise the Financial Statements of Mobico Group PLC and all its subsidiaries drawn up to 31 December each year. Adjustments are made to bring any dissimilar accounting policies that may exist in the subsidiaries into line with the Group's accounting policies.

The Consolidated Income Statement includes the results of subsidiaries and businesses purchased from the date control is assumed and excludes the results of disposed operations and businesses sold from the date of disposal.

Intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Non-controlling interests represent the portion of comprehensive income and equity in subsidiaries that is not attributable to the parent Company shareholders and is presented separately from parent shareholders' equity in the Consolidated Balance Sheet.

Summary of significant accounting policies

Subsidiaries

Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing control.

Interests in joint ventures

The Group has a contractual arrangement to share control of an entity. The Group recognises its interest in the assets and liabilities of the entity using the equity method of accounting. The Group Balance Sheet includes the appropriate share of the joint ventures' net assets or liabilities and the Income Statement includes the appropriate share of their results after tax.

Financial Statements of joint ventures are prepared for the same reporting period as the Group. Adjustments are made in the Group's Financial Statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its joint venture. The Group ceases to use the equity method from the date it no longer has joint control over the entity.

Interests in associates

Companies, other than subsidiaries and joint ventures, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associates. The Consolidated Financial Statements include the appropriate share of these associates' results and net assets based on their latest Financial Statements under the equity method of accounting.

Foreign currencies

The trading results of foreign currency denominated subsidiaries, joint ventures and associates are translated into Sterling, the presentation currency of the Group and functional currency of the parent, using average rates of exchange for the year as a reasonable approximation to actual exchange rates at the dates of transactions.

The Balance Sheets of foreign currency denominated subsidiaries, joint ventures and associates are translated into Sterling at the rates of exchange prevailing at the year end and exchange differences arising are taken directly to the translation reserve in equity. On disposal of a foreign currency denominated subsidiary, the deferred cumulative amount recognised in the translation reserve (since 1 January 2004 under the transitional rules of IFRS 1) relating to that entity is recognised in the Income Statement. All other translation differences are taken to the Income Statement, with the exception of differences on foreign currency borrowings and forward foreign currency contracts which are used to provide a hedge against the Group net investments in foreign enterprises. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Income Statement.

Adjusted profit, after 'adjusting items' (previously 'Underlying profit', after 'Separately disclosed items')

The Group presents results on a statutory and adjusted basis. The alternative performance measure (APM) 'adjusted profit' represents a change in terminology from the prior period which separately disclosed certain items to show an 'underlying' profit measure. The change in terminology has been adopted to reduce any judgement and interpretation of the meaning 'underlying' profit by users of the Financial Statements. As this is a terminology change only, there has been no change to how the Group determines items to be adjusting, and there has been no change to previously reported comparatives. Any previously 'separately disclosed items', continue to meet the definition of 'adjusting items' following the change in terminology in the current year.

The Group Income Statement has been presented in a columnar format to enable users of the Financial Statements to view the adjusted results of the Group. The Group's policy is to adjust for items that are considered significant in nature and value or not in the normal course of business, or are consistent with items that were treated as adjusting in prior periods. Treatment as adjusting items provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. Further details relating to adjusting items are provided in note 5 and a full listing of the Group's alternative performance measures (APMs) are provided in the glossary on pages 251 and 252.

Revenue recognition

Revenue is measured based on the consideration specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled.

Contract revenues

For the purposes of disclosures, the Group has applied the term 'contract revenues' to describe documented contracts that typically cover periods of at least one year, excluding concessions and subsidies. The contracts primarily relate to home to school and transit contracts in North America, urban bus contracts in Spain and coach contracts in the UK. In addition, in Germany, Spain and North America, the Group has a number of Service Concession arrangements for the provision of transport services.

2 Accounting policies continued

Revenues relating to the provision of transport services are recognised as the services are provided and in accordance with the terms of the contract. Revenue relating to any additional performance measures in the contract are recognised when the performance has been met and in accordance with the terms of the contract.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring services to the customer. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is resolved and when it becomes highly probable that a significant revenue reversal will not occur.

For the RME contract in Germany, revenue is recognised over the life of the contract, by using the input method to measure progress against the performance obligation. The amount of subsidy income recognised in each period is based on a percentage of completion, applying net costs (passenger revenue less costs) incurred as a proportion of total expected net costs, which is what the subsidy is intended to compensate for.

Passenger revenues

Passenger revenues primarily relate to ticket sales in UK bus and scheduled coach, the RME German Rail contract, intercity coach and certain regional bus services in Spain and urban bus services in Morocco.

Passenger revenue is recognised in the Income Statement in the period in which the related travel occurs. Revenue from tickets that cover more than one day, for example monthly travelcards and season tickets, is initially deferred as a contract liability and released to the Income Statement on a straight-line basis over the applicable period of the ticket.

Contract liabilities are reduced when an eligible cancellation arises. Also, where applicable, contract liabilities are reduced for ticket breakage, being the portion of future travel that is not expected to be exercised.

Other ancillary revenues relating to ticket sales are recognised at point of sale or, if material and related to a future performance period, recognised by reference to that period.

Passenger revenue in the German Rail RME contract is allocated between the various transport providers in each region by the tariff authority responsible for that region, and is recognised based on passenger counts, tariff authority estimates and historical trends.

Private hire

Private hire operations are contracts provided in the UK, ALSA and North America divisions and are typically of a short duration. Revenue is recognised over the period in which the private hire is provided to the customer.

Other revenues

Other revenues primarily comprise non-passenger services in Spain, maintenance revenues in North America and advertising revenues and ancillary sales around the Group. Other revenue also includes sub-leasing income where the Group acts as the lessor.

Revenues for non-passenger services are recognised when the performance of the service has been fulfilled and in accordance with the terms of the contract. Advertising revenue is recognised over the period of the advertising contract.

Contract costs

Costs to obtain a contract

The incremental costs to obtain a contract with a customer are recognised within 'contract costs' if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Costs to fulfil a contract

Costs that relate directly to a contract, generate resources that will be used in satisfying the contract and are expected to be recovered are recognised within 'contract costs' on the Balance Sheet. Contract fulfilment costs covered within the scope of another accounting standard, such as property, plant and equipment or intangible assets, are not capitalised as contract fulfilment assets but are treated according to those standards.

Contract costs are amortised on a straight-line basis over the term of the specific contract they relate to, consistent with the pattern of recognition of the associated revenue.

Contract assets and liabilities

Contract assets are recognised where the Group has performed its obligations to allow the recognition of revenue, but the revenue allowed to be recognised exceeds the amounts received or receivable from a customer at that time.

Contract liabilities are recognised when amounts are advanced by customers and the Group has not yet met the performance obligation under the contract to allow the recognition of the balance as revenue. Contract liabilities are recognised as revenue when the Group performs such obligations under the contract.

Contract assets and liabilities are also recognised when the financial asset model is applied to service concession arrangements, further detail is outlined on page 228.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to it.

Grants and subsidies relating to the provision of transport services are included within revenue when the terms of the agreement specify that they are intended to compensate the Group for services rendered, or to subsidise any revenue shortfall. The grants and subsidies are recognised as the services are provided. When the grant is awarded to compensate the business for incurring expenses, it is recognised in operating costs within the Income Statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to property, plant and equipment, the value is included in liabilities as deferred income and credited to the Income Statement over the expected useful economic life of the assets concerned.

Government grants received in excess of the amounts recognised in the Income Statement are held as deferred grant income within trade and other payables, whereas government grants recognised in the Income Statement that are yet to be received are held as grant receivables in trade and other receivables.

For government grants that do not explicitly outline what the award is compensating, management applies its judgement as to whether it should be recognised within revenue or operating costs. Typically grants targeted at maintaining service levels are recognised within operating costs and those intended to compensate reduced fares or patronage are recognised within revenue.

Service concession arrangements

In ALSA, German Rail and North America, the Group provides services through public-private partnerships with public authorities responsible for the provision of public transport services.

2 Accounting policies continued

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities supplied by the Group, or made available to it for or without consideration.

The characteristics of these contracts vary depending on the country and activities concerned.

Financial asset model

The Group applies the financial asset model when the concession grantor contractually guarantees the payment of amounts specified in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified.

Financial assets or liabilities resulting from the application of IFRIC 12 Service Concession Arrangements are recorded in the Group Balance Sheet within contract assets or contract liabilities respectively, forming part of working capital. These financial assets are measured at amortised cost as the Group's business objective is to collect the contractual cashflows from the customer. They are assessed for impairment in line with the provisions of IFRS 9.

Income received from the public authorities is recognised in line with the requirements of IFRS 15. In Germany, subsidy income from the Public Transport Authority (PTA) on the RME contract is recognised over the life of the franchise and by using the input method to measure progress against the performance obligation. The amount recognised in each period is based on a percentage of completion, applying net costs incurred as a proportion of total expected net costs, which is what the subsidy is intended to compensate. In accordance with IFRS 15, costs payable to the PTA are netted against subsidy income. In ALSA and North America, and on the RRX contracts in German Rail subsidy income from the local authority is recognised as the services are provided and in accordance with the terms of the contract.

Intangible asset model

The Group applies the intangible asset model when income is directly received from the passengers and there is no contractual guarantee from the concession grantor. The intangible asset corresponds to the right granted by the public authority to the Group to charge passengers of the public service. In addition, when the concession grantor has an option to purchase infrastructure assets at the end of the contract term, an intangible asset is recognised.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Group Balance Sheet and are amortised on the basis of the expected pattern of consumption applicable over the term of the concession.

Income received from passengers is recognised in line with the requirements of IFRS 15 and the policy detailed on page 166.

Infrastructure assets provided by the Group are either purchased or subject to a 'lease style' arrangement. Where the Group purchases the assets on its standard supplier terms (typically one year), the related liability is recorded in contract liabilities until it is settled. Where the assets are 'leased', the liability is recorded at the present value of the future payments in contract liabilities in accordance with IFRIC 12, as opposed to IFRS 16. Where lease payments on infrastructure assets are directly reimbursed from the customer, the asset is recorded according to the underlying classification of the IFRIC 12 contract (as set out above).

Taxes

Current tax

Current tax is provided on taxable profits earned according to the local tax rates applicable where the profits are earned. Income taxes are recognised in the Income Statement unless they relate to an item accounted for in Other Comprehensive Income or Equity, in which case the related tax is recognised directly in Other Comprehensive Income or Equity. The tax rates and tax laws used to compute the current tax are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided in full in respect of all material temporary differences at the balance sheet date between the tax base and their carrying amounts for financial reporting purposes, apart from the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill;
- where an asset or liability is recognised in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of investment in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is considered more likely than not that future taxable profits will be available against which the underlying temporary differences can be deducted. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions, as well as assumptions on the tax elections within the Group's control.

Accordingly, changes in assumptions to the Group's forecasts may have an impact on the amount of future taxable profits and therefore the period over which any deferred tax assets might be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

On the acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued. Any contingent consideration is recognised at fair value at the acquisition date and subsequently until it is settled.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

2 Accounting policies continued

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to complete within one year from the date of classification. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and either represents a separate major line of business or geographical area; is part of a plan to dispose of a separate major line of business or geographical area; or is a subsidiary acquired exclusively for resale.

Discontinued operations are excluded from the results of continuing operations and presented as a single amount after tax. Comparatives are also represented to reclassify the operation as discontinued.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of an associate or joint venture is recognised within the carrying amount of the investment.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. A cash-generating unit is identified at the lowest aggregation of assets that generate largely independent cash inflows, and which is reviewed by management for monitoring and managing the Group's business operations.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Customer contracts

Customer contracts acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

Service concession intangibles

Service concession intangible assets represent a right to charge passengers for the use of the public service. See page 228 for further details.

Contract costs

Contract costs include costs to obtain and costs to fulfil a contract. See page 167 for further details.

Software

Acquired and internally developed software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software or fair value if acquired as part of a business combination. Computer software that is integral to a tangible fixed asset is recognised within property, plant and equipment.

Amortisation is charged on a straight-line basis over the expected useful lives of the assets as follows:

Customer contracts	–	over the life of the contract (1 to 33 years)
Contract costs	–	over the term of the specific contract (1 to 15 years)
Software	–	over the estimated useful life (3 to 7 years)

The useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Repairs and maintenance costs are expensed as incurred.

Freehold land is not depreciated. All other property, plant and equipment is depreciated on a straight-line basis over its estimated useful life as follows:

Land and buildings	–	15 to 50 years
Public service vehicles	–	8 to 20 years
Plant and equipment, fixtures and fittings	–	3 to 15 years

Useful lives and residual values are reviewed annually and adjustments, where applicable, are made on a prospective basis. Specifically, as the Group transitions away from diesel powered vehicles towards zero emissions vehicles, the impact on the useful life, and residual value of diesel vehicles is reviewed. In addition, as new vehicles are purchased, useful lives are set considering these factors.

An item of property, plant and equipment is derecognised upon disposal with any gain or loss arising included in the Income Statement in the period of derecognition.

Impairment

Intangible assets with definite useful lives, and property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill is subject to an impairment test on an annual basis, or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that is based on the country-specific weighted average cost of capital (WACC). The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets, the growth rate used to extrapolate the cash flows beyond the five-year period and discount rates applied in calculating the value in use.

Impairment losses relating to goodwill cannot be subsequently reversed.

Parent company investments

Investments are held at historical cost less any provision for impairment.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group determines the classification of its financial instruments at initial recognition.

2 Accounting policies continued

Financial assets

Financial assets are classified at initial recognition as either (i) subsequently measured at amortised cost, (ii) fair value through Other Comprehensive Income, or (iii) fair value through profit and loss. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Financial assets subsequently measured at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables and cash and cash equivalents in the Balance Sheet.

(ii) Financial assets at fair value through Other Comprehensive Income

The Group has elected to recognise its non-listed equity investments at fair value through Other Comprehensive Income. Gains and losses on these financial assets are never recycled to the Income Statement. Dividends are recognised as other income in the Income Statement when the right of payment has been established. Where there is no active market for the Group's investments, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flow analyses. Equity instruments designated at fair value through Other Comprehensive Income are not subject to impairment assessment.

(iii) Financial assets at fair value through Profit and Loss

Financial assets at fair value through Profit or Loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through Profit or Loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the Group Balance Sheet at fair value, with net changes in fair value recognised in the Income Statement within finance costs. Transaction costs arising on initial recognition are expensed in the Income Statement.

The Group's financial assets at fair value through Profit and Loss are primarily derivatives.

Financial liabilities

Financial liabilities are measured either at fair value or amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Subsequent measurement depends on its classification as follows:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised. Amortisation is included as finance costs in the Income Statement. This category applies to interest-bearing loans and borrowings.

For some contracts where the cash flows are back ended, the Group enters into a non-recourse factoring arrangement with a bank to factor the future cash flows in advance of invoicing the customer, with the resultant liability with the bank recorded in loans and borrowings. On subsequent receipt of the cash from the customer this is then immediately repaid to the bank. Both the cash receipt and the repayment to the bank are recorded within cash flows from financing activities in the Statement of Cash Flows.

Put liabilities

Put liabilities are recognised by the Group when put options have been issued by the Group in a business combination. Liabilities are recorded at the present value of the purchase price upon acquisition. The present value of purchase price is re-measured at each reporting date, with subsequent changes recorded in profit and loss. Unwind of the discount of the liability is recorded within interest costs.

Equity instruments

Hybrid instruments

Hybrid instruments issued by the Group are classified on initial recognition according to the substance of the arrangement. Hybrid instruments are recorded within equity where the contractual terms of the instruments allow the Group to defer coupon payments and the repayment of the principal amount indefinitely. These features give the Group the unconditional right to avoid the payment of cash or another financial asset for the principal or coupon and consequently are classified as equity instruments. These equity instruments are not re-measured from period to period. Coupon payments made are treated the same as an equity dividend distribution and, where not made, are accrued within the hybrid reserve, with a corresponding reduction in retained earnings.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as fuel derivatives, interest rate derivatives, foreign exchange forward contracts and cross currency interest rate swaps to hedge its risks associated with fuel price, interest rate fluctuations and foreign currency. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value for the reported Balance Sheet. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of the derivatives is calculated by reference to market exchange rates, interest rates and fuel prices at the period end.

2 Accounting policies continued

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group's interest rate derivatives are designated as fair value hedges. For fair value hedges, the gain or loss on the hedging instrument is recognised immediately in the Income Statement. The carrying amount of the hedged item is adjusted through the Income Statement for the gain or loss on the hedged item attributable to the hedged risk, in this case movements in the risk-free interest rate.

The Group's fuel derivatives are designated as cash flow hedges. The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity. The gains or losses deferred in equity in this way are recycled through the Income Statement in the same period in which the hedged underlying transaction or firm commitment is recognised in the Income Statement.

Foreign exchange forward contracts and cross currency interest rate swaps are used to hedge the Group's net investment in foreign currency denominated operations, and, to the extent they are designated and effective as net investment hedges, are matched in equity against foreign exchange exposure in the related assets and liabilities. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The Group also uses foreign exchange forward contracts to hedge certain transactional exposures. These contracts are not hedge accounted and all gains and losses are taken directly to the Income Statement.

For derivatives that do not qualify for hedge accounting, gains or losses are taken directly to the Income Statement in the period. Similarly, any material ineffective portion of the Group's cash flow and net investment hedges is recognised in the Income Statement.

Movements in the fair value of the hedging instrument arising from costs of hedging for cash flow and net investment hedges are recognised in equity, disclosed separately and amortised to the Income Statement over the term of the hedge relationship on a rational basis.

Any material ineffectiveness is recognised in the Income Statement within operating costs for fuel derivatives and finance costs for all other derivatives.

Hedge accounting is discontinued when the hedging instrument or hedged item expires, is sold, terminated or exercised, or no longer qualifies for hedge accounting. For fuel derivatives, this can arise due to a change in the highly probable forecast transaction as a result of a change in divisional volume requirements. In such instances, accumulated fair value gains or losses are transferred from Other Comprehensive Income to the Income Statement for affected trades when hedge accounting has been discontinued.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first in, first out basis, after making due allowance for obsolete or slow moving items.

Trade and other receivables

Trade and other receivables are recognised and carried at the transaction price determined under IFRS 15, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables (including grant receivables), contract assets and finance lease receivables. The Group uses provision matrices based on historical ageing of receivables and credit loss experience, adjusted as necessary for any forward-looking factors specific to the debtors and economic environment.

Trade receivables are derecognised where the Group enters into factoring arrangements without recourse and the risks and rewards have been fully transferred. The Group classifies the cash flows from receivable factoring arrangements within cash from operating activities in the Statement of Cash Flows.

Cash and cash equivalents

Cash and cash equivalents as defined for the Statement of Cash Flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception, and bank overdrafts. In the Consolidated Balance Sheet, cash and cash equivalents are presented net of bank overdrafts where there is a legal right of offset and intention to net settle, or otherwise are included within borrowings in current liabilities.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax discount rate. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are obligations that arise from past events that are dependent on future events. They are disclosed in the notes to the Financial Statements where the expected future outflow is not probable.

Onerous contracts

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e. both incremental costs and an allocation of costs directly related to contract activities).

Where the Group assesses that a contract is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group first recognises any impairment loss on any assets dedicated to that contract.

2 Accounting policies continued

Insurance claims

The Group's policy is to not insure low value, high frequency claims within the businesses. To provide protection against higher value claims, the Group purchases insurance cover from a selection of proven and financially strong insurers.

Provisions in respect of claims risk include projected settlements for known and incurred but not reported claims. Projected settlements are estimated based on historical trends and actuarial data and are discounted to take account of the expected timing of future cash settlements. To the extent insurance liabilities are insured and awaiting settlement, a separate asset is recognised in other receivables.

Leases

Group as a lessee

Lease identification

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. Non-lease components and contracts which do not contain a lease are expensed in the Income statement on a systematic basis over the contract term.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Any variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

As a lessor, the Group continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Where the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset it is classified as a finance lease and if not is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. Where the sub-lease is classified as a finance lease, the right-of-use asset with respect to the head lease is derecognised and a finance lease receivable is recognised equal to the net investment in the sub-lease. The net investment in the lease is calculated as the present value of the aggregate of lease payments receivable and any unguaranteed residual value. Where the interest rate implicit in the sub-lease cannot be readily determined, the Group uses the discount rate used for the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Retirement benefits

Defined contribution schemes

Payments to defined contribution schemes are charged to the Income Statement as they fall due. The Group has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit schemes

Plan assets, including qualifying insurance policies, are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the Group Balance Sheet as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up.

Current service costs are recognised within operating costs in the Income Statement. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately as the plan amendment occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs.

2 Accounting policies continued

Re-measurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in Other Comprehensive Income and are not reclassified to profit or loss in subsequent periods.

Full actuarial valuations are carried out triennially and are updated for material transactions and other material changes in circumstances up to the end of the reporting period.

Share-based payments

The Group awards equity-settled share-based payments to certain employees, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the Group over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Share capital, share premium and dividends

Where either the Company or employee share trusts purchase the Company's equity share capital, the consideration paid, including any transaction costs, is deducted from total shareholders' equity as own shares until they are cancelled or re- issued. Any consideration subsequently received on sale or re-issue is included in shareholders' equity.

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's Financial Statements on the date when dividends are approved by the Company's shareholders. Interim dividends are recognised in the period they are paid.

New standards and interpretations not applied

Certain new accounting standard amendments have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability – Amendments to IAS 21

These amendments are not expected to have a material impact on foreseeable future transactions but may result in additional disclosures in the notes to the financial statements for future years.

3 Exchange rates

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

	2023 Closing rate	2023 Average rate	2022 Closing rate	2022 Average rate
US Dollar	**1.27**	**1.24**	1.21	1.24
Canadian Dollar	**1.69**	**1.68**	1.64	1.61
Euro	**1.15**	**1.15**	1.13	1.17
Morocco Dirham	**12.57**	**12.60**	12.64	12.53

If the results for the year to 31 December 2022 had been retranslated at the average exchange rates for the year to 31 December 2023, North America would have achieved adjusted operating profit of £67.9m on revenue of £1,040.1m, compared with adjusted operating profit of £68.4m on revenue of £1,048.2m as reported, ALSA would have achieved adjusted operating profit of £105.9m on revenue of £982.0m, compared with adjusted operating profit of £103.9m on revenue of £962.5m as reported, and German Rail would have achieved adjusted operating profit of £18.0m on revenue of £273.9m, compared with adjusted operating profit of £17.6m on revenue of £268.5m as reported.

4 Revenue and segmental analysis

The Group's reportable segments have been determined based on reports issued to and reviewed by the Group Board of Directors, and organised in accordance with the geographical regions in which they operate and the nature of services that they provide. Management considers the Group Board 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 and shuttle operations

Further details on the activities of each segment are described in the Strategic Report.

(a) Revenue

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

	2023					
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	**36.6**	**479.0**	**40.8**	**23.3**	**30.4**	**610.1**
German Rail	**–**	**43.3**	**216.0**	**–**	**0.5**	**259.8**
ALSA	**233.7**	**607.8**	**188.8**	**68.0**	**67.1**	**1,165.4**
North America	**1,050.3**	**–**	**–**	**60.0**	**5.3**	**1,115.6**
Total revenue	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**103.3**	**3,150.9**
Analysis by major service type:						
Passenger transport	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**19.1**	**3,066.7**
Other products and services	**–**	**–**	**–**	**–**	**84.2**	**84.2**
Total revenue	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**103.3**	**3,150.9**

There have been no material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years, except for Covid funding as described below. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in notes 24 and 25.

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

Covid funding included in revenue

Included within revenue above is the following covid related funding as follows:

	2023 £m	**2022 £m**
UK (a)	**1.9**	19.6
German Rail (b)	**–**	15.1
ALSA (c)	**11.5**	22.0
Total Covid funding in revenue	**13.4**	56.7

a) During the year the UK received a final payment under the Covid Bus Services Support Grant (CBSSG) relating to an earlier period. In the prior year is £19.6m of grant income recognised in the UK in response to Covid-19, principally from the Bus Recovery Grant (BRG). Replacing the Covid Bus Services Support Grant (CBSSG) from 1 September 2021, the BRG intended to compensate UK bus operators for continuing bus services during the Covid-19 recovery period, and whereby funding has been previously allocated to the operators according to revenue and mileage operated.

b) The prior year included £15.1m of additional subsidies in Germany in respect of the Federal Framework Regulation on Aid to Public Transport, an arrangement for additional subsidies to be claimed by public transport operators in Germany to compensate for the loss of passenger revenue due to Covid-19.

c) In ALSA £11.5m (2022: £22.0m) of funding was recognised from Public Transport Authorities to compensate for revenue shortfalls due to Covid-19.

4 Revenue and segmental analysis continued

Other UK funding

In 2022, the West Midlands Combined Authority (WMCA), supported by our UK Bus business (UK Bus) and other regional operators, applied for and was awarded a grant by the Department for Transport (DfT) under the UK Government's Bus Improvement Plan (BSIP). A pre-application condition for the BSIP grant set by the DfT was the existence of an Enhanced Partnership Plan (EPP) and an Enhanced Partnership Scheme (EPS) between WMCA and regional bus operators. This was in place for the West Midlands prior to the commencement of the BSIP. The BSIP was available to WMCA and regional bus operators in return for delivering certain improvements in bus services in the West Midlands.

In the prior year, a total amount of £12.0m was recognised which represented the pro-rata element of the total three year (April 2022 – March 2025) grant funding available in respect of the BSIP that the UK delivered on in 2022, which totalled £48.0m. This included £4.0m of income recorded in revenue, representing the portion of the grant income designed to compensate the business for freezing passenger fares, and a further £8.0m recorded to reduce expenditure to reflect the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during that period.

During the year to 31 December 2023, UK Bus renegotiated the terms of the BSIP grant with the WMCA resulting in additional funding and releasing the business from its commitment to freeze passenger fares for the remainder of the grant period. The grant income relating to freezing fares was applicable up to 30 June 2023 and amounted to £3.2m. No more funding is expected under this element of the BSIP.

For the portion of the funding available for maintaining the bus network, the updated agreement confirmed the income to be received until 31 December 2024. During the year the income has been recognised on a straight-line basis pro-rata based on the total funding available to the business to the end of 2024. This has resulted in further grant income of £12.2m recorded to reduce expenditure to reflect the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during that period.

In addition, there is now a further £33.0m of BSIP funding relating to the period 1 January 2023 to 31 December 2024 of which £16.5m has been recognised on a pro-rata basis against the costs incurred in maintaining network services.

A total amount of £31.9m (2022: £12.0m) of BSIP funding has been recognised in the period to 31 December 2023.

BSIP funding	2023 £m	2022 £m
Included within revenue	**3.2**	4.0
Included within operating costs (note 6)	**28.7**	8.0
Total BSIP funding	**31.9**	12.0

Prior year revenue is disaggregated by reportable segment, class and type of service as follows:

	2022					
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	41.6	388.4	65.0	15.8	17.5	528.3
German Rail	–	38.3	228.4	–	1.8	268.5
ALSA	175.9	510.1	176.6	51.3	48.6	962.5
North America	988.5	–	–	54.1	5.6	1,048.2
Total revenue	1,206.0	936.8	470.0	121.2	73.5	2,807.5
Analysis by major service type:						
Passenger transport	1,206.0	936.8	470.0	121.2	13.1	2,747.1
Other products and services	–	–	–	–	60.4	60.4
Total revenue	1,206.0	936.8	470.0	121.2	73.5	2,807.5

4 Revenue and segmental analysis continued

(b) Operating profit/(loss)

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

	Adjusted profit/(loss) 2023 £m	Adjusting items 2023 £m	Segment result 2023 £m	Adjusted profit/(loss) 2022 £m	(Restated) Adjusting items[1] 2022 £m	(Restated) Segment Result[1] 2022 £m
UK	**23.5**	**(22.2)**	**1.3**	25.6	(7.5)	18.1
German Rail	**0.2**	**(100.3)**	**(100.1)**	17.6	(25.4)	(7.8)
ALSA	**136.8**	**(15.8)**	**121.0**	103.9	(274.1)	(170.2)
North America	**27.1**	**(34.2)`**	**(7.1)**	68.4	(55.7)	12.7
Central functions	**(19.0)**	**(17.5)**	**(36.5)**	(18.2)	(8.1)	(26.3)
Operating profit/(loss)	**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)
Share of results from associates and joint ventures	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Net finance costs	**(75.2)**	**(1.2)**	**(76.4)**	(51.0)	(0.4)	(51.4)
Profit/(loss) before tax	**92.9**	**(191.2)**	**(98.3)**	145.9	(371.2)	(225.3)
Tax charge			**(64.4)**			(5.9)
Loss for the year			**(162.7)**			(231.2)

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

(c) Depreciation

Depreciation is analysed by reportable segment as follows:

	2023 £m	2022 £m
UK	**30.8**	32.5
German Rail	**4.6**	4.3
ALSA	**67.1**	62.9
North America	**96.8**	103.1
Central functions	**–**	0.7
	199.3	203.5

(d) Non-current assets

Non-current assets and additions are analysed by reportable segment as follows:

	Intangible assets 2023 £m	Property, plant and equipment 2023 £m	Total non-current assets 2023 £m	Non-current asset additions 2023 £m	Intangible assets 2022 £m	Property, plant and equipment 2022 £m	Total non-current assets 2022 £m	Non-current asset additions 2022 £m
UK	**60.0**	**218.1**	**278.1**	**15.5**	54.2	249.5	303.7	35.3
Central functions	**7.8**	**–**	**7.8**	**–**	13.7	1.4	15.1	2.8
Total UK	**67.8**	**218.1**	**285.9**	**15.5**	67.9	250.9	318.8	38.1
German Rail	**6.8**	**15.2**	**22.0**	**5.1**	7.9	14.9	22.8	8.0
ALSA	**691.7**	**447.3**	**1,139.0**	**198.2**	695.8	355.8	1,051.6	90.0
North America	**785.5**	**483.9**	**1,269.4**	**64.4**	849.3	553.7	1,403.0	81.5
Total overseas	**1,484.0**	**946.4**	**2,430.4**	**267.7**	1,553.0	924.4	2,477.4	179.5
Total	**1,551.8**	**1,164.5**	**2,716.3**	**283.2**	1,620.9	1,175.3	2,796.2	217.6

4 Revenue and segmental analysis continued

(e) Geographical information

	Revenue from external customers		Non-current assets	
	2023 £m	2022 £m	2023 £m	2022 £m
UK	**610.1**	528.3	**285.9**	318.8
Germany	**259.8**	268.5	**22.0**	22.9
Spain	**962.9**	788.1	**989.4**	905.4
Morocco	**145.6**	139.9	**95.5**	119.9
USA	**1,053.6**	980.7	**1,152.6**	1,280.8
Canada	**62.0**	67.5	**116.8**	122.1
Switzerland & Other[1]	**56.9**	34.5	**54.1**	26.3
	3,150.9	2,807.5	**2,716.3**	2,796.2

1 Other includes France and Portugal as presented to the Group Executive Committee

Due to the nature of the Group's businesses, the origin and destination of revenue are the same. No single external customer amounts to 10% or more of the total revenue. Information reported to the Group Board does not regularly include an analysis of assets and liabilities by segment.

The financial impact of risks associated with climate change is not expected to have a material impact on the Group given the geographical spread of its operating locations, as outlined in the TCFD section.

5 Adjusting items

As set out in our accounting policies, the Group reports adjusted measures because the Directors believe they provide both management and stakeholders with useful additional information about the financial performance of the Group's businesses.

The total adjusting items before tax for the year ended 31 December is a net charge of £191.2m (2022 restated: £371.2m). The items excluded from the adjusted result are:

	2023 £m	(Restated) 2022[1] £m
Goodwill impairment of ALSA	**–**	260.6
Intangible amortisation for acquired businesses (a)	**35.3**	37.2
	35.3	297.8
Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic (b)	**2.1**	7.6
Re-measurement of the Rhine-Ruhr onerous contract provision (c)	**99.2**	24.3
Re-measurement of onerous contract provision charges and impairments in respect of North America driver shortages (d)	**12.0**	31.4
Final re-measurement of the WeDriveU put liability (e)	**2.4**	–
Repayment of UK Coronavirus Job Retention Scheme grant ('Furlough') (f)	**8.9**	–
Restructuring and other costs (g)	**30.1**	9.7
	154.7	73.0
Total adjusting items in operating costs	**190.0**	370.8
Unwinding of discount of the Rhine-Ruhr onerous contract provision (c)	**1.2**	0.4
Total adjusting items before tax	**191.2**	371.2
Tax charge/(credit) on adjusting items (h)	**21.9**	(24.4)
Total adjusting items after tax	**213.1**	346.8

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

5 Adjusting items continued

(a) Intangible amortisation for acquired businesses

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

(b) Re-measurement of onerous contracts and impairments resulting directly from the Covid-19 pandemic

As a result of the Covid-19 pandemic, a number of onerous contract provisions and impairments were recorded in previous years. For the contracts which the Group was still operating during the year, or there remains a commitment at the period end, the onerous contract provision has been re-measured, resulting in a net cost of £2.1m. On these contracts, £7.3m provision has been utilised during the year, with a remaining provision of £6.5m at the period end, of which £2.6m is expected to be utilised within 12 months. No new onerous contracts were identified in the year.

(c) Re-measurement of the Rhine-Ruhr Express onerous contract provision

The Rhine-Ruhr (RRX) onerous contract (which relates to lots 2&3), and which runs to 2033, has been re-measured based on the latest forecasts of losses anticipated under the contract, resulting in a £99.2m charge to the income statement. The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation are key contributing factors to a significant increase to the RRX onerous contract provision as at 31 December 2023 compared to prior year.

The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out in note 2. As a result the income statement charge for the year ended 31 December 2022 within adjusting items was restated to £24.3m (previously reported: £9.3m).

The provision at 31 December 2023 is £118.3m for the remainder of the contract term until 2033, following utilisation during the year of £27.9m and £1.2m unwinding of discount. See note 26 for sensitivities to the provision.

(d) Re-measurement of onerous contract provision charges and impairments in respect of North America driver shortages

During the period, the impact of driver shortages in North America on some of the contracts previously assessed as onerous has been more significant than anticipated as it has resulted in further increases in wages (to retain and recruit) and a slower increase in service levels than expected on those specific contracts. This has led to both an increase in provision of £12.0m to cover these additional losses, and an increase in the utilisation of the provision during the period for losses incurred. This has been partially offset by a provision release of £2.6m on a number of previously onerous contracts which have become profitable where the Group has successfully negotiated price increases for the 2023/24 school year and onwards.

The remaining onerous contract provision of £4.6m relates to one customer contract which ends in June 2026. No new onerous contracts were identified in the year. A right-of-use asset for a lease dedicated to an onerous contract was impaired following lease renewal during the year with a resulting charge of £0.6m.

In addition, intangible assets have been reassessed for indicators of impairment, or reversal of impairment. This has resulted in a net impairment of customer contracts of £2.0m, reflecting the net reduced profitability on those contracts.

Included within the above adjusting items are the following onerous contract costs and impairments:

Movement in onerous contract provisions

	Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic (b) £m	Re-measurement of the Rhine-Ruhr onerous contract provision (c) £m	Re-measurement of onerous contract provision charges and impairments in respect of North America driver shortages (d) £m	Total £m
At 1 January 2023 (restated)[1]	12.0	46.9	4.7	63.6
Charged to the Income Statement:				
Provided in the year	2.1	99.2	12.0	113.3
Released in the year	–	–	(2.6)	(2.6)
Other movements:				
Utilised in the year	(7.3)	(27.9)	(9.4)	(44.6)
Unwinding of discount	–	1.2	–	1.2
Exchange differences	(0.3)	(1.1)	(0.1)	(1.5)
At 31 December 2023	6.5	118.3	4.6	129.4

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

5 Adjusting items continued

Total charge to the Income Statement

	Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic (b) £m	Re-measurement of the Rhine-Ruhr onerous contract provision (c) £m	Re-measurement of onerous contract provision charges and impairments in respect of North America driver shortages (d) £m	Total £m
Onerous contract provision charged to the Income Statement	**2.1**	**99.2**	**9.4**	**110.7**
Impairments of assets:				
Tangible assets	**–**	**–**	**0.6**	**0.6**
Intangible assets	**–**	**–**	**2.0**	**2.0**
Total charge to the Income Statement	**2.1**	**99.2**	**12.0**	**113.3**

(e) Final re-measurement of the WeDriveU put liability

In conjunction with the acquisition of WeDriveU, Inc. during 2019 the Group issued put options to the seller for the remaining shares. The options had three tranches for the remaining 40% of the business (10%, 10%, 20%). The first two tranches were exercised in 2020, and 2021, with settlement in 2021 and 2022 respectively. At 31 December 2022 the final option to sell the remaining 20% shares had been exercised by the non-controlling interest.

During the year the put liability for the remaining 20% shareholding in WeDriveU was re-measured following the final negotiations with the seller. This re-measurement led to an additional charge of £2.4m. The liability was cash settled in July for £46.1m.

Gains and losses on re-measurement of the put liability have been recorded as adjusting items in previous years (2020: £33.9m gain, 2021: £11.5m expense, 2022: £nil), therefore the final re-measurement has also been presented as adjusting for consistency. As the liability has been extinguished, there will be no further gains or losses on its re-measurement in future years.

(f) Repayment of Coronavirus Job Retention Scheme grant (CJRS) ('Furlough')

At the end of 2021 the Group announced an intention to voluntarily repay amounts of CJRS ('furlough') amounts received for that period following the re-instatement of the dividend to shareholders. During 2023 a dividend was paid, and a provision has been recognised for the commitment to HMRC for the CJRS repayment of £8.9m. The original receipt of CJRS was not recorded as an adjusting item and was included in adjusted profit consistent with the staff costs which it was designed to compensate. The repayment, however, has been disclosed as an adjusting item as this is a one-off cost which is historic in nature (occurring more than two years after initial receipt), a significant amount, and unlike the original receipt, there are no corresponding staff costs in the period to be offset against.

(g) Restructuring and other costs

These costs relate to Group-wide strategic initiatives and restructuring, which includes costs relating cost saving programmes, and costs relating to our previously announced sale of US School Bus. These are one-off, short-term initiatives expected to last 1-2 years. They are material in nature and are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as adjusting items. These amount to £30.1m in the year ending 31 December 2023 compared to £9.7m in the year ending 31 December 2022.

(h) Adjusting tax charge/credit

The tax charge on adjusting items of £21.9m (2022 restated: £24.4m credit) comprises of £10.4m credit (2022: £9.1m credit) on amortisation of intangible assets, £46.2m tax credit (2022 restated: £19.4m credit) on tax deductible expenditure on adjusting costs, and £78.5m charge (2022: £4.1m charge) on derecognition of previously recognised deferred tax assets, which is considered adjusting as it is material in size and non-recurring in nature. See note 11 for further details.

6 Operating costs

		2023 £m	(Restated) 2022[4] £m
Cost of inventories recognised in expense		**77.7**	67.4
Staff costs		**1,585.1**	1,395.5
Depreciation	– owned assets	**148.2**	145.8
	– leased assets	**51.1**	57.7
Intangible asset amortisation	– intangibles from acquired businesses (note 5)	**35.3**	37.2
	– other intangible assets	**18.5**	18.3
Gain on disposal of property, plant and equipment[1]		**(12.7)**	(10.5)
Gain on disposal of intangible assets		**(0.4)**	(5.1)
Amortisation of fixed asset grants		**(2.0)**	(2.1)
Leases (note 34)	– variable lease payments not included in the measurement of lease liabilities	**4.0**	0.6
	– expenses relating to short-term leases	**9.5**	6.5
	– expenses relating to leases of low-value assets	**4.4**	2.9
Adjusting items[2&4] (note 5)		**154.7**	333.6
Other charges[3]		**1,098.9**	933.2
Total operating costs		**3,172.3**	2,981.0

1 Gain on disposal of property, plant and equipment includes £2.6m in respect of a UK depot sale and leaseback, further information is provided in note 15
2 Excludes amortisation from intangibles from acquired businesses which is included within intangible asset amortisation above
3 Other charges includes fuel charges, third party transport costs, access charges, insurance, repairs and maintenance and other costs
4 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Covid funding recognised within operating costs

Included within operating costs above is the following covid related funding as follows:

	2023 £m	2022 £m
UK (a)	**8.7**	19.1
North America (b)	**4.2**	55.9
Total Covid funding in operating costs	**12.9**	75.0

The Group has recognised grant income where the Directors have reasonable assurance that we have complied with the conditions of the grant, and the grant will be received. As noted in accounting policies, where the nature of the grant is to compensate us for certain costs incurred, they have been recognised to offset those costs in the same place.

(a) During the year, £8.7m of BRG funding was recognised within operating costs following a change to the latest grant conditions, distinctly different to previous BRG awards which had been recognised within revenue. In the prior year, the UK has recognised a credit of £19.1m in respect of Stabilisation Funding (£12.8m) and Network Protection Funding (£6.3m) designed to provide relief to UK bus operators for maintaining pre-pandemic service levels as patronage numbers continued to recover and while the Birmingham Commonwealth Games 2022 took place. The grant terms did not define whether the grants were specifically awarded to cover revenue shortfall or network running costs, therefore management exercised judgement to determine where in the Income Statement the grants should be recorded. As the primary condition of the grant, as outlined in the funding agreement, was to maintain a stable bus network, management has allocated the credits against staff costs and operational expenses for the period they were intended to cover.

(b) The Group has also recognised £3.9m (2022: £15.3m) in North America in respect of Covid-19 Employee Retention Credits (ERC). The amounts recognised in 2022 relate to claims made to the Internal Revenue Service in the current and previous periods, for employee costs incurred in 2020 and 2021. The Director's have gained reasonable assurance during the year that they are entitled to receive grant claims relating to prior periods and have therefore recognised these in the current period. A further £0.3m related to other grant income was recognised during the year.

On 12 August 2021 the Group was granted an award under the Coronavirus Economic Relief for Transportation Services (CERTS) in North America, a scheme designed to provide relief to retain jobs, hire back employees previously laid off, and cover applicable overhead and operational expenses. The grant was applied to operating expenses (mostly staff costs) based on eligible costs incurred during the period to 16 August 2022. The Group recognised £40.6m in the prior year in respect of the grant.

Other UK Bus funding

The UK Bus business has also recognised grant income under the BSIP. Included in operating costs above is £28.7m (2022: £8.0m) of grant income reflecting the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during the period. See note 4 for further details.

7 Auditor's remuneration

An analysis of fees paid to the Group's auditor is provided below:

	2023 £m	2022[1] £m
Audit of the Group financial statements	**0.9**	0.8
Audit of subsidiaries	**1.8**	1.6
Audit-related assurance services	**0.3**	0.3
Other audit[2]	**0.5**	–
	3.5	2.7

1 Represented to better reflect the allocation of total Auditor's remuneration, between the Audit of the Group financial statements and the Audit of subsidiaries categories.

2 Other audit relates to audits commissioned for the purposes of supporting a planned transaction – these were audits performed in accordance with auditing standards, to an audit level of independence, rather than assurance services.

8 Employee benefit costs

	2023 £m	2022 £m
Wages and salaries	**1,365.2**	1,203.9
Social security costs	**209.1**	180.7
Pension costs (note 33)	**9.2**	9.7
Share-based payment (note 9)	**1.6**	1.2
	1,585.1	1,395.5

The average number of employees, including Executive Directors, during the year was as follows:

	2023	2022
Managerial and administrative	**4,385**	4,590
Operational	**40,324**	41,309
	44,709	45,899

Details of key management compensation can be found in note 36.

9 Share-based payments

The charge in respect of share-based payment transactions included in the Group's Income Statement for the year is as follows:

	2023 £m	2022 £m
Expense arising from share and share option plans	**1.6**	1.2

Details of options or awards outstanding at the end of the year under the Group's share schemes are as follows:

	Number of share options 2023	Number of share options 2022	Exercise price	Future exercise periods
Long-Term Incentive Plan	**11,596,503**	7,617,535	**nil**	**2024–2028**
West Midland Travel Long Service Option Scheme	**107,583**	118,051	**175p–412p**	**2024–2030**
Executive Deferred Bonus Plan	**283,688**	86,315	**nil**	**2024**
Restricted Share Plan	**663,225**	–	**nil**	**2024–2026**
	12,650,999	7,821,901		

9 Share-based payments continued

During the year ended 31 December 2023, the Group had four share-based payment arrangements, which are described below.

(i) Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and certain senior managers with awards made at the discretion of the Remuneration Committee, normally on an annual basis and in the form of a nil cost option over a certain number of shares in the Company.

The vesting of shares on or around the third anniversary of grant is subject to the Group's achievement of specific performance conditions set at the date of grant. These typically comprise adjusted diluted earnings per share (EPS), return on capital employed (ROCE), certain environmental targets and the relative total shareholder return (TSR) of the Group against a relevant comparison. Please refer to the Director's Remuneration Report for details of the performance conditions which are attached to the awards which are in flight at the end of the year and vested during the year. All targets are measured over the three-year financial period commencing with the year of grant. Unvested shares automatically lapse.

An accrual entitlement in respect of dividends paid by the Company during the vesting period attaches to vested shares and is paid to participants on vesting in shares. Similarly, an accrual entitlement in respect of dividends is payable on unexercised vested shares held by Executive Directors during their compulsory two-year holding period, which runs from the date of vesting (in parallel with the two-year exercise period).

The LTIP allows for the grant to UK participants of an HMRC-approved share option over shares with a market value of up to a maximum of £30,000 outstanding at any time. These are awarded at the same time as, and with the same performance conditions as, the LTIP awards and work by way of set-off versus the vested LTIP share value on exercise with the excess LTIP option award being forfeited.

Vested shares for all LTIP awards are normally delivered in the form of market purchased shares held in the Company's Employee Benefit Trust (the "Trust"). No cash settlement alternative is available.

(ii) Executive Deferred Bonus Plan (EDBP)

The delivery of the annual bonus award for Executive Directors is structured in two distinct parts: an initial cash payment under the annual bonus plan and a one-year deferred payment award in the form of forfeitable shares in the Company granted under the EDBP. Release of the shares on the first anniversary of grant is not subject to any additional performance condition, save for continuing employment. Participants are entitled to receive any dividends paid by the Company on the shares while they are held in the Trust during the deferred period, which is paid in shares.

(iii) West Midlands Travel Long Service Option Scheme (WMT LSOS)

The WMT LSOS was used to reward WMT employees who attained 25 years' service. The market-value option award over a certain number of shares in the Company is exercisable between the third and tenth anniversary of grant. There are no performance conditions and shares are delivered on exercise through the Trust. No cash settlement alternative is available. The scheme is closed to new participants, with exercises on previous awards possible until 2030.

(iv) Restricted Share Plan (RSP)

The RSP was launched in the current year. Individual awards to certain Group employees are made under the RSP at the discretion of the Remuneration Committee, and may take the form of nil cost options, conditional share awards, or cash-based awards.

All awards granted to date have taken the form of conditional share awards with vesting periods ranging from 1 to 3 years. No performance conditions are attached to RSP conditional share awards which have been granted to date, save for continued employment, but the Remuneration Committee can attach performance conditions over future awards at its discretion. For all awards to date, an accrual entitlement in respect of dividends paid by the Company during the vesting period attaches to vested shares and is paid to participants on vesting in shares. Vested shares for all RSP awards are normally delivered in the form of market purchased shares held in the Trust. No cash settlement alternative is available.

9 Share-based payments continued

For the following disclosure, share options with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise prices. The number of share options in existence during the year was as follows:

	2023		2022	
	Number of share options	Weighted average exercise price p	Number of share options	Weighted average exercise price p
Options without a nil exercise price:				
At 1 January	**118,051**	**287**	136,776	283
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**(789)**	**302**	(3,695)	304
Exercised during the year	**–**	**–**	(212)	252
Expired during the year	**(9,679)**	**260**	(14,818)	299
Outstanding at 31 December	**107,583**	**284**	118,051	287
Exercisable at 31 December	**107,583**	**284**	80,051	342
Options with a nil exercise price:				
At 1 January	**7,703,850**	**nil**	6,181,699	nil
Granted during the year	**8,676,958**	**nil**	4,383,239	nil
Forfeited during the year	**(2,201,488)**	**nil**	(1,295,429)	nil
Exercised during the year	**(162,261)**	**nil**	(251,394)	nil
Expired during the year	**(1,473,643)**	**nil**	(1,314,265)	nil
Outstanding at 31 December	**12,543,416**	**nil**	7,703,850	nil
Exercisable at 31 December	**89,130**	**nil**	6,714	nil
Total outstanding at 31 December	**12,650,999**		7,821,901	
Total exercisable at 31 December	**196,713**		86,765	

The options outstanding at 31 December 2023 had exercise prices that were between 175p and 412p (2022: between 175p and 412p) excluding options with a nil exercise price. The range of exercise prices for options was as follows:

Exercise price (p)	2023 Number	2022 Number
100–300	**53,541**	61,431
301–350	**25,542**	27,120
351–450	**28,500**	29,500
	107,583	118,051

The options have a weighted average contractual life of two years (2022: one year). Options were exercised regularly throughout the year and the weighted average share price at exercise was 110p (2022: 238p). The aggregate gains of the Executive Directors arising from any exercise of options during the year totalled £0.1m (2022: £nil).

9 Share-based payments continued

The fair value of the share options granted during the year under the LTIP scheme was calculated using the Monte Carlo method, with the following assumptions and inputs:

	2023	2022
Risk-free interest rate	**3.47%**	1.32%
Expected volatility	**51%**	70%
Peer group volatility	**23%–39%**	29%–45%
Expected option life in years	**3 years**	3 years
Expected dividend yield	**0.00%**	0.00%
Weighted average share price at grant date	**121p**	224p
Weighted average exercise price at grant date	**nil**	nil
Weighted average fair value of options at grant date	**105p**	206p

The risk-free interest rate was calculated based on zero-coupon government bond yields in the United Kingdom, with a time- to-maturity commensurate with the remaining performance period, at the date of grant.

Expected volatility was calculated based on the historical volatility of the share prices of Mobico and the comparator companies in the peer group (on a daily basis) over a period commensurate with the remaining performance period, at the date of grant.

Expected dividend yield was excluded from the model, given each participant is entitled to receive a dividend equivalent.

For share options granted during the year under the LTIP, the TSR targets have been reflected in the calculation of the fair value of the options above.

10 Net finance costs

	2023 £m	(Restated) 2022[1] £m
Bond and bank interest payable	**52.1**	35.5
Lease interest payable (note 34)	**8.5**	9.4
Other interest payable	**11.1**	3.0
Unwind of discounting – claims provision (note 26)	**5.7**	3.4
Net interest cost on defined benefit pension obligations (note 33)	**1.8**	1.9
Finance costs before adjusting items	**79.2**	53.2
Adjusting items:		
Unwind of discounting – onerous contract provisions (notes 5 and 26)	**1.2**	0.4
Total finance costs after adjusting items	**80.4**	53.6
Lease interest income (note 34)	**(0.5)**	(0.5)
Other financial income	**(3.5)**	(1.7)
Total finance income	**(4.0)**	(2.2)
Net finance costs after adjusting items	**76.4**	51.4
Of which, from financial instruments:		
Financial assets measured at amortised cost	**(3.6)**	(1.6)
Financial liabilities measured at amortised cost	**59.7**	44.4
Derivatives	**10.3**	1.9
Loan fee amortisation	**1.4**	1.1

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

11 Taxation

(a) Analysis of taxation charge in the year

	2023 £m	(Restated) 2022[1] £m
Current taxation:		
UK corporation tax	**–**	1.2
Overseas taxation	**11.2**	19.3
Current income tax charge	**11.2**	20.5
Adjustments with respect to prior years – UK and overseas	**1.5**	(1.0)
Total current income tax charge	**12.7**	19.5
Deferred taxation (note 27):		
Origination and reversal of temporary differences	**(26.5)**	(11.9)
De-recognition of previously recognised deferred tax assets	**78.5**	–
Adjustments with respect to prior years – UK and overseas	**(0.3)**	(1.7)
Deferred tax charge/(credit)	**51.7**	(13.6)
Total tax charge for the Group	**64.4**	5.9
The tax charge for the Group comprises:		
Tax charge on profit before adjusting items	**42.5**	30.3
Tax charge/(credit) on adjusting items	**21.9**	(24.4)
Total tax charge for the Group	**64.4**	5.9

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

The tax charge on adjusting items of £21.9m (2022 restated: £24.4m credit) comprises of £10.4m credit (2022: £9.1m credit) on amortisation of intangible assets, £46.2m tax credit (2022 restated: £19.4m credit) on tax deductible expenditure on adjusting costs, and £78.5m charge (2022: £4.1m charge) on derecognition of previously recognised deferred tax assets.

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 23.5% due to the weighting of intangibles in jurisdictions with higher tax rates than the UK, specifically the US (26%) and Spain (25%).

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

	2023 £m	2022 £m
Deferred taxation:		
Deferred tax charge on actuarial gains	**0.8**	12.7
Deferred tax credit on cash flow hedges	**(3.6)**	(5.2)
Deferred tax charge/(credit) on foreign exchange differences	**0.8**	(1.3)
Deferred tax credit on accrued hybrid instrument payments	**(5.3)**	(5.3)
Deferred tax charge on share-based payments	**0.2**	0.4
Total tax (credit)/charge for the Group	**(7.1)**	1.3

11 Taxation continued

(c) Reconciliation of the total tax charge

	2023 £m	Restated 2022[1] £m
Loss before income tax	**(98.3)**	(225.3)
Notional credit at UK corporation tax rate of 23.5% (2022: 19%)	**(23.1)**	(42.8)
Recurring items:		
Non-deductible intangible amortisation and impairment	**–**	0.2
Corporate interest restriction	**9.0**	–
Effect of overseas tax rates	**(7.6)**	(14.1)
Tax incentives	**(1.9)**	(0.5)
State taxes/Minimum tax	**0.9**	0.4
Non-recurring items:		
Non-deductible goodwill amortisation and impairment	**–**	65.2
Adjustments to prior years within current and deferred tax (excluding significant items)	**1.2**	(2.7)
Prior year adjustment – effect of reduction in UK tax rate	**(0.5)**	(0.3)
Non-creditable withholding tax on pension surplus	**–**	1.1
Non-deductible expenditure/(income)	**3.2**	(0.3)
Transfer Pricing adjustment	**4.0**	–
Non-taxable (profit)/loss on disposal of Investment	**(1.9)**	0.3
Derecognition of previously recognised deferred tax assets	**78.5**	–
Derecognition of current year losses/(utilisation) of previously unrecognised losses	**2.6**	(0.6)
Total tax charge reported in the Income Statement (note 11(a))	**64.4**	5.9

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Included within the tax reconciliation are a number of non-recurring items being; the derecognition of previously recognised deferred tax assets £78.5m (German losses due to the reduction of future forecasts £51.3m charge, UK PLC trapped losses £20.9m and US state taxes previously recognised of £6.3m), the utilisation of previously unrecognised losses and the derecognition of current year tax losses of £2.6m (Spanish and Moroccan losses), and a UK transfer pricing adjustment for US interest waived during the year of £4.0m. Items expected to recur in the tax reconciliation for 2023 include the Corporate interest restriction disallowance, the difference in rates between the UK and our overseas markets and tax incentives on re-investment credits.

As at 31 December 2022 our German Rail division had a £19.1m deferred tax asset, comprising the full recognition of past tax losses of £26.8m offset by deferred tax liabilities of £22.9m and other deferred tax assets of £15.2m. At that point in time the German Rail business was showing positive forecasts whereby the losses could be fully utilised before the end of the rail contracts. During 2023, there has been a revision of forecast profitability of the German Rail business which has led management to consider the recognition of these deferred tax assets. Due to increased uncertainty relating to future profits, the recognition of total deferred tax assets in German Rail has been impaired to £22.7m, being £2.7m in relation to losses and £20.0m in relation to other deferred tax assets, to the level of deferred tax liabilities can be used against those assets. This results in a deferred tax liability of £1.3m at 31 December 2023 as shown in note 27. As at 31 December 2023 the deferred tax rate in the UK was held at 25% due to the substantively enacted 25% rate due to come in on 1 April 2023. A number of items reversed during 2023, when the corporation tax was still at 23.5%, therefore a tax credit of £0.5m (2022: £0.3m) was included in the current year reconciliation to show this change in rate effect on current year profits.

(d) Tax provisions

At 31 December 2023, the Group held no tax provisions (2022: £nil). Based on the experience of the Group Tax department and after discussions of the various tax uncertainties with our tax advisers, the year-end tax provision represents management's best estimate of the tax uncertainties of which we are aware.

(e) Temporary differences associated with Group investments

No deferred tax (2022 :£nil) is recognised on the unremitted earnings of subsidiaries, associates and joint ventures, as the Group has determined that these undistributed profits will not be distributed in the near future. As a result of changes to tax legislation in 2009, overseas dividends received on or after 1 July 2009 are generally exempt from UK corporation tax, but may be subject to withholding tax. There are no temporary differences in either year associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised but for which a tax liability may arise.

11 Taxation continued

(f) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit against future taxable profits is probable. Based on current forecasts, it is estimated that the losses recognised for deferred tax purposes will be utilised within twelve years. UK and overseas deferred tax assets that the Group has not recognised in the Financial Statements relates to net tax losses of £90.0m (2022 restated: £30.4m), which arise in companies where the Group does not expect to generate sufficient suitable future taxable profits.

2023 Unrecognised tax losses	UK £m	Germany £m	Spain £m	Morocco £m	USA £m	Other £m	Total £m
Gross	**101.8**	**115.5**	**16.4**	**45.1**	**24.1**	**12.5**	**315.4**
Tax	**25.5**	**37.2**	**4.0**	**14.0**	**6.3**	**3.0**	**90.0**

2022 Unrecognised tax losses (Restated)[1]	UK £m	Germany £m	Spain £m	Morocco £m	USA £m	Other £m	Total £m
Gross	18.2	21.5	14.6	43.1	–	8.5	105.9
Tax	4.5	6.7	3.7	13.4	–	2.1	30.4

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Deferred income tax assets are recognised for tax timing differences to the extent that the realisation of the related tax benefit against future taxable profits is probable. German deferred tax assets that the Group has not recognised in the Financial Statements relates to net timing differences of £18.8m (2022: £nil) and UK deferred tax assets in relation to the corporate interest restriction rules that the Group has not recognised in the Financial Statements relates to net timing differences of £9.6m (2022: £nil), which arise in companies where the Group does not expect to generate sufficient suitable future taxable profits.

2023 Unrecognised tax timing differences	UK £m	Germany £m	Spain £m	Morocco £m	Switzerland £m	Other £m	Total £m
Gross	**38.5**	**58.0**	**–**	**–**	**–**	**–**	**96.5**
Tax	**9.6**	**18.8**	**–**	**–**	**–**	**–**	**28.4**

2022 Unrecognised tax timing differences	UK £m	Germany £m	Spain £m	Morocco £m	Switzerland £m	Other £m	Total £m
Gross	–	–	–	–	–	–	–
Tax	–	–	–	–	–	–	–

(g) Deferred tax included in the Income Statement

	2023 £m	(Restated) 2022[1] £m
Accelerated capital allowances	**(2.5)**	(3.4)
Other short-term temporary differences	**4.8**	12.8
Derecognition/(recognition) of losses	**49.4**	(23.0)
Deferred tax charge/(credit) (note 11(a))	**51.7**	(13.6)

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Details on the Balance Sheet position of deferred tax are included in note 27.

12 Dividends paid and proposed

An interim dividend of 1.7 pence per share was declared and paid during the year (2022: £nil). No final ordinary dividend (2022: 5.0 pence per share) has been proposed. Total dividends paid during the year were £41.1m (2022: £nil) relating to the 2023 interim dividend, and the 2022 final dividend.

13 Earnings per share

	2023	(Restated) 2022[1]
Basic earnings per share	**(30.2)p**	(41.4)p
Adjusted basic earnings per share	**4.5p**	15.0p
Diluted earnings per share	**(30.2)p**	(41.4)p
Adjusted diluted earnings per share	**4.5p**	15.0p

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Basic EPS is calculated by dividing the earnings attributable to equity shareholders after adjusting for accrued payments on the hybrid instrument, a loss of £185.1m (2022 restated: £253.6m loss), by the weighted average number of ordinary shares in issue during the year, excluding those held by the Group's Employee Benefit Trust (note 32) 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:

	2023 £m	(Restated) 2022[1] £m
Loss attributable to equity shareholders	**(163.8)**	(232.3)
Accrued payments on hybrid instrument	**(21.3)**	(21.3)
Earnings attributable to equity shareholders	**(185.1)**	(253.6)

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

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:

	2023	2022
Basic weighted average shares	**612,919,243**	612,772,081
Adjustment for dilutive potential ordinary shares[1]	**898,828**	339,199
Diluted weighted average shares	**613,818,071**	613,111,280

1 Potential ordinary shares have the effect of being anti-dilutive in 2023 and 2022, and have been excluded from the calculation of diluted earnings per share

The adjusted basic and adjusted 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 a key measure of performance of the business' operations. The reconciliation of the earnings and earnings per share to their adjusted equivalent is as follows:

	2023			(Restated) 2022[1]		
	£m	Basic EPS p	Diluted EPS p	£m	Basic EPS p	Diluted EPS p
Earnings attributable to equity shareholders inclusive of hybrid instrument	**(185.1)**	**(30.2)**	**(30.2)**	(253.6)	(41.4)	(41.4)
Adjusting items	**191.2**	**31.2**	**31.2**	371.2	60.6	60.6
Adjusting items tax	**21.9**	**3.5**	**3.5**	(24.4)	(4.0)	(4.0)
Adjusting items non-controlling interests	**(0.2)**	**–**	**–**	(1.1)	(0.2)	(0.2)
Adjusted earnings attributable to equity shareholders[2]	**27.8**	**4.5**	**4.5**	92.1	15.0	15.0
Amounts accruing to the holders of the hybrid instrument	**21.3**			21.3		
Adjusted profit attributable to equity shareholders	**49.1**			113.4		

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

2 After deducting amounts accruing to the holders of the hybrid instrument.

14 Intangible assets

	Goodwill £m	Customer contracts £m	Service concession intangibles £m	Software £m	Contract costs £m	Total £m
Cost:						
At 1 January 2023	**1,674.9**	**914.3**	**99.6**	**150.5**	**37.0**	**2,876.3**
Acquisitions	**0.7**	**4.3**	**–**	**–**	**–**	**5.0**
Additions	**–**	**0.1**	**31.4**	**6.9**	**–**	**38.4**
Disposals	**–**	**(0.2)**	**(6.7)**	**(8.0)**	**–**	**(14.9)**
Reclassifications	**–**	**0.5**	**–**	**(0.7)**	**–**	**(0.2)**
Foreign exchange	**(52.6)**	**(29.0)**	**(0.3)**	**(4.4)**	**(0.7)**	**(87.0)**
At 31 December 2023	**1,623.0**	**890.0**	**124.0**	**144.3**	**36.3**	**2,817.6**
Amortisation and impairment:						
At 1 January 2023	**318.7**	**776.6**	**16.5**	**113.8**	**29.8**	**1,255.4**
Charge for year	**–**	**33.0**	**8.8**	**11.1**	**0.9**	**53.8**
Disposals	**–**	**(0.2)**	**(2.2)**	**(7.9)**	**–**	**(10.3)**
Impairment	**–**	**2.0**	**–**	**–**	**–**	**2.0**
Reclassifications	**–**	**0.1**	**–**	**(0.4)**	**–**	**(0.3)**
Foreign exchange	**(6.4)**	**(24.0)**	**–**	**(3.8)**	**(0.6)**	**(34.8)**
At 31 December 2023	**312.3**	**787.5**	**23.1**	**112.8**	**30.1**	**1,265.8**
Net book value:						
At 31 December 2023	**1,310.7**	**102.5**	**100.9**	**31.5**	**6.2**	**1,551.8**
At 1 January 2023	1,356.2	137.7	83.1	36.7	7.2	1,620.9

Goodwill and Customer contracts arising on acquisitions of £0.7m and £4.3m, respectively, as a result of in-year acquisitions, and an adjustment to goodwill relating to a fair value adjustment on acquisition in previous years (see note 19 for further details).

The impairment charge of £2.0m relates to customer contract intangible assets in North America where the profitability of the contracts has reduced primarily due to driver shortages. This has been included in adjusting items (note 5).

The Group recognises service concession intangibles for public service vehicles where the Group has the right to charge passengers of the public service in accordance with IFRIC 12 Service Concession Arrangements. Note 37 includes further details of the Group's service concession arrangements.

Customer contracts includes the following individually material assets, all of which arose through past acquisitions.

Segment	Nature of contract	Remaining useful economic life at 31 December 2023	Net book value at 31 December 2023 £m	Remaining useful economic life at 31 December 2022	Net book value at 31 December 2022 £m
North America	School bus and paratransit service contract in North America	**8 years**	**17.8**	9 years	20.8
North America	Employee shuttle contracts in North America	**6 years**	**4.8**	7 years	11.3
North America	Paratransit bus service contracts in North America	**9 years**	**8.9**	10 years	11.3

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:

	2023 £m	2022 £m
UK	**52.4**	52.4
North America	**708.0**	743.2
ALSA	**550.3**	560.6
	1,310.7	1,356.2

14 Intangible assets continued

The calculation of value in use for each group of cash-generating units is most sensitive to the assumptions over cash flows, discount rates and the growth rate used to extrapolate cash flows into perpetuity beyond the five-year period of the management plan. 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	
	2023	2022	2023	2022
UK	**10.8%**	11.2%	**2.7%**	2.7%
North America	**10.0%**	10.3%	**3.7%**	3.4%
ALSA	**13.4%**	13.9%	**3.2%**	3.0%

Discount rates have reduced for all divisions, and have been impacted by an increase in the proportion of debt to equity of the comparator companies used in the calculation of the weighted average cost of capital (WACC).

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. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on respective 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 five years using a detailed 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. In line with the requirements of IAS 36, only the cost reductions associated with restructuring programmes already significantly progressed are included within the cash flow projections. The benefits, and cost to achieve relating to our newer productivity and cost improvement programmes have been excluded from the cash flows used in the value in use calculation on the basis that, at the time of assessment, these programmes were still in their early planning phase and were not yet sufficiently advanced. Inclusion of the cost reduction benefits from these programmes would increase the available headroom for all divisions; as the plans become more advanced we expect these savings to be incorporated in future assessments.

The value in use of the ALSA division exceeds its carrying amount by £134.9m (2022: there was a shortfall of £260.6m in the value in use compared to the carrying value, resulting in a non-cash impairment charge). The increase in headroom is primarily due to an improvement in the cash flow forecast and reduction in the discount rate.

The value in use of the North America division exceeds its carrying amount by £315.4m (2022: £225.9m). The increase is primarily result of the reduction in the discount rate and increase in the long-term growth rate.

The assumptions behind the cash flow projections also take account of the climate change risk assessment exercise carried out during the year, from which the pertinent conclusions 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. We have, nonetheless, factored in an assumption of financial impact from extreme weather disruption, albeit not to the extent of the extreme scenario disclosed in the TCFD section of the Strategic Report.
- 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 versus 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, albeit may require some level of government subsidies on the capital cost and/or the hydrogen fuel.
- 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 has therefore concluded that 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 significantly more material than that assumed in the Group's long-term cash flow projections as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions.

14 Intangible assets continued

Sensitivities to key assumptions

The table below summarises the reasonably possible changes in key assumptions which most impact the value in use of the ALSA and North America cash-generating units.

ALSA	Sensitivity	Impact on value in use £m 2023	Impact on value in use £m 2022
Pre-tax discount rate[1]	Increase of 1.5 percentage points	**(119.0)**	(93.7)
	Decrease of 1.5 percentage points	**159.7**	123.8
Perpetual Growth rate	Increase of 1.0 percentage points	**70.9**	54.8
	Decrease of 1.0 percentage points	**(58.3)**	(45.6)
Adjusted Operating Profit Margin throughout the assessment period	Increase of 1.0 percentage points	**115.8**	96.3
	Decrease of 1.0 percentage points	**(115.8)**	(96.3)
Free cash flow in the terminal value	Increase by 10%	**59.4**	49.2
	Decrease by 10%	**(59.4)**	(49.2)

North America	Sensitivity	Impact on value in use £m 2023	Impact on value in use £m 2022
Pre-tax discount rate[1]	Increase of 1.5 percentage points	**(304.8)**	(286.3)
	Decrease of 1.5 percentage points	**494.7**	446.3
Perpetual Growth rate	Increase of 1.0 percentage points	**242.4**	216.1
	Decrease of 1.0 percentage points	**(176.6)**	(161.4)
Adjusted Operating Profit Margin throughout the assessment period	Increase of 1.0 percentage points	**202.2**	174.5
	Decrease of 1.0 percentage points	**(202.2)**	(174.5)
Free cash flow in the terminal value	Increase by 10%	**122.7**	119.6
	Decrease by 10%	**(122.7)**	(119.6)
Reduction in driver related cost savings[2]	Reduction of 50%	**(72.7)**	Not applicable
Reduction in price rises for school year 24/25 onwards[3]	Price rises are capped at the level of driver wage inflation only	**(435.9)**	Not applicable

1 Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.

2 In response to the elevated level of driver training costs seen in FY23 (which are not assumed to repeat in future), a sensitivity has been added to highlight the impact of an ongoing elevated level of cost in this area. No prior year sensitivity analysis is presented since this was not considered to be a key judgement as at 31 December 2022.

3 The five year plan assumes that in the medium term, School Bus rate increases slightly ahead of the level of wage inflation will be achieved, to recoup historic wage investment. This sensitivity illustrates the impact of only being able to secure inflationary increases for school year 2024/25 and beyond. No prior year sensitivity analysis is presented since this was not considered to be a key judgement as at 31 December 2022.

Sensitivity analysis has been conducted to assess the change required in each of the critical inputs, in order to reduce the value in use to equal the carrying value.

Change in percentage points required to reduce headroom to nil	North America 2023	North America 2022	ALSA 2023	ALSA 2022
Increase in pre-tax discount rate	**1.6%**	1.1%	**1.7%**	Not applicable
Reduction in long term growth rate	**1.6%**	1.2%	**1.7%**	Not applicable
Reduction in adjusted operating profit margin	**1.6%**	1.3%	**1.1%**	Not applicable
Additional cash flow sensitivities				
Reduction in free cash flow generation in the terminal value year (£m)	**(30.3)**	(23.8)	**(23.9)**	Not applicable

No prior year sensitivity analysis is presented for ALSA on the basis that last year, an impairment was recorded.

14 Intangible assets continued

The Directors have concluded that there is no risk of impairment for the UK given the significant level of available headroom, 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.

	Goodwill £m	Customer contracts £m	Service concession intangibles £m	Software £m	Contract costs £m	Total £m
Cost:						
At 1 January 2022	1,552.1	843.6	78.1	130.6	35.0	2,639.4
Acquisitions	4.7	4.8	–	–	–	9.5
Additions	–	0.7	22.0	10.4	0.2	33.3
Disposals	–	(0.3)	–	(0.2)	–	(0.5)
Foreign exchange	118.1	65.5	(0.5)	9.7	1.8	194.6
At 31 December 2022	1,674.9	914.3	99.6	150.5	37.0	2,876.3
Amortisation and impairment:						
At 1 January 2022	45.4	684.9	9.3	93.7	27.6	860.9
Charge for year	–	34.5	7.4	12.8	0.8	55.5
Disposals	–	(0.2)	–	(0.2)	–	(0.4)
Impairment	260.6	6.0	–	–	–	266.6
Foreign exchange	12.7	51.4	(0.2)	7.5	1.4	72.8
At 31 December 2022	318.7	776.6	16.5	113.8	29.8	1,255.4
Net book value:						
At 31 December 2022	1,356.2	137.7	83.1	36.7	7.2	1,620.9
At 1 January 2022	1,506.7	158.7	68.8	36.9	7.4	1,778.5

The prior year impairment charge of £266.6m included a non-cash impairment of the goodwill of the ALSA division following an updated assessment of the value in use of the cash-generating unit caused by changes to the risk-free discount rate, £7.4m of customer contract intangibles in North America that were impaired following reduced profitability in customer contracts due to driver shortages and changes in customer demand and a reversal of previous impairments in ALSA of £1.4m due to improved profitability in contracts.

15 Property, plant and equipment

	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 January 2023	**397.0**	**2,245.5**	**202.4**	**2,844.9**
Acquisitions	**0.6**	**1.6**	**0.2**	**2.4**
Additions	**45.7**	**187.3**	**11.8**	**244.8**
Disposals	**(37.0)**	**(237.5)**	**(13.9)**	**(288.4)**
Reclassifications	**(0.8)**	**(2.1)**	**2.1**	**(0.8)**
Foreign Exchange	**(9.6)**	**(66.9)**	**(2.7)**	**(79.2)**
At 31 December 2023	**395.9**	**2,127.9**	**199.9**	**2,723.7**
Depreciation and impairment:				
At 1 January 2023	**197.4**	**1,321.3**	**150.9**	**1,669.6**
Charge for the year	**38.0**	**148.9**	**12.4**	**199.3**
Disposals	**(28.1)**	**(224.1)**	**(12.9)**	**(265.1)**
Impairments	**2.4**	**–**	**–**	**2.4**
Reclassifications	**1.4**	**(2.0)**	**–**	**(0.6)**
Foreign exchange	**(5.6)**	**(38.8)**	**(2.0)**	**(46.4)**
At 31 December 2023	**205.5**	**1,205.3**	**148.4**	**1,559.2**
Net book value:				
At 31 December 2023	**190.4**	**922.6**	**51.5**	**1,164.5**
At 1 January 2023	199.6	924.2	51.5	1,175.3

During the year the UK division entered into a sale and leaseback agreement on a bus depot. A net disposal of £3.0m and a right-of-use asset addition of £0.8m have been recognised within land and buildings. This sale and leaseback gave rise to a gain of £2.6m which has been recognised within the operating costs, see note 6 for a reconciliation of operating costs.

The impairment charge includes £0.6m (2022: £7.4m) impairment of assets which are dedicated to contracts that became onerous due to driver shortages in North America. A further £1.8m (2022: £nil) arose on the closure of a leased Coach depot in the UK division as part of the Group wide re-structuring. The prior year also included £0.3m of impairment which arose following onerous contract reassessments in the UK division. The total impairment charge of £2.4m is included in adjusting items in the Income Statement; see note 5 for further information.

Depreciation on public service vehicles is calculated using the straight-line method to write off the cost or fair value at acquisition of each asset to its residual value over its estimated useful life (or lease term, if shorter). The estimated useful lives for owned public service vehicles range from 8 to 20 years depending on the type of vehicle. The majority of the Group's public service vehicles are diesel powered, although the Group expects that, over time, an increasing proportion of its vehicle fleet will be zero emission; likely to be a combination of electric and hydrogen-powered vehicles. The actual useful lives of diesel-powered vehicles could be affected by measures taken by governments to tackle climate change and improve air quality by restricting the use of such vehicles.

While governments across the Group's geographical locations are consulting on a date after which the sale of new diesel-powered vehicles will be prohibited, at this time there is no set date from which diesel vehicles are prohibited from being used. The estimated useful lives applied are consistent with the previous year and, taking account of the latest proposals from governments and our own internal targets (as described in the Strategic Report), the Directors consider that those estimates of useful lives remain appropriate.

Other than in UK Bus and Shuttle/Transit, the estimated carrying value of diesel vehicles in each of the Group's divisions at their respective targeted date of transition to a fully zero emission fleet is £nil.

In UK Bus, where the target date is 31 December 2030, the remaining net book value of existing diesel vehicles at transition is estimated to be £29.3m, assuming no change to the useful lives. Considering that our transition target is significantly ahead of the earliest expected date that the UK would ban the use of diesel vehicles and also that the UK vehicles impacted are Euro 6 diesel buses (the most environmentally friendly variant of diesel vehicles), the Directors consider that they will be able to recover such value through their sale. This assumption is further supported by the sale of diesel buses during the year at greater than carrying value. However, in a more extreme scenario, assuming the vehicles were not able to be sold and therefore the residual value was £nil at their transition date, a £4.2m increase in the annual depreciation charge would be required from 1 January 2024.

15 Property, plant and equipment continued

In Shuttle/Transit, where the target date is also 31 December 2030, the remaining net book value of existing diesel vehicles at transition is estimated to be £7.4m, assuming no change to the useful lives. Considering that our transition target is significantly ahead of the earliest expected date that the United States would ban the use of diesel vehicles, the Directors consider that they will be able to recover such value through their sale. This assumption is further supported by the sale of diesel shuttles during the year at greater than carrying value. However, in a more extreme scenario, assuming the vehicles were not able to be sold and therefore the residual value was £nil at their transition date, a £1.1m increase in the annual depreciation charge would be required from 1 January 2024.

In an alternative scenario, under one of our climate modelling scenarios described within the TCFD disclosures in the Strategic Report, whereby no diesel-powered vehicles could be used anywhere in the Group after 31 December 2035, the annual depreciation expense from 1 January 2024 would increase by £1.5m.

Details of leased assets included within property, plant and equipment are provided in note 34.

	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 January 2022	320.6	2,135.2	183.9	2,639.7
Acquisitions	–	1.5	–	1.5
Additions	66.9	103.5	13.9	184.3
Disposals	(10.0)	(158.5)	(2.2)	(170.7)
Assets transferred to held for sale	0.2	0.7	(0.2)	0.7
Reclassifications	–	8.0	–	8.0
Foreign Exchange	19.3	155.1	7.0	181.4
At 31 December 2022	397.0	2,245.5	202.4	2,844.9
Depreciation and impairment:				
At 1 January 2022	153.5	1,221.2	135.4	1,510.1
Charge for the year	35.2	155.6	12.7	203.5
Disposals	(9.6)	(152.1)	(2.1)	(163.8)
Impairments	7.4	0.3	–	7.7
Assets transferred to held for sale	0.1	(0.3)	(0.1)	(0.3)
Reclassifications	–	8.0	–	8.0
Foreign exchange	10.8	88.6	5.0	104.4
At 31 December 2022	197.4	1,321.3	150.9	1,669.6
Net book value:				
At 31 December 2022	199.6	924.2	51.5	1,175.3
At 1 January 2022	167.1	914.0	48.5	1,129.6

16 Subsidiaries

The companies listed below include all those which principally affect the results and net assets of the Group. A full list of subsidiaries, joint ventures and associates is disclosed in note 39, along with the addresses of their registered offices. The principal country of operation in respect of the companies below is the country in which they are incorporated.

Mobico Group PLC is the beneficial owner of all the equity share capital, either itself or through subsidiaries, of the companies.

		% equity interest	
Incorporated in England and Wales		**2023**	**2022**
National Express Limited	Operation of coach services	**100**	100
The Kings Ferry Limited	Operation of coach services	**100**	100
West Midlands Travel Limited	Operation of bus services	**100**	100

		% equity interest	
Incorporated in the United States		**2023**	**2022**
Durham School Services LP	Operation of school bus services	**100**	100
Petermann Ltd	Operation of school bus services	**100**	100
National Express Transit Corporation	Operation of transit bus services	**100**	100
National Express Transit Services Corporation	Operation of transit bus services	**100**	100
WeDriveU Inc.	Operation of shuttle services	**100**	80

		% equity interest	
Incorporated in Canada		**2023**	**2022**
Stock Transportation Limited	Operation of school bus services	**100**	100

		% equity interest	
Incorporated in Spain		**2023**	**2022**
General Tecnica Industrial S.L.U.[1]	Holding company for operating companies	**100**	100
NEX Continental Holdings S.L.	Holding company for operating companies	**100**	100

		% equity interest	
Incorporated in Morocco		**2023**	**2022**
Groupe Alsa Transport S.A.	Operation of bus services	**100**	100
Transport de Voyageurs en Autocar Maroc S.A.	Operation of bus services	**100**	100
Alsa Tanger S.A.	Operation of bus services	**100**	100
Alsa City Agadir S.A.	Operation of bus services	**100**	100
Alsa Citybus Rabat-Salé-Temara	Operation of bus services	**51**	51
Alsa Al Baida S.A	Operation of bus services	**100**	100

		% equity interest	
Incorporated in Germany		**2023**	**2022**
National Express Rail GmbH	Operation of train passenger services	**100**	100

1 The main holding companies of the ALSA Group

17 Non-current financial assets and derivative financial assets

	2023 £m	2022 £m
Financial assets at fair value through Other Comprehensive Income – unlisted ordinary shares	**15.2**	16.8
Derivative financial assets – fuel derivatives	**0.1**	7.4
Derivative financial assets – cross currency swaps	**–**	2.7
Derivative financial assets included in non-current assets	**0.1**	10.1
Total non-current financial assets	**15.3**	26.9
Derivative financial assets – fuel derivatives	**4.7**	12.5
Derivative financial assets – cross currency swaps	**0.4**	8.0
Derivative financial assets – foreign exchange derivatives	**6.0**	17.2
Derivative financial assets included in current assets	**11.1**	37.7

Further information on the Group's use of derivatives is included in note 31.

Financial assets at fair value through Other Comprehensive Income

	2023 £m	2022 £m
Fair value:		
At 1 January	**16.8**	13.9
Additions in the year	**0.5**	0.4
Disposals in the year	**–**	(0.5)
Fair value movement in the year	**(1.4)**	1.7
Foreign exchange	**(0.7)**	1.3
At 31 December	**15.2**	16.8

The principal financial assets at fair value through Other Comprehensive Income are as follows:

Name	Segment	2023 Proportion held %	2022 Proportion held %
Metros Ligeros de Madrid, S.A.	ALSA	**15**	15
Transit Technologies Holdco	North America	**8.8**	8.8
Other small investments within ALSA	ALSA	**1–16**	1–16

Financial assets at fair value through Other Comprehensive Income comprise holdings in equity shares of non-listed companies. The Group elected to designate the non-listed equity investments at fair value through Other Comprehensive Income as the Group considers these investments to be strategic in nature.

The fair value measurement of non-listed equity investments is categorised within Level 3 (i.e. the fair values are determined by reference to significant unobservable inputs). The fair value of these investments is typically determined by using recent and forecast earnings. None the investments held are individually material and therefore sensitivity analysis has not been disclosed.

No dividends were received from the investments during either the current or prior year.

18 Investments accounted for using the equity method

Investments accounted for using the equity method are as follows:

	2023 £m	2022 £m
Joint ventures	**5.6**	8.4
Associates	**5.5**	5.5
Total investments accounted for under the equity method	**11.1**	13.9

The Group's share of post-tax results from associates and joint ventures accounted for using the equity method is as follows:

	2023 £m	2022 £m
Share of joint ventures' loss	**–**	(0.4)
Share of associates' loss	**(0.5)**	–
Total share of results from associates and joint ventures	**(0.5)**	(0.4)

(a) Investments in joint ventures

The Group has a joint venture in the Kingdom of Bahrain operating urban bus services. ALSA has multiple joint ventures involving the operation of coach and bus services, management of bus stations and similar operations.

The Group's interests in joint ventures are as follows:

Name	Country of registration	Proportion held %
Bahrain joint venture	Kingdom of Bahrain	50
ALSA joint ventures	Spain	50

The summarised aggregated financial information for individually immaterial joint ventures is set out below:

	2023 £m	2022 £m
Share of operating loss	**–**	(0.4)
Share of loss for the year and total comprehensive income and expenditure	**–**	(0.4)

(b) Investments in associates

The Group's interests in associates are as follows:

Name	Country of registration	Proportion held %
ALSA associates	Spain	25–49
North America associates	North America	20

ALSA's associates are generally involved in the operation of coach and bus services, management of bus stations and similar operations. North America associates include a start-up company offering app-based rideshare and childcare services in the San Francisco area and a software company which provides scheduling, dispatch and time management functions in the student transportation sector.

The summarised aggregated financial information for individually immaterial associates is set out below:

	2023 £m	2022 £m
Share of operating loss	**(0.5)**	–
Share of loss for the year and total comprehensive income and expenditure	**(0.5)**	–

19 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA

During the period, the ALSA division acquired control of:

- Tranvias De Sevilla, a regional transport provider in Andalusia, Spain
- Estebanez, a regional transport provider in Castilla & Leon, Spain
- RC Travel, a Spanish travel agency
- Ibercruises, a Portuguese travel agency

It also increased its shareholding in both Alsa Buses Extremadura (previously named ALSA-Mirat) and Aragonesa during the year, resulting in control being obtained. Both were previously recognised as an associate and accounted for using the equity method.

The provisional fair values, along with final fair value adjustments in respect of the acquisition of Vitalia acquired during 2022, are presented in aggregate below:

	£m
Intangibles	4.3
Property, plant and equipment	2.4
Inventory	0.1
Trade and other receivables	2.1
Cash and cash equivalents	2.6
Borrowings	(0.4)
Trade and other payables	(2.8)
Deferred tax liability	(1.1)
Net assets acquired	7.2
Non-controlling interest	(0.9)
Fair value of investments previously accounted for using equity method	(0.3)
Goodwill	0.7
Total consideration	6.7
Represented by:	
Cash consideration	5.9
Contingent consideration	0.8
	6.7

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 acquired.

Trade and other receivables had a fair value and a gross contracted value of £2.1m. The best estimate at acquisition date of the contractual cash flows not to be collected was £nil.

Goodwill of £3.8m arising from acquisitions consist of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired businesses and increased scale in our operations in ALSA, along with growth benefits of the regional business in areas not previously operated. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the year the fair value adjustments relating to the intangibles acquired in 2022 as part of the Vitalia acquisition were finalised. This resulted in an increase in the fair value of separately identifiable intangibles acquired, a corresponding increase in deferred tax liability, and a reduction in goodwill of £3.1m.

The acquired businesses contributed £4.8m of revenue and £0.5m statutory operating profit to the Group's result for the period between acquisition and the balance sheet date. Had the acquisition been completed on the first day of the financial year, the Group's revenue would have been £3,156.4m and the Group's statutory operating loss would have been £21.1m.

Deferred consideration of £3.1m was paid in the period relating to acquisitions in ALSA in earlier years. Total cash outflow in the period from acquisitions in the ALSA division was £9.4m, comprising consideration for current year acquisitions of £5.9m, less cash acquired in the businesses of £2.6m, and £6.1m towards a future acquisition. Control of the future acquisition was not obtained at the balance sheet date and therefore the results have not been consolidated in the Group's Financial Statements.

In North America deferred consideration of £0.5m was paid in the period relating to acquisitions in earlier years.

Transaction costs were insignificant in the period to 31 December 2023 (2022: £0.1m).

19 Business combinations, disposals and assets held for sale continued

(b) Acquisitions – further information

During the year to 31 December 2023, the movement in the Group's carrying value of goodwill principally related to the net impact of the Tranvias De Sevilla acquisition and the fair value adjustment to Vitalia.

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:

	2023 £m	2022 £m
Fair value:		
At 1 January	**11.7**	13.4
Additions in the year	**0.8**	1.6
Payments during the year	**(3.6)**	(3.7)
Fair Value movement through Profit and Loss in the year	**–**	(0.4)
Foreign exchange	**(0.2)**	0.8
At 31 December	**8.7**	11.7

The fair value of deferred contingent consideration is not highly sensitive to changes to significant unobservable inputs and therefore sensitivities to the valuation have not been disclosed.

(c) Disposals

The Group disposed of several subsidiaries during the year, no cash was received for the disposals of these companies, nor a gain or loss recognised in the Income Statement.

(d) Assets held for sale

In ALSA, a building with a carrying value of £18.2m (2022: £18.6m) has met the held for sale IFRS 5 criteria and been recognised within current assets.

20 Non-current assets – trade and other receivables

	2023 £m	2022 £m
Contract assets	**127.4**	145.3
Prepayments	**6.1**	12.0
Other receivables	**20.3**	16.2
	153.8	173.5

Contract assets includes £78.8m due from customers relating to infrastructure assets under Service Concession arrangements primarily in ALSA and North America (see note 37 for details of the Groups Service Concession arrangements).

Contract assets also include an IFRS 15 contract asset under the long term RME German Rail contract of £48.6m (2022: £53.8m).

The profitability of the RME contract is sensitive to estimates relating to the future profitability of the rail contract, particularly relating to the estimate of future passenger revenues over the remainder of the contract and, to a lesser extent, the level of energy compensation and labour cost inflation, including the number of drivers required to run the contracts The sensitivities of the IFRS 15 contract asset and cumulative future profitability of the contract to movements in these individual assumptions are set out below. Noting that the impact of some assumptions are not individually material, however, it is considered reasonably possible that the sensitivities could occur concurrently and are material in aggregate, and therefore are considered relevant to present herein.

It is important to note, however, that these sensitivities are prior to any mitigations that might be agreed in the context of a contract that requires both the operator and the PTA to economically re-balance the contract if events outside of the control of the parties impact the original profitability of the contract.

Passenger income growth sensitivities

The RME contract asset balance is sensitive to changes in management's estimate of forecast passenger revenues over the remaining contract life to 2030. In particular, in recent years, the German government has promoted rail travel with a series of initiatives including the €49 ticket scheme which allows heavily subsidised travel across the rail network. Rail operators have been compensated for the associated loss of income. This scheme is set to end at the end of 2024, and a key assumption is therefore how passenger revenues develop when this incentive is removed.

We have assumed that, following the end of the €49 ticket on 31 December 2024, passenger revenue levels continue on a consistent basis with 2024 (i.e. at a level including the value of subsidy currently being provided adjusted for an industry-wide and widely accepted 1.3% p.a. baseline annual growth factor and inflation factors based on expectations of tariff increases set by the relevant Tariff Associations). If revenue does not continue on this basis, we assume that there is further intervention from the authorities to support the market beyond 2024. In our view, this is consistent with performance pre Covid, recent guidance from the authorities regarding tariff setting in 2023 and 2024, and the underlying intention of the contract. However, in terms of sensitivities:

20 Non-current assets – trade and other receivables continued

- a 1 percentage point reduction (or increase) in forecasted annual average revenue in each year from 2025 to 2030 would require a reduction (increase) in the contract asset balance of c. £8m (such that there would be a non-cash charge (credit) in the year of this amount as a result of the change to the contract asset), and would reduce (increase) the cumulative future profitability of the contract by approximately £11m for the period 2025 to 2030); and
- a reduction (or increase) in total revenue in 2025 of 5% (with growth rates for the period 2026 to 2030 remaining unchanged against the sensitised base from 2025) would require a reduction (increase) in the contract asset balance of c. £14m (such that there would be a non-cash charge in the year of this amount as a result of the change to the contract asset), and would reduce (increase) the cumulative future profitability of the contract by approximately £20m for the period 2025 to 2030.

Energy cost and energy subsidy sensitivity

Changes to assumptions about future energy costs (and related energy subsidy under the contract) impact the total lifetime net cost of the contract. The RME contract contains a synthetic energy mechanism which is intended to compensate for changes in electricity costs, with the energy subsidy linked to the performance of an index (Index 625) published by DeStatis, the German Federal Statistics Agency on a monthly basis.

We have assumed that energy costs develop in line with long run market energy price forecasts which are based on third party forecasts, and that the 625 index (which drives the synthetic energy subsidy) moves on the basis of this same future energy price development in line with the regression analysis of 625 index behaviour performed by management.

- A decrease (or increase) in energy costs of 5% (and the consequent proportionally higher associated forecast changes in Index 625 which impacts on the subsidy) would require a reduction (increase) in the contract asset balance of c.£2m (such that there would be a non-cash charge in the year of this amount as a result of the change to the contract asset), and would reduce (increase) the cumulative future profitability of the contract by approximately £3m for the period 2025 to 2030).

Labour costs sensitivity

Changes to assumptions about labour costs impact the total lifetime net cost of the contract. The RME contract contains a mechanism to compensate for changes in labour costs of 1.5% p.a. on a set contract labour cost allowance.

An increase (or decrease) in labour costs over the remaining contract period of 5% would require a reduction (increase) in the contract asset balance of c. £3m (such that there would be a non-cash charge (credit) in the year of this amount as a result of the change to the contract asset), and would reduce (increase) the cumulative future profitability of the contract by approximately £4m for the period 2025 to 2030).

Other receivables includes £5.5m (2022: £5.5m) of property disposal proceeds that are payable to the Group on vacant possession and £8.1m (2022: £5.4m) of insurance recoveries.

21 Inventories

	2023 £m	2022 £m
Raw materials and consumables	**33.7**	32.4

The movement on the provision for slow moving and obsolete inventory is immaterial.

22 Current assets – trade and other receivables

	2023 £m	2022 £m
Trade receivables	**285.9**	257.5
Grant receivables	**34.4**	47.5
Contract assets	**122.0**	131.8
Amounts due from associates and joint ventures (note 36)	**3.2**	2.1
Amounts due from other related parties (note 36)	**0.6**	0.6
Trade and grant receivables and contract assets	**446.1**	439.5
Less: provision for impairment of receivables (note 30)	**(41.5)**	(43.2)
	404.6	396.3
Other receivables	**111.2**	102.0
Prepayments	**55.9**	55.4
Accrued income	**1.4**	7.0
	573.1	560.7

22 Current assets – trade and other receivables continued

Trade receivables excludes £74.9m (2022: £62.5m) that was subject to factoring arrangements without recourse and for which no customer payment had been received at year end.

Contract assets include £14.2m due from customers relating to infrastructure assets under Service Concession arrangements primarily in ALSA and North America (see note 37 for details of the Groups Service Concession arrangements). Also included is an IFRS 15 contract asset receivable within one year under the long term RME German Rail contract (see note 20 for further details).

Prepayments includes £6.1m which was an advance payment towards an acquisition which is expected to complete after the year end (see note 40).

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Information about the credit risk exposure of the Group's trade receivables is shown in note 30.

23 Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**186.1**	171.7
Overnight deposits	**0.2**	6.6
Other short-term deposits	**170.0**	113.5
Cash and cash equivalents	**356.3**	291.8

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 if repatriated would result in £2.6m of withholding tax (2022: £0.6m).

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:

	2023 £m	2022 £m
Cash and cash equivalents	**356.3**	291.8
Bank overdrafts (note 28)	**(62.6)**	(58.7)
Net cash and cash equivalents	**293.7**	233.1

24 Current liabilities – trade and other payables

	2023 £m	2022 £m
Trade payables	**298.9**	296.5
Contract liabilities	**177.6**	107.2
Amounts owed to associates and joint ventures (note 36)	**1.1**	0.4
Amounts owed to other related parties (note 36)	**1.4**	1.5
Other tax and social security payable	**48.9**	43.8
Accruals and deferred income	**229.5**	251.8
Other payables	**194.6**	128.3
Put liability	**8.6**	45.0
	960.6	874.5

Trade payables are normally settled on 30 to 60 day terms and other payables have an average term of four months.

24 Current liabilities – trade and other payables continued

Contract liabilities represents amounts advanced by customers where the Group has not yet met the performance obligation to allow the recognition of the balance as revenue, for example season ticket or advance ticket sales which cross over the year end date or payments on account. It also includes amounts outstanding with respect to the purchase of infrastructure assets under IFRIC 12 arrangements. Of the £177.6m current contract liabilities at the end of 2023, £117.7m will be recognised in revenue within the next 12 months as the Group completes its performance obligations. The remaining liability of £59.9m relates to payments for IFRIC 12 infrastructure assets which will be made within the next 12 months. Contract liabilities have increased year-on-year in ALSA following taking on new Service Concession arrangements during the year, and liabilities associated with the purchase of infrastructure assets for those contracts, and increased in Germany due to higher levels of payments on account having been receipted prior to completion of our performance obligations. During the year the Group has recognised revenue of £69.6m which was included in contract liabilities at the end of 2022.

Other payables includes £166.1m (2022: £87.3m) for the purchase of property, plant and equipment. The Group settles these amounts in accordance with the supplier's standard payment terms, typically one year.

Other payables also includes deferred fixed asset grants from government or other public bodies of £2.3m (2022: £2.3m), deferred expense-related grants of £3.1m (2022: £7.1m) and £4.8m (2022: £5.3m) of deferred contingent consideration for businesses acquired, of which £0.1m (2022: £0.3m) relates to businesses acquired in the year (note 19).

A put liability has been recorded for £8.6m relating to the purchase of the non-controlling interest in a subsidiary in Rabat (see note 40 for details). The prior year included a put liability for the final option of the remaining 20% equity of WeDriveU which was exercised at the final opportunity, being 31 December 2022. Following negotiations with the seller during the year, a final settlement of £46.1m was reached and subsequently paid in July.

25 Other non-current liabilities

	2023 £m	2022 £m
Deferred fixed asset grants	**7.4**	8.9
Contract liabilities	**83.4**	89.9
Other payables	**24.4**	22.4
	115.2	121.2

Contract liabilities include £76.9m of liabilities associated with the purchase of infrastructure assets as part of Service Concession arrangements which are expected to be settled over the life of the contract (see note 37 for details of the Groups Service Concession Arrangements).

Other payables includes £3.9m (2022: £6.4m) of deferred contingent consideration for businesses acquired, of which £0.7m (2022: £1.3m) relates to businesses acquired in the year (note 19) and expense related grants of £18.9m (2022: £15.3m).

26 Provisions

	Claims provision £m	Onerous contract provisions £m	Other £m	Total £m
At 1 January 2023 (as reported)[1]	**77.4**	**38.6**	**25.3**	**141.3**
Prior year restatement[1]	**–**	**25.0**	**–**	**25.0**
At 1 January 2023 (as restated)[1]	**77.4**	**63.6**	**25.3**	**166.3**
Charged to the Income Statement	**41.7**	**110.7**	**14.6**	**167.0**
Amounts settled through insurers	**1.3**	**–**	**–**	**1.3**
Utilised in the year	**(45.0)**	**(44.6)**	**(2.3)**	**(91.9)**
Unwinding of discount	**5.7**	**1.2**	**–**	**6.9**
Exchange difference	**(3.0)**	**(1.5)**	**(0.4)**	**(4.9)**
At 31 December 2023	**78.1**	**129.4**	**37.2**	**244.7**
Current 31 December 2023	**47.0**	**32.0**	**19.3**	**98.3**
Non-current 31 December 2023	**31.1**	**97.4**	**17.9**	**146.4**
	78.1	**129.4**	**37.2**	**244.7**
Current 31 December 2022 (restated)[1]	50.2	23.7	13.1	87.0
Non-current 31 December 2022 (restated)[1]	27.2	39.9	12.2	79.3
	77.4	63.6	25.3	166.3

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

26 Provisions continued

Claims provision

The claims provision arises from estimated exposures at the year end for auto and general liability, workers' compensation and environmental claims, the majority of which will be utilised in the next five years. It comprises provisions for claims arising in the UK and North America. The Directors have determined the best estimate of the probable economic outflow based on the expected value of the amounts which will be needed to settle the liability. The claims provision has been discounted using a rate based on external bond prices.

Onerous contracts

Provisions for onerous contracts relate to loss making contracts in ALSA, North America, Germany and UK. The Directors have determined the best estimate of the probable economic outflow based on the lower of i) the expected value of the losses which will be incurred in fulfilling the contract, and ii) the cost to exit the contract. With the exception of the provision in Germany and North America, the remaining amounts are expected to be utilised within the next 1-2 years.

The provision in Germany is in respect of the RRX contract. The Group's latest assessment identified a further reduction in the contracts' profitability following updated assumptions relating to the level of energy compensation and also latest information on driver shortages in Germany. This led to an increase in the provision of £99.2m, with a closing provision of £118.3m at 31 December 2023 (2022 restated: £46.9m) to cover the losses associated with running the contract for the remainder of the term (see note 5 for further details).

Provisions for onerous contracts relate to loss making contracts in ALSA, North America, Germany and UK. The Directors have determined the best estimate of the probable economic outflow based on the lower of i) the expected value of the losses which will be incurred in fulfilling the contract, and ii) the cost to exit the contract. With the exception of the provision in Germany and North America, the remaining amounts are expected to be utilised within the next 1-2 years.

The provision in Germany is in respect of the contract for RRX Lots 2 and 3 ("RRX 2&3"). The Group's latest assessment identified a further reduction in the contract's profitability following updated assumptions relating to the level of energy compensation, anticipated levels of driver shortages and movements in labour and other costs in Germany. When combined with the significant impact within 2023 of energy price volatility (and, more importantly, a decoupling in the year of the behaviour of specific indices used in the recovery of costs relative to energy prices as detailed in note 2), industry-wide driver shortages and a reduction in the discount rate to the risk-free rate, this led to an increase in the provision in the year of £99.2m, with a closing provision of £118.3m at 31 December 2023 (2022 restated: £46.9m) to cover the losses associated with running the contract for the remainder of the term (see note 5 for further details).

The provision is particularly sensitive to assumptions about future energy costs (and the level of energy compensation to be received from the PTA) and the impact and duration of labour shortages. The sensitivity of the onerous contract provision to movements in these individual assumptions are set out below. Noting that the impact of some assumptions are not individually material, however it is considered reasonably possible that the sensitivities could occur concurrently and are material in aggregate, and therefore are considered relevant to present herein.

Energy cost and energy subsidy sensitivity

Changes to assumptions about future energy costs (and related energy subsidy under the contract) impact the total lifetime net cost of the contract. The RRX 2&3 contract contains a mechanism which is intended to compensate the Group for changes in electricity costs, with the energy subsidy linked to the performance of an index (Index 625) published by DeStatis, the German Federal Statistics Agency on a monthly basis. Because of a historical bid-error, only a portion of the energy cost is covered by the index mechanism. Negotiations are underway with the PTA to move to a different (and more representative) index, and we have assumed based on recent discussions that the change in index will be made, albeit with a conservative view of how that change might be implemented. On this basis:

- An increase (or decrease) in uncovered energy costs (i.e. those costs that are not covered by the energy subsidy) of 10% would result in an increase (decrease) in the Onerous Contract Provision of approximately £6m. This may occur through a change in volume, a change in price vs long term market forecasts used in the model or a change in coverage by the index.

Driver scarcity and penalties sensitivity

Driver scarcity is an industry-wide issue within German rail which is expected to continue in the short-term. Whilst we have some degree of protection from "general" inflationary increases to driver pay, continuing driver scarcity can result in incurring higher agency costs and penalties relating to train cancellations. For the following sensitivity, we have assumed that the issues relating to driver scarcity will be largely resolved by 31 December 2025 and on this basis:

A delay in driver recruitment which pushes driver scarcity out by a further 6 months would result in an increase to the Onerous Contract Provision of approximately £8 million as a result of higher agency costs and increased penalties relating to train cancellations.

Discount rate

Changes to the discount rate used to discount the onerous contract provision back to present value will impact on the carrying value of the provision. A risk-free rate has been used to discount the provision to present value at the balance sheet date.

- An increase (or decrease) in the discount rate used of 1% would result in a decrease/(increase) in the Onerous Contract Provision of approximately £6m.

26 Provisions continued

Other

Other includes provisions for potential reclaim of subsidies in ALSA of £17.0m (2022: £12.2m) all of which is expected to be utilised over the next three years, and restructuring provisions in the UK, ALSA and North America of £18.5m (2022: £3.1m), all of which are expected to be utilised within the next 12 months.

When the effect is material, the provisions are discounted to their net present value.

27 Deferred tax

	2023 £m	(Restated) 2022[1] £m
At 1 January	**166.7**	147.7
(Charge)/credit to the Income Statement (note 11a)	**(51.7)**	13.6
Credit/(charge) to Other Comprehensive Income or Equity (note 11b)	**7.1**	(1.3)
Exchange differences	**(3.7)**	7.6
Acquired in business combinations (note 19)	**(1.1)**	(0.9)
Net deferred tax asset at 31 December	**117.3**	166.7

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

	2023			
Deferred tax assets	UK £m	North America £m	Germany £m	Total £m
Accelerated tax depreciation	**(13.9)**	**(74.2)**	**–**	**(88.1)**
Losses carried forward	**85.5**	**106.9**	**–**	**192.4**
Pensions	**7.5**	**–**	**–**	**7.5**
Other short-term temporary differences	**5.1**	**47.5**	**–**	**52.6**
	84.2	**80.2**	**–**	**164.4**

	(Restated) 2022[1]			
Deferred tax assets	UK £m	North America £m	Germany £m	Total £m
Accelerated tax depreciation	(11.5)	(87.6)	–	(99.1)
Losses carried forward	88.8	125.5	26.8	241.1
Pensions	9.8	–	–	9.8
Other short-term temporary differences	1.2	48.3	(7.7)	41.8
	88.3	86.2	19.1	193.6

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

	2023			
Deferred tax liabilities	Canada £m	Spain £m	Germany £m	Total £m
Accelerated tax depreciation	**(6.0)**	**(110.3)**	**–**	**(116.3)**
Losses carried forward	**3.0**	**7.4**	**2.6**	**13.0**
Intangibles and deductible goodwill	**–**	**21.4**	**–**	**21.4**
Taxation credits	**–**	**1.8**	**–**	**1.8**
Other short-term temporary differences	**1.1**	**35.8**	**(3.9)**	**33.0**
	(1.9)	**(43.9)**	**(1.3)**	**(47.1)**

27 Deferred tax continued

Deferred tax liabilities	2022 Canada £m	Spain £m	Germany £m	Total £m
Accelerated tax depreciation	(5.9)	(110.0)	–	(115.9)
Losses carried forward	2.3	18.4	–	20.7
Intangibles and deductible goodwill	–	24.7	–	24.7
Taxation credits	–	1.3	–	1.3
Other short-term temporary differences	1.1	41.2	–	42.3
	(2.5)	(24.4)	–	(26.9)

The Group has recognised deferred tax assets across the UK, North America, Spanish and German businesses amounting to £321.8m (2022 restated: £381.7m) that are recognised on the basis of offset against deferred tax liabilities or considered to be able to be offset against the Group's future taxable profits or both. Management has based its assessment on the latest forecast budget approved by the Board which reflects improved trading performance across all divisions. Refer to note 2 for details of the key accounting judgements considered in recognising the deferred tax assets at 31 December 2023, and note 11 for further detail.

28 Borrowings and derivative financial liabilities

	2023 £m	2022 £m
Non-current		
Bank loans	**96.5**	113.4
Bonds	**659.2**	221.3
Lease liabilities	**130.2**	139.7
Private placements	**404.7**	411.9
Non-current borrowings	**1,290.6**	886.3
Fuel derivatives	**6.7**	4.8
Cross currency swaps	**1.6**	–
Interest rate derivatives	**7.0**	17.6
Non-current derivative financial liabilities	**15.3**	22.4
Non-current borrowings and derivative financial liabilities	**1,305.9**	908.7
Current		
Bank overdrafts	**62.6**	58.7
Bank loans	**150.7**	82.4
Bonds	**–**	400.1
Lease liabilities	**50.9**	58.0
Accrued interest on borrowings	**7.0**	2.8
Current borrowings	**271.2**	602.0
Fuel derivatives	**10.1**	12.6
Cross currency swaps	**–**	15.6
Interest rate derivatives	**10.8**	9.2
Foreign exchange derivatives	**10.7**	4.5
Current derivative financial liabilities	**31.6**	41.9
Current borrowings and derivative financial liabilities	**302.8**	643.9

An analysis of interest-bearing loans and borrowings is provided in note 29. Further information on derivative financial liabilities is provided in note 31.

29 Interest-bearing borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows:

	2023 £m	Maturity	Effective interest rate	2022 £m	Maturity	Effective interest rate
Bank overdrafts	**62.6**	**–**	**–**	58.7	–	–
Bank overdrafts	**62.6**			58.7		
7-year Sterling bond	**–**	**–**	**–**	400.1	November 2023	2.54%
9-year Sterling bond	**231.6**	**November 2028**	**GBP SONIA + 1.98%[1]**	221.3	November 2028	GBP SONIA + 1.98%[1]
8-year €500m Euro bond	**427.6**	**September 2031**	**4.875%**	–	–	–
Bonds	**659.2**			621.4		
European bank loans at fixed rate	**33.0**	**2024–2026**	**3.80%**	–	–	–
European bank loans at floating rate	**1.2**	**2024–2025**	**EURIBOR + 0.75%**	1.8	2023–2025	EURIBOR + 1.05%
Moroccan bank loans	**58.9**	**2024–2029**	**4.25%**	69.5	2023–2029	4.20%
US asset backed bank loans	**70.3**	**2024–2030**	**3.03%**	74.3	2023–2028	2.55%
Advance factoring liabilities[2]	**83.8**	**2024**	**4.85%**	50.2	2023	3.45%
Bank loans	**247.2**			195.8		
US Dollar leases at fixed rate	**75.6**	**2024–2028**	**3.50%**	103.7	2023–2028	2.99%
European leases at fixed rate	**33.6**	**2024–2030**	**4.16%**	14.8	2023–2030	3.46%
European leases at floating rate	**0.3**	**2024–2025**	**EURIBOR + 1.00%**	1.1	2023–2024	EURIBOR + 0.90%
Sterling leases at fixed rate	**71.6**	**2024–2108**	**3.44%**	78.1	2023–2108	1.84%
Leases	**181.1**			197.7		
Private placements	**404.7**	**2027–2032**	**1.92%**	411.9	2027–2032	1.92%
Accrued interest – Bonds	**6.3**			2.1		
Accrued interest – Private placements	**0.7**			0.7		
Accrued interest on borrowings	**7.0**			2.8		
Total	**1,561.8**			1,488.3		

1 There is a currently a fixed to floating interest rate swap in place until November 2025. Subsequent to this the bond reverts to a fixed rate of 2.38% until maturity.

2 Advance factoring liabilities include £17.4m in ALSA at a floating rate with an average rate of 5.20% and £66.4m in German Rail with a fixed rate of 4.75%. The prior year value of £50.2m all related to German Rail with a fixed rate of 3.45%.

The 2028 Sterling bond has a nominal value of £250.0m. The book value of £231.6m as presented above includes £2.0m in capitalised deal fees and a £16.4m fair value adjustment. Similarly, the 2031 Euro bond has a book value as presented above of £427.6m which comprises a nominal value of £433.6m, net of £6.0m in capitalised deal fees. The Private placements comprises a nominal value of £405.7m net of £1.0m in capitalised deal fees and therefore have a book value of £404.7m.

The Group currently has £600.0m of unsecured committed revolving credit facilities, which mature in 2028 and contain two annual extension options to extend the maturity to 2030. At 31 December 2023, there was £nil (2022: £nil) drawn down on the facilities, with £3.3m of capitalised deal fees remaining, which are classified within other receivables.

Details of the Group's interest rate risk management strategy and associated interest rate derivatives are included in notes 30 and 31.

The Group is subject to a number of financial covenants in relation to its syndicated credit facilities which, if contravened, could result in its borrowings under those facilities becoming immediately repayable. These covenants specify maximum covenant net debt to adjusted EBITDA (being no greater than 3.5 times) and minimum adjusted EBITDA to net interest payable (being at least 3.5 times). Both of these covenant tests were met at both the 30 June 2023 and 31 December 2023 testing periods.

29 Interest-bearing borrowings continued

The following table sets out the carrying amount, by maturity, of the Group's interest-bearing borrowings and deposits, including other debt receivables and finance lease receivables:

As at 31 December 2023	< 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	> 5 years £m	Total £m
Fixed rate							
Bank loans	**(132.1)**	**(27.9)**	**(24.4)**	**(22.4)**	**(17.5)**	**(4.3)**	**(228.6)**
Bonds	**–**	**–**	**–**	**–**	**–**	**(427.6)**	**(427.6)**
Finance lease receivables	**2.7**	**1.4**	**0.5**	**0.6**	**0.4**	**3.6**	**9.2**
Lease liabilities	**(50.6)**	**(30.5)**	**(23.2)**	**(14.5)**	**(11.7)**	**(50.3)**	**(180.8)**
Private placements	**–**	**–**	**–**	**(233.9)**	**–**	**(170.8)**	**(404.7)**
Floating rate							
Cash assets	**356.3**	**–**	**–**	**–**	**–**	**–**	**356.3**
Other debt receivables	**2.9**	**–**	**–**	**–**	**–**	**–**	**2.9**
Bank overdrafts	**(62.6)**	**–**	**–**	**–**	**–**	**–**	**(62.6)**
Bank loans	**(18.6)**	**–**	**–**	**–**	**–**	**–**	**(18.6)**
Bonds	**–**	**–**	**–**	**–**	**(231.6)**	**–**	**(231.6)**
Lease liabilities	**(0.3)**	**–**	**–**	**–**	**–**	**–**	**(0.3)**

As at 31 December 2022	< 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	> 5 years £m	Total £m
Fixed rate							
Bank loans	(81.5)	(24.5)	(27.4)	(23.1)	(21.0)	(16.5)	(194.0)
Bonds	(400.1)	–	–	–	–	–	(400.1)
Finance lease receivables	4.3	3.1	1.5	0.5	0.6	4.0	14.0
Lease liabilities	(57.2)	(34.8)	(22.9)	(17.3)	(8.2)	(55.5)	(195.9)
Private placements	–	–	–	–	(239.0)	(172.9)	(411.9)
Floating rate							
Cash assets	291.8	–	–	–	–	–	291.8
Other debt receivables	2.6	0.2	–	–	–	–	2.8
Bank overdrafts	(58.7)	–	–	–	–	–	(58.7)
Bank loans	(0.9)	(0.9)	–	–	–	–	(1.8)
Bonds	–	–	–	–	–	(221.3)	(221.3)
Lease liabilities	(0.8)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(1.8)

30 Financial risk management objectives and policies

Financial risk factors and management

The Group is exposed to risks relating to fuel prices, foreign currency exchange rates, interest rates and the availability of funding at reasonable margins. The Group has in place a risk management programme that seeks to manage the impact of these risks on the financial performance of the Group by using financial instruments including borrowings, committed facilities and forward foreign exchange, fuel and interest rate derivatives.

The Board of Directors has delegated the responsibility for implementing the financial risk management policies laid down by the Board to the Group Chief Financial Officer and the Group Treasurer. The policies are implemented by the Group Treasury department with regular reporting to the Chief Financial Officer and the Audit Committee on its activities.

Foreign currency

The Group has major foreign operations in the USA, Canada, Spain and Morocco, and as a result is exposed to the movements in foreign currency exchange rates on the translation of these foreign currency denominated net assets.

The Group seeks to reduce this foreign currency exchange movement risk by using a combination of foreign currency borrowings and entering into derivative financial instruments, such as cross currency interest rate swaps and foreign exchange forward contracts.

30 Financial risk management objectives and policies continued

At the year end, the Group had outstanding foreign exchange derivatives for net investment purposes of USD 320.0m and CAD 46.0m (2022: foreign exchange derivatives of USD 30.0m, and cross currency interest rate swaps of USD 290.0m, CAD 46.0m and EUR 376.7m). These foreign exchange forward contracts are derivative financial instruments designated as net investment hedges of foreign currency assets. Borrowings of EUR 740.0m (2022: EUR 240.0m) are also designated as a net investment hedge.

The table below demonstrates the sensitivity of the Group's financial instruments to a reasonably possible change in foreign exchange rates, with all other variables held constant. This would affect the Group's profit before tax and translation reserve. The effect on the translation reserve represents the movement in the translated value of the foreign currency denominated loans and change in fair value of the derivative contracts. These movements would be offset by an opposite movement in the translated value of the related portion of the Group's overseas net investments. It is estimated that a 10% change in the corresponding exchange rates would result in an exchange gain or loss in the translation reserve of £76.2m (2022: £56.4m).

		2023		2022	
As at 31 December	Strengthening/ (weakening) in currency	Effect on (loss)/profit before tax £m	Effect on translation reserve £m	Effect on (loss)/profit before tax £m	Effect on translation reserve £m
US Dollar	10%	**–**	**(30.5)**	–	(46.9)
Euro	10%	**–**	**(45.3)**	–	(8.8)
Canadian Dollar	10%	**–**	**(0.4)**	–	(0.7)
US Dollar	(10)%	**–**	**30.5**	–	46.9
Euro	(10)%	**–**	**45.3**	–	8.8
Canadian Dollar	(10)%	**–**	**0.4**	–	0.7

Interest rate risk

The Group is exposed to movements in interest rates on both interest-bearing assets and liabilities. It is the Group's policy to maintain an appropriate balance between fixed and floating interest rates on borrowings in order to provide a level of certainty to interest expense in the short term and to reduce the year-on-year impact of interest rate fluctuations over the medium term. To achieve the desired fixed:floating ratio, the Group has entered into a series of interest rate swaps that have the effect of converting fixed rate debt to floating rate debt. The net effect of these transactions was that as at 31 December 2023, the proportion of the Group's gross debt at floating rates was 21% (2022: 19%).

During the year, inflation and fiscal policy have impacted the interest rate on the floating portion of debt. The table below demonstrates the sensitivity of the Group's financial instruments to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax and on the Group's hedging reserve.

The sensitivity analysis covers all floating rate financial instruments, including the interest rate swaps. If the interest rates applicable to floating rate instruments were increased by 100 basis points, it is estimated that the Group's profit before taxation would decrease by approximately £2.5m (2002: £2.2m) relating to Sterling. The analysis assumes that the amount and mix of floating rate debt, including finance leases, remains unchanged from that in place at 31 December 2023.

As at 31 December	Increase/ (decrease) in basis points	2023 (Decrease)/ increase in (loss)/profit before tax £m	2022 (Decrease)/ increase in (loss)/profit before tax £m
Sterling	100	**(2.5)**	(2.2)
US Dollar	100	**–**	–
Euro	100	**–**	–
Sterling	(100)	**2.5**	2.2
US Dollar	(100)	**–**	–
Euro	(100)	**–**	–

30 Financial risk management objectives and policies continued

Commodity prices

The Group is exposed to movements in commodity prices as a result of its fuel usage. It is the Group's policy to hedge this exposure in order to provide a level of certainty as to its cost in the short term and to reduce the year-on-year impact of price fluctuations over the medium term. This is achieved by entering into fuel derivatives. At 31 December 2023, the Group had hedged approximately 100% of its 2024 expected usage, 50% of its expected usage in 2025 and 17% of its expected usage in 2026.

The table below demonstrates the effect of a reasonably possible variation in fuel prices, with all other variables held constant, on the fair value of the Group's financial instruments and, accordingly, on the Group's profit before tax and the Group's hedging reserve.

The sensitivity analysis includes all fuel derivatives. The effect on the hedging reserve arises through movements on the fair value of the Group's fuel derivatives. For these derivative contracts the sensitivity of the net fair value to an immediate 10% increase or decrease in all prices would have been £16.0m at 31 December 2023 (2022: £20.2m). The figure does not include any corresponding economic advantage or disadvantage that would arise from the natural business exposure which would be expected to offset the gain or loss on the derivatives.

		2023		2022	
As at 31 December	Increase/ (decrease) in price	Effect on (loss)/profit before tax £m	Effect on hedging reserve £m	Effect on (loss)/profit before tax £m	Effect on hedging reserve £m
Sterling denominated diesel	10%	**–**	**4.0**	–	6.3
US Dollar denominated diesel	10%	**–**	**4.0**	–	3.7
US Dollar denominated gasoline	10%	**–**	**1.1**	–	1.3
Euro denominated diesel	10%	**–**	**6.9**	–	8.9
Sterling denominated diesel	(10%)	**–**	**(4.0)**	–	(6.3)
US Dollar denominated diesel	(10%)	**–**	**(4.0)**	–	(3.7)
US Dollar denominated gasoline	(10%)	**–**	**(1.1)**	–	(1.3)
Euro denominated diesel	(10%)	**–**	**(6.9)**	–	(8.9)

Credit risk

(i) Risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed by a combination of Group Treasury and divisional management, and arises from cash and cash equivalents, derivative financial instruments and credit exposures to amounts due from outstanding receivables and committed transactions. The maximum credit risk exposure of the Group is the net carrying value of each of its financial assets, which are shown within the classification of financial instruments table in note 31.

Credit risk is primarily attributable to trade and other receivables and is mitigated by a number of factors. Many of the Group's principal customers, suppliers and financial institutions with which it conducts business are local public (or quasi-public) bodies, including school boards in North America, municipal authorities in Spain and Morocco, West Midlands Combined Authority in the UK, and regional authorities in Germany. The Group does not consider these counterparties to pose a significant credit risk, particularly as even in the event of financial or liquidity issues suffered by public bodies (for example as seen during the year with Birmingham City Council) the nature of the services provided by the Group are very likely to be classified as essential or priority and therefore we would still anticipate settlement of any amounts owed. Outside of this, the Group does not consider it has significant concentrations of credit risk. The Group continues to monitor the economic environment and has taken actions to limit its exposure to customers that are severely impacted. As a minimum, the Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

Net cash and cash equivalents and derivative financial instruments are held with counterparties with a minimum of BBB- credit rating assigned by international credit rating agencies. The Group Treasury Committee continually assesses the credit risk of each counterparty, including monitoring credit ratings and tier 1 capital of each counterparty. Additionally, Group policy sets limits on counterparty exposure according to credit ratings.

(ii) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for all trade receivables (including grant receivables), and contract assets at each reporting date. Provision matrices are used to measure expected losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, such as geographical region, service type, and customer type and rating. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The characteristics used to determine the groupings of customer segments are those that have the greatest impact on the likelihood of default. Given the diversity of characteristics of different customer segments, the Group applies different definitions of default for different groups of customers. The risk of default increases once the receivable is past due and increases in 30 day increments. The majority of the Group's customers are governmental or similar bodies and hence there are not considered to be any issues with the recoverability of these receivables.

30 Financial risk management objectives and policies continued

The table below shows the credit risk exposure on the Group's trade receivables (including grant receivables and related party receivables) and contract assets as at 31 December 2023:

31 December 2023	Carrying amount £m	Not yet due £m	Days past due: Less than 30 days £m	Days past due: Between 30 and 60 days £m	Days past due: Between 61 and 90 days £m	Days past due: Over 90 days £m
Gross carrying amount – trade and grant receivables, related party receivables and contract assets (current and non-current)	**573.5**	**393.8**	**33.3**	**25.5**	**13.3**	**107.6**
Loss allowance	**(41.5)**	**(1.8)**	**(1.3)**	**(1.5)**	**(2.0)**	**(34.9)**
	532.0	**392.0**	**32.0**	**24.0**	**11.3**	**72.7**
Expected loss rate	**7.2%**	**0.5%**	**3.9%**	**5.9%**	**15.0%**	**32.4%**

31 December 2022	Carrying amount £m	Not yet due £m	Days past due: Less than 30 days £m	Days past due: Between 30 and 60 days £m	Days past due: Between 61 and 90 days £m	Days past due: Over 90 days £m
Gross carrying amount – trade and grant receivables, related party receivables and contract assets (current and non-current)	584.8	344.9	36.0	21.1	24.2	158.6
Loss allowance	(43.2)	(2.1)	(0.9)	(1.2)	(1.2)	(37.8)
	541.6	342.8	35.1	19.9	23.0	120.8
Expected loss rate	7.4%	0.6%	2.5%	5.7%	5.0%	23.8%

Trade and grant receivables and contract assets over 90 days primarily comprises amounts due from public authorities in ALSA where amounts are settled on approval from the local governing bodies at the end of the school period. A loss provision of £34.9m (2022: £37.8m) is in place against these receivables.

The closing loss allowance for trade and grant receivables and contract assets as at 31 December 2023 reconciles to the opening loss allowance as follows:

	2023 £m	2022 £m
At 1 January	**43.2**	39.3
Net (decrease)/increase in loss allowance recognised in Income Statement during the year	**(0.1)**	3.8
Utilised in the year	**(0.7)**	(2.2)
Arising on acquisitions	**–**	–
Exchange difference	**(0.9)**	2.3
At 31 December	**41.5**	43.2

Trade and grant receivables and contract assets are written off when there is no reasonable expectation of recovery.

Impairment losses on Trade and grant receivables and contract assets are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same item.

Impairment provisions in respect of cash and cash equivalents and finance lease receivables are also subject to the requirements of IFRS 9. As our cash and cash equivalents are held with counterparties with a minimum of BBB- credit rating, impairment loss was considered insignificant at the reporting date. Similarly, impairment loss in relation to other receivables and finance lease receivables was considered insignificant.

30 Financial risk management objectives and policies continued

Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

Funding for the Group is coordinated centrally by the treasury function and with the Group's forecast funding requirements and its debt facilities being reported to and monitored on an ongoing basis by the treasury function and formally via the monthly Treasury Committee. The level of facilities is maintained such that facilities and term loans exceed the forecast peak gross debt of the Group over a rolling 12-month view, with minimum headroom of at least £300.0m maintained, taking into account market conditions and corporate activity, including acquisitions and organic growth plans. The minimum funding headroom assumes that factoring facilities are not available.

Short-term funding requirements are met through use of cash and cash equivalents and drawings under unsecured committed revolving credit facilities if required. Most of the Group's cash is held in the UK, the USA and Spain. In the UK the Group utilises a pooling arrangement with its main relationship bank to manage its cash on a net basis.

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 £2.6m (2022: £0.6m).

The Group currently has £600.0m of unsecured committed revolving credit facilities, following the refinancing of the facility during the current year, increasing the facility size to £600.0m and replacing the existing facility which was due to mature in 2025. The new facility matures in 2028 and contains two annual extension options to extend the maturity to 2030. Covenants and other key terms are consistent with those of the previous facility. At 31 December 2023, there was £nil (2022: £nil) drawn-down on the facilities. The maximum draw down of the revolving credit facility during the year was £125.0m (2022: £95.0m).

Medium and long-term funding requirements are met through committed debt facilities as detailed in note 29.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 based on the contractual undiscounted cash flows, including interest cash flows. As such, the amounts in this table will not agree to the carrying amounts disclosed in the Balance Sheet or other notes. The table includes cash flows associated with derivative hedging instruments. Their amounts reflect the maturity profile of the fair value liability where the instrument will be settled net, and the gross settlement amount where the pay leg of a derivative will be settled separately to the receive leg.

Year ended 31 December 2023	Carrying amounts £m	Contractual cash flows £m	< 1 year £m	1–2 years £m	2–3 years £m	3–5 years £m	> 5 years £m
Non-derivative financial liabilities							
Bank overdrafts	**(62.6)**	**(62.6)**	**(62.6)**	**–**	**–**	**–**	**–**
Bank loans	**(247.2)**	**(257.6)**	**(153.4)**	**(30.9)**	**(26.7)**	**(42.0)**	**(4.6)**
Bonds	**(659.2)**	**(882.6)**	**(27.1)**	**(27.1)**	**(27.1)**	**(304.2)**	**(497.1)**
Lease liabilities	**(181.1)**	**(187.8)**	**(53.9)**	**(31.3)**	**(24.3)**	**(30.2)**	**(48.1)**
Private placements	**(404.7)**	**(423.7)**	**(4.0)**	**(4.0)**	**(4.0)**	**(238.5)**	**(173.2)**
Trade and other payables[1]	**(871.0)**	**(871.0)**	**(788.6)**	**(82.4)**	**–**	**–**	**–**
	(2,425.8)	**(2,685.3)**	**(1,089.6)**	**(175.7)**	**(82.1)**	**(614.9)**	**(723.0)**
Derivative financial liabilities							
Foreign exchange derivatives	**(10.7)**	**(8.4)**	**(8.4)**	**–**	**–**	**–**	**–**
Interest rate derivatives	**(17.8)**	**(18.8)**	**(11.3)**	**(7.5)**	**–**	**–**	**–**
Cross currency swaps	**(1.6)**	**(1.4)**	**–**	**–**	**–**	**(1.4)**	**–**
Fuel derivatives	**(16.8)**	**(17.4)**	**(10.1)**	**(6.0)**	**(1.3)**	**–**	**–**
	(46.9)	**(46.0)**	**(29.8)**	**(13.5)**	**(1.3)**	**(1.4)**	**–**

1 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities (except for those in relation to Service Concession Arrangements), other tax and social security, deferred expense-related grants and deferred fixed asset grants.

30 Financial risk management objectives and policies continued

Year ended 31 December 2022	Carrying amounts £m	Contractual cash flows £m	< 1 year £m	1–2 years £m	2–3 years £m	3–5 years £m	> 5 years £m
Non-derivative financial liabilities							
Bank overdrafts	(58.7)	(58.7)	(58.7)	–	–	–	–
Bank loans	(195.8)	(203.7)	(81.9)	(29.5)	(28.9)	(46.4)	(17.0)
Bonds	(621.4)	(693.6)	(414.6)	(5.9)	(5.9)	(11.9)	(255.3)
Lease liabilities	(197.7)	(202.1)	(64.2)	(37.6)	(21.1)	(25.5)	(53.7)
Private placements	(411.9)	(433.3)	(4.0)	(4.0)	(4.0)	(244.1)	(177.2)
Trade and other payables[1]	(721.2)	(721.2)	(714.1)	(7.1)	–	–	–
	(2,206.7)	(2,312.6)	(1,337.5)	(84.1)	(59.9)	(327.9)	(503.2)
Derivative financial liabilities							
Foreign exchange derivatives	(4.5)	(4.5)	(4.5)	–	–	–	–
Interest rate derivatives	(26.8)	(29.5)	(9.8)	(10.4)	(9.3)	–	–
Cross currency swaps	(15.6)	(13.4)	(13.4)	–	–	–	–
Fuel derivatives	(17.4)	(15.7)	(10.6)	(3.4)	(1.7)	–	–
	(64.3)	(63.1)	(38.3)	(13.8)	(11.0)	–	–

1 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities (except for those in relation to Service Concession Arrangements), tax and social security, deferred expense related grants and deferred fixed asset grants. 2022 comparatives have been re-presented as it included other tax and social security.

Capital risk management

The objective of capital management is to ensure that the Group is able to continue as a going concern while delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders.

The Group's capital structure consists of equity (refer to the Group Statement of Changes in Equity) and net debt (refer to note 38).

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's debt is monitored on the basis of a gearing ratio, being net debt divided by adjusted EBITDA, further details of which are provided in the Group Chief Financial Officer's review.

The Group also uses ROCE as a measure of its ability to drive better returns on the capital invested in the Group's operations, further details of which are provided in the Group Chief Financial Officer's review.

31 Financial instruments (including cash, trade receivables and payables)

Fair values

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables and cash and cash equivalents. After initial fair value recognition, they are measured at amortised cost using the effective interest rate method. The fair value of these instruments approximates their carrying amounts, largely due to the short-term maturities.

Financial assets at fair value through Other Comprehensive Income relates to the Group's non-listed equity investments.

The Group's derivatives are measured at fair value. The fair value measurement of derivative instruments is categorised within Level 2 (i.e. the fair values are derived based on observable market inputs). The valuation of interest rate derivatives and fuel derivatives are based on the forward curve and discount curve, both calculated using sets of market data. For fuel derivatives the forward curve is calculated using a set of raw data inputs generally known as future settlement prices, published by individual exchanges. The valuation of FX forward contracts is based on FX spot rates, FX forward rates, and the interest rate curve of the domestic currency (used for determining the interest rate inputs, such as discount factors). Cross currency swap derivatives are valued by constructing the cash flows on each leg and then discounting them back to the present using appropriate discount factors in each of these currencies. Following discounting, spot rates will be used to convert the present value amount of the cash flows in the non-valuation currency into the valuation currency; these values are then netted to obtain the value of the cross currency swap. All valuations are adjusted as appropriate for CVA/DVA values which are independently calculated.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as Level 3 in the fair value hierarchy, other than the deferred contingent consideration disclosed in note 19 and financial assets at fair value through Other Comprehensive Income in note 17. There have not been any transfers of assets or liabilities between levels of the fair value hierarchy and there are no non- recurring fair value movements.

The following table illustrates the carrying values of all financial assets and liabilities held by the Group at 31 December 2023:

Classification of financial instruments As at 31 December 2023	Assets and liabilities at amortised cost £m	At fair value through Other Comprehensive Income £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Assets					
Investments	–	15.2	–	–	15.2
Fuel derivatives	–	–	–	4.8	4.8
Cross currency swaps	–	–	–	0.4	0.4
Foreign exchange derivatives	–	–	5.7	0.3	6.0
Cash and cash equivalents	356.3	–	–	–	356.3
Other debt receivables	2.9	–	–	–	2.9
Finance lease receivables	9.2	–	–	–	9.2
Trade and other receivables[1]	508.6	–	–	–	508.6
	877.0	15.2	5.7	5.5	903.4
Liabilities					
Bank overdrafts	(62.6)	–	–	–	(62.6)
Bank loans	(247.2)	–	–	–	(247.2)
Bonds	(659.2)	–	–	–	(659.2)
Lease liabilities	(181.1)	–	–	–	(181.1)
Private placements	(404.7)	–	–	–	(404.7)
Fuel derivatives	–	–	–	(16.8)	(16.8)
Interest rate derivatives	–	–	–	(17.8)	(17.8)
Cross currency swaps	–	–	–	(1.6)	(1.6)
Foreign exchange derivatives	–	–	(6.9)	(3.8)	(10.7)
Trade and other payables[2]	(862.3)	–	(8.7)	–	(871.0)
	(2,417.1)	–	(15.6)	(40.0)	(2,472.7)

1 Trade and other receivables as stated in this table does not directly reconcile with the amounts shown in notes 20 and 22 as it excludes contract assets (except for those in relation to Service Concession Arrangements), and prepayments.

2 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities (except for those in relation to Service Concession Arrangements), other tax and social security, deferred expense related grants and deferred fixed asset grants.

31 Financial instruments (including cash, trade receivables and payables) continued

Classification of financial instruments As at 31 December 2022 Represented[3]	Assets and liabilities at amortised cost £m	At fair value through Other Comprehensive Income £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Assets					
Investments	–	16.8	–	–	16.8
Fuel derivatives	–	–	–	19.9	19.9
Cross currency swaps	–	–	–	10.7	10.7
Foreign exchange derivatives	–	–	16.4	0.8	17.2
Cash and cash equivalents	291.8	–	–	–	291.8
Other debt receivables	2.8	–	–	–	2.8
Finance lease receivables	14.0	–	–	–	14.0
Trade and other receivables[1]	389.7	–	–	–	389.7
	698.3	16.8	16.4	31.4	762.9
Liabilities					
Bank overdrafts	(58.7)	–	–	–	(58.7)
Bank loans	(195.8)	–	–	–	(195.8)
Bonds	(621.4)	–	–	–	(621.4)
Lease liabilities	(197.7)	–	–	–	(197.7)
Private placements	(411.9)	–	–	–	(411.9)
Fuel derivatives	–	–	–	(17.4)	(17.4)
Interest rate derivatives	–	–	–	(26.8)	(26.8)
Cross currency swaps	–	–	–	(15.6)	(15.6)
Foreign exchange derivatives	–	–	(4.5)	–	(4.5)
Trade and other payables[2]	(709.4)	–	(11.8)	–	(721.2)
	(2,194.9)	–	(16.3)	(59.8)	(2,271.0)

1 Trade and other receivables as stated in this table does not directly reconcile with the amounts shown in notes 20 and 22 as it excludes contract assets, and prepayments.

2 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities, other tax and social security payable, deferred expense related-grants and deferred fixed asset grants

3 Represented to classify interest rate derivatives under derivatives used for hedging as they are in a fair value hedge. Bonds also represented to show the 2028 bond under liabilities at amortised cost, as it is valued at amortised cost with a fair value adjustment applied to it.

Embedded derivatives

In accordance with IFRS 9 Financial Instruments, the Group has reviewed its contracts for embedded derivatives that are required to be separately accounted for. No embedded derivatives have been identified.

Hedging activities

The Group uses derivative financial instruments to manage exposures to market risk, such as movements in foreign exchange rates, fuel prices and interest rates. Such derivative financial instruments are initially recognised at fair value and are subsequently re-measured at fair value at the end of each reporting period. In line with IFRS 9, the Group classifies hedges as:

(i) fair value hedges used to hedge exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges used to hedge exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction; and (iii) hedges of a net investment in a foreign operation.

In 2023, the Group applied cash flow hedge accounting to hedge fuel price risk and to hedge foreign currency risk on a US dollar denominated private placement. The Group applied net investment hedge accounting to hedge net investments in its North American and European foreign operations. The Group also applied fair value hedge accounting to hedge interest rate risk.

31 Financial instruments (including cash, trade receivables and payables) continued

A summary of the Group's hedging activities is as follows:

31 December 2023 Hedge type	Net investment hedge	Cash flow hedge	Fair value hedge	Cash flow hedge
Risk	**Foreign currency risk**	**Foreign currency risk**	**Interest rate risk**	**Commodity price risk**
Nominal amount of hedging	**CAD 46.0m USD 320.0m EUR 740.0m**	**USD 81m**	**GBP 250.0m**	**351.7m litres**
Ageing of nominal amount:				
	CAD 46.0m USD 320.0m	**–**	**–**	
< 1 year				**217.3m litres**
1-2 years	**–**	**–**	**GBP 250.0m**	**100.8m litres**
2-5 years	**EUR 43.0m**	**USD 81m**	**–**	**33.6m litres**
> 5 years	**EUR 697.0m**	**–**	**–**	**–**
Average hedged rate	**–**	**2.43%**	**GBP SONIA + 1.98%**	**£0.51/litre**
Maturity	**2024 – 2032**	**2027**	**2025**	**2024 – 2026**
Carrying amount of hedging instruments (£m)				
Assets – derivatives	**0.3**	**0.4**	**–**	**4.8**
Liabilities – derivatives	**(3.8)**	**(1.6)**	**(17.8)**	**(16.8)**
Liabilities – borrowings[1]	**(641.8)**	**–**	**–**	**–**
Carrying amount of hedged item – borrowings (£m)	**–**	**(63.6)**	**(231.6)**	**–**
Changes in fair value of hedged item for calculating hedge effectiveness[2]	**8.9**	**(4.0)**	**(9.9)**	**12.9**
Changes in fair value of hedged instrument used for calculating hedge effectiveness[2]	**(8.9)**	**4.1**	**9.9**	**(13.6)**
Amounts accumulated in reserves at 31 December 2023	**(15.9)**	**(1.2)**	**–**	**6.6**
Accumulated fair value hedge adjustment on borrowings	**–**	**–**	**16.4**	**–**

1 Represents the carrying value of the €240.0m Euro-denominated private placements and the €500m Euro bond

2 Inclusive of cash settlements for the period

31 Financial instruments (including cash, trade receivables and payables) continued

31 December 2022 Hedge type	Net investment hedge	Cash flow hedge	Fair value hedge	Cash flow hedge
Risk	Foreign currency risk	Foreign currency risk	Interest rate risk	Commodity price risk
Nominal amount of hedging	CAD 46.0m USD 320.0m EUR 616.7m	USD 81.0m	GBP 250.0m	367.2m litres
Ageing of nominal amount:				
	CAD 46.0m USD 320.0m EUR 376.7m	–	–	220.3m litres
< 1 year				
1-2 years	–	–	–	110.6m litres
2-5 years	EUR 43.0m	USD 81.0m	GBP 250.0m	36.2m litres
> 5 years	EUR 197.0m	–	–	–
Average hedged rate	–	2.43%	GBP SONIA + 1.98%	£0.58/litre
Maturity	2023 – 2032	2027	2025	2023 – 2025
Carrying amount of hedging instruments (£m)				
Assets – derivatives	7.5	3.2	–	19.9
Liabilities – derivatives	(15.6)	–	(26.8)	(17.4)
Liabilities – borrowings[1]	(212.3)	–	–	–
Carrying amount of hedged item – borrowings (£m)	–	(66.9)	(221.3)	–
Changes in fair value of hedged item for calculating hedge effectiveness[2]	14.7	(8.4)	19.9	26.5
Changes in fair value of hedged instrument used for calculating hedge effectiveness[2]	(14.7)	8.1	(19.7)	(26.9)
Amounts accumulated in reserves at 31 December 2023	15.1	(2.5)	–	(33.5)
Accumulated fair value hedge adjustment on borrowings	–	–	26.3	–

1 Represents the carrying value of the €240.0m Euro-denominated private placements

2 Inclusive of cash settlements for the period

Hedge of net investments in foreign entities

The Group uses foreign currency borrowings and derivative financial instruments to hedge the net investment in material foreign currency net assets of the Group, which are used to reduce the exposure to foreign exchange rate movements. At 31 December 2023, the Group had designated EUR 240.0m of private placements and EUR 500.0m of bonds as net investment hedges of the net assets of the Group's European subsidiaries. Similarly, USD 320.0m and CAD 46.0m of foreign exchange forward contracts were designated as a hedge of the net assets of the Group's North America subsidiaries. No material ineffectiveness was recognised in relation to these hedges.

Fuel derivatives

The Group has a number of fuel derivatives in place to hedge the different types of fuel used in each division. Fuel swaps are used to match the timing, type of fuel and currency in which the domestic physical fuel is purchased as closely as possible, with hedges currently in place from 2024 through to 2026.

During the year, £9.3m of fair value losses (2022: £70.1m gains) have been transferred to the cash flow hedge reserve due to movements in market fuel prices. A fair value gain of £30.1m (2022: £69.5m gain) has been transferred from the cash flow hedge reserve to the Income Statement following settlement of fuel trades; this comprised a gain of £29.1m (2022: £32.9m gain), being the hedging reserve position at 1 January and a £1.0m gain (2022: £36.6 gain) generated during the year due to movements in market fuel prices. No material ineffectiveness was recognised in relation to these hedges.

31 Financial instruments (including cash, trade receivables and payables) continued

Fuel derivatives can be analysed as follows:

	31 December 2023 Fair value £m	31 December 2022 Fair value £m	31 December 2023 Volume million litres	31 December 2022 Volume million litres
Fuel derivatives				
Sterling denominated – UK	**(1.9)**	(5.2)	**58.3**	63.8
Euro denominated – ALSA	**(2.8)**	(3.3)	**117.0**	114.7
US Dollar and Canadian Dollar denominated – North America	**(0.7)**	8.4	**42.0**	41.8
Fuel derivatives included in current assets/(liabilities)	**(5.4)**	(0.1)	**217.3**	220.3
Sterling denominated – UK	**(2.4)**	0.9	**34.3**	41.1
Euro denominated – ALSA	**(2.8)**	0.2	**67.0**	69.5
US Dollar and Canadian Dollar denominated – North America	**(1.4)**	1.5	**33.1**	36.3
Fuel derivatives included in non-current assets/(liabilities)	**(6.6)**	2.6	**134.4**	146.9
Total fuel derivatives	**(12.0)**	2.5	**351.7**	367.2

Fair value hedges

In August 2021, the Group entered into a series of interest rate swaps equal in value to the £250.0m bond. These interest rate swaps all pay fixed interest annually and receive floating interest (GBP SONIA + margin) annually with cash settlements matching that of the £250.0m bond. They are designated as a fair value hedge of the interest rate risk on the £250.0m bond. These swaps as measured at fair value through profit and loss, with any gains and losses being taken immediately to the Income Statement to offset any fair value gains or losses due to changes in the risk-free rate on the £250.0m bond. During the year, a fair value gain of £9.9m (2022: fair value loss of £19.9m) was recognised in the Income Statement and was offset by a fair value loss of £9.9m (2022: £19.9m gain) on the underlying hedged item due to changes in the risk-free interest rate.

Cash flow hedges

In June 2020, the Group entered into an $81.0m cross currency swap that pays fixed USD interest semi-annually and receives fixed GBP interest semi-annually. This is designated as a cash flow hedge of foreign currency risk with maturities matching an $81.0m private placement maturing in June 2027. During the year, a £4.0m change in fair value was recognised through the cash flow hedge reserve, and £3.1m was reclassified from the cash flow hedge reserve to the Income Statement. No material ineffectiveness was recognised during the year.

32 Share capital and reserves

Issued and fully paid:	No. of shares	2023 £m	No. of shares	2022 £m
At 1 January and 31 December	**614,086,377**	**30.7**	614,086,377	30.7

The total number of share options exercised in the year by employees of the Company was 162,261 (2022: 251,606) of which all (2022: all) exercises were satisfied by transferring shares from the National Express Employee Benefit Trust.

Own shares

Own shares comprises 1,108,461 (2022: 1,268,303) ordinary shares in the Company that have been purchased by the trustees of the National Express Employee Benefit Trust (the Trust). During the year, the Trust purchased 2,419 (2022: 120,082 shares), and 162,261 (2022: 251,606) shares were used to satisfy options granted under a number of the Company's share schemes. In the prior year a further 89,242 shares were transferred to the Executive Directors who purchased these shares using the cash element of their 2021 annual bonus awards. Nil shares (2022: nil) were sold during the year to the open market.

The market value of the shares held by the Trust at 31 December 2023 was £0.9m (2022: £1.6m). Dividends are payable on 283,688 (2022: 86,315).

Hybrid reserves

The Group has in issue 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 instrument was issued in November 2020 and 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.

32 Share capital and reserves continued

Other reserves

	Capital redemption reserve £m	Merger reserve £m	Fair value reserve of financial assets at FVOCI £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Net investment hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2023 (Restated)[1]	0.2	239.5	1.4	31.5	(0.1)	(13.3)	221.9	481.1
Exchange differences on retranslation of foreign operations	–	–	–	–	–	–	(74.3)	(74.3)
Losses on equity instruments classified as fair value through Other Comprehensive Income	–	–	(1.4)	–	–	–	–	(1.4)
(Losses)/gains on hedges	–	–	–	(14.4)	–	30.1	–	15.7
Hedging gains reclassified to Income Statement	–	–	–	(26.3)	(0.6)	–	–	(26.9)
Cost of hedging	–	–	–	–	0.6	–	–	0.6
Deferred tax	–	–	–	3.6	–	(0.8)	–	2.8
At 31 December 2023	0.2	239.5	–	(5.6)	(0.1)	16.0	147.6	397.6

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

The nature and purpose of the other reserves are as follows:

- The merger reserve included the premium on shares issued to satisfy the purchase of Prism Rail PLC in 2000 and the share issue during 2020.
- The cash flow hedge reserve and net investment hedge reserve records the movements on designated hedging instruments, offset by any movements recognised in equity on underlying hedged items.
- The cost of hedging reserve records the movements in the currency basis, which are excluded from the hedging instrument on the designated hedging instruments in the cash flow and net investment hedge reserves.
- The translation reserve records exchange differences arising from the translation of the accounts of foreign currency denominated subsidiaries offset by the movements on loans and derivatives used to hedge the net investment in foreign subsidiaries and cost of hedging.
- The fair value reserve is for fair value movements on financial assets that are classified as fair value through Other Comprehensive Income.

	Capital redemption reserve £m	Merger reserve £m	Fair value reserve of financial assets at FVOCI £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Net investment hedge reserve £m	(Restated) Translation reserve[1] £m	(Restated) Total[1] £m
At 1 January 2022	0.2	239.5	(0.3)	25.0	1.0	43.0	75.6	384.0
Exchange differences on retranslation of foreign operations	–	–	–	–	–	–	146.3	146.3
Gains on equity instruments classified as fair value through Other Comprehensive Income	–	–	1.7	–	–	–	–	1.7
Gains/(losses) on hedges	–	–	–	78.6	–	(57.6)	–	21.0
Hedging gains reclassified to Income Statement	–	–	–	(77.3)	(0.4)	–	–	(77.7)
Cost of hedging	–	–	–	–	(0.7)	–	–	(0.7)
Deferred tax	–	–	–	5.2	–	1.3	–	6.5
At 31 December 2022	0.2	239.5	1.4	31.5	(0.1)	(13.3)	221.9	481.1

1 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

33 Pensions and other post-employment benefits

(a) Summary of pension benefits and assumptions

The UK division (UK) operates a defined benefit pension scheme.

The Company has in the past operated a defined benefit scheme. 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.

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.

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 2026 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 £10.1m into its defined benefit pension plans in 2024.

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

The total pension cost charged to adjusted operating profit in the year for the Group was £9.2m (2022: £9.7m), of which £7.5m (2022: £6.2m) relates to the defined contribution schemes.

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

	2023 £m	2022 £m
Company	**–**	–
Other	**0.2**	0.4
Pension assets	**0.2**	0.4
UK	**(30.0)**	(39.7)
Other	**(2.8)**	(2.8)
Pension liabilities	**(32.8)**	(42.5)
Total	**(32.6)**	(42.1)

Through its defined benefit plans, the Group is exposed to a number of risks. As the only material scheme remaining in the Group, the risks, as detailed below, only relate to the UK scheme.

Investment risk

The present values of scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if the return on scheme assets is below this yield, it will create a deficit. The UK scheme holds a significant proportion of return- seeking assets (equities and diversified growth funds) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term.

Interest risk

A decrease in bond interest rates will increase scheme liabilities but this will be partially offset by an increase in the returns on the scheme assets.

Inflation risk

A significant proportion of the schemes' obligations are linked to inflation, and higher inflation will lead to higher liabilities. The UK scheme holds a small proportion of index-linked bonds which will help to protect against this risk.

Longevity risk

The majority of the obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the liabilities. The UK scheme includes a buy-in policy covering part of the pensioner members' liabilities, which partly helps to mitigate longevity risk.

33 Pensions and other post-employment benefits continued

Legislative risk

Future legislative changes are uncertain. In the past these have led to both increases in obligations, for example, reduced investment return through the ability to reclaim advance corporation tax, and decreases in obligations, for example, through the ability to use consumer price index (CPI) inflation instead of retail price index (RPI) to set pension increase rates. For the UK scheme the Group receives professional advice on the impact of legislative changes.

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuations. West Midlands Travel Limited participates in the Local Government Pension Scheme (LGPS). During the period a triennial actuarial valuation of the Scheme was completed with an effective date of 31 March 2022. This is an independent valuation completed by a Scheme Actuary and West Midlands Travel Limited was assessed to be in deficit by £65.3m after taking account of updates made by the actuary following the March 2023 deadline. Contributions towards the deficit continue to be paid and amounts of £7.5m, £7.7m and £7.8m have been agreed for the 3 years from 1 April 2023.

A summary of the latest triennial actuarial valuation for the UK scheme, and assumptions made, are as follows:

Date of actuarial valuation	UK 31 March 2022
Rate of investment returns per annum	2.9%
Increase in earnings per annum	3.0%
Scheme assets taken at market value	£451.9m
Funding level	87%

The most recent triennial valuations are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19 The assumptions for the UK scheme are listed below:

	2023 UK	2022 UK
Rate of increase in salaries	**2.5%**	2.5%
Rate of increase of pensions in payment	**2.5%**	2.5%
Discount rate	**4.5%**	4.8%
Inflation assumption (RPI)	**3.1%**	3.1%
Inflation assumption (CPI)	**2.5%**	2.5%
Post-retirement mortality in years:		
Current pensioners at 65 – male	**18.5**	19.5
Future pensioners at 65 – male	**19.5**	20.9
Current pensioners at 65 – female	**21.5**	23.0
Future pensioners at 65 – female	**23.9**	24.5

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 2023 £m	UK 2022 £m
Effect of a 0.5% increase in pensions in payment	**(13.7)**	(17.1)
Effect of a 0.5% decrease in the discount rate	**(21.8)**	(24.2)
Effect of a 0.5% increase in inflation	**(15.1)**	(19.0)
Effect of a 1-year increase in mortality rates	**(13.4)**	(12.6)

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.

Scheme assets are stated at their market values at the respective balance sheet dates. The expected rate of return on scheme assets is determined based on market returns on each category of scheme assets.

33 Pensions and other post-employment benefits continued

(b) Financial results for pension benefits

The amounts charged to the Group Income Statement and Group Statement of Comprehensive Income for the years ended 31 December 2023 and 2022 are set out in the following tables:

Group Income Statement	UK 2023 £m	Other 2023 £m	Total 2023 £m
Amounts credited:			
Current service cost	**(1.6)**	**–**	**(1.6)**
Net interest expense	**(1.6)**	**(0.2)**	**(1.8)**
Total credit to Income Statement	**(3.2)**	**(0.2)**	**(3.4)**

In addition, during the year £0.1m (2022: £0.8m) of administrative expenses were incurred. The net interest expense has been included within finance costs (see note 10).

Group Statement of Comprehensive Income	UK 2023 £m	Other 2023 £m	Total 2023 £m
Actuarial (loss)/gain during the period from obligations	**(3.9)**	**0.1**	**(3.8)**
Expected return on plan assets greater than discount rate	**6.7**	**(0.3)**	**6.4**
Net actuarial gain/(loss)	**2.8**	**(0.2)**	**2.6**

Group Income Statement	UK 2022 £m	Other 2022 £m	Total 2022 £m
Amounts credited:			
Current service cost	(3.5)	–	(3.5)
Net interest expense	(1.6)	(0.3)	(1.9)
Total credit to Income Statement	(5.1)	(0.3)	(5.4)

Group Statement of Comprehensive Income	UK 2022 £m	Other 2022 £m	Total 2022 £m
Actuarial gain during the period from obligations	176.5	1.6	178.1
Expected return on plan assets greater than discount rate	(125.1)	–	(125.1)
Net actuarial gain	51.4	1.6	53.0

The amounts were recognised in the Balance Sheet at 31 December as follows:

As at 31 December 2023	UK 2023 £m	Other 2023 £m	Total 2023 £m
Equities	**40.2**	**1.2**	**41.4**
Bonds and multi-asset credit	**39.8**	**1.8**	**41.6**
Insurance policy	**112.1**	**–**	**112.1**
Credit	**88.7**	**–**	**88.7**
Liability-driven investment	**61.9**	**–**	**61.9**
Other	**11.2**	**–**	**11.2**
Fair value of scheme assets	**353.9**	**3.0**	**356.9**
Present value of liabilities and defined benefit obligation	**(383.9)**	**(5.6)**	**(389.5)**
Defined benefit pension deficit	**(30.0)**	**(2.6)**	**(32.6)**

None of the pension arrangements directly invest in any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The majority of the benefits within the plans are covered by insurance contracts. The insurance assets have been valued so as to match the defined benefit obligations. The fair value of the remaining equity and debt instruments have primarily been determined based on quoted prices in active markets.

33 Pensions and other post-employment benefits continued

As at 31 December 2022	UK 2022 £m	Other 2022 £m	Total 2022 £m
Equities	54.5	2.3	56.8
Bonds and multi-asset credit	77.0	0.9	77.9
Insurance policy	126.0	–	126.0
Diversified growth fund	21.9	–	21.9
Liability-driven investment	52.8	–	52.8
Other	14.9	–	14.9
Fair value of scheme assets	347.1	3.2	350.3
Present value of liabilities and defined benefit obligation	(386.8)	(5.6)	(392.4)
Defined benefit pension deficit	(39.7)	(2.4)	(42.1)

The movement in the present value of the defined benefit obligation in the year is as stated below.

The Group's defined benefit obligation comprises £386.8m (2022: £389.7m) arising from plans that are wholly or partly funded and £2.7m (2022: £2.7m) from unfunded plans.

The movement in the defined benefit obligations is as follows:

	UK £m	Company £m	Other £m	Total £m
Defined benefit obligation at 1 January 2023	**(386.8)**	**–**	**(5.6)**	**(392.4)**
Current service cost	**(1.6)**	**–**	**–**	**(1.6)**
Benefits paid	**26.8**	**–**	**0.3**	**27.1**
Contributions by employees	**(0.5)**	**–**	**–**	**(0.5)**
Finance charge	**(17.9)**	**–**	**(0.4)**	**(18.3)**
Actuarial loss from changes in financial assumptions	**(10.9)**	**–**	**(0.1)**	**(11.0)**
Actuarial gain arising from changes in demographics	**17.8**	**–**	**–**	**17.8**
Actuarial (loss)/gain arising from experience adjustments	**(10.8)**	**–**	**0.2**	**(10.6)**
Defined benefit obligation at 31 December 2023	**(383.9)**	**–**	**(5.6)**	**(389.5)**

	UK £m	Company £m	Other £m	Total £m
Defined benefit obligation at 1 January 2022	(575.8)	–	(6.7)	(582.5)
Current service cost	(3.5)	–	–	(3.5)
Benefits paid	26.6	–	0.1	26.7
Contributions by employees	(0.6)	–	(0.4)	(1.0)
Finance charge	(10.2)	–	(0.4)	(10.6)
Actuarial gain from changes in financial assumptions	208.9	–	2.2	211.1
Actuarial gain arising from changes in demographics	4.2	–	–	4.2
Actuarial loss arising from experience adjustments	(36.4)	–	(0.4)	(36.8)
Defined benefit obligation at 31 December 2022	(386.8)	–	(5.6)	(392.4)

33 Pensions and other post-employment benefits continued

The movement in the fair value of scheme assets is as follows:

	UK £m	Company £m	Other £m	Total £m
Fair value of scheme assets at 1 January 2023	**347.1**	**–**	**3.2**	**350.3**
Expected return on plan assets	**16.3**	**–**	**0.2**	**16.5**
Expected return on plan assets greater/(less) than discount rate	**6.7**	**–**	**(0.3)**	**6.4**
Cash contributions – employer	**10.2**	**–**	**–**	**10.2**
Administrative expenses	**(0.1)**	**–**	**–**	**(0.1)**
Cash contributions – employee	**0.5**	**–**	**–**	**0.5**
Benefits paid	**(26.8)**	**–**	**(0.1)**	**(26.9)**
Fair value of scheme assets at 31 December 2023	**353.9**	**–**	**3.0**	**356.9**

	UK £m	Company £m	Other £m	Total £m
Fair value of scheme assets at 1 January 2022	479.7	3.8	3.6	487.1
Expected return on plan assets	8.6	–	0.1	8.7
Expected return on plan assets greater/(less) than discount rate	(125.1)	–	(0.4)	(125.5)
Cash contributions – employer	10.1	(3.1)	–	7.0
Administrative expenses	(0.1)	(0.7)	–	(0.8)
Cash contributions – employee	0.5	–	–	0.5
Benefits paid	(26.6)	–	(0.1)	(26.7)
Fair value of scheme assets at 31 December 2022	347.1	–	3.2	350.3

History of experience gains and losses:	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
UK					
Fair value of scheme assets	**353.9**	347.1	479.7	475.1	458.0
Present value of defined benefit obligation	**(383.9)**	(386.8)	(575.8)	(616.7)	(557.1)
Deficit in the scheme	**(30.0)**	(39.7)	(96.1)	(141.6)	(99.1)
Experience adjustments arising on liabilities	**(3.9)**	(36.4)	(3.0)	6.7	52.2
Experience adjustments arising on assets	**6.7**	(125.1)	15.8	24.4	8.9
Company					
Fair value of scheme assets	**–**	–	3.8	122.8	109.3
Present value of defined benefit obligation	**–**	–	–	(110.5)	(95.1)
Surplus in the scheme	**–**	–	3.8	12.3	14.2
Experience adjustments arising on liabilities	**–**	–	–	1.0	0.3
Experience adjustments arising on assets	**–**	–	(7.6)	16.4	10.8
Other					
Fair value of scheme assets	**3.0**	3.2	3.6	3.2	3.0
Present value of defined benefit obligation	**(5.6)**	(5.6)	(6.7)	(9.0)	(8.1)
Deficit in the scheme	**(2.6)**	(2.4)	(3.1)	(5.8)	(5.1)
Experience adjustments arising on liabilities	**0.1**	(0.4)	–	–	–
Experience adjustments arising on assets	**(0.3)**	(0.4)	0.5	0.2	0.2

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since 1 January 2004 is a £80.2m loss (2022: £82.8m loss). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £51.9m is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Statement of Comprehensive Income before 1 January 2004.

34 Leases

Group as a lessee

The Group has lease contracts for various items of property, vehicles, plant and other equipment. Lease terms are negotiated on an individual basis, contain a wide range of different terms and conditions, and may include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The Group's obligations under its leases are secured by the lessor's title to the leased assets.

(a) Amounts recognised in the Balance Sheet

Set out below is the net book value of right-of-use assets and additions during the year (included in property, plant and equipment – note 15):

	2023				2022			
Right-of-use assets	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Additions	**43.3**	**9.1**	**0.4**	**52.8**	40.3	2.9	0.5	43.7
Depreciation charge	**(34.1)**	**(16.6)**	**(0.4)**	**(51.1)**	(31.4)	(25.8)	(0.5)	(57.7)
Net book value at 31 December	**107.1**	**65.1**	**0.1**	**172.3**	104.6	79.5	0.2	184.3

Set out below are the carrying amounts of lease liabilities (included in borrowings – note 28) at 31 December 2023:

Lease liabilities	2023 £m	2022 £m
Current	**50.9**	58.0
Non-current	**130.2**	139.7
	181.1	197.7

The maturity analysis of lease liabilities is presented in note 29.

(b) Charges recognised in the Income Statement

	2023 £m	2022 £m
Depreciation expense on right-of-use assets (note 6)	**51.1**	57.7
Gain on sale and leaseback (note 6)	**(2.6)**	–
Interest on lease liabilities (note 10)	**8.5**	9.4
Expenses relating to short-term leases (note 6)	**9.5**	6.5
Expenses relating to leases of low-value assets (note 6)	**4.4**	2.9
Variable lease payments not included in the measurement of lease liabilities (note 6)	**4.0**	0.6

It is not expected that commitments for short-term leases will materially differ from those in place at 31 December 2023.

(c) Amounts recognised in the Cash Flow Statement

	2023 £m	2022 £m	Included within
Payment of interest	**(8.5)**	(9.4)	Cash flows from operating activities
Payment of principal	**(62.7)**	(89.9)	Cash flows from financing activities
Payments for short-term, low-value leases and variable leases	**(17.9)**	(10.0)	Cash generated from operations
Total cash outflow for leases	**(89.1)**	(109.3)	

34 Leases continued

(d) Extension and termination options

Some property and vehicle leases contain extension or termination options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension or termination options in new leases to provide operational flexibility. The extension and termination options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension or termination options and reassesses these assumptions when there is a significant event or significant change in circumstances within its control. Where the Group determines it is reasonably certain that a termination option will be exercised, any termination penalty is included in the lease liability.

The Group has estimated that the potential future lease payments, should it exercise the extension or termination options, would result in an immaterial change in the lease liability.

(e) Variable lease payments

The Group has a variable lease arrangement in respect of certain public service vehicles in North America. The lease payments are fully variable based on miles driven, and there is no minimum mileage or fixed payment within the contract. Given the lease payments are fully variable, no lease liability has been recognised in the Balance Sheet. Instead, the variable lease payments are included in the Income Statement as incurred.

(f) Residual value guarantees

The Group has a number of leased vehicles with residual value guarantees. At the lease commencement date the amounts expected to be payable have been included in the lease liability.

(g) Future lease commitments

At the year end, the Group had commitments relating to leases not yet commenced with future lease payments of £0.4m (2022: £0.3m) within one year and £1.5m (2022: £1.6m) within five years.

In addition, at the balance sheet date, the Group had entered into a future availability agreement for the provision of a further 170 electric buses in the UK. None of the vehicles had been made available in 2023 but are all expected to be available in 2024. The agreement includes a substitution clause whereby the service provider makes available to us a set number of vehicles each day from its wider pool of vehicles. In the Directors' view, the arrangement does not meet the definition of a lease. The service provider has control of the vehicles and has a substantive substitution right, having both the practical ability to substitute the vehicles and an economic incentive to do so. Consequently, no right-of-use asset or lease liability will be recognised on the Balance Sheet, and payments under the agreement will be charged to the Income Statement as incurred. These contracts will give rise to an estimated annual expense of £9.0m.

Group as a lessor

The Group has finance leasing arrangements as a lessor for certain vehicles to its customers. In addition, the Group sub-leases two properties which are no longer used by the Group. During 2023, the Group recognised interest income on lease receivables of £0.5m (2022: £0.5m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

Net investment in the lease	2023 £m	2022 £m
Within one year	**3.0**	4.7
After one year but not more than five years	**3.7**	7.3
More than five years	**4.5**	6.7
Total undiscounted lease receivable	**11.2**	18.7
Unearned finance income	**(2.0)**	(4.7)
Finance lease receivable	**9.2**	14.0

(a) Amounts recognised in the Balance Sheet

The maturity analysis of the discounted lease payments are as follows:

Net investment in the lease	2023 £m	2022 £m
Current	**2.7**	4.3
Non-current	**6.5**	9.7
	9.2	14.0

The Group also sub-leases some of its property and public service vehicles. The Group has classified these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the right-of-use assets. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

34 Leases continued

Operating lease receipts	2023 £m	2022 £m
Within one year	**3.4**	3.6
After one year but not more than five years	**1.8**	3.6
More than five years	**–**	–
	5.2	7.2

(b) Credits recognised in the Income Statement

	2023 £m	2022 £m
Interest income on sub-leases (note 10)	**0.5**	0.5
Income from sub-leasing right-of-use assets (included in other revenue)	**4.9**	4.5

(c) Amounts recognised in the Cash Flow Statement

	2023 £m	2022 £m	Included within
Receipt of interest	**0.5**	0.5	Cash flows from operating activities
Receipt of principal	**5.3**	4.0	Cash flows from financing activities
Receipt of operating lease income	**4.9**	4.5	Cash generated from operations
Total cash inflow for leases	**10.7**	9.0	

35 Commitments, contingencies and insurance contracts

(a) Capital commitments

	2023 £m	2022 £m
Contracted	**164.5**	164.5

The Group is committed to various vehicle purchases in North America and Spain.

(b) Contingent liabilities

Legal

Through the ordinary course of our operations, the Group is party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the Group's results, cash flows or financial position.

(c) Insurance contracts

In the ordinary course of business, the Group is required to issue counter-indemnities in support of its operations. These are valued as insurance contracts in scope of IFRS 17 Insurance Contracts from 1 January 2023. Previously these had been disclosed as contingent liabilities in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

As at 31 December 2023, the Group had performance bonds in respect of businesses in the USA of £197.0m (2022: £132.7m), in Spain of £114.4m (2022: £89.9m), in Germany of £29.6m (2022: £25.8m) and in the Middle East of £6.3m (2022: £10.3m). Letters of credit have been issued to support insurance retentions of £181.3m (2022: £179.8m).

The directors believe that the expected pay out of these contracts is £nil and the insurance liability recorded in the Financial Statements at the end of the period is £nil.

36 Related party transactions

	Amounts of transactions		Amounts due from related parties		Amounts due to related parties	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Joint ventures						
Bahrain Public Transport Company W.L.L.	**0.5**	0.6	**–**	–	**(0.2)**	–
Associates						
ALSA associates	**5.6**	4.5	**3.2**	2.1	**(0.9)**	(0.4)
North America associates	**1.1**	0.3	**–**	–	**–**	–
Total joint ventures and associates	**7.2**	5.4	**3.2**	2.1	**(1.1)**	(0.4)
Trade investments						
ALSA trade investments	**7.6**	6.8	**0.1**	–	**(1.2)**	(1.3)
Total investments	**7.6**	6.8	**0.1**	–	**(1.2)**	(1.3)
Property transactions						
ALSA property transactions	**10.0**	7.0	**0.5**	0.6	**(0.2)**	(0.2)
Total property transactions	**10.0**	7.0	**0.5**	0.6	**(0.2)**	(0.2)
Total other related parties	**17.6**	13.8	**0.6**	0.6	**(1.4)**	(1.5)
Total	**24.8**	19.2	**3.8**	2.7	**(2.5)**	(1.9)

Included within the ALSA property transactions above are transactions where the Group has leased properties from companies related to the Cosmen family. Jorge Cosmen is a Non-Executive Director of the Group and was appointed as Deputy Chairman in October 2008. These leases are at appropriate market rates.

The details of the post-employment benefit plans operated for the benefit of employees of the Group are disclosed in note 33.

Compensation of key management personnel of the Group

The Group has determined key management personnel to constitute the Executive Directors and all other Board members of the parent entity. Further details are disclosed in the Directors' Remuneration Report:

	2023 £m	2022 £m
Short-term benefits	**1.4**	2.4
Post-employment benefits	**–**	0.1
	1.4	2.5

37 Service concession arrangements

The following table sets out the nature and extent of the Group's service concession arrangements:

Concession	Description of the arrangement	Concession period	Concession commencement	Nature of infrastructure	Classification under IFRIC 12
German Rail	The Group operates two train services in Germany.	15 years	2015 – 2020	Rolling stock and tracks used in the operation of the service are provided by the delegating authority.	No financial or intangible asset is recognised for construction as the infrastructure is provided to the Group.
Moroccan Urban Bus	The Group has two contracts with the Moroccan authority for the operation of public transport bus services.	15 years	September 2019	Public service vehicles used in the operation are provided by the Group, some of which are subject to 'lease type' arrangements.	Intangible asset
		Up to 15 years	November 2019	Initially, public service vehicles used in operation are provided by the public authority. Replacement public service vehicles will be provided by the Group and public authority in future years.	Financial asset
Spanish Regional Bus	The Group has a contract with the Provincial Government of Bizkaia to operate regional services.	10 years	July 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset
Spanish Urban Bus	The Group has two contracts with Spanish Councils to operate urban commuter coach services in Spain.	10 years	August 2019	Public service vehicles used in the operation are provided by the Group.	Intangible asset
		3 years	June 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset
Alaska Schoolbus	The Group has undertaken a contract for home to school transportation.	10 years	July 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset
		10 years	July 2022	Public service vehicles used in the operation are provided by the Group.	Financial asset
Portugal Urban Bus	The Group has a contract with the Lisbon transport authority to operate urban commuter bus services.	7 years	June 2022	Public service vehicles are provided by the Group with a purchase option for the grantor to acquire the fleet at the end of the contract term.	Intangible asset
Switzerland Urban Bus	The Group has two contracts with the Geneva transport authority to operate two urban commuter bus services.	7 years	December 2023	Public service vehicles are provided by the Group with a purchase option for the grantor to acquire the fleet at the end of the contract term.	Intangible asset

During the year, no revenue or profit was recognised in exchanging construction services for financial or intangible assets.

38 Cash flow statement
(a) Reconciliation of Group loss before tax to cash generated from operations

	2023 £m	(Restated) 2022[2] £m
Loss before tax	**(98.3)**	(225.3)
Net finance costs	**76.4**	51.4
Share of results from associates and joint ventures	**0.5**	0.4
Depreciation of property, plant and equipment	**199.3**	203.5
Intangible asset amortisation	**53.8**	55.5
Amortisation of fixed asset grants	**(2.0)**	(2.1)
Gain on disposal of property, plant and equipment	**(12.7)**	(10.5)
Gain on disposal of intangible assets	**(0.4)**	(5.1)
Share-based payments	**1.6**	1.2
Increase in inventories	**(2.4)**	(1.5)
Decrease/(increase) in receivables	**0.8**	(118.5)
Increase in payables	**27.8**	52.5
Receipts on settlement of fuel forward contracts	**–**	26.2
Decrease in provisions	**(4.0)**	(23.9)
Decrease in pensions	**(8.4)**	(3.2)
Adjusting operating items[1]	**154.7**	333.6
Cash flows relating to adjusting items	**(71.0)**	(49.3)
Cash generated from operations	**315.7**	284.9

1 Excludes amortisation from acquired intangibles which is included within 'intangible asset amortisation'

2 Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

38 Cash flow statement continued

(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 on page 251 for further information.

	At 1 January 2023 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2023 £m
Components of financing activities:						
Bank and other loans[1]	**(194.7)**	**(53.4)**	**(0.4)**	**6.1**	**(1.5)**	**(243.9)**
Bonds[3]	**(621.4)**	**(28.5)**	**–**	**1.1**	**(10.4)**	**(659.2)**
Fair value of interest rate derivatives	**(26.0)**	**–**	**–**	**–**	**9.6**	**(16.4)**
Fair value of foreign exchange forward contracts	**11.9**	**(14.3)**	**–**	**1.2**	**–**	**(1.2)**
Cross currency swaps	**(6.0)**	**(6.3)**	**–**	**10.1**	**–**	**(2.2)**
Net lease liabilities[2]	**(183.7)**	**57.4**	**–**	**4.6**	**(50.2)**	**(171.9)**
Private placements[3]	**(411.9)**	**–**	**–**	**7.4**	**(0.2)**	**(404.7)**
Total components of financing activities	**(1,431.8)**	**(45.1)**	**(0.4)**	**30.5**	**(52.7)**	**(1,499.5)**
Cash	**171.7**	**16.0**	**2.0**	**(3.6)**	**–**	**186.1**
Overnight deposits	**6.6**	**(6.9)**	**0.6**	**(0.1)**	**–**	**0.2**
Other short-term deposits	**113.5**	**56.6**	**–**	**(0.1)**	**–**	**170.0**
Bank overdrafts	**(58.7)**	**(3.9)**	**–**	**–**	**–**	**(62.6)**
Net cash and cash equivalents	**233.1**	**61.8**	**2.6**	**(3.8)**	**–**	**293.7**
Other debt receivables	**2.7**	**0.3**	**–**	**(0.1)**	**–**	**2.9**
Remove: fair value of foreign exchange forward contracts	**(11.9)**	**14.3**	**–**	**(1.2)**	**–**	**1.2**
Net debt	**(1,207.9)**	**31.3**	**2.2**	**25.4**	**(52.7)**	**(1,201.7)**

1 Net of arrangement fees totalling £3.3m (2022: £1.1m) 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

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

Borrowings include non-current interest-bearing borrowings of £1,290.6m (2022: £886.3m) as disclosed in note 28.

Other non-cash movements include lease additions and disposals of £50.2m (2022: £36.9m), and £2.3m amortisation of loan and bond arrangement fees (2022: £1.1m). A £9.9m increase in the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings, with £0.3m of ineffectiveness.

38 Cash flow statement continued

	At 1 January 2022 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2022 £m
Components of financing activities:						
Bank and other loans[1]	(189.6)	10.7	(1.0)	(14.3)	(0.5)	(194.7)
Bonds[3]	(640.9)	–	–	–	19.5	(621.4)
Fair value of interest rate derivatives	(6.3)	–	–	–	(19.7)	(26.0)
Fair value of foreign exchange forward contracts	(9.9)	39.4	–	(17.6)	–	11.9
Cross currency swaps	2.6	28.4	–	(37.0)	–	(6.0)
Net lease liabilities[2]	(218.9)	85.9	(0.7)	(13.1)	(36.9)	(183.7)
Private placements[3]	(393.9)	–	–	(17.7)	(0.3)	(411.9)
Total components of financing activities	(1,456.9)	164.4	(1.7)	(99.7)	(37.9)	(1,431.8)
Cash	268.1	(115.4)	0.4	18.6	–	171.7
Overnight deposits	0.4	6.0	–	0.2	–	6.6
Other short-term deposits	239.9	(126.6)	–	0.2	–	113.5
Bank overdrafts	(132.2)	73.5	–	–	–	(58.7)
Net cash and cash equivalents	376.2	(162.5)	0.4	19.0	–	233.1
Other debt receivables	1.0	1.6	–	0.1	–	2.7
Remove: fair value of foreign exchange forward contracts	9.9	(39.4)	–	17.6	–	(11.9)
Net debt	(1,069.8)	(35.9)	(1.3)	(63.0)	(37.9)	(1,207.9)

1 Net of arrangement fees totalling £1.1m (2021:£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

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

	2023 £m	2022 £m
Increase/(decrease) in net cash and cash equivalents in the year	**64.4**	(162.1)
Cash inflow from movement in other debt receivables	**0.3**	1.6
Cash (outflow)/inflow from movement in debt and leases liabilities	**(31.2)**	123.3
Change in net debt resulting from cash flows	**33.5**	(37.2)
Change in net debt resulting from non-cash movements	**(27.3)**	(100.9)
Movement in net debt in the year	**6.2**	(138.1)
Opening net debt	**(1,207.9)**	(1,069.8)
Net debt	**(1,201.7)**	(1,207.9)

39 Subsidiary undertakings and other significant holdings

A full list of subsidiaries, joint ventures and companies in which Mobico Group PLC has a controlling interest as at 31 December 2023 is shown below, along with the country of incorporation and the effective percentage of equity owned.

Name and country of Incorporation	% equity interest
United Kingdom & Ireland	
Airlinks The Airport Coach Company Limited (a)	100
Airside Transport Services Limited (b)	100
Altram L.R.T. Limited (a)	100
Brooke Management Limited (a)	100
Central Trains Limited (a)	100
Clarkes Holdco Limited (a)	100
Coachman Limited (a)	100
Coliseum Coaches Limited (a)	100
E. Clarke & Son (Coaches) Limited (a)	100
Eurolines (U.K) Limited (a)	100
H. Luckett & Co. Limited (a)	100
London Eastern Railway Limited (a)	100
Lucketts Holdings Limited (a)	100
Lucketts Services Limited (a)	100
Maintrain Limited (a)	100
Midland Main Line Limited (a)	100
National Express Group Limited (a)	100
Mortons Travel Limited (a)	100
National Express Bus & Coach Services Limited (b)	100
National Express European Holdings Limited (05652775)* (a)	100
National Express Finance Company Limited (a)	100
National Express Financing LP** (a)	100
National Express Group Holdings Limited (04339932) (a)	100
National Express Holdings Limited (02156473)* (a)	100
National Express Intermediate Holdings Limited (a)	100
National Express International Limited (a)	100
National Express Jersey Limited	100
National Express Leisure Limited (previously Lucketts Travel Limited) (a)	100
National Express Limited (a)	100
National Express Liverpool Limited	100
National Express Manchester Limited (a)	100
National Express Manchester (South) Limited	100
National Express Middle East Plc (a)	100
National Express North America Holdings Limited (07855182)* (a)	100
National Express Operations (Stansted) Limited (a)	100
National Express Operations Limited (02609812) (a)	100

Name and country of Incorporation	% equity interest
National Express Rail Replacement Limited (a)	100
National Express Services Limited (a)	100
National Express Spanish Holdings Limited (a)	100
National Express Trains Limited (a)	100
National Express Transport Holdings Limited (04338163)* (a)	100
National Express UK Limited (a)	100
National Express UK Central Services Limited (a)	100
N E Canada Limited (08596333)* (a)	100
NE Durham UK Limited (08270480)* (a)	100
NE Europe Finance Limited (07876047)* (a)	100
NE No.1 Ltd (a)	100
NE No.2 Ltd (a)	100
NE No. 3 Limited (a)	100
NE Trains South Limited (a)	100
NXEC Trains Limited (a)	100
Scotrail Railways Limited (a)	100
Silverlink Train Services Limited (a)	100
Solent Coaches Limited (a)	100
Speedlink Airport Services Limited (a)	100
Stewarts Coach Group Limited (a)	100
Stewarts Coaches Limited (a)	100
The Kings Ferry Limited (a)	100
Travel Coventry Limited (previously WM Card Systems Limited) (a)	100
Travel Merryhill Limited (a)	100
Travel West Midlands Limited (a)	100
Travel WM Limited (a)	100
Travel Yourbus Limited (a)	100
West Anglia Great Northern Railway Limited (a)	100
West Midlands Accessible Transport Limited (previously Travel Coventry Limited) (a)	100
West Midlands Travel Limited (a)	100
W M Property Holdings Limited (a)	100
WM Travel Limited (a)	100
W M Ventures Limited (a)	100
Wood's Coaches Limited (a)	100
Woods Reisen Limited (a)	100
Worthing Coaches Limited (a)	100

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Bahrain	
Bahrain Public Transport Company W.L.L. (c)	50
Germany	
National Express Germany GmbH (d)	95
National Express Holding GmbH (d)	100
National Express Rail GmbH (e)	100
Süddeutsche Regionalbahn GmbH (d)	100
Czech Republic	
National Express Cz s.r.o. (f)	100
Netherlands	
National Express Holdings LLC BV (g)	100
Andorra	
Estació 2017, S.A. (h)	11
Transports Dels Pirineus (h)	100
France	
(ABG) Alsa Bustours Gex (i)	100
Alsa Puerto Rico, LLC (j)	100
Iberolines (k)	50
SARL Chamexpress.com (l)	100
Morocco	
Alsa al Baida (m)	100
Alsa City Agadir S.A. (n)	100
Alsa City Sightseeing Maroc (o)	100
Alsa City Tour S.A.R.L. (o)	95
Alsa Citybus Rabat-Salé-Temara, S.A. (p)	51
Alsa Education a la Sécurité Routière S.A.R.L. (o)	99
Alsa Intercity Services, S.A. (q)	100
Alsa Khouribga S.A. (r)	100
Alsa Tanger S.A. (s)	100
Centre de Formation Techn. Profes. Transport S.A.R.L. (o)	99
Groupe Alsa Transport S.A. (o)	100
Immeubles Véhicules Accessoires Maroc S.A.R.L. (o)	80
Interprovincial Maroc S.A.R.L. (o)	100
Transport de Voyageurs en Autocar Maroc S.A. (o)	100

Name and country of Incorporation	% equity interest
Portugal	
BC Tours Portugal S.L (v)	100
Tiac Viagens e Turismo Lda (u)	100
Alsa Todi Metropolitana de Lisboa (v)	65
Alsa Portugal – Aluguer de veicolos, Unipessoal, Lda. (v)	100
Spain	
Aerobús – Zaragoza S.L (x)	100
Agreda Bus, S.L (x)	70
Alianza Bus, S.L.U. (y)	100
Alsa Atlántica, S.L.U. (z)	100
Alsa Ferrocarril, S.A.U. (z)	100
Alsa Granada Airport S.L. (aa)	100
Alsa Grupo, S.L.U. (z)	100
Alsa Innovación y Proyectos de Movilidad, S.L. (ab)	100
Alsa Internacional, S.L.U. (z)	100
Alsa Metropolitana, S.A.U. (y)	100
Alsa Buses Extremadura, S.L. (ac)	100
Alsa Micromobility, S.L.U. (z)	100
Alsa Rail, S.L.U. (z)	100
Alsa Internacional, S.L.U. y Otros U.T.E. (y)	100
Alsa Transporte Sanitario, S.L. (ad)	60
Alsa Servicios Logísticos Ferroviarios, S.L. (ad)	100
Aplic. Y Sist. Integrales Para el Transporte, S.A. (ae)	100
Aragonesa de Estación de Autobuses, S.A. (af)	52
Argabus, S.A. (ag)	100
Artazo Servicios Integrales, S.L. (ah)	100
Asturies Berlinas de Luxu, S.L. (ai)	50
Autobuses Urbanos de Bilbao, S.A. (aj)	75
Autobuses Urbanos de León, S.A.U. (ak)	100
Autocares Castilla–Leon, S.A.U. (al)	100
Autocares de Badajoz, S.L. (am)	100
Autocares Discrecionales del Norte, S.L.U. (an)	100
Automóviles Luarca, S.A.U. (ao)	100
Automóviles Sigras Carral, S.A. (ap)	100
Autos Cal Pita, S.A. (ap)	100
Autos Pelayo, S.A.U. (z)	100
Autos Rodríguez Eocar, S.L. (aq)	85
Bahía Zero, S.L. (ci)	75
Baleares Business Cars, S.L. (ai)	100
Baleares Consignatarios, S.L.U. (ar)	100

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Baleares Consignatarios Tours, S.L.U. (ar)	100
Berlinas de Asturias, S.L. (ai)	100
Berlinas Calecar, S.L.U. (al)	100
Berlinas de Canarias, S.L. (ai)	100
Berlinas de Toledo, S.L. (ai)	100
Berlinas Menorca S.L (t)	25
Berlinas VTC de Cantabria, S.L.U. (as)	100
Bilboko Hiribus Jasangarría, S.L. (aj)	78
Buses de Palencia, S.L. (at)	75
Bus Metropolitano de Granada, S.L. (aa)	100
Busturialdea Lea Artibai Bus, S.A. (au)	65
Bus Urbano de Castro Urdiales, S.L. (as)	60
Canary Business Cars, S.L. (ai)	100
Cataluña Business Cars, S.L. (ai)	100
Cetralsa Formación, S.L.U. (z)	100
Cía. Del Tranvía Eléctrico de Avilés, S.A. (av)	100
Compañia Navarra de Autobuses, S.A. (aw)	50
Compostelana, S.A.U. (ax)	100
Concesionario Estación Autobuses Logroño, S.A. (ay)	23
Ebrobus, S.L.U. (z)	100
Estación Autobuses de Cartagena, S.A. (az)	54
Estación Autobuses de Ponferrada, S.A. (ba)	49
Estación Central de Autobuses de Zaragoza, S.A. (bb)	85
Estación de Autobuses Aguilar de Campoo, S.L. (bd)	67
Estación de Autobuses de Aranda de Duero, S.L. (be)	43
Estación de Autobuses de Astorga, S.L. (bf)	93
Estación de Autobuses de Aviles S.L. (bg)	100
Estación de Autobuses de León, S.A. (al)	89
Estación de Autobuses de Plasencia, S.A. (bh)	69
Estación de Autobuses de San Lorenzo del Escorial, S.A.U. (y)	100
Estación de Autobuses de Ribadeo, S.L. (bi)	50
Estación de Líneas Regulares, S.L. (bk)	49
Estaciónes Terminales de Autobuses, S.A. (bl)	80
Euska Alsa, S.L.U. (an)	100
Explotación Gasoleo Estación de Autobuses A Coruña, S.L. (bm)	40
Ezkerraldea-Meatzaldea Bus, S.A. (au)	65
Gal Bus. S.L. (ap)	51
G.S. Carretera (bn)	25
General Técnica Industrial, S.L.U. (z)	100
Gestión de Movilidad Intermodal, S.L. (ad)	100

Name and country of Incorporation	% equity interest
Gorbea Representaciones, S.L. (an)	100
Guaguas Gumidafe, S.L. (ah)	100
Grupo Enatcar, S.A. (y)	100
Intercambiadores Europeos, S.L. (z)	60
Intercar Business Cars, S.L. (bo)	100
International Business Limousines, S.A.U. (bp)	100
Interurbana de Autocares, S.A.U. (z)	100
Irubus, S.A.U. (y)	100
Jimenez Lopera, S.A.U. (bp)	100
La Unión Alavesa, S.L. (bj)	50
La Unión de Benisa, S.A. (bq)	98
Los Abades de la Gineta, S.L.U. (y)	100
Mybustest, S.L (z)	50
Mai Tours, S.L.U. (bs)	100
Manuel Vázquez, S.L. (bt)	60
Marason Bus, S.L (t)	50
Mobility On Time, S.L (t)	45
Movelia Tecnologias, S.L. (bu)	77
Movilidad Balear, S.L.U (bv)	100
Movilidad Multimodal, S.L. (ad)	100
Movilidad Peninsular, S.L. (ad)	100
Mundaka Consultoria, S.L.U. (an)	100
NEX Continental Holdings, S.L.U. (z)	100
NX Middle East, S.L.U. (bw)	100
Proyectos Unificados, S.A.U. (z)	100
Publi Imagen Granada, S.L.U. (aa)	100
Representaciones Mecánica, S.A.U. (an)	100
Return Viajes, S.L. (bx)	50
Rutas a Cataluña, S.A. (by)	28
Rutas del Cantábrico, S.L. (an)	95
Semarvi (z)	34
Serviareas 2000, S.L.U (z)	100
Servicios Auxiliares del Transporte C.B. (bz)	100
Servicios del Principado, S.A.U. (z)	100
Servicios El Temple, S.L. (ap)	100
Servicios Empresariales Especiales, S.L.U. (an)	100
Setra Ventas y Servicios, S.A.U. (bp)	100
Sevirama, S.L. (ca)	30
Shore and Landtours SLU (ap)	70
Sociedad Anónima Unipersonal Alsina Graells de A.T. (cb)	100

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Sociedad Concesionaria Interurbano Tolosa Buruntzaldea S.L. (cc)	50
Takselia, S.L. (cd)	71
Técnicas en Vehículos Automóviles, S.L.U. (y)	100
Tibus, S.A. (cb)	60
Tibus Berlines de Luxe, S.L.U. (cb)	100
Tibus Business Cars, S.L.U. (cb)	100
Tibus Business Limousines, S.L.U. (y)	100
Tibus Luxury Services, S.L.U. (cb)	100
Transporte Colectivos, S.A.U. (cf)	100
Transportes Accesibles Peninsulares, S.L. (cg)	100
Transportes Adaptados Andaluces, S.A.U. (ch)	100
Transportes Adaptados Regionales, S.L.U. (al)	100
Transportes Adaptados Cántabros, S.A. (ci)	98
Transportes Bacoma, S.A.U. (cb)	100
Transportes Rober, S.A.U. (aa)	100
Transportes de Viajeros de Aragón, S.A. (bb)	59
Transportes Santo Domingo, S.L.U. (cj)	100
Viajes ALSA, S.A.U. (z)	100
Transportes Terrestres Cantabros, S.A. (ci)	94
Transportes Unidos de Asturias, S.L. (ck)	100
Transportes Urbanos de Cantabria, S.L.U. (ci)	100
Transportes Urbanos de Cartagena, S.A. (cl)	97
Tranvía de Vélez, S.A.U. (cm)	100
Transportes Urbanos de Guadalajara, S.L. (cn)	100
Tury Express, S.A. (an)	100
Valencia Alicante Bus, S.L. (bl)	75
Viajes Por Carretera, S.A.U. (an)	100
Ute Ea Alicante (dg)	50
Ute Ea Cordoba (dh)	50
Ute Mundiplan (dj)	17
Ute Madrid City Tour (ad)	50
Ute Estacion Alicante (ad)	50
Ute Estacion Murcia (ad)	50
Ute Acompañantes Cantabria (ad)	50
Ute Seprisa Maldeasa (ad)	50
Ute La Sagra (aw)	58
Ute Gijon City View (ao)	65
Ute Escolares Galicia Ed1501 (ad)	79
Ute Estacion Luanco (ao)	90
Ute Leste – Xg881 – Ute Leste Da Coruña (ad)	93
Ute Alsa Internacional Y Otros (ad)	100
Ute Escolares Navarra Ezs63-103 (aw)	100
Ute Tanatorios Ii (ad)	100
Ute Ferrolbus (ad)	100
Ute Maniobras Zaragoza (ad)	100
Ute Maniobras Valencia (ad)	100
Ute Escolares Galicia Ed1519 (ad)	100
Vitalia Servicios Sanitarios, S.L. (cp)	100
Voramar el Gaucho S.L.U. (cq)	100
Switzerland	
AlpyBus S.a.r.l. (cr)	100
Eggmann Frey (cs)	100
GVA Transfers.com SARL (ct)	100
Linien Abfertigung GmbH (cs)	80
Odier Excursions, S.A. (cu)	100
US	
The Provider Enterprises, Inc. (cv)	100
A1A Transportation, Inc. (cw)	100
A&S Transportation Incorporated (cw)	100
Atlantic & Southern Transportation (cx)	100
Atlantic & Southern Transportation (cy)	100
Atlantic & Southern Transportation (cz)	100
Beck Bus Transportation Corp. (da)	100
Beck Bus Transportation III, LLC (da)	100
Beck Bus Transportation IV, LLC (da)	100
Beck Bus Transportation, LLC (da)	100
Bus Co., Inc. (da)	100
Caravan Leasing Vehicles LLC (db)	100
Carrier Management Corporation (dc)	100
Chicagoland Coach Lines LLC (de)	100
Community Transportation, Inc. (dc)	100
Cook-DuPage Transportation Company, Inc. (da)	100
Diamond Transportation Services, Inc. (df)	100
Discount Enterprises, Inc. (dg)	100
Durham D&M LLC (de)	100
Durham Holding I, LLC (de)	100
Durham Holding II, LLC (de)	100
Durham School Services, L.P. (de)	100
Fox Bus Lines Inc. (dh)	100
Greensburg Yellow Cab Co. (dc)	100
Haid Acquisitions LLC (di)	100
JNC Leasing, Inc. (dj)	100
Kiessling of Attleboro Inc. (previously Aristocrat Limousine and Bus, Inc.) (dk)	100
Kiessling Transit, Inc. (dh)	100
Meda-Care Vans of Waukesha, Inc. (dl)	100
MF Petermann Investment Corporation (de)	100

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Monroe School Transportation, Inc. (dm)	100
MV Student Transportation, Inc. (dn)	100
National Express Acquisition Corporation (de)	100
National Express Durham Holding Corporation (de)	100
National Express LLC (de)	100
National Express Leasing Company LLC (de)	100
National Express Transit Corporation (de)	100
National Express Transit Services Corporation (de)	100
New Dawn Transit LLC (dm)	100
Petermann Acquisition Co., LLC (de)	100
Petermann Acquisition Corporation (de)	100
Petermann Holding Co., LLC (de)	100
Petermann Ltd. (di)	100
Petermann Northeast, LLC (di)	100
Petermann Northwest, LLC (de)	100
Petermann Partners, Inc. (de)	100
Petermann Southwest, LLC (de)	100
Petermann STS, LLC (de)	100
Petermann STSA, LLC (de)	100
PM2 Co. LLC (de)	100
Quality Bus Service, LLC (dm)	100
Queen City Transportation, LLC (di)	100
Rainbow Management Service, Inc. (dm)	100
Safeway Training and Transportation Services, Inc. (cv)	100
Septran, Inc. (cz)	100
Smith Bus Service, Inc. (do)	100
Suburban Paratransit Services, Inc. (dm)	100
Total Transit Enterprises, LLC (dp)	100
Trans Express, Inc. (dm)	100
Transit Express, Inc. (dl)	100
Transit Express Services, Inc. (dl)	100
Trinity, Inc. (dj)	100
Trinity Cars, Inc. (dj)	100
Trinity Coach LLC (dj)	100
Trinity Management Services Co. LLC (dq)	100
Trinity Student Delivery LLC (dj)	100
TWB Transport, LLC (da)	100
WeDriveU, Inc. (co)	100
WeDriveU America LLC (cz)	100

Name and country of Incorporation	% equity interest
WeDriveU Canada, Inc. (co)	100
WeDriveU Holdings, Inc. (co)	100
WeDriveU Leasing, Inc (co)	100
White Plains Bus Co., Inc. (dm)	100
Whitetail Bid Co., LLC (de)	100
Wise Coaches, Inc. (ce)	100
Canada	
National Express Canada (Holdings) Limited (bc)	100
National Express Canada Transit Ltd (bc)	100
Stock Transportation Ltd (bc)	100

* These subsidiaries are exempt from the requirements of the UK companies Act 2006 relating to the audit of individual accounts by virtue of S479A of the Act. Outstanding liabilities of the exempt companies at the Balance Sheet date are guaranteed pursuant to Sections 479A-C of the Act.

** National Express Financing LP is exempt from preparing accounts in accordance with Part 2, Regulation 7 of The Partnerships (Accounts) Regulations 2008, as it is included within the Group consolidated financial statements for the year ending 31 December 2023.

39 Subsidiary undertakings and other significant holdings continued

Key	Address
(a)	National Express House, Mill Lane, Digbeth, Birmingham, B5 6DD
(b)	Terminal 1, Office 10, Link Corridor, Mezzanine Level, Dublin Airport, Dublin, K67 KD58, Ireland
(c)	Garage 1087, Road 4025, Isa Town 840, Southern Governorate, Kingdom of Bahrain
(d)	Vogelsanger Weg 38, 40470 Düsseldorf, Germany
(e)	Johannisstrasse 60-64, 50668 Cologne, Germany
(f)	Seifertova 327/85, 130 00 Praha, Zizkov, Czech Republic
(g)	Dr Willem Dreesweg 2, 1st Fl. South Wing, 1185 VB Amstelveen, The Netherlands
(h)	Carrer de la Cúria, s/n, Andorra la Vella
(i)	30 Rue Auguste Piccard – 01630 Saint-Genis-Pouilly
(j)	361 San Francisco Street 4th Floor, San Juan, PR, 00901
(k)	41 Boulevard Poniatowski, 75012, Paris
(l)	498 Avenue des Alpages, 74310 Les Houches
(m)	Twin Center ang Bd Zerktouni Et Al Massira Etg 5 et 6, Casablanca
(n)	Rue De Teheran, Q.I Agadir
(o)	Ahwaz, Ferme Ahzib Achayech Ferkat Ain Dada, Askedjour, Jamaat Et Kiadat Saada, Marrakech
(p)	Rue cadi Srayri et Cadi Ben Hammadi, Quartier de la Pinede – Rabat
(q)	Ferme Ahzib Achayech, Ferkat Ain Dada, Askedjour (Marakech Menara – Maroc)
(r)	No 22 Rue Meknes Hey Haboub, Khouribga
(s)	37 Rue Omar Ibn Khattab, Inmeuble Maspalomas 2, Tanger
(t)	Palma de Mallorca, c/ Camp Franc 31, Poligano Son Oms
(u)	Rua de Pedro Nunes, 39, Lisboa
(v)	Estrada de Algeruz, Cruz de Peixe – 2901-279-Setúbal
(w)	Gran Via de D. Ignacio de Haro, 81, Bilbao
(x)	Avda. Manuel Rodríguez Ayuso, 110 – Zaragoza
(y)	Glorieta de las Tres Culturas, Córdoba
(z)	Muelle de Poniente, Alicante
(aa)	Avenida Juan Pablo II, 33 (Estación de Autobuses), Granada (18013)
(ab)	Pepe Cosmen s/n – Oviedo
(ac)	C/ Túnez, 1 (Estación de Autobuses), Cáceres
(ad)	Josefa Valcárcel, 20 – Madrid
(ae)	Pol. San Mateo, Ctra Coll D' En Rabassa, Palma de Mallorca (07002)
(af)	Urbanización Plaza de Roma, F-1, Zaragoza
(ag)	C/ Real 116 – Arganda del Rey (Madrid)
(ah)	Gáldar (Las Palmas de Gran Canaria), calle Pedro de Arguello, 10
(ai)	C/ Jorge Juan, 19 – 2º Izquierda, Madrid (28001)
(aj)	C/ Tellaetxebidea 3, Bilbao
(ak)	Pol. Ind. Vilecha Oeste, León (24192)
(al)	Avenida Ingeniero Saenz de Miera, León (24009)
(am)	Avenida de la Libertad, s/n, 06800, Mérida (Badajoz)
(an)	Alameda de Urquijo, no 85, 1o – Dcha., Bilbao- Vizaya (48013)
(ao)	Magnus Blikstad 2, Gijón (33207)
(ap)	Ctra. El Burgo-Los Pelamios s/n Culleredo – A Coruña
(aq)	Cedofeita, c/ Requiande, 1 – Ribadeo-Lugo
(ar)	Carretera Porto Pi, 8-7º, 07015, Palma de Mallorca
(as)	Avenida de Candina, nº 35, Santander (39011)
(at)	C/ Campaneros, 4, 1o Dcha, Palencia (34003)
(au)	Centro de Transportes de Vizcaya, Barrio el Juncal, Naves 3 y 4 (Valle de Trápaga-Trapagaran), Vizcaya (48510)
(av)	Avda Conde de Guadalhorce 123, Aviles (33400)
(aw)	C/ Yanguas y Miranda, 2 (Estación de Autobuses), Pamplona
(ax)	Plaza San Cayetano, s/n. Estación Autobuses Taq. 10, Santiago de Compostela (La Coruña)
(ay)	Avda de España, 1, Logroño- La Rioja
(az)	Avda Trovero Marín. Nº 3,(Estación Autobuses), Cartagena (30202)
(ba)	Ctra de Asturias, Ponferrada
(bb)	Avda de Navarra, 80 (Estación Central de Autobuses),Zaragoza (50011)
(bc)	40 King Street West, Suite 5800, Toronto, ON M5H 3S1 Canada
(bd)	Avda de Ronda 52 Bis, Aguilar de Campoo (Palencia)
(be)	Avda Valladolid, Aranda de Duero (Burgos)
(bf)	Avda Las Murallas, nº 52, Astorga-León (24700)
(bg)	C/ Los Telares (Estación de Autobuses) Aviles (33400)
(bh)	C/ Tornavacas, 2, Plasencia
(bi)	Avda Rosalía de Castro, Ribadeo
(bj)	C/ Los Herran, 50 (Estación de Autobuses), Alava (Vitoria)
(bk)	Plaza de las Estaciones, Santander (Cantabria)
(bl)	Avda Menéndez Pidal, nº 13 (Estación de Autobuses), Valencia (46009)
(bm)	Rúa Caballeros, 21, 15009 A Coruña
(bn)	Plaza de la Constitución, Estación de Autobuses, 2ª Planta, Oficina 26, Lugo
(bo)	Pol. De Pocomaco, Primera Avenida, 10 Nave Alsa B-15, A Coruña
(bp)	Pol. Ind. Las Fronteras. C/ Limite, Torrejón de Ardoz (Madrid)
(bq)	C/ Comunicaciones, 10 (P. de Babel), Alicante (03008)
(br)	C/Guillem de Castro, 77, Valencia
(bs)	Avenida de la Hispanidad O- Parking P12, Barajas, Madrid

39 Subsidiary undertakings and other significant holdings continued

Key	Address
(bt)	C/ Jacques Cousteau, 2 – Arteijo (A Coruña)
(bu)	C/ Santa Leonor, 65 –Avalón Parque Empresarial, Edificio A, Madrid
(bv)	C/ Porto Pi, 8 – Palma de Mallorca
(bw)	C/ Inglaterra, 20-22, Palencia (34004)
(bx)	Madrid (Las Rozas), Avda de Marsil 33
(by)	C/ Musico Gustavo Freire, 1 -1° Dcha, Lugo (27001)
(bz)	C/ Mendez Álvaro (Estación de Autobuses), Madrid
(ca)	Paseo Colón, 18, Bajo Dcha. Sevilla
(cb)	C/ Ali Bei, 80 (Estación de Autobuses), Barcelona (08013)
(cc)	Barrio Ubilluts, Andoaín – Guipuzcoa
(cd)	c/ Santander, 71 – Barcelona
(ce)	300 Montvue Road, Knoxville, TN 37919
(cf)	Gran Vía de D. Ingacio de Haro, 81, Bilbao
(cg)	C/Pepe Cosmen, (Estación de Autobuses), Oviedo (33001)
(ch)	Plaza Coca Piñera, s/n (Estación de Autobuses), Jaén
(ci)	Avda Candina, 35-37, Santander (39011)
(cj)	C/ Investigación. N° 2 – Getafe (Madrid)
(ck)	Pol. Ind. Espírtiu Santo, Oviedo (33010)
(cl)	Paraje de la Asomada, Cartagena (Murcia)
(cm)	Avda Juan Carlos I, s/n. Ronda del Ingeniero, Vélez Málaga (Málaga)
(cn)	Polígono Industrial del Henares, Calle Livorno, 55, Marchamalo, Guadalajara (19180)
(co)	333 North Brand Blvd., Suite 700, Glendale, CA 9120339
(cp)	C/ Eduardo Torroja, 57 – Madrid
(cq)	S' den Serral (San Agustín) Sant Josep de sa Talaia, Illes Balears
(cr)	8 Chemin de Morglas, 1214, Genève
(cs)	Rue du Mont Blanc 14, 1201, Genève
(ct)	Chemin de Morglas, 8 – Vernier
(cu)	Chemin Des Aulx 9 – Plan Les Ouates – Switzerland
(cv)	9 Capitol Street, Concord, NH 03301
(cw)	1200 Pine Island Road, Plantation, FL 33324
(cx)	289 Culver Street, Lawrenceville, GA 30046
(cy)	3867 Plaza Tower Drive, Baton Rouge, LA 70816
(cz)	334 North Senate Avenue, Indianapolis, IN 46204
(da)	208 S. LaSalle Street, Chicago, County of Cook, IL 60604
(db)	8020 Excelsior Drive, Suite 200, Madison, WI 53717
(dc)	600 N. 2nd Street, Suite 401, Harrisburg, PA 17101-1071
(de)	1209 Orange Street, Corporation Trust Center, New Castle County, Wilmington, DE 19801-1120
(df)	4701 Cox Road, Glen Allen, County of Henrico, VA 23060
(dg)	3800 North Central Avenue, Ste. 460 Phoenix, AZ 85012
(dh)	155 Federal Street, Suite 700, Boston, MA 02110
(di)	4400 Easton Commons Way, Suite 125, Columbus, County of Franklin, OH 43219
(dj)	40600 Ann Arbor Road E., Suite 201, Plymouth, MI 48170-4675
(dk)	820 Bear Tavern Road, West Trenton, NJ 08628
(dl)	301 S. Bedford St., Suite 1, Madison, WI 53703
(dm)	28 Liberty Street, New York, NY 10005
(dn)	40 West Lawrence, Suite A, Helena, Montana 59601
(do)	2405 York Road, Ste. 201, Lutherville Timonium, MD 21093-2264
(dp)	3800 North Central Avenue, Suite 460, Phoenix, AZ 85012
(dq)	4624 13th St., Wyandotte, MI 48192
(dr)	333 North Brand Blvd., Suite 700, Glendale, CA 91203

40 Post balance sheet events

Put liabilities to Non-controlling interests

The Group has a subsidiary in Morocco with a non-controlling interest. In January 2024 an arbitrator ruled on a long-standing dispute between the Group and the non-controlling interest which resulted in the triggering of a put option for the non-controlling interest to sell their shares to us. As the arbitration was ongoing at year end, the Directors consider this to be a post balance sheet adjusting event. A put liability of £8.6m has therefore been recognised as at 31 December 2023 for the estimated value to purchase the shares from the non-controlling interest.

Acquisition of Canary Bus

On 1 March 2024 the Group acquired 100% share capital in Canary Bus. Prior to the year end a deposit for £6.1m was paid. Following receiving permission from the Spanish Competition Commission, the Group proceeded with the acquisition, and obtained control of the Canary Bus.

Potential disposal of North America School Bus business

During the year the Group announced that it would start a process for the potential dispoal of the North America School Bus business. The Directors have considered whether this would meet the criteria for disclosing as held for sale at the 31 December 2023 and at the date of these accounts. At the date of issue of these Financial Statements the Directors believe that the sale plan is not progressed sufficiently for the Held for Sale criteria to have been met.

Publication of restated and rebased versions of indices 625 & 626 relating to German Rail

A number of statistical indices are used in the German transport sector to determine the level of cost recovery from the public transport authority. In particular, two indices, Indices 625 & 626, are used by the Group (and others operating in the German transport sector) to calculate and agree the recovery of energy costs from relevant passenger transit authorities.

Subsequent to the year end, Destatis, the German Federal Statistical Office, published restated and rebased versions of Indices 625 & 626 and withdrew the previous versions of those indices. Those previous versions had originally been used by the Group in calculating the performance of the German Rail business for the year. Whilst the Group intends to discuss in due course with the public transport authority how the impact of the revised indices should be addressed within the context of that relationship and the underlying contracts, the full effect of the revised indices was reflected in the calculation of the performance of each of the contracts within German Rail. The effect of this in totality was a reduction in expected total cost recovery over the term of the contracts (to 2032) of £12.3m, with an impact on 2023 adjusted operating profit of £3.1m (of which £2.7m related to subsidy recovery recognised in 2022).