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FirstGroup plc
Annual Report and Accounts 2024

Company Number SC157176

We are FirstGroup

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



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Highlights of the year

Material increase in Group profit driven by continued progress in both First Bus and First Rail further underpinning the Group's strong balance sheet.

Successful execution of the Group's strategy

➔ Read more on page 17

Continued focus on operational delivery and driving modal shift

- First Bus on track to achieve 10% adjusted operating profit margin having grown to 9.4% in H2 2024
- West Coast Partnership awarded National Rail Contract to October 2032 with core three-year term
- Lumo has now carried more than 2.5m passengers since October 2021 launch and added 14% more capacity over the last year

Enhancing the Group's sustainability credentials and accelerating decarbonisation in First Bus

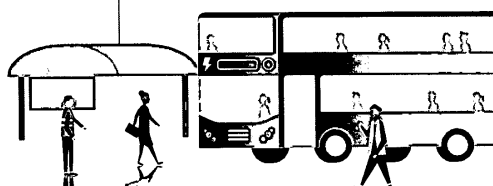
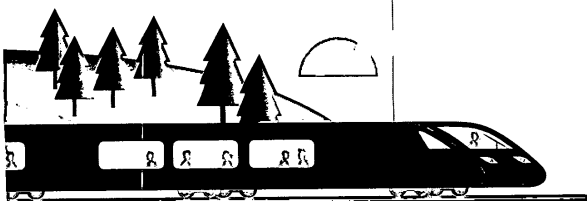
- Landmark strategic joint venture with Hitachi, Green Hire Purchase Finance Facility and successful applications for £16m ZEBRA 2 co-funding during the year
- c.300 electric buses delivered in FY 2024 and more than 300 charger outlets installed
- Great Western Railway conducting industry-first fast-charge battery-only train trial
- FirstGroup joined United Nations Global Compact and First Bus achieved Real Living Wage employer status

Further growth and diversification of the Group's portfolio

- York Pullman acquisition and new Adjacent Services contracts in First Bus
- Formal applications submitted for two new open access operations, the extension of some of Lumo's services to Glasgow, and for additional paths on Hull Trains and Lumo
- First Rail awarded TfL London Cable Car contract and qualified to bid for Elizabeth Line contract

"We have made considerable progress in our financial and operational performance in FY 2024 as we continue to transform and grow our leading First Bus and First Rail businesses. This is testament to the resilience and capability of our people across the Group and leaves us well positioned to grow and create further value for all our stakeholders."

Graham Sutherland
Chief Executive Officer



Highlights of the year continued

Financial highlights

Group revenue
Continuing operations
£4,715.1m
FY 2023: £4,755.0

Dividend per share
5.5p
FY 2023: 3.8p

Group adjusted operating profit
Continuing operations
£204.3m
FY 2023: £161.0m

Share buyback
Continuing operations
c.£117.6m
c.£117.6m returned to shareholders via buyback programmes in FY 2024 (£19.3m remains to be completed as at 10 June 2024)

Adjusted earnings per share
Continuing operations
16.7p
FY 2023: 11.6p

Adjusted year end net cash
Continuing operations
£64.1m
FY 2023: £109.9m

Adjusted EPS of 16.7p (FY 2023: 11.6p) enhanced by repurchases of 80.6m shares during FY 2024

Strong balance sheet position

Performance summary

	FY 2024 (£m)			FY 2023 1 (£m)		
	Cont.	Disc.	Total	Cont.	Disc.	Total
Revenue	4,715.1	–	4,715.1	4,755.0	4.0	4,759.0
Adjusted ¹ operating profit/(loss)	204.3	(1.9)	202.4	161.0	(6.6)	154.4
Adjusted operating profit margin	4.3%		4.3%	3.4%		3.2%
Adjusted profit/(loss) before tax	139.0	(2.2)	136.8	104.2	(6.3)	97.9
Adjusted EPS ²	16.7p	(0.3)p	16.4p	10.9p	(0.9)p	11.6p
Dividend per share			5.5p			3.8p
Adjusted net cash ³			64.1			109.9

Statutory

	FY 2024 (£m)			FY 2023 (£m)		
Statutory	Cont.	Disc.	Total	Cont.	Disc.	Total
Revenue	4,715.1	–	4,715.1	4,755.0	4.0	4,759.0
LGPS pension settlement and related charges	(146.9)	–	(146.9)	–	–	–
Other operating (costs)/income	(4,521.7)	(5.3)	(4,527.0)	(4,601.1)	27.3	(4,573.8)
Operating profit/(loss)	46.5	(5.3)	41.2	153.9	31.3	185.2
(Loss)/profit before tax			(24.4)			128.7
Total comprehensive income/(loss) for the period			49.0			(7.4)
EPS ²			(2.4)p			11.8p
Net debt			1,144.8			1,269.1
– Bonds, bank and other debt net of (cash)			(313.7)			(479.5)
– IFRS 16 lease liabilities			1,458.5			1,748.6

¹ 'Cont.' refers to the Continuing operations comprising First Bus, First Rail, and Group items. 'Disc.' refers to discontinued operations, being First Student, First Transit and Greyhound US.

² 'Adjusted earnings' are shown before net adjusting items and excludes IFRS 16 impacts in First Rail management fee operations. For definitions of alternative performance measures and other key terms, see the definitions section on page 282.

³ 'Adjusted EPS' and EPS based on weighted average number of shares in the period of 662.9m (FY 2023: 739.8m) reflecting the current year and prior year share buybacks.

⁴ 'Adjusted net cash' comprises bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash).

FY 2024 statutory operating loss before tax of £(24.4)m includes predominantly non-cash charges of £146.9m relating to the Group's termination of its participation in two Local Government Pension Schemes during the period with an offsetting £161.0m gain in the Condensed Consolidated Statement of Comprehensive Income.

FirstGroup

Who we are

FirstGroup is a leading private sector provider of public transport. We have a diverse portfolio of businesses including bus, rail, coach and tram operations that provide easy and convenient mobility, improving quality of life by connecting people and communities.

Our purpose

We provide efficient, reliable, safe and increasingly sustainable transport links that connect communities, and our services are critical to ensuring local economies are vibrant and robust.

Our strategy

FirstGroup's four strategic pillars will support us to drive value and sustainable growth and lead the way in our sector.

➔ Read more on page 17

Business split

Revenue
(as % of Group)



■ First Bus	21%
■ First Rail	79%

Adjusted operating
profit (as % of Group)



■ First Bus	37%
■ First Rail	63%

First Bus

First Bus is one of the largest regional bus companies in the UK, carrying more than a million passengers a day. We serve more than 20% of the population in the UK with our local bus services. We are a leading operator in the majority of our local areas, including major urban centres such as Glasgow, Bristol and Leeds. As well as commercial networks, we also run buses on behalf of organisations ranging from schools to distribution centres and major construction sites.

➔ Read more on page 34

1.14m
passenger
journeys a day

c.4,800
buses

50
depots

c.13,500
employees

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



■ First Bus	20%
■ Others	80%

First Rail

First Rail is one of the largest UK operators for nearly three decades, with experience in running all types of passenger rail services. We have a track record of working successfully with a wide range of partners under various types of contracts, as well as delivering significant rail infrastructure projects. We have three Department for Transport (DfT)-contracted operations: West Coast Partnership (WCP) which includes Avanti West Coast (Avanti), Great Western Railway (GWR), South Western Railway (SWR), and two open access operations: Hull Trains and Lumo. We operate London Trams on behalf of Transport for London (TfL) and Heathrow Express (HEX) on behalf of Heathrow Airport.

➔ Read more on page 37

750,300
passenger
journeys a day

c.3,700
locomotives and
rail carriages

404
stations

c.15,500
employees

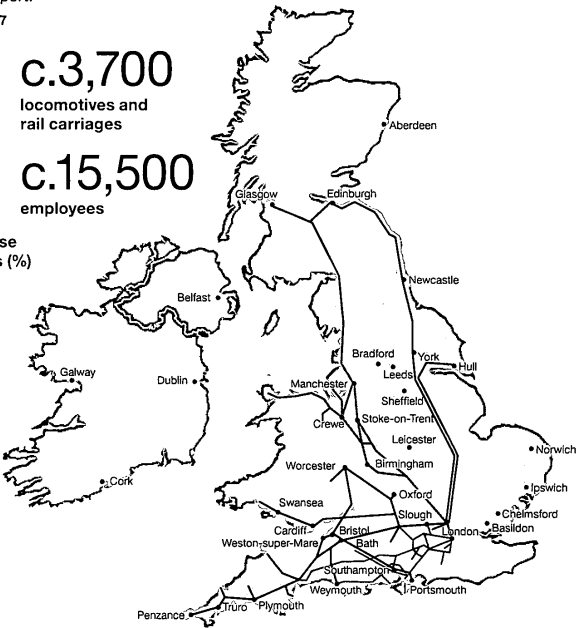
Passenger revenue base
of First Rail operations (%)



■ Leisure	63%
■ Business	18%
■ Commuter	19%

Find out more about
FirstGroup online

- Avanti West Coast (Avanti)
- Great Western Railway (GWR)
- South Western Railway (SWR)
- Hull Trains
- Lumo
- First Bus operations



At a
glance

Chairman's statement



FirstGroup has a clear purpose to provide efficient, reliable, safe and increasingly sustainable transport links that connect communities, and our services are critical to ensuring local economies are vibrant and robust. 



David Martin
Chairman

Introduction

The last year has been a period in which FirstGroup has continued to take strong and positive steps along the evolutionary journey since I became Chairman in August 2019. The Group has continued to demonstrate progress and has become a resilient, focused and profitable business which is well positioned to deliver further long-term growth and value for all of our stakeholders.

The Group has leading positions in the bus and rail sectors, a strong balance sheet, and we are increasing the diversity of our revenue streams. Our breadth of capabilities gives us a robust platform to invest in growth opportunities and enables us to lead the way as we play a critical role in supporting economic and environmental goals for the communities where we operate across the UK and Ireland.

During the year the Group continued its focus on operational delivery and driving a shift from other modes of transport to bus and rail. I am pleased that First Bus is on track to achieve our previously stated ambition of a 10% operating margin and is continuing to work towards our decarbonisation targets, with around 300 new electric buses delivered and more than 300 charger outlets installed in the year. The team signed a landmark joint venture with Hitachi focusing on the supply of 1,000 bus batteries and executed a £150m Green Hire Purchase Finance Facility for a similar number of bus vehicle bodies. The team successfully applied for government co-funding which will help support the purchase of further such vehicles. First Bus signed new Adjacent Services contracts and also completed the acquisition of York Pullman, opening up new opportunities in North Yorkshire.

In First Rail, we were pleased to be awarded a National Rail Contract (NRC) for West Coast Partnership to October 2032 with a core three-year term, and we are leading the way with new customer and sustainability initiatives, including a battery train trial for GWR and new trains entering service for SWR.

The Group's two open access rail operators go from strength to strength in this exciting market with Lumo having carried around 2.5m passengers to date and Hull Trains adding 14% more capacity since December 2022 to meet demand. The Group has submitted applications for two new open access services from London to both Sheffield and Rochdale, and also to extend Lumo's services to Glasgow. First Rail has also continued to diversify and grow its earnings, including the award of the London Cable Car contract. The division is also shortlisted in the Elizabeth Line contract bidding competition.

In last year's Annual Report, I wrote about the industrial relations challenges in the rail sector, which have remained a feature during the year. While I am pleased that there has been progress with both the TSSA and RMT unions accepting offers that have been put to them, the Aslef trade union for train drivers continues to call industrial action, to the detriment of everyone involved in the sector. We continue to work closely with government and other partners to mitigate the effects on customers.

In recent months we have also heard competing visions for the future of the rail sector from both main political parties. Companies such as ours bring private investment and focus on cost control to the sector as well as driving passenger demand. We know growth is key for the future of the railway, which is why alongside other rail companies we have long called for reform and will continue dialogue with the parties. In the bus sector, we work closely with local authorities in partnerships that are delivering effective change for customers. I am equally confident that in areas where authorities choose to franchise, the Group can use its decades of experience to support them as a partner of choice. The landscape of public transport has always evolved and continues to do so. We will work closely with whichever political party is elected in the upcoming general election, with the goal of providing competitive, sustainable and improved services for passengers and communities.

Chairman's statement continued

Our purpose and strategy

FirstGroup has a clear purpose to provide efficient, reliable, safe and increasingly sustainable transport links that connect communities, and our services are critical to ensuring local economies are vibrant and robust. Public transport networks are the lifeblood of successful towns and cities, and they are essential to achieving global net-zero carbon ambitions. The sector has a key part to play to help resolve some of society's most important challenges, including climate change, congestion and air quality.

The Group's Executive team led by Graham Sutherland has developed a new strategy during the year, underpinned by four strategic pillars which will drive the Group forward over the next period. These are to deliver for our customers day in, day out; encourage people to switch from car and plane travel to bus and rail; lead in environmental and social sustainability and to grow and diversify our portfolio. The strategy was developed with and agreed by the Board during summer 2023, and all divisional strategies across the Group are aligned with this. You can read more about the strategy on page 17.

Capital allocation and dividend

Following the completion of the sale of the North American divisions, the Board concluded that a well-capitalised, de-risked balance sheet provides FirstGroup with the flexibility to pursue its strategy to diversify and grow and support returns to shareholders. As a result, the Group adopted a balanced capital allocation policy, including commitments to decarbonise the First Bus fleet, maintain the progressive dividend and to review targeted investment in strategically and financially accretive growth opportunities.

The £75m on-market share buyback programme was completed during the year and we launched a subsequent £115m programme in August 2023. The Group continues to re-purchase bonds and has also reduced pension exposure by removing or fully insuring c.£1bn of gross pension liabilities without requiring any cash.

In light of the Group's financial performance in FY 2024 and in line with our progressive dividend policy, the Board has proposed a final dividend of 4.0p per share which is subject to shareholder approval at the Company's 2024 AGM.

The Board and corporate activity

During FY 2024 an independent board effectiveness review was undertaken, which you can read more about on page 113. I am pleased to report that this review concluded that all Directors standing for re-election had performed well and that the Board has an appropriate skillset and composition following the changes made over the preceding two years.

This year's financial results have been strong, and we have made good strategic progress. The Executive team have performed very well, and Board members have provided strong oversight. We held two Board meetings during the year in cities where the Group operates in order to allow Board members to meet front-line employees and visit our operations in those areas.

Sustainability

FirstGroup is committed to being the partner of choice for sustainable and innovative transportation solutions. Leading in environmental and social sustainability is one of the four pillars of the Group's strategy and our commitment to a zero emission trajectory for our vehicle fleets is of the utmost importance. A second pillar of the

Group's strategy places an emphasis on driving a modal shift from cars and planes to cleaner bus and train travel and with transport accounting for more than a quarter of the UK's total domestic greenhouse gas emissions, it is vital that the sector makes every effort to get people out of cars and planes and onto buses and trains.

I am pleased to report that during the year FirstGroup joined the United Nations Global Compact and the Group was the top performing bus and rail operator in FTSE4Good Index, further enhancing our sustainability credentials. We are making good progress towards the First Bus 2035 zero-emission target and both Avanti and SWR developed verified science-based targets this year, following the Group's lead last year. This has also been the Group's first year reporting to the Transition Plan Taskforce and I look forward to the publication of the Group's own transition plan later in 2024.

FirstGroup is a major employer across the UK and also in Ireland and is committed to creating a more diverse and inclusive business. The First Connections programme was launched this year offering further opportunities to those female and ethnically diverse colleagues who have taken part in the Step and Reach career development programmes, and this year we set new Group-wide diversity and inclusion targets. I am also pleased to report that First Bus has become the largest bus operator to gain Real Living Wage accreditation.

The Board's Responsible Business Committee oversees the Group's practices and performance with respect to health, safety, diversity and inclusion and sustainability, including our transition to net zero. The Committee has completed its second year and you can read more about its activity on page 123.

Our people

Our people are at the heart of our business and we have continued to support them through the challenging environment brought about by inflationary pressures and industrial action. I have been extraordinarily impressed by the commitment and dedication that our 30,000 colleagues bring to the task of providing the vital transport services on which millions of our customers rely. On behalf of the Board I would like to extend my sincere gratitude to all of our employees for their hard work during the year and for continuing to support our customers and communities.

Conclusion

Transport is a vital and environmentally-friendly sector which is essential to the economy and plays a significant role in people's lives, given that people travel for a huge variety of business and leisure reasons. FirstGroup is a cash generative, well-capitalised business with a strong balance sheet thanks to actions we have taken in recent years. With leading positions in the bus and rail markets, the Group has a strong platform from which to develop and take advantage of the opportunities that exist for growth, including the development of additional and adjacent services in both divisions and open access in First Rail. The Board is confident the transformation of the Group undertaken since the sale of the North American businesses is continuing to deliver significant value for FirstGroup shareholders. Changes in the political landscape will lead to reform of the sector, no matter the result of the general election, and this, coupled with the diversification of the Group's revenue streams, will lead to a great number of opportunities ahead of us. As a result I, and all the members of the Board, remain very confident about the Group's future.

How our markets work

Bus and rail operators connect people and communities and play a critical role supporting the country's economic and sustainability goals.

The UK's regional bus market

In a typical year, around 2.6 billion passenger journeys are made on bus services outside London, generating approximately £4.4bn in revenue.

Local bus services in the UK (with the exception of London and Northern Ireland) have been deregulated since the 1980s, with most services provided by private operators, although a small number of local authority-owned operators still exist. The commercial deregulated UK bus market is largely competitive. Consequently, during a typical year, a number of operators will enter and leave the market.

For the majority of local bus services outside of franchises, operators set timetables and fares on a commercial basis. A small proportion of our local bus services are operated for local authorities on a contract basis, where commercial revenues are insufficient to support the operations.

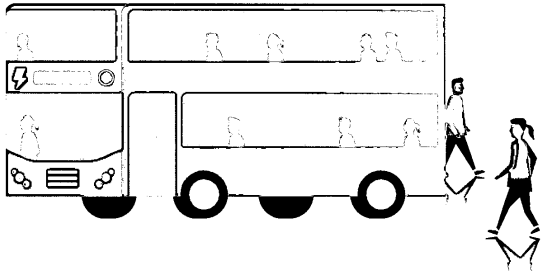
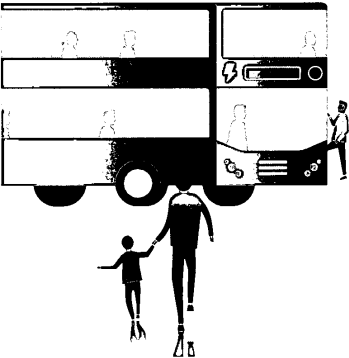
Bus operators' revenues are principally derived from fare revenue (passenger ticket sales and concessionary fare schemes – reimbursements by local authorities for passengers entitled to free or reduced fares). Income is also generated through tendered local bus services and bespoke contracts for businesses or one-off events, as well as tendered services for local authorities such as Park & Ride schemes. In addition, bus operators receive funding including the Bus Services Operators Grant (BSOG) – a partial fuel duty reimbursement payment – in England, with similar schemes in Scotland and Wales.

The UK Government's National Bus Strategy announced in March 2021 included a multi-billion-pound funding package to deliver a step change in bus services across England. Bus Service Improvement Plans (BSIPs) were introduced as part of the strategy. These are a mechanism for local authorities to work closely with their local bus operators and communities to deliver simpler fares, improved services and thousands of new green buses via either local authority-led Enhanced Partnerships or franchising. Funding has also been allocated to schemes aimed at stimulating passenger demand, including free travel for Under 22s in Scotland and the £2 fare cap in England.

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

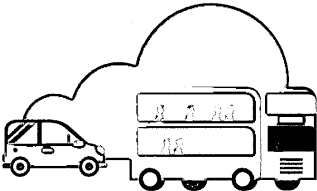
£4.4bn
of annual revenue generated by regional bus operators

2.6bn
passenger journeys are made outside of London a year



How our markets work continued

More young people and non-commuters are taking advantage of the benefits of bus travel as an affordable and sustainably conscious transport option.



Partnerships and franchising

Partnerships between operators and local authorities are a core principle for the industry and government to support service delivery, minimise congestion and drive innovation and investment.

Partnerships can take the form of partnerships, such as Enhanced Partnerships, or franchising. Under an Enhanced Partnership the local authority commits to measures and facilities and all operators are then bound to meet certain standards of service. Facilities and measures include bus priority lanes, bus stop improvements, fare subsidies for particular groups (e.g. under 25s or the unemployed), new multi-operator or multi-modal ticketing, better or new information including all-operator apps, marketing campaigns and centralised customer service.

Under the franchising model, potential operators bid competitively for the right to operate a bus franchise in accordance with the local transport authority's requirements, including bus routes, services, timetables and frequencies and service quality standards. Contracts are typically issued for an operator to run a package of routes within a particular geographical area and will contain the terms on which the authority wants to procure the service. Once the contract comes into effect, no other operators can run bus services on the relevant routes unless the authority has given its approval.

Demographics

More people are using buses than ever before, albeit less frequently with the new post-Covid working patterns, as increased numbers of young people and non-commuters are taking advantage of the benefits of bus travel as an affordable and sustainably conscious transport option.

The ongoing digitisation of the industry is providing much greater insight and data on customer habits and allowing operators to introduce more simple and tailored ticketing solutions. Operators are also able to use real-time customer information to better understand their customers and their journeys, allowing them to make decisions to continuously improve their networks, timetables and pricing to provide a better customer experience.

Market attractions

- 

Supportive government policies

Significant government recognition that bus travel remains the most cost-effective and quickest mechanism to achieve modal shift from private car use, to lower emissions, to improve congestion in our towns and cities and to support governments' levelling-up agendas.
- Digitisation**

Digitisation is transforming the industry giving operators increased visibility of large numbers of customers, enabling development of new propositions to stimulate bus use.
- Efficiency opportunities**

Improved digital capabilities also provide significant opportunities to optimise pricing, improve service delivery and create more efficient operations.
- Favourable demographics**

Demand growth opportunities exist in the youth demographic where car ownership is falling and customers are increasingly environmentally aware.
- Environmental benefits**

Encouraging more people to use the bus and introducing more environmentally-friendly buses will create environmental benefits.

How our markets work continued

The UK's rail industry

Passenger rail services are primarily provided by private Train Operating Companies (TOCs) through contracts awarded by the DfT or other government bodies. There are currently 25 TOCs including four open access operations in the UK. There are currently four TOCs operated by the UK Government's Operator of Last Resort and seven contracted by devolved governments other than the DfT.

National Rail Contracts (NRCs) were introduced by the DfT during the pandemic to support the industry. Unlike the previous system under which operators undertook considerable revenue and cost risk, the majority of the revenue and cost risk resides with the DfT. Operators earn an annual management fee for service delivery, with the opportunity to earn additional variable, performance-based incentives.

Open access operators run services on a different model from other TOCs, with operators bearing all commercial risk and opportunity. Operators are awarded Track Access Agreements by the regulator the Office of Rail and Road (ORR), typically for ten years, with scope for renewal.



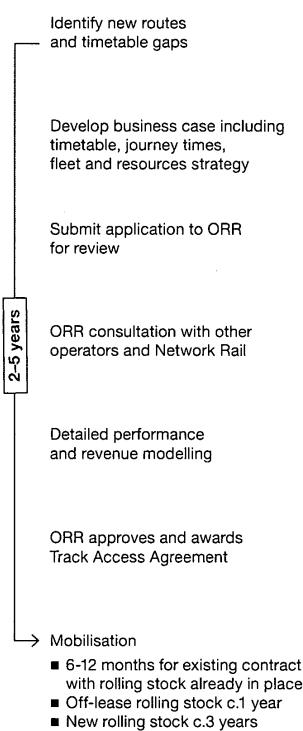
Open access routes are awarded where there is a clear business case that they will promote competition for the benefit of passengers, generate sufficient new revenue and not abstract revenue from current operators. Operators make all commercial decisions including ticket pricing, and set working terms and conditions, and they have financial protection for instances when infrastructure is not available to them.

Rail track and infrastructure (including signalling and major stations) are owned and managed by Network Rail with TOCs typically leasing rolling stock from leasing companies. Some fares and prices (mainly peak time and season tickets) are regulated and controlled by government. Open access operators have greater commercial flexibility in setting fares.

Rail markets are generally categorised into four sectors: London and South East commuter services, regional, and long distance. Certain networks also offer sleeper services. Parts of Great Western Railway (GWR) fall into all four categories. South Western Railway's (SWR's) customers are largely commuters, Avanti West Coast runs mainly long-distance inter-city operations, while Hull Trains and Lumo cater to long-distance travellers, underpinned by the leisure market.

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

Open access identification and mobilisation



Market attractions



£10bn+ industry revenue
More than £10bn of contract-backed passenger revenue in a typical year through around 20 major contract opportunities.

Consistent, resilient cash generation
The NRCs have no revenue risk and clear performance-based fee opportunities, with low capital intensity.

Regulated environment
Regulated environment, with limited cost risk protected by annual budgeting.

High passenger numbers
Historically high levels of passenger numbers across the UK pre-pandemic.

£10bn
of contract-backed passenger revenue in a typical year

Our business model

FirstGroup is a focused and resilient business. Our business model delivers value to a wide range of stakeholders by providing vital transport services that connect people and communities and that are key to achieving society's social, economic and environmental goals.

Our four strategic pillars will support us to drive value-accretive sustainable growth and lead the way in our sector.



Deliver day in, day out



Drive modal shift



Lead in environmental and social sustainability



Diversify our portfolio

Strengths and resources

Our people
Our c.30,000 employees are at the heart of our business and have the skills, expertise and knowledge to drive our future success.
➔ Read more about our people on page 65

Our network and fleets
We operate c.4,500 buses and more than 3,700 locomotives and rail carriages across the UK.

Our innovation
We embrace new technologies and ways of working to deliver easier, more convenient, efficient and sustainable mobility solutions for our customers and partners.
➔ Read more about innovation on page 60

Our expertise
We have depth of experience and proven expertise in bus and rail transport and an unwavering focus on safety and reliability.

Our relationships
Our long-established relationships and deep engagement with local and national government decision makers at all levels are essential to our success as a partner of choice.

Our stable financial platform
Our business is cash generative, and we maintain an investment grade credit rating to enable long-term service continuity and allow us to grow and diversify our portfolio.
➔ Read more about our financial platform on page 40

Our operations



First Bus
Agile operations, on trajectory to deliver 10% margin. Revenues are principally derived from fare revenue comprising passenger ticket sales and concessionary fare schemes (reimbursements by local authorities for passengers entitled to free or reduced fares); Income is also generated through tendered local bus services and bespoke contracts for businesses or one-off events, as well as tendered services for local authorities such as Park & Ride schemes. In addition, bus operators also receive funding, including the Bus Services Operators Grant in England, with similar schemes in Scotland and Wales.
➔ Read more about the bus market and First Bus on pages 6 and 34



First Rail
Lower risk, cash generative operations with increasing contribution from open access and additional services.
Under the terms of the DfT concession-based NRCs, operators bear no revenue risk and very limited cost risk under an annual budget agreed with the DfT. Operators earn an annual management fee for service delivery, with the opportunity to earn additional revenue based on performance.
Open access operators make all commercial decisions and retain all revenue and cost opportunity and risk.
➔ Read more about the rail market and First Rail on pages 8 and 37
➔ Read more about open access on page 14

Delivering for our stakeholders

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

Investors
Sustainable financial performance and long-term value creation, with a disciplined capital allocation policy balanced between investment, growth and shareholder returns.

Government
Efficient and reliable transport services that meet wider policy objectives such as levelling up, decarbonisation and air quality.

Employees
A workforce representative of our communities. Quality jobs with opportunities to grow and learn in a safe, supportive and inclusive working environment.

Communities
Stronger economies and local communities through good local services and community engagement activities.

Strategic partners and suppliers
Long-term relationships that optimise value, mitigate risk and increase sustainability and ethical standards in our value chain.
➔ Read more about engaging with our stakeholders on page 98

United by our Values



Committed to our customers



Supportive of each other



Dedicated to safety



Setting the highest standards



Accountable for performance

Chief Executive Officer's review



We have a huge wealth of experience and expertise within our divisions, and I believe FirstGroup has a very exciting future. 

Graham Sutherland
Chief Executive Officer



Four strategic pillars to drive growth

I am extremely proud of what has been achieved during my first two years as Chief Executive Officer, as we continue to transform our businesses and deliver for our stakeholders. We have maintained our strong balance sheet and have considerable scope to grow further in First Bus and First Rail open access. To achieve this, we have set out four key strategic pillars that will drive the Group forward. These are:



Deliver day in, day out



Drive modal shift



Lead in environmental and social sustainability



Grow and diversify our portfolio

Looking first at delivery, operational excellence is at the heart of our strategy. We must continue to strive to ensure the best possible customer experience, consistently deliver reliability and cost efficiency and implement price strategies to enhance customer value, drive demand and improve yield. This will enable us to continue to win key contracts in both First Bus and First Rail to maintain our positive earnings trajectory and encourage more people to use our services.

To drive a step change from car and air travel to bus and rail, we plan to add capacity in First Rail's open access operations and continue to position the First Bus customer proposition to drive demand, with a focus on encouraging people to make the switch from private cars.

Leading in environmental and social sustainability has long been a priority for the Group. We are committed to the safety of our customers, our employees and all third parties in contact with our businesses. We are delivering on our decarbonisation commitments and we will always seek to support prosperity, growth and green jobs in the communities that we serve. We see this as a key differentiator of FirstGroup's proposition and increasingly a driver of growth going forward.

Finally, the Group's considerable balance sheet capacity provides us with flexibility to take advantage of value accretive opportunities to further grow and diversify our portfolio. In First Bus, we will pursue franchising and partnership opportunities, expand our Adjacent Services businesses and continue to evaluate a pipeline of complementary inorganic growth opportunities. In First Rail, we are actively working to grow our open access businesses, scale our Additional Services businesses, bidding for non-DfT contracts and monitoring opportunities for new open access contracts.

We have a huge wealth of experience and expertise within our divisions and I believe FirstGroup has a very exciting future.

CEO's review continued

FY 2024 financial highlights

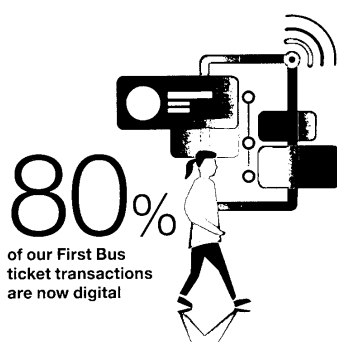
Looking now at our financial performance, I am pleased to report another excellent set of results for our 2024 financial year despite continued economic and industrial relations challenges.

Our divisions have performed well during the year which, together with the positive impact of the extra week of trading in FY 2024 and the receipt of higher than accrued final FY 2023 variable fee awards in the DfT TOCs, has resulted in a significant increase in our adjusted earnings per share, from 11.6p in FY 2023 to 16.7p in FY 2024.

We have also maintained our strong balance sheet, ending the year with adjusted net cash of £64.1m, having committed investment of over £100m to the electrification of our bus fleet and infrastructure, invested in our landmark strategic decarbonisation joint venture with Hitachi, acquired York Pullman and returned almost £118m to shareholders via our buyback programmes.

First Bus highlights

First Bus has continued to grow its revenues and profit in FY 2024 as a result of further growth in passenger volumes, improvements in our operational and cost performance, lower lost mileage and an increased contribution from our Adjacent Services businesses, leaving us firmly on track to reach our 10% adjusted operating profit margin target in H2 2025. Total revenue for the year was £1,012.2m (FY 2023: £902.5m), reflecting strong growth across the business.



In February 2024, we completed the acquisition of York Pullman, a high-performing operator of coaches and buses. The integration of the York Pullman into First Bus is progressing well and its addition to the First Bus portfolio will enhance our operational footprint in the North Yorkshire region and provide profitable growth opportunities in the contracted and commercial services markets. The adjacent bus services market in the UK is considerable, and we are actively reviewing a pipeline of opportunities to grow the business and win further contracts.

First Bus decarbonisation

Aided by our strong balance sheet and ownership of our depots, we are committing significant investment in decarbonisation as we progress towards our target of a zero emission fleet by 2035. The electrification of our fleet and infrastructure will further transform our business and provide a number of value accretive adjacent revenue streams.

We now have around 600 electric buses, about 13% of our fleet, and three fully electric bus depots in England, with six further depots across the UK partially electrified.

We have over 600 charger outlets and are making use of smart charging software to optimise our energy use and increase battery efficiency and potentially extend battery life. We are also making our charging infrastructure available to third parties, with successful arrangements underway with DPD, Openreach and public services providers at four of our depots. We have also recently opened a purpose-built hub at our Summercourt depot in Cornwall, providing direct access for the public to eight rapid chargers.

Whilst electric vehicles result in operational improvements that lower the service delivery costs relative to diesel, the initial capital investment for electrification is still considerable. In addition to working with our local authority partners to secure government co-funding and committing Group capital, we are forming strategic partnerships and securing innovative financing. This is allowing us to purchase electric buses and batteries with increased efficiency and greater visibility of our financial commitment and our strategic joint venture with Hitachi will also allow us to retain much of the residual value in the batteries as they are replaced.

Looking ahead, in March 2024 we announced that we had worked successfully with our local authority partners to secure £16m through the UK Government's ZEBRA 2 co-funding scheme to support bus and fleet decarbonisation across four of our regions.

Following the completion of our latest ongoing electrification projects, we will operate more than 800 zero-emissions vehicles, c.18% of our fleet. We have also bought power connections to another 15 of our depots and construction works are underway. This is a remarkable achievement and is establishing us as leaders in bus fleet and infrastructure decarbonisation.

First Bus – partnerships and franchising

We have decades worth of expertise and knowledge in delivering transport solutions for our customers across the public transport sector. We work closely with local authorities across the UK in partnerships that are delivering change for customers quickly and effectively.

We have seen this to full effect in Leicester where, in partnership with Leicester City Council and the city's other bus operators, in under a year we have achieved multi-operator ticketing, streamlined timetabling of services for all operators, improved real-time information for passengers, increased reliability, and introduced electric bus fleets and infrastructure.

A number of cities outside London have expressed an interest in franchising, including some where we don't currently have operations. In areas where authorities choose to progress with franchising, we are confident that we will be able to use our extensive experience to support them. Despite not winning any large contracts, we are pleased to be working with Transport for Greater Manchester (TfGM) as the selected operator of their new Bee Network in Rochdale, maintaining our overall position in Manchester. We have also supported TfGM with the electrification of their Oldham depot due to our expertise in this field.

Our landscape is always evolving and getting more people to use the bus is a key part of the modal shift pillar of our strategy. We will continue to adapt our business to deliver great value, and shape networks to suit where and when people want to travel, to serve communities and grow local economies in a sustainable way.

Regardless of the model, close partnerships with local government stakeholders are essential for the thriving local bus networks we all want to see, and we are committed to working with our partners locally and nationally to achieve this.

CEO's review continued

First Rail highlights

In First Rail, we continue to demonstrate our capabilities and deep sector knowledge to bring value to our passengers and to the taxpayer, as we strive to improve customer experience and to reduce the level of rail subsidies.

Despite continued industrial relations challenges during the year, our DfT TOCs have reported an increase in adjusted operating profit, to £105.6m (FY 2023: £93.3m), which included an uplift of c.£13m as a result of the variable fee payments agreed with the DfT for FY 2023 being ahead of the amounts accrued in the Group's FY 2023 financial statements. This achievement demonstrates how hard our teams are working to deliver day in, day out, in a challenging environment.

In May 2023 the DfT announced its decision not to exercise its option to extend TPE's National Rail Contract ('NRC'). The loss of the contract was a huge disappointment for our team who have all worked extremely hard to improve services and to successfully recruit and train more drivers than ever before. We supported the DfT's Operator of Last Resort in ensuring a smooth transition for passengers, partners and employees. We anticipate that we will receive all remaining amounts due to be paid to the Group in FY 2025, and our First Rail affiliate services also continue to support TPE.

We were very pleased to have been awarded a nine-year National Rail Contract for the West Coast Partnership ('WCP') in September 2023. The NRC has a minimum three-year core term to October 2026.

Our open access operations have outperformed expectations again in FY 2024 and have consistently recorded some of the lowest levels of operator-related cancellations in the industry. Lumo continues to offer competitive fares and value to customers and has now carried more than two and a half million customers since its launch, many of whom would otherwise have flown between London and Newcastle or Edinburgh at a far greater environmental cost. Its revenues increased by 42% in FY 2024, driven by effective yield and demand management, and seat capacity utilisation has grown from 71% to 74%.

Hull Trains also had a very strong year, with revenues up 40%, thanks to increased leisure demand and significantly improving business customer volumes. In response to increasing demand, the team has added 14% more capacity since December 2022, running ten-car trains (typically a five-car service) at peak demand times. Seat capacity utilisation improved from 59% in FY 2023 to 69% in FY 2024.

First Rail portfolio diversification and growth

The huge success of our open access operations has provided further evidence that we have the experience and entrepreneurial spirit to resolve challenges and innovate in the rail sector for the future, adding capacity and encouraging passengers back to the railway.

We are actively pursuing opportunities to build on the success of Lumo and Hull Trains through rolling stock efficiency improvements, adding capacity to existing services and identifying new routes and markets where there is capacity and demand. We recently submitted an application to the ORR for a new Hull Trains London-Sheffield service, a new Lumo Rochdale-London service, for the extension of a number of Lumo's daily services to and from Glasgow, for an additional eighth return service on Hull Trains between London and Hull and for an additional, sixth return Lumo service between London and Newcastle. These applications, if successful, will more than double our open access capacity.

We also continue to make use of our in-house expertise to grow our First Rail Additional Services businesses and GWR are conducting an industry-first trial of a fast-charge battery-only train, which included setting a UK distance record for a battery train without recharging earlier this year.

Our Additional Services businesses include First Rail Consultancy, our bespoke contact centre First Customer Contact, Mistral Data and evo-rail. They delivered an 11% increase in gross revenue to £133.5m in FY 2024, compared to £120.0m in FY 2023.

We are also identifying and participating in other UK opportunities. In March 2024, we announced that we have been awarded the contract to operate the London Cable Car by TfL and we have been shortlisted with our bid partner Keolis SA to bid for the Elizabeth Line contract. We look forward to submitting a compelling bid that demonstrates our collective experience and breadth of capabilities.

Corporate activity and dividends

We have now received final First Transit earnout proceeds of £65.3m and have continued to opportunistically repurchase the Group's September 2024 6.875% bonds, of which £96.2m remains outstanding as at 10 June 2024. We have also significantly reduced or insured the Group's gross pension liabilities (excluding contract rail which reverts to government at contract end), from £2.3bn at the start of the year, to £1.4bn.

In light of the Group's financial performance in FY 2024 and in line with our progressive dividend policy, the Board has proposed a final dividend of 4.0p per share. Subject to shareholder approval at the Company's 2024 AGM, a final dividend payment of c.£24.3m, will be paid on 23 August 2024 to shareholders on the register at 19 July 2024. The total dividend for the year paid and proposed is 5.5p per share (FY 2023: 3.8p per share), an increase of 45%.

£37.7m

First Rail open access and additional services Adjusted Operating Profit



CEO's review continued

Leading in environmental and social sustainability

I am pleased to report that we have seen further recognition of the Group's sustainability credentials in FY 2024. In addition to joining the UN Global Compact, we were once again included in the S&P Global Sustainability Yearbook, were one of only eight UK companies to be included in the 2024 Clean200 list of top publicly listed companies worldwide by clean revenue and were included in Sustainalytics' 2024 ESG Top-Rated Companies List.

Our employees and customers remain at the heart of everything we do. In FY 2024 we successfully launched First Connections, a personal development programme aimed at female and ethnically diverse employees and First Bus became the UK's largest national bus operator to become an accredited Real Living Wage employer. In FY 2024, the Group raised c.£200,000 for its charity partners, Samaritans, Railway Children, and Macmillan, while our DfT TOCs supported almost 100 community funding projects, worth over £2m.

Looking ahead

Current trading and the Group's outlook for FY 2025 is in line with our expectations.

Positive free cash generation after c.£120m of net cash capital expenditure in First Bus is expected to result in a year end adjusted net cash position in the range of £40-50m. This includes the anticipated capex saving resulting from the Hitachi joint venture, the completion of the current share buyback programme and is before investing in any potential inorganic growth opportunities.

In First Bus, we expect to achieve progressive growth in FY 2025 against FY 2024 as we continue to benefit from the actions we have taken to transform the business and drive further growth in Adjacent Services. As a result, we anticipate that we will achieve our 10% adjusted operating profit margin in H2 2025.

The transformation of the First Bus business is delivering stronger foundations with a simplified, more efficient operating model. We are set to benefit from electrification efficiencies and adjacent revenue streams, and from potential franchising, partnership and inorganic growth opportunities. This provides scope for sustained earnings growth. Underpinning this, we believe that despite short-term economic challenges, government policy, favourable demographics and environmental and societal trends will support growth in the regional bus sector.

In First Rail, we expect the division's financial performance to be broadly in line with our expectations in FY 2025, including growth in open access and a normal level of variable fee awards in the DfT TOCs (c.two thirds of the maximum available).

Looking beyond FY 2025, despite political uncertainty surrounding National Rail contracts, we will maintain our focus on delivery and will capitalise on opportunities to make use of our extensive experience and expertise to grow our UK open access business, scale our Additional Services businesses and participate in other UK opportunities.

If approved, the applications we have recently submitted for new and extended open access services could more than double our open access capacity over the next three to five years.

If our application for the new Hull Trains service between London King's Cross and Sheffield is successful, we anticipate that services could commence in calendar year 2026, subject to stakeholder agreement, and for the Lumo Rochdale-London service, we currently anticipate a start date in calendar year 2027.

Both Conservative and Labour parties have put forward proposals for the future of the UK rail industry. Although there are significant differences, both parties are promoting the development of a 'guiding mind' industry body, named as Great British Railways in the Government's Plan for Rail. Labour have said that if elected they will "fold existing private passenger rail contracts into the new body as they expire". Looking at the industry as a whole, the huge growth in passengers and significant improvements to stations and rolling stocks that private train companies delivered under franchise agreements before the pandemic, including those under our stewardship, demonstrates that the UK rail industry works best as a public-private partnership.

Furthermore, companies such as ours bring private investment and focus on cost control to an industry that needs it; our businesses have saved more than £230m for the DfT in the last two years alone.

We have been one of the largest UK rail operators for more than 25 years, during which we have worked successfully with a wide range of partners under various forms of contract types, and delivered a number of significant rail infrastructure and fleet infrastructure projects. We know that growth and innovation are key for the future of the railway and are committed to working with our government partners to provide competitive, sustainable and improved services for all passengers and communities.

We will also continue to monitor developments in the European rail market where, as the market opens up for competition, there are opportunities for new open access entrants with similar regulatory models to the UK.

When assessing any opportunity for the Group, we have a disciplined capital allocation policy and a strict set of criteria. We will always seek to ensure that any opportunities we explore are complementary to our existing portfolio and the Group's strategy, thoroughly assessed for risks and opportunities and operated with a familiar contractual, political and regulatory environment with an appropriate balance of risk and reward.

Conclusion

FY 2024 has been another very successful year for the Group, reinforcing our leading positions and deep expertise in bus and rail. Our strong results for the year are also great testament to the dedication, expertise and resilience of our employees at all levels across the Group, and I am extremely proud and grateful to all of our colleagues for their continued hard work in support of our customers and communities.

Looking ahead, we have much more to do. We will continue to transform our businesses, build out adjacent electrification efficiencies and revenue streams in First Bus and grow and diversify our portfolio to deliver further sustainable growth and support the UK's social, economic and environmental ambitions.

The Group's strong balance sheet and cash generative businesses provide considerable flexibility and optionality for growth and potential further capital returns to shareholders, which will continue to be kept under review by the Board.

CEO's review continued

Case study

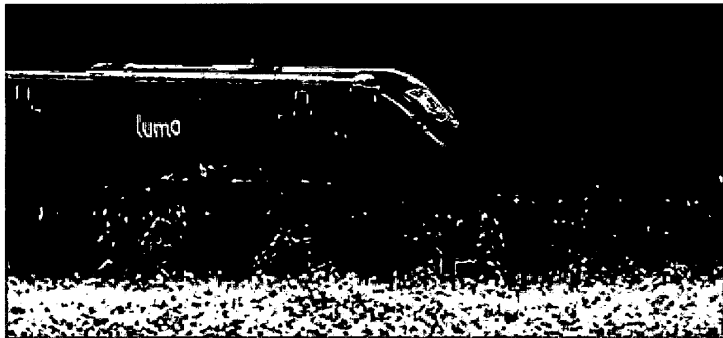
Using our experience and capabilities to innovate and create growth in the rail sector

FirstGroup operates two successful open access rail services, Lumo and Hull Trains. Launched in October 2021, Lumo is a service between London and Edinburgh, stopping at Stevenage, Newcastle and Morpeth, with five services each way per day. Our Hull Trains service has been connecting Hull and the Humber with London for more than 20 years, with the number of services increased from three a day at launch to seven currently.

Open access operators take full commercial risk and are solely responsible for generating revenue and profit. Open access routes are awarded where there is a clear business case that the route will promote competition for the benefit of rail users and will generate sufficient new revenue without abstracting it from current operators.

Our open access operations have outperformed expectations over the last two years, thanks to high demand and effective yield management, with revenues increasing by c.40% in the Group's 2024 financial year, versus the same period in 2023.

Our open access services have stimulated passenger demand, and importantly driven modal shift, getting people out of their cars and off planes and on to rail transport. Lumo was launched in 2021 to compete with air travel on the East Coast Mainline, and by November 2023 the service had carried more than two and a half million passengers.



Hull Trains has seen a faster post-pandemic passenger volume recovery than any other operator and has added 14% more capacity to its services since December 2022 to meet demand.

There are environmental benefits to our open access services. Our Lumo service, which uses an all-electric fleet of trains, results in 95% fewer carbon emissions than when people fly between the two capital cities, and Hull Trains' new bi-mode fleet has lowered CO₂ emissions by 65% compared to its previous fleet.

Open access operators are commercially autonomous, and both Lumo and Hull Trains have developed a culture of innovation and customer focus.

c.40%
Revenues increasing by c.40%
in the first half of the Group's
2024 financial year

For example, Lumo launched the UK's first semi-flex ticket in August 2023, which parallels the freedom and flexibility often given by airline tickets including a fee-free change of journey and a pre-departure refund if plans change, which is another step towards encouraging a greener alternative to flying.

Furthermore, Hull Trains and Lumo are extremely reliable operators, with some of the lowest levels of self-cancellations in the industry.

Both our services generate economic benefits, not only by improving connectivity nationally, but also to local communities. Lumo employs c.100 people, with 90% recruited through apprenticeships, while Hull Trains has c.100 employees, mainly from the local area, with a culture of career development from within the organisation.

There is significant opportunity for our open access businesses in the future, both through expanding our existing routes and through submitting new applications.

We have recently submitted applications to the Office of Rail and Road ('ORR') for a new Hull Trains service between London King's Cross and Sheffield, a new Lumo Rochdale-London service, and for the extension of some of Lumo's services to Glasgow, for an additional London-Hull service on Hull Trains and an additional London-Newcastle Lumo return service. If all of these applications are successful we could potentially more than double our open access capacity over the next three to five years.

Lumo and Hull Trains were two of the best performing operators in the UK in FY 2024

Chief Executive Officer's Q&A



We will leverage our key strategic drivers to create value-accretive sustainable growth, underpinned by our strong balance sheet and disciplined capital allocation policy. 

Graham Sutherland
Chief Executive Officer

Leading the way with our new strategy

Q What led you to identify the four strategic pillars?

A During the last two years, I have seen our businesses continue to make excellent progress and to deliver day in, day out, despite a challenging external environment. This is thanks to the extremely experienced, capable, hard-working and ambitious people we have across FirstGroup at all levels, and I am very excited for our future as I know we have considerable opportunities to continue to develop our platform and to grow further, underpinned by our strong balance sheet.

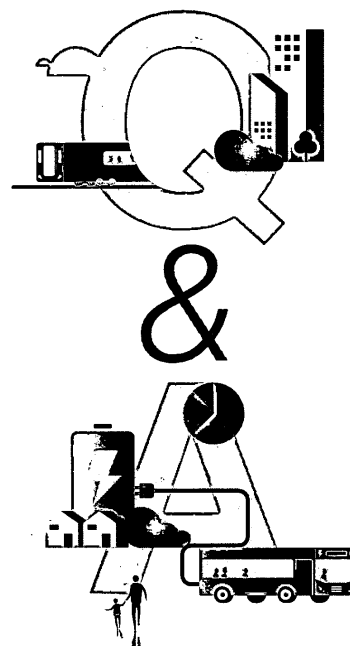
To achieve this, we have identified four key strategic pillars to drive us forward. Delivering for our customers must be at the heart of everything we do; we must encourage more people to make the switch from car and plane travel to bus and rail; we must maintain our leading position in environmental and social sustainability; and we must grow and diversify our portfolio to create more value and ensure that our business remains resilient. I am confident that if we consistently deliver on all four of these strategic pillars, we will create even more value and sustainable growth for the benefit of the Group, our people, the communities we serve, and all of our stakeholders.

 Read more on page 17

Q How did you develop the strategy and how are you implementing your new strategy across the Group?

A The strategy was agreed at our Board meetings in the summer of 2023. We followed a structured process to develop our strategies at both Group and divisional level and to ensure they are aligned. We first assessed our external environment and its implications on the Group, looked at our capital position and constraints, filtered and prioritised opportunities, and confirmed our financial and non-financial ambitions. We then developed our main Group strategic priorities and established our key divisional strategic priorities aligned to those of the Group.

I now use the four pillars as the basis of my reports to the Board ahead of every meeting. The four pillars of our strategy have also been fundamental in our internal management conferences during the year, and we have continued to communicate about the pillars in our internal and external messages since the autumn.



CEO's Q&A continued

Leading the way with our new strategy continued

Q What role does innovation play in supporting the Group's strategy?

A I firmly believe that innovation is key to further improving our performance, delivering the best possible services for our customers and ensuring we remain market leaders in bus and rail. We are already doing a great deal in this area and have plenty of scope to do more.

In First Bus, we have more granular customer data than we have ever had, and coupled with this, we are using new and innovative software tools. These are helping us to improve our service delivery, increase efficiencies and implement pricing strategies to enhance customer value, drive demand and improve yield.

We are also rapidly establishing ourselves as leaders and true innovators in bus fleet and infrastructure decarbonisation. We have formed a landmark joint venture with Hitachi and signed a pioneering Green Hire Purchase Finance Facility for buses during the year. This will provide greater financial visibility and capital efficiency and by making use of smart technologies we will be able to extend the life of our batteries, ensure we use power as efficiently as possible and unlock adjacent electrification revenue streams such as the use of our charging infrastructure by third parties.

In First Rail, the huge success of our two open access operations has demonstrated that we have the expertise to innovate and create growth in the rail sector. We are managing yield effectively, implementing successful targeted marketing campaigns and delivering good value, reliable services. All of our train operating companies are also benefiting from our affiliate businesses, including Mistral Data, and we are now successfully marketing these products to other operators and manufacturers. Finally, earlier this year we began a successful trial of a battery-only train, part of which included setting a UK battery train distance record without recharging.

Q What does 'deliver day in, day out' mean for your businesses?

A Not only do millions of people rely on us to keep them moving safely and on time, every day, but delivering a consistently reliable service is also crucial to protecting and growing our core UK business.

In First Bus, by delivering reliable services, data-driven operational and cost efficiencies and customer-centric marketing and pricing strategies we will drive profit growth, retain and win key contracts. In First Rail, by focusing on operational excellence, we will maximise the variable fees and revenue incentivisation in our National Rail Contracts, build on the success of our open access businesses and establish ourselves as a credible operator to bid for non-DfT contracts.

Q Why is modal shift a separate pillar?

A We believe that favourable demographics and changing attitudes to public transport will support growth in bus and rail travel. Modal shift also offers a huge opportunity for us to increase volumes and drive asset utilisation which will positively affect our bottom line.

Q How does the new strategy reinforce the Group's commitment to sustainability and responsible business?

A As one of the largest rail and regional bus operators in the UK, we have a huge responsibility to deliver vital services that connect people and communities, to support economic growth and help lower emissions.

We have ambitious net zero targets and must continue to work hard to deliver them. This is key to our strategy and will realise environmental, social and economic benefits not only for the Group, but for all of our stakeholders and the country as a whole.

We will lead in environmental and social sustainability through the electrification of our bus fleet and infrastructure to close the cost and funding gap that still currently exists between electric and diesel buses, and unlock what we believe is significant adjacent value. In First Rail, we will continue to deliver environmentally-friendly train travel, stimulate demand and identify underserved markets to drive modal shift and to support prosperity, growth and green jobs in the communities we serve.

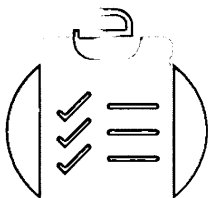
➔ [Read more on page 48](#)

Q Why is diversification important?

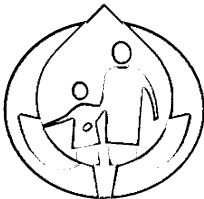
A Diversifying our portfolio is critical, both in our core and affiliate markets. We must invest to ensure our business is resilient and to create sustainable growth and value for all of our stakeholders.

To do this, we will pursue partnership and franchising opportunities in First Bus and in First Rail we will grow our open access businesses and bid for non-DfT contracts. We are also making use of our deep expertise and capabilities in both First Bus and First Rail to scale and grow their affiliate businesses.

Our strategic framework

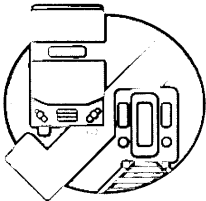


Deliver day in, day out
Deliver a consistently safe and reliable customer experience
[Read more on page 18](#)



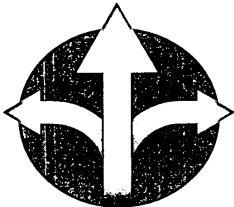
Lead in environmental and social sustainability
Deliver our decarbonisation commitments and support prosperity, growth and green jobs in the communities we serve
[Read more on page 24](#)

Our strategic pillars



Drive modal shift
Drive a step change from car and air travel to bus and train
[Read more on page 21](#)

FirstGroup's four strategic pillars, introduced at the end of 2023, will support us to drive value-accretive sustainable growth and lead the way in our sector. They are underpinned by our strong balance sheet and disciplined capital allocation policy.



Diversify our portfolio
Invest to grow and diversify our portfolio and ensure our business is resilient
[Read more on page 27](#)

Our strategic framework continued



Deliver a consistently safe and reliable customer experience

Our strategic framework continued



Deliver day in, day out
Innovating for our customers
and communities

We are focused on operational excellence as we deliver vital services for our communities and partners. We strive to provide a consistently safe and reliable customer experience, implement pricing strategies to enhance value, drive demand and improve yield, and to win and extend contracts in both Bus and Rail.

9.4%
First Bus H2 2024 adjusted operating profit margin (FY 2024: 8.3%; FY 2023: 6.5%)

96%
First Rail Lumo and Hull Trains customer satisfaction

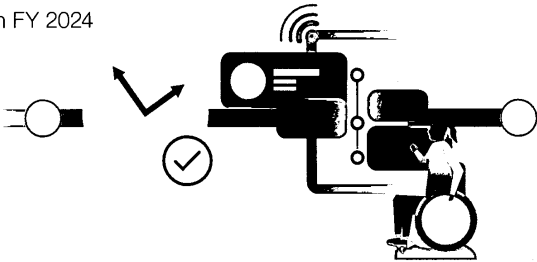
£117.6m
returned via share buyback in FY 2024

Providing the best possible
services for our partners
and communities

In First Bus, we will continue to drive operational, cost and network efficiencies, evolve our pricing strategy to enhance customer value, drive demand and improve yield, and progress the decarbonisation of our fleet and infrastructure.

In First Rail, we will maximise the variable performance-based fees in DfT contracted operations and continue to deliver savings for the DfT, build on the success of our open access operations and grow our Additional Services businesses.

- ➔ Read more about our principal risks on page 85
- ➔ Read more about our KPIs on page 30



FY 2024 highlights

- First Bus reported an adjusted operating profit margin of 9.4% in H2 2024
- Over £100m invested in First Bus decarbonisation as we progress towards the First Bus 2035 zero emissions fleet target
- Award of West Coast Partnership National Rail Contract in September 2023
- First Rail's DfT TOCs received final FY 2023 variable fee awards c.£13m ahead of amount accrued
- Hull Trains and Lumo are two of the most reliable train operators in the UK (2.2% and 2.0% of trains cancelled for any cause according to ORR Jan-Mar 2024 data)

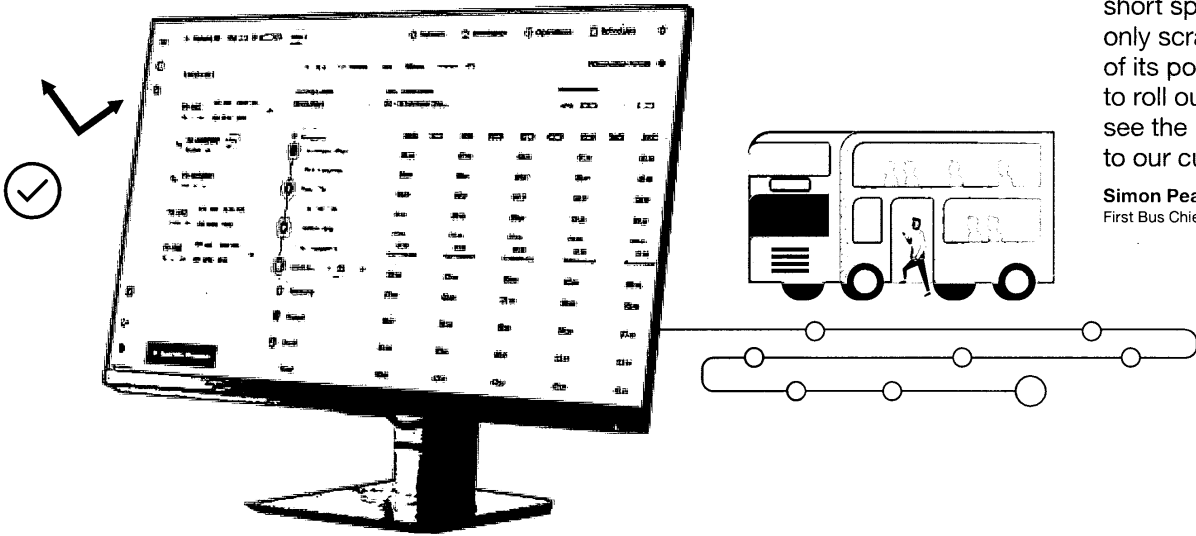
FY 2025 objectives

- Achieve an operating margin of 10% in First Bus in H2 2025
- Continue the implementation of the Prospective software across First Bus operations to drive further operational efficiencies
- Grow the First Bus market share in Adjacent Services and participate in attractive franchising and partnership opportunities
- Evaluate pipeline of value-accretive growth opportunities in line with Group's disciplined capital allocation policy
- Focus on delivery on our First Rail National Rail Contracts
- Actively pursue and execute opportunities to grow our First Rail open access businesses
- Scale the First Rail Additional Services businesses

Our strategic framework continued

Case study

Using AI to improve our bus services

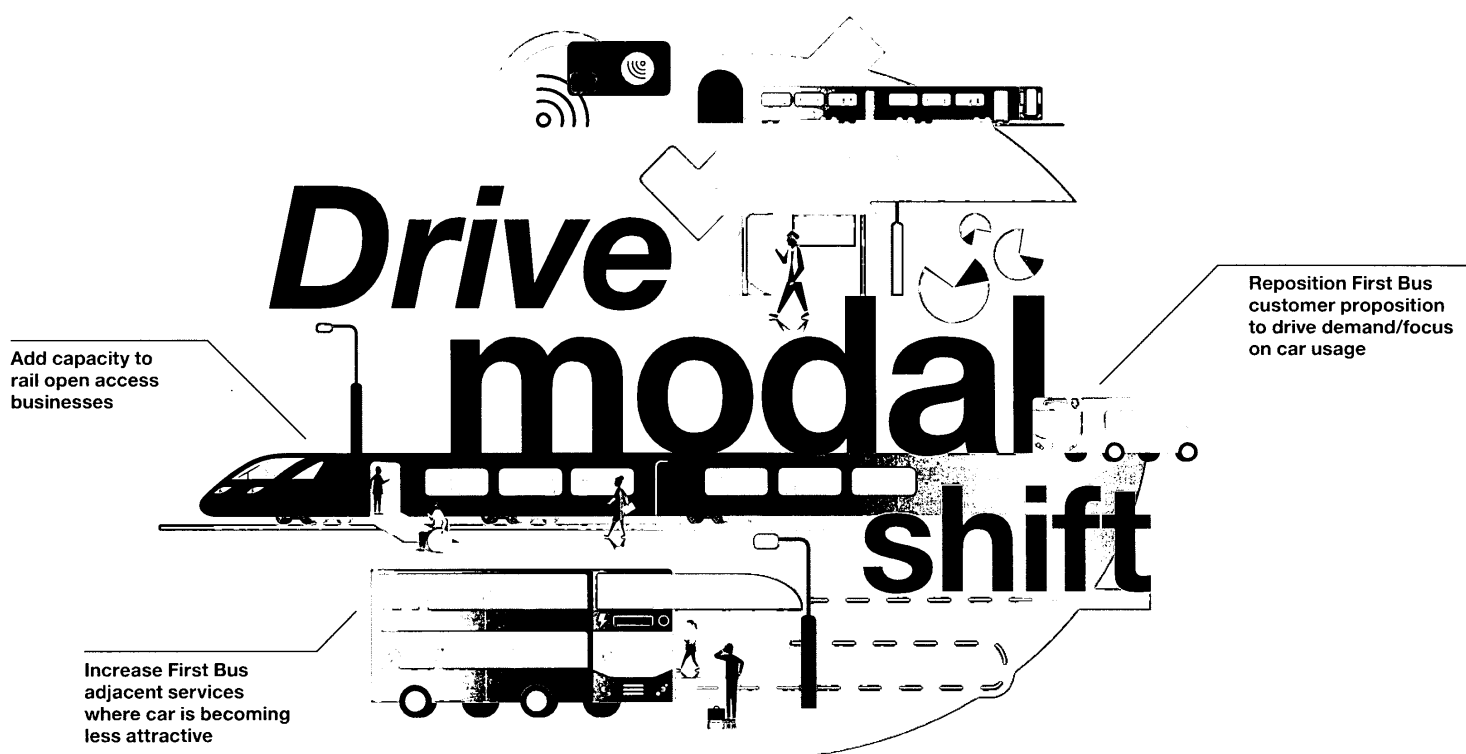


First Bus recently signed a three-year partnership with Prospective, an artificial intelligence (AI) company whose software can automatically generate optimal timetables, schedules and real-time fleet instructions. The software allows full timetables to be created or adjusted and buses to be scheduled in minutes, a process that would typically take days to complete. Passengers have experienced improved service quality, with punctuality improving considerably in many cases. Prospective's software can also be used to identify where bus priority interventions such as parking enforcement and restrictions, bus lanes, priority signals and traffic removal would have the biggest impact on travel times.

"We're not only looking to drive improvements for our existing customers, but to make bus an affordable, more reliable and attractive part of everyone's everyday transport mix. The results we've achieved in West Yorkshire and the West of England have been incredible in such a short space of time, but we're only scratching the surface of its potential. We're excited to roll out this software and see the benefits it brings to our customers."

Simon Pearson
First Bus Chief Commercial Officer

Our strategic framework continued



Drive a step change from
car and air travel to bus and train

Our strategic framework continued



Drive modal shift

Growing demand for bus and rail

We are entering the next phase of our development as we aim to drive a step change from car and air travel to bus and train. This will be supported by increasing capacity in our open access rail operations and focusing on our First Bus proposition to drive demand and increase usage.

7%

increase in First Bus passenger volumes (excluding the extra week in FY 2024)

74%

Seat capacity utilisation on Lumo in FY 2024 (Hull trains: 69%)

2.5 million

Lumo has now carried more than 2.5 million passengers since launching in October 2021

Driving modal shift from car and air travel to bus and train

We are repositioning our core customer proposition in First Bus and First Rail to stimulate demand, focusing on car usage.

This includes improving and scaling our services to match and grow demand, increasing the First Bus share in adjacent services markets where car travel will not work in the future, and building on the success of our First Rail open access operations through efficiency improvements, adding capacity and identifying new routes and markets with capacity and demand.

➔ Read more about our principal risks on page 85

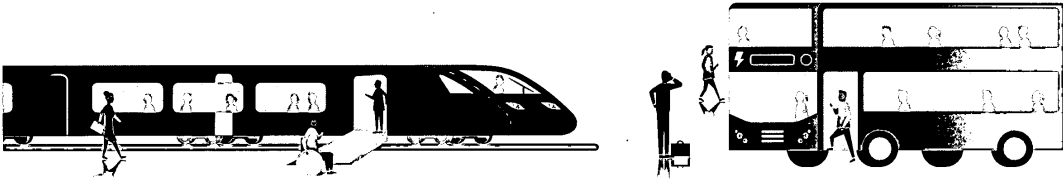
➔ Read more about our KPIs on page 30

FY 2024 highlights

- First Bus have won and extended a number of key Adjacent Services contracts during the year
- First Bus passenger volumes (excluding the extra week in FY 2024) grew by 7% compared to FY 2023
- Hull Trains has added 14% more capacity since December 2022, by introducing ten-car services to match growing demand (typically a five-car service)
- Lumo has now carried more than 2.5 million passengers since its launch in October 2021

FY 2025 objectives

- Focus on First Bus service offering to encourage more people to use the bus
- Identify further opportunities to grow our Adjacent Services portfolio in First Bus and grow patronage on our services
- Grow our First Rail open access operations to serve areas where there is proven demand, and as a result, drive modal shift to train travel



Our strategic framework continued

Case study

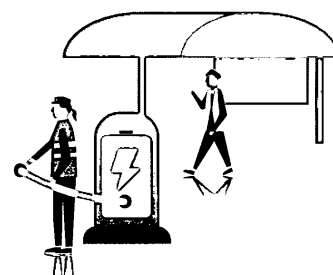


Enhanced bus partnership with Leicester City Council

In May 2022, an eight-year Enhanced Partnership Plan and three-year funded Scheme was launched in collaboration with Leicester City Council. First Bus and other operators. With c.£100m of private and public funding secured for the Scheme, the optimised multi-operator network ensures frequent and reliable services for customers. First Bus, working in conjunction with the Council and other operators, has also worked on a range of complementary projects designed to make a more efficient and accessible service for passengers with real-time information displays and an integrated website, additional bus lanes throughout the city and various fare offers.

The Partnership has an ambition for the whole city network to be electric by 2030. To date, approximately £60m has been invested in electric buses and infrastructure in the city, as illustrated at the recent analyst and investor site visit to our Leicester depot.

By the end of 2023, 116 electric buses were in operation from four charging depots, saving over 5,000 tonnes of CO₂ and by July 2024, over half of the city's network will be electric. Bus travel will not only be the environmental choice for customers, but also the most reliable mode of transport to navigate the city, with an estimated increase in modal share for bus, to 32% by 2025.

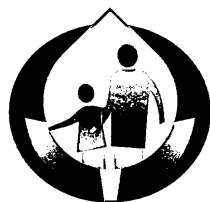


Our strategic framework continued



Deliver our net zero commitments and support prosperity, growth and green jobs in the communities we serve

Our strategic framework continued



Lead in environmental and social sustainability

A focus on sustainability

We are focused on delivering on our commitments, working to support growth and green jobs in the communities we serve and investing in and securing innovative financing for bus decarbonisation to meet our 2035 target and build out adjacent electrification opportunities.

Zero emission

First Bus now has three fully electric bus networks and c.13% of its fleet is zero emission

65%

Hull Trains has decreased CO₂ emissions by 65% following introduction of new bi-mode fleet in 2019

Real Living Wage

First Bus is the UK's largest national bus operator to receive Real Living Wage employer accreditation

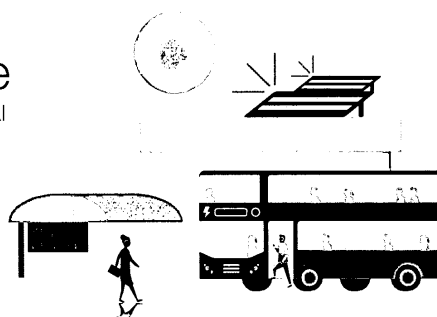
Delivering on our decarbonisation commitments and supporting our people and communities

We are rapidly establishing ourselves as a leader in decarbonisation as we progress towards our commitment of a zero emissions bus fleet by 2035 and support industry aims of removing all diesel-only trains from service by 2040.

We are successfully electrifying our bus fleet and infrastructure, including through our landmark strategic partnership with Hitachi. In Rail we are demonstrating our expertise as we lead an innovative FastCharge battery-only train trial. We are also actively supporting growth and job creation in our communities.

➔ Read more about our principal risks on page 85

➔ Read more about our KPIs on page 30



FY 2024 highlights

- c.13% of the First Bus fleet are zero emissions vehicles, and we have three fully electrified depots in England, with six further depots across the UK partially electrified
- Hull Trains has reduced CO₂ emissions by 65% following the introduction of a new bi-mode fleet in 2019
- A journey on Lumo's 100% electric fleet emits 21 times less carbon than a journey by petrol car
- £100m strategic decarbonisation joint venture with Hitachi and £150m Green Hire Purchase Financing Facility to support First Bus electrification
- First Bus received Real Living Wage employer accreditation
- FirstGroup joined the UN Global Compact
- The Group was the only UK bus and train company listed in S&P's Sustainability Yearbook in FY 2024

FY 2025 objectives

- Progress the electrification of the First Bus fleet and infrastructure and unlock adjacent earnings streams, including third party charging at our depots
- Continue the GWR fast-charge battery-only train trial in First Rail
- Publish the first Group-wide climate transition plan in line with the Transition Plan Taskforce Disclosure Framework
- Maintain strong relationships with our communities and charitable partners
- Develop new and diverse talent through our apprenticeship, recruitment and retention schemes

Our strategic framework continued

Case study

 First Bus, the UK's largest national bus operator, to be accredited as a **Living Wage employer**

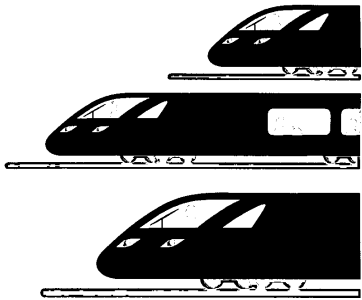
On 1 April 2024, First Bus gained Real Living Wage (RLW) employer accreditation. As a result, colleagues across the UK business in various roles will benefit from a rise in wages. Although the RLW accreditation does not require employers to include apprentices, we will also raise our apprentices' wages to the RLW level over the next 18 months, recognising the value we place on a diverse and inclusive apprenticeship population.



Case study

New environmentally friendly **Avanti West Coast fleet**

First Rail is delivering a £350m project for the DfT which will see a fleet of ten seven-car electric trains and 13 five-car bi-mode trains introduced across the Avanti Network, with the ability to switch seamlessly between electric and diesel power. The fleet upgrade is an integral part of Avanti's net-zero ambitions given that it will deliver substantial carbon emissions savings. It will also help us deliver on our wider commitment to transform the customer experience and to a more sustainable operation.

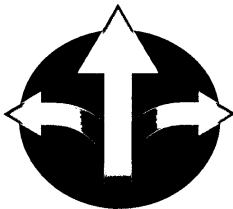


Our strategic framework continued



**Invest to grow and diversify
our portfolio and ensure our
business is resilient**

Our strategic framework continued



Diversify our portfolio
Strengthening
our business

We aim to invest to grow and diversify our earnings and ensure our business remains resilient in the long term. Our pipeline of opportunities is growing as we look at bus franchising and partnerships, rail open access opportunities, other rail contracts, and expanding Adjacent Services in Bus and Rail.

£219.8m

First Bus has grown its Adjacent Services revenue to £219.8m (FY 2023: £175.1m)

£133.5m

First Rail Additional Services gross revenue rose to £133.5m (FY 2023: £120.0m)

Cable Car

Eight-year London Cable Car contract awarded in March 2024

Growing and diversifying
our businesses for the future

In First Bus, we are actively pursuing attractive opportunities in Adjacent Services, franchising and partnerships.

In First Rail, we are working to grow our open access businesses and scale our additional services offerings, including marketing them to other industry participants. We are also pursuing further opportunities, including bidding for TfL contracts.

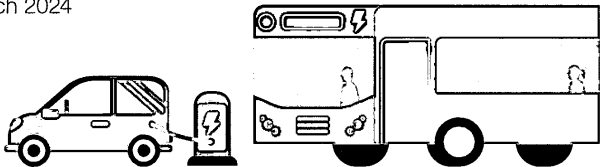
- ➔ Read more about our principal risks on page 85
- ➔ Read more about our KPIs on page 30

FY 2024 highlights

- Acquisition of York Pullman with profitable growth opportunities in adjacent services and contracted markets
- First Bus awarded Rochdale franchise contract by Transport for Greater Manchester
- Award of an eight-year contract to operate the London Cable Car on behalf of TfL
- First Rail qualified as one of four bidders with partner Keolis SA to bid for the Elizabeth Line TfL contract
- Open access applications submitted to ORR for a new Hull Trains service between London King's Cross and Sheffield, for a new Lumo Rochdale-London service, for the extension of some of Lumo's services to Glasgow and additional paths on Lumo and Hull Trains

FY 2025 objectives

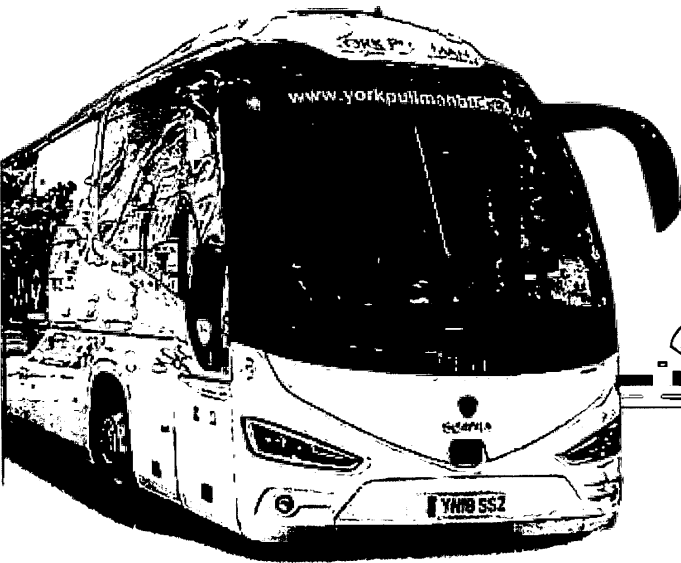
- Evaluate pipeline of complementary, value accretive bus Adjacent Services and inorganic growth opportunities
- Participate in attractive franchising and partnership opportunities in bus
- Grow the First Rail open access portfolio through enhancing existing services and identifying new routes where there is proven demand
- Scale our First Rail Additional Services businesses, including marketing them outside of our Train Operating Companies



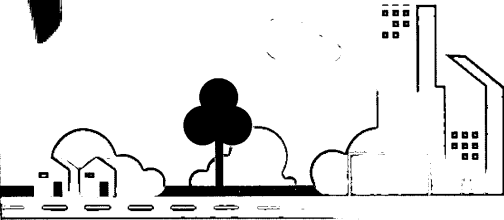
Our strategic framework continued

Case study

Acquisition of
York Pullman
Bus Company



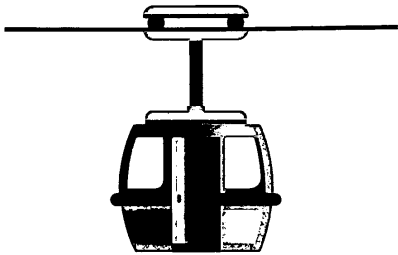
In February 2024, the Group acquired York Pullman, a high-performing business with five well-established coach services brands. It provides home-to-school and college contracted services, private hire operations and the operation of local bus routes on behalf of several local authorities, complementary to First Bus' operations in York. The acquisition fits with the Group's growth and diversification strategy as it will provide profitable growth opportunities in adjacent contracted services and commercial markets, with the opportunity for development into other locations across the UK.



Case study

Award of London Cable Car contract

In March 2024, the Group was awarded the contract by TfL to operate the London Cable Car that links the Greenwich Peninsula with the Royal Docks area on the north bank of the River Thames. It will be operated by First Rail from June 2024 for an initial five-year term, with the option for the contract to be extended for another three years. The addition of the cable car to our portfolio will allow us to make use of the First Rail team's extensive expertise and experience to grow and diversify, including through participating in TfL tenders.



Key performance indicators

The Group and our divisions focus on a range of financial and non-financial KPIs linked to our four strategic pillars to measure progress and evaluate performance over time.

We have indicated alongside each KPI which strategic pillar or pillars are linked to it. In many cases, there is a link to more than one of the strategic pillars.

Please see the strategic pillars key below.

KPIs used in the calculation of variable remuneration in FY 2024 are marked **REM**

➔ Read more on page 124

- 1 'Adjusted Operating profit' is shown before net adjusting items.
- 2 'Adjusted EPS' is shown before net adjusting items, excludes IFRS 16 impacts in First Rail management fee operations and uses the weighted average number of shares in the period.
- 3 'Adjusted net cash' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash).

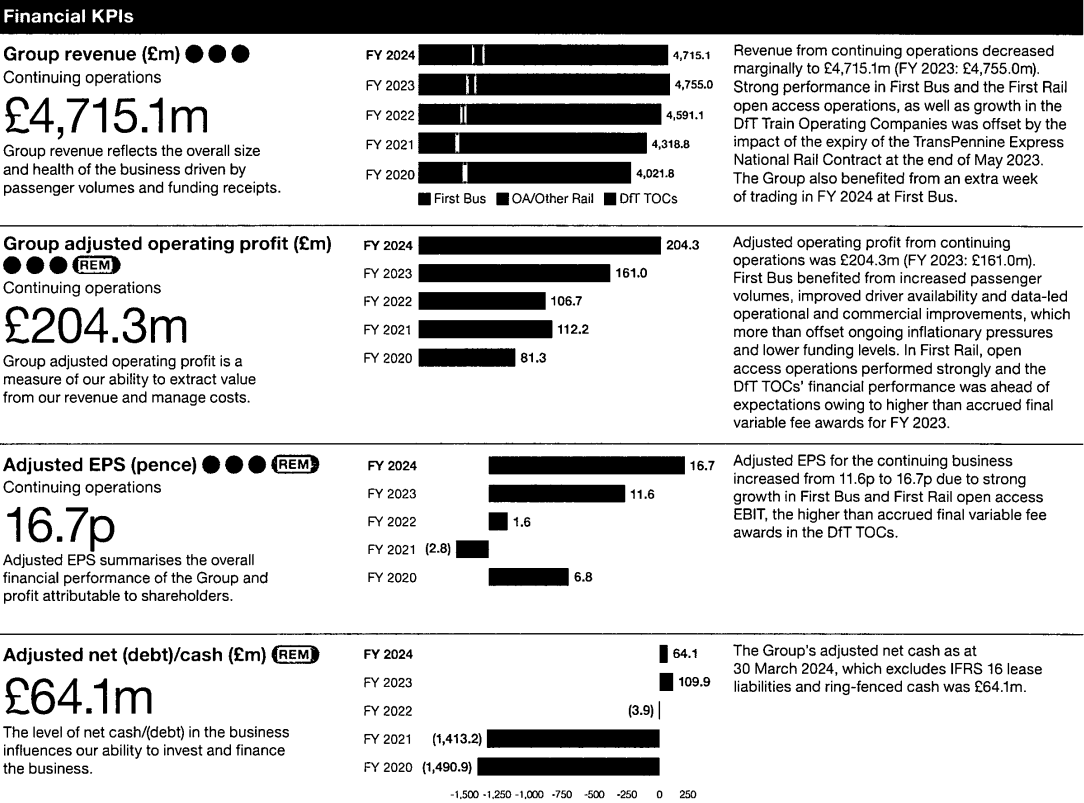
Key to our strategic pillars

Deliver, day in, day out

Drive modal shift

Lead in environmental and social sustainability

Diversify our portfolio



Key performance indicators continued

Responsible business KPIs		
Scope 1&2 emissions (tCO₂e) ●●● (REM) 695,213 tCO₂e Measures the success of our actions to combat climate change and improve local air quality by delivering low and zero emission mobility solutions and infrastructure for our customers and communities.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 695,213 684,633 739,650 704,365 957,407	During FY 2024, we have continued to drive carbon efficiencies across our operations, progressing towards our Science Based Targets, to reduce Scope 1 and 2 GHG emissions by 63% by FY 2035. The slight increase in carbon emissions over the past year was partly due to an increase in traction and bus depot electricity consumption, as well as a higher electricity emission factor compared to FY 2023.
Carbon intensity (tCO₂e/£m revenue) ●●● (REM) 159 tCO₂e/£m Normalised measure of our Scope 1, 2, 3 (limited) and out-of-scope emissions, calculated as tonnes of carbon dioxide equivalent per £m of revenue. Also linked to the Group's Revolving Credit Facility.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 159 169 185 185 265	Carbon intensity per £m revenue has improved due to ongoing decarbonisation efforts across the Group, indicating a de-coupling of GHG emissions from business growth.
Zero emission buses (% of fleet) ●●● (REM) 13.0% of bus fleet Indicates the speed of investment in decarbonising our bus fleet. Also linked to the Group's Revolving Credit Facility.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 13.0 6.0 3.3 1.1 0.3	The number of zero emission buses in our fleet continues to increase in line with our ambition to achieve a 100% zero emission bus fleet by 2035.

1 TransPennine Express was transferred to being run by the Department for Transport's 'Operator of Last Resorts' on 28th May 2023. Our carbon KPIs for all prior years were decreased to reflect this change.

2 Scope 3 is limited to categories: waste, water, business travel, and upstream transportation and distribution.

Key to our strategic pillars

Deliver, day in, day out

Drive modal shift

Lead in environmental and social sustainability

Diversify our portfolio

Key performance indicators continued

Responsible business KPIs continued		
Social value – community investment (£m) ●● £1.4m Measures the Group's contribution to local communities using the London Benchmarking Group (LGB) model which tracks direct cash contributions, employee volunteering time, in-kind support, and leverage including employee, customer and supplier contributions.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 1.4 0.62 1.58 1.32 2.91 Cash Gift-in-kind Time Leverage	This year we contributed over £1.4 million to the communities we serve. Our three divisional charity partners Railway Children, Macmillan and Samaritans are supported through gift-in-kind advertising spaces and other donations, and other community-based charities are supported via employee matchfunding, volunteering, payroll giving and other donations.
Employee lost time injury rate (per 1,000 employees) ●● 9.88 Measures the number of lost time injuries per 1,000 employees per year.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 9.88 8.97 9.70 7.68 10.68	There was an increase in the lost time injury rate (LTIR) by 10%. There were two main causes for the increase: slips, trips, and falls in both divisions, and road traffic collision (RTC) related incidents in the First Bus division. The Group's safety plans are concentrating on these areas to reduce risks and maintain a safe working environment for all employees.
Passenger injury rate (per million journeys) ●● 4.57 Historical data is restated annually to incorporate the most accurate information for the last 36 months.	FY 2024 FY 2023 FY 2022 FY 2021 FY 2020 4.57 4.60 4.88 4.99 6.84	There was a 1% reduction in passenger injuries in FY 2024. This improvement reflects several initiatives focused on raising awareness, educating employees, and utilising technology to ensure a smooth journey. Emphasising customer-centricity remains a priority for both divisions.

Key to our strategic pillars

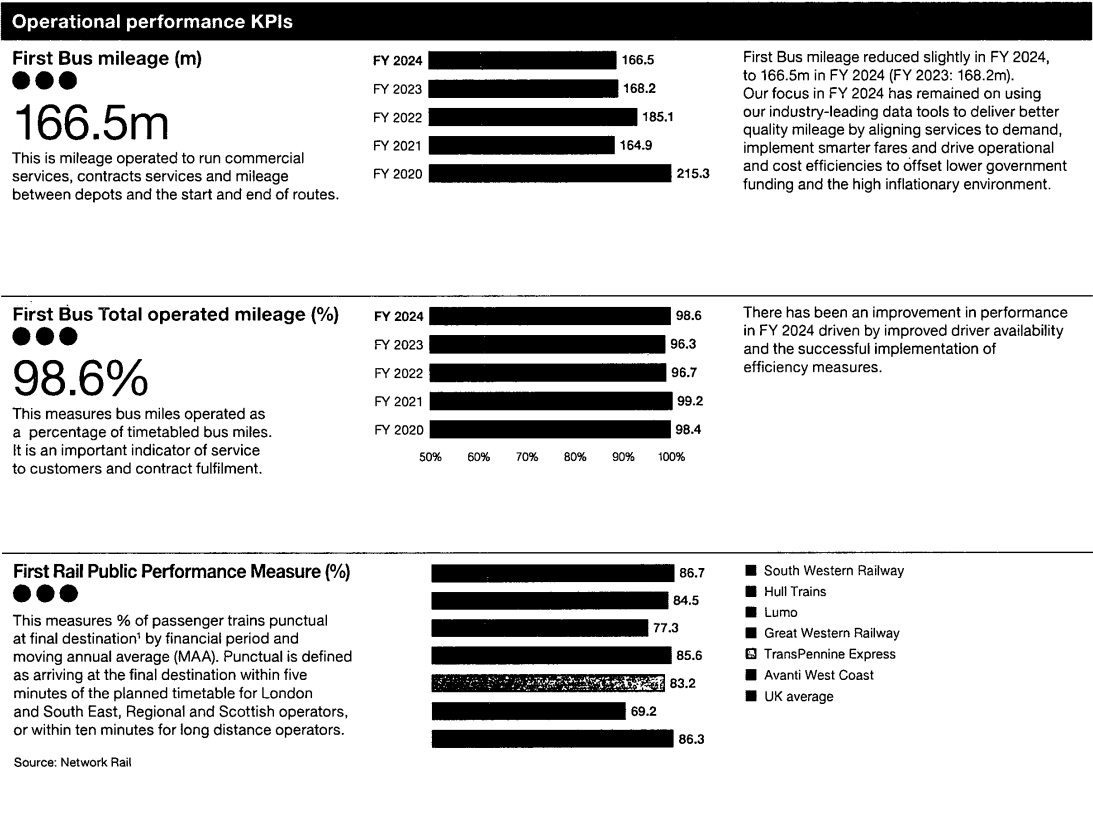
Deliver, day in, day out

Drive modal shift

Lead in environmental and social sustainability

Diversify our portfolio

Key performance indicators continued



Business review

First Bus

"

We continue to make good progress, and at the same time, grow our business and establish ourselves as a leader in bus fleet and infrastructure electrification."



Janette Bell
Managing Director, First Bus

	FY 2024 £m	FY 2023 £m	Change
Revenue	1,012.2	902.5	109.7
Adjusted operating profit	83.6	58.4	25.2
Adjusted operating margin	8.3%	6.50%	180bps
EBITDA	148.1	120.9	27.2
Adjacent Services revenue	219.8	175.1	44.7
Passenger volumes (m)	424.4	390	9%
Operational mileage (m)	166.5	168.2	-1%
Revenue per mile (£)	6.08	5.36	13%
Net operating assets	580.2	511.9	68.3
Net capital expenditure	129.4	121.8	7.6
Return on capital employed ¹	11.5%	8.3%	320bps

1 Return on capital employed is a measure of capital efficiency and is calculated by dividing adjusted operating profit after tax by average year end assets and liabilities excluding debt items.

First Bus revenue increased by 12% to £1,012.2m (FY 2023: £902.5m), mainly due to higher passenger volumes, further performance improvements and increased driver numbers resulting in lower lost mileage. This offsets a c.£40m reduction in funding. Total passenger revenue increased to £769.1m (FY 2023: £660.0m), with revenue per mile up by 13%.

Despite ongoing inflationary pressures, adjusted operating profit increased by £25.2m to £83.6m (FY 2023: £58.4m), achieving an adjusted operating profit margin of 9.4% in H2 2024, and 8.3% for the full year (FY 2023: 6.5%). The division's financial results for FY 2024 include an extra week which added c.£1.4m of adjusted operating profit.

Revenue from Adjacent Services increased to £219.8m in FY 2024 (FY 2023: £175.1m), reflecting a number of contract extensions and the contribution of Airporter and Ensignbus which were acquired by the Group in FY 2023.

Excluding the extra week in FY 2024, passenger volumes increased by 7% compared with the prior period, with total mileage down 2.9%. Volumes in FY 2024 benefited from improvements in service reliability, the free travel for Under 22s scheme in Scotland and the £2 fare cap in England which has grown patronage, mostly in markets with longer journey fares that were typically much more expensive previously.

The £2 fare cap in England was extended until 31 December 2024 to provide further support for customers and encourage more people to travel by bus. Under the scheme, operators agree a reimbursement schedule in advance with the DfT based on the projected cost to the operator for charging a flat £2 fare for journeys that would otherwise have cost more. Under the Scottish Government's Under 22s scheme, operators are reimbursed a proportion of the cost of a full adult fare.

The return on capital employed increased to 11.5% in the year (FY23: 8.3%). This reflects improvement in adjusted operating profit, partially offset by the accelerated investment in the decarbonisation of the fleet that is anticipated to increase future profitability due to lower operating costs and the benefits of adjacent revenue streams.

Operational delivery
Our focus in FY 2024 has remained on using our industry-leading data tools to deliver better quality mileage by aligning services to demand, implement smarter fares and drive operational and cost efficiencies to offset lower government funding and the high inflationary environment.

During the year, we continued our efforts to widen and enhance our recruitment reach and training processes, launching various apprenticeship schemes including our first ever such scheme for bus drivers, and we continue to invest in our workforce to improve working conditions and provide enhanced benefits. We are also making significant investment in upskilling and developing our engineers to maintain our zero emission fleet and infrastructure. We recruited c.600 new drivers during the year (a net increase of just over 6% compared to last year) which contributed to us running an improved 98.6% of our scheduled mileage (FY 2023: 97.4%).

Inflationary pressures continued in FY 2024. Costs increased due to inflation by c.6%, principally in wages where there was an 8% average increase in driver pay awards, but these cost increases were more than offset by fare pricing changes of c.£53m and network and operational efficiencies of c.£21m.

Business review continued

We were proud to be the UK's largest national bus operator to become an accredited Real Living Wage employer in April 2024, meaning that more than a thousand employees across the UK will benefit from a rise in wages.

We have fuel and electricity hedging programmes in place to mitigate in-year cost inflation and overall volatility of fuel and energy costs, and these programmes continue to evolve as we transition the First Bus fleet to zero emissions.

Using industry-leading data and tools to transform our service delivery and customer offering

Using real-time, granular data, we are now able to better understand our customers and their journeys. As a result, we can make commercial decisions which continuously improve our networks and timetables and to introduce new ticketing options that better match demand and customer preferences. First Bus was also the first nationwide operator to offer contactless, Tap On Tap Off payment on all of our buses, and c.80% of our ticket transactions are now digital.

We are also using data and software tools to improve our service delivery. During FY 2024, we rolled out Prospective, an AI platform, to all of our local business units. The platform enables automated, data-led timetables, allowing us to accurately predict congestion and journey times and plan reliable timetables based on granular data.

Drivers and the control centre teams can also communicate in real time to rectify and address issues as they unfold before implementing contingencies to alleviate pinch points around the network in certain scenarios. We have prioritised routes where improvements would have the greatest effects, and where we have made use of the platform, customers are seeing an immediate increase in punctuality



and reliability, with the added benefit of reduced lost mileage with fewer journeys needing to be adjusted.

In addition to Prospective, we are using Optibus to optimise our bus schedules and driver rosters. Alongside our on-bus technology, data feeds into our operational systems, our customer apps and real-time screens, informs our drivers and provides tracking information that allows us to analyse and improve performance. In addition, with Optibus, we have developed a module that allows us to optimise our schedules when we have a mixed fleet of diesel and electric vehicles, further reducing diesel mileage.

More people are using the bus than ever before. Our aim is to encourage these new customers to make more trips by bus, whilst also increasing bus use overall, and we will continue to develop our insight-driven customer-centric strategy and to achieve this.

Growing our share of the Adjacent Services market

Our Adjacent Services business provides services including workplace shuttles for large infrastructure projects, manufacturers and distribution companies, airport and airline contracts and rail replacement services. Revenue from Adjacent Services grew further in FY 2024, to £219.8m from £175.1m in the prior year.

Our central sales and bidding team is focused on maximising commercial return through longer-term, higher-value contracts and in FY 2024 we successfully extended a number of our key contracts and won new contracts. The business has also been bolstered by the acquisition of Ensignbus and Airporter in FY 2023 and York Pullman in FY 2024.

The adjacent bus and coach services market in the UK is considerable, and we continue to review a number of opportunities to grow the business and win further contracts leveraging our national footprint and successful track record in managing large customers effectively. We are also increasingly bidding for contracts with businesses focused on lowering carbon emissions where we are very well placed to compete, given our leading capabilities in bus fleet and infrastructure decarbonisation.

Partnerships and franchising

A number of cities outside London where we operate have expressed an interest in franchising, in addition to some where we do not currently have operations. In areas where authorities choose to progress with franchising, we are confident that we will be able to use our extensive experience of delivering high-quality bus services to support them.

We are pleased to be working with Transport for Greater Manchester (TfGM) as one of the operators within their new Bee Network. In June 2023, we were awarded two contracts in Rochdale as part of the second tranche of TfGM's franchise programme and were subsequently awarded contracts to operate

services for six schools as part of this franchise operation. We have also supported TfGM with the electrification of their Oldham depot due to our expertise in this field.

The majority of the local authorities in the areas in which we operate currently have enhanced partnerships in place, where the local transport authority commits to measures and facilities, and all operators are then bound to meet certain standards of service. Under these partnerships, all parties work together to achieve bus reform quickly and effectively.

We have seen this to full effect in Leicester, where in partnership with Leicester City Council and the city's other bus operators, we have achieved multi-operator ticketing, streamlined timetabling of services for all operators, increased reliability and improved real-time information for passengers. Alongside this, First Bus has delivered a fully electric bus fleet and operation in the city, having worked together with the council to secure ZEBRA co-funding.

Our landscape is always evolving, and getting more people to use the bus is a key part of the modal shift pillar of the Group's strategy. We will continue to adapt our business to deliver great value, and shape networks to where and when people want to travel, to serve communities and grow local economies in a sustainable way.

Regardless of the model, close partnerships with local government stakeholders are essential for the thriving local bus networks we all want to see, and we are committed to working with our partners locally and nationally to achieve this.

£219.8m

Revenue from Adjacent Services grew further in FY 2024

Business review continued

Leading in bus fleet and infrastructure decarbonisation

We are rapidly establishing ourselves as a leader in decarbonisation as we progress towards our commitment of a 100% zero emission bus fleet by 2035, underpinned by our strong balance sheet and the ownership of our depots.

We invested over £100m in decarbonisation in FY 2024 and now have c.600 zero emission buses, c.13% of our fleet, and three fully electric depots in England, and six further depots across the UK partially electrified.

We have now installed solar panels at 24 of our depots to power lighting, heating and engineering bays, reducing costs and demands on the local grid. We are also making good progress securing power for our sites and are identifying a number of ways to optimise our overall energy use. These include reducing our energy consumption at certain times to avoid spikes in consumption, scheduling our charging in cheaper hours and depending on the next day's route requirements as well as energy trading/grid support services.

We now have more than 600 charging outlets across our sites and have successful third party charging arrangements underway with DPD, Openreach and various public services providers at four of our depots. We have also recently opened a purpose-built hub at our Summercourt depot in Cornwall, providing direct access for the public to eight rapid chargers.

In November 2023, we announced our landmark £100m strategic joint venture with Hitachi to finance up to 1,000 electric bus batteries, and in January 2024 we announced that we had signed an innovative £150m Green Hire Purchase Finance Facility with a syndicate of three UK banks to support the purchase of up to 1,000 electric bus bodies. These initiatives allow us to purchase electric buses and batteries targeting increased battery efficiency, potentially extending battery life with the use of smart charging software, and, under the terms of the Hitachi joint venture we will retain much of the residual value in the batteries as they are replaced with material second-life value.

Looking ahead, through our option to participate in a small non-controlling interest in Hitachi ZeroCarbon ('H2C'), we will have the opportunity to create future value, leveraging our experience in significant fleet electrification as H2C delivers market-leading decarbonisation solutions to transport operators worldwide, applying our joint experience.

Through the Hitachi joint venture, to date c.400 electric bus batteries have been acquired for First Bus and we are working in partnership with H2C to mobilise various depots to make use of their battery and charging and management services. H2C have also recently announced that they have been chosen as a principal partner in Gridserve's Electric Freightway project, which will see at least 140 electric Heavy Goods Vehicles integrated into a charging network across key motorway charging sites and more than ten commercial depot charging locations.



600+

We have more than 600 charging outlets across our sites and have successful third party charging arrangements underway with DPD, Openreach and various public services providers

In March 2024 we announced that we had worked successfully with our local authority partners to secure £16m through the UK Government's ZEBRA 2 co-funding scheme to support bus and fleet decarbonisation across four of our regions.

Following the completion of our latest ongoing electrification projects, we will operate more than 800 zero emission vehicles, c.18% of our fleet. We have also bought power connections to another 15 of our depots and construction works are underway. In addition, we are working with two of our vehicle manufacturers on diesel re-power projects to convert diesel vehicles to electric at the point of the diesel engine change (generally midway through the life of the bus), which if successful will be an incremental part of our decarbonisation strategy.

We are now seeing the benefits of operating fully electric bus depots and have no doubt that the electrification of our fleet and infrastructure will further transform our business and provide a number of value accretive adjacent revenue streams. It will allow us to standardise and reduce the size of our fleet to drive efficiency and lower engineering costs whilst delivering the same mileage, and by making use of smart charging software we will be able to optimise our energy use, increase battery efficiency and potentially extend battery life.

Looking ahead

In FY 2025, we expect to achieve progressive growth against FY 2024. We will continue to benefit from the actions we have taken to transform the business and further growth in Adjacent Services, making steady progression towards a 10% adjusted operating profit margin, which we anticipate we will achieve in H2 2025.

Looking further ahead, the transformation of the First Bus business is delivering stronger foundations with a simplified, more efficient operating model. We are also set to benefit from electrification efficiencies and adjacent revenue streams, and from potential inorganic franchising, partnership and inorganic growth opportunities. This provides scope for revenue and earnings growth. Underpinning this, we believe that despite short-term economic challenges, government policy, favourable demographics and environmental and societal trends will support growth in the regional bus sector.

Business review continued

First Rail

"We are focused on operational delivery, building on the success of our open access operations, seeking new contract opportunities and scaling our Additional Services businesses."



Steve Montgomery
Managing Director, First Rail

	FY 2024 £m	FY 2023 £m	Change
Revenue from DfT TOCs	3,609.2	3,805.6	(196.4)
Revenue from open access and additional services	233.2	190.8	42.4
Intra-divisional eliminations	(104.0)	(103.2)	(0.8)
First Rail Revenue	3,738.4	3,893.2	(154.8)
Adjusted operating profit from DfT TOCs	105.6	93.3	12.3
Adjusted operating profit from open access and Additional Services	37.7	31.5	6.2
First Rail adjusted operating profit	143.3	124.8	18.5
Passenger journeys (m) – DfT TOCs	271.6	261.2	10.4
Passenger journeys (m) – open access operations	2.7	2.2	0.5
Passenger journeys (m) – total	274.3	263.4	10.9

The First Rail division reported total revenue of £3,738.4m in FY 2024 (FY 2023: £3,893.2m). The division's open access operations contributed £99.8m in revenue for the period, an increase of 41% against the prior year (FY 2023: £70.8m). The division's Additional Services businesses delivered gross revenue of £133.4m (FY 2023: £120.0m) before intra-divisional eliminations, and adjusted operating profit of £3.3m (FY 2023: £11.9m).

During H1 2024, the final variable fee payments due for the FY 2023 fiscal year from the DfT TOCs were agreed with the DfT at a rate ahead of the amounts accrued in the Group's FY 2023 financial statements (c.£13m). As a result, the DfT TOCs reported an increase in adjusted operating profit for the full year, to £105.6m (FY 2023: £93.3m). The division's statutory operating profit for FY 2024, rose to £143.3m (FY 2023: £124.8m).

At the beginning of FY 2024, the variable fees metrics were updated to place a greater weighting on quantified measures, rather than qualitative measures that rely on a subjective assessment of an operator's performance and these are now assessed on a bi-annual basis by the DfT.

The Group does not anticipate a material impact on overall, final variable fee awards and net income as a result of these changes.

Rail attributable net income from the DfT TOCs – being the Group's share of the post tax management fee income available for distribution from the GWR, SWR and WCP contracts with the DfT – was £39.5m (FY 2023: £38.7m). The Group receives an annual inter-company remittance from the DfT TOCs reflecting the post-tax net management and performance fees from the prior year. These become payable up to the Group in the second half of the financial year following completion of the management fee-based operations' audited accounts for the period to which the fee relates.

As a result of high passenger booking volumes and positive yield management, including inflationary increases in fares that were partially offset by inflationary cost pressures, the division's open access operations – Hull Trains and Lumo – delivered a further increase in adjusted operating profit, to £30.0m (FY 2023: £19.6m).

To address energy cost inflation and mitigate the long-term impact of electricity costs, our TOCs are members of industry buying groups. For our open access operations, electricity costs represent a material proportion of their total costs, and these have increased by c.71% in FY 2024 to £13.2m. Electricity costs are expected to decrease from these peak levels with recent reductions in energy prices.

Continued focus on delivery in our DfT TOCs

Our three DfT TOCs operate under NRCs, under which the DfT retains substantially all revenue and cost risk (including for fuel, energy and wage increases). There is a fixed management fee and the opportunity to earn an additional variable fee. The punctuality and other operational targets required to achieve the maximum level of variable fee under the contracts are designed to incentivise service delivery for customers. During FY 2024 the DfT introduced some revenue upside potential for operators, with a Revenue Outturn Mechanism ('ROM') within the quantitative variable fee metrics. The ROM represents an incremental fee opportunity for the Group if we are able to grow the revenues of the NRC contracts within certain thresholds.

In September 2023 we were awarded an NRC for the WCP which is a partnership between FirstGroup (70%) and Trenitalia UK Ltd (30%). WCP comprises Avanti West Coast and West Coast Partnership Development (WCPD), the shadow operator for the HS2 programme, which involves the development, mobilisation and eventual operation of high-speed services under Phase 1 of the HS2 programme. The NRC is for nine years, to October 2032, with a minimum three-year core term to 18 October 2026.

Business review continued

Our team at Avanti West Coast, and everyone connected with the train operator, are all working hard with a singular focus on delivering the service that customers expect. We have reached an agreement with trade unions on the incremental use of rest day working, which helps to support operational resilience. We also continue working with government and other stakeholders on our plans to deliver long-term improvements in customer experience and resilience, and a new fleet of trains backed by £350m of private sector investment entered passenger service on 2 June 2024. We are also continuing to undertake unprecedented levels of driver recruitment and training to help sustain good performance.

Continued outperformance in open access

First Rail's two open access operations, where we bear all revenue and cost risk and opportunity, have continued to outperform expectations in FY 2024 due to strong leisure demand and effective yield management. Hull Trains and Lumo were also two of the best-performing operators in England, with operator-related cancellations below 1%.

Hull Trains was launched in September 2000 and, following three contract extensions, has a track access agreement in place until December 2032. Following a successful targeted marketing campaign, Hull Trains saw an increase in business travellers during the year and increased capacity (by 14% since December 2022) to match demand, running a ten-car operation at peak demand times (typically a five-car service). Seat capacity utilisation has also continued to grow, from 59% in FY 2023, to 69% in FY 2024, and Hull Trains reported a 40% increase in revenue in FY 2024, to £45.1m (FY 2023: £32.1m).

By year end, Lumo has now carried more than two and a half million passengers since its launch in October 2021 and has a track access agreement in place to May 2033. Lumo has contributed to increased demand for all operators on the East Coast Mainline and has continued to see strong demand for its services during FY 2024. Profit growth has been driven predominantly by improving demand and effective yield management, whilst still offering competitive prices. Revenue increased by 42% to £54.7m in FY 2024 (FY 2023: £38.6m), and seat capacity utilisation has risen to 75% from 71% in the prior year.

Our open access businesses are successfully delivering good value, reliable, environmentally friendly services for customers and contributing to their local economies. Travelling by Hull Trains has been shown to reduce carbon emissions by 90% compared to travelling the same distance by car, and a recent independent study has forecast that Hull Trains will have delivered £185-380m of economic benefits since its launch. Independent research has shown that a London to Edinburgh journey on Lumo's fully electric train fleet results in 95% fewer carbon emissions than flying and emits 21 times fewer emissions than a petrol car. Lumo has also been forecast to contribute £470-740m to the UK economy between 2021 and 2033 including £21-43m from direct employment, £130-365m from environmental modal shift benefits and fare savings of c.£185m.

Expanding our open access operations We are growing our open access business by adding capacity, driving operational efficiencies, enhancing timetables and applying for new and complementary routes where there is proven demand and capacity. As mentioned above, since December 2022 we have added 14% more capacity to our existing Hull Trains service, and we launched an enhanced Sunday service with the launch of the December 2023 timetable.

In January 2024, we submitted an application to the ORR for a new Hull Trains London-Sheffield daily return services. This would be a competitively priced service which will stimulate modal shift from road to rail, as almost three quarters of trips between London and Sheffield are currently made by car. If our application is successful, we anticipate that services could commence in calendar year 2026, subject to stakeholder agreement,

In May 2024 we submitted an application to the ORR for six new Lumo daily return services between Rochdale and London which would restore a direct link from Rochdale to London, via Manchester Victoria which last ran in 2000. It is estimated that this new service would provide 1.6m people in the North West with a convenient and competitively priced direct rail service to London from stations that are more local to them. If the application is approved, it is anticipated that services could begin in calendar year 2027.

In addition, following successful discussions with Network Rail Scotland and Transport Scotland, we have also now submitted a formal application to the ORR for the extension of a number of Lumo's daily services to and from Glasgow. We have also submitted applications for an additional, eighth return service on Hull Trains between London King's Cross and Hull and for an additional, sixth return Lumo service between London King's Cross and Newcastle.

Scaling our Additional Services businesses

During the year, we continued to make use of our in-house expertise to develop, market and deploy our affiliate services. These services were initially developed to strengthen our offering to passengers on our large passenger rail operations, but they are now being marketed to, and used by, third party operators.

Our analytics business Mistral Data was launched in 2021 and now has 14 software systems in operation built on native cloud technology, allowing them to be quickly deployed whilst also ensuring security and scalability. Mistral's product focus areas include rail operations, staff communications, customers (single view of customer transactions with personalised marketing and train running messages), revenue management, remote asset management and business intelligence. In FY 2024, product releases have included an email alert service for customers and a personalised messaging service for front-line staff that sends operational messages including the location of passengers who may require assistance whilst the train is moving, and any other relevant information. Mistral also sold a first product to a major train manufacturer.

Our First Customer Contact passenger service centre was established in 2019 as a bespoke contact centre providing efficient and effective customer services for train operators. The shared passenger service centre operates at a lower cost than our previous outsourcing arrangements and provides a single service for customer queries across several rail operations, and like Mistral, offers potential third-party opportunities. During the year, the team continued to support our TOCs, as well as TransPennine Trains, processing delay repay claims and passenger assistance bookings with quick turnaround times.

Our First Rail Consultancy team has experience built up over three decades. In FY 2024, the team continued to support WCPD on HS2 and other key projects in other TOCs. First Rail Consultancy was also recently one of a small number of consultants appointed by the DfT to its £600m STARThree framework to advise on the delivery of key rail, road and aviation projects, and we were very pleased to have

Business review continued

been selected to support a high-quality consortium bid for the design, build and operation of a new high-frequency electrified inter-city rail service, a major infrastructure rail project between Quebec City and Toronto.

The installation of our evo-rail track-to-train superfast rail 5G technology on a section of the SWR network between Basingstoke and Earlsfield is near completion. We undertook a strategic review of evo-rail's future earlier this year, and while we are fully committed to installing, commissioning and maintaining evo-rail's current projects, including the SWR installation, we will not be actively developing any further evo-rail projects.

Improving customer experience

Our train companies continue to work collaboratively with industry partners and stakeholders to enhance our service offering.

During FY 2024, Avanti teamed up with tech innovator Signalbox to create a customised live train app for travellers, and their innovative low-cost, flexible Superfare has continued to see strong demand and has recently been extended to more destinations. Lumo has also introduced a new, flexible ticket option, LumoFlex, a digital-only ticket with benefits that include reserved seating and a fee-free change of journey. Both GWR and SWR have also successfully introduced smartcards and digital ticketing in parts of their networks.

Our DfT TOCs also delivered a number of station improvement programmes in partnership with the DfT, Network Rail and local authority partners. GWR is helping to deliver the MetroWest project in Bristol to generate more than a million new rail journeys and give 80,000 more people access to train services in the greater Bristol area, including the new Portway Park & Ride station. GWR has also worked with their partners to deliver new stations in Reading and Exeter as well as

a number of accessibility improvements, including a £1m package at Chippenham station. SWR's Island Line fully reopened in 2023 following a £26m investment programme to re-connect the service with ferries.

Fleet upgrades

First Rail has an important role in meeting the challenges of climate change, and we are working with our partners to reduce carbon emissions through initiatives including the introduction of electric trains to replace diesel where possible.

Avanti took delivery of the first of its new train fleet following an investment of £350m in ten electric-only trains and 13 bi-mode trains that can run under both electric and diesel power. These will replace Avanti's diesel-only Voyager trains, leading to a 61% reduction in carbon emissions as well as providing a quieter and roomier service, more reliable Wi-Fi, wireless charging and a real-time customer information system. The programme to refurbish Avanti's electric Pendolino fleet through a £117m investment programme has also continued and is delivering a step change in onboard customer experience. In H1 2024, SWR started its phased introduction of a new fleet of 90 Alstom Class 701 trains and will continue to introduce the trains into service during FY 2025.

Finally, earlier this year GWR began a successful trial of a battery-only train, part of which included setting a UK distance record for a battery train without recharging.

TfL contracts

As part of our drive to grow and diversify our First Rail portfolio, we are identifying non-DfT contract opportunities. Building on our existing relationship with Transport for London ('TfL'), having operated trams in Croydon for a number of years, in March 2024, we announced that we

had been awarded the contract to operate the London Cable Car by TfL. The contract commences on 28 June 2024 and we estimate revenues of c.£60m over the eight-year contract period. We look forward to supporting TfL in its vision to promote the cable car as a leader in London's leisure market and to make use of the opportunity to demonstrate our expertise. First Rail has also been shortlisted with our bid partner Keolis SA to bid for the Elizabeth Line contract, and we look forward to submitting a compelling bid that demonstrates our collective experience and breadth of capabilities.

Rail policy

Both Conservative and Labour parties have put forward proposals for the future of the UK rail industry. Although there are significant differences, both parties are promoting the development of a 'guiding mind' industry body, named as Great British Railways in the Government's Plan for Rail document. Labour has said that if elected they will "fold existing private passenger rail contracts into the new body as they expire". Looking at the industry as a whole, the huge growth in passengers and significant improvements to stations and rolling stock that train companies delivered under franchise agreements before the pandemic, including those under our stewardship, demonstrates that the UK rail industry works best as a public-private partnership. Furthermore, companies such as ours bring private investment and focus on cost control to an industry that needs it; our businesses have saved more than £230m for the DfT in the last two years alone.

We have been one of the largest UK rail operators for more than 25 years, during which we have worked successfully with a wide range of partners under various forms of contract types and delivered a number of significant rail infrastructure projects. We know that growth

and innovation are key for the future of the railway and are committed to working with our government partners to provide competitive, sustainable and improved services for all passengers and communities.

Looking ahead

In First Rail, we expect the division's financial performance to be broadly in line with our expectations in FY 2025, including growth in open access and a normal level of variable fee awards in the DfT TOCs (c.two thirds of the maximum available).

Looking beyond FY 2025, despite political uncertainty surrounding NRCs, we will maintain our focus on delivery and will capitalise on opportunities to make use of our extensive experience and expertise to grow our UK open access business, scale our Additional Services businesses and participate in other UK opportunities. We will also continue to monitor opportunities for new open access entrants in the European rail market where there are similar regulatory frameworks and commercial models to the UK.

If approved, the applications we have recently submitted for new and extended open access services could more than double our open access capacity over the next three to five years. If our application for the new Hull Trains London-Sheffield service is successful, we anticipate that services could commence in calendar 2026, subject to stakeholder agreement, and for the Lumo Rochdale-London service, we currently anticipate a start date in calendar year 2027.

Financial review



Further progress in both First Bus and First Rail has resulted in a material increase in our adjusted earnings per share, from 11.6p in FY 2023 to 16.7p in FY 2024. 

Ryan Mangold
Chief Financial Officer



Capital allocation guidance

Investment	■ Group: interest of £50-55m, includes DfT TOCs interest of c.£40m ■ First Bus: c.£120m net cash capex for FY 2025, mostly on electrification; includes estimated capex saving of c.£15m from the Hitachi joint venture; we continue to evaluate a pipeline of inorganic growth, franchising and partnership opportunities ■ First Rail: continues to be cash capital-light, with any capital expenditure required by the management fee-based operations fully funded under the new contracts; business development and open access costs of £5-10m are anticipated in FY 2025
Growth	■ Actively reviewing adjacent organic and inorganic opportunities where this creates value for shareholders and exceeds the Group's cost of capital
Returns for shareholders	■ Progressive dividend policy c.3x cover of Group adjusted earnings; paid c.1/3 interim and 2/3 final dividend ■ Final dividend of 4.0p per share proposed, subject to shareholder approval ■ Subject to growth investment, balance sheet flexibility may allow for additional shareholder returns
Balance sheet	■ Less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA target in the medium term ■ FY 2025 year end adjusted net cash of £40-50m before any inorganic growth capital deployment

	53 weeks to 30 March 2024			52 weeks to 25 March 2023		
	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %
First Bus	1,012.2	83.6	8.3	902.5	58.4	6.5
First Rail	3,738.4	143.3	3.8	3,893.2	124.8	3.2
Group items/eliminations ²	(35.5)	(22.6)		(40.7)	(22.2)	
Continuing operations	4,715.1	204.3	4.3	4,755.0	161.0	3.4
Discontinued operations ³	-	(1.9)	n/a	4.0	(6.6)	n/a
Total	4,715.1	202.4	4.3	4,759.0	154.4	3.2

1. 'Adjusted' figures throughout this document are before adjusting items as set out in note 4 to the financial statements. The statutory operating profit including discontinued operations for the year was £41.2m (FY 2023: £185.2m) as set out in note 5.
2. Includes elimination of intra-group trading between Bus and Rail divisions, central management and other items.
3. Discontinued operations relates to the Group's residual Greyhound US activities.

Revenue

Revenue from continuing operations decreased marginally to £4,715.1m (FY 2023: £4,755.0m). The Group saw strong performance in First Bus and the open access Rail business, as well as growth in the DfT TOCs although this was offset by the impact of the non-renewal of the TransPennine Express NRC at the end of May 2023. The Group also benefited from an extra week of trading in FY 2024 at First Bus.

Adjusted operating performance

Adjusted operating profit from continuing operations was £204.3m (FY 2023: £161.0m). First Bus benefited from increased passenger volumes, improved driver availability and data-led operational and commercial improvements, which more than offset ongoing inflationary pressures and lower funding levels. In First Rail, open access operations performed strongly underpinned by strong demand and effective yield management more than offsetting inflationary pressures. The DfT TOC business was ahead of expectations owing to higher than accrued final variable fee awards for FY 2023.

Central costs were in line with the prior year at £(22.6)m. The net impact to operating profit of IFRS 16 in the year was £47.7m (FY 2023: £41.9m), with the increase driven mainly by the award of the GWR NRC and the related rolling stock leases.

Adjusted earnings from continuing operations were £110.7m (FY 2023: £85.6m), driven by stronger adjusted operating profit performance across the business, partly offset by a higher taxation charge as a result of the increase in the corporation tax rate.

Financial review continued

	53 weeks to 30 March 2024 Adjusted earnings £m	52 weeks to 25 March 2023 Adjusted earnings £m
First Bus adjusted operating profit	83.6	58.4
First Rail adjusted operating profit	143.3	124.8
Group central costs (operating profit basis)	(22.6)	(22.2)
Group adjusted operating profit	204.3	161.0
Interest	(65.3)	(56.8)
Profit before tax	139.0	104.2
IFRS 16 DfT contracted TOCs adjustment ¹	10.2	6.9
Taxation	(32.0)	(20.4)
Non-controlling interest	(6.5)	(5.1)
Group adjusted earnings¹	110.7	85.6

¹ The Group has revised its definition of adjusted earnings, to also exclude the impact of IFRS 16 depreciation and interest charges in relation to its First Rail – DfT contracted TOCs operations, given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

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

	53 weeks to 30 March 2024 £m	52 weeks to 25 March 2023 £m
First Bus EBITDA ¹	132.5	105.0
Attributable net income from First Rail DfT contracted TOCs ²	39.5	38.7
First Rail – Open Access and Additional Services EBITDA ¹	37.6	32.5
Group central costs (EBITDA basis ¹)	(21.8)	(21.2)
Group EBITDA adjusted for First Rail DfT contracted TOCs¹ management fees	187.8	155.0

¹ IAS 17 basis.

² A reconciliation to the segmental disclosures is set out in note 4.

Reconciliation to non-GAAP measures and performance

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

The principal adjusting items in the year are as follows:

First Bus pension settlement charge and related items

In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Schemes and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £146.9m were recognised in the period for the settlement charge and related

termination costs. A gain of £161.0m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Legal claims in North America and the UK

The Group has recognised legal provisions relating to claims in North America and the UK.

Adjusting items – discontinued operations were:

First Transit earnout

The final valuation of the First Transit earnout contingent consideration receivable was agreed and settled during the year, with the Group receiving cash of \$83.8m (£65.3m). The Group incurred an adjusting charge of £2.3m, reflecting the hedging of the cash receipt, translation of the US dollar asset into pounds sterling before settlement, partially offsetting the write-off of the residual asset on settlement.

In the prior year, the principal adjusting items in relation to the continuing business were as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Strategic items

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives following the exit from North America, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £(1.5)m relating to the continued winding down of Greyhound Canada operations were incurred during the prior year.

Adjusting items – discontinued operations were:

First Transit earnout

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., in the prior year the Group estimated its earnout consideration to be around \$88.5m (£72.3m) based on the information received on the sale by EQT. This gave rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

Gain on disposal of properties

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

Financial review continued

Group statutory operating profit

Statutory operating profit from continuing operations was £46.5m (FY 2023: £153.9m) with the positive underlying business performance being offset by the £146.9m charge recognised as a result of the termination of participation of the Local Government Pension Schemes at First Bus with an offsetting £161.0m gain in the Condensed Consolidated Statement of Comprehensive Income.

Finance costs and investment income

Net finance costs from continuing operations were £65.3m (FY 2023: £56.8m) with the increase principally due to IFRS 16 interest costs which were £62.1m (FY 2023: £50.6m), mainly arising in First Rail.

Profit before tax

Statutory loss before tax was £(18.8)m (FY 2023: profit before tax of £97.1m), after the Local Government Pension Scheme (LGPS) pension settlement and related charges. Adjusted profit before tax as set out in note 4 to the financial statements was £136.8m (FY 2023: £97.9m) including discontinued operations.

Tax

The tax charge, on adjusted profit before tax on continuing operations for the year was £32.0m (FY 2023: £20.4m), representing an effective tax rate of 23.0% (FY 2023: 19.6%). The rate has increased in the current year because of an increase in the underlying corporation tax rate in the UK. There was a tax and remeasurement of tax losses. The total tax credit, including tax on discontinued operations, was £15.0m (FY 2023: charge of £33.4m). The actual tax paid during the year was £2.2m (FY 2023: £1.0m).

The ongoing Group's effective tax rate is expected to be broadly in line with UK corporation tax levels being 25%.

Adjusted cash flow

The Group's adjusted cash flow of £(167.7)m (FY 2023: £28.0m) in the year reflects positive cash flow from operations of £626.6m (FY 2023: £644.8m) including the net receipt from terminating participation in the Local Government Pension Schemes in First Bus, First Transit earnout proceeds and proceeds from the disposal of property, plant and equipment. This is offset by net capital invested in the business, mainly in decarbonisation in First Bus and acquisitions, as well as the repayment of lease liabilities, dividends paid and purchases of shares under the share buyback programme. The adjusted cash flow is set out below:

	53 weeks to 30 March 2024 £m	52 weeks to 25 March 2023 £m
EBITDA	585.6	755.8
Other non-cash income statement charges	13.7	10.9
Working capital	(106.1)	(101.3)
Movement in other provisions	(27.9)	(33.0)
Increase in financial assets/contingent consideration receivable	23.7	–
Settlement of foreign exchange hedge	(1.1)	(1.2)
Pension inflow in excess of income statement charge/LGPS refund	138.7	13.6
Cash generated by operations	626.6	644.8
Capital expenditure and acquisitions	(236.0)	(208.5)
Proceeds from disposal of property, plant and equipment	42.8	147.8
Proceeds from capital grant funding	94.8	144.2
Proceeds from contingent consideration	65.3	–
Net proceeds from disposal of businesses	–	2.0
Interest and tax	(67.6)	(64.6)
Shares purchased for Employee Benefit Trust	(16.5)	(15.3)
Share repurchases from buyback programme including costs	(117.6)	(31.6)
External dividends paid	(29.5)	(14.7)
Dividends paid to non-controlling shareholders	(6.5)	(5.1)
Settlement of foreign exchange hedge	4.1	(12.5)
Fees for finance facilities	(1.4)	–
Lease payments now in debt	(526.2)	(557.5)
Adjusted cash flow	(167.7)	28.0
Foreign exchange movements	3.4	(4.0)
Net (inception)/termination of leases	(237.5)	(1,231.8)
Lease payments now in debt	526.2	557.5
Other non-cash movements	(0.1)	0.2
Movement in net debt in the period	(124.3)	(650.1)

Financial review continued

EPS

Total adjusted EPS from continuing operations was 16.7p (FY 2023: 11.6p). Basic EPS was (2.4)p (FY 2023: 11.8p).

Shares in issue

As at 30 March 2024, there were 625.4m shares in issue (FY 2023: 707.8m), excluding treasury shares and own shares held in trust for employees of 125.3m (FY 2023: 42.8m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the year was 662.9m (FY 2023: 739.5m).

Dividend

The Board is proposing that a final dividend of 4.0p per share, resulting in a total dividend payment of c.£24.3m, be paid on 23 August 2024 to shareholders on the register at 19 July 2024, subject to approval of shareholders at the 2024 AGM.

Capital expenditure

Non-First Rail capital expenditure was £201.1m (FY 2023: £151.2m), comprising First Bus £200.8m and Group items £0.3m (FY 2023: First Bus £120.3m and Group items £1.0m). In the year, the First Bus average fleet age was 9.0 years (FY 2023: 9.1 years) reflecting continued investment in the fleet, mainly on electric vehicles and related infrastructure. First Rail capital expenditure was £45.5m (FY 2023: £56.7m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

During the year asset-backed financial liabilities were entered into leases in First Bus of £22.1m (FY 2023: £19.3m). Through the investment in the strategic joint venture with Hitachi Zero Carbon, £13.2m of battery leases have been recognised through the sale and leaseback arrangements for 257 batteries.

In addition, during the year the Group entered into leases with a right of use value of £222.5m comprising First Rail £192.6m, First Bus £27.2m and Group items £2.7m (FY 2023: £1,219.0m, comprising First Rail £1,213.8m, First Bus £4.2m and Group items £1.0m).

Gross capital investment (fixed asset and software additions plus rights of use asset additions) was £443.5m (FY 2023: £1,426.9m) and comprised First Bus £208.2m, First Rail £232.6m and Group items £2.7m (FY 2023: First Bus £154.3m, First Rail £1,270.5m and Group items £2.1m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the year.

Net cash/(debt)

The Group's adjusted net cash as at 30 March 2024, which excludes IFRS 16 lease liabilities and ring-fenced cash was £64.1m (FY 2023: adjusted net cash of £109.9m). Reported net debt was £(1,144.8)m (FY 2023: reported net debt of £(1,269.1)m) after IFRS 16 and including ring-fenced cash of £249.6m (FY 2023: £369.6m), as follows:

	30 March 2024	25 March 2023
	Total Group £m	Total Group £m
Analysis of net (cash)/debt		
Sterling bond (2024)	96.2	184.2
Bank loans and overdrafts	27.8	82.9
Lease liabilities	1,458.5	1,748.6
Asset backed financial liabilities	45.6	44.2
NextGen (Hitachi JV) facility	13.2	–
Loan notes	–	0.6
Gross debt excluding accrued interest	1,641.3	2,060.5
Cash	(246.9)	(421.8)
First Rail ring-fenced cash and deposits	(245.6)	(364.2)
Other ring-fenced cash and deposits	(4.0)	(5.4)
Net debt excluding accrued interest	1,144.8	1,269.1
IFRS 16 lease liabilities – rail	1,408.9	1,711.2
IFRS 16 lease liabilities – non-rail	49.6	37.4
IFRS 16 lease liabilities – total	1,458.5	1,748.6
Net cash excluding accrued interest (pre-IFRS 16)	(313.7)	(479.5)
Adjusted net cash (pre-IFRS 16 and excluding ring-fenced cash)	(64.1)	(109.9)

Financial review continued

Funding

As at the year end, the Group had £300.0m of undrawn committed borrowing available under its Revolving Credit Facility ('RCF'). In addition, there was £129.8m (FY 2023: £nil) of committed headroom available under the Green Hire Purchase Finance Facility and £54.9m available under the NextGen Battery (Hitachi JV) facility. Total undrawn bank borrowing facilities at year end stood at £501.0m (FY 2023: £316.5m) of which £484.7m (FY 2023: £300.0m) was committed and £16.3m (FY 2023: £16.5m) was uncommitted over and above the £246.9m of cash balances.

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. £38.2m has been paid in dividends from the TOCs after finalisation of their FY 2023 statutory accounts to the Group during the year. The ring-fenced cash represents that which is not available for distribution, or the amount required to satisfy the liquidity ratio at the balance sheet date.

Interest rate risk

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

Based on the current adjusted net debt profile, the variable rate RCF is undrawn with only finance leases and the 2024 6.875% £96.2m fixed rate bond outstanding.

Fuel and electricity price risk

We use a progressive forward hedging programme to manage commodity risk. As at June 2024, 76% of our 'at risk' UK crude requirement for FY 2025 (73.3m litres, which is all in First Bus) was hedged at an average rate of 51p per litre, and 41% of our requirements for the year to the end of March 2026 at 50p per litre. We also have an electricity hedge programme in place, with 78% of our consumption (based on current consumption forecasts) hedged for FY 2025 at £129/MWh and 55% for FY 2026 at £91/MWh.

Foreign currency risk

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

Foreign exchange

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

	30 March 2024		25 March 2023	
	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.26	1.26	1.22	1.11
Canadian Dollar	1.71	1.77	1.68	1.76

Pensions

We have updated our pension assumptions as at 30 March 2024 for the defined benefit schemes in the UK and North America.

The net pension surplus of £27.8m at the beginning of the year moved to a net deficit of £25.3m at the end of the year.

At the beginning of the year, the balance sheet included an asset of £21.7m relating to the payment expected from the LGPS in Scotland. That payment, which in practice amounted to £23.1m, was duly received over the financial year. The remaining movement arose from asset performance that was insufficient to offset an increase in the value of liabilities due to a reduction in the discount rate. The main factors that influence the balance sheet liabilities for pensions and the principal sensitivities to their movement (excluding rail contracts and insurance liabilities) at 30 March 2024 are set out below:

	Movement	Impact
Discount rate	+1.0%	Decrease liabilities by £150m
Inflation	+0.5%	Increase liabilities by £59m
Life expectancy	+1 year	Increase liabilities by £38m

On 31 October 2023, following a consultation with affected employees, the Group terminated the participation of the relevant First Bus subsidiaries in the two Local Government Pension Schemes in which they were admitted bodies.

An expense of £146.9m was recognised in the year as an adjusting income statement item for the settlement charges and other related costs, with gains of £5.0m recognised in income for curtailment gains and £161.0m recognised in Other comprehensive income in relation to the restricted accounting surplus. Terminating the LGPS participation has resulted in an annualised saving of c.£2m included within the First Bus adjusted operating profit going forwards.

Financial review continued

During the year, the Limited Partnership created following the sale of the North American divisions returned £23.7m to the Bus Pension Scheme, linked to the £500m capital return in December 2021. The amounts held by the Limited Partnerships generated interest income of £5.7m during the period which partially offset the reduction in the value of the related financial asset on the Group's balance sheet, to £99.6m (FY23: £117.6m).

At legacy Greyhound, the Group bought out and settled c.\$75m (c.£62m) of Greyhound US pension liabilities, and in addition £153m of pension liabilities in Canada have been secured with an annuity buy-in.

The merger of the First Bus and FirstGroup pension schemes was completed after year end to drive further efficiencies. The Group Scheme triennial funding valuation as at 5 April 2024 (now comprising legacy Group and Bus pension obligations) has commenced and will be finalised in FY 2026. The valuation outcome will determine how the £77m currently held in the Bus Scheme Limited Partnership will be distributed, with the balance of £23m relating to the Group scheme to be determined based on the 2030 triennial valuation.

Balance sheet

Net assets have decreased by £109.1m since 25 March 2023. The principal reasons are the impact of the profit for the year, which is more than offset by the reduction in the pension surplus, as well as the share buyback programme.

	As at 30 March 2024 £m	As at 25 March 2023 £m
Balance sheets – Net assets/(liabilities)		
First Bus	580.2	511.9
First Rail	1,169.2	1,368.3
Greyhound	(24.7)	(21.8)
Divisional net assets	1,724.7	1,858.4
Group items	60.7	162.1
Net debt	(1,148.3)	(1,275.6)
Taxation	4.0	5.3
Greyhound – Held for sale	0.6	0.6
Total	641.7	750.8

Post-balance sheet events

The merger of the First Bus and FirstGroup pension schemes was completed on 31 May 2024.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2025 and evaluated whether it was appropriate to prepare the full year results on a going concern basis. In doing so the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

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

Divisional management teams prepared detailed, bottom-up projections for their businesses, including assumptions on passenger volumes and government support arrangements, and having regard to the risks and uncertainties to which the Group is exposed.

Following these reviews the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Definitions

Unless otherwise stated, all financial figures for the 53 weeks ending 30 March 2024 (the 'year' or 'FY 2024') include the results and financial position of the First Rail business for the year ended 31 March 2024 and the results of all other businesses for the 53 weeks ending 30 March 2024. The figures for the 52 weeks to 25 March 2023 (the 'prior year' or 'FY 2023') include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results and financial position of all other businesses for the 52 weeks to 25 March 2023. Results for the 52 weeks to 29 March 2025 ('FY 2025') will include the results and financial position for First Rail for the year ending 31 March 2025 and the results and financial position of all the other businesses for the 52 weeks ending 29 March 2025.

Financial review continued

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

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

References to 'adjusted operating profit', 'adjusted profit before tax', 'adjusted earnings' and 'adjusted EPS' throughout this document are before the adjusting items as set out in note 4 to the financial statements, and in the case of 'adjusted earnings' and 'adjusted EPS', exclude the impact of IFRS 16 for the Group's management fee-based Rail operations.

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

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

'Adjusted earnings' is the Group's statutory profit for the year attributable to equity holders of the parent, excluding adjusting items as detailed in note 4, and also excluding the impact of IFRS 16 for the Group's management fee-based Rail operations.

'Net debt/(cash)' is the value of Group external borrowings, excluding accrued interest, less cash balances.

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

Principal risks and uncertainties

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

In addition to the risk and uncertainties facing the Group as detailed in the Business and Financial Reviews, the underlying principal risks and uncertainties in our operating businesses will be set out in detail in the Group's 2024 Annual Report and Accounts. A number of these risks remain elevated given the wider political uncertainty and related impact on Government transport policies including industrial action. The principal risks facing the Group are:

- Economic conditions
- Geopolitical
- Climate
- Contracted business
- Growth within the sector
- Financial resources
- Safety
- Pension scheme funding
- Legal & Regulatory compliance
- Information security including cyber
- Human resources

Whilst a number of risks facing the business have reduced during the year including an improved inflationary outlook and progress in the First Rail business, industrial relations challenges still persist. Furthermore, a change of UK Government could lead to policy changes resulting in the renationalisation of the National Rail Contracts within the First Rail division as the expiry dates of our various agreements with the DfT are reached.

For a full summary of the Principal Risks and Uncertainties facing the Group, please refer to the Annual Report and Accounts 2024 which will be published on 26 June 2024 on the Group's website: www.firstgroupplc.com/investors/reports-and-presentations.aspx.

Graham Sutherland
Chief Executive Officer
11 June 2024

Ryan Mangold
Chief Financial Officer
11 June 2024

Financial review continued

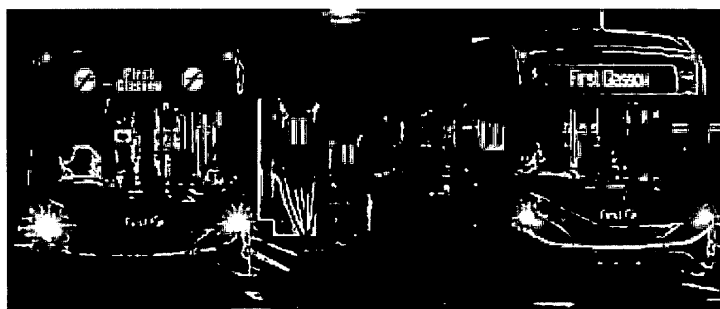
Case study

Innovative financing to accelerate our decarbonisation journey

As a major UK regional bus operator, we have a key role to play in the decarbonisation of public transport in the UK. However, electrification of bus fleets and infrastructure requires capital investment and collaboration between governments, local authorities and operators.

Decarbonisation is a key part of our strategy and we are pushing ahead and accelerating our investment, underpinned by our strong balance sheet. We have also worked successfully with our local authority partners to apply for government co-funding, while it has remained available.

This year, alongside government co-funding, we have also sought to find other methods of financing to accelerate our electrification journey and help bridge the total cost of ownership gap between diesel and electric buses. With this in mind, we have entered a landmark, strategic decarbonisation joint venture with Hitachi and secured innovative financing with a £150m Green Hire Purchase Finance Facility.



£100m

joint venture with Hitachi

The £100m joint venture with Hitachi will finance the purchase of up to 1,000 electric bus batteries to be installed onto our buses. The batteries will be leased from the joint venture to First Bus over an initial eight-year period, and the Group will retain 75% of the residual value of the batteries when taken off each bus at the end of its useful life, with an estimated c.75% battery life remaining.

In addition, Hitachi Zero Carbon's Battery and Charging Management Services (BCMS) will ensure we are using the batteries as efficiently as possible and potentially extending their lives, ultimately lowering costs by improving energy utilisation.

This collaboration gives us greater visibility of our financial commitment on the batteries, extends the life of the battery life as well as enhancing the residual life at the end of the battery bus use, as well as potential benefits from energy and electricity utilisation.

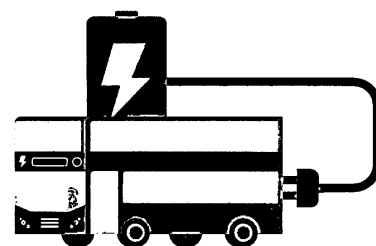
Looking ahead, FirstGroup will also have an option, through a strategic partnership with Hitachi ZeroCarbon to participate in future opportunities, as Hitachi ZeroCarbon provides new, market leading decarbonisation solutions to transport operators worldwide, leveraging our joint capability.

£150m

Green Hire Purchase Finance Facility

The £150m Green Hire Purchase Finance Facility provides the funding for electric bus bodies, net of any government co-funding received, and is available for drawdown over three years, on a competitive fixed margin plus basis. Funding under the Facility will be provided in tenors of either seven or ten years depending on the specific requirement at the time for each batch of vehicle bodies to be financed.

The facility has been sized to support the purchase of up to 1,000 electric bus bodies and to broadly match the battery arrangements within the Hitachi joint venture.



Maintained our
CDP rating of B

Responsible business continued

Our views on *sustainability*

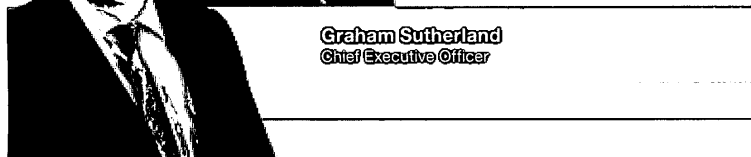


Environmental and social sustainability forms a pillar of our new Group-wide strategy ensuring that these principles and best practice are embedded in every part of our business and remain central to everything we do. "

Graham Sutherland
Chief Executive Officer



Claire Hawkings
Chair, Responsible Business Committee



Graham Sutherland
Chief Executive Officer

Our approach

FirstGroup is committed to being a leader in sustainable and innovative transportation solutions. This commitment necessitates that we view sustainability as a core aspect of our operations, rather than a peripheral one. Over the past year, our leadership has been deeply involved in discussions on how to best serve this goal for all our stakeholders, including the communities we serve and the planet that supports us.

Our business strategy has been updated to reflect our progress and ambition. Environmental and social sustainability is at the heart of this new strategy, forming one of four pillars. We take pride in the ambition with which our team members across the Group have adopted this purpose and have strived to incorporate it into all our activities.

Environmental sustainability

As a leading transport operator, FirstGroup recognises the risks but also the opportunities that climate change presents for our business. We continue to make progress towards our Group-wide science-based emissions reduction targets. This year we were pleased to announce that Avanti and SWR successfully implemented new targets, validated by the Science Based Targets initiative (SBTi).

To meet our decarbonisation ambitions, we are implementing innovative solutions that will capitalise on opportunities to future-proof our business and support the wider transition to a low-carbon UK economy. First Bus continues to make strong decarbonisation progress with our aim to replace diesel buses with low and zero emission alternatives. This year we announced a landmark strategic joint venture with Hitachi to finance the purchase of 1,000 electric bus batteries, and we signed a £150m Green Hire Purchase Finance Facility with a syndicate of three UK banks to support the purchase of up to 1,000 electric bus bodies.

In a separate partnership with Hitachi, Avanti announced the launch of a new fleet of lower-carbon trains on behalf of the DfT. This £350m project will deliver ten seven-carriage electric trains and 13 five-carriage bi-mode trains, capable of switching seamlessly between electric and diesel fuel, allowing them to run on electric where overhead power is available. The project will provide customers with comfortable, modern trains whilst reducing carbon emissions.

Equally important to our decarbonisation strategy is our support for infrastructure solutions that promote renewable and clean energy. Given the recent volatility in energy prices, we are acutely aware of the need for energy security and the imperative to transition to a low-carbon economy. A new electric charging partnership with Openreach was announced this year, which allows its electric vehicles fleet to charge at First Bus depots. This important milestone will help promote greener journeys not only in the First Bus fleet but also throughout the wider economy.

Responsible business continued

Climate change presents a significant and growing risk to the public transport industry, with extreme weather events and rising sea levels threatening infrastructure and operations. Our strategic approach not only focuses on adapting our operations to be more resilient in the face of climate change, but also on reducing our own carbon footprint. We were the first public transport operator in the UK to officially support the Task Force on Climate-related Financial Disclosures (TCFD), and are now in our fourth year of TCFD reporting.

Social sustainability

FirstGroup creates social value by enabling the mobility that supports prosperity, growth, jobs and education in the communities we serve. We directly employ around 30,000 people from across the UK, and we seek to represent the customers and communities we serve so that we can meet their diverse needs. This year the Group was pleased to announce diversity targets for our senior leadership population. By 2028, we aim to have 40% of roles filled by women, in line with the FTSE Women Leaders recommendations. Equally, we are aiming to be more reflective of the communities in which we serve, so have set a target to have 11% of roles filled by colleagues from a minority ethnic background. Additionally, we launched 'First Connections' in 2024, a Group-wide personal development programme aimed at career development amongst women and minority ethnic colleagues to promote action towards our new targets.

Being the partner of choice for our customers requires us to invest in new ways to improve accessibility and make journeys better. Technological innovation and partnerships have become a principal way for us to achieve this aim. This year we introduced new customer loyalty schemes, ticket discounts and live train tracking at SWR and Avanti in partnership with Go Jauntly and Signalbox. Lumo also introduced several improvements including superfast Wi-Fi, LumoGo, a ticketing and entertainment centre, and LumoFlex, a flexible ticketing system, providing customers with better-connected and more flexible ways to travel.

Providing comfortable and accessible journeys to customers is also of high importance. This year we maintained investment in new electric buses at First Bus, launched a new fleet of 90 Arterio trains at SWR that will be rolled out throughout 2024 and announced a fleet of new electric and bi-mode trains at Avanti that will all contribute towards more efficient and comfortable journeys for customers.

Our business plays a crucial role in communities throughout the UK, and we seek to add social value by investing locally and donating to charities. We support our TOCs as they continue to build local community relationships on their networks with the continuation of Community Rail Partnerships (CRPs) and the DfT's Customer and Community Investment Funding (CCIF). SWR were proud to achieve the milestone of 100 station adopters whereby local community groups can adopt their local railway station and contribute to its use and welfare. More broadly the Group continues to support a variety of charitable initiatives including Gift-in-Kind donations, customer donations, employee matched funding and payroll giving.



The Responsible Business Committee welcomed the new environmental and social sustainability strategic pillar which provides an important focus and structure for driving forward the Group's sustainability ambitions. "

Claire Hawkings

Chair, Responsible Business Committee

This year we were pleased to widen our charitable activities by offering employees in First Bus and Lumo a trial in corporate volunteering opportunities with local charity projects.

Conclusion

FirstGroup has been on a journey to understand sustainability and to transition our business so that we can leave a lasting, valuable impact on the planet and society. The update of our business strategy to incorporate sustainability as a pillar is an important step in continuing this journey. This remains a task that cannot be achieved alone, requiring collaboration with many stakeholders including our customers, the public sector and suppliers. We continue to contribute to various collaborative industry initiatives, such as the new industry-wide Sustainable Rail Blueprint, and align to broader sustainability standards and initiatives including the SBTi and the TCFD. This year, for the first time, we are pleased to announce that we are now signatories to the UN Global Compact and are committed to their ten guiding principles including human rights, labour, the environment and anti-corruption.

We are pleased to note that our strides towards sustainability have been acknowledged by leading global sustainability ranking bodies. These commendations are a testament to the concerted efforts made throughout our organisation over an extended period. This year we are proud to have been named in S&P Global's Sustainability Yearbook; ranked as the only UK transport operator to be included in the 2024 Clean200 report of the world's cleanest 200 companies, one of only eight UK companies to be included; and achieved Industry Top-Rated from Sustainalytics. However, in our pursuit of transparency, we must also recognise the areas where we have not met our expectations and where additional focus is required. We are resolute in our commitment to uphold standards that significantly exceed regulatory and corporate governance requirements.

Through innovative solutions and sustainable practices, we are dedicated to contributing to a greener future for the public transport industry. This Annual Report outlines the key achievements over the past year relating to our sustainability efforts and describes how we are integrating sustainability and Environment Social Governance (ESG) into our business strategy and activities.

Graham Sutherland
Chief Executive Officer

Claire Hawkings
Chair, Responsible
Business Committee

Responsible business continued

Our approach

Leading in environmental and social sustainability is one of our four business strategic pillars, ensuring that sustainability is embedded throughout the Group.

'Mobility Beyond Today' is our Group-wide strategic framework for sustainability. We are committed to the transparent disclosure of our full sustainability performance and report progress each year. This section of the report outlines our progress against our 'Mobility Beyond Today' priorities, including decarbonisation, modal shift, supporting our people, community investment, safety and business ethics.

Alongside our Annual Report, the Environmental Performance Report provides a more detailed breakdown of how our business is performing across key environmental metrics covering carbon, energy, water and waste. It also includes examples of biodiversity initiatives taking place across FirstGroup.

 [Read our Environmental Performance Report](#)

Non-financial and sustainability reporting regulations

In accordance with Sections 414CA and 414CB of the Companies Act 2006, our non-financial information and sustainability can be found on the following pages of this Annual Report: relating to environment matters, pages 54 to 59; climate-related financial disclosures, pages 74 to 84; employees, pages 65 to 68; community, pages 69 to 70; human rights, page 73; and anti-corruption and anti-bribery, pages 73 and 102.

To be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero-carbon world.

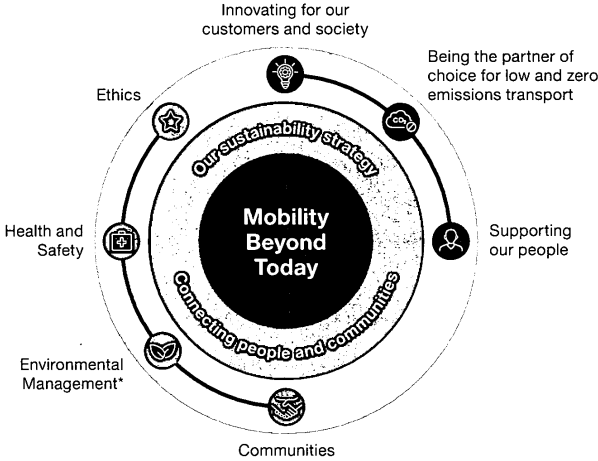
Strategic pillar



Lead in environmental and social sustainability

Sustainability framework

Our sustainability framework 'Mobility Beyond Today' provides focus on this strategic pillar with material issues identified by our stakeholders.



Innovating for our customers and society

Being the partner of choice for low and zero emissions transport

Supporting our people

Communities

Environmental Management*

Health and Safety

Ethics

* Environmental Management included in our Environmental Performance Report 2024

Responsible business continued

Our sustainability framework

Leading in environmental and social sustainability is one of our four strategic pillars, ensuring that this is embedded throughout the Group. Our sustainability framework 'Mobility Beyond Today' provides focus on this strategic pillar with our material issues, identified by our stakeholders.

Strategic priority	Focus area	Goals	Progress in FY 2024
 Being the partner of choice for low and zero emission transport ➔ Read more on pages 54-59	 Zero carbon	Eliminate the carbon emissions associated with our operations.	- FirstGroup formed a strategic joint venture with Hitachi and separately signed a £150m Green Hire Purchase Finance Facility to finance the purchase of electric bus bodies - Avanti and SWR had their targets validated by the SBTi - A new electric charging partnership with Openreach was also announced this year, which allows its electric vehicles fleet to charge at First Bus depots
	 Air quality	Improve local air quality in our towns and cities through our cleaner fleets.	- SWR became the first rail company to trial a Pluvo air purifying totem - First Bus has now retrofitted over 1,600 diesel buses with exhaust after-treatment systems - We took part in the Rail Safety and Standards Board's Air Quality Monitoring Network trial
	 Climate resilience	Incorporate climate adaptation measures to improve the resilience of our services and capitalising on opportunities for the move to a low-carbon economy.	- Conducted emissions avoidance studies at Lumo and Hull Trains that found customers can save up to 95% of emissions using their services - We are preparing our first Group-wide climate transition plan aligned with Transition Plan Taskforce framework - Member of the rail industry Climate Adaptation Working Group
 Innovating for our customers and society ➔ Read more on pages 60-64	 Enabling the shift	Help more people to use bus and rail services, leading to fewer car journeys being made.	- Submitted the first phase of an application for a new open access rail service between London and Sheffield to the ORR - SWR began the launch of a new fleet of 90 Arterio trains for more efficient and comfortable journeys
	 Driving innovation	Embrace new technologies and ways of working to deliver easy, convenient and sustainable mobility solutions for our customers.	- Partnered with AI firm Prospective to improve service efficiency in First Bus - Lumo introduced LumoFlex for flexible ticketing options - Avanti introduced wayfinding technology to help visually impaired customers navigate stations
	 Using our influence	Collaborate and partner with stakeholders to shape the sustainable communities of the future.	- Aligned to the Sustainable Rail Blueprint from the Rail Safety and Standards Board - SWR achieved a milestone 100 station adopters across their network - First Bus worked closely with the Mayoral Combined Authority in South Yorkshire to review connectivity on the bus network and agree a series of new routes

Responsible business continued

Our Sustainability framework continued

Strategic priority	Focus area	Goals	Progress in FY 2024
 Supporting our people Read more on pages 65-68	 Diversity and inclusion	We value diversity and inclusion, and our workforce represents the communities we serve, increasing effective participation and equal opportunities.	■ Launched 'First Connections' a personal development programme aimed at women and ethnically diverse colleagues ■ New Group-wide diversity and inclusion targets introduced ■ 500 colleagues from under-represented groups completed leadership development programmes
	 Skills for the future	Our people have the skills, expertise and knowledge to drive the transition to a sustainable future.	■ 792 apprentices in training across the Group ■ First Bus, who partner with Reaseheath College, Cheshire currently have 75 apprentices learning at the UK's first engineering academy for the next generation of zero emission coaches and buses
	 Wellbeing	Our culture means that our employees are supported towards good mental and physical wellbeing.	■ Following staff feedback surveys introduced SmartHealth a confidential health service ■ 100% of First Bus directly employed staff were paid at or above the Real Living Wage ■ SWR introduced award-winning mental and physical wellbeing initiatives
Foundations Read more on pages 69-73	 Communities	Form genuine, enduring local relationships with the communities we serve.	■ £2.4m delivered in 99 local community projects with the DfT's Customer and Community Investment Funding across our DfT contracted rail companies ■ 100 station adopters at SWR ■ Trialled employee volunteering opportunities with Neighbourly in First Bus and Lumo
	 Ethics	Hold the highest ethical standards.	■ Became a signatory of the UN Global Compact ■ Zero breaches of the Supplier Code of Conduct identified in FY 2024 ■ 217 suppliers registered onto a toolkit that provides assessments and assurance into supply chain ESG
	 Safety	Foster continuous improvement in safety towards our goal of zero harm.	■ Defibrillators installed across all SWR's staffed stations ■ Maintained certifications to ISO45001 at First Bus and our DfT contracted rail companies ■ First Bus created a bespoke health and safety qualification, accredited by the Institution of Occupational Safety and Health (IOSH) for the transport sector

Responsible business continued



Being the partner of choice for low and zero emission transport

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



Zero carbon

Eliminating the carbon emissions associated with our operations

£150m

Green Hire Purchase Finance Facility signed by FirstGroup

£350m

new fleet of 23 Avanti trains announced on behalf of our government partners

1,000

electric bus batteries to be financed through a new joint venture with Hitachi



FirstGroup has set a near-term science-based emissions reduction target, approved by the SBTi, and aligned with the ambition of the Paris Agreement to limit annual average temperature increase to 1.5°C above pre-industrial levels. Within our divisions, we have also set further ambitious targets and are currently developing a climate transition plan that outlines how we will reach our goals. First Bus is at the forefront of the industry in the operation of low and zero emission vehicles and in 2020 announced a commitment to achieving a fully zero emission fleet by 2035. First Rail supports the UK Government's target to remove all diesel-only trains from service by 2040 and deliver a net-zero railway network by 2050.

Fleet decarbonisation

By carefully balancing operational needs, customer expectations, budgetary constraints, and sustainability objectives, we will maximise the opportunities to reduce emissions through rolling stock and vehicle changes.

First Bus has been steadily replacing the existing diesel fleet with zero emission alternatives. At the end of FY 2024, we now have 574 zero emission buses in service, making up 13% of our bus fleet, and direct current (DC) fast electric charging infrastructure at ten of our depots across the UK, including three fully electric depots in York, Leicester and Norwich. Our Hoeford depot in Portsmouth will be partially electrified by June 2024. In Leicester, First Bus invested £6.6m to bring this project to fruition, alongside additional DfT funding of £2.9m secured in partnership with Leicester City Council. An additional 86 electric buses arrived in Leicester this year.

[➔ Read more on page 47](#)

During FY 2024, First Bus and our local authority partners have also been successful in securing government co-funding to implement Zero Emission Bus Regional Area (ZEBRA) projects in four new locations. The latest investment will enable four depot sites in Taunton, Weston-Super-Mare, Basildon and Hengrove in Bristol to upgrade their power and infrastructure, future-proofing them to operate a fully electric fleet in the coming years. This funding will also allow First Bus to order an additional 178 electric buses across four regions, taking the total number of electric buses we run to more than 800 across our 14 electrified depots in the UK upon the completion of projects.

In 2024, First Bus maintained its momentum to decarbonise its bus fleet by 2035 with an announcement of the signing of a new, innovative £150m Green Hire Purchase Financing Facility to support the purchase of electric bus bodies. Furthermore, the Group has agreed a strategic partnership with Hitachi to create a newly formed joint venture to support the purchase of up to 1,000 electric bus batteries and provide battery and charging management services for 1,500 buses powered by the new batteries as part of First Bus's fleet decarbonisation. Please read the case study on page 47 for more details on how we are utilising innovative financing to accelerate our decarbonisation journey.



Responsible business continued



Zero carbon continued

Meanwhile in First Rail, Avanti have begun introducing a new £350m fleet of Hitachi Class 805 and 807 trains, which will replace the current diesel-only Class 221 fleet in 2024. This fleet upgrade is a critical step towards Avanti reaching net zero by 2035. Please read the case study on this page for more details.

At GWR, we have invested in low-carbon transport innovation through the purchase of intellectual property, rolling stock and equipment from emissions-free and hybrid trains manufacturer Vivarail, in partnership with Network Rail. This has allowed us to trial fast-charging battery electric technology on the Greenford to West Ealing line with the aim of replacing the use of diesel in running trains on the line. The Class 230 battery trains to be used in the trial are made from repurposed ex-London Underground trains, with trial operations that began in March 2024.

Driver performance and energy efficiency initiatives

We aim to manage our timetabled services to be as efficient as possible, minimising bus and train idling as much as is practical. For all buses, First Bus is measuring key fleet performance indicators using Greenroad telematics, a cloud-based system. Operating companies and bus drivers have specific CO₂/miles per gallon targets that are measured monthly and are directly linked to reward through driver pay. These performance systems allow for more accurate rerouting, for shorter bus routes and maximised diesel efficiencies and electric battery life depending on the vehicle.

In First Rail, Driver Advisory Systems (DAS) monitor driver performance on behaviours such as idling and unnecessary acceleration and braking, which improves the energy efficiency of our operations. DAS will likely be incorporated into our specifications for any future rolling stock upgrades across our rail division. SWR have successfully deployed DAS across their electrified and diesel-powered fleet which led to average energy savings of between 5% and 10% across the fleet compared to before it was implemented.

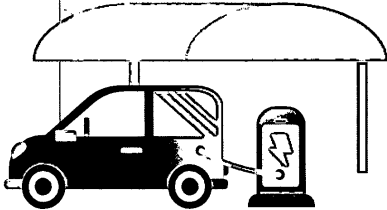
Case study

First Bus and Openreach expand EV charging partnership

First Bus announced a significant collaboration with the UK's largest broadband network provider, Openreach, granting them access to its rapid electric vehicle (EV) charging infrastructure at bus depots nationwide. Openreach joins the ranks of DPD and Police Scotland, plugging into this innovative shared EV infrastructure initiative.

The initial phase of the partnership will witness up to 30 Openreach EVs from its fleet charging at First Bus depots in Glasgow, Aberdeen and Leicester while buses are in service. This enables Openreach engineers to cover more ground, reduce their environmental impact and dedicate more time to the needs of their customers.

As an industry leader in the decarbonisation space, First Bus is keen to harness its EV infrastructure to help support local communities and businesses reach their own environmental aspirations. This commitment aligns with our own ambition of reaching a zero emission bus fleet by 2035. Currently, Openreach has more than 3,000 EVs in its fleet – but it is aiming to convert all its diesel fleet to zero emissions by 2031.



Case study

Avanti launches new £350m fleet



A £350m project will deliver a fleet of ten seven-carriage electric trains and 13 five-carriage bi-mode trains across the Avanti Network, with the ability to switch seamlessly between electric and diesel power. The electric trains (Class 807) will operate between London, the West Midlands and Liverpool whilst the bi-mode version (Class 805) will be focused on the London to North Wales route. The new trains are expected to enter service across Avanti Network during 2024 to eventually replace the Voyager trains, lowering the amount of diesel used by only utilising the fuel when there are no overhead wires to supply electricity.

The fleet upgrade forms an integral part of Avanti's net-zero ambitions due to the substantial carbon emissions savings they will deliver. Phil Cameron, Commercial Projects Director at First Rail, said: "Our investment in the new fleet will help raise the bar for rail travellers in North Wales and is part of our wider commitment to transform the customer experience and deliver a more sustainable operation."

Responsible business continued



Zero carbon continued

We are looking to implement connected-DAS (c-DAS) on our open access routes – Lumo and Hull Trains. This more advanced system is programmed with route knowledge, such as the line speed and gradients, as well as train capabilities in areas such as acceleration and braking. c-DAS crucially has data on the locations of other traffic on the network, which we can then use to calculate an appropriate speed for a train to travel at. This reduces the number of conflicts at junctions and the need for braking and acceleration. Therefore, our trains coast more often allowing for more efficient driving and consuming less energy during operations. This, in turn, reduces our carbon emissions. This year GWR have tested c-DAS across our Class 387s and Class 802 fleet, with a view to then rolling it out more widely in the medium to long term.

Electric vehicle charging

Our fleet decarbonisation plan includes provisions to increase the availability of electric vehicle charging points across our networks for businesses, customers and communities. This year GWR teamed up with ChargePoint Genie to offer new electric car charging points at four stations and join 60 customer charge points available across SWR's network.

In First Bus, we continue to work with businesses including DPD, Openreach and local public services to allow their fleets the opportunity to charge commercial vehicles at our electrified bus depots whilst they are not in use. Please read the case study on page 55 for more details.



Air quality

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

78%

of First Bus diesel fleet meet the latest Euro VI low emission standards for improved air quality

1,600+

First Bus vehicles cumulatively retrofitted with exhaust after-treatment systems



Promoting healthier communities through air quality improvement

We recognise that air quality profoundly impacts the health and wellbeing of our communities. We actively support the development of convenient and cost-effective public transport systems that prioritise modal shift and low-emission vehicles. Furthermore, we are looking to improve our own vehicle fleet. Through contract renewals and planned fleet replacements, we aim to minimise our harmful air emissions.

Monitoring and data-driven decisions

We chair the Rail Safety and Standards Board's Air Quality Working Group and contribute towards the first-ever air quality monitoring network spanning 105 train stations across England and Wales. Our initiatives include:

- **Diffusion tubes and monitoring equipment:** Our rail businesses have installed diffusion tubes and other monitoring equipment at various stations. These tools allow us to track levels of nitrogen oxide, nitrogen dioxide, and particulate matter accurately.
- **Informed decision making:** By analysing this data, we develop targeted air quality improvement plans where necessary. Our commitment extends beyond compliance – we actively seek opportunities to enhance air quality.

Reducing emissions and retrofitting

Our commitment to cleaner air involves several strategic initiatives. As active participants in the rail industry idling reduction project, we work to overcome technical and operational barriers by minimising engine idling. By doing so, we contribute significantly to improving air quality. In First Bus, 78% of our diesel fleet now meets the Euro VI low emission standards or equivalent. Additionally, we continue to retrofit exhaust after-treatment systems (EATS) to older diesel vehicles, with over 1,600 retrofitted vehicles to date in our fleet.

Innovating for air quality

SWR has become the first rail company to trial a Pluvo air-purifying totem at one of its stations. To help combat the effects of air pollution, the Pluvo Column, which is sited on a platform at Salisbury station, will monitor and remove harmful pollutants from the air using its advanced air filtration technology to create a cleaner and healthier environment for customers. Additionally, SWR has begun trialling new, more energy-efficient vending machines with 'living walls' at Bournemouth station. The living walls – which are small, self-sufficient, vertical gardens – have been developed to thrive in all locations, whether sunlit, shady or covered, and if the trial is successful, they will be deployed on machines at other locations on the SWR network.

Responsible business continued



Climate resilience

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

4th year

reporting to the Task Force on Climate-related Financial Disclosures

27%

reduction in our Scope 1 and 2 emissions achieved this year compared to our 2020 base year

Climate resilience

To ensure the success of our business for the long term, we are equally focused on climate resilience – understanding the physical and transition impacts climate change can have on our business over the short, medium and long term, and taking action to mitigate the risks and maximise the opportunities. In 2021, we published our first TCFD report, which has expanded over the years from a qualitative review of climate-related risks and opportunities to include a quantitative scenario analysis, financial impact assessment and engagement of internal functions and stakeholders to ensure actions are being taken to address risks and capture opportunities. Later this year we will be publishing our first Group-wide climate transition plan in line with the Transition Plan Taskforce framework. This plan will outline our strategy, governance, targets, progress to date and risk management approach. Climate change is managed and reported as one of our principal risks, and these considerations have been an integral part of our risk management framework for many years. In our TCFD section on pages 74-84, we go into more detail about how we are exploring these risks and opportunities.

Greenhouse gas emissions

The Group's overall Scope 1 and Scope 2 location based carbon emissions increased by less than 2% from FY 2023 to FY 2024 and were 27% lower than in FY 2020. Our decrease in diesel consumption due to the continued electrification of our bus fleet was counterbalanced by an increase in traction and depot electricity consumption, as well as a higher electricity emission factor compared to

FY 2023. The increase in electricity consumption is a result of more electric buses being in service in our bus division and increased mileage in our rail division, a high proportion of which was driven by electric traction.

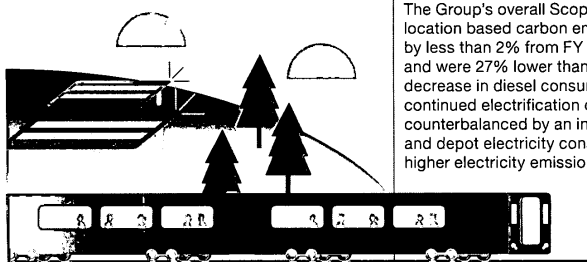
The table below reflects the carbon emissions associated with our global operations and aligns with the UK's Streamlined Energy and Carbon Reporting (SECR) requirements. Our UK operations represent 99% of both our global GHG emissions in the table below and our global energy use in the table on page 59.

Our Aircoach operations based in Ireland are responsible for only 1% of our total emissions. The Scope 1 emissions for these operations amounts to 6,844 tCO₂e (7,274 tCO₂e in FY 2023), while Scope 2 emissions (location based) total 25 tCO₂e, bringing the combined total for Scope 1 and Scope 2 emissions to 6,869 tCO₂e and resulting in an intensity ratio of 304 tCO₂e per million revenue (351 in FY 2023). The energy consumption used to calculate these emissions is 27,805MWh (30,174MWh in FY 2023).

Tonnes of carbon dioxide equivalent (tCO ₂ e) for operations:	2024	2023	2022	2021	2020
Scope 1	478,705	487,362	524,683	467,773	653,779
Scope 2 location based	216,508	197,271	214,967	236,592	303,628
Total Scope 1 and Scope 2	695,213	684,633	739,650	704,365	957,407
Total Scope 1 and Scope 2 per £m revenue (tCO₂e/£m)	149	159	178	179	255
Scope 3: Other indirect emissions inclusive of business travel, water use and downstream waste treatment and disposal	9,764	8,724	3,227	2,684	12,257
Scope 3: FERA emissions related to the production of fuels and energy purchased	196,753	186,421	216,738	228,549	217,066
Total all scopes (Location)	901,730[†]	879,779	959,615	935,598	1,186,730
Total all scopes (Market)	685,513[†]	682,758	744,673	699,162	884,782
Out of scope	34,895	32,513	28,496	23,819	22,636
Total all scopes exclusive of FERA emissions per revenue (tCO₂e/£m)[†]	159[†]	169	185	185	265
Scope 1 and Scope 2 emission % change (2020 baseline)	-27%	-28%	-23%	-26%	

[†] All assured metrics are highlighted with a † symbol.

¹ Total emission of FirstGroup's Scope 1, Scope 2 location based, Scope 3 (limited to emission from business travel, waste disposal, water supply and treatment and upstream transportation and distribution and Out of scope emissions).



Responsible business continued



Climate resilience continued

For a more detailed analysis and an understanding of our Group carbon performance, please see FirstGroup's Environmental Performance Report 2024. www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx

Methodologies and calculations

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

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

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

The term 'carbon emissions' in this report refers to GHG emissions as required for a GHG inventory. This includes carbon dioxide alongside six other GHGs calculated in mass of carbon equivalent (CO₂e).

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

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

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

Scope 3: In the Annual Report and Accounts is limited to categories (Waste, Water, Business Travel, Fuel and Energy-related activities and upstream transportation and distribution) for which we are currently able to gather actual source data from along our value chain and apply relevant emissions factors.

We have also worked with ERM – a specialist consultancy, to complete a full Scope 3 emissions assessment and identify all material Scope 3 emissions. We are reporting on all our material Scope 3 emissions for the first time in our Environmental Performance Report 2024 www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx. For some Scope 3 categories in this assessment, we have relied upon a spend based method to calculate emissions and we will work towards gathering actual emissions data from external partners in our value chain over time.

Out of scope: relating to the combustion of biofuels.

Our carbon emissions and energy metrics are adjusted to account for the contract ending with TransPennine Express, which was transferred to the DfT's Operator of Last Resort on 28th May 2023. This is calculated in accordance with Appendix E of the GHG Protocol.

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

- UK Government GHG reporting: Conversion Factors 2023 from Department for Energy Security and Net Zero

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

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

- UK Government GHG reporting: Conversion Factors 2023 from Department for Energy Security and Net Zero

A detailed understanding of our calculation methodologies is available within FirstGroup's Environmental Performance Report 2024, which can be found on our website at www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx.

Independent assurance

FirstGroup plc has engaged Grant Thornton UK LLP to provide independent limited assurance in accordance with International Standards on Assurance Engagements 3000 (Revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 (Revised)"), and in respect of the greenhouse gas emissions information included within the Subject Matter Information, in accordance with International Standard on Assurance Engagements 3410 – "Assurance Engagements on Greenhouse Gas Statements" ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board (IAASB).

All assured metrics are highlighted with a † symbol.

Grant Thornton UK LLP issued an unqualified assurance report over the selected metrics and their full report can be found here www.firstgroupplc.com/responsibility.aspx.

Responsible business continued



Climate Resilience continued

Energy initiatives

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

- GWR is trialling fast-charging battery technology to help bring regular battery-only rail services a step closer. The battery is currently being trialled from West Ealing to Greenford in north-west London
- Ten First Bus depots now offer electric vehicle charging and three are fully electrified
- First Bus has invested £2.5m in more than 6,000 solar panels to help supplement power to 24 bus depots over the past two years

The underlying energy use which affects our carbon footprint has decreased 1% since last year.

This year the proportion of renewable energy we used was 6.3%, impacted by the relative use of electric versus diesel vehicles in our fleet.

For a more detailed analysis and understanding of our Group energy performance please see FirstGroup's Environmental Performance Report 2024 www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx.

FirstGroup's Scope 1 and Scope 2 carbon emissions per million £ of revenue were 6% lower in FY 2024 than in FY 2023. The reduction in carbon emissions was partly due to the continued electrification of our bus fleet, the roll-out of energy efficiency programmes while we maintained strong revenue growth.

Science-based targets

We are aligned to the UK Government's broader climate change strategy and the reductions needed to meet the global commitment under the Paris Agreement to limit climate warming to 1.5°C by 2050, thereby mitigating the worst impacts of climate change. In the long term, a shift to zero emission public transport and active travel – moving people out of cars and planes – is vital to achieving this global goal.

Our near-term target is to reduce Scope 1 and 2 GHG emissions by 63% by FY 2035 from a FY 2020 base year. Importantly, we also commit to reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by 20% by FY 2028 from a FY 2020 base year, and that 75% of our suppliers by emissions covering purchased goods and services and capital goods will have science-based targets by FY 2028.

Our performance against these targets is as follows:

- Scope 1 and 2 target: 27% reduction on the base year
- Scope 3 fuel- and energy-related activities target: 9% reduction on the base year
- Scope 3 supplier engagement target: 45% of suppliers in scope already have a science-based target in place

- As well as having Group-wide targets two of our rail have also set their own science-based targets:
- This year Avanti committed to achieve net zero by 2035 and successfully submitted three near-term targets that we validated by the SBTi. These were:
 - To reduce absolute Scope 1 and 2 GHG emissions 40% by FY 2026 from a FY2020 base year
 - To reduce absolute Scope 3 GHG emissions 15% by FY 2026 from a FY 2021 base year
 - 90% of its suppliers by spend covering purchased goods and services, and capital goods, will have science-based targets by FY 2026
- SWR were the first rail company to have a long-term decarbonisation goal to be net zero by 2040 that has been verified by the Science Based Targets initiative. Their priority is to mitigate their impact on climate change by setting robust carbon targets to hit each year in line with the science-based target of 4.2% reduction per year.

Total energy use (kWh)	2024	2023	2022	2021	2020
Kilowatt-hours of energy (kWh HHV): Total by energy source and renewable content					
Non-renewable sources	2,867,623,032	2,929,421,246	3,067,303,177	3,102,497,653	2,768,829,848
Renewable energy sources	193,152,955†	163,898,921	293,028,797	294,454,269	622,940,538
Total all	3,060,775,988†	3,093,320,167	3,360,331,974	3,063,284,116	3,764,489,175
% change (year-on-year)	-1%	-9%	10%	-19%	
% change (2020 baseline)	-19%	-18%	-11%	-19%	
Per £m revenue (MWh/£m)	656	719	807	777	1,005

First Bus	2024	2023	2022	2021	2020
Zero emission buses (electric or hydrogen powered)	13%†	6%	3.3%	1.1%	0.3%
Total bus fleet	4,425	4,441	4,926	5,030	5,619
Carbon emission per vehicle distance (gCO₂e/vkm) (Scope 1, 2 location based and Out of scope)	897†	1,103	1,112	964	975



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Responsible business continued



Innovating for our customers and society

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



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

Up to 95%
carbon emissions avoidance from using Hull Trains or Lumo services

£2
fare cap scheme being continued at First Bus until December 2024

Providing alternative modes of travel
Our role in mitigating road congestion, enhancing air quality and contributing to the reduction of carbon emissions is pivotal. The transport sector is a major contributor to the UK's carbon emissions, yet buses and coaches are responsible for 2.2%, and railways for just 1.5% of the transport sector's GHG emissions, according to government data.

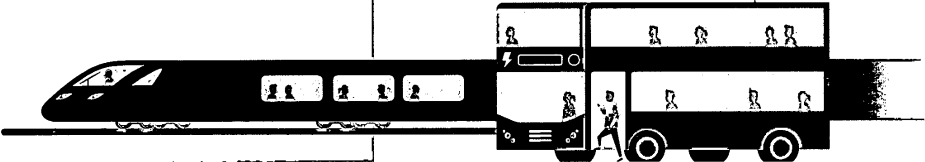
Our focus is on encouraging a greater number of individuals to choose our bus and rail services, thereby decreasing the frequency of car travel. This shift is not only crucial for achieving the UK's net-zero objectives but also plays an essential role in fostering social inclusion. Public transport provides equitable access to education, employment healthcare, and facilitates social mobility.

First Rail's open access operators, Hull Trains and Lumo have seen an impressive growth in the number of journeys, with an increasing number of passengers choosing lower-carbon travel. The latest report by the rail industry regulator, the ORR, shows evidence of Hull Trains' stability and strength within the industry, with the local open-access operator now

delivering more journeys than it was doing prior to the pandemic. This is hoped to continue with Hull Trains' submission for a new route between Sheffield and London to further expand the reach of this long-distance operator. Lumo is equally hoping to encourage more passengers to use lower-carbon transport having announced their plans for extra journeys between Newcastle and London every day, enabling it to carry even more passengers between the cities each year.

First Bus introduced several new routes and services across its network in response to demand and feedback from local communities. Examples include in Yorkshire, where new school bus services were introduced, and timetable changes allowed services to coincide with school timetables, and in Dorset, where new routes were added following community campaigns.

In Leicester, our Enhanced Partnership (Plus) with the Local Transport Authority delivered an increase in patronage in the year from June 2022 of 23% and has continued to grow by a further 10% subsequently.



Responsible business continued



Enabling the shift continued

Affordability

The cost of living crisis has highlighted the importance of having affordable transport services. Within our rail division, several schemes sought to make journeys more affordable this year. Lumo introduced LumoFlex – a new ticket option which offers greater flexibility on all services on the London to Edinburgh route. The digital-only ticketing scheme parallels the freedom and flexibility often provided by airline tickets. It offers customers more options for reserved seating and to cancel or amend journeys, part of Lumo's aim to switch passengers from flying to the train for journeys from London to Edinburgh.

GWR introduced the UK's first regional digital railcard offering a one-third discount on standard class rail fares to residents of Devon and Cornwall as part of the Devon and Cornwall Rail Partnership. Avanti has grown the recently launched Club Avanti loyalty scheme that rewards frequent travellers with discounted travel, onboard food and drink, and free tickets. Since its launch in 2022, Club Avanti has seen over 250,000 customers sign up to the scheme.

First Bus have continued to support the DfT's £2 fare cap scheme, which came into effect in England in January 2023. The aim was to help the sector support customers at a time when the cost of living has increased whilst also seeking to encourage greater bus use. We welcomed the extension of the scheme until the end of December 2024. Additionally, First Bus have worked in partnership with Aberdeenshire, Surrey, Glasgow, Somerset and Hampshire local councils on special initiatives to help make public transport more accessible and reduce costs. Examples of these schemes include selected free bus travel days in Somerset, free Hogmanay rides in Glasgow and discounted fares for selected events.

Improving accessibility

We are committed to making our services accessible and we make every effort to support customers with disabilities or restricted mobility. Throughout the railway network, we work with our industry partners to make stations and trains more accessible by leveraging inclusive design to introduce new ticket gates, ramps, open entrances, accessible waiting rooms, accessible toilets, tactile warning surfaces and more. We have introduced further passenger-focused initiatives including assistance apps, train maps, tailored audio and visual announcements and conducted specialised training with our frontline staff.

Our rail companies offer free 'Try the Train' days to community groups to increase confidence of rail users with specific needs and improve the accessibility of rail travel. Each day, groups are shown around a station, walked through the process of purchasing a ticket and finding the right platform before taking a train trip. These days aim to reassure and educate those who have not travelled by train before, or those who have limited experience on the railway, to ensure it is an accessible mode of transport that everyone feels comfortable using.

We are also trialling new ways to promote accessibility. Lumo, for example, have embraced digitalisation to improve accessibility through the publishing of an interactive 360° virtual tour of its train carriages to support customers who may require additional support or wish to familiarise themselves with the carriage environment ahead of their travels. Equally, GWR have introduced autism-friendly services including a train sound series, virtual tours, provision of sensory packs and ear defenders and providing training to over 700 front-line staff. These initiatives led to GWR winning an award with the National Autistic Society in January 2024.

In 2023, AI systems were introduced by SWR to improve accessibility. The project at London Waterloo Station provides accessible travel information to deaf customers who use British Sign Language, displaying information in their first language, giving them more confidence on their journeys. The cutting-edge technology was evaluated across a six-month trial period and will steadily be rolled out across the rest of the SWR network.



250,000
customers have joined the Club Avanti
loyalty scheme since its launch

Responsible business continued



Enabling the shift continued

Promoting modal shift

To meet the UK Government's net-zero commitments, journeys made by car or plane must reduce. A modal shift is required whereby people choose to use buses, trains or other public transport instead. Hull Trains and Lumo both conducted avoided emissions studies this year to understand how using their services between two destinations can save carbon emissions when compared to driving or flying on the same route. The Hull Trains study, in collaboration with Arup, analysed various routes and found that travelling by rail from Hull to London King's Cross, for example, produces 12 times less CO₂ than driving, with 5.42 kgCO₂e by train compared to 67.2 kgCO₂e by car. Customers at all locations along Hull Trains' route to London King's Cross can view the CO₂ savings they can make using the newly launched 'travelling sustainably' web page. A similar study found that there are similar benefits brought by Lumo across their routes, with avoided emissions over eight times the emissions associated with its own operations. Across both networks, passengers can save up to 95% of emissions by using this form of transport over driving or flying.

This focus on avoided emissions forms part of the wider rail industry's Green Travel Pledge – a commitment to engage and empower passengers, businesses and business travellers to make more informed choices by providing detailed, accurate and reliable data on the carbon emissions of rail journeys when compared with other modes.

Case study

Avoided emissions with Lumo

An emissions avoidance study conducted by Lumo found that travelling on their 100% electric network rather than flying, saves up 95% of emissions on certain routes. A one-way Lumo trip between Edinburgh and London emits approximately 7 kgCO₂e while the equivalent journey flying emits 149 kgCO₂e. A single passenger could therefore take 22 one-way rail trips before creating the same emissions as a single flight.

Saving	95% CO ₂ saving vs car	95% CO ₂ saving vs car	96% CO ₂ saving vs plane
Route	Stevenage to Edinburgh	London King's Cross to Edinburgh	London King's Cross to Newcastle
Avoided emissions	Travelling by rail emits 20 times less CO ₂ less	Travelling by rail emits 21 times less CO ₂ less	Travelling by rail emits 27 times less CO ₂ less
By rail (kgCO ₂ e)	6.29	6.77	4.63
By petrol car (kgCO ₂ e)	129.92	142.25	98.93
By plane (with RF*) (kgCO ₂ e)	155.76	149.16	126.21

* RF: Radiative Forcing
Full results available at: www.lumo.co.uk/-/media/Arup/Lumo-Avoided-Emissions-Study.pdf



Driving innovation

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



Combining excellent customer service with digital technologies

The growth and emergence of artificial intelligence technology provides a significant opportunity to optimise and improve services for customers. First Bus partnered with Prospective, an AI company, to optimise timetables, scheduling and real-time fleet instructions. Due to the success of initial trials the technology will be rolled out across the broader network. See the case study on page 20 for more information.

New software systems in First Rail allow for real-time train service information and live train maps, technologies designed to improve journeys by letting passengers access more detailed information whilst travelling. An example of this in 2024 is the partnership between Avanti and Signalbox to create customised live train maps. The interactive technology provides real-time data and live maps of the rail network to help customers track their train in real-time during their journey.

Responsible business continued



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

Transportation plays a prominent role in public discourse and political discussions owing to its public-facing nature. It involves extensive interactions with government entities at local, regional and national levels. Our aims are to promote innovation and sustainable investment in mobility, and to advocate for transport infrastructure choices that alleviate congestion, improve customer satisfaction and reduce travel times. We achieve these goals by actively engaging with a diverse set of stakeholders and policymakers.

We recognise our prominence as one of the largest UK transport operators and a FTSE 250 employer, and the need to uphold the highest standards of governance and ethics. Whilst we engage in industry collaboration and open discussions with government at all levels, we adhere rigorously to the Lobbying (Scotland) Act 2016 regulations, and our key personnel feature in the UK Lobbying Register. As company policy, we do not make political donations, and FirstGroup's gifts and hospitality policy is strictly adhered to when engaging with stakeholders at all levels. Our Governance report starts on page 103 and our stakeholder engagement strategies on pages 98 to 100.



With government
We foster robust and enduring connections with government officials and departments, along with positive engagements with ministers. We liaise closely with both government and opposition policy teams, advisers, parliamentary committee members, MPs and local councillors who have direct ties to our businesses. Our active involvement in shaping policy occurs through direct engagement and also via membership in sector trade organisations within the UK. These organisations, in turn, consult with government bodies and regulators to create a favourable policy environment for private sector transport.

We continue to engage in discussions to allow further routes and services at open access operators Hull Trains and Lumo. The First Bus Network also saw continued expansion, an example of which was the introduction of AirCoach's first ever English route with a new Leicester to Birmingham Airport service.

With local authorities
Across the Group, we forge close ties with our local authority partners, actively pursuing both formal and informal collaborations. These partnerships empower us to enhance our services by implementing measures that promote a shift to public transport, alleviate road congestion and prioritise more sustainable methods of transportation.
Within First Rail our Regional Development Managers engage with local and regional governments, businesses, user groups and other stakeholders. Their experience and commitment to effective local and regional partnerships form the bedrock of our approach to ensure that Rail is the cornerstone of communities. We firmly believe that private operators' expertise remains pivotal in delivering public transport services.



Responsible business continued



Using our influence continued

In First Bus we work closely with our local authority partners to grow bus use and support the delivery of shared economic, social and environmental goals. Our aim is to deliver great services to help promote and cement the status of the bus as a great-value, credible everyday choice.

This focus underpins our approach to being the partner of choice for innovative and sustainable transport solutions. Through engagement with our partners and using our experience and expertise, we support prosperity, growth and jobs in the communities we serve. This year we were delighted to successfully secure further funding with our local authority partners which we supplemented with our own investment for further electric buses in Somerset; North Somerset, West of England Combined Authority, and Essex. Read more on page 11.

We have worked in strong collaboration with a number of local transport and combined authorities. For example, in Portsmouth, the Enhanced Partnership has delivered strong passenger recovery at 115% of pre-Covid levels bucking the national trends. Enhanced evening and weekend services have been delivered across eight routes including some routes moving to 24-hour operations, and a package of fares initiatives (including young persons) have contributed to this growth.

In South Yorkshire, we have worked with the Mayoral Combined Authority to review connectivity on the bus network and agree a series of new routes and timetable interventions to help grow bus usage. Working together, we have widely consulted on the plans and followed this with a series of community events to promote the changes in spring 2024.

With our industry

Nationally, we actively collaborate with a diverse array of business advocacy organisations, sustainability lobby groups and public transport campaigns throughout the UK. Our strategic alliances serve as powerful conduits, amplifying our influence on policy decisions.

Representatives from across the Group sit on influential and critical forums. Our Group Engineering Director chairs the Industry Sustainable Rail Leadership Group, and First Rail Head of Sustainability chairs the Air Quality Working Group. We also sit on the Rail Environment Forum and the Noise Working Group. These forums are essential to ensure that we can collaborate with fellow stakeholders for an industry-wide approach to challenges and opportunities. We continue our engagement with Rail Delivery Group, Rail Partners and the RSSB. This year we supported the RSSB's newly introduced Sustainable Rail Blueprint in collaboration with other network operators. This strategy creates a cohesive national partnership for creating sustainable Rail, a unified plan that provides a whole-industry view as far ahead as 2050.



The Community Rail Network is dedicated to supporting community-based groups and partnerships that connect their community with their railway and deliver social benefit. We represent and advocate for community rail, providing a link between our members and national and devolved governments, promoting understanding of their contribution and how this can be nurtured. We also aim to raise awareness about community rail, explaining its importance.

First Bus is a proactive member of the Confederation of Passenger Transport. This year we have worked together to successfully develop the case for a long-term funding settlement for Bus, and have worked collaboratively to address the common issue on driver recruitment and retention. We continue to work extensively with industry partners Transport Focus, including as major contributors to the 'Your Bus Journey' survey, and with Bus Users UK.

Responsible business continued



Supporting our people

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

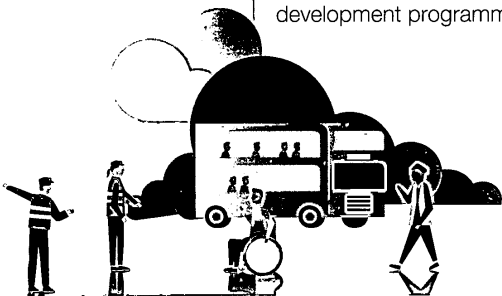


Diversity and inclusion
We value diversity and inclusion, and our workforce represents the communities we serve, increasing effective participation and equal opportunities.

25.2%
of all hires were from a minority ethnic group

32.8%
of senior leadership roles held by women

500
colleagues from under-represented groups completed leadership development programmes



To better understand and meet the needs of the diverse customers and communities we serve, we are committed to increasing the diversity of our workforce. We recognise that attracting and retaining people with different backgrounds and experiences requires an inclusive culture where everyone feels valued and respected. While we are proud of the progress being made in many areas, we acknowledge there is still more to do, therefore, we are committed to making our workplaces inclusive for all our colleagues, regardless of their gender, ethnicity or any other characteristics.

Our Responsible Business Committee, which was set up in 2022, plays a key part in reviewing the practices and performance of the Group in supporting our people, and in particular our progress towards meeting the Group's goals and objectives with regard to diversity and inclusion. As a result, we have set targets for our senior leadership population, where by 2028 and in line with the FTSE Women Leaders recommendations, we aim to have 40% of roles filled by women, and to be more reflective of the communities in which we serve, aiming to have 11.0% of roles filled by colleagues from a minority ethnic background. This will double the number of minority ethnic senior leaders. As part of International Women's Day in March, First Bus pledged to double the proportion of women in their workforce by 2028 to 20%. We have also set a number of other additional internal targets around specific roles to help us make positive progress against our respective pay gaps.

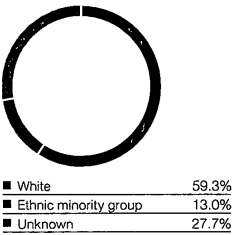
The composition of our Company continues to evolve. Through this, we are making progress towards our targets, and as of 31 March 2024, women occupied 20.8% of all roles across the Group and 32.8% of senior leadership roles.* Minority ethnic colleagues occupied 13.0% of all roles and 5.8% of senior leadership roles.*

Over the last 12 months, 21.6% of all hires were women and 25.2% were from a minority ethnic group.

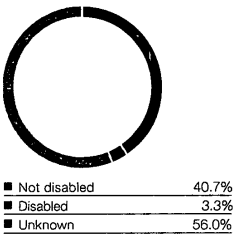
In collecting this sensitive data from our colleagues, over 72% of our colleagues are comfortable to share their ethnicity with us, and over 44% their ability status and 43% their sexual orientation. Whilst we still have a way to go, we continue to be committed to increasing disclosure of protected characteristics across the Group to have a better understanding of the composition of our workforce.

* The above 'senior leadership' population is an expanded population from the reported Hampton-Alexander population which allows us to evaluate the success of our development programmes and track our progress against targets.

Ethnicity – FY 2024



Disability status – FY 2024



Responsible business continued



Diversity and inclusion continued

Our gender breakdown

	FY 2024 ¹			
	Women		Men	
	Number	%	Number	%
Total population	6,442	20.8	24,553	79.2
Senior management ²	17	32.8	35	67.2
Board	4	44.4	5	55.6

	FY 2023 ²			
	Women		Men	
	Number	%	Number	%
Total population	6,540	20.8	24,937	79.2
Senior management ²	12	23.5	39	76.5
Board	4	44.4	5	55.6

1 Excludes 28 colleagues who had not disclosed their gender.
2 Hampton-Alexander definition.

Development programmes

We run a number of personal leadership development programmes, aimed at women and ethnically diverse colleagues, which are designed to build confidence, develop personal insights, and foster readiness for their next career step. Our Senior Women's Leadership programme was refreshed and relaunched in 2023, and our 'Step' and 'Reach' programmes continue to successfully provide a pipeline of talent for our senior and middle management roles. 32% of attendees of these programmes who have remained within FirstGroup have either been promoted or secured a further development job move.

To consolidate this, in January, we launched our advocate network, 'First Connections'. This includes nearly 500 colleagues from under-represented groups who completed one of our personal leadership development programmes, creating a self-supporting, diverse community of talent to support each other in their careers. The inaugural event was attended by around 150 colleagues, including former participants and senior leaders from across the FirstGroup businesses, and following its resounding success, a second, follow-up event is planned.

Our First Rail Contact Centre launched its 'First Steps' programme which enables call agents the opportunity to enhance their leadership skills and gain exposure across wider business functions. 20% of the first cohort have been successful in achieving secondments into junior leadership positions.

Attraction and recruitment

We have recently launched our new external careers website which collates all live job opportunities from across FirstGroup into one place. The new site enables visitors to contact our FirstGroup 'Insiders' – current colleagues who have volunteered to share their career experiences and answer questions about what it's like working for different parts of the Group. Alongside the new external website, we have launched an internal opportunities page, to allow current colleagues to explore what job opportunities exist across the Group. The internal opportunities site will not only advertise live roles but includes secondment and project opportunities.

In March, First Bus partnered with Women in Transport to host the first-ever Inclusive Cab Summit at their Leicester depot, starting the journey towards creating a gold standard for inclusive bus cab design and ensuring a career in bus driving provides a safe, comfortable and inclusive space to work from. The event welcomed 30 organisations from across the sector including drivers, operational colleagues and engineers, as well as representatives from key bus manufacturers, suppliers, trade unions and Bus Users UK.

Case study

Step and Reach programmes

Since 2018, our 'Step Up' and 'Reach Up' development programmes have supported women and ethnic minorities, respectively, in non-management roles to prepare for and attain their first management or supervisory role. Our 'Step Forward' and 'Reach Forward' development programmes have supported women and ethnic minorities, respectively, in managerial or professional roles to prepare for 'Head of' or equivalent role.

Mau Nteteka, Guards Manager, GWR, says "The Reach programme was a turning point in my life, greatly improving both my personal and professional growth. It has helped me learn more about myself and boost my confidence and has also made me more open-minded and integrated the idea of inclusion into my everyday life. This has been very important in helping make the workplace more diverse. Participating in this programme has taught me important lessons about how to make a difference at work, which has had a big impact on my career path. It was a very important part of giving me the skills and confidence I needed to secure my current role. It also stressed the importance of finding a balance between personal growth and productivity at work which has been very helpful in managing complex and changing situations."



Responsible business continued



Diversity and inclusion continued

Driving inclusion
SWR launched a major new campaign called 'All Aboard' to tackle discrimination and abuse on the railway and affirm that everyone is welcome on its network, and ensuring all SWR colleagues are free from discrimination and abuse at work. They are also running reverse mentoring and 'Inclusion Allies' programmes, empowering colleagues to act in allyship for under-represented groups and for role model inclusion. Meanwhile, GWR engaged over 60 people in their successful 'Platform to Boardroom' reverse mentoring programme. They have now launched an 'Alliance Mentoring Scheme' which extends the reverse mentoring across GWR and Network Rail.

- Recognition**
Our progress has been achieving wider recognition:
- FirstGroup were finalists in the ED&I category at the Personnel Today Awards 2023, receiving recognition for our work delivering change through our Step, Reach and Senior Women's development programmes
 - First Bus were shortlisted for 'Best Diversity & Inclusion Strategy' at the HR Excellence Awards
 - Hull Trains won 'Top Employer of the Year' at the 2023 Women in Rail Awards, where they were commended for having the highest percentage of women drivers in the industry, providing pathways to progression for women who want to balance family life with a career and with having 50-50 boardroom diversity
 - Avanti won the 'Campaign of the Year' award for their 'Pulling in the Right Direction' campaign to help inspire the next generation of women to become train drivers and SWR were Highly Commended in the Diversity & Inclusion category at the Rail Business Awards 2023



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

792
apprentices in training across the Group

75
apprentices learning at the UK's first engineering academy for zero emission buses and coaches

26%
of new apprentices recruited this year were women



Both of our divisions provide training to enable our employees to deliver great service for our customers and invest in the skills we need for the future. The changing nature of transport and mobility, particularly new vehicle technologies and energy transition, requires us to adapt the way we develop, operate and maintain our services. To deliver that change, we need a healthy, engaged, agile and diverse workforce with the skills and expertise for a zero-carbon economy, equipped to innovate and deliver mobility for the future. Our apprenticeship programmes are an important way of growing the engineering and operational skills which are vital to our business. We are running industry-leading programmes that are fully integrated into the fabric of our organisation, working in key areas of the business such as operations engineering, human resources, customer service and business administration.

We have 792 apprentices in training across First Bus and First Rail, with 26% of apprentices recruited over the last year being women.

First Bus, in partnership with Reaseheath College, Cheshire, currently have 75 apprentices learning at the UK's first engineering academy for the next generation of zero emission coaches and buses, specialising in mechanical and electrical engineering, coachbuilding and stores. During National Apprenticeship Week in February, they announced the launch of a new apprenticeship programme for bus drivers, partnering up with leading training provider Realise to build a sustainable pathway for new drivers.

In the same week, GWR ran a service between London to Cardiff, crewed, driven, dispatched and controlled solely by current and former GWR apprentices, demonstrating the breadth of opportunity and what is possible through their apprenticeship programme.

Responsible business continued



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

650
Mental Health First Aiders across the business

1,500
First Bus colleagues used health kiosks in a wellbeing campaign

1,000
Individuals assisted with financial wellbeing by the Avanti and Railway Benefit Fund partnership



Wellbeing
The wellbeing of our employees remains a key priority for FirstGroup. Our employees have various wellbeing resources available to them through the wellbeing hub, accessed through our intranet.

First Rail now has more than 400 Mental Health First Aiders in place, with coverage across all rail companies, and First Bus have a trained network of more than 250 Mental Health First Aiders. Within First Bus, all line managers have also been formally trained as Mental Health Champions this year. A new mental health awareness course has been launched on the First Bus University online learning platform.

Avanti and Railway Benefit Fund renewed their partnership and commitment to support colleagues' wellbeing this year. The aim of the partnership is to support as well as improve the general and financial wellbeing of current or former Avanti employees. The Crewe-based charity offer bespoke care and advice to railway families. In the past 12 months they have helped over 1,000 individuals struggling with hardship by delivering training sessions and running events for colleagues to increase the awareness of grants available to those who may be struggling financially.

First Bus have launched 'Wellbeing Wednesdays', a programme in which, an all-colleague webinar on a specific health topic is held live and recorded on the first Wednesday of each month. With each webinar typically attracting over 200 colleagues, topics covered have included prostate cancer awareness (including PSA testing) and menopause, with menopause information zones following in depots. In October 2023, health kiosks were also placed into 16 sites around the First Bus business, allowing colleagues to understand their BMI, heart health and other indicators. These were used by over 1,500 colleagues across the month, allowing them to make informed decisions about their health and the preventive action they can choose to take.

Real Living Wage
To attract and retain the skills we need, we offer a competitive wage reflecting local market demands and conditions. In First Rail, Avanti and Tram Operations Ltd. are accredited Living Wage Employers and pay the Real Living Wage (RLW) to employees and to third party contractors working directly for the Company in accordance with the Living Wage Foundation rates of pay. From 1 April 2024, First Bus also became a RLW employer, immediately impacting over 1,300 colleagues who have received a pay increase in line with this new commitment. Over the next 18 months there is also a commitment (outside of accreditation requirements) to include all First Bus apprentices. GWR and SWR also pay the RLW to directly employed colleagues.



Employee engagement
All our businesses carry out regular Your Voice surveys giving employees the opportunity to share their views on the way they are managed, and how likely they are to recommend FirstGroup as an employer. These surveys are anonymous and managed by an external specialist company to encourage candid feedback. Surveys from across our businesses conducted in 2024 have shown an improvement in response rates and in engagement levels. In February, First Bus conducted their latest survey. This showed a year-on-year increase of 16% in the response rate and a 5% increase in engagement. Due to recent economic conditions, within the DfT contracted rail companies, engagement has fallen in GWR and Avanti, with SWR due to publish updated results later in the year. Within the open access train operators, Hull Trains and Lumo both have engagement levels at 80% or above and within the corporate functions, engagement was at 85%.

Responsible business continued

Foundations



Communities

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

£2.4 million

community funding initiatives
across all our businesses this year

More than 60

charities supported through
the matched funding scheme

£1.4 million

donated to charity partners
across the Group this year

We take pride in supporting our local communities. Using our skills and influence, we make a positive impact by assisting local causes that matter. Through volunteering, corporate donations and in-kind gifts, we have supported numerous community causes and charitable organisations this year. Our contributions include donating advertising space, providing vehicle hires and offering spaces at our stations.

Charitable giving

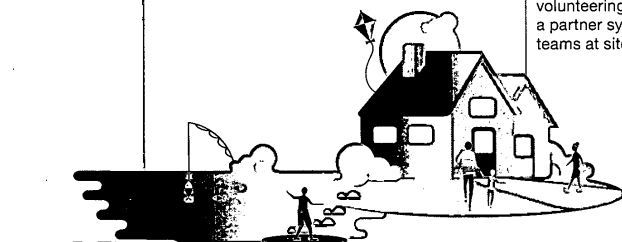
Transport operators, as integral members of local communities, bear a responsibility to contribute meaningfully. Our extensive networks, from buses to trains, play a vital role in people's daily lives. As connectors, we can amplify charitable efforts and so actively engage in community initiatives, leveraging our resources, expertise and reach.

FirstGroup matches donations made by its staff up to £200 per employee per year. This empowers employees to raise funds for charities that matter to them and enables them to go further with this fundraising. In the latest financial year, 152 employees took part in the matched funding scheme and raised funds for over 60 charities. Furthermore, employees can donate directly to a charity of their choice using our payroll giving scheme which raised over £150,000 in 2024. This year we also introduced a new employee volunteering trial in our bus division for employees. This new scheme offers volunteering opportunities for employees using a partner system Neighbourly that connects our teams at sites to local good causes.

Alongside offering employees the flexibility of donating to charities of their choice, we also support key charity partners across the Group selected by our employees and aligned to our business Values. In FY 2024, our First Rail partners are Samaritans and Railway Children, and First Bus partner is Macmillan. To support our partners, we run various schemes including Gift-in-Kind donations for advertising space that totalled over £1m in media value, customer and employee donations from various fundraising events and initiatives totalling over £120,000, provision of spaces to run events and awareness-raising throughout the business. Overall our total charitable contributions across the Group were over £1.4m across all initiatives.

Community Rail Partnerships

CRPs are not-for-profit organisations that help to further connect the railway with the communities they serve. All over the country, CRPs work with communities to promote social inclusion and sustainable travel, champion economic development and bring stations back to life. These partnerships are attuned to local needs, and their work is varied but driven by passionate volunteers. Each partnership has a steering group made up of local stakeholders, who agree on an activity plan of work.



Responsible business continued



Communities continued

Across Britain, more than 70 CRPs, plus hundreds of Station Friends, groups and social enterprises, make up the growing community rail movement. Members deliver a range of activities that bring people together and help communities get the most from their railways, as well as helping our railways to thrive. These activities range from community gardening and arts projects on stations, to helping people with disabilities use Rail and advise train operators to meet local needs – all carrying significant social and economic value. Each year, our rail businesses under NRCs (Avanti, GWR, SWR) provide DfT funding to the various CRPs that exist along their networks and their community projects.

In FY 2024, we supported more than 23 CRPs around the UK and allocated over £670,000 in funding with plans to support a further 20 projects. Our rail businesses are actively involved with each CRP, working in partnership with them to deliver outcomes that benefit as many people locally as possible.

We further benefit our communities with the Customer and Community Investment Fund (CCIF) a funding scheme for small and medium-sized rail-related projects that can be completed over a financial year. The scheme, provided by the DfT, is available through our DfT contracted rail businesses to work in partnership with charities, their customers and the communities located along our routes. In 2024, we supported 99 projects across our networks with £2.4m invested in communities from the DfT funding. Beneficiary projects included accessibility schemes, educational projects, under-represented groups, historical and heritage schemes, research and more.



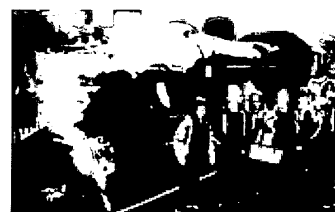
Station adopters

Across the network, station adopters have played a vital role in supporting social, cultural and economic development in their local areas, creating a sense of community and inclusion, and enhancing the customer experience. Station adopters include community groups, charities and businesses. Our DfT contracted rail businesses fund their membership of the Community Rail Network, the national body of over 1,000 station adopters across different train operators, which provides access to grant opportunities from station adoption funds, as well as additional training, advice and resources. This year SWR achieved a significant milestone when the 100th station was adopted by local community volunteers at Staines, cementing SWR's industry leadership in community engagement. These adopters ensure volunteers can make the most out of their local station spaces and environments and take a lead on imagining new and creative ways for their stations to better serve their communities and strengthening their place within their local area.

Additionally, as part of our commitment to communities, we have made redundant space in some of our station buildings available for use by local community groups. These spaces include offices, station houses, retail units and waiting rooms. At SWR there are 19 spaces available across the network and nine station houses which are available for use.

Case study

SWR invests £1.5m in projects by local communities



SWR invested £1.5m investment in 58 local community projects across its network, from Vauxhall in London to Exeter in Devon, from SWR's Customers and Communities Improvement Funding (CCIF) round for 2023/24 from the DfT. The wide range of projects were funded by various grants. Included in the 58 projects – 15 of which are run by local authorities in Berkshire, Devon, Dorset, Hampshire, Surrey and Wiltshire – were:

- £76,759 awarded to the University of Portsmouth for the UK's first 'skills garden', an interactive outdoor space that can be used by the whole of the local community.
- Active Vision, a 12-month project which will allow Guide Dogs to support 30 vision-impaired people living across the SWR Network, helping them to get out of their homes and re-engage with the local community. SWR is contributing £25,605 in funding.
- Improving facilities at Smallbrook Junction on the Isle of Wight, for passengers connecting between the Island Line and the Isle of Wight Steam Railway (pictured), including Customer Information Screens and power and lighting using solar power and biodiesel.

Responsible business continued



Safety

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

9.88

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

13.14

Passenger Injury rate (per million miles)

4.57

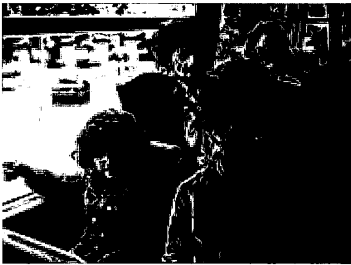
Passenger injury rate (per million journeys)

Every day our trains, buses and trams carry more than 1.8 million customers, and we are responsible for around 30,000 employees. By its nature, the transport industry requires a large number of movements across our networks and therefore we take seriously our duty of care to ensure that our customers can safely use our services and that our employees are able to perform their duties in a safe place to carry out their daily tasks. We continually strive to seek innovative safety mitigations to ensure the wellbeing of our people.

We maintain robust safety management systems throughout the Group, with a clear focus on ensuring compliance with legislation, policies, processes and procedures.

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

Strong leadership from the top is a key feature of our safety culture. Our Responsible Business Committee, involving the Chief Executive Officer and members of the Group Executive Committee, together with First Bus and First Rail senior leadership teams, oversee the Group’s safety strategy and the performance, procedures and practices across all operating companies.

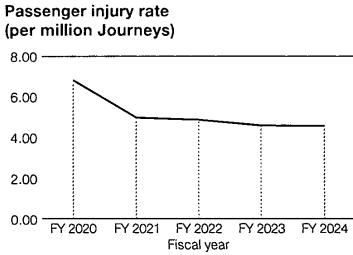
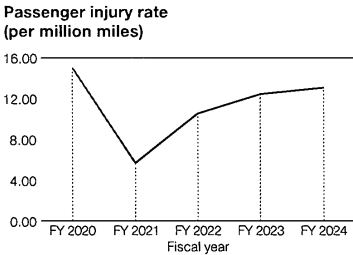
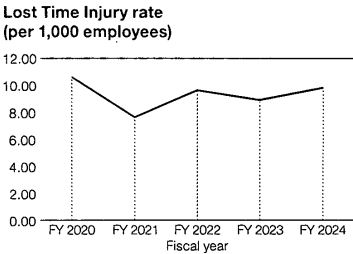


First Bus

This year First Bus has achieved the ISO 45001 and ISO 14001 accreditation and merged the two standards across the division. Consolidating these standards demonstrates a comprehensive approach to ensuring both safety and environmental controls are aligned and subject to independent scrutiny by specialists Alcumus ISOQAR.

We have maintained alignment with the broader First Bus diversity and inclusion programme with safety policies and procedures written in a way that is simpler and more easily applied by our people. We continue to offer our safety information in a variety of languages to aid understanding and mirror the diverse nature of our workforce.

Our emphasis on competence, compliance and engagement is crucial for maintaining a strong safety culture. This year we also introduced a bespoke health and safety training programme, certified by the Institute of Occupational Safety and Health (IOSH) ensuring key colleagues are well equipped to understand and adhere to safety management protocols. This followed the introduction of a bespoke qualification for our managers and supervisors which is accredited by the IOSH that is unique and relevant to the road passenger transport sector and is designed to ensure better applicability to road transport incidents as well as more interactive learning through bite-size content.



Responsible business continued



Safety continued

Our support programme called Thru-Care continues to support new drivers through their first year with us, which is typically the most challenging. Special rosters to ensure they are not overwhelmed, phasing their learnings, and tracking their performance through our driving standards database, provides them with support until they gain the relevant experience. This early period is crucial in shaping their driving performance standards, and the support we provide also reduces potential attrition rates.

We have improved our safety management with contractors through a new permit system which helps to ensure that safety standards are upheld across all aspects of operations and by everyone working on our sites.

Approximately a quarter of our customer and employee injuries happen each when they are getting on or off our buses. Therefore, we strengthened our existing campaign called 'Hold, Look, Land' to encourage safer behaviours to reduce slips, trips and falls, sharing the message with customers through onboard signage and our employees by embedding the message in local campaigns and messaging via the winter guidance documents and employee app.

Overall, we are committed to maintaining a high standard of health and safety management, and we continually strive to improve and innovate in these areas.

First Rail

Our approach across each of our rail businesses is firmly dependent upon:

- A comprehensive safety management system focused on understanding the safety risk profile of the company and ensuring suitable risk mitigations are in place. Each company reviews and updates their risk profile in light of new/updated legislation, changes within the business operation(s) such as new train introductions, audits, recommendations from accidents and incidents and horizon scanning
- A dedication to employee health and safety that is shared through induction, training, communication, briefings, line management, peer review and sharing of best practice
- Through our health and safety policies we lay out our commitment to continually improving the health and safety of our employees, contractors and customers, focusing on getting the basics right and continually learning from those both within and outside our industry
- An internal openness and accountability in identifying health and safety issues, which includes partnership working between employees and trade unions to ensure a safe workplace. In addition to this, we work closely with other rail industry partners to ensure we are aware of best practice and lessons learned
- Continuous improvement through both maintaining and attaining certifications for quality and efficiency process standards. Whilst some of the functions within the businesses already have ISOs such 9001, 18001 and 45001. The aim is to work towards achieving more of these accreditations

Throughout the year we continually focus on prioritising a reduction in customer injuries on our trains and stations where we know slips, trips and falls are the most common cause of injury. Our frontline staff are focused on identifying and assisting vulnerable customers where possible, specifically those travelling for leisure who may be less aware of the station or train environment, the elderly or those with reduced mobility. Innovative publicity campaigns were developed that were themed around known risks such as not using handrails, minding gaps between trains and platforms, not using lifts when travelling with luggage or pushchairs, not rushing and distraction due to use of electronic devices.

The risk of Signals Passed at Danger (SPAD) continues to be at the forefront of our safety activities, with monitoring arrangements supporting both performance metrics and the implementation of safety plans. We have many ongoing workstreams focused on mitigating SPADs such as localised risk reduction plans, driver-focused communications, and an engagement campaign called 'Respect the Red'.

An example of successful implementation of these initiatives can be seen with Hull Trains who have taken significant steps to improving safety for both staff and customers on board resulting in them being shortlisted at the National Rail Awards for safety achievements. Various initiatives were rolled out across the company in the past 12 months to improve safety. In ORR's recent safety report, Hull Trains received a level 5 'excellent' evaluation in recognition of the way its safety team works with frontline teams to achieve collaborative solutions to safety issues through partnership working.

Case study

SWR marks the successful installation of lifesaving defibrillators at all its staffed stations

SWR has marked the installation of publicly accessible, automated, external defibrillators at more than 150 staffed stations on its vast network, available for local communities at any time of the day. The defibrillators are placed in protective cabinets, as close as possible to the front entrance of the stations. They can be used day or night in the event of cardiac incidents, and they are remotely monitored to ensure they are always in working order.

The locations of the defibrillators have been added to 'The Circuit' — the British Heart Foundation's database, visible to NHS ambulance services who can direct 999 callers to its position, so the device can be used to help save lives. Local ambulance services are provided with the codes so users can unlock the cabinets and access the devices. Particularly in the more remote areas SWR serves, where ambulance response times may be slower, a publicly accessible community defibrillator could be the difference between life and death.



Responsible business continued



Ethics

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

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

Our policy framework

Our Code of Ethics, which is available at www.firstgroupplc.com/responsibility, makes sure that all of our businesses are performing to the highest ethical standards and are accountable for their performance. The Code of Ethics is supported by detailed policies and procedures which apply across the Group and, along with the Code of Ethics itself, are implemented and managed by the senior management team in each of our divisions. Our Group policies cover topics including anti-bribery and corruption, health and safety, supplier conduct, environment, privacy and data protection, meeting passenger needs, competition laws, insider dealing, bullying and harassment, political activity, diversity and inclusion, conflicts of interest, drugs and alcohol, fraud, whistleblowing, media relations, and other areas of legal and ethical compliance. Our divisions also have additional policies that are specific to their businesses, for example, Avanti has a Welsh Language Policy, and these can be found on their respective company websites.

Governance and implementation

We have mandated centrally a set of minimum requirements for training, testing and policy attestation across a range of ethical and compliance topics. All non-frontline staff are required to complete an annual attestation confirming that they understand and comply with each of the policies. In addition, senior managers and higher-risk individuals are required to complete training and pass tests annually. Compliance with these policy and training requirements is monitored regularly by the senior management team and at Board level. The minimum requirements are reviewed and updated as appropriate to address new or evolving risks.

Divisional management teams are responsible for ensuring that these core requirements are implemented and adhered to within their respective businesses. They are also responsible for assessing whether stricter or additional requirements are appropriate to the particular ethical and legal compliance risks faced by their respective businesses, and implementing such further measures as are deemed necessary to mitigate those risks.

Human rights

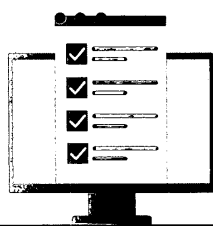
We are firmly committed to upholding human rights on a global scale. We recognise our responsibility to ensure that FirstGroup operates in a manner that respects, protects and champions the human rights of all individuals who interact with our operations.

Our annual Modern Slavery and Human Trafficking Statement outlines our policies and the steps we take to address modern slavery risks in our business and supply chains. You can find this statement on our website at www.firstgroupplc.com. In alignment with our commitment to continuous improvement, we apply this statement to all our businesses, regardless of size, location or turnover, even those not legally required to make such a statement under the Modern Slavery Act or equivalent legislation.

Whistleblowing

Our whistleblowing policy covers all full-time and part-time employees, officers, consultants, contractors, casual workers and agency workers in all FirstGroup companies. It also covers whistleblowing allegations raised by external agencies including suppliers. The policy outlines the measures and protections put in place to allow an individual to report suspected wrongdoing or dangers at work in a confidential and independent manner, along with the process, protection and support they will receive.

We have an externally managed whistleblowing service for colleagues available across the Group with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. The hotline is actively communicated to colleagues via a number of channels, as well as being available via the Code of Ethics and other policy and training materials. The Board also receives reports on the operation of and any matters reported to this whistleblowing hotline.



Climate-related financial disclosures

Our commitments, actions and focus areas

Our ambition is to be the partner of choice for innovative and sustainable transport, accelerating the transition to a zero-carbon world by eliminating carbon emissions from our operations and supporting a modal shift to public transport, whilst building climate resilience across our business. Our business strategy was updated in 2024 to reflect our progress and ambition. Driving modal shift and leading in environmental and social sustainability were both placed at the heart of this new strategy, forming two of the four pillars. We take pride in the ambition with which our team members across the organisation have adopted these priorities and have strived to incorporate them into all our activities.

We are working towards some ambitious goals. First Bus has a target to operate a zero emission fleet by 2035. To achieve this, we are focused on replacing existing diesel buses with electric or hydrogen powered vehicles. First Rail is supporting the UK Government's target to remove all diesel-only trains from service by 2040 and deliver a net-zero railway network by 2050.

We were the first UK public transport operator to support the Taskforce for Climate-related Financial Disclosures (TCFD), and this will be our fourth year of reporting against the framework in our Annual Report. We have also developed a near-term science-based emissions reduction target aligned with a 1.5°C ambition and approved by the SBTi. Our target is to reduce Scope 1 and 2 GHG emissions by 63% by FY 2035 from a FY 2020 base year. We also commit to reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by 20% by FY 2028, from a FY 2020 base year, and that 75% of our suppliers by emissions, covering purchased goods and services and capital goods, will have science-based targets by FY 2028. We report on our annual progress against these targets for the first time on pages 57-59.

To ensure the success of our business for the long term, we are equally focused on climate change adaptation and resilience – understanding the physical and transition impacts climate change can have on our business over the short, medium and long term, and taking action to mitigate the risks and capture the opportunities. Climate change is managed and reported as one of our principal risks and has been an integral part of our risk management framework for many years.

Following a qualitative review of climate-related risks and opportunities in FY 2021, and a quantitative scenario analysis and financial impact assessment in FY 2022, for the past two years we have worked with key internal functions to build further understanding of climate risks and opportunities, how they are being addressed, and what further actions can be put in place as part of a broader, Group-wide transition plan. We aim to publish this plan later in 2024.

This TCFD update therefore provides a summary of the key, climate-related risks and opportunities already reported for the first time in our Annual Report 2022 (pages 62-64), and an overview of what we are doing to continue to reduce our carbon footprint and build climate resilience. We report against the four pillars of TCFD – Governance, Strategy, Risk Management, Metrics & Targets – and the individual requirements underneath (see table on page 75 for the location of relevant disclosures). In line with the UK Listing Rules, we confirm that disclosures are consistent with the TCFD Recommendations. Under the metrics and targets section, we explain how limited Scope 3 emissions calculated using actual source data from our value chain are included in the Annual Report and all material Scope 3 emissions calculated using a spend based method are included in our Environmental Performance Report 2024 www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx.

In preparing these disclosures, we considered the 2021 TCFD Guidance 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', including the supplementary guidance for the Transportation group. However, we recognise that climate-related risk assessments are subject to data availability, trend projections and underlying business assumptions. It is therefore important to continue to monitor climate-related risks and how they evolve over time, and we will periodically assess the need to update our 2022 impact assessment to account for any significant changes in key parameters.

Finally, we look at our TCFD work not just as a vital mechanism to build long-term business resilience, but also as an important step towards increased transparency around climate as well as broader sustainability-related risks and opportunities, in line with recommendations by the International Sustainability Standards Board. To this end, we have formed a working group comprised of Corporate Responsibility and Finance teams that work collaboratively to prepare for any future disclosure requirements for our company that could emerge based upon these newly launched standards: (i) IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information; and (ii) IFRS S2: Climate-related Disclosures.

Climate-related financial disclosures continued

TCFD recommendations	Subheading	Page
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities.	Board oversight	➔ Read more on page 76
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Management's role	➔ Read more on page 76
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Climate-related risks and opportunities and scenario analysis	➔ Read more on page 77
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Impact on strategy and financial planning	➔ Read more on page 78
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy resilience	➔ Read more on page 79
Risk management		
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Approach to risk management	➔ Read more on page 81
b) Describe the organisation's processes for managing climate-related risks.	Risk mitigation actions	➔ Read more on pages 81 to 83
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Approach to risk management	➔ Read more on page 81
Metrics and targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets	➔ Read more on page 84
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Greenhouse gas emissions table	➔ Read more on pages 57 to 59
	Metrics and targets	➔ Read more on pages 57 to 59 and our Environmental Performance Report www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Metrics and targets	➔ Read more on page 84

Climate-related financial disclosures continued

Governance		
TCFD recommendation: Disclose the organisation's governance around climate-related risks and opportunities		
Management of climate-related risks is aligned with the robust corporate governance frameworks and processes in place throughout the Group. The Board, Executive Committee and our individual bus and rail divisions regularly review climate-related risks in accordance with the Group's risk management framework and consider broader sustainability matters in line with duties included in the Corporate Governance Code and Section 172 (see pages 101 and 102). Board oversight The Board is responsible for promoting the Company's long-term sustainable success for the benefit of its shareholders. This aim extends to the setting of our approach to climate-related risks and opportunities and our decarbonisation ambitions, which now form a key part of our broader business strategy. Driving modal shift and leading in environmental and social sustainability were both placed at the heart of this new strategy, forming two of the four pillars.	Our Responsible Business Committee of the Board meets four times a year to review the practices and performance of FirstGroup, its companies and joint ventures, with respect to health and safety, our people and communities, the environment and our decarbonisation transition. The Committee comprises several Board members with specific climate-related and energy transition expertise, described in more detail on pages 106 to 108. At each meeting, the Committee receives a detailed performance update from First Bus and First Rail against specific commitments and targets and discusses strategic priorities going forward. Over the last year, the Committee reviewed and guided, for example FirstGroup's plans for further embedding the TCFD recommendations across the business, our work undertaken to assess flooding risk and our annual performance against our science-based targets. To further support Board-level oversight of climate-related matters, during FY 2025 we will run an in-depth briefing session for the Board covering the development of our first-ever Group-wide climate transition plan and how it aligns with the reporting requirements of the UK's new Transition Plan Taskforce (TPT) framework.	In addition, the Audit Committee supports the Board in the management of risk, including climate-related risks, and is responsible for reviewing the effectiveness of risk management and internal control processes. The Audit Committee reviews climate-related risks as relevant in relation to going concern, viability statement and the assessment of impairment. See page 104 for more information on Board Committees and how our Board operates and pages 119 to 120 for more details on how risks are reviewed and considered in strategic business decisions. Climate-related matters are also embedded into FirstGroup's remuneration approach, with our long-term incentive plan including specific targets driving the electrification of our bus fleet and a reduction in our Scope 1 and 2 carbon emissions (see pages 134 and 137). Performance against these targets is reviewed half-yearly by the Remuneration Committee of the Board. Management's role The Executive Committee provides leadership and direction for the Group on sustainability matters, including climate change, with material issues presented by the Group Corporate Responsibility and Finance teams for discussion and decision making as they arise throughout the year. Executive responsibility for sustainability matters is held by the CEO. Executive responsibility for climate-related financial risks and opportunities is held by the CFO, who represents these matters at Board level. At divisional level, First Bus and First Rail have executive management individuals responsible for driving environmental sustainability across the divisions, leading on the development and implementation of decarbonisation strategies and risk mitigation actions. First Bus appointed a Chief Sustainability and Compliance Officer who sits on their Executive Committee to oversee this agenda and chairs a cross-functional Decarbonisation Forum that meets monthly to set policy, drive action and review progress. Similarly, First Rail established a Sustainability Leadership Group, including senior leaders from Finance, Operations and Engineering, who meet quarterly to discuss climate-related matters as part of a broader sustainability strategy for Rail. The Executive Committee receives regular divisional updates from the MDs of Bus and Rail. This year, we have worked with our Executive Committee to drive alignment between selected pillars of our new launched business strategy and the work being undertaken to develop our first-ever Group-wide climate transition plan, so that the ambition, actions and accountability in this plan replicate and build upon those already set out in our business strategy. We will publish this plan later in 2024. To strengthen ownership and accountability, climate-related KPIs are embedded into our variable remuneration practices. For example, our Long-Term Incentive Plan (LTIP) awards, made to the CEO, CFO, and other senior leaders, include two environmental measures – one related to the number of zero emission vehicles in our bus fleet, and one linked to a reduction in our absolute Scope 1 and 2 emissions (see pages 134-137 for more details).

Climate-related financial disclosures continued

Strategy

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

Climate change is managed as one of our principal risks and is a core consideration in business strategy and decision making. Physical risks include more intense precipitation and extreme temperatures, whilst transition risks include changes in policy, technology, customer and investor expectations. Alongside potential risks, we view a shift in customer preferences towards lower-carbon alternatives and strong governmental and regulatory support for transport decarbonisation and modal shift as key business, environmental and social opportunities.

Climate-related risks and opportunities and scenario analysis
In FY 2022, we worked with a specialist consultancy to model potential physical and transition risks and opportunities to our business over the short, medium and long term, and to estimate cumulative Enterprise Value at Risk over a five-year period (2022-2027). With no significant change to key business parameters and underlying assumptions since our 2022 assessment, this TCFD update provides a summary of impact areas already reported in 2022, and an overview of what we are doing to continue to reduce our carbon footprint and build climate resilience across our operations.

Using a digital twin of FirstGroup, we modelled impacts across five different climate scenarios, from a world where there is little to no climate policy in place and global temperatures increase by a catastrophic 4°C, to a world where there is rapid transition to a low-carbon economy and global temperature increase is limited to 1.5°C above pre-industrial levels. See Table 1 and refer to our ARA 2022 (at pages 61-63) for more details on individual scenarios.

Whilst in some of our modelling we considered five individual scenarios, this report focuses on the two most extreme ones and the 'Stated Policy' scenario, to consolidate some of the findings, but still illustrate the full range of estimated impacts. Across these scenarios, we looked at potential transition and physical impacts to our business from 2022 until 2027 (short term), 2035 (medium term) and 2050 (long term). The medium- to long-term scenarios align with First Bus's target of a zero emissions fleet by 2035 and the UK's net-zero goal by 2050.

Transition risks and opportunities
Our analysis of transition risks considered potential impacts on our business from changes in policy (such as carbon pricing), technology (additional capital expenditure required to meet more stringent environmental standards), brand reputation (customer expectations and FirstGroup's environmental credentials and ability to meet carbon-reduction goals), and capital markets (investor expectations and impact on funding access/costs).

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

Our modelling work identified impacts from policy, technology, investor and customer behaviour as the most material to our business over the next five years, as outlined in Table 2. There is also a detailed description of the impact of each risk or opportunity on our business within the Risk Management section. Risks or opportunities were considered material if they had at least a 'medium' impact under at least one scenario in Table 2. It is important to note that these potential impacts focus on direct risks to FirstGroup, recognising that under the current NRCs some of the wider risks and opportunities for our Rail operations would be shared with or transferred to third parties.

Physical risks
When looking at physical risks, we considered the potential impacts of acute climate events, such as more frequent and more severe floods, storms, rainfall, heatwaves and droughts, as well as the impacts of more chronic and long-term changes such as rising sea levels and a global increase in temperatures. Financial impacts from these events range from operational disruptions and asset damage to health and safety risks, insurance costs and revenue loss.

Table 1: Climate scenarios considered in risk modelling

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

Climate-related financial disclosures continued

Strategy continued

Our analysis identified flooding as our most immediate, and material risk and we therefore carried out a separate, in-depth flood modelling exercise covering riverine, surface water and coastal flooding in FY 2022. The model considered the top 240 most critical property assets owned, leased or managed by FirstGroup or our subsidiary companies and assessed the maximum metres of flooding expected at these locations over different timeframes. The purpose of this exercise was to identify assets at high risk of flooding, assess potential financial impact and strengthen mitigation measures going forward. The model showed that the majority of FirstGroup-owned assets have limited/low exposure to flood risks in the short term and estimated potential financial impacts, cumulative over the next five years, to range from £20m in a 4°C world to £4m in a 1.5°C world. We have engaged with our Bus and Rail divisions since this analysis was first carried out in FY 2022 and we remain ready to respond by drawing upon our pre-existing flood response plans and procedures should an incident occur.

Our assessment focused on potential impacts to assets that we own, lease or manage, but our exposure to climate risks critically also depends on assets that are owned and managed by third parties, such as rail tracks owned and managed by Network Rail. In 2024, we have worked ever more closely on this agenda with key stakeholders across the rail industry, as part of a new forum on climate change adaptation convened by the DfT, to start sharing our approach to climate risks and facilitate closer collaboration on risk mitigation and climate adaptation.

Impact on strategy and financial planning

This year we launched a new business strategy. We set out the four pillars on pages 17 to 29. Our First Bus and First Rail divisions have aligned around these strategic drivers with clear priorities now in place.

First Bus's business strategy focuses on: i) operational excellence to improve customer experience, reliability and cost efficiencies, alongside pricing strategies to drive demand and improve yield; ii) repositioning the customer proposition to focus on attitudes to car usage and increasing B2B markets 'where car won't work in the future'; iii) pursuing near-term franchise opportunities and undertaking selective mergers and acquisitions (M&A) to extend reach; and iv) continuing fleet electrification and building out adjacent B2B/B2C charging opportunities.

Given the nature of our business, climate-related risks and opportunities affect all areas of our First Bus strategy, including vehicle and infrastructure investment, operations and service delivery, business development and growth. Transitioning to a 100% zero emission bus fleet involves significant capital expenditure and potential impairment costs, which are both factored into long-term business strategy and financial planning cycles of the Group. Our decisions on capital allocation for new zero emission buses are driven by considering a total cost of ownership (TCO) model. This considers both the upfront purchasing costs and the ongoing operational costs over the typical lifecycle of a vehicle. In addition, our TCFD work highlighted a potential increase in future costs from, for example, new environmental regulatory requirements (such as carbon pricing) or technology and supply chain challenges (such as an increase in the cost of zero emission vehicles and green electricity if demand outstrips supply). These factors are considered in our going concern and viability statement (see pages 96 to 97). We will describe aspects of the financial planning that underpins our decarbonisation actions in our first Group-wide transition plan, which we are aiming to publish later this year. We also evaluate climate-related risks associated with potential mergers and acquisitions and the impacts of such activities on our progress towards our decarbonisation goals.

First Rail's business strategy focuses on: i) operational excellence to retain and extend our NRCs and maximise our scoring on wider DfT performance metrics; ii) adding capacity to our current open access businesses and pursuing new routes; iii) pursuing non-DfT rail contracts and expanding affiliate First Rail businesses. We also remain committed to helping to achieve the UK Government's target to remove all diesel-only trains from service by 2040 and deliver a net-zero railway network by 2050.

With most rail service elements and investments mandated as part of our management fee-based contracts with DfT, and rail tracks and infrastructure owned and managed by Network Rail, any exposure to climate-related risks is shared with these third parties. Any approach to mitigation actions therefore requires close industry collaboration as well as funding approval in annual business planning processes with DfT for those rail businesses under NRCs.

Climate-related financial disclosures continued

Strategy continued

Strategy resilience Within our new business strategy, our pillar on leading in environmental and social sustainability includes clear decarbonisation goals, from running a 100% zero emission bus fleet by 2035 to reducing our overall Scope 1 and 2 emissions from bus and rail by 63% by the same year (from a 2020 base year and in line with a 1.5°C science-based carbon reduction pathway). Our pillar on modal shift includes clear goals to add capacity to our First Rail Open Access business and to reposition the First Bus customer proposition to drive demand away from car usage and increase Adjacent Services where car usage is becoming less attractive.	The work being undertaken to develop our first-ever Group-wide climate transition plan will set out in more detail the steps we are taking to deliver on these ambitions and build resilience into our overall business strategy. This will include a description of the specific actions being taken, accountability for these actions and the dependencies we are addressing. We will also describe how aspects of our financial planning is supporting delivery of these ambitions.	Furthermore, considering our business model and some of the critical interdependencies between us as a public transport provider and local authorities, DfT, Network Rail and our supply chain partners, a strong approach to partnership and advocacy is key in building strategy resilience and future-proofing our business. It enables us to inform policy developments, accelerate decarbonisation efforts, mitigate our exposure to climate-related risks and capture business opportunities as they arise. For example, see page 36 for details on funding secured over the last year by First Bus to accelerate its transitions to a zero-carbon fleet. The plan, which we aim to publish later in 2024, will outline the policy support we feel is required and the engagement we are undertaking with industry bodies and public sector stakeholders to bring it about.	Our year-on-year progress and our roadmaps for achieving these ambitions, coupled with third party recognition of our decarbonisation efforts (see page 58), all help to build strategy resilience against potential transition risks from, for example, carbon taxes and sustainability-driven customers and investors. In terms of physical risks, these are addressed within our asset management strategy and business continuity plans, with winter and summer preparedness plans in place across the Group and setting out actions and procedures in the case of severe weather events.
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Climate-related financial disclosures continued

Strategy continued

Table 2: Transition risks – potential Enterprise Value at Risk, cumulative over five-year period, assessed against different emissions pathways scenarios

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

■■■ Low impact <£20m ■■■ Medium impact £20m – £50m ■■■ High impact >£50m
 ■■■ Limited opportunity <£20m ■■■ Medium opportunity £20m – £50m ■■■ High opportunity >£50m

Climate-related financial disclosures continued

Risk management		
TCFD recommendation: Disclose how the organisation identifies, assesses and manages climate-related risks.		
Approach to risk management We take a holistic approach to risk management, first building a picture of the principal risks at divisional level, then consolidating these alongside Group-level risks into a Group-wide view (see page 87). The Board assesses the effectiveness of the Group's risk management system and receives reports on principal risks, including climate change. It also reviews the external risk environment, scrutinises assessment of key risks and determines strategic action points. The Group's Sustainability and Public Affairs teams provide regular ESG updates and insights on market developments to relevant stakeholders and functions across the Group. Climate change is managed as a principal risk, with the aspects below identified as most material. Further mitigation actions and timelines are being defined as we develop our Group-wide transition plan.	Policy risks More stringent climate policy could result in increased carbon taxes, road pricing in low-emission zones, policy-driven compliance costs and enhanced emissions reporting requirements. An increase in carbon pricing is expected to drive increases in energy, facility and material costs. This would be exacerbated by increasing mandates on the carbon intensity of our fleet and a diminishing secondary market for legacy diesel vehicles. At the same time, transport policies such as road pricing could support an accelerated modal shift from private cars to public transport and create key opportunities for our business.	Risk mitigation actions We have set ambitious decarbonisation goals, including achieving a zero emission bus fleet and a 1.5°C aligned science-based carbon reduction target for FirstGroup as a whole, with clear progress reported year-on-year. See pages 57 to 59 for more details. We continue to work closely with governments, industry bodies and other stakeholder groups to monitor regulatory developments, affect and foresee policy changes, and proactively respond to evolving conditions. First Bus regularly liaises with local authority partners to drive modal shift towards public transport and the transition towards electric buses. We will be investing £89m in a further 178 zero emission buses and infrastructure across four of our regions. In partnership with local authorities, funding of £16m has been secured through the latest round of the DfT's Zero Emission Bus Regional Area (ZEBRA) scheme. First Rail are strongly represented on the Sustainable Rail Executive, convened by RSSB, and also chair their Sustainable Rail Leadership Group. We are active members of the industry-wide Climate Change Adaptation Working Group which leads and defines a collaborative industry approach to weather resilience and climate change. This has enabled us to be heavily involved in the development of the industry-wide Sustainable Rail Blueprint, the first industry-wide sustainability plan, co-created and facilitated by RSSB with industry and overseen by DfT. The Blueprint provides a framework for aligning strategies and commitments across the industry to establish rail as the backbone of a cleaner future transport system.

Climate-related financial disclosures continued

Risk management continued

Technology risks	As we move towards a 'Paris Aspiration' scenario (in which policies are put in place to limit global temperature increase to 1.5°C above pre-industrial levels), the transformation to net-zero operations would have to be significantly accelerated, leading to potential write-offs, asset impairments and/or early retirement of existing fossil fuel-related infrastructure and vehicle assets. There could also be additional supply chain challenges and costs if the transport sector starts competing for the same technology and specialist resources and demand outstrips supply. On the other hand, prices of green hydrogen and battery packs are expected to fall due to continuous innovation and increasing economies of scale. In addition, with an increasing number of businesses looking to decarbonise their operations, our investments in electric vehicles and charging infrastructure create significant B2B opportunities.	Risk mitigation actions In First Bus, careful planning is taking place to ensure an efficient and effective conversion of our existing infrastructure to one powered by electricity. While there is competition for government funding, our wide-ranging experience as a transport operator in the UK has enabled us to begin a cost-competitive electric vehicle (EV) transition. Our Project NextGen strategic partnership with Hitachi ZeroCarbon (H2C) has been named the winning deal in the IJGlobal 2023 Awards 'Innovation of the Year – Europe' category. This deal has seen the creation of a new joint venture between FirstGroup Energy Limited and H2C, which has been established to finance the acquisition of up to 1,000 batteries to be leased to FirstGroup for use in electric bus fleets. Our property plans, infrastructure investments and increased access to energy supplies for EVs are all key to our fleet decarbonisation strategy. We are also focused on capturing new opportunities from the EV transition, establishing partnerships to leverage our EV charging infrastructure to support wider community electrification needs and exploring how this can open up new revenue streams. First Bus announced a significant collaboration this year with the UK's largest broadband network provider, Openreach, granting them access to its rapid EV charging infrastructure at bus depots nationwide. Within First Rail, a key focus is upgrading our rolling stock to electric or bi-mode trains wherever possible. The launch of a £350m fleet of 23 brand new electric or bi-mode Hitachi trains for Avanti will take place in H2 2024. We are supporting knowledge and skills development for our people to drive this transition, and are working with vehicle manufacturers, energy partners, professional associations, and others to create low and zero emission mobility solutions. First Bus welcomed 52 new engineering apprentices this year to the bespoke academy at Reaseheath College. These apprentices will receive training on next-generation zero emission vehicles, providing them with the skills to progress their careers, whilst enabling First Bus to future-proof its business.
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Climate-related financial disclosures continued

Risk management continued

Customer and investor risks	Growing awareness of climate change amongst the public is expected to drive demand for more sustainable travel options, whilst climate-related risks and opportunities may increasingly affect investors' priorities and access to capital funds. For our industry, this creates key opportunities to grow our customer base as well as the volume of transport services delivered to our existing customers, subject to the pace of our fleet electrification and the perception of the sustainability of our brand and services in relation to other operators and transport alternatives. Driving modal shift by encouraging a step change from car and air travel to bus and train, is a key pillar in our new business strategy. First Rail is focused on adding capacity to its open access businesses. Since its launch, Lumo has carried more than two million passengers in its first two years and Hull Trains has had a faster post-pandemic passenger recovery than any other operator. We are currently in discussions to extend a number of Lumo's daily London to Edinburgh services to Glasgow and our application for a new Hull Trains London-Sheffield open access service was submitted to the ORR this year. First Bus is focused on providing new routes where cars are becoming less attractive, and this year our Aircoach business launched a new Leicester to Birmingham airport service.	Risk mitigation actions We anticipate that with the continuing decarbonisation of our bus and rail operations, and the critical role we play in helping to reduce carbon emissions through modal shift to public transport, our business will be considered an increasingly attractive option for 'green' investment and will be well positioned to access green financing. This year we undertook an investor roadshow to our Leicester depot to showcase the new EV charging facilities now in place. We also delivered a Rail teach-in for investors in which we highlighted the importance of modal shift to the strong growth of our open access businesses this year. We further consolidated the greening of our financing strategy with the signing of a new, innovative £150m Green Hire Purchase Financing Facility to support the purchase of electric bus bodies. The facility provides the funding for electric bus bodies, net of any government co-funding received, and is available for drawdown over three years.
Physical risks	Acute and chronic weather events can affect our infrastructure and operations. More frequent extreme weather events could increase disruption to our services, affecting customer satisfaction and potentially longer-term customer inclination to use bus or rail services. Potential costs include loss of revenue, compensation for disrupted services, increased asset repair and maintenance costs as well as insurance costs for infrastructure and vehicles. Severe weather events could also pose risks to the health, safety and wellbeing of our employees and customers.	Risk mitigation actions Robust business continuity plans are in place across the Group to manage the risks from severe weather conditions, including frost and flooding. In addition to our winter preparedness plans, during FY 2024 we have continued to develop summer preparedness plans to set out actions and procedures in the case of heatwaves. In First Bus, while physical risks to assets might be limited and buses can be rerouted to avoid road blockages, extreme weather conditions can significantly increase driver absences due to sickness or inability to reach depots. Our weather preparedness plans therefore include both operational as well as behavioural guidance to help employees stay safe and cope with extreme weather events. In First Rail, severe weather events such as storms and heat waves can impact the tracks and overhead lines and cause significant service disruption. We work closely with Network Rail, who own and manage the tracks, to resolve disruptions as effectively as possible. We have also started to carry out site-specific impact assessments at individual rail stations to better understand the impacts physical risks and develop focused mitigation plans.

Climate-related financial disclosures continued

Metrics and targets

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

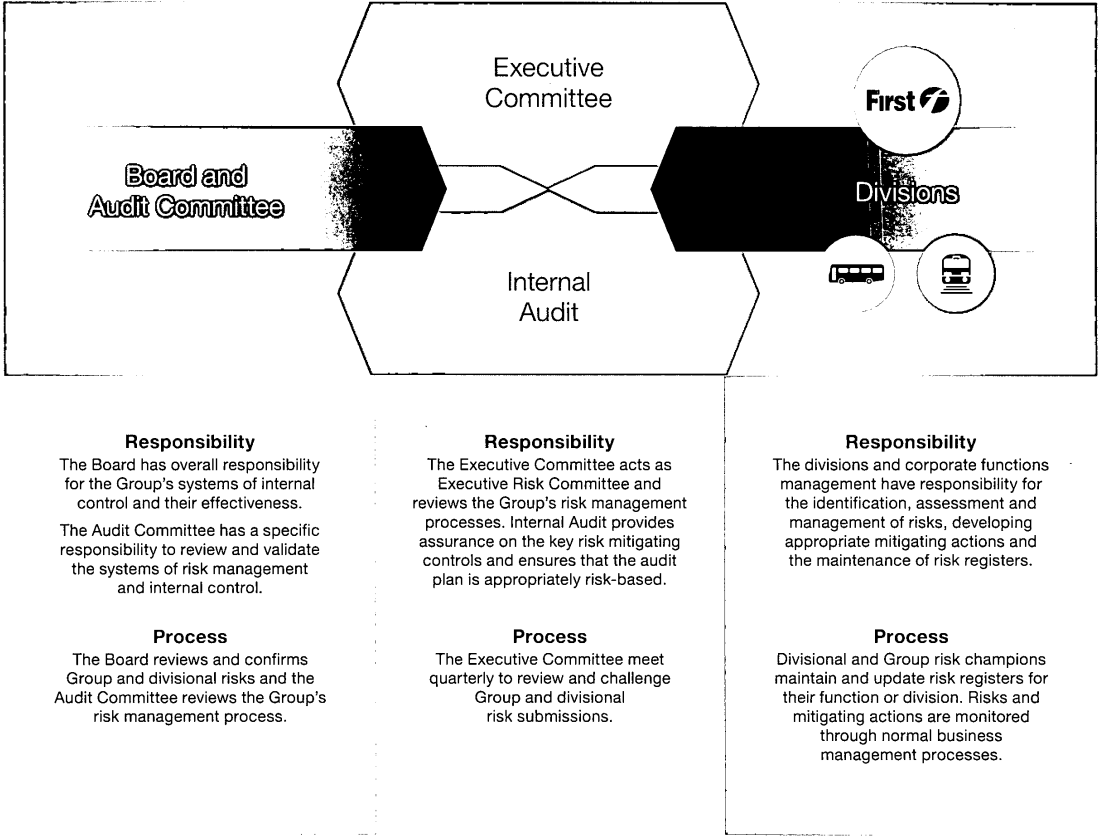
When looking at the results of our 2022 financial impact assessment of climate-related risks and opportunities, the key metric used was Enterprise Value at Risk (EVR), as the measure of the total estimated financial impact of a given scenario over a five-year period, discounted to 2022 values. This, in turn, was affected by other metrics such as our GHG emissions, used to assess our potential exposure to carbon pricing. We have been measuring and reporting our energy and carbon performance for many years. Please see details of these metrics on pages 57 to 59, including: ■ our absolute carbon footprint and carbon intensity (tCO₂e per £m revenue). ■ our energy consumption and the proportion of renewables in our energy mix. ■ our progress against our target of operating a zero emission bus fleet by 2035.	The above KPIs give an indication of our exposure to policy risks such as carbon taxes, as well as technology risks related to electric vehicles. They also strengthen our sustainability credentials with customers and investors, enabling us to capture opportunities from modal shift and green financing. To strengthen ownership and accountability, climate-related KPIs are embedded into our variable remuneration practices. For example, our LTIP awards, made to the CEO, CFO, and other senior leaders, include targets linked to the number of zero emission vehicles in our bus fleet and the reduction in our absolute Scope 1 and 2 emissions. See more details on pages 134 and 137. We have set a near-term science-based emissions reduction target aligned with a 1.50°C ambition and approved by the SBTi. Our target is to reduce Scope 1 and 2 GHG emissions by 63% by FY 2035 from a FY 2020 base year. We also commit to reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by 20% by FY 2028, from a FY 2020 base year, and that 75% of our suppliers by emissions, covering purchased goods and services and capital goods, will have science-based targets by FY 2028.	The reporting on our annual performance against all of these targets can be found, for the first time, on pages 57 to 59. Our Scope 1, Scope 2 and limited Scope 3 GHG emissions are reported in line with the GHG Protocol methodology (see page 58). These metrics have also been subject to independent limited assurance by Grant Thornton. Scope 3 reporting is limited to categories (Waste, Water, Business Travel, Fuel and Energy-related activities) for which we are currently able to gather actual source data from along our value chain and apply relevant emissions factors.	We have also worked with ERM, a specialist consultancy, to complete a full Scope 3 emissions assessment and identify all material Scope 3 emissions. We are reporting on all our material Scope 3 emissions for the first time in our Environmental Performance Report 2024 www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx. For some Scope 3 categories in this assessment, we have relied upon a spend-based method to calculate emissions and we will work towards gathering actual emissions data from external partners in our value chain over time. Our Sustainable Procurement Working Group is currently working to develop a more targeted approach to gathering emissions data and promoting carbon reductions in our value chain. Please see our Environmental Performance Report 2024 www.firstgroupplc.com/responsibility/responsibility-reports/2024.aspx for a more detailed update on our key environmental metrics, performance trends and progress against targets.
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Risk management

A crucial part to deliver on the Group's four strategic pillars is our ability to effectively manage the risk and opportunities the business faces. Our risk management framework considers the impacts of both the changing transportation market and the wider environment to our operations. We keep ahead of potential risks by horizon-scanning for emerging risks, training our people and investing in awareness campaigns and external expert advice, implementing risk mitigations, and reviewing opportunities that are identified through the evolution of the public transport models. Our principal risks and uncertainties are detailed on pages 88 to 95.

Our risk management approach

We take a holistic approach to risk management, first building a picture of the principal risks at the divisional level, then consolidating these with Group risks into a Group view. The Executive Committee continues to have regular meetings dedicated to discussions around the Group's principal risks, as well as the identification and analysis of emerging risks, all of which are considered and approved before being presented to the Audit Committee and Board for review and approval. The objective of this process is to ensure that all key risks to the Group are identified and reviewed regularly, are actively monitored, and mitigating controls are put in place to ensure that the impact on the organisation is managed within the risk appetite levels set by the Board.



Risk management continued

Emerging risks

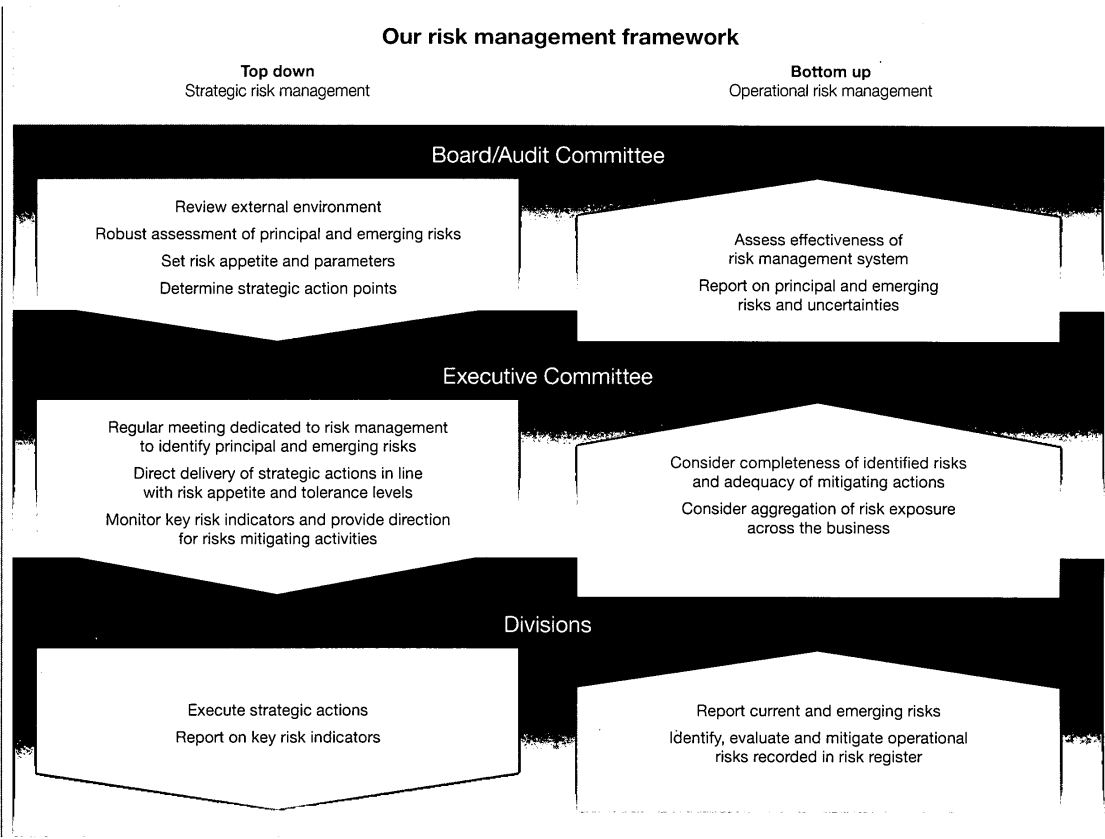
Our risk management approach and methodology includes review and identification of risks which may develop or already exist that may be difficult to quantify, and may lead to a significant impact on the Group. Emerging risks are reported to the Executive Committee and the Board to consider whether to establish them as principal risks. To identify and assess emerging risks, we conduct risk workshops and run deep-dive sessions with divisional and Group leadership teams, engage specialists and perform scenario analysis.

Our risk management framework and structure

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

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

Our risk management framework is shown in the adjacent diagram.



Risk management continued

Risks associated with artificial intelligence

Technological developments, including AI, continue to be fast-paced and uncertain. This will affect our external environment (e.g. customers, political and other stakeholders, competitors and cyber threat actors), and the Group's internal environment (our processes and supply chains), including new evolving regulatory compliance requirements.

In order for FirstGroup to remain competitive and responsive to the market, there is a need to continually seek opportunities to both deploy innovative technology solutions for our customers and to drive internal process and decision efficiency in a safe and trusted way. In addition, we need to monitor the use of these technologies externally by threat actors as well as emerging competitive deployment of AI, including generative AI.

AI is expected to have direct and indirect impacts across the Group's principal risks (e.g. Safety, Legal and Regulatory, HR skills and competencies & resourcing, and Cyber risks), and unlock opportunities within Contracted business and Growth within the sector. However, whilst these impacts are expected to be beneficial as well as adverse in some instances, the nature, scale and timing continue to be highly uncertain at this stage. We continually monitor technological developments, including Generative AI, to ensure our risk mitigation is effective for managing these risks from internal deployments and to protect the business from external use by third parties.

Principal risks and uncertainties

We outline our principal risks on page 88 onwards with an overview of the associated mitigation activities, and corresponding movement of the risk. The Board defines the risk appetite for each of these principal risks. The overall risk appetite for the Group is balanced between risk averse for safety and regulatory compliance risks to neutral or risk accepting for areas that can drive future growth for the Group.

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

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

Further information on our risk management processes is contained in the Governance report on pages 103 to 161.

Principal risks	
The following table provides an overview of our principal risks, their risk direction and severity at the year end compared to the prior year using individually assessed impact, likelihood and velocity scores. Understanding these risk parameters aids effective risk management and delivery of our strategy.	
Key: ◀ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing	
Severity: (Impact x Likelihood x Velocity)	
	LowHigh
External risks	
Economic conditions	◀
Geopolitical	
Climate change	◀
Strategic risks	
Contracted business	
Growth within the sector	◀
Operational risks	
Financial resources	▽
Safety	◀
Pension scheme funding	▽
Legal and regulatory compliance	◀
Information security, including cyber	
Human resources	◀

How to use this scale:

During execution of the review and placement of the principal risks on the above table, the Executive Committee and the Board considered financial impacts to the divisions and the Group. Specifically, the 'High' end of the scale represents a combination of a catastrophic annual financial impact at a level that is expected to be difficult to mitigate being repetitive and the 'Low' end considers financial impacts that are not material.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
External risks		
Economic conditions ◀▶		
The Group's success depends on adapting to economic fluctuations or uncertainties which may negatively impact performance by increasing costs, changing customer needs, reducing demand and/or reducing opportunities for growth. Globally, the economic outlook is less certain, and the Group specifically has experienced continued industrial relations activity as well as inflationary cost pressures due to the macroeconomic environment, which eased in the second half of the year. All these market changes have the potential to decrease the Group's financial performance and available financial resources to invest capital in innovative solutions that drive demand. Whilst passenger demand in our key markets has been stable, potential changes in passenger behaviours and the applicable economic conditions remain uncertain in the medium term.	■ We actively engage with government departments and sector bodies to ensure an appropriate level of passenger services are delivered whilst at the same time designing and running our operations based on current demand levels ■ We prioritise a customer-focused perspective and seek to provide innovative transport solutions, by adapting to market uncertainties and driving demand ■ We continue to apply our fuel and energy hedging strategy to offset temporary economic impacts driven by inflation and supply chain challenges ■ We continue to focus on developing new innovative service offerings to our customers to diversify the business, such as the open access fares model, to mitigate against the impacts of changing economic conditions	The macroeconomic landscape is showing signs of recovery, with the inflation outlook improving and the Group continuing to hedge exposure to foreign exchange and fuel price fluctuations to minimise material impact on costs. This has allowed for a certain level of visibility that can be built into the business forecasting models.
Geopolitical ▲		
The Group operates in a political landscape that is constantly changing, with a UK general election scheduled to take place in July 2024. This has the potential to cause instability where the Group's operations have some reliance on government policy and funding to support public transport operators, as well as infrastructure initiatives. Significant industry reform and changes in government transport policies, an inability to maintain or participate in bus and rail contracts and/or participate in public transportation funding available may result in the reduction or elimination of bus services and rail contracts. Further, given the current uncertainty in the political landscape, failure to attract and retain resources with the knowledge and skills necessary to maintain/develop government partnerships for rail operations and local government for bus contracts, may result in adverse financial impact for the Group. Developments in international affairs, such as international tensions, including conflicts in Ukraine and the Middle East, as well as changes in regulations in Europe and the UK following Brexit, may impact the Group's commitments to deliver key investments, or impact the Group's supply chain, resulting in financial loss and potential reputational damage.	■ Whilst the Group collaborates with industry bodies to help anticipate government policy and/or funding regime changes in order to adjust operations, the Group is an apolitical organisation and does not have the ability to control or substantially influence government policy ■ The Group has been able to mitigate resourcing challenges by partnering with third party consultants to help further drive the change in this area and ensure the business has the requisite skills and capabilities to leverage national funding ■ Outside of the NRC's which earn fees, flexible operating models enable the business to react quickly and mitigate the impacts from changes in government funding and related customer demand ■ We deploy hedging techniques to counterbalance potential negative impact on certain costs due to adverse developments in international affairs ■ We regularly review and assess our risk environment to ensure that we are able to adapt to any geopolitical developments including focus on supply chain disruption ■ We continue to actively engage with both local and national stakeholders and partners on transport policy that delivers best for our customers	The UK political environment remains uncertain, with an ever-evolving regulatory backdrop and the upcoming UK general election. The Labour Party has formally stated that NRCs will be brought into public ownership as they expire during their first term in office and that the party will support wider bus industry franchising should it win the next election. The Conservative Party has also outlined proposals for the rail industry. Both Parties advocate for a "guiding mind" in the form of Great British Railways, and support the continuing role of open access services, with track access independently granted and renewed by the ORR. Wider afield the developments from the 2024 US presidential election, as well as ongoing international tensions including war in Ukraine and the Middle East add further uncertainty and could impact the Company's operations via reduction in economic growth and consumer confidence and disruption in supply chain or inflation. Nonetheless, passenger demand for our services has remained stable and both national and local governments in the UK continue to support public transport service providers.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
External risks continued		
Climate change ◀▶		
Businesses globally continue to experience increasing pressure and scrutiny from all stakeholders, particularly policymakers and investors, to demonstrate strong progress on their climate-related commitments and performance. Inadequate attention to our climate-related risks and opportunities, as well as emerging technologies, could negatively impact the Group's performance, reputation and growth. The UK Government has set a legally binding target for net-zero GHG emissions by 2050, to which we were the first public transport operator to formally commit. Delays in implementing our strategic plans to mitigate climate-related risks, including transitioning our fleets to zero emissions, could result in lost business, reduced revenue, reputational impacts and reduced opportunities from modal shift. Climate change poses both physical and transition risks to our business, from weather events impacting our assets, operations, service delivery and customer demand, to changes in policy, technology and market expectations impacting our capital and operational costs, our reputation, and access to funding. ➔ Read more on page 74	■ Climate change has been an integral part of our risk management framework for many years and is included within our strategic framework for sustainability 'Mobility Beyond Today'. Our business strategy was updated in 2024 to reflect our progress and ambition on addressing climate change. Driving modal shift and leading in environmental and social sustainability were both placed at the heart of this new strategy, forming two of the four key pillars ■ FirstGroup was the first bus and rail operator in the UK to formally commit to setting an ambitious science-based target aligned with limiting global warming to 1.5°C and reaching net-zero emissions by 2050 or earlier. During FY 2023, we completed our submission of a science-based target and had our target formally approved by the SBTi. Avanti and SWR have also successfully submitted science-based targets ■ We continue to embed the TCFD recommendations to assess and mitigate impacts from climate change onto our business and build long-term climate resilience across our operations ■ More details on our climate-related targets, commitments, mitigation and actions can be found in the TCFD section of this report from page 74	The Group recognises the continued responsibility and opportunity to create a more sustainable world and maintains our commitment to invest in new technologies and collaborate with partners to help create a cleaner future. Our TCFD implementation work, the climate-related commitments we have made and the strategies we are developing to meet them will ensure we are managing our climate transition risks effectively and continuing to build business resilience for the long term. We have also started work on a Group-wide transition plan in line with Transition Plan Taskforce recommendations, and we intend to publish this plan later in 2024. Whilst recognising the risks, as a public transport provider we are also focused on the opportunities from modal shift and the vital role we play in reducing congestion on the roads, improving air quality and facilitating the transition to a zero-carbon world. Highlights on climate and related sustainability initiatives during the year can be found in the Responsible business section of this report from page 48, with further details set out on pages 54 to 59. More details on our climate-related performance can be found in our Environmental Performance Report 2024 at www.firstgroupplc.com

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Strategic risks		
Contracted business ▲		
The Group's contracted bus and rail businesses are dependent on the ability to secure and renew contracts on profitable terms, manage affiliate contracts effectively, deliver in accordance with contract terms and avoid termination. This is becoming increasingly important for First Bus in the emerging franchising landscape, and in First Rail with the Labour Party stating that they will bring the NRCs into public ownership as they expire. Additionally, the ability of the Group to achieve performance targets is dependent on our ability to meet and exceed performance metrics laid out in rail contracts. Failure to secure profitable contracts would result in reduced revenue and profitability and/or negative impact on delivering the Group's strategic objectives.	■ The NRC structure is concession-based with a fixed management fee plus performance incentives, providing a balance of risk and reward ■ GWR's NRC runs to June 2028, with a core term to June 2025. The SWR NRC was extended in accordance with its terms and runs until May 2025. The TransPennine Express NRC was not renewed at the end of the core term on 28 May 2023. The West Coast Partnership Emergency Recovery Measures Agreement was superseded by an NRC which commenced in October 2023. It runs until October 2032, with a core term to October 2026 ■ First Rail's Hull Trains and Lumo open access operations have track access agreements in place to 2032 and 2033 respectively ■ We have the extensive operational expertise needed to meet requirements for the contract performance incentives ■ In First Bus the contracted element of the business has historically been low, although this is likely to rise materially over the coming years as franchising affects more areas, commencing with the Rochdale franchise in the TfGM area in 2024. At Leicester, First Bus delivered an all-electric depot under an Enhanced Partnership model with the City Council ■ The Group maintains delegated authority control across all contracted operation bids	The transition from the previous franchising regime to NRCs in First Rail has provided a balance of risk and reward via reduced revenue risk, minimal cost and contingent capital risk, and will continue to provide more consistent cash generation each year subject to government policy changes. Going forward, First Rail is actively leveraging its operational structure and depth of experience and evaluating opportunities to diversify its portfolio. This includes expanding open access and participating in bids for new contracts like the TfL Elizabeth Line where First Rail has prequalified, and the contract to operate the IFS Cloud London Cable Car, which First Rail has been awarded. The contract commences in June 2024 and runs to 2032. First Bus in Manchester has been awarded franchise contracts to operate local bus services in and around Rochdale in the evolving Bee Network, with the division continuing to operate both tendered local bus services and B2B employee shuttle/airport services across the UK and Ireland.
Growth within the sector ▶▶		
The Group's operational success from both organic and inorganic growth is dependent on effectively responding to customer demand, delivering operational efficiencies, and identifying and executing acquisitions and transactions. Recent consolidation in the transport industry may also lead to future opportunities for the Group. Failure to identify and/or execute acquisitions and other transactions in a timely manner, along with the failure to complete transactions in accordance with agreed terms, could result in negative impact on business operations (contracts, employee retention, etc.), the inability to meet financial goals and obligations, and negative reputational impacts.	■ The Group actively seeks out and reviews M&A opportunities that would be beneficial to our portfolio, ensuring existing funding facilities are flexible ■ We continue active dialogue with our shareholders and investors and gather insights from our strategic advisers and contacts within the business to evaluate potential transactions. In particular, we have strong relationships with banks which enable us to move fast when opportunities are identified ■ When necessary, we continue to seek external advice and input (e.g., from brokers or other experts) ■ We have evaluation frameworks that include a disciplined and researched approach to acquisitions ■ Participation in the wider opportunities from the electrification and decarbonisation of First Bus, including the strategic partnership with Hitachi ZeroCarbon, B2B and B2C charging using the charging infrastructure	The Group completed the bolt-on acquisition of York Pullman bus business during the year adding new product lines in the coach and B2B market to the portfolio, following the acquisition of Airporter and Ensign completed the prior year. Acquisition opportunities are expected to continue. We continue to engage with shareholders on strategic direction and growth opportunities. Any material transactions are announced on a timely basis. Applications for the expansion of open access rail services delivered by Hull Trains and Lumo have been submitted to the ORR.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Operational risks		
Financial resources ▽		
The ability of the Group to service its current debt or other financial obligations relies on its capability to refinance debt as it becomes due and the capital allocation policy being applied. The Group is investment grade credit rated by Standard & Poor's and Fitch, as well as having achieved further upgrades during the year. A downgrade in the Group's credit ratings to below current investment grade may lead to increased financing costs and other consequences and affect the Group's ability to obtain financing if required to invest in its operations. The Group's banking arrangements contain financial and other covenants with financial covenants tested semi-annually on 30 September and 31 March. In the event a covenant test level is breached, the Group may not be able to negotiate sufficient debt capacity to allow it to continue to trade.	■ The Group monitors our leverage ratios and overall liquidity consistently to ensure we remain within our target range and have adequate financial resources on a two-to three-year period looking forward ■ As at year end, the Group has adjusted net cash of £64m and an undrawn £300m committed revolving credit facility that matures in August 2026 together with a further committed Green Hire Purchase Finance Facility of £150m that is available to draw to January 2027 for 1,000 EV bus bodies, and through Hitachi joint venture a £80m debt facility for the financing of up to 1,000 EV bus batteries ■ We conduct a bi-annual viability assessment of the headroom and ensure this is sufficiently resilient, including cash and financing facilities	The Group maintains strong bank relationships, with good awareness and understanding of debt market trends and regular monitoring of banking covenants and headroom. Our credit rating was upgraded by Fitch on 23 May 2023 and Standard & Poor's on 12 September 2023 to being further up the investment grade credit rating. We have experience in raising material amounts of credit facilities, ensuring we plan alternative solutions to mitigate liquidity risk in the event of wider refinancing requirements.
Safety ▶▶		
The Group is strongly committed to fostering and maintaining a culture of safety. However, public transport inherently includes safety-related risks, many of which are out of our control. These include geopolitical risks impacting security and supply chain, the increase in adverse weather and its impacts and increased congestion on public roads. A safety incident, or a threat of an incident, could be caused by mechanical failures and/or human error resulting in adverse financial impact, reputational damage through reduced public confidence in public transport and potentially reduce demand for our services. ➡ Read more on page 71	■ All divisions have extensive safety plans and safety training for our employees ■ We work with industry peers to share lesson learned and collaborate on shared risks ■ Incidents are thoroughly investigated to maintain a learning culture where we continuously improve our safety standards ■ Mechanical safety controls (speed monitoring, cameras, etc.) are implemented across our fleet of vehicles and trains ■ We follow the regulatory regime and comply with statutory inspections and monitoring ■ Whilst the Group has implemented preventative safety measures and procedures, we recognise that certain incidents are ultimately out of our control and do at times result in legal claims. As a result, the Group has dedicated departments, utilising third party experts when needed, to analyse and maintain effective insurance structures and levels ■ The Responsible Business Committee oversees material safety matters and risks across the Group, as well as reviewing and challenging targets in respect of safety performance ■ Across all our divisions we implement targeted biannual assurance reviews of our safety management systems, improvements and performance. We use data analysis and insights to prioritise our efforts in improving safety through both technology and behaviour	The Group continues to assess, update and implement safety procedures across our businesses, mitigating risks to reduce the likelihood of safety incidents from occurring, taking into consideration any technological advancements. Specific initiatives include enhancing the low bridge warning system in First Bus, and enhancements to door operation systems in First Rail to improve the safety of train door opening. Collaboration within the rail and bus sectors continues to enhance safety by fostering industry-wide learning and sharing innovative solutions for safety improvements. First Bus have also introduced a Road Passenger Transport Specific H&S training programme approved by IOSH to take employee competence to the next level. We have also gained ISO 45001 accreditation for our Safety Management System (SMS) which is independently scrutinised against the ISO45001: 2023 standards annually.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Operational risks continued		
Pension scheme funding ▽		
The Group sponsors several defined benefit pension schemes. The Group's future cash contributions and funding requirements in respect of each of the schemes are dependent on investment performance, movements in discount rates, expectations of future inflation and life expectancy, and relevant regulatory requirements. In order to maintain adequate funding for its pension liabilities and prevent adverse financial impacts or reputational damage, the Group continues to monitor the performance of pension fund investments and movements in the factors that affect the value of the related pension liabilities.	■ The Group's pension schemes are well funded and have active programmes to either fully de-risk (North American legacy schemes) or meet the objective of low dependency in the short to medium term (Bus and Group schemes in the UK) ■ The Group uses third party experts to advise on investment strategies and liability management and monitor movements in discount rates, mortality and inflation expectations ■ Interest rate and inflation risks are hedged to a high degree with the use of liability-driven investment strategies ■ The Group TOCs which operate under the NRCs are not responsible for any residual deficit at the end of a contract and First Rail bears no cost risk during the contract ■ Apart from the TOCs operating under NRCs, pension provision for all new employees is provided via defined contribution arrangements ■ We work closely with experienced trustee boards that are ensuring effective systems of governance are in place to manage risk ■ Pension risks are carefully scrutinised before any new contract or acquisition is approved	We have reduced the Group's exposure to pension risk by c.£1bn as a result of: ■ terminating our participation in Local Government Pension Schemes in the UK; ■ settling pension obligations by payment of cash lump sums to eligible participants in North American pension plans; ■ buying out a portion of the US pension plan with an insurer, and ■ fully annuitising the Canadian pension plan. Plans for terminating the legacy North American pension plans in the near term are progressing well. The legacy pension schemes in the UK continue to mature reducing risk as a result of closure to accrual several years ago. C.£100m continues to be retained in Limited Partnerships for the Group and Bus schemes in the UK following the sale of the North American businesses in 2021. The cash in these arrangements could be returned to the Group in certain scenarios depending on achieving low dependency funding levels. Key funding valuations will be the April 2024 and April 2030 valuations for Bus and Group Schemes Respectively.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Operational risks continued		
Legal and regulatory compliance ◀▶		
The Group's operations are subject to a wide range of legislation and regulation. Failure to comply could lead to financial penalties, investigation expenses, legal costs and/or reputational damage. The need to comply with new or amended laws and regulations may increase the Group's operating costs. The main legal and regulatory compliance risks specific to the Group that are not covered in other principal risks include compliance with data protection legislation, employment law and regulation compliance (employee wages and other terms and conditions of employment, including expanded rights for employees), health and safety compliance, responding to the development of ESG regulations, and key corporate compliance risks such as competition and anti-bribery and corruption legislation. The Group continues to see an increase in digital ticket sales across all divisions. These sales channels necessitate the processing of personal data which require safeguards to protect our customer data and comply with applicable data protection legislation, including the Data Protection Act 2018 and the UK and EU General Data Protection Regulations (GDPR).	■ To help the Group comply with all applicable legislative and regulatory requirements, we have an in-house legal function which includes dedicated subject-matter experts, who help to ensure relevant national and international laws and regulations are followed ■ Our in-house team is supported by other internal colleagues (including the Information Security and divisional Health & Safety functions) and external legal experts where necessary ■ We have a comprehensive suite of Group-wide policies and procedures, which are implemented and managed locally. These include data protection, modern slavery, anti-bribery and competition law policies ■ To protect our data and comply with our integrity and confidentiality obligations under data protection legislation, the Group has implemented robust IT infrastructure controls across the Company. Additional information about how this risk is managed can be found on page 94 ■ The Group administers a training programme to employees across key areas of compliance risk, communicating their roles and responsibilities in preventing and mitigating compliance breaches ■ We have a named compliance officer in each division with responsibility for ensuring the delivery of the compliance programme ■ We monitor new legislation across the jurisdictions in which we operate and adapt or introduce policies and processes as required to ensure compliance ■ We provide a confidential reporting hotline for employees and third parties to report concerns – the hotline is operated by an independent third party to ensure objectivity and anonymity	Although our legislative and regulatory environment continues to change, the Group maintains its commitment to adapt policies and procedures to detect and prevent non-compliance.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Operational risks continued		
Information security, including cyber ▲		
The transport sector is increasingly reliant on technology and data, which has led to an increase in cyber security risks. In particular, we continue to monitor the cyber landscape internally at Group level, across our divisions, as well as third party suppliers and networks. Businesses continue to be targeted by cyber threat actors which can include criminal cartels, whose motivation is financial gain. In its 2023 annual review, the National Cyber Security Centre (NCSC) warned that 2023 has seen the emergence of state-aligned actors as a new cyber threat to critical national infrastructure. The majority of ransomware attacks are delivered as the result of a successful phishing attack. Such incidents could disrupt our operations and/or compromise our confidential business information. This may lead to long-term financial damage with significant costs to recover, including penalties, and an adverse impact on reputation and consumer confidence in the Group. The safeguarding and integrity of data continues to remain a central issue relating to the emerging AI technologies.	■ Business continuity plans continue to evolve and are updated as the transition to greater dependency on technology continues in order to minimise the impact of cyber attacks and the potential impact on the continuity of our operations ■ We have ransomware procedures and have tested our incident response across Group businesses in the event of a ransomware attack ■ We have a suite of information security procedures in place ■ We run regular cyber risk awareness training and phishing prevention campaigns. ■ Robust due diligence is performed for new suppliers, with information security obligations as a prerequisite to be included in third party contracts	The risk of a cyber attack for all UK companies remains high. The official UK Government 'Cyber Security Breaches Survey 2023' reported 69% of UK large business were subject to a cyber attack in 2023. 93% of these instances were phishing attacks for large businesses, and around one in five of the respondents identified a more sophisticated attack type such as a malware attacks. Amongst those that have identified any breaches or attacks, 33% of large businesses have had some sort of negative outcome from these. Amongst these large businesses, 8% report user accounts being compromised and 4% say assets, trade secrets or intellectual property were stolen. We continue to be vigilant and diligent in evaluating and implementing enhanced techniques to protect our systems from threats, including investing in further cyber resiliency tools.

Risk management continued

Key: ◀▶ FY 2024 risk is stable ▽ FY 2024 risk is decreasing ▲ FY 2024 risk is increasing

Risk description	Mitigation	Developments in the risk profile during the year
Operational risks continued		
Human resources ◀▶ Employee costs represent the largest component of the Group's operating costs. These costs include expenses related to recruitment, retention and talent development. These costs are affected by changes in employment markets, regulatory requirements and diversity and inclusion programmes. A failure to effectively recruit and retain a diverse and talented workforce could have adverse financial, operational and reputational impacts. The employment market for drivers and engineering technicians remains challenging under an increasing consumer travel demand and tight labour market. Our employee turnover has also been impacted by current wider economic circumstances, particularly rising inflation and wider labour mobility. ➔ Read more on page 65	■ We continue to focus on improving communication with employees, developing our people strategies and investing in employee development through compelling employee value, diversity and inclusion propositions linked with market competitive wages and benefits ■ The wellbeing of our employees remains a key priority for FirstGroup. Our employees have access to various wellbeing resources such as the Wellbeing Hub, accessed through our intranet. First Rail have introduced webinars on neurodiversity and stress awareness, and marked Stress Awareness Month. First Bus hosts a weekly Wellbeing Wednesday and appointed a new Company-wide occupational health provider in the past year and tripled the number of mental health first aiders. We continue to offer training for colleagues who may wish to take up these roles in the future ■ First Rail continues to develop its people strategy, including effective talent management and succession planning, ongoing commitment to apprenticeship and graduate schemes, and a focus on diversity ■ First Rail continues to support efforts to resolve continued industrial action at a national level ■ The First Bus people strategy has a focus on workforce development and culture, including improving communication and frontline capability management, with emphasis on reducing attrition and effective absence management ■ We have an ongoing programme for monitoring KPIs, including leveraging exit interview data in designing recruitment activity ■ Employee engagement survey results are reviewed to develop actions to address low performing metrics to further help retain our top talent	We continue to focus on our bus and train driver recruitment and retention programmes, and on managing our multi-year pay deals with local unions. We have developed new programmes to have effective and engaging communications with employees to impact our recruitment, retention, diversity and development strategies. First Bus, Avanti and Tram Operations Ltd. are accredited Living Wage Employers and pay the Real Living Wage (RLW) to employees and, as contracts renew, to third party contractors working directly for the Company in accordance with the Living Wage Foundation rates of pay. GWR also pay the RLW to directly employed colleagues.

Viability and going concern

Viability

Time horizon

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

Scenario testing

In making their assessment, the Directors have taken into account the potential financial and operational impacts, in severe but plausible scenarios, of the principal and emerging risks which might threaten the Group's viability during the three-year period to 31 March 2027 and the likely degree of effectiveness of current and available mitigating actions that could be taken to avoid or reduce the impact or occurrence of such risks (details of the risks and mitigating actions are set out on pages 87 to 95). The assessment of the available mitigating actions includes the Group's ability to manage its cost base and capital expenditure.

The broad details of the scenarios that were considered in the assessment are:

- 1) a protracted period of weak passenger volumes comprising reductions of up to 10% in First Bus and 25% in non-contracted rail, and performance fees on NRCs 50% lower than budgeted;
- 2) heightened operational, policy and environmental pressures, including increased inflation up to 3% higher than budgeted levels and risk from changes to governmental transport policy (including decarbonisation) of £10m per annum, with operating profit impact increasing to £39m per annum in FY 2027;
- 3) one-off safety, regulatory non-compliance, climate or technology incidents leading to short-term reduced revenue and/or additional costs of up to £30m;
- 4) loss of NRCs at the end of their core contractual periods, reducing operating profit and cash inflows to the Group; and
- 5) inability to renew the £300m revolving credit facility when it matures in August 2026.

While the Group's remaining £99.7m bond expires in September 2024, the Group has already put into place additional financing facilities, and considers that it will continue to have access to debt markets to negotiate additional new credit facilities if required. The results of this scenario testing showed that the Group would be able to remain viable and maintain liquidity over the assessment period.

Climate change

The Board has also considered how climate risks could impact the Group's viability. More detail on the Group's assessment of risks and opportunities from climate change is contained in our TCFD disclosure on pages 74 to 84. The key conclusions relating to the viability assessment were that given the Group's geographic diversity across the UK, the financial impact of extreme weather events over the three-year viability period was not judged to be material.

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

Corporate planning processes

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

Viability statement

Based on the results of the analysis explained above, including scenario testing, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2027 and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote.

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

Viability and going concern continued

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2025 and evaluated whether it was appropriate to prepare the full year results on a going concern basis. In doing so the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

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

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of macroeconomic considerations on the operating environment, assumptions on passenger volumes and government support, as well as the impact of actions required to address the Group's climate-related targets and ambitions, and having regard to the risks and uncertainties to which the Group is exposed.

Base case scenario

The Board considered the annual budget to 31 March 2025 and medium-term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2024 year end. These projections were the subject of a series of executive management reviews and were used to establish the base case scenario that was used for the purposes of the going concern assessment. The base case assumes a continuing recovery in bus passenger volumes and yields in FY 2025, with some offset from a reduction in direct government funding. The rail base case also reflects the expiry in May 2025 of the SWR contract and the uncertainty regarding its renewal. The macro projections in the updated base case assume that the UK operates in a low-growth, cautiously recovering economy. The annual budget and medium-term plan also capture the expected financial impact of the actions required to support the Group's climate-related targets and ambitions.

Downside scenario

In addition, a downside case was also modelled which assumes a more adverse macroeconomic recovery profile. In First Bus, the downside case assumes a reduction in passenger volumes driving a 25% reduction in profitability, as well as the impact of other unexpected cost inflation. In First Rail, the downside case assumes TOC performance fee awards at 50% of expected levels, potential expiry of the GWR NRC at the end of its core period, and volume and revenue reductions in Hull Trains and Lumo driving a 25% reduction in open access profitability. The downside scenario also considers potential impacts of significant climate-related event or unbudgeted decarbonisation costs, as well as the risk of one-off safety, regulatory non-compliance or technology incidents.

Mitigating actions

If the performance of the Group were to be more adversely impacted than assumed in the base case or downside case scenarios, the Group would reduce and defer planned growth capital expenditure, and further reduce costs in line with a lower volume operating environment to the extent that the essential services we operate in First Bus are not required to be run for the governments and communities we support.

Going concern statement

Based on the review of the financial forecasts for the period to September 2025 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Our stakeholders

We interact with a huge range of stakeholders every single day. Building strong relationships with them involves listening and working in partnership.

Engaging with our stakeholders

➔ See page 101 for our Section 172 statement and decisions taken by the Board during the year.

Customers

Delivering for our customers is at the heart of what we do. Their needs are unique to each journey and requirements constantly evolve. Listening, identifying future needs and being able to respond quickly is critical. Our teams use a variety of channels and approaches to engage with customers and passengers, assessing satisfaction and gathering feedback.

Why we engage with them

We engage them in order to respond to feedback and improve customer experience and satisfaction. Longer term, this enables us to continuously be aware of, and adapt to, changing customer needs and build long-lasting and trusted relationships.

How we engage with them

- Regular customer and passenger satisfaction surveys to identify what we do well and where we can improve
- Robust customer feedback processes through online and traditional channels
- Customer panels and events
- Ongoing dialogue with customer representative groups
- Regular customer updates by the CEO to the Board

Our response to matters raised and key activities

- Introduced new strategic pillar: Deliver day in, day out. See page 18 for more information
- Introduced new customer loyalty schemes, discounts and live train tracking initiatives at our rail operators
- Introduction of new environmentally friendly trains and refurbishment of mid-life fleets at our rail operators
- Implemented various initiatives to increase accessibility of bus and train travel on our networks
- Mental and physical wellbeing initiatives are being introduced for customers, for example defibrillators being installed at some of our rail stations

Investors

We welcome open, meaningful discussion with shareholders on all matters. Being fully aware of the range of views of our shareholders is a key aspect of good corporate governance and supports our commitment to ensuring that we promote the success of the Company for the long-term benefit of our members as a whole. We proactively engage throughout the year with institutional, private and employee shareholders on a range of matters.

Why we engage with them

We keep investors informed of key business activities and decisions and we listen and respond to concerns and questions in order to build the long-term success of the Group.

How we engage with them

- Presentations from Executive Directors
- Annual Report, Environmental Performance Report, Group website and regulatory statements
- Ongoing dialogue and individual engagement with shareholders by the Directors, including the Chairman
- Engagement via the Investor Relations function with current and potential investors and other market participants
- Annual General Meeting

Our response to matters raised and key activities

- Declaration and payment of FY 2023 full year and FY 2024 half year dividends
- Approved and launched additional share buyback programme
- First Bus special investor session on electrification held at Leicester depot
- First Rail investor teach-in on the First Rail operating model

Our stakeholders continued

Government



Strong engagement with governments at all levels is essential to our business model, advocating for policy solutions which ensure optimal operation of public transport by private operators. At both Group and operational level, we have long-established relationships with local and national government officials.

➔ Read more on page 63

Why we engage with them

We are focused on achieving policy solutions that support sustainable economic growth, social mobility, modal shift and environmental performance.

Engaging with governments ensures clear communication and understanding of the consequences of policy decisions at different levels, and aids effective delivery of public transport at the operational level.

How we engage with them

- Direct engagement with policymakers
- Links with national, devolved, regional and local governments
- Regular surveys of political stakeholders
- Membership of UK and international sector trade bodies who, in turn, engage with governments and regulators to promote a positive policy environment for private sector public transport

Our response to matters raised and key activities

- Engaged with business advocacy organisations, lobby groups and public transport campaigns, particularly to raise awareness of sustainability issues
- Contributed to various collaborative industry initiatives including the RSSB's new Sustainable Rail Blueprint
- Secured ZEBRA funding to electrify local bus services in several areas including Norwich, Leicester, York, Bramley in Leeds and Hoeford in Hampshire
- Continued progress on environmental and GHG commitments

Employees



Many thousands of FirstGroup employees work in depots, stations and offices. They are the face of FirstGroup, delivering great service to our millions of passengers. We have a broad range of mechanisms through which our employees have the opportunity to make their voices heard and inform the direction and governance of our business.

➔ Read more about our people on page 65

Why we engage with them

We will achieve success by maximising the benefits of the expertise and experience of our employees in delivering services and improving customer experience and satisfaction.

We engage to ensure our people have the skills and knowledge needed to deliver our services now and in the future; to create a safe and inclusive working environment for all of our employees; and to increase participation and equal opportunities.

How we engage with them

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives, including Employee Directors and trade unions
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Individual performance reviews and development discussions
- Board and Executive Committee visits to operational sites, and opportunities for direct discussions with employees

Our response to matters raised and key activities

- Introduced new strategic pillar: Lead in environmental and social sustainability See page 24 for more information
- Began paying all First Bus directly employed staff at or above the Real Living Wage, the largest bus operator to do so
- Launched 'First Connections', a Group-wide personal development programme aimed at women and minority ethnic colleagues
- Launched new careers website which collates all live job opportunities across FirstGroup and facilitates contact with current employees to share career opportunities
- Introduced new diversity and inclusion targets
- Increased collection of diversity data from colleagues: ethnicity and disability status
- Launched SmartHealth, a confidential health service for colleagues
- Updated Group safety policy and launched bespoke H&S training programme certified by IOSH at First Bus

Our stakeholders continued

Communities	Strategic partners and suppliers
We are at the heart of our communities and we need to understand community needs in order to improve our services. We have well-developed mechanisms in place to help us listen to and understand the needs of our communities, and we incorporate their feedback into our decision-making processes. ➔ Read more about our communities on page 69 Why we engage with them We engage with our communities to support social inclusion and respond to local needs for the long-term success of our business. How we engage with them ■ We conduct regular surveys to help us understand a range of views and enhance our activities ■ We also commit our time, skills and resources to help charitable causes that are important to our communities, both locally and nationally Our response to matters raised and key activities ■ Introduction of new strategic pillar: Lead in environmental and social sustainability See page 24 for more information ■ FirstGroup and our employees donated £1.4m during FY 2024 as measured by the London Benchmarking Group model for community impact. See page 32 for a more detailed breakdown of our contribution ■ Invested £2.4m in 99 local community projects with CCIF Funding ■ In FY 2024, our TOCs also supported over 60 CRPs around the UK and allocated over £1.3m in DfT funding. Our TOCs are actively involved with each CRP, working in partnership with them to deliver outcomes that benefit as many people locally as possible ■ Electric charging partnership with Openreach enabling Openreach EVs to be charged at First Bus depots ■ Launched corporate volunteering trial for employees of First Bus and Lumo ■ FY 2024 First Rail charity partnership with Samaritans and Railway Children and First Bus with Macmillan	We work with more than 4,500 suppliers driving innovation, expertise and value for money from our supply chain to provide the goods and services required to meet and exceed the expectations of our customers and shareholders. Our suppliers range from small, independent companies to global corporations, and we have dedicated teams of procurement specialists centrally, and within our divisions, who develop and maintain strong relationships with our supply chain to drive value and reduce risk. Why we engage with them Engaging with suppliers and strategic partners builds long-term relationships and enables us to identify, manage and mitigate risks and ensure environmental and ethical standards in our supply chain. How we engage with them ■ Key suppliers are engaged through collaborative relationship management systems to provide us with clear, consistently applied processes to track performance and generate additional value ■ Regular supplier relationship meetings and business reviews are held to strengthen relationships and identify and manage risks ■ Our core principles are shared across the entire supply chain via the FirstGroup Supplier Code of Conduct Our response to matters raised and key activities ■ Zero breaches of the Supplier Code of Conduct identified in FY 2024 ■ Supply chain risk processes continue to be strengthened and developed. Highest-risk suppliers registered onto supplementary risk toolkit that provides deeper assessment and assurance into supply chain risks. This includes enhanced reporting and capturing, monitoring and mitigating risk increasing supply chain maturity ■ Drive sustainable procurement principles

Section 172 statement

The Directors are obliged under Section 172 to promote the success of the Company over the long term for the benefit of shareholders as a whole and having due regard to a range of other key stakeholders.

The Directors take their duties under Section 172 of the Companies Act very seriously, not only because it is a legal requirement to do so but because the obligations make very good business sense and are consistent with the Group's Values. If decisions do not adequately take account of the views of our different stakeholder groups, the Company is unlikely to be sustainable in the medium to long term.

➔ Details of engagement with key stakeholders are set out on pages 98 to 100

The Board is mindful of the matters set out in Section 172 of the Companies Act in all of its discussions and decision-making processes. The table to the right and on page 102 sets out how the Company complies with the Act and provides some additional detail, together with the Board's oversight and monitoring of these areas and where there would be intervention or decisions taken if required. Additionally we provide examples of some key decisions taken where the Board was particularly mindful of one element of Section 172, although in reality many of the decisions are nuanced and require the Board to balance outcomes across a number of stakeholders.

Section 172 principles	General comments/oversight and monitoring	Key decisions
a) The likely consequence of any decision in the long term	The Board realises that strategic decisions will impact the long-term future, direction and success of the Company and is mindful of the long-term implications of decisions.	The Board was mindful of the long-term impact when approving the four strategic pillars (read more about Company strategy on page 17). Moreover, the strategy was approved in consideration of all stakeholders (covering principles b and c), the environment (principles d and e) and to deliver long-term, sustainable results for all shareholders (principle f).
b) Foster business relationships with suppliers, customers and others	At the Board meeting held in June 2023, the Board received a presentation from the Public Affairs teams throughout the Group summarising engagement with government and customers to help the Board understand their differing views and to provide additional context for all deliberations and decisions. In January 2024 the Responsible Business Committee received a presentation on the engagement programmes with communities, employees and suppliers. At each meeting the Board reviews, at a high level, operational performance throughout the Group which is aligned to the first strategic pillar and the service provided to customers.	The Board's consideration of the bids in respect of Manchester franchising opportunities were carefully balanced, considering a number of stakeholders and the desire to win the work at an acceptable commercial fee.
c) Interest of the Company's employees	Janette Bell and Steve Montgomery have kept the Board apprised of the various initiatives to support employee engagement throughout the year, together with employee engagement scores for the bus division. Ant Green, the Group Employee Director, helps the Board to understand views from the front-line of our workforce. Ant spends much of his time visiting different parts of the business to understand the views of the workforce and presents a report on his activities at each Board meeting.	The Board endorsed the recommendations from the Bus Executive team around the Real Living Wage and additional healthcare provisions (read more on page 68). The associated cost and the benefits have been well received by employees, which increases staff availability and facilitates a better service for customers and long-term benefits to shareholders.

Section 172 statement continued

Section 172 principles	General comments/oversight and monitoring	Key decisions
d) Impact of the Company's operations on the community and the environment	The Company provides key services to its communities, providing public transport and employment in the communities in which we operate. The environmental impact of the Company's operations is at the forefront of the Board's mind.	The Board considered and approved applications for ZEBRA funding and the Group's associated capital expenditure to increase the number of zero emission buses operated by the Group.
e) The desirability of the Company maintaining a reputation for high standards of business conduct	The Board recognises the importance of maintaining high standards of conduct. The Board has oversight of the Company's Values, Code of Ethics, and the training programmes led by the legal team covering business ethics, anti-bribery policies, gifts and entertainment. At least twice a year, the Board reviews matters reported to the confidential whistleblowing hotline together with any investigation findings and actions taken.	In addition to the regular review of matters during the year, with support from the Responsible Business Committee the Board approved significant updates to the Group Safety Policy.
f) The need to act fairly between members of the Company	The Executive Directors lead the Company's engagement with shareholders with support from the Investor Relations team. These meetings give investors the opportunity to share their views on the Company's operations, capital allocation policies and strategies. These views are reported to the Board so that they understand the context for their decision-making. Additionally, the Chairman has met with a number of investors during the year. The AGM provides an opportunity for some of the Company's smaller shareholders to meet the Directors and put questions to the Board.	The Board carefully reviewed the Group's dividend policy and concluded no changes were required. Early in the year the Board decided to launch an additional share buyback programme of £115m in addition to the £75m programme completed in August 2023. The Board was mindful of shareholder views as to whether to pay a special dividend or buy back shares. Taking shareholders' views into account and on advice from corporate advisors the Board considered a buyback to be most appropriate in the circumstances for all shareholders.

The Strategic report was approved on behalf of the Board on 11 June 2023.

Graham Sutherland
Chief Executive Officer
11 June 2023



395 King Street
Aberdeen
AB24 5RP

Corporate Governance report



We have complied with the provisions of the UK Corporate Governance Code throughout the period. 



David Martin
Chairman

Dear Shareholder,

I am delighted to introduce the Corporate Governance Report for FY 2024.

In my Chairman's statement starting on page 4 I have commented on the progress made during the year. This report focuses on governance and how your Board has acted and made decisions during the year.

The financial results have been strong, and we have made good strategic progress. The Executive team have performed very well, and the Board members have been busy providing oversight for all stakeholders.

We conducted an external Board evaluation during the year and report on that on page 113. In September 2023, we held our Board meeting in Birmingham and our January 2024 meeting was held in Bristol to enable the Board to meet team members and visit our operations in those areas.

The report is set out on the pages that follow and you will find an introductory letter from the Chair of each of the Board Committees followed by their report on that Committee.

I welcome your comments on this Corporate Governance Report and on the 2024 Annual Report more generally.

I'd like to thank my colleagues on the Board and all the employees of FirstGroup for their ongoing commitment and for their achievements in the past year.

David Martin

Chairman
11 June 2024

Compliance with the UK Corporate Governance Code

We have complied with the Provisions of the UK Corporate Governance Code (the 'Code') throughout the 53 weeks to 30 March 2024.

In this Annual Report we have included a commentary running throughout the Governance Report that summarises how we have complied with the UK Corporate Governance Code and guide shareholders to sections of the report to help access information quickly. The Principles are represented by letters and the Provisions by numbers. Both the Principles and the Provisions are paraphrased in the interests of space – full details of each can be found on the Financial Reporting Council's website at www.frc.org.uk.

A Led by an effective Board

The Board's effectiveness review (details of which are set out on page 113) indicates that the Board has operated effectively during the period under review.

B Purpose, values and strategy

This is covered throughout the Strategic report. The Values are on the website and are set out in the Culture section of this Corporate Governance Report.

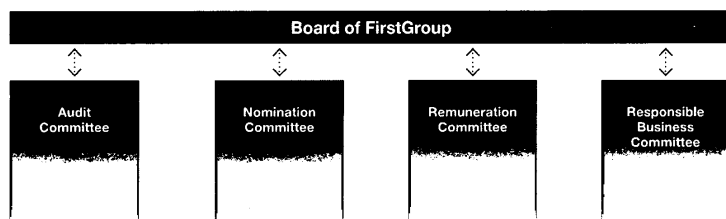
Governance at a glance

Overview

The illustration below shows the Board-level governance structure and the primary standing Committees that have been established to effectively run the business in compliance with the UK Corporate Governance Code.

Corporate governance framework

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



The Board is responsible for promoting the long-term success of the Company for the benefit of its shareholders and stakeholders.

The matters reserved to the Board are set out in writing and cover the most important decisions that will be taken within the Group. These include strategy, capital structure/allocation, financial reporting and controls, risk appetite and risk management, stakeholder engagement, Board membership, remuneration, corporate governance and key policies. The Board Committees assist by reviewing certain matters before recommendations are put to the Board for approval.

The Board of FirstGroup is led by its Chairman, David Martin who also chairs the Nomination Committee. Jane Lodge chairs the Audit Committee, Claire Hawkins chairs the Responsible Business Committee and Sally Cabrini chairs the Remuneration Committee. There is a separate report covering the work of each of these Committees on the pages that follow. The terms of reference of these four Committees are available on the Group's website.

In addition to these four Committees the Board has a Disclosure Committee to identify inside information and to oversee the timely and accurate disclosures when required.

The Board may delegate other matters to an ad hoc committee established for a specific purpose.

The matters not reserved to the Board are delegated to the Chief Executive Officer with the Board retaining responsibility for oversight and holding management to account.

The split of responsibilities between the Chairman and Chief Executive Officer is set out in writing.

The Chief Executive Officer has formed an Executive Committee, which is not a Board Committee, to assist him in the day-to-day running of the Company. The Executive Committee meets monthly and, its main responsibilities include:

- Developing, implementing and monitoring operational plans
- Reviewing financial performance, forecasts and targets
- Prioritising initiatives and allocating resources
- Developing strategy for submission to the Board
- Overseeing risk management including identifying risks and developing risk mitigation strategies
- Developing and monitoring the internal control strategies
- Leading the Group's culture and safety programme.

Members of the Executive Committee are set out on page 108.

Board composition

As shareholders can see from the biographies on pages 106 to 108, we have diverse experiences on the Board which gives rise to interesting debates on Board business.

Board and Committee attendance

Director	Chairman	Non-Executive Directors					Employee Director	Executive Directors	
	David Martin	Sally Cabrini	Myrtle Dawes	Claire Hawkins	Jane Lodge	Peter Lynas ¹	Ant Green	Graham Sutherland	Ryan Mangold
Board	6/6	6/6	6/6	6/6	6/6	5/6	6/6	6/6	6/6
Short-notice Board	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
Audit	–	–	–	4/4	4/4	3/4	–	–	–
Remuneration	–	4/4	–	4/4	4/4	3/4	–	–	–
Nomination	3/3	3/3	3/3	3/3	3/3	2/3	3/3	–	–
Responsible Business	–	4/4	4/4	4/4	–	3/4	4/4	–	–
Overall	10/10	18/18	14/14	22/22	18/18	17/22	14/14	7/7	7/7

¹ Peter Lynas was away for one set of meetings and missed five meetings held over two days. The original dates had to be changed and Mr Lynas had a prior engagement; he provided detailed comments to the relevant Chairpersons ahead of the meetings.

Governance at a glance continued

Roles and responsibilities

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

Chairman		
David Martin	- Leads and manages the business of the Board - Provides advice, support and constructive challenge to the Chief Executive Officer - Provides direction and focus and ensures sufficient time is allocated to promote effective debate and sound decision making - Promotes the highest standards of integrity and probity and ensures effective governance	- Manages Board composition, performance and succession planning - Maintains effective communication with shareholders and ensures their views are understood by the Board - Facilitates effective and constructive relationships and communications between Executive and Non-Executive Directors
Chief Executive Officer		
Graham Sutherland	- Provides leadership to the executive and senior management team in the day-to-day running of the Group's businesses - Develops the Group's objectives and strategy for consideration and approval by the Board, taking into account the interests of shareholders and stakeholders	- Implements the agreed strategy - Promotes a safe working environment and a safety-focused culture across the Group - Maintains an active dialogue with shareholders and other stakeholders - Responsible for implementing effective internal controls and ensuring risk management systems are in place
Chief Financial Officer		
Ryan Mangold	- Responsible for the financial stewardship of the Group's resources - Responsible for the Group's finance, tax, treasury, insurance, Legal, risk management and internal control functions	- Supports the Chief Executive Officer in providing executive leadership and developing strategy - Supports the Chief Executive Officer to implement the agreed strategy - Reports to the Board on operational and financial performance of the businesses
Senior Independent Director		
Peter Lynas	- Acts as an additional point of contact for shareholders to discuss matters of concern - Provides a sounding board for the Chairman and serves as an intermediary for the other Directors	Leads the annual review of the Chairman's performance taking into account the views of the Non-Executive Directors and Executive Directors
Non-Executive Directors (NEDs)		
Sally Cabrini Myrtle Dawes Claire Hawking Jane Lodge Peter Lynas	- Provide a strong independent element to the Board and collectively provide a broad range of experience, knowledge and individual expertise - Constructively support and challenge management	- Review management's performance in meeting agreed objectives and deliverables - Review the integrity of financial information and determine whether internal controls and systems of risk management are robust
Group Employee Director		
Anthony Green	- Brings insight into employee engagement and perspectives from the front line to Board deliberations - Chairs the Employee Director's Forum	- Promotes employee involvement and participation in the affairs of the Group through share ownership, employee surveys and other means of employee involvement - Promotes the Group's policies and procedures amongst employees, in particular those related to safety, diversity and inclusion, and business ethics
Company Secretary		
David Blizzard (not a Board member)	Provides advice and support to the Board, its Committees, the Chairman and other Directors individually as required, primarily in relation to legal and corporate governance matters	Responsible, with the Chairman, for setting the agenda for Board and Committee meetings and for high-quality and timely information and communication between the Board and its Committees and the Executive Directors and senior management

Board

David Martin

Chairman



N

Appointed:

15 August 2019

Key areas of expertise:

Surface Transportation, Business Turnaround, Performance Improvement, International Transport Contract Businesses, Strategic Transactions

Skills and experience:

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

External appointments:

Member of the advisory board at Nottingham Business School; member of the steering committee at Nottingham Trent University.

Nationality:

British

Graham Sutherland

Chief Executive Officer



E

Appointed:

16 May 2022

Key areas of expertise:

Business Strategy, Performance Improvement, Government Contracting, Engineering and Infrastructure, Digital Transformation, Corporate Finance/M&A, Governance

Skills and experience:

Graham has a strong track record in the delivery of critical services and in creating value for shareholders in rapidly evolving regulatory and technological environments. Previously, he was Chief Executive Officer of KCOM Group plc, an LSE-listed telecommunications company. Prior to this, Graham held a number of senior executive roles within BT Group PLC over 12 years. These included as Chief Executive Officer of the BT Business and Public Sector division, where he was responsible for profitable growth and led the integration of EE's Business unit, creating a division with £4.6bn in annual revenues and 13,000 employees. Graham was also Chief Executive of BT Ireland where he was responsible for all consumer, business and network activities. Prior to that he was Chief Executive of NTL Ireland and has also held senior financial roles including at Bombardier. Graham has an established record in strategic development, as well as delivering enhanced financial and operational performance and engaging a diverse range of stakeholders including consumer, business and public sector customers.

External appointments:

None.

Nationality:

British

Key

A Audit Committee

B Remuneration Committee

N Nomination Committee

R Responsible Business Committee

E Executive Committee

Chair

Ryan Mangold

Chief Financial Officer



E

Appointed:

31 May 2019

Key areas of expertise:

Corporate Finance/M&A, Turnaround, Pensions, Governance

Skills and experience:

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

External appointments:

None.

Nationality:

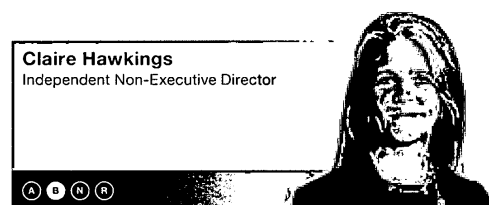
South African/British

Board continued

Key		
(A)	Audit Committee	(B) Responsible Business Committee
(R)	Remuneration Committee	(E) Executive Committee
(N)	Nomination Committee	(●) Chair

Sally Cabrini Independent Non-Executive Director  (R) (N) Appointed: 24 January 2020 Key areas of expertise: Human Resources, Information Technology, Transformation Skills and experience: Sally brings valuable experience of a number of sectors including UK regulated utilities, services and manufacturing. She has expertise in delivering significant business transformation programmes often including internal restructuring or divestment, pension changes and both cultural and significant technological changes. As Transformation, IT and People Director at Interserve Group Limited, she had a strong focus on effective operational delivery and led a major transformation programme which had significant financial and strategic challenges, and prior to that she was a senior executive at FTSE 100 constituent United Utilities for nine years, including four years as Business Services Director with responsibility for information technology, cyber security and human resources in a regulated CNI environment. Sally was also a Non-Executive Director and Chair of the Remuneration Committee at Lookers plc from January 2016 to 2020 and at Appreciate Group plc (2019 to 2023). Sally is a fellow of the Chartered Institute of Personnel and Development. External appointments: None. Nationality: British	Myrtle Dawes Independent Non-Executive Director  (B) (N) Appointed: 1 April 2022 Key areas of expertise: Engineering, Safety, Technology and Digital Transformation, Project Management and Energy Transition Skills and experience: Myrtle is an established leader with extensive experience in the Energy sector both in the UK and internationally. A chartered Chemical Engineer, she has held a number of senior safety and engineering project management roles in the offshore Oil and Gas industry, including for BP and BHP Petroleum. Moving to Centrica in 2009, Myrtle performed a number of senior executive roles encompassing engineering, project management, technology and digital transformation, including leading the team responsible for safety-critical; customer-facing residential assignments. She holds a Masters in Chemical Engineering and Chemical Technology from Imperial College. External appointments: Solution Centre Director for the Net Zero Technology Centre, leading the development of technology for net zero in the Energy sector and Non-Executive Director for Aquilla European Renewals plc. Fellow of the Institution of Chemical Engineers, the Energy Institute, the Forward Institute and Honorary Fellow of the Association for Project Management. Nationality: British	Anthony Green Group Employee Director  (B) (N) Appointed: 15 September 2020 Key areas of expertise: Transportation, Employee Engagement, Safety, Learning and Development Skills and experience: Ant is a bus driver and a trainer for First Bus. He has been the Employee Director of First Essex Buses Ltd since 2014, a company he joined in 2009. In 2015, he was seconded to roll out Be Safe, the Group's safety behavioural change programme. Since then, Ant has trained more than 1,900 colleagues and coached leaders on the implementation of successful safety techniques. Prior to joining First Essex, he worked at retailer Homebase for 16 years including in several managerial positions, and also volunteered at St John Ambulance. External appointments: None. Nationality: British
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Board continued



Claire Hawkings
Independent Non-Executive Director

A B N R

Appointed:
21 January 2022

Key areas of expertise:

Sustainability Strategy, Business Transformation, Governance, Commercial Transactions, Performance Management and Energy Transition

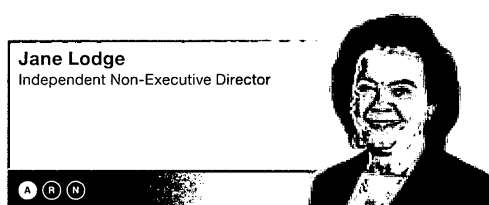
Skills and experience:

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

External appointments:

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

Nationality:
British



Jane Lodge
Independent Non-Executive Director

A R N

Appointed:
30 June 2021

Key areas of expertise:

Transportation/Travel/Engineering and Infrastructure, Corporate Finance/M&A, Governance

Skills and experience:

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

External appointments:

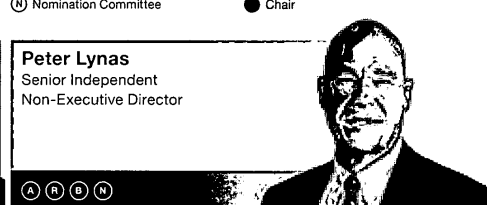
Non-Executive Director, Audit Committee Chair and member of the ESG Committee of Bakkavor Group plc; Non-Executive Director and Remuneration Committee chair of Glanbia plc; Non-Executive Director and Audit Committee Chair of TI Fluid Systems plc.

Nationality:
British

Key

A Audit Committee
R Remuneration Committee
N Nomination Committee

B Responsible Business Committee
E Executive Committee
● Chair



Peter Lynas
Senior Independent
Non-Executive Director

A R B N

Appointed:
30 June 2021

Key areas of expertise:

Defence and Aerospace, Government Contracting, Turnaround, Corporate Finance/M&A, Pensions, Governance

Skills and experience:

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

External appointments:

Non-Executive Director of Cohort plc.

Nationality:
British

Executive Committee members

Graham Sutherland
Chief Executive Officer

Janette Bell
Managing Director, First Bus

David Blizzard
Group Company Secretary

Ryan Mangold
Chief Financial Officer

Steve Montgomery
Managing Director, First Rail

Board continued

Directors

The Company has formal procedures to review and if appropriate authorise conflicts of interest and these have operated effectively throughout the year.

The Board carries out an annual review of the independence of its Non-Executive Directors. All the Non-Executive Directors are considered to have the appropriate skills, knowledge, experience and character to bring independent and objective judgment and valuable insights to the Board's deliberations. The Chairman was considered to be independent on appointment and is committed to ensuring that the Board comprises a majority of independent Non-Executive Directors.

Ant Green has served as an Employee Director throughout the year and has continued to act as an effective channel to put the voice and sentiment of the workforce into the Boardroom. Ant Green and the Executive Directors are not considered to be independent.

The biographies of all the current Board members are set out on pages 106 to 108.

Following a recommendation from the Nomination Committee, the Board recommends that all Directors are reappointed at the AGM where they will offer themselves for re-election.

As noted above, the Board has documented a split of responsibilities between the Chairman and the Chief Executive Officer, and we have agreed responsibilities for the Committee Chairs, Senior Independent Director and Non-Executive Directors. The Board reviewed and reconfirmed these arrangements in March 2024, and they are summarised on page 105 and available in full on our website.

Commitment

All Directors are expected to attend each Board meeting and each Committee meeting for which they are members, unless there are exceptional reasons preventing them from attending. The attendance levels were excellent in FY 2024.

The Nomination Committee adopted an over-boarding policy in early 2022 to make sure Directors had sufficient time to fulfil their obligations and has applied this when reviewing additional appointments for existing Board members. All Directors are within the limits set by the policy. Further detail is provided in the report of the Nomination Committee.

Culture

FirstGroup is values-based and has five Values:

- Committed to customers
- Dedicated to safety
- Supportive of each other
- Accountable for performance
- Setting the highest standards

These Values underpin decisions taken at all levels of the organisation and are wholly consistent with the duties of Directors. The operating companies also have their own values, consistent with the above but expressed differently for their respective workforces. The Board monitors culture in a variety of ways, receiving information from many sources to enable them to understand and monitor the culture of the organisation.

The primary sources are:

- Regular updates from the CEO and CFO within their reports to the Board
- The reports from the Group Employee Director
- The results from engagement surveys
- Review of calls to the confidential whistleblowing hotline
- People sections of reports to Responsible Business Committee
- Meeting people when the Board visits the Group's operating locations

Additionally, the Board receives updates on adherence with the Ethics and Compliance training programmes which require employees to complete a regular programme of training that is relevant to their role and includes IT security training, anti-bribery, modern slavery and competition law training.

The Responsible Business Committee has met four times during the year and considered a range of very important topics. The Committee has covered employee welfare, environmental matters and community engagement. The Responsible Business Committee has monitored performance against the science-based emissions reduction target that was approved by the SBTi in FY 2023. Read more about this on page 84. The Committee has had oversight of the matters set out in the Responsible business section of the Strategic report starting on page 48. The governance of the Responsible Business Committee is within this Annual Report on page 123.

Compliance with the UK Corporate Governance Code

1 Basis on which the company generates and preserves value

This is covered in the Strategic report on pages 4 to 102.

2 The Board should assess and monitor culture

Throughout the year, the Board monitors culture through a variety of sources, and an explanation is given in the columns to the left.

3 Engagement with major shareholders

The regular engagement with shareholders is led by Executive Directors, and regular roadshow events are held with larger shareholders following results announcements. In FY 2024, we held two additional investor events, one for each division. The Chairman, Committee Chairs and the Senior Independent Director are available to shareholders on request, and if there is a matter requiring shareholder input the most appropriate Director will engage with shareholders.

4 Action if 20% of shareholders vote against a proposal

Not applicable in FY 2024 – shareholders overwhelmingly supported all the resolutions at the AGM. Had this not been the case this year the Board would expect to comply with the Code.

5 Views of key stakeholders and S172 Statement

A comprehensive Section 172 statement is set out on pages 101 to 102 within the Strategic report. The Company has appointed Ant Green, a Director from the workforce, who updates his fellow Directors on the views from the workforce at each Board meeting.

Board continued

Board meetings

Board meetings focus on strategy and financial and business performance. The key matters considered by the Board during the scheduled meetings are set out below.

June	Board evaluation Strategic review Year-end matters, approval of Results and Annual Report including the risk disclosures Review of whistleblowing incidents and procedures Modern Slavery Statement and Actions
July	Strategic update Deep dive into the Group's Public Affairs strategy Update on the electric vehicle fleet and related opportunities
September (In Birmingham)	Detailed Strategy Review Report on various cyber security matters A review of the terms of the joint venture with Hitachi Business presentation from the Avanti team
November	Half year results Update on Capital Allocation and financing of the electric fleet Talent and succession planning
January (in Bristol)	Budget Assumptions Business presentation from the bus leadership team covering West of England and Wales
March	Presentation from the GWR team Budget review and approval

At each meeting the Board receives an update from any of the Board Committee meetings that have been held since the last meeting together with a presentation from the CEO, the CFO, the head of the rail division, the head of the bus division, the Group Employee Director and the Company Secretary.

In September 2023, the Board met in Birmingham in the Avanti offices and received a presentation from the Avanti team and toured the operations at Birmingham New Street. In January 2024, the Board met in Bristol and had the opportunity to visit a bus depot and staff facilities to observe the operations and meet colleagues working at these sites. The Board received a presentation from the GWR team in March 2024.

Compliance with the Corporate Governance Code	
C Necessary resources and control framework The Board has delegated the day-to-day running of the Company to the Chief Executive Officer who, with the Executive Committee ensure that their teams have the necessary resources to meet their objectives. The Board reviewed the talent and succession planning to help ensure the Company has the right teams to deliver on the Group's objectives. 6 Workforce concerns (known as whistleblowing) The Board reviews all concerns raised by the workforce twice each year. If a serious concern were to be raised between the reviews, it would be escalated to the Board immediately, rather than waiting until the next report was due. D Responsibilities and engagement with shareholders and stakeholders There is a comprehensive programme to engage with shareholders and stakeholders. The engagement with the different stakeholders is set out in the Strategic report with the relevant section starting on page 98. E Workforce policies and practices The Group has a comprehensive framework of policies and practices that are aligned with the Values and the long-term success of the Company. Examples of the practices are set out within the 'Supporting our people' section of the Strategic report that starts on page 65. The relevant policies are owned by the Human Resources teams and cover the full range of employment issues expected for a diverse workforce.	F Chairman leads the Board and is responsible for its effectiveness The Chairman is responsible for leading the Board and its effectiveness. The duties are set out in a document published on the Company's website. The effectiveness of the Chairman is reviewed annually as an important part of the Board evaluation process led by the Senior Independent Director. G Appropriate combination of Executive and Non-Executive Directors There is an appropriate division of responsibilities between the Executives and Non-Executives. The matters reserved to the Board are clearly defined and all significant transactions would come before the Board. 7 Conflicts of interest The Board reviews all Directors' external appointments twice each year to confirm that they do not create a conflict of interest. If a Director had a conflict in respect of a particular contract or arrangement being considered by the Board, there is a process for the Director to declare that conflict and the Board would decide whether or not it was appropriate for the Director to be involved in discussions on that matter.

Board continued

Induction

On appointment all new Directors receive a comprehensive induction tailored to their experience, background and areas of focus.

The programme is designed to help each new Director become fully effective in their role as quickly as possible and provide them with a good understanding of the Group's businesses, key drivers of operational and financial performance, the role of the Board and its Committees, the approach to corporate governance and the duties and responsibilities of being a Director of a publicly listed company.

Continuing professional development

From time to time, training sessions are organised for the Board, and in FY 2024 the sessions focused on industry trends and forthcoming governance developments.

From time to time, the Directors attend seminars and round table discussions aligned to their areas of responsibility or interest.

Shareholder engagement

Primary responsibility for shareholder engagement sits with the Executive Directors.

The Executive Directors meet with larger shareholders twice each year, normally shortly after publication of the annual or interim results and at other times if required. During the financial year, a number of other, more detailed teach-in sessions on the operations of the two divisions took place, with Janette Bell and Steve Montgomery joining the Executive Directors for the meetings. The Bus session was held in Leicester, looking at electrification, and the Rail session was held in London and took investors through the operating model in Rail.

The Chairman also took a number of meetings with large shareholders during the year.

Compliance with the Corporate Governance Code

8 Concerns held by a NED on resignation

No such concerns have been raised during the period under review.

9 Chairman independent on appointment

David Martin was independent on appointment. The Board recognises that Mr Martin served as Executive Chairman from September 2021 until 30 June 2022.

10 Identification of independent NEDs

The Board has concluded that Sally Cabrini, Myrtle Dawes, Claire Hawkings, Jane Lodge and Peter Lynas are independent in character and judgment.

11 At least half the Board is independent

Five of the nine Directors are independent and are considered by the Board to be independent.

12 Appointment of Senior Independent Director and review of Chairman

Peter Lynas was appointed as the Senior Independent Director on 30 June 2021. Mr Lynas led the Non-Executive Directors' review of the Chairman's performance, and he discussed the feedback with the Chairman.

13 Non-Executives' role

The Non-Executives hold Executive Directors to account and regularly meet, normally at the conclusion of each Board meeting, without any members of the Executive team.

14 Roles of Chairman, Chief Executive and Senior Independent Director and Committee terms of reference

The responsibilities for these roles are set out in writing and, following the Board's review in March 2024, the document has been publicly available on the Company's website. Each Committee reviewed their terms of reference in March 2024, and recommended changes were approved by the Board. The updated terms of reference for the Committees are available on the Company's website.

15 See page 115

I The Board supported by the Company Secretary should ensure that it has resources to function

16 Access to and appointment of the Company Secretary

The appointment or removal of the Company Secretary is reserved to the Board. Since appointment on 1 April 2022, David Blizzard has worked with the Chairman and Committee Chairs to support them to discharge their responsibilities. All Directors have direct access to the Company Secretary, and governance matters are raised with the Board as they arise.

Board continued

Diversity and inclusion

We believe that a diverse workforce that represents the communities in which we operate is vital to the Group's success. We value the differences each colleague brings to their role, making the Group stronger and better able to meet the needs of our customers and the communities in which we operate.

Board diversity

The Group has selected 30 March 2024 as the reference date for the data provided below. Throughout the period under review and on the selected reference date the Company has complied with the requirements that at least 40% of the Board are women and also at least one member of the Board is from a minority ethnic background.

The Company has not complied with the external target that at least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) is a woman. The Audit Committee, the Remuneration Committee and the Responsible Business Committee are all chaired by women. The Nomination Committee is committed to a meritocratic appointment process, and as and when one of these roles becomes available it will ensure a diverse long-list of candidates.

There have been no changes to the composition of the Board since 30 March 2024. All Directors and members of the Executive management team are based in the UK and have been willing to freely disclose the information required for the disclosures below. Our approach to collecting the data has been to ask the relevant people for the information.

The required tables reporting on sex/gender and ethnic representation are set out below.

The diversity data for levels below the Board is set out in the Supporting our people section starting on page 65.

Reporting table on sex/gender representation

	FirstGroup plc Board of Directors		Specified senior positions	Executive management (defined as the Executive Committee)	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of the executive management
Men	5	55.6%	4	4	80%
Women	4	44.4%	0	1	20%
Overall Not specified/prefer not to say	–	–	–	–	–

Reporting table on ethnicity representation

	FirstGroup plc Board of Directors		Specified senior positions	Executive management (defined as the Executive Committee)	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of the executive management
White British or other white (including minority-white groups)	8	88.9%	4	5	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	11.1%	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Board continued

Board evaluation

As reported last year, we delayed the external Board evaluation given that a number of Board members, including the Chief Executive, were relatively new. In FY 2023, the Company Secretary supported an internal Board evaluation process. The areas of focus and the actions taken during FY 2024 in respect of each area identified are set out in this report.

The Board commissioned Clare Chalmers to conduct the Board evaluation in respect of FY 2024. Following interviews with each of the Directors, the external audit partner, the Head of Internal Audit, the Company Secretary and other executives who regularly present to the Board or its Committees. The review included the observation of the Board meeting in January 2024.

A detailed report on the findings was prepared and Clare Chalmers presented her report to the Board in March 2024. The report identified a number of strengths and suggested areas of focus.

Following that presentation, the Chairman held discussions with each of the Directors and the Company Secretary to finalise the agreed areas of focus which were endorsed by the Board at the meeting in June. Strengths and areas of focus are set out in the column to the right. An update on the areas of focus will be provided in the Annual Report for FY 2025.

FY 2023 Board evaluation

Areas of focus

Board composition and dynamics
Create opportunities for the Board to meet a wider group of senior leaders both within the Boardroom and other settings.

The senior leadership teams from GWR, Avanti and the Bus business covering the West of England and Wales have presented their businesses to the Board during the year. A number of people who had not previously presented to the Board have attended to present on their areas of responsibility, and two NEDs attended the launch of the alumni programme for the internal leadership and management courses.

Conduct of meetings/Board support
Quality of Board reporting to be enhanced with more focused papers using executive summaries, signposting and reduce repetition. A number of improvements have been made to the papers, and this is an ongoing area of focus following the 2024 review.

Stakeholders
Continue to improve the Board's understanding of the views of customers, suppliers and communities served.

The Board and Committees received a number of targeted presentations during the year to improve understanding in these areas including a presentation from the Head of Procurement on relationships with suppliers. The business presentations from GWR, Avanti and the Bus teams cover customers and communities served by the business.

Talent and succession
Build on improvements made in FY 2022. The first action above will also support the Board's work in this area of focus.

The Board received a detailed presentation in November 2023 reviewing detailed talent profiles and the succession plans for senior roles. The work was more detailed than in previous years and provided the Board with a clear understanding of the landscape.

2024 Board evaluation
Strengths

Amongst other things, the report identified the following strengths:

- Good dynamic supported by an open and proactive management team
- Processes around decision making and risk management
- Upward trends in effectiveness of meetings particularly Audit Committee and the Responsible Business Committee
- Frontline perspective provided by the Employee Director

Areas of focus

The Board agreed the following areas of focus for FY 2025:

- Further steps to be taken to enhance Board reporting in both the papers and the content of the verbal presentations at the meeting.
- Increase the opportunities for the Non-Executive Directors to meet senior leaders below the Executive Committee
- In light of the potential re-nationalisation of Rail, accelerate continuing discussions on strategic options for the future
- Following a complete refresh of the Non-Executives in the period to July 2023, review the succession planning for Board and Executive Committee during the year

Compliance with the Corporate Governance Code

L Annual evaluation process

21 Formal and rigorous annual evaluation

An external evaluation was conducted in FY 2024 and the process is set out in the report.

22 Act on results of evaluation

The Board agreed actions following the 2023 evaluation and updates are provided on the agreed actions. The areas of focus resulting from the FY 2024 report are set out in this report and the Board intends to report on progress in the Annual Report next year.

Nomination Committee report



David Martin
Chair, Nomination Committee

Main responsibilities

The primary role of the Nomination Committee is to ensure that the Board has the appropriate skills, knowledge, experience and diversity to operate effectively and deliver strategy. The Committee is responsible for identifying the skills required and leading the Director appointment process and considering succession planning for Directors and other Senior Executives.

The terms of reference are available on the Group's website.

Committee members:

- David Martin (Chair)
- Sally Cabrini
- Myrtle Dawes
- Ant Green
- Claire Hawkings
- Jane Lodge
- Peter Lynas

Dear Shareholder,

The Nomination Committee had a quieter year given the number of changes completed in the previous financial year and the progress that had been made regarding the appointment of a new Chief Executive Officer last year.

Following feedback from the Board effectiveness review conducted around the last year end, we increased the membership of the Nomination Committee to include all the Non-Executive Directors. This change meant that we had broader range of views for this year's meetings which was particularly beneficial as the focus of the work was on talent and succession planning for the Executive Directors, the Executive Committee, and the levels below.

David Martin
Chairman
11 June 2024

Activities during the year

In June 2023, the Nomination Committee considered the Board effectiveness review and recommended to the Board that all Directors standing for re-election had performed well, those put forward as independent were independent and all should be re-elected to the Board.

In November 2023, the talent and succession plans were considered by the Board rather than the Nomination Committee but all members of the Nomination Committee were present at the Board meeting for the discussions. The Nomination Committee dealt with the formalities for the extension of Ant Green's term as the Group Employee Director.

In March 2024, the Committee reviewed the Board composition in light of the Board Evaluation and recommended to the Board that no changes were required.

The Executive Directors and the Divisional Managing Directors attend meetings by invitation of the Chairman and during the year attended to present the talent and succession plans for their areas of responsibility. The Committee is supported by the Company Secretary who has attended all meetings during the year.

Compliance with the Corporate Governance Code

17 Establish a Nomination committee

The Board has established a Nomination committee and its membership complies with the Code requirements.

18 Annual re-election of all Directors

Following the year end and having reviewed the output from the Board effectiveness review, it was agreed that all Directors would stand for re-election at the Company's AGM in July 2024.

19 Chairman's tenure less than nine years

The Chairman was appointed to the Board in August 2019, and his tenure is well within the limit set out in the Code.

20 Open advertising/search consultancy for NED roles

An external search consultancy was used for the NED appointments made during 2022 and as reported last year used ISP to lead the searches. The Nomination Committee anticipates that this approach would be adopted for future appointments.

L 21 and 22 see page 113

23 Work of the Nomination Committee

The work of the Nomination Committee is set out in this report.

Nomination Committee report continued

Policy on appointments to the Board

The Committee recognises the value that individuals from diverse backgrounds can bring to Board deliberations. The Committee considers diversity in its wider sense including gender, length of tenure and nationalities. In line with the Committee's diversity policy, when considering the appointment of a new Director the Committee adopts a formal, rigorous and transparent procedure and due regard is given to ensuring fairness and diversity through the consideration of skills, experience, competencies, sector knowledge, independence and individual characteristics. Prior to any appointment, the Committee evaluates the composition of the Board and, in light of that evaluation, prepares a full description of the role and capabilities required.

In identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search
- considers candidates on merit and against objective criteria ensuring appointees have sufficient time to fulfil their Board and Committee responsibilities (giving due consideration to the Company's over-boarding policy described below)
- considers candidates from a wide range of backgrounds

Over-boarding policy

The policy was adopted in 2022 and has been applied when reviewing additional external appointments and will be applied to appointments to the Board. Under the policy, Directors may hold five mandates on publicly listed companies. For the purposes of calculating this limit:

- a non-executive directorship counts as one mandate
- a non-executive chair counts as two mandates
- a position as executive director (or a comparable role) is counted as three mandates

The Company will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist.

Compliance with the Corporate Governance Code

H Non-Executives have sufficient time to meet responsibilities

The Non-Executives have sufficient time to meet their responsibilities – this is supported by the high attendance levels at the additional Board and Committee meetings that have been arranged during the year. The over-boarding policy adopted by the Nomination Committee in 2022 helps ensure that Directors are not too busy to effectively discharge their responsibilities.

15 Time demands considered on new appointments

The over-boarding policy provides guidance which means these issues can be considered consistently and objectively. The table on this page demonstrates that all Directors are in compliance with the policy.

J Appointments subject to a formal, rigorous and transparent process. An effective succession plan should be maintained for the Board and senior management

During the year as set out above, the Committee undertook a review of succession plans for the senior roles in the organisation.

K Board and Committees have combination of skills, experience and knowledge

The Board effectiveness reviews confirmed that the Board and Committees felt they had an appropriate combination of skills, experience and knowledge to discharge their functions. The Directors' key skills are set out in their biographies.

The table below shows tenure and total mandates held by the current Directors including their appointment to the FirstGroup Board.

Position	Members	Appointment date	End of current 3-year term	Mandates held ¹
Chairman	David Martin	15 August 2019	August 2025	2
Non-Executive Directors	Sally Cabrini	24 January 2020	January 2026	1
	Myrtle Dawes	1 April 2022	April 2025	2
	Claire Hawkings	1 January 2022	January 2025	3
	Jane Lodge	30 June 2021	June 2024	4
	Peter Lynas	30 June 2021	June 2024	2
Employee Director	Ant Green	15 September 2020	September 2026	1
Executive Directors	Graham Sutherland	16 May 2022	n/a	3
	Ryan Mangold	31 May 2019	n/a	3

¹ A non-executive directorship on a listed company counts as one mandate; a chairman of a listed company counts as two mandates and a position as an executive director counts as three mandates. Myrtle Dawes' full-time executive role is not at a listed company but is included above as it is a full-time executive role.

Audit Committee report



Jane Lodge
Chair, Audit Committee

Main responsibilities

The primary role of the Audit Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to oversee the Group's Internal Audit function, to oversee the relationship with the external auditor and to report to shareholders on its activities.

The terms of reference are available on the Group's website.

Committee members:

Jane Lodge (Chair)
Claire Hawkings
Peter Lynas

Dear Shareholder,

I am delighted to introduce the report from the Audit Committee for the 53 weeks ended 30 March 2024.

The report provides an overview of the activities undertaken by the Committee during the year and explains the significant issues and judgments that the Committee considered during the year and, in particular, when approving this Annual Report.

The Audit Committee has a key governance role and, on behalf of the Board and shareholders, reviews important matters relating to financial reporting, internal controls, risk management and compliance with regulations and legislation.

This report provides an overview of the Committee's principal activities and areas of focus during the year together with the priorities for the year ahead. As part of the half-year reporting process the Committee carefully considered, amongst other things, an assessment that an impairment to the investment in the bus operations was not required, a review of the going concern and viability assessments, a review of the judgments associated with pensions, the insurance and legal exposures, adjusting items and taxation.

The primary issues considered at the year end are set out in a table on page 118.

The work on internal controls across the Group that was a priority for this year has progressed well. The work is ongoing as the new governance regulations come online and we will continue to work on this in the coming year.

Jane Lodge
Chair, Audit Committee
11 June 2024

Composition and Committee attendance

The membership of the Committee is set out in the column to the left and attendance is set out on page 104. Jane Lodge and Peter Lynas have recent and relevant financial experience and the requisite competence in accounting. Claire Hawkings, the other member of the Committee, has the necessary skills and financial literacy to discharge her responsibilities.

The Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Director of Finance, the Head of Internal Audit, the Group Head of Financial Reporting and the external audit partner routinely attend meetings of the Committee. In addition, others are invited to attend all or parts of meetings as required to provide the Committee with additional insight on relevant matters. Other members of the Board have an open invitation to attend Committee meetings and they did so on a number of occasions during the year. The Committee holds private sessions without management present and regularly meets with the Internal and external auditors (again without management present).

Summary of Committee activities throughout the year

The Committee has an extensive agenda of items of business focusing on financial reporting, internal control, risk management, internal and external audit, in addition to certain standing matters that the Committee considers at each meeting as well as any specific topical items that arise during the course of the year.

Compliance with the Corporate Governance Code

24 Establish an Audit Committee

The Board has established an Audit Committee. Currently it has three members, all of whom are independent Directors, two of whom (Jane Lodge and Peter Lynas) have recent and relevant financial experience and the requisite competence in accounting to meet the Code requirements. The Committee believes it has sufficient sector-relevant competence to discharge its duties.

25 Committee's role

The Committee's role is summarised in the report that follows. The terms of reference are on the Company's website. The Committee is comfortable that its role meets the Code requirements.

26 Annual Report to describe work of Committee

This Report discharges this Code Provision.

Audit Committee report continued

During the year, the Committee fully discharged its responsibilities under the terms of reference, and these broadly fall under three areas:

Accounting, tax and financial reporting

- reviewed and approved the half-year and annual results considering the significant accounting policies, principal estimates and accounting judgments used in their preparation, the transparency and clarity of disclosures and compliance with financial reporting standards
- reviewed the basis for preparing the half-year and full-year accounts on a going concern basis with input from the external auditors
- considered and approved management's assessment of the Group's prospects and longer-term viability contained within the Annual Report
- received reports from management and the external auditors on accounting, financial reporting regulation and tax issues
- reviewed and assessed whether the Annual Report taken as a whole was fair, balanced and understandable
- reviewed the Non-Audit Services Policy, Tax Strategy, Treasury Policy and the application of the Adjusted Items Policy
- reviewed the assumptions such as future growth rates, cash flows and discount rate used in the impairment models and the output from the impairment review
- reviewed the non-GAAP measures in the Company's reporting
- reviewed the assumptions used to calculate the pension liabilities

Internal control, risk management and internal audit

- reviewed the structure and effectiveness of the Group's system of risk management and the related disclosures in the Annual Report and financial statements
- reviewed the Group's risk management activities undertaken by the divisions and at Group level in order to identify, measure and assess the Group's principal and emerging risks and reviewed the risk appetite statement, developed by management, for recommendation to the Board
- approved the annual Internal Audit plan and reviewed reports from the Internal Audit team relating to control matters; monitored progress against the plan and any deviations were agreed
- monitored the Group's insurance arrangements, insured and uninsured claims and material litigation
- reviewed plans and progress to enhance the internal control environment ahead of expected regulatory and legislative changes

External audit

- considered and approved the scope, audit plan, terms of engagement and fees for the external audit work to be undertaken in respect of FY 2024
- received reports from the external auditor on their findings during the half-year review and the full-year audit
- considered the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking into account their policies to maintain independence, non-audit work undertaken by the auditor and compliance with the Company's policy on the provision of non-audit services and applicable regulations
- considered and approved the letters of representation to the external auditors
- considered and recommended to the Board the reappointment of the external auditor at the AGM

Compliance with the Corporate Governance Code

M Formal transparent policies to ensure independence of audit

The auditors' policies and the Company's Non-Audit Services Policy that are regularly reviewed by the Committee helps ensure the independence of the auditor.

There is additional commentary on the assessment of the internal auditor on page 121.

Audit Committee report continued

Key accounting judgments reviewed during the year/Significant issues

The matters the Committee considers to be significant for the FY 2024 Annual Report and financial statements are as follows:

Significant issues and judgments	How the Audit Committee addressed these issues
Pension assumptions and funding The Group participates in a number of defined benefit pension schemes. Management exercises significant judgement when determining the assumptions used to value the pension liabilities as these are particularly sensitive to changes in the underlying assumptions. Scheme valuations were conducted during the year and changes were made to the assumptions which were considered to be in acceptable ranges.	Management engaged with external experts and the Committee considered and challenged the assumptions used for estimating the liabilities. Sensitivity analysis was performed on the key assumptions: inflation, discount rate and mortality. The overall liabilities were assessed for reasonableness. Further detail on pensions is provided in note 37 in the consolidated financial statements.
Recovery of investments in subsidiaries (parent company only) Investments held by the parent company in subsidiary undertakings were tested for recoverability. Management assessed discounted cash flows in the Bus division based on the final Three-Year Plan to March 2027 adjusted for debt and debt-like items. The financial impact of climate change risks was a key consideration. The investments were considered to be recoverable.	The Committee received reports from the management team and the external auditors on the recoverability of the parent company's investments in subsidiaries and concluded that the assessments were reasonable.
Going concern and viability The Group regularly prepares an assessment detailing available resources to support the going concern assumption and the long-term viability statements. Management concluded that the financial statements should be prepared on a going concern basis and there were no material uncertainties which require disclosure. We continue to provide essential services to our customers and the communities we serve and anticipate doing so for the foreseeable future.	The Committee reviewed and challenged management's funding forecasts and sensitivity analysis and the impact of various possible downside scenarios, which took into account the pace of improving operating margins in the Bus division, changes to the contract portfolio and the level of performance fees in the Rail Division, and ESG-related risks including climate change. Following the review, which the Committee carried out at its meeting in June 2024, the Committee recommended to the Board the adoption of both the going concern and viability assessment, and the related statements for inclusion in this Annual Report.

Audit Committee report continued

Internal control framework/assurance

The Board is responsible for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed. Periodic review and ongoing monitoring of risk management and internal control frameworks are essential components of any sound system of risk management and internal control.

The Committee monitors the Company's risk management and internal control systems and, in addition to periodic reviews by the Committee the Board undertakes an annual in-depth review of the effectiveness of internal controls including the operation of financial, operational and compliance controls.

The Committee also guides the Board on the nature and extent of the principal and emerging risks the Company may be willing to take in order to achieve its long-term strategic objectives. The output from this system is the Company's risk appetite policy, which is subsequently reviewed by the Board.

The process the Committee applied in reviewing the effectiveness of the system of risk management and internal control is set out below, together with a summary of the actions that have been or are being taken to improve the overall control environment.

Internal controls

The Committee receives regular updates on the Group's system of internal control including progress made to the overall programme and conclusions on the design and effectiveness of key controls, mitigating financial, operational and compliance risk. Management continues to improve the standardisation, documentation and testing of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

During the course of the financial year, any control weaknesses identified through the operation of our risk management and internal control processes were subject to monitoring and resolution in line with our normal business operations.

In 2024, no material control weaknesses were identified. Overall, the Committee is satisfied that the Group's internal control framework was operating effectively as at the year end. The ongoing controls assurance programme is progressing well to support the formal attestation on controls effectiveness required as part of regulatory reforms.

Enhancements to the control environment are being implemented, and are expected to be completed in the forthcoming financial year. Where specific areas for improvement were identified, mitigating alternative controls and processes were in place. The attestation methodology and recruitment plans are progressing well, and an attestation system has been developed.

The Committee will continue to oversee the approach, scope of compliance work undertaken and assess progress on a regular basis. Regulatory developments will continue to be monitored and the project plan adapted accordingly as the landscape develops.

Risk management

The Board, through the Committee, is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives, as well as nature and extent of the external risk environment.

To fulfil this responsibility the Committee oversees a Group-wide system of risk management and internal control that identifies and enables management and the Board to evaluate and manage the Group's principal and emerging risks. The system is tailored to the particular needs and risks to which the Company is exposed and is designed to manage, rather than eliminate risk. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss.

The Committee assessed the Group's risk management methodology, which is used to identify and manage the principal and emerging risks, as well as the reporting and categorisation of Group risks, and made recommendations for improvement. Changes were implemented with the Committee's oversight. See the Risk management section of the Strategic report starting on page 85 for further information on the Group's risk management system.

The Committee also reviewed the process for assessing the principal and emerging risks that could threaten the Company's business model, future performance, solvency or liquidity to make the long-term viability statement on page 96 and considered the appropriate period for which the Company was viable.

The Company's policies on financial risk management, including the Company's exposure to liquidity risk, credit risk and certain market-based risks including foreign exchange rates, interest rates and fuel and electricity prices, can be found in note 25 to the consolidated financial statements.

Compliance with the Corporate Governance Code

N Fair, balanced and understandable assessment of prospects

27 The report is fair, balanced and understandable

The Committee, on behalf of the Board, reviews the Report to confirm that they believe it to be fair, balanced and understandable. In addition to their own knowledge and assessment, the Committee takes comfort from the reviews conducted by the Executive Committee particularly in respect of fairness and balance. The external reviews as part of the preparation and sign-off process give comfort in respect of understandability.

The Board reviewed the Annual Report and each Director confirmed to the best of his or her knowledge that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

O Procedures to oversee internal control framework and identification of principal risks

The procedures are described in the columns to the left.

28 Assessment of emerging and principal risks

The emerging and principal risks are disclosed in the Risk management section of the Strategic report starting on page 85 and the assessment process is also set out in detail in that part of the Annual Report. The Audit Committee reviews the detailed outputs from the work completed by the Executive team.

29 Monitor risk management and internal control

The monitoring of risks and a description of the internal control system is set out in the Strategic report and also within the report from the Audit Committee.

Audit Committee report continued

Key elements of the Group's risk management framework that operated throughout the year are:

- a centrally coordinated internal audit programme to verify that policies and internal control procedures are being correctly implemented and to identify any risks at an early stage
- an agreed methodology for ranking the level of risk in each of its business operations and the principal and emerging risks
- divisions identifying and reviewing their principal and emerging risks and adequacy of controls for monitoring and managing risks, and reviewed by senior management
- implementation of appropriate strategies to mitigate principal and emerging risks, including careful internal monitoring, and ensuring external specialists are consulted where necessary
- updated divisional and Group risks, which are reviewed by the Chief Executive Officer and Chief Financial Officer, are presented to the Executive Committee on a regular basis
- reviewing and monitoring the confidential reporting system to allow employees to raise concerns about possible legal, regulatory, financial reporting or any other improprieties
- a remuneration policy for executives that motivates them, without delivering excessive benefits or encouraging excessive risk-taking

Twice a year, the Board is presented with an update for its assessment of the principal and emerging risks facing the Group, together with a risk map, highlighting any changes made since the prior update and the rationale for any changes. Each Committee that reports regularly to the Board provides an update on the status of risks considered within its remit.

Financial and business reporting

The Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in its reporting to shareholders. This responsibility encompasses all published information including, but not limited to, the half-yearly and full-year financial statements, regulatory news announcements and other publicly disclosed information.

The quality of the Company's reporting is ensured by having procedures in place for the review of information by management. There are also strict procedures to determine who has authority to release information. A statement of the Directors' responsibilities for preparing the financial statements can be found on page 161.

The Group adopts a financial reporting and information system that complies with generally accepted accounting practice. The Group Finance Manual details the Group's accounting policies and procedures with which subsidiaries must comply. Budgets are prepared by subsidiary company management which are then consolidated into divisional budgets. These are subject to review by both senior management and the Executive Directors followed by formal approval by the Board. Regular forecast updates are completed during the year and compared against actions required. Each subsidiary unit prepares a monthly report of operating performance with a commentary on variances against budget and the prior year, which is reviewed by senior management. Similar reports are prepared at a Group level. KPIs, both financial and operational, are monitored on a weekly basis. In addition, business units participate in strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives.

Reviews of internal controls within operating units by Internal Audit have sometimes highlighted control weaknesses, which are discussed with management and, where appropriate, the Committee, and remedial action plans are agreed. Action plans are monitored by Internal Audit and, in some cases, follow-up visits to the operating entity are conducted until such time as the controls that have been put in place are working effectively. No material losses, contingencies or uncertainties that would require disclosure in the Annual Report have been identified during the year by this process.

The Committee, in conjunction with the Executive team, regularly reviews and develops the internal control environment to make continual improvements. No significant internal control failings were identified during the year. Where any gaps were identified, processes were put in place to address them and these are monitored. In addition, as stated above, management intends to continue to improve the standardisation, documentation and testing of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

The process is designed to provide assurance by way of cumulative assessment. It is a risk-based approach.

Compliance with the Corporate Governance Code

30 Going concern basis of accounting

The Audit Committee considered the going concern basis of accounting statement set out on page 97 complies with the Code provision.

31 Assessment of the current position and principal risks/Viability Statement

The principal risks are set out in the Strategic report on pages 87 to 95, together with a description of the processes in place.

The Viability Statement complies with the Code Provision and is set out on page 96.

Audit Committee report continued

Internal Audit

The Internal Audit function advises management on the extent to which systems of internal control are adequate and effective to manage business risk, safeguard the Group's resources, and ensure compliance with the Group's policies and legal and regulatory requirements. It provides objective assurance on risk and controls to senior management, the Committee and the Board. Internal Audit's work is focused on the Group's principal and emerging risks. The mandate and programme of work of the Internal Audit function is considered and approved by the Committee annually and includes a number of internal audits and health checks across the Group's divisions. Findings are reported to relevant operational management and to the Committee. The Internal Audit function follows up on the implementation of recommendations and reports on progress to senior management and to the Committee at each meeting.

The Internal Audit function is a combination of outsourced and insourced resource. The Head of Internal Audit reports functionally to the Chair of the Committee and administratively to the CFO.

The effectiveness of the Internal Audit function's work is continually monitored using a variety of inputs including the ongoing audit reports received, the Committee's interaction with the function's head, an annual review of the function's internal quality assurance report, a quarterly summary dashboard providing a snapshot of the progress against the internal audit plan tabled at each Committee meeting as well as any other ad-hoc quality reporting requested.

Taking all these elements into account, the Committee concluded that the Internal Audit function was an effective provider of assurance over the Company's risks and controls and appropriate resources were available as required.

External audit

External auditor independence and objectivity

PricewaterhouseCoopers LLP (PwC) were appointed the Company's external auditor following a competitive tender process in 2020, and they undertook the FY 2021 audit. Matthew Mullins is the Senior Statutory Auditor.

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. PwC's independence and objectivity are safeguarded by a number of control measures including:

- limiting the nature of non-audit services performed by the external auditor
- the external auditor's own internal processes to vet and approve any requests for any non-audit work to be performed by the external auditor
- monitoring changes in legislation related to auditor independence and objectivity to assist the Company to remain compliant
- the rotation of the lead audit partner after five years
- independent reporting lines from the external auditor to the Committee and ensuring the external auditor is afforded the opportunity for in-camera sessions with the Committee
- placing restrictions on the employment by the Group of certain employees of the external auditor

- providing a confidential helpline that employees can use to report any concerns, including those relating to the relationship between Group employees and the external auditor
- an annual review by the Committee of the policy in place to ensure the objectivity and independence of the external auditor is maintained

Assessing the effectiveness of the external audit process

The Committee, other Board members, senior management in both the corporate functions and within the operations and the internal audit team evaluated PwC's performance and the effectiveness of the external audit process during FY 2024. The Committee also considered the independence and objectivity of PwC. The following factors were considered:

- the quality of the interactions between the audit team and the Committee, other Board members, management and those involved in the preparation of the accounts
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective audit
- the external auditor's progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks
- the competence with which the external auditor handled the key accounting and audit judgments and communication of the same with management and the Committee
- the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners
- the expertise and resources of the external audit team conducting the audit
- whether the statutory audit contributed to the integrity of the Group's financial reporting

Taking into account the above factors and feedback from management, members of the Committee and the Board, the Committee concluded that the external audit process and services provided by PwC were satisfactory. The feedback was shared with PwC and any opportunities for improvement will be considered and agreed.

FRC Review

The FRC conducted an Audit Quality Review on the work of the external auditor completed in respect of the audit work conducted on the annual report for the 52 weeks ended 25 March 2023. There were no key findings reported following the review. There were two points classified as other findings and these were addressed by PwC in respect of the audit for the 53 weeks ended 30 March 2024.

The FRC also conducted a review of the interim report for the period ended 30 September 2023 and made two recommendations where further clarity could be provided. The comments have been taken on board in respect of the Annual Report for 2024.

Audit Committee report continued

Policy on the provision of non-audit services

The Committee's policy on the use of the external auditor for non-audit services includes the identification of non-audit services that may be provided and those that are prohibited. The policy requires that the external auditor will only be used for non-audit services where regulation permits, the Group benefits in a cost-effective manner and the external auditor maintains the necessary degree of independence and objectivity. The policy provides for a cap on fees for non-audit work of 70% of the average of fees paid to the audit firm over the previous three years for audit services.

The Committee receives regular reports on all non-audit assignments awarded to the external auditor and a breakdown of non-audit fees incurred. The Committee is satisfied that the Company was compliant during the year with both the Code and the FRC's Ethical Standard in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by PwC. Details of amounts paid to the external auditor for audit and non-audit services for the 53 weeks ended 30 March 2024 are set out in note 6 to the consolidated financial statements.

Tax strategy

We believe we have a responsibility to manage our tax affairs in a way that sustainably benefits the customers and communities we serve. We also have a responsibility to shareholders to ensure we pay the right amount of tax and ensure compliance with the tax rules in each country in which we operate. In the UK, HMRC have categorised the Group as low risk given our systems, processes and governance structures. Further information on our tax strategy, which was reviewed by the Committee and subsequently approved by the Board in September 2023, is available on our website. The tax strategy is reviewed annually by the Committee.

Compliance with the Competition and Markets Authority Order

Pursuant to Article 7.1 of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the Company confirms that it has complied with the provisions during FY 2024, including Part 5 in relation to the role of the Committee.

Responsible Business Committee report



Claire Hawkings
Chair, Responsible Business Committee

Main responsibilities
The Committee has oversight of safety, the People strategy, environmental impact of the Group's activities, sustainability and community engagement.

The terms of reference are available on the Group's website.

Committee members:
Claire Hawkings (Chair)
Sally Cabrini
Myrtle Dawes
Ant Green
Peter Lynas

Dear Shareholder,
Leading in environmental and social sustainability is a key pillar within the Group's new business strategy, which is overseen and led by our Responsible Business Committee.

The Committee's remit is broad, but has key focus areas of safety, climate and environment, governance, disclosures and social value covering our people, communities and broader stakeholder groups.

The Committee ensures our responsible business activities are supported by robust plans and performance metrics. Performance reports are shared with the Committee at each meeting and provide an essential mechanism for understanding progress and taking action.

This report focuses on the governance of the Responsible Business Committee and the key governance matters are set out in the paragraphs below.

I look forward to working with the Executive team in the coming year as we start to implement the new four-pillar strategy for the Group.

Claire Hawkings
Chair, Responsible Business Committee
11 June 2024

Membership and attendance
The Committee membership is set out in the column to the left and the attendance records are shown on page 104.

The Company Secretary attended all meetings during the year and, at the invitation of the Committee Chair, the Chairman, the Chief Executive Officer, the Group HR Director, the Director of Corporate Responsibility, the Divisional Managing Directors, the General Counsel and the Head of Internal Audit attended relevant sections of meetings to support the work of the Committee with inputs on their areas of responsibility or expertise.

Meetings during the year
The Responsible Business Committee met on four occasions and in each meeting received a report from the Chief Executive Officer on safety matters. Senior representatives from First Rail and First Bus attended and each presented progress in four areas: safety, people, environment and community.

The Committee oversees the focus on safety performance across the Group with positive trends in the key indicators. The Committee received reports on significant safety matters and reviewed the root cause investigations in respect of significant incidents that occurred during the year.

In addition, when the Committee met in March and June they reviewed the Responsible Business disclosures in the Annual Report for 2023.

In June, the Committee received an update on the Group safety policy and reviewed the gender and ethnic minority diversity targets. The Committee also received a report on TCFD alignment and steps being taken to develop a Group-wide climate transition plan.

In September, the Committee received an update on TCFD compliance and the new Group strategy. The Committee also reviewed the external recognition from external bodies and areas in which to focus effort to improve any such ratings.

In January 2024, the Committee met in Bristol and had the opportunity to tour two bus depots. The formal meeting covered a follow-up on the new Group strategy. The Committee also reviewed the Group's ethnic and gender pay gap reporting.

In March 2024, the Committee reviewed and approved safety targets for FY 2025 and received an update on science-based targets, TCFD reporting and a report on our sustainable procurement strategy.

Throughout the year, the Committee has worked with the Remuneration Committee to oversee the development and performance against key performance measures that form part of the variable remuneration of the Executive team.

FY 2025
At the meeting in June 2024, the Committee reviewed the Responsible Business disclosures and the TCFD reporting. During FY 2025, the Committee will continue to provide oversight on safety, people strategy, environmental impact of the Group's activities and our community engagement.

Remuneration Committee report



Sally Cabrini
Chair, Remuneration Committee

Main responsibilities

The Remuneration Committee is primarily responsible for determining the policy for Executive Director remuneration and setting the remuneration for the Chairman, the Executive Directors and senior management.

The Committee also reviews wider workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration.

The terms of reference are available on the Group's website.

Membership

Sally Cabrini (Chair)
Claire Hawkings
Jane Lodge
Peter Lynas

Dear Shareholder,

I am pleased to present the Directors' Remuneration report for the 53 weeks ended 30 March 2024.

The Remuneration Report covers the required regulatory information and provides further context and insight into our pay arrangements for Directors and other Group employees. We set out our key decisions since last year, the assessment of FY 2024 performance and determination of pay, and our approach to ensuring executive pay outcomes are fair in the context of wider employee pay.

FY 2024 was another year of strong financial performance for the Group, driven by continued growth in First Bus and our First Rail open access operations. Group adjusted operating profit increased to £204.3m (FY 2023: £161.0m).

Passenger volumes in First Bus increased by 7% compared to last year's levels which resulted in total passenger revenue of £769.1m (FY 2023: £660.0m). Our strong cash position has allowed us to further progress our investment in the electrification of our First Bus fleet and grow our portfolio of businesses.

In First Rail, open access operations performance was ahead of expectations underpinned by strong demand. Lumo has now carried more than 2.5m passengers since its launch in October 2021. WCP have been awarded a National Rail contract with a minimum three-year term to October 2026.

We have had another very successful year where we have made considerable financial progress as we continue to transform our leading First Bus and First Rail businesses.

Our strong balance sheet puts us in a good position to grow and create further value for all our stakeholders and to continue to invest to build our portfolio to ensure our business remains profitable and resilient in the long term.

Principles

The principles that underpin the Committee's approach to executive remuneration are set out in the Directors' Remuneration Policy (see pages 144-155) that will be put to shareholders for approval at the 2024 AGM. As described on page 144, after a review of the existing policy it was determined that no material changes were needed to support our current business and future growth strategy. The Committee considered the UK corporate governance landscape, including the relevant provisions of the UK Corporate Governance Code and the views of our investor base in deciding FY 2024 pay outcomes and developing the 2024 Policy.

Overview of financial performance, operating achievements and strategic progress

FY 2024 has been a year of strong financial performance:

- Group adjusted operating profit increased significantly to £204.3m (FY 2023: £161.0m)
- FY 2024 final dividend of 4.0p recommended in line with the progressive dividend policy
- We have returned c.£118m in share buyback programmes in FY 2024
- Our strong balance sheet puts us in a good position to grow and create value for our shareholders
- Revenue and profits from open access rail businesses exceeded expectations

The Group has delivered strong financial performance in FY 2024, with operating profit and cash flow exceeding the outlook for the year. For the 53 weeks ended 30 March 2024, FirstGroup outperformed the FTSE 250 with 83.5% return to shareholders compared to 11.3% return from the FTSE 250 index.

As a Committee we believe it is imperative to strike the right balance between incentivising the management team, rewarding strong performance and being equitable in the broader context, taking into account the experience of our wider stakeholders, including our employees and shareholders.

FY 2024 Executive Annual Bonus Plan (EABP): The FY 2024 EABP was based 70% on financial metrics (60% adjusted Group operating profit, 10% adjusted Group cash flow) and 30% on non-financial metrics (personal objectives).

The Committee carefully considered performance against each of the financial and non-financial targets and then a broader consideration of overall performance. Achievement of operating profit and cash flow both exceeded maximum. In respect of personal objectives, the Committee awarded both Graham Sutherland and Ryan Mangold 80% of maximum.

The formulaic EABP award for the Executive Directors resulted in awards of 94% of maximum for both Graham Sutherland and Ryan Mangold. The Committee reviewed the overall outcome in the context of the Group's underlying performance and were satisfied with this level of payout.

Full details of targets and performance achieved are set out on pages 131-133.

Remuneration Committee report continued

2021 LTIP: The vesting of the LTIP granted in 2021 was subject to the following performance measures:

- 50% EPS
- 40% relative total shareholder return (TSR) vs FTSE 250
- 7.5% zero emission (ZE) fleet transformation
- 2.5% carbon intensity

Performance against the 2021 measures is as follows:

- the Company delivered strong earnings growth, with EPS of 16.7p, resulting in 100% vesting under this element (50% of the overall award)
- relative TSR vs FTSE 250 performance was at the 97th percentile versus the peer group, resulting in 100% vesting under this element (40% of the overall award)
- the Company outperformed against our ZE fleet transformation target with a total of 574 new ZE buses by 30 March 2024, resulting in 100% vesting under this element (7.5% of the overall award)
- carbon intensity outturn was lower than expected at 157 tCO₂e per £1m, resulting in 100% vesting under this element (2.5% of the overall award)

Therefore, the formulaic vesting of the 2021 LTIP award was 100%. The Committee carefully reviewed the overall formulaic vesting outcome in the context of the Group's underlying financial performance and were satisfied that there was no need to exercise discretion. The shares will be held for an additional two years to provide alignment with our shareholders.

Full details of the 2021 LTIP are set out on page 133-134.

2023 LTIP: The Committee determined that the 2023 LTIP award made to the CEO, CFO and other senior leaders would be measured against EPS, relative TSR and a Sustainability Scorecard (comprising two environmental measures), over a three-year period.

Full details of targets are set out on pages 134-135.

Review of our Directors' Remuneration Policy

The Committee has undertaken a thorough review of the existing Directors' Remuneration Policy, which was approved at our 2021 AGM with c.96% shareholder support. As part of our review we engaged c.70% of our shareholders requesting feedback on both our proposed policy and proposed implementation for FY 2025. The conclusion of the review was that our existing policy fully supports our current position as a UK-based transportation provider and our future growth strategy. The Committee also concluded that the policy retains the flexibility to ensure remuneration remains aligned to our strategy and operations. Therefore, no material changes to our existing policy are proposed.

The policy will be put to shareholders for consideration at the 2024 AGM.

The full policy can be found on pages 144-155.

Remuneration for FY 2025

The Committee carefully considered base salary increases for the Executive Directors holistically, taking into account FY 2025 base salary increases applied to the wider workforce and investor guidance that base salary increases for Executive Directors should be aligned with those provided to the wider workforce.

Therefore, the Committee approved an increase of 4% for Graham Sutherland and Ryan Mangold, effective 1 April 2024. See page 137 for more information.

The Executive Directors have an opportunity to receive a maximum of 150% (half of which is deferred into shares for three years) of base salary under the FY 2025 EABP. Changes from FY 2024 include a reduction in the weighting of the personal element from 30% to 10% and the inclusion of a new operational scorecard weighted at 20%.

The FY 2025 EABP is based on the following metrics:

- 60% adjusted Group operating profit
- 10% adjusted Group cash flow
- 20% operational scorecard
- 10% personal objectives

Details on the metrics are set out on page 137. The Committee considers the forward-looking annual bonus targets to be commercially sensitive, but full disclosure of targets and performance outcome will be set out in next year's Annual Report on Remuneration.

It is the Committee's intention to make awards under the LTIP this year, and it is anticipated that the approach regarding metrics will be similar to the 2023 LTIP with the only change being the addition of diversity and inclusion metrics, aligned with our equality, diversity and inclusion (ED&I) strategy. The 2024 LTIP consists of 50% EPS, 30% relative TSR and 20% on an ESG Scorecard. The targets for these awards are set out on page 137.

Remuneration fairness

As a Remuneration Committee we take our responsibility to consider senior team pay in the context of wider workforce pay, policies and practices, and a number of items are tabled at Committee meetings every year to ensure the approach throughout the Group is fair, particularly during the cost of living crisis.

The 'Remuneration in context' section of the report on pages 128-129 provides a summary of the items and the factors that the Committee considers when making executive reward decisions as well as support we have provided to our employees during the cost of living crisis.

What the Remuneration Committee has looked at in the last 12 months

The Committee has:

- conducted a thorough review of the Remuneration Policy, that is being put to shareholders for approval at the 2024 AGM, including engaging in a shareholder consultation process with c.70% of our shareholders
- approved FY 2024 EABP payout for Executive Directors and other senior employees
- determined the vesting of the 2021 LTIP
- reviewed and approved the FY 2023 Directors' Remuneration report
- approved the 2023 LTIP awards
- agreed FY 2025 EABP approach
- reviewed the 2023 gender and ethnic pay gap reporting ahead of publication
- reviewed wider workforce remuneration and related policies
- approved the launch of the 2023 SAYE
- reviewed its terms of reference

Remuneration Committee report continued

Governance

The Committee actively monitors developments in corporate governance and the guidelines produced by shareholders and their representative bodies.

Our Group Employee Director is encouraged to attend all Committee meetings, and regularly does so. I also periodically attend meetings of the Employee Directors' Forum to hear directly from our network of Employee Directors. In these meetings I explain how executive remuneration aligns with wider workforce pay and Employee Directors have the opportunity to ask questions about last year's Directors' Remuneration Report.

We have provided further details on our approach to pay throughout the Group on pages 128-129.

In conclusion

We will continue to monitor governance developments and are committed to maintaining an open and transparent dialogue with our shareholders on executive remuneration. We consider ongoing engagement to be vital in ensuring that our approach to remuneration continues to be aligned with the long-term interests of the Group's shareholders and wider stakeholders.

We welcome the feedback received during the year and hope to receive your support at our upcoming AGM.

Sally Cabrini

Chair, Remuneration Committee

Remuneration at a glance

This section summarises the pay our Executive Directors received in FY 2024.

FY 2024 single figure total remuneration (£'000s)

CEO

£1,398

■ Base salary 41%
■ Pensions and benefits 2%
■ EABP 57%
■ LTIP n/a*

CFO

£2,857

■ Base salary 17%
■ Pensions and benefits 3%
■ EABP 23%
■ LTIP 57%

Read more on pages 130-134

* Graham Sutherland, the CEO, joined on 16 May 2022, therefore does not have an LTIP vesting in 2024.

Shareholding requirement – progress in FY 2024

Requirement:

At 30 March 2024

200%

CEO 116%
CFO 589%

of base salary

Key remuneration outcomes for FY 2024

FY 2024 Executive Annual Bonus Plan (EABP)

Weighting	Measure	Threshold (0% payment)	Target (50% payment)	Maximum (100% payment)	Outcome as % of maximum award	Link to strategy
60%	Adjusted Group operating profit				60%	● ● ●
	Target	105.8	117.5	135.1		
	Performance			£156.6m		
10%	Adjusted Group cash flow				10%	● ●
	Target	(3.5)	12.8	38.2		
	Performance			£67.7m		
30%	Personal objectives					● ● ● ● ●
	Target	0%	50%	100%		
	CEO		80%		24%	
	CFO		80%		24%	
	Total bonus achieved (as % of maximum)					
	CEO		94.0%	(141.0% of base salary)		
	CFO		94.0%	(141.0% of base salary)		

2021 Long-Term Incentive Plan (LTIP) vesting outcome

Weighting	Measure	Threshold (0% payment)	Maximum (100% payment)	Outcome as % of maximum award	Link to strategy
50%	EPS			50%	● ● ●
	Target	5.8	9.9		
	Performance			16.7p	
40%	Relative TSR			40%	
	Target	Median	Upper Quartile		
	Performance			97th percentile	
7.5%	ZE Fleet			7.5%	● ●
	Target	260	400		
	Performance			574	
2.5%	Carbon intensity			2.5%	● ● ●
	Target	221 tCO ₂ /£1m	212 tCO ₂ /£1m		
	Performance			157	
	Total (as % of maximum)			100%	

Spend on pay

Expenditure on pay vs distributions to shareholders

0.3%

91.3%

8.4%

Key to our strategic pillars

Deliver day in, day out

Diversify our portfolio

Lead in environmental and social sustainability

Drive modal shift

Remuneration in context

In setting the remuneration for Executive Directors, the Committee takes account of the overall approach to rewarding other employees in the Group. Due to the varied nature of the operations of our divisions and their respective employment markets, we have a range of remuneration practices across the organisation. These are designed to be relevant to each individual market. Almost 85% of our employees are covered by collective bargaining arrangements.

A number of items are tabled at Committee meetings each year to ensure the approach throughout the organisation is consistent and fair:

- report summarising wider workforce pay policies and practices with updates provided on a regular basis
- Gender and ethnicity pay gap reports including statistics from each UK reporting entity
- actions management are taking to improve diversity in the workforce and close pay gaps where they exist
- CEO pay ratio and underlying statistics

The table on page 129 (Wider workforce remuneration) summarises the FirstGroup approach to pay. The main difference between the structure of our most senior employees' remuneration and that of the wider workforce is that senior employee remuneration is more heavily weighted to variable pay, that is linked to business performance.

Treating our people fairly

Effective 1 April 2024, First Bus became a Real Living Wage employer. This commitment impacted c.1,300 colleagues who received a pay increase in line with this commitment. First Bus have also committed to go beyond the accreditation requirements and pay all apprentices the Real Living Wage within 18 months of 1 April 2024.

The approach to pay rises for non-collectively bargained employees in First Bus has been to skew the salary increase budget to have a greater impact on lower earners in recent years. For FY 2023, First Bus applied a flat increase to base salary in order to have a greater impact on lower earners for FY 2023. For FY 2024, non-collectively bargained colleagues in First Bus received an increase of 3% + £800, for an average base salary increase of c.5.2%. For FY 2025, non-collectively bargained colleagues in First Bus received an increase of 4%. Depending on participation in our annual bonus schemes, colleagues also received a flat increase of up to £800 in addition to the 4% increase. For the collectively bargained population, average increases in FY 2023 were over 7% and in FY 2024 were c.8%.

In First Rail, offers have been made for pay increases for FY 2023 and FY 2024 of 9% (i.e. 5% for FY 2023 (minimum of £1,750 increase) and 4% for FY 2024). These increases have been implemented for our non-collectively bargained population and collectively bargained populations where an agreement has been reached. At the time of publication Aslef, who represent train drivers, have not put their pay offers for FY 2023 or FY 2024 to their members, but we remain open and willing to engage in national level talks to resolve the dispute. FY 2023 pay increases were made for members of RMT, TSSA and Unite; FY 2024 pay increases are currently in progress.

We also offer other benefits to our employees to support them through the cost of living crisis, including extensive retail discounts through our shopping portal, discounts of 4-5% at several large supermarkets. In 2023, colleagues saved over £590,000 on their shopping bills.

For FY 2024, we relaunched the Save as You Earn (SAYE) scheme, which allows colleagues to purchase discounted shares at the end of a three-year savings contract. We had a high acceptance rate for the SAYE scheme with applications for about 15.6 million options from over 3,450 applicants and will be launching the scheme again for FY 2025.

TOCs provide free travel for employees and their families across their own network. First Bus provides employees and their families with free travel on the First Bus network. All employees, regardless of employer, receive discounted rail travel across our network. All employees have access to our Employee Assistance Programme, which among other things, provides free, individual and confidential financial advice.

In FY 2024, First Bus ran a series of Financial Wellbeing webinars to offer support around the cost of living crisis. We have also introduced two new healthcare benefit schemes that are available to all of our First Bus colleagues. The SimplyHealth scheme allows First Bus colleagues to claim back healthcare costs, including optical, dental and muscular health as well as contributions for health diagnostics.

The SmartHealth scheme is a free app that provides access to a number of services, including GP appointments, mental health support, second medical opinion, nutrition advice, fitness plans and health checks.

Employee engagement

While the Committee does not formally consult with employees on Executive Director remuneration, a number of different mechanisms are in place to gather feedback and insights from employees across a range of issues.

Information on how we engage our employees is set out on page 99.

The Group also engages with its workforce through our Employee Directors and the Group Employee Director is invited to attend all of the Committee's meetings, and regularly does so. Our Committee Chair, Sally Cabrini, will also periodically attend the Employee Director Forum meetings to explain how executive remuneration aligns with wider workforce pay and answer questions on last years' Directors' Remuneration report. More information on the role of our Group Employee Director is set out on page 105.

The Committee believes that it is important for our employees to understand how the remuneration of our Executive Directors is determined and utilises the different communication channels operating across the Group to ensure our employees are aware of the information available in the Directors' Remuneration report.

Remuneration in context continued

Wider workforce remuneration

Eligibility	Element	Definition
All employees (c.31,000)	Base salary	■ Base salaries are reviewed annually ■ When considering salary for Executive Directors and Executive Committee members, the Committee considers increases available to the wider workforce
	Pension	■ We are committed to helping our colleagues save for retirement through a variety of Company pension arrangements, designed in line with market practice. We operate a number of different pension plans that reflect the history and requirements of our various businesses. See page 130 for more information on the average pension contribution
	All employee share scheme	■ All UK employees with at least six months of service are eligible to participate in our HMRC approved all employee share plans. Under SAYE eligible employees can make monthly savings over a period of three years with the option to purchase FirstGroup shares at a discount of up to 20% of the market value of shares on grant. Under Buy as You Earn, our Share Incentive Plan (SIP), eligible employees can purchase shares from their pre-tax salary and become shareholders in the Company
	Benefits	■ Our Employee Assistance Programme offers all employees access to free, 24/7 confidential telephone, online and face-to-face advice for problems they may be experiencing at home or work. Other benefits include discounted travel on our rail and bus services, discounts on shopping, entertainment and eating out ■ Our larger businesses have dedicated in-house Occupational Health teams and our other businesses use external specialist advisers to support employees with health problems that may affect performance ■ All divisions run workplace health and wellbeing programmes to support employees in staying fit and healthy
Senior executives and management (c. 1,100)	Annual bonus	■ Senior executives and management population – incentivises successful execution of our business strategy and operational goals with participants including both corporate centre and divisional roles ■ Our TOC businesses also offer commission schemes for Customer Hosts, Guards and Revenue Protection staff to drive revenue
Senior executives (c. 150)	LTIP	■ Senior executives with sufficient line of sight to drive long-term sustained value creation for our shareholders
Executive Committee and Executive Directors (5)	Shareholding guidelines	■ Senior executives ensuring alignment with the shareholder experience

Strategic alignment of remuneration

The table below sets out how each of the performance metrics used in our incentive plans for FY 2025 are aligned to the Company's strategy. See pages 17-29 for more information on our strategy.

Measure	Deliver day in, day out	Diversify our portfolio	Lead in environmental and social sustainability	Drive modal shift
EABP¹	Adjusted Group operating profit	●	●	●
	Adjusted Group cash flow	●		●
	Operational performance	●	●	●
	Personal objectives	●	●	●
LTIP	EPS	●	●	●
	Relative TSR	●		
	ESG Scorecard		●	●

¹ The Remuneration Committee makes a holistic safety assessment at year end which can reduce the formulaic outturn to reflect safety performance.

Annual report on remuneration

The annual report on remuneration sets out

- Directors' remuneration for FY 2024, pages 130-136
- the statement of the planned implementation of policy in FY 2025, page 137

This part of the Directors' Remuneration report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 9.8.6 of the Listing Rules. The annual report on remuneration and Chair's statement will be put to an advisory shareholder vote at the 2024 AGM.

Single total figure of remuneration for Executive Directors (audited)

	Salaries	Taxable Benefits	Pension	Total fixed remuneration	Annual Bonus cash	Annual Bonus value of deferred shares	LTIP ^{2,3}	Other ⁴	Total variable remuneration	Total remuneration
Graham Sutherland – CEO										
FY 2024 £'000s	567	1	28	596	399	399	–	4	802	1,398
FY 2023 £'000s ¹	484	1	24	509	341	341	–	–	682	1,191
Ryan Mangold – CFO										
FY 2024 £'000s	475	14	71	560	335	335	1,623	4	2,297	2,857
FY 2023 £'000s	461	14	69	544	325	325	2,312	–	2,962	3,506

¹ Graham Sutherland was appointed to the Board as Chief Executive Officer on 16 May 2022 with an annual base salary of £550,000. Graham Sutherland did not receive any payments in relation to recruitment remuneration, including any buyout awards. Graham Sutherland's FY 2023 bonus has been pro-rated based on the date he was appointed to the Board.

² The value of the 2021 LTIP, which has a three-year performance period ending 30 March 2024, was calculated using the average share price for the period of 1 January to 30 March 2024 (167.28p). In line with reporting requirements, the LTIP values include dividend equivalent amounts of £59,794 for the Chief Financial Officer, and £775,354 of the value for the Chief Financial Officer at vesting is attributed to share price growth as the share price at award was 84.29p in 2021.

³ The value for FY 2023 relates to the 2020 LTIP which had a three-year performance period ending 25 March 2023. As a result of the downwards adjustment of 10%, 88.4% of the award vested in June 2023. The value of the 2020 LTIP reported in the 2023 report (£1,877,592) was an estimate based on the average share price over the last three months of FY 2023 (106.3p). The actual value of the 2020 LTIP on the 8 June 2023 vesting date was £2,312,450 (based on adjusted closing share price of 131.31p); this includes dividend equivalents of £34,681.

⁴ Graham Sutherland and Ryan Mangold both participate in the 2023 SAYE scheme, more detail on the scheme can be found on page 129. The value of their options under the 2023 scheme has been valued as the number of options subscribed for, multiplied by the difference between the closing share price on the date before grant (£137.6p) and the option price (£111.0p) which is a 20% discount.

More detail can be found on pages 130-134.

Benefits (audited)

Benefits for Executive Directors include the provision of a company car allowance and private medical cover. Graham Sutherland's benefits for the year comprised £604 for UK private medical insurance. Ryan Mangold's benefits for the year comprised a £12,000 car allowance and £1,509 for UK private medical insurance.

Pension (audited)

Graham Sutherland received a pension allowance of 5% of his base salary, £28,325. Ryan Mangold received a pension allowance of 15% of his base salary, £71,280. The average pension benefit for the wider workforce is in excess of 15% of base salary.¹

No Director has a prospective benefit under a defined benefit pension.

¹ We operate a number of different pension arrangements across the Group including defined benefit pension schemes. Over 60% of our UK workforce are in a defined benefit pension with the remainder in defined contribution schemes on varying rates.

Annual report on remuneration continued

FY 2024 performance and reward decisions

As a Committee, we believe it is imperative to strike the right balance between incentivising the management team, rewarding strong performance, and being equitable in the broader context.

When assessing the performance of the Executive Directors, the Remuneration Committee takes a broad view of financial performance delivered, the shareholder experience and the outcome for the Company's stakeholders, including customers, employees and the communities in which we operate. When considering remuneration outcomes, the Committee takes into account performance against specific metrics on safety, including workplace fatalities and injuries, and customer satisfaction, as well as environmental, social and governance matters such as significant environmental incidents, large or serial fines or sanctions from regulatory bodies, and significant adverse legal judgments or settlements. The Committee has broad discretion to ensure incentive outcomes are appropriate.

FY 2024 Executive Directors' annual bonus

For FY 2024, the annual bonus maximum opportunity was 150% of salary for both Executive Directors. As in previous years, the EABP aimed to incentivise improved performance against a range of financial and non-financial metrics. The structure of the bonus was weighted so that 70% was based on financial metrics and 30% on non-financial metrics. The Committee retains overriding discretion to adjust the overall bonus outturn (including to £nil) if a serious safety failing or deterioration is identified.

The chart below sets out the targets, performance achieved and corresponding bonus outturns on a formulaic basis against the financial and qualitative targets.

FY 2024 annual bonus outcome (audited)

Measure	Weighting	Threshold	Maximum	Actual Result	Bonus Achievement	Payout: %
Adjusted Group operating profit (Pre-IFRS 16 basis) ¹	60%	£105.8m	£135.1m	£156.6m	100%	60%
Adjusted Group cash flow ²	10%	£(3.5)m	£38.2m	£67.7m	100%	10%
Personal objectives	30%	N/A	N/A	See below	80%	24%

1 Adjusted Group operating profit is assessed on a pre-IFRS 16 basis as this more appropriately reflects the underlying risk given that the majority of IFRS 16 impacts are not for our account. Pre-IFRS 16 basis is readily understood by management teams and is used in banking covenants. Group operating profit post-IFRS 16 is £204.3m. See note 4 for the reconciliation.

2 Group adjusted cash flow is assessed from continuing operations on a pre-IFRS 16 basis. It excludes growth investments (-£20.7m), Employee Benefit Trust share purchases (-£16.8m), interest & tax (-£5.1m), transit earnout from North America (+£67.6m), Hitachi joint venture (+£15.1m), dividends to shareholders and non-controlling interests (-£36m) and share buyback (-£117.6m).

Graham Sutherland

Objectives	Performance Assessment
Refine Group strategy/equity story including a capital markets day (or equivalent) and take steps to reshape the financial footprint of the Group through M&A, organic growth, decarbonisation, and shareholder capital returns.	Refreshed Group strategy presented and endorsed by the Board. Four strategic pillars introduced to guide decision-making and investment prioritisation across the Group. Introduced two events in the investor relations calendar covering First Bus and First Rail strategies. Acquisition of York Pullman and integration of acquisitions completed in FY 2023. Shareholder capital returns progressed returning c. £115m to shareholders in FY 2024. Significant work completed to enhance Bus and Rail development pipeline.
Monitor and finalise completion of US residual separation issues including First Transit earnout.	First Transit earnout completed. Now largely de-risked in North America.
Enhance the Group's business continuity plans and execution capability in light of the increasing threat levels from geo-political change and cyber attacks.	Significant progress in cyber security defences through incremental protection investments.
Further review of Group talent and succession plans to be presented to the Board.	Full review of Group talent and succession plans including a robust view of the top leaders in the organisation and respective development needs.
Demonstrate personal leadership of action to protect customers and employees from health and safety risks and continue to improve our health and safety culture.	Regular private meetings with safety leads in both divisions to review safety KPIs and discuss individual incidents and key learnings.
Deliver NRCs for WCP on a long-term contract, in line with current Government policy.	The WCP NRC was delivered with a 3+6 contract achieved to October 2032, with the first potential risk in October 2026.

Annual report on remuneration continued**Graham Sutherland continued**

Objectives	Performance Assessment
Demonstrate progress against all ESG targets and commitments to ensure the Group moves towards a leadership position in the Transport sector.	Scope 1 & 2 emissions reduced by c.27%. Significant improvement on ZE buses (13% of fleet) and depot electrification. On track for net zero 2035 commitment.
Demonstrate leadership and progress on D&I commitments that have been agreed by the Board.	Set D&I targets at the Board. In FY 2024 women in senior leadership roles increased from 33% to 35%.
Bonus Achievement for Graham Sutherland	80%
Payout % for Graham Sutherland	24%

Ryan Mangold

Objectives	Performance Assessment
Progress the equity story for the Group, including a capital markets day (or equivalent), and take steps to reshape the financial footprint of the Group through M&A, organic growth, or shareholder capital returns.	Introduced two events in the investor relations calendar covering First Bus and First Rail strategies. Acquisition of York Pullman and integration of acquisitions completed in FY 2023. Shareholder capital returns progressed returning c. £115m to shareholders in FY 2024. Significant work completed to enhance Bus and Rail development pipeline.
Implement the Hitachi Zero Carbon JV and explore opportunities from the strategic partnership.	Completed the £100m and 1000 EV bus battery JV with Hitachi that included an innovative financing structure allowing for future benefit from battery residual value and the opportunity to benefit from the strategic partnership through the 5% warrants held in Hitachi Zero Carbon.
Progress the Group and Bus pension scheme merger to facilitate operating efficiencies and reduce costs.	Merger completed. Exit from LGPS and removed liability.
Exit strategy of remaining two Greyhound USA real estate assets and ensure the collection of CARES and ARP attributable to the Group as covered under the SPA with Flix.	Successful collection of the outstanding CARES and ARP above expectations.
Finalise the First Transit earnout.	Completed the negotiation and settlement of First Transit.
Demonstrate personal leadership of action to protect customers and employees from health and safety risks and continue to improve our health and safety culture.	Key focus on health and safety in Business Review Meetings and other forums in reviewing Health, Safety and Environment to reinforce the importance in this area.
Deliver NRCs for WCP on a long-term contract, in line with current Government policy and support further growth and sustainability in Affiliate Contracts.	The WCP NRC was delivered with a 3+6 contract achieved to October 2032, with the first potential risk in October 2026.
Ensure strong financial and legal management on the exit of TPE contract.	TPE exited with smooth transition to the OLR, retaining all affiliate business.
Demonstrate leadership and progress on D&I commitments that have been agreed by the Board.	Diversity in the finance team is higher than before. Mentoring a participant from our Reach Forward programme.
Bonus Achievement for Ryan Mangold	80%
Payout % for Ryan Mangold	24%

As noted in the Chief Executive Officer's review, performance on the financial measures was strong for the Group as a whole. There was also strong performance in respect of the non-financial measures (as detailed above). The Committee determined that Graham and Ryan had delivered their personal objectives to a high standard. The Committee accordingly awarded both Graham Sutherland and Ryan Mangold 24% out of a possible 30% for their personal objectives.

Taking into account the above outcomes, the formulaic EABP award for both Graham Sutherland and Ryan Mangold resulted in a potential award of 141% of the maximum. The Committee considered this formulaic performance in the context of the Group's wider performance and decided that it did not need to exercise any discretion to reduce this outcome. Under the approved policy, 50% of the award is normally paid in cash with 50% deferred into shares (deferred share awards vest after three years, subject to continued employment, and are not subject to any further performance conditions).

Annual report on remuneration continued

The overall bonus payout for FY 2024 was therefore as follows:

	Graham Sutherland	Ryan Mangold
Maximum EABP opportunity (% of salary)	150%	150%
EABP Achieved (as % of maximum)	94%	94%
EABP (% of salary)	141%	141%
Total EABP	£798,765	£670,032
EABP – Cash	£399,382	£335,016
EABP – Deferred Shares	£399,383	£335,016

Long-Term Incentive Plan

The vesting of 2021 LTIP awards was subject to achieving the following performance conditions over a three-year performance period ending 30 March 2024.

Vesting of 2021 Long-Term Incentive Awards (audited)

Metrics	Weighting	Outturn	0%	Threshold: 20%	Maximum: 100%	% of award which vested
EPS	50%	16.7p	<5.8p	5.8p	9.9p	100%
Relative TSR vs FTSE 250	40%	97th percentile	<Median	Median	Upper quartile	100%
Sustainability Scorecard						
ZE Fleet (# vehicles)	7.5%	574	<260	260	400	100%
Carbon intensity (tCO ₂ e per £1m)	2.5%	157	>221	221	212	100%
Total						100%

As disclosed in the 2021 report, the Committee decided to delay 2021 LTIP target setting to allow adequate time to better understand uncertainties around the impact of Covid-19 on the wider economy and our business and the impact and timing of the sales of our North American businesses.

The 2021 LTIP absolute EPS target was set reflecting the current portfolio (comprising only First Bus and First Rail), therefore, no adjustment was required in respect of the disposals. However, the tender offer that took place in December 2021 reduced the number of shares in issue compared to when the EPS target was set in November 2021. Therefore, in line with market practice, the EPS targets were restated in order to ensure the EPS targets retain the same level of stretch as before the tender offer. The adjusted targets are shown in the table above and were also disclosed in the 2022 report.

Beginning with the 2021 LTIP, ESG measures have been introduced as part of a Sustainability Scorecard, with the Committee selecting a measure relating to progress in transforming our First Bus fleets through the deployment of zero emissions technology, which will have the most significant impact on reducing our carbon air pollution emissions, and an emissions measure (Carbon Intensity as tonnes of CO₂ equivalent per £1m of revenue) which measures performance across our whole business in a way that allows a single measure to be used for both First Bus and First Rail operations and allows for like-for-like comparisons across peer companies and industries. In selecting the measures for use in the Sustainability Scorecard, the Committee considered it important to choose those which most closely aligned with our strategy and investment case, and selected metrics that are quantifiable and capable of being independently verified. Both of these measures meet these tests and are tracked, measured and reported to our banking partners as part of the Company's sustainability-linked revolving credit facility.

Annual report on remuneration continued

As a result of this outcome, awards vested as follows:

	Total number of shares granted	Proportion of award vesting (% max)	Face value of shares vesting (£'000) ¹	Value attributable to share price movement (£'000) ²	Value of dividend equivalents due (£'000)	Value of resultant award (£'000)
Executive Director						
Chief Financial Officer	934,274	100%	£1,563	£775	£60	£1,623

1 The face value of the 2021 LTIP at vesting has been calculated based on the average share price over the last three months of FY 2024 (167.28p).
2 £775,354 of the value for the Chief Financial Officer at vesting is attributed to share price growth. The share price at award was 84.29p in 2021.

Long-Term Incentive Awards made during the year

The Committee determined that the 2023 awards would be measured against EPS, relative TSR and a Sustainability Scorecard (comprising two environmental measures), over a three-year period. The measures of the 2023 LTIP are consistent with the 2022 and 2021 LTIP. The only difference is the emissions reduction measure in the 2023 and 2022 LTIP is aligned with the Science Based Target (SBT), set during FY 2022, for a reduction in our Scope 1 and 2 emissions.

Emissions reduction aligned to our SBT will become the main emissions metric that we report on and a key performance indicator for the Group. In addition, we consider that using an absolute carbon reduction metric is ultimately more appropriate than a carbon intensity measure, on the basis that the latter is affected by changes in revenue as well as carbon performance. As was the case with the previous measure, the Scope 1 and 2 emissions reduction targets are quantifiable, capable of being independently verified and are closely aligned with our strategy and investment case. Both of our sustainability measures will be tracked, measured and reported to our banking partners as part of the Company's sustainability-linked revolving credit facility.

Awards were made in June 2023 and are subject to an additional two-year holding period as well as malus and clawback. Before an award vests, the Committee must be satisfied that the underlying performance of the Group is satisfactory and has the ability to amend the formulaic vesting outcome if they believe this is appropriate. The Committee believes that having a performance override is an important feature of the plan, as it mitigates the risk of unwarranted vesting outcomes.

Details of the performance metrics, targets and comparator group for the 2023 LTIP awards are set out below.

2023 Long-Term Incentive Plan performance metrics (audited)

	Sustainability Scorecard			
	Adjusted EPS ²	Relative TSR vs FTSE 250 ³	Additional ZE ⁴ buses in service/on order by 31 March 2026	Scope 1&2 emissions (tCO ₂ e) ⁵ reduction ⁶
Weighting	50%	35%	7.5%	7.5%
Threshold (20% vesting) ¹	12.1p	Median	600	12%
Maximum (100% vesting)	15.7p	Upper quartile	850	15%

1 Vesting will be on a straight-line basis between threshold and maximum.
2 EPS will be assessed on a pre-IFRS 16 basis as this aligns with how performance is measured internally and is most readily understood by management teams (adjusted Group operating profit in the EABP is measured on a pre-IFRS 16 basis for the same reason). A reconciliation from IAS17 to post-IFRS 16 EPS will be included in the FY 2026 Directors' Remuneration report so to provide clarity between the LTIP targets and achievement relative to the reported EPS on a statutory basis.
3 Relative TSR will be assessed against the FTSE 250 Index, excluding investment trusts.
4 Zero emission.
5 Tonnes of carbon dioxide equivalent (tCO₂e) per £1m of revenue.
6 From SBT base year 2020.

An LTIP award of 200% and 175% of salary were granted to Graham Sutherland and Ryan Mangold, respectively, on 9 June 2023.

Annual report on remuneration continued

2023 Long-Term Incentive Plan grants (audited)
Details of Graham Sutherland's and Ryan Mangold's awards (granted in the form of conditional share awards) are set out below:

Executive Director	Share price at date of grant ¹	Face value (% of base salary)	Number of shares awarded	Face value of award	% of award which vests at threshold	Performance period
Graham Sutherland	135.2p	200%	838,017	£1,133,000	20%	1.4.23 – 31.3.26
Ryan Mangold	135.2p	175%	615,088	£ 831,600	20%	1.4.23 – 31.3.26

1 The share price at grant for the LTIP awards is closing mid-market share price for the day preceding the grant date.

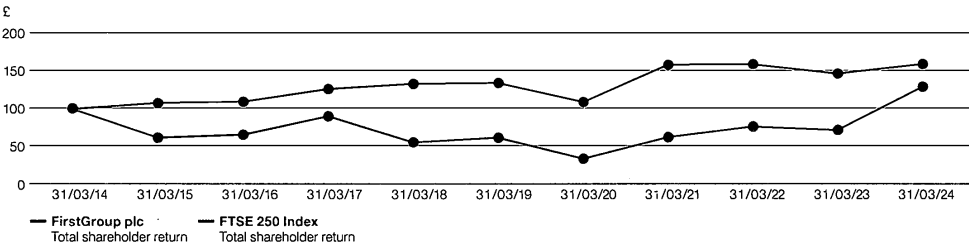
As is normal practice, the Committee will ensure that any vesting is appropriate in the context of underlying financial performance and the experience of our wider stakeholders. The Committee retains the ability to apply discretion in the event that the value at vesting is considered to be an unjustified windfall gain taking into account the performance of the Group.

Directorate changes
No directorate changes were made during FY 2024.

Payments for loss of office (audited)
No payments for loss of office were made during FY 2024.

Payments to past Directors (audited)
No payments to past Directors were made during FY 2024.

Performance graphs
The graph below shows the TSR performance of £100 invested in FirstGroup plc shares over the past ten years compared to an equivalent investment in the FTSE 250. The FTSE 250 Index has been selected as it provides an established and broad-based index, of which the Company is a constituent.



TSR is measured according to a return index calculated by Thomson Reuters Datastream on the basis that all the Company's dividends are reinvested in the Company's shares. The return is the percentage increase in the Company's index over the ten-year period.

Annual report on remuneration continued

Remuneration of the Chief Executive Officer

The table below shows the total remuneration figure for the Chief Executive Officer, during each of the past ten years. The total remuneration figure includes the annual bonus and LTIP awards that vested based on performance in those years. The annual bonus percentages show the payout for each year as a percentage of the maximum.

	2015	2016	2017	2018	2019 (Tim O'Toole)	2019 (Wolfhart Hauser)	2019 (Matthew Gregory)	2020	2021	2022 (Matthew Gregory)	2022 (David Martin)	2023 (David Martin)	2023 (Graham Sutherland)	2024
Total remuneration (£'000s)	1,647	1,243	1,267	1,100	175 ³	266 ⁴	422 ⁵	788	840	2,246 ⁶	320 ⁷	134 ⁸	1,191 ⁹	1,398
EABP (% of maximum potential)	57	15.9	— ¹	— ²	—	N/A	33.4	—	—	97	N/A	N/A	94	94
LTIP vesting (% of maximum potential)	—	—	16.3	—	—	N/A	12.5	12	14.6	88.5	N/A	N/A	—	—

1 No EABP was paid to Tim O'Toole in 2017, he received a conditional deferred share award instead.

2 No EABP was paid to Tim O'Toole in 2018.

3 Remuneration for Tim O'Toole until he stepped down as CEO on 31 May 2018. Tim O'Toole was not eligible for an annual bonus or LTIP awards.

4 Remuneration for Wolfhart Hauser for his period as Executive Chairman, 1 June to 12 November 2018. Wolfhart Hauser was not eligible for EABP or LTIP awards.

5 Remuneration for Matthew Gregory as Chief Executive from 13 November 2018 to 31 March 2019.

6 Remuneration for Matthew Gregory as Chief Executive from 1 April 2021 to 13 September 2021.

7 Remuneration for David Martin for his period as Interim Executive Chairman from 13 September 2021. David Martin was not eligible for EABP or LTIP awards.

8 Remuneration for David Martin for his period as Interim Executive Chairman until 30 June 2022. David Martin was not eligible for EABP or LTIP awards.

9 Remuneration of Graham Sutherland from his appointment as Chief Executive Officer on 16 May 2022. Salary and EABP have been pro-rated for time served.

Non-Executive Directors' (NEDs') and Chairman's fees (audited)

Having not increased NEDs' or Chairman's fees since 2019, we conducted a market review of both NEDs' and Chairman's fees in FY 2024. As a result, for FY 2024 NEDs' fees were increased by 3%. That is, for FY 2024 NEDs' fees were £59,740 p.a. with additional fees of £12,360 p.a. payable to the Senior Independent Director and the Chairs of the Audit, Responsible Business, and Remuneration Committees. No changes to the Chairman's fees were made in FY 2024.

£'000	FY 2024					FY 2023				
	Basic Fee	Committee Chair	SID	Taxable Benefits ¹	Total	Basic Fee	Committee Chair	SID	Taxable Benefits ¹	Total
David Martin ²	310	—	—	30	340	366	—	—	52	418
Sally Cabrini	60	12	—	2	74	58	12	—	1	71
Myrtle Dawes	60	—	—	6	66	58	—	—	6	64
Claire Hawkings	60	12	—	2	74	58	12	—	3	73
Jane Lodge	60	12	—	4	76	58	12	—	2	72
Peter Lynas	60	—	12	1	73	58	—	12	2	72
Anthony Green ³	60	—	—	—	60	58	—	—	—	58

1 The Company meets all reasonable travel, subsistence, accommodation and other expenses, including any tax where such expenses are deemed taxable, incurred by the Chairman and NEDs in the course of performing their duties.

2 David Martin's basic fee in FY 2023 includes the additional fee of £225,000 p.a. he was paid for his role as Executive Chairman in FY 2023 (from 1 April 2022 to 30 June 2022). When he returned to the role of Non-Executive Chairman his fee returned to £310,000 p.a.

3 Anthony Green was appointed as Group Employee Director on 15 September 2020. In addition to his fee as Group Employee Director, Anthony Green received earnings from the Group as an employee amounting to £24,898 in FY 2023 and £29,810 in FY 2024.

Annual report on remuneration continued

Implementation of Remuneration Policy for FY 2025

Annual base salary

The Committee carefully considered base salary increases for the Executive Directors holistically, taking into account FY 2025 base salary increases applied to the wider workforce (see page 128 for more information), investor guidance, the Group's strong performance in FY 2024 as well as the macroeconomic environment, including relatively high rates of inflation experienced during FY 2024.

The Committee decided it would be appropriate to award a base salary increase of 4% for Graham Sutherland and Ryan Mangold, increasing their base salary to £589,200 and £494,300, respectively, from 1 April 2024.

FY 2025 Executive Directors' annual bonus

For FY 2025, the EABP will continue to incentivise improved performance against a range of financial and non-financial metrics. The financial targets are set by the Committee based on a number of factors such as the Group's business plan, individual business unit level performance, consensus and expectations for FY 2025. Changes from FY 2024 include a reduction in the weighting of the personal element from 30% to 10% and the inclusion of an operational scorecard weighted at 20%. The precise measures under the operational scorecard may change each year depending on annual business priorities. The performance measures for FY 2025 are:

Measure	Weighting
Adjusted Group operating profit (pre-IFRS 16)	60%
Adjusted Group cash flow	10%
Operational scorecard:	
First Bus Net Promoter score	3.5%
First Bus Employee engagement score	3.5%
First Bus Overall Fleet MPG	3.0%
First Rail average TOC Scorecard score	10%
Personal objectives	10%

The targets for FY 2025 will be disclosed in next year's report when they are no longer commercially sensitive.

The FY 2025 annual bonus maximum and threshold levels of bonus as a percentage of base salary will be as follows:

Executive Director	Maximum	Threshold
Graham Sutherland	150%	0%
Ryan Mangold	150%	0%

All payouts will be subject to the Committee's discretion as well as malus and clawback provisions. 50% of any bonus earned will be deferred into the Company's shares for three years, conditional upon continued employment. The Committee has demonstrated in assessing bonus outcomes, including in respect of FY 2021 and FY 2020, that it is prepared to set aside the formulaic outcome and reduce awards or introduce a further condition, to ensure that business performance or the impact of a significant event is properly reflected.

2024 Long-Term Incentive Awards

It is the Committee's intention to make awards under the LTIP this year. Awards of 200% and 175% of salary will be made to the Chief Executive Officer and Chief Financial Officer, respectively. The measures of the 2024 LTIP will be consistent with the 2023 LTIP with the only difference being the inclusion of a diversity and inclusion metric aligned with our strategy.

The Committee is mindful of potential changes in transport policy in the short to medium term and the targets are based on the information known at the time they were set. The Committee will consider if any adjustments to the 2024 LTIP targets are necessary (either positive or negative) during the course of the performance period due to factors outside of management's control to ensure an appropriate level of stretch is maintained and payouts under the LTIP are aligned to the wider stakeholder experience. Full disclosure on any adjustments will be provided in the relevant remuneration report.

Details of the performance metrics, targets and comparator group for the 2024 LTIP awards are set out below.

	ESG Scorecard					
	Adjusted EPS	Relative TSR vs FTSE250 ²	Additional ZE ³ buses in service/ on order by 31 March 2027	Scope 1&2 emissions (tCO ₂ e) ⁴ reduction ⁵	Gender diversity in senior leadership	Ethnic diversity in senior leadership
Weighting	50%	30%	7.5%	7.5%	2.5%	2.5%
				24%		
Threshold (20% vesting) ¹	16.7p	Median	700	reduction	37.4%	8.2%
		Upper quartile		26%		
Maximum (100% vesting)	21.4p		990	reduction	38.7%	9.6%

¹ Vesting will be on a straight-line basis between threshold and maximum.

² Relative TSR will be assessed against the FTSE 250 Index (excluding Investment Trusts).

⁴ Zero emission.

⁵ Tonnes of carbon dioxide equivalent (tCO₂e).

⁶ From SBT base year 2020.

Annual report on remuneration continued

Directors' interests in share awards (audited)

The outstanding LTIP, deferred share bonus awards of Directors are set out in the table below. There have been no changes to the terms of any share awards granted to Directors.

Director	Plan ¹	Date of grant	During year				Exercise price (£)	Face value of awards (£) ³	Date on which awards vest/ become exercisable ⁴	Expiry date
			Number of shares under award as at 26.03.23	Awards granted	Awards exercised	Awards lapsed				
Graham Sutherland	LTIP	18.08.22	972,590	–	–	–	nil	1,100,000	18.08.25	N/A
		09.06.23	–	838,017	–	–	nil	1,133,000	09.06.26	N/A
	Deferred bonus shares	09.06.23	–	252,191	–	–	nil	340,963	09.06.26	N/A
	SAYE	13.07.23	–	13,621	–	–	1.11	18,743	01.09.26	01.03.27
Ryan Mangold	LTIP	24.09.20	1,962,274	–	1,734,057 ⁵	228,217	nil	762,736	08.06.23	08.06.24
		02.08.21	934,274	–	–	–	nil	787,500	02.08.24	02.08.25
		18.08.22	713,770	–	–	–	nil	807,275	18.08.25	N/A
		09.06.23	–	615,088	–	–	nil	831,600	09.06.26	N/A
	Deferred bonus shares	18.08.22	289,456	–	–	–	nil	327,375	18.08.25	18.08.32
		09.06.23	–	240,545	–	–	nil	325,217	09.06.26	09.06.33
	SAYE	13.07.23	–	13,621	–	–	1.11	18,743	01.09.26	01.03.27
Anthony Green	SAYE	13.07.23	–	1,945	–	–	1.11	2,676	01.09.26	01.03.27

1 LTIP – granted in the form of nil cost options or conditional share awards granted under the Long-Term Incentive Plan. Awards prior to FY 2023 were typically made in the form of nil cost options. From FY 2023 awards were made as conditional share awards. Awards are subject to clawback and malus and subject to an additional two-year holding period.

Deferred bonus shares – 50% of the bonus awarded. Awards made after FY 2023 are made as conditional share awards under the EABP. Awards are subject to clawback and malus.

SAYE – options granted under the all-employee share scheme.

Participants are entitled to receive accrued dividends and dividend equivalents under the LTIP and EABP pro-rated in proportion to the amount of the award that vests.

2 The table above shows the maximum number of shares that could be released if awards were to vest in full. In respect of LTIP and deferred bonus awards, participants are entitled to receive dividends or dividend equivalent amounts, once the share awards have vested.

3 The face value of LTIP and deferred bonus awards made has been calculated by multiplying the maximum number of shares that could vest by the average closing mid-market share price for the five days preceding the grant date for awards made prior to FY 2023. For LTIP and deferred bonus awards made from FY 2023, the face value of LTIP and deferred bonus awards has been calculated by multiplying the maximum number of shares that could vest by or become exercisable by the average closing mid-market share price on the day preceding the grant date. For deferred bonus and LTIP awards made on 09.06.23 this is £1.352. For SAYE awards the face value of options under the 2023 scheme is determined by multiplying the number of options subscribed for by the closing mid-market share price on the date before grant (£137.6p).

4 LTIP awards will not vest until the date the Committee determines whether performance conditions have been met, or if later, the date specified above. If dealing restrictions apply on the date of vesting then vesting will occur on the first date after dealing restrictions cease to apply.

5 The market share price on the date of exercise, 15 June 2023, was £1.39 for a total market value of £2,413,807.

Annual report on remuneration continued

Directors' shareholding, shareholding guidelines and summary of outstanding share interests (audited)

Under the terms of the Policy approved by shareholders at the 2021 AGM, Executive Directors are expected to hold shares, or rights to shares in the Company, equivalent to a minimum of 200% of base salary within a five-year period from their date of appointment to create greater alignment of the Executive Directors' interests with those of shareholders. This represents an increase for the Chief Financial Officer from 150%. The Policy approved at the 2021 AGM also introduced post-cessation shareholding guidelines where Executive Directors are normally expected to hold the in-employment guideline (or full actual holding if lower) in the first year following cessation of employment and 50% (or full actual holding if lower) in the second year following cessation of employment.

The Committee reserves the right to relax or waive the application of such guidelines in certain circumstances, including the impending retirement of an Executive Director.

The table below sets out the shareholdings of the Executive Directors and their connected persons' shareholdings (including beneficial interests) and a summary of outstanding and unvested share awards as at 30 March 2024. It shows that Graham Sutherland's current shareholding is 115.8% of his base salary and Ryan Mangold's current shareholding is 589.3% of his base salary.

The Committee believes that it is an essential part of the Policy that Executive Directors build significant shareholdings. The retention and build-up of equity is important in a long-term business such as FirstGroup, as it encourages decisions to be made on a long-term, sustainable basis for the benefit of customers and shareholders.

There has been no change in the Directors' interests in the ordinary share capital of the Company between those set out below and the date of approval of this report. The beneficial interests of Directors who served during the year ending 30 March 2024 and their connected persons in the shares of the Company as at that date and 26 March 2023 are shown below.

	Ordinary shares beneficially owned				Unvested EABP/SAYE/ SIP Shares ^{2,3}	Unvested LTIP Shares ⁴	Vested but not exercised EABP/ LTIP awards	Shareholding requirement as % of salary	Current shareholding as % of salary ^{5,7,8}	% shareholding requirement achieved
Directors	Date of appointment	at 26.03.23 or appointment date if later	at 30.03.24 ¹							
Executive Directors										
Graham Sutherland	16 May 22	211,181	230,005	265,812	1,810,607	N/A	200%	115.8%	57.9%	
Ryan Mangold	31 May 19	632,113	1,270,689	544,393	2,263,132	N/A	200%	589.3%	294.7%	
Non-Executive Directors ⁹										
David Martin ¹⁰	15 Aug 19	–	–	–	–	–	–	–	–	
Sally Cabrini	24 Jan 20	10,000	10,000	–	–	–	–	–	–	
Myrtle Dawes	1 Apr 22	–	3,497	–	–	–	–	–	–	
Anthony Green	15 Sep 20	1,570	1,615	1,945	–	–	–	–	–	
Claire Hawkings	21 Jan 22	10,000	10,000	–	–	–	–	–	–	
Jane Lodge	30 June 21	15,000	15,000	–	–	–	–	–	–	
Peter Lynas	30 June 21	80,000	80,000	–	–	–	–	–	–	

1 Ryan Mangold participates in the all-employee Share Incentive Plan (SIP). His Partnership Shares are held in trust and are not at risk of forfeiture. Ryan Mangold acquired an additional 172 Partnership Shares between 30 March 2024 and the date of approval of this Report.

2 EABP shares are deferred shares that are subject to continued employment, but not subject to further performance conditions.

3 SIP Matching Shares awarded to Ryan Mangold are held in trust and are at risk of forfeiture if the corresponding Partnership Shares are withdrawn from trust within three-years. No Matching Shares were awarded between 30 March 2024 and the date of approval of this Report.

4 LTIP awards are conditional share awards and nil cost options subject to ongoing performance conditions.

5 Based on the closing mid-market share price on 30 March 2024 (£1.804).

6 Graham Sutherland has until 16 May 2027 to meet his current shareholding guideline.

7 Ryan Mangold has until 31 May 2024 to meet his current shareholding guideline.

8 The % shown includes the after-tax value of vested but unexercised awards and the after-tax value of unvested EABP awards that are subject to continued employment.

9 Shares for Non-Executive Directors are held outright with no attaching performance conditions.

10 A person closely associated with David Martin beneficially owns 200,000 shares.

Annual report on remuneration continued

Dilution

The Company ensures that the level of shares granted under the Company's share plans and the means of satisfying such awards remains within best practice guidelines, so that dilution from employee share awards does not exceed 10% of the Company's issued share capital for all share plans and 5% in respect of executive share plans in any ten-year rolling period. The Committee monitors dilution levels at least once a year. At 30 March 2024, 3.43% of the Company's issued share capital had been issued for the purpose of the SAYE, BAYE and LTIP over a ten-year period.

Employee Benefit Trust (EBT)

The FirstGroup EBT has been established to acquire ordinary shares in the Company, by subscription or purchase, from funds provided by the Group to satisfy rights to shares arising on the exercise or vesting of awards under the Group's share-based incentive plans. As at 30 March 2024, 14,379,907 shares were held by the EBT to hedge outstanding awards of 37,735,458. This means that the EBT holds sufficient shares to satisfy approximately 38.1% of outstanding awards.

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the Director is entitled to retain any fees received, unless the appointment is in connection with the business of the Group. None of the Executive Directors currently sit on any other external company boards.

Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and annual bonus for all Directors between the current and previous financial year compared to that for the average UK employee (First Bus and First Rail, but excluding the Corporate centre). For the benefits and bonus per employee, the figures are based on those employees eligible to participate in such schemes.

		Executive Directors			Non-Executive Directors						
		Average UK employees ¹	GS ²	RM ³	DM ^{4,5}	SC ⁴	MD ⁶	CH ⁷	JL ⁷	PL ^{7,8}	AG ⁴
% change to FY 2024	Salary/Fees	6.0%	3.0%	3.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Benefits ⁹	(15.6%)	(46.2%)	(2.6%)	(41.5%)	102%	(4.8%)	(30.9%)	48.8%	(47.5%)	0.0%
	Annual Bonus	9.1%	3.0%	3.0%	—	—	—	—	—	—	—
% change to FY 2023	Salary/Fees	5.9%	N/A	2.4%	0.0%	0.0%	N/A	0.0%	0.0%	(14.6%)	0.0%
	Benefits	(7.3%)	N/A	0.0%	56.5%	(41.8%)	N/A	N/A	24.0%	116.2%	0.0%
	Annual Bonus	(32.3%)	N/A	(0.7%)	—	—	—	—	—	—	—
% change to FY 2022	Salary/Fees ¹⁰	11.1%	N/A	7.1%	7.1%	6.1%	N/A	N/A	N/A	N/A	0.0%
	Benefits	4.2%	N/A	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0.0%
	Annual Bonus	576.6%	N/A	N/A	—	—	—	—	—	—	—
% change to FY 2021	Salary/Fees ¹⁰	(2.4%)	N/A	(6.7%)	(6.7%)	(5.7%)	N/A	N/A	N/A	N/A	N/A
	Benefits	9.4%	N/A	0.0%	(100.0%)	0.0%	N/A	N/A	N/A	N/A	0.0%
	Annual Bonus	(66.2%)	N/A	N/A	—	—	—	—	—	—	—

¹ We use all UK employees as a reference, rather than just those employed by the listed parent company which only employs c. 50 individuals, as we believe this provides a more accurate reference point. Pay increases for the majority of UK employees in First Bus and First Rail are collectively bargained with trade unions in individual operating companies in First Bus and First Rail. Some of these agreements are multi-year deals. The increase in benefits in FY 2021 reflects the inclusion of Avanti employees for a full year. The decrease in annual bonus in FY 2021 reflects no management bonuses paid in the Rail business in FY 2021.

² Graham Sutherland was appointed to the Board as Chief Executive Officer on 16 May 2022; as such, no comparison to FY 2022 is available and his FY 2023 pay has been annualised for comparison purposes.

³ Ryan Mangold was appointed to the Board as Chief Financial Officer on 31 May 2019, therefore, his FY 2020 pay has been annualised for comparison purposes. Bonuses were not paid in FY 2020 or FY 2021, therefore, the percentage change in annual bonus to FY 2022 is 'N/A', meaning that the year-on-year change cannot be calculated.

⁴ David Martin, Sally Cabrini and Anthony Green were appointed to the Board in FY 2020. FY 2020 fees have been annualised for comparison purposes.

⁵ David Martin was appointed Interim Executive Chairman on 13 September 2021; as such he received a temporary fee increase to £535,000 per annum. David Martin resumed the role of Non-Executive Chairman from 1 July 2022 and his fees returned to £310,000 per annum. For comparison purposes FY 2022 and FY 2023 fees relate to the fees he receives as Non-Executive Chairman. David Martin did not have any taxable benefits relating to FY 2021, therefore, the percentage change in benefits to FY 2022 is 'N/A', meaning that the year-on-year change cannot be calculated.

⁶ Myrtle Dawes was appointed to the Board on 1 April 2022; as such, no comparison to FY 2022 is available.

⁷ Claire Hawkins, Jane Lodge and Peter Lynas were appointed to the Board in FY 2022. FY 2022 fees have been annualised for comparison purposes.

⁸ Peter Lynas served as Chair of Board Safety Committee from September 2021 to March 2022; for comparison purposes the fee he received as Chair has been annualised. Peter Lynas' fees decreased in FY 2023 compared to FY 2022 as he no longer served as Chair of a Committee.

⁹ Private medical insurance premium rates for all employees, including the Executive Directors, were lower in FY 2024 compared to previous years due to a Covid rebate.

¹⁰ Directors' salary/fee figures for FY 2021 reflect the voluntary 20% reduction between April to July 2020. There were no changes to NED fees between FY 2020 and FY 2023, but an increase of 3.0% in FY 2024.

Annual report on remuneration continued

CEO pay ratio

In line with reporting requirements, the table below sets out the ratio at the median, 25th and 75th percentiles of the total remuneration received by the Chief Executive Officer, compared to the total remuneration received by our UK employees. The Company has calculated the ratios in accordance with the methodology of Option B as it was deemed the most reasonable and practical approach given the collation of data exercise required for gender pay gap reporting. There has been no departure from this methodology and no element of pay has been omitted. It should be noted that the pay ratio may vary year-on-year and the incentive outcomes for the Chief

Executive Officer can impact the results significantly. We will provide an explanation in each year's report around the change in the ratio as well as any additional context, where helpful, to understand variance. The UK employees at the lower quartile, median and upper quartiles were identified as at 5 April 2023 and their salary and total remuneration were calculated in respect of actual pay data from 1 April 2023 to 31 March 2024.

The Committee is satisfied that these pay ratios are consistent with our pay, reward and progression policies and that these colleagues are representative of the relevant percentiles

across the organisation, as they represent frontline workers in our First Bus and First Rail divisions, i.e., the large majority of our UK workforce receiving basic pay, overtime, holiday pay and employer pension contributions. The figures also include sick pay (where relevant).

There has been an increase in the CEO pay ratio between FY 2024 and FY 2023. This is largely due to the appointment of a new Chief Executive Officer in May 2022, therefore, FY 2023 salary and EABP awards were pro-rated with FY 2024 being the first full year. The significant decrease in CEO pay ratio between FY 2023 and FY 2022 is largely due

to the former Chief Executive Officer's 2019 LTIP award that vested at 88.5% of maximum (177% of base salary). FY 2025 will be the first year the current Chief Executive Officer will have an LTIP award due to vest.

The Committee is satisfied that the data included in the CEO Pay Ratio table reflect the goals of the Group's Remuneration Policy to support colleagues in the performance of their roles in collectively delivering the Group's strategy. In particular, the performance-based framework that rewards employees for their individual efforts and the performance of the Company, and to structure pay in a simple and transparent manner, have been applied consistently.

Year	Method	Pay ratio			Population	Remuneration values			
		25th percentile	50th percentile	75th percentile		CEO	25th percentile	Median	75th percentile
FY 2024	Option B	42:1	40:1	26:1	Total remuneration	£1,397,817	£33,279	£35,182	£53,996
					Salary only	£556,500	£28,715	£30,311	£49,240
FY 2023	Option B	34:1	30:1	22:1	Total remuneration	£1,190,865	£35,189	£40,145	£54,283
					Salary only	£483,635	£23,018	£27,592	£46,518
FY 2022	Option B	68:1	62:1	41:1	Total remuneration	£2,246,181	£33,073	£36,395	£55,051
					Salary only	£288,795	£22,179	£29,254	£45,703
FY 2021	Option B	30:1	25:1	16:1	Total remuneration	£839,822	£27,560	£34,002	£53,437
					Salary only	£592,667	£22,274	£17,210	£38,480
FY 2020	Option B	32:1	25:1	17:1	Total remuneration	£788,400	£24,600	£32,000	£45,400
					Salary only	£635,000	£19,100	£24,100	£37,200

Annual report on remuneration continued

Relative importance of spend on pay

The table below illustrates the Company's expenditure on pay in comparison to adjusted operating profit and distributions to shareholders by way of dividend payments and share buyback.

	FY 2024 £m	FY 2023 £m	% change
Adjusted operating profit ¹	202.4	154.4	31%
Distributions to shareholders ²	103.7	45.9	126%
Total employee pay ³	1,572.0	1,520.3	3.4%

1 Group adjusted operating profit, as reported in note 5 in the notes to the consolidated financial statements, has been used as a comparison as it is a key financial metric that the Board considers when assessing Company performance.

2 Distributions to shareholders, as reported in the consolidated statement of changes in equity, of £103.7m in FY 2024 consists of £29.5m in dividends (£36m including non-controlling interests) and £74.2m share buyback (£74.7m including related costs). There is an additional £41.1m in liability related to the share buyback for FY 2024, for a total share buyback of £115.3m (£115.8m including related costs). Distributions to shareholders in FY 2023 of £45.9m consists of £14.7m in dividends and £31.1m share buyback (£31.6m including related costs). In FY 2023 there was an additional £43.9m in liability related to the share buyback, for a total share buyback of £75m, this was completed in August 2023.

3 Total employee pay is the total pay for all Group employees, including pension and social security costs. The average monthly number of employees in FY 2024 was 29,339 (FY 2023: 29,983).

Committee membership and attendance

The membership of the Committee is shown on page 124 and attendance is set out on page 104. After each meeting, the Chair of the Committee presents a report on its activities to the Board. The Chairman, Chief Executive Officer, Group HR Director and Company Secretary will normally attend meetings by invitation, to provide advice and respond to specific questions. Other attendees may include the Chief Financial Officer, the Group Head of Reward, the Employee Director and the Committee's external remuneration adviser. Attendees are not involved in any decisions and are specifically excluded from any matter concerning their own remuneration. The Company Secretary acts as secretary to the Committee.

Who supports the Committee?

The Committee continues to receive advice from independent external remuneration advisers, Willis Towers Watson (WTW). The Committee appointed WTW in FY 2020, following a competitive tender process led by the Chair of the Committee. The Committee is solely responsible for their appointment, retention and termination and for approval of the basis of their fees and other terms. The Chair of the Committee agrees the protocols under which WTW provides advice.

WTW is a member of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent.

During the course of the year, WTW provided independent advice and commentary on a range of topics including Directors' remuneration reporting, new remuneration policy, discretionary share plans, corporate governance and executive remuneration trends and shareholder consultation. WTW fees for advice provided to the Committee were £136,670 (FY 2023: £77,954), charged on a time-spent basis. WTW provides remuneration advice, including the provision of benchmark data, to the Company.

Annual report on remuneration continued

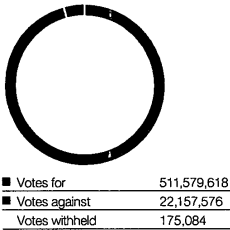
Shareholder voting on remuneration

Throughout FY 2024, we engaged with shareholders on the Directors' Remuneration Policy, and implementation for FY 2025, that is being put to shareholders to vote on at the 2024 AGM.

We have set out the results of votes on the Directors' Remuneration report at the 2023 AGM and the Directors' Remuneration Policy at the 2021 AGM as well as the result of previous shareholder votes on remuneration resolutions since 2016.

To approve the Directors' Remuneration report at the 2023 AGM

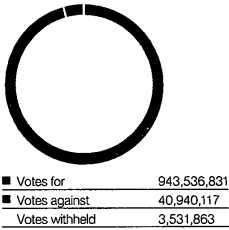
2023 AGM Voting



* Note: A "Vote withheld" is not a vote in law and is not counted in the calculation of the votes 'for' and 'against' a resolution.

To approve the Directors' Remuneration Policy at the 2021 AGM

2021 AGM Voting



To approve the relevant Directors' Remuneration report	Votes for	Votes against
2023 AGM	95.85%	4.15%
2022 AGM	84.16%	15.84%
2021 AGM	98.43%	1.57%
2020 AGM	99.99%	0.01%
2019 AGM	76.32%	23.68%
2018 AGM	96.37%	3.63%
2017 AGM	91.32%	8.68%
2016 AGM	96.53%	3.47%

Note: A "Vote withheld" is not a vote in law and is not counted in the calculation of the votes 'for' and 'against' a resolution.

To approve the Directors' Remuneration Policy	Votes for	Votes against
2021 AGM	95.84%	4.16%
2018 AGM	84.52%	15.48%
2015 AGM	92.82%	7.18%

Further engagement

The Committee values its continued dialogue with shareholders and engages directly with them and their representative bodies at the earliest opportunity. Shareholder feedback received in relation to the AGM, as well as any additional feedback and guidance received during the year, is considered by the Committee as it develops the Company's remuneration framework and practices.

In line with Provision 3 of the Code, the Committee Chair welcomes questions from shareholders on the Committee's activities.

Remuneration Policy

The 2024 AGM marks the third anniversary of the approval of our Remuneration Policy. As such, we are required to put a new Directors' Remuneration Policy to binding shareholder vote, and we look forward to continuing high levels of shareholder support.

The policy is the framework for setting the pay of the Executive Directors, Non-Executive Directors, and the Group's Executive Team. While the shareholder-approved policy applies to the most senior executives in the business, the Committee has also reviewed remuneration and incentives more widely, taking these into account when setting this policy. The focus of the Committee is to ensure that the policy fully supports the Group's strategic aims focused on operational delivery, driving modal

shift, targeted investment in adjacent growth opportunities to diversify the Group's portfolio and playing a leading role in environmental and societal sustainability.

The Committee met several times during FY 2024 to discuss the 2024 policy to ensure it is fit for purpose, aligned to the business strategy and complies with the Companies Act, relevant regulatory requirements (including the Principles set out in Provision 40 of the UK Corporate Governance Code) and the latest investor guidelines. The Committee considered the Company's position as a UK-based transport provider, our future growth strategy and key stakeholders, including the wider workforce, passengers and national, devolved and local governments.

The key principles underpinning the Committee's approach to executive remuneration are:

- Alignment with business strategy and objectives
- Rewarding for performance
- Competitive remuneration
- Simplicity and transparency

The Committee sought the views of our independent advisors, Willis Towers Watson, as well as our top shareholders. The Committee consulted c.70% of our top shareholders, seeking their view on the proposed 2024 policy. While the Committee did not formally consult employees when determining the 2024 policy, we do have several channels in which we gather

feedback from employees, including inviting the Group Employee Director to all of the Committee meetings, which he regularly attends. The Committee Chair also attends Employee Director forum meetings.

Following a thorough review of the policy, the Committee concluded that our existing policy, which was approved at our 2021 AGM with c.96% shareholder support, fully supports our current and future strategy, therefore, no material changes to our existing policy are proposed. This includes no change to the structure or quantum of the annual bonus or LTIP. Where appropriate we have made minor clarifications to our existing policy.

The following table sets out how the proposed Remuneration Policy addresses the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity	The Committee considers that FirstGroup's remuneration structures are transparent and welcomes open and frequent dialogue with shareholders on its approach to remuneration. Major shareholders have been consulted on the Committee's approach to remuneration.
Simplicity	The overall Remuneration Policy is designed to be comprehensive without becoming overcomplicated and to encourage the Executive Directors to concentrate on providing easy and convenient mobility, improving quality of life by connecting people and communities, and delivering ongoing shareholder value through an attractive annual dividend.
Risk	One of the Committee's principles is that the majority of the reward opportunity for Executive Directors should be provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk. Reward under these incentives is linked to both individual and Group performance. The Committee is satisfied that the structures of the incentive arrangements do not encourage inappropriate risk taking. In addition, the following, best-practice, measures are in place to minimise risks: ■ EABP deferral, the LTIP holding period and shareholding requirement, including post-cessation provisions, provide a clear link to the Group's ongoing performance and shareholder experience ■ the Committee has discretion to adjust the formulaic incentive outcomes if it considers that they are not reflective of the underlying performance of the Company or any individual, and has demonstrated in recent years that it is prepared to use its discretion to reduce a formula-driven outcome where this does not reflect broader Company performance or the shareholder experience ■ malus and clawback provisions apply to EABP and LTIP awards
Predictability	The table on page 151 sets out four illustrations of the application of the Remuneration Policy including potential opportunity levels resulting from threshold, target and maximum performance under the EABP and LTIP.
Proportionality	Performance measures and target ranges under the EABP and LTIP are designed to be sufficiently stretching in order to ensure outturns are fully aligned with Group performance. As above, the Committee has discretion, and has demonstrated in recent years that it is prepared to use its discretion, to override formulaic outcomes in order to ensure performance is reflective of FirstGroup's underlying performance.
Alignment to culture	The Committee believes in an approach to executive pay that is commensurate with value creation for shareholders. The Remuneration Policy and the Company's incentive schemes have been designed to drive appropriate behaviours consistent with FirstGroup's purpose, Values and strategy and are aligned to wider workforce policies and practice.

The Company's Policy remains to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of FirstGroup and align with shareholder interests. In order to prevent any conflicts of interest, the Committee is composed entirely of independent Non-Executive Directors. No individual is involved in deciding their own remuneration.

Remuneration Policy continued

The diagram below illustrates the balance of pay and time period of each element of the Policy for Executive Directors.

Total pay over five years		Year 1	Year 2	Year 3	Year 4	Year 5
Fixed Pay		Salary				
Fixed Pay		Benefits, Pension				
EABP (Malus and clawback provisions apply)		Up to 150% of salary				
		50% in cash	50% in shares. Three-year deferral period No further performance conditions			
LTIP (Malus and clawback provisions apply)		Up to 200% of salary Three-year performance period			Two-year holding period No further performance conditions	

Remuneration Policy continued

As outlined on page 144, the 2024 Directors' Remuneration Policy, the 'Remuneration Policy', will be subject to a vote at the 2024 AGM on 26 July 2024. The Remuneration Policy for the Company has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and taking account of the Principles of the UK Corporate Governance Code, the 'Code'. The Remuneration Committee, 'the Committee', has also taken account of the guidelines issued by the Investment Association, ISS and other shareholder bodies when setting the remuneration framework and has sought to maintain an active and constructive dialogue with investors on developments in the remuneration aspects of corporate governance. The Remuneration Policy will take effect from the date it is approved.

Remuneration Policy for Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
 Salary To attract and maintain high calibre executives with the attributes, skills and experience required to deliver the Group's strategy.	Typically reviewed annually, effective from 1 April. Any increases take account of: ■ Company and individual performance and experience ■ role and responsibilities ■ market positioning ■ external indicators, such as inflation and market conditions, and ■ pay increases made to the wider workforce No recovery or withholding applies.	Salary increases (in percentage terms) for Executive Directors will normally be with reference to increases made to the wider workforce, however, there is no formal maximum. Where the Committee considers it necessary or appropriate, larger increases may be awarded in individual circumstances, including, but not limited to, factors such as an increase in the size or scope of the role, or the individual's development and performance in the role. The Committee has the flexibility to set the salary of a new hire at a discount to the market level and to realign it in subsequent years as the individual gains experience in the role. In exceptional circumstances, the Committee may agree to pay above market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience that is critical to the delivery of the Company's strategy.	Not applicable
 Benefits Provide market competitive benefits to assist in attracting and retaining executives and to support them in the performance of their roles.	A range of benefits may be provided including, but not limited to, private medical insurance, life assurance, long-term disability insurance, company car allowance, general employee benefits, including participation in our all-employee share plans and travel and related expenses. The Committee retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees. No recovery or withholding applies.	The cost of benefits is not pre-determined, reflecting the need to allow for increases associated with the provision of benefits. As such, there is no formal maximum.	Not applicable

Remuneration Policy continued

Remuneration Policy for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
 Pension benefits Allows executives to build long-term savings for their retirement and ensures the total remuneration package is competitive.	Payment may be made into a pension scheme or delivered as a cash allowance. No recovery or withholding applies.	Executive Directors receive a pension contribution, or cash allowance, of up to the average pension benefit for the wider UK workforce, up to a maximum of 15% of base salary.	Not applicable
 Annual bonus To focus on the delivery of annual goals, to strive for superior performance and to achieve specific targets which support the strategy. The deferred share element provides alignment with shareholders and supports retention.	Bonuses are awarded annually under the Executive Annual Bonus Plan (EABP). At least half the bonus awarded in any year will be deferred into shares, normally for a period of three years. The EABP is reviewed annually to ensure performance measures and targets are appropriate and support the strategy. Up to 25% of the maximum may be payable for threshold performance with maximum vesting being equal to 100% of any award made. The Committee has discretion to permit a dividend equivalent amount to accrue on shares which vest under the EABP. The rules of the EABP contain malus and clawback provisions to take account of exceptional and adverse circumstances. Cash bonus payments can be clawed back up to the third anniversary of payment and deferred share awards may be subject to malus prior to the vesting date.	The maximum annual bonus opportunity for the Executive Directors is 150% of salary.	The bonus may be based on a combination of financial, operational, and individual metrics, which the Committee will review on an annual basis. The precise allocation between financial and non-financial metrics (as well as weightings within these metrics), will depend on the strategic focus of the Company from year-to-year. At least half of any award will be subject to financial measures. Vesting of deferred shares is dependent on continued employment or good leaver status. The Committee retains the discretion, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Company, taking account of any factors it considers relevant.

Remuneration Policy continued

Remuneration Policy for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
 Long-Term Incentive Plan (LTIP) Incentivises the execution of strategy, and drives long-term value creation and alignment with shareholders.	Awards under the LTIP are conditional rights to receive shares or nil-cost options over shares, subject to continued employment or good leaver status and the achievement of performance conditions. Up to 20% of the maximum may be payable for threshold performance, with maximum vesting being equal to 100% of any award made. Shares which vest under the LTIP are typically subject to an additional holding period of two years. Shares may be sold in order to satisfy tax or other relevant liabilities as a result of an award vesting. The Committee has discretion to permit a dividend equivalent amount to accrue on shares which vest under the LTIP. The rules of the LTIP contain malus and clawback provisions to take account of exceptional and adverse circumstances. Malus applies to awards before vesting. Where awards have vested they may be clawed back up to the fifth anniversary of grant.	Normal award policy is for a maximum annual award opportunity of 200% of base salary for the Chief Executive and 175% for other Executive Directors. In exceptional circumstances, awards of up to 300% of base salary may be made, such as to aid recruitment.	The Committee determines the precise metrics and weightings of LTIP awards on an annual basis to ensure the targets are stretching and supportive of the Group's strategy and business objectives, usually over a three-year performance period. In recent years measures have included financial measures, such as EPS, relative TSR vs the FTSE 250 and ESG measures that support our strategy. The Committee retains the discretion, acting fairly and reasonably, to alter the LTIP vesting outcome in light of the underlying performance of the Company during the performance period, taking account of any factors it considers relevant.

Remuneration Policy continued

Remuneration Policy for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
 Shareholding Guidelines To ensure that Executive Directors' interests are aligned with those of shareholders.	During employment The Executive Directors are expected to hold shares, or rights to shares, equivalent in value to a minimum of 200% of base salary within a five-year period from the later of their date of appointment or the 2021 AGM. For these purposes, rights to shares includes the estimated after-tax value of EABP awards and vested LTIP awards, including those subject to a holding period, but does not include any unvested LTIP awards. Post-employment Following cessation Executive Directors are normally expected to hold: ■ the in-employment guideline (or full actual holding if lower) for the first year following cessation of employment, and ■ 50% of the in-employment guideline (or full actual holding if lower) for the second year following cessation of employment The post-employment guideline will apply to share awards granted under incentive plans from the 2021 AGM onwards and will not include shares purchased outright by an Executive Director.	Not applicable	Not applicable

Remuneration Policy continued

Remuneration Committee judgment and discretion

The Committee operates within the bounds of the shareholder approved Remuneration Policy at all times. It will also operate the EABP and LTIP according to the rules of each respective plan, the Listing Rules and any relevant legislation. The Committee considers the use of judgment and discretion to be pivotal to operating the Remuneration Policy successfully. Remuneration Committee judgment and discretion includes, but is not limited to:

- when to make awards and payments; how to determine the size of an award or payment, or when and how much of an award should vest;
- who receives an award or payment;
- how to deal with a change of control, restructuring or any other corporate event of the Group;
- whether an Executive Director or senior manager is a good or bad leaver for incentive plan purposes and what proportion of awards vest, if any, at the time of leaving or at the original vesting date(s);
- how and whether an award or its performance condition(s) may be adjusted in certain circumstances, e.g. change of accounting policy;
- the choice of (and adjustment of) performance measure(s), weighting(s) and target(s) for each incentive plan from year-to-year in accordance with the Remuneration Policy set out above and the rules of each plan; and
- amending plan rules in accordance with their terms.

The Committee also has the ability to exercise judgment when assessing qualitative performance, including, but not limited to, performance against any strategic objectives in the EABP and the assessment of the personal performance of an Executive Director.

Where the formulaic vesting outcomes for the EABP or LTIP are not reflective of the underlying performance of the Company during the performance period, the Committee retains the discretion, acting fairly and reasonably, to alter the vesting outcomes of the EABP or LTIP, taking account of any factors it considers relevant.

Any use of discretion will, where relevant, be disclosed in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Malus and clawback

Malus and clawback provisions apply to the EABP (including deferred share awards) and LTIP awards. Events that may trigger the Remuneration Committee to apply malus and/or clawback include, but are not limited to:

- a material misstatement (including any omission) in the Company's financial results;
- where the award, or the vesting outcome of the award, was based on a material error, or on inaccurate or misleading information;
- any form of misconduct;
- insolvency or corporate failure; and
- regulatory censure or significant reputational damage.

Corporate events

In the event of a change of control or winding-up of the Company, unvested share awards granted under the EABP and the LTIP will normally vest early. The number of shares which may vest under LTIP awards in these circumstances will be subject to any relevant performance conditions and, unless the Committee determines otherwise, time pro-rating. The Committee will determine the number of shares in respect of which an EABP award vests at its discretion. In the event of a demerger, distribution (other than an ordinary dividend) or other transaction which, in the opinion of the Committee, would affect the share price, the Committee may allow EABP and LTIP awards to vest subject, in the case of LTIP awards, to any relevant performance conditions and, if the Committee so decides, time pro-rating.

Setting performance measures and targets

In determining the levels of executive reward, the Committee places considerable emphasis on ensuring a strong and demonstrable link between actual remuneration received and the delivery of FirstGroup's strategy. The measures and weightings used under the EABP are selected annually to reflect the Group's key strategic initiatives for the year and may reflect both financial and non-financial objectives. The targets for the EABP are set by reference to the Company's strategy and internal budgets as well as the external context, such as market forecasts. This approach seeks to ensure that the targets are appropriately stretching, yet achievable.

The LTIP provides a focus on delivering superior returns to shareholders by providing rewards for long-term sustainable value creation. The Committee reviews annually whether the performance measures, weightings and calibration of targets remain appropriate and sufficiently challenging taking into account the Company's strategic objectives and shareholder interests.

All-employee share plans awards are not subject to performance conditions in line with the treatment of such awards for all employees and in accordance with the applicable tax legislation.

Group employee considerations

In setting the remuneration of the Executive Directors, the Committee takes into account the overall approach to rewarding employees in the Group. All employees, including Directors, are paid by reference to the market rate and base salary levels are reviewed regularly. When considering salary increases for Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce.

The key difference between Executive Director remuneration and the wider workforce is that, overall, the remuneration of Executive Directors is more heavily weighted towards variable pay linked to business performance. As a result, Executive Director remuneration will be more variable, increasing or decreasing in line with overarching business performance. Long-term incentives are provided only to the most senior executives as they are reserved for those considered to have the greatest ability to drive Group performance.

Remuneration Policy continued

All UK-based employees are able to become shareholders in the Company through participation in the Company's all-employee share schemes. The Company provides a number of forums for employees to provide feedback as well as receiving employee views from the Group Employee Director.

Legacy arrangements

The Company may make any remuneration payments and payments for loss of office to satisfy commitments agreed prior to the approval of this Remuneration Policy notwithstanding that they are not in line with the Remuneration Policy set out above, provided that such payments were consistent with the Directors' Remuneration Policy in force at the time they were agreed. This includes previous incentive awards that are currently outstanding, and which have been disclosed to shareholders in previous remuneration reports.

The Company may also make any remuneration payments and payments for loss of office outside of this Remuneration Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) joining the Board of Directors. All historic awards that were granted, but remain outstanding, remain eligible to vest based on their original award terms.

Minor amendments

The Committee may make minor amendments to the Remuneration Policy (for example, for tax, regulatory, exchange control or administrative purposes) without obtaining shareholder approval.

Reward scenarios

The graphs below provide an indication of the reward opportunity for each of the current Executive Directors based on their roles as at 01 April 2024.

The basis of calculation and key assumptions used to complete the charts are as follows:

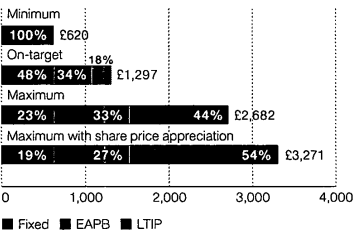
Minimum – Only fixed pay is payable, i.e. base salary, benefits and pension or cash in lieu of pension. No bonus is payable, and no vesting achieved under the LTIP. The Executive Directors' pension benefit is included at 5% of salary for the CEO and 15% of salary for the CFO.

On-target – Fixed pay plus 50% of maximum annual bonus payout (i.e. 75% of salary) and 20% vesting under the LTIP (i.e. 40% of salary for the CEO and 35% of salary for the CFO).

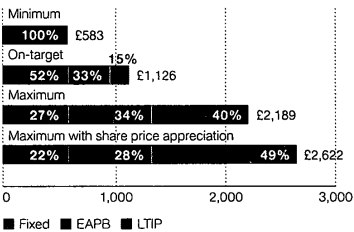
Maximum – Fixed pay plus 100% of maximum annual bonus payout (i.e. 150% of salary) and 100% vesting under the LTIP (i.e. 200% of salary for the CEO and 175% of salary for the CFO).

Maximum + 50% share price growth – A maximum scenario showing maximum plus 50% share price growth has been included.

Graham Sutherland, Chief Executive
Total remuneration (£'000)



Ryan Mangold, Chief Financial Officer
Total remuneration (£'000)



Remuneration Policy continued

Approach to recruitment remuneration

The Committee believes it is vital to be able to attract and recruit high-calibre executives who are focused on delivering the Group's strategy, while relating reward to performance in the context of appropriate risk management and aligning the interests of Executive Directors and senior managers with those of shareholders to build a sustainable performance culture.

The Committee's approach when considering the overall remuneration arrangements in the recruitment of a new Executive Director is to take account of his or her remuneration package in their prior role, the market positioning of the remuneration package and not to pay more than is necessary to facilitate their recruitment.

The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's normal Remuneration Policy as set out above, modified as follows:

Salary	The salary level shall take into account Executive Director salaries paid by companies in the comparator group, which comprises companies that are broadly in line with FirstGroup's size, structure and complexity and have features that are comparable to FirstGroup. The Committee has the flexibility to set the salary of a new Executive Director at a discount to the market level initially, with a series of higher than usual increases implemented over the following few years to bring the salary to the desired positioning, subject to individual and business performance.
Benefits	The Company may award certain additional benefits and other allowances including, but not limited to, those to assist with relocation support, temporary living and transportation expenses, educational costs for children and tax equalisation to allow flexibility in employing an overseas national.
Pension benefits	Any new Executive Director will be eligible to participate in pension or pension allowance, insurance and other benefit programmes in line with local practice.
Annual bonus	The maximum bonus opportunity shall be 150% of base salary.
Long-Term Incentive Plan	The maximum opportunity shall be 200% of base salary for a newly recruited CEO and 175% of base salary for other newly recruited Executive Directors. However, a maximum opportunity of 300% of base salary may be used in exceptional circumstances, in addition to any buyout of forfeited awards.
Buyout awards	The Committee may grant such cash or replacement share-based awards, if any, as it considers are reasonably necessary to facilitate the recruitment of a new Executive Director in the circumstances. This includes an assessment of the awards and any other compensation or benefits item that would be forfeited on leaving their current employer. The value of these payments would not exceed what is considered by the Committee to be a fair estimate of remuneration lost when leaving the former employer and would reflect, as far as possible, the nature and time horizons attached to that remuneration and the impact of any performance conditions. If the Executive Director's former employer pays a portion of the remuneration that was deemed forgone, the replacement payments will be reduced by an equivalent amount.
Notice periods	The Committee shall utilise notice periods of up to 12 months.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement shall be set in accordance with the normal Remuneration Policy as set out below.

In the case of an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its existing terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment will continue.

Remuneration Policy continued

Executive Directors' service agreements

The Executive Directors' service agreements, including arrangements for early termination, are carefully considered by the Committee, and are designed to recruit, retain and motivate Executive Directors of the calibre required to manage the Company. The Committee's policy is for Executive Directors' service contracts to be terminable on no more than one-year's notice. The details of existing Executive Directors' service contracts are summarised in the table below:

Executive Director	Date of service contract	Notice period
Graham Sutherland	16 May 2022	12 months
Ryan Mangold	31 May 2019	12 months

Policy on payment for loss of office

Executive Directors' service agreements contain provisions for payment in lieu of notice. The Company is unequivocally against rewards for failure; the circumstances of any departure, including the individual's performance, would be taken into account in every case. Executive Directors' service agreements are kept available for inspection by shareholders at the Company's registered office.

Service agreements may be terminated without notice and without payment in lieu of notice in certain circumstances, such as gross misconduct. The Company may require the Executive Director to work during their notice period or may choose to place the individual on 'garden leave', for example to ensure the protection of the Company's and shareholders' interests where the Executive Director has access to commercially sensitive information.

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), by way of a compromise or settlement of any claim arising in connection with the cessation of the Executive Director's office or employment or to strengthen the Group's rights post-termination. Any such payment may include, but is not limited to, paying reasonable relocation costs, including possible tax exposure costs, any reasonable level of fees for outplacement assistance and/or the Executive Director's legal or professional advice fees in connection with his cessation of office or employment.

Remuneration Policy continued

In the event of an Executive Director's departure, any outstanding share awards will be treated in accordance with the plan rules as follows:

Plan	Treatment on Cessation
Salary, Benefits and Pension	These will be paid over the notice period and are subject to mitigation. The Company has discretion to make a lump sum payment in lieu.
EABP	Good leaver reason* Where an individual is considered a good leaver* a performance-related bonus may be paid. This will usually be based on the proportion of the bonus year for which the individual has been actively employed and bonus (if any) will be paid at the normal time, although the Committee retains discretion to pay it earlier in appropriate circumstances. Other reason The EABP provides no entitlement to a bonus following cessation of employment, unless the leaver is considered a good leaver.
Deferred Share Awards	Good leaver reason* Where an individual is considered a good leaver*, unvested EABP deferred share awards will typically vest at the end of the vesting period, although the Committee may accelerate vesting. Where an award vests early, time pro-rating will apply unless the Committee determines otherwise. In the case of death, all outstanding awards will vest in full immediately. Other reason Unvested EABP deferred share awards will normally lapse on cessation of employment or, at the Committee's discretion, on service of notice of termination of employment.
Long-Term Incentive Plan	Good leaver reason* Where an individual is considered a good leaver*, unvested LTIP share awards will typically vest at the end of the vesting period, subject to time pro-rating and to the extent that any performance conditions have been satisfied, as determined by the Committee. The Committee may determine that vesting is accelerated with performance tested at this time. Unless the Committee decides otherwise, the holding period will continue to apply. In the case of death, awards will vest immediately subject to time pro-rating and no holding period will apply. Other reason Unvested LTIP awards will normally lapse on cessation of employment.
All-employee share plans	Awards will vest in accordance with the rules of the relevant plan, which do not permit the exercise of any discretion by the Committee.

* A good leaver is defined as a share plan participant who ceases to be employed in the following circumstances: ill-health; injury or disability; statutory redundancy; agreed retirement; employing company ceasing to be a Group company; transfer of employment to a company which is not a Group company; and at the Committee's discretion. Cessation of employment in circumstances other than death or those set out above is cessation for other reasons.

Policy on external appointments

The Committee believes that the Company can benefit from Executive Directors holding one approved non-executive directorship of another company, offering Executive Directors the opportunity to broaden their experience and knowledge. Company policy is to allow Executive Directors to retain the fees earned from such appointments.

Chairman and other Non-Executive Directors' letters of appointment

The Chairman and other Non-Executive Directors do not have service contracts, but each has a letter of appointment with the Company. Each letter of appointment generally provides for a three-month notice period. Non-Executive Directors are normally appointed for two consecutive three-year terms, with any third term of three years being subject to rigorous review, taking into account the need progressively to refresh the Board.

In line with the requirement of the Code, all Non-Executive Directors including the Chairman are subject to annual re-election by shareholders at each AGM. The appointment of each of the Non-Executive Directors is subject to early termination without compensation if they are not reappointed at a meeting of shareholders.

Remuneration Policy for the Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors may on occasion receive reimbursement of costs incurred in relation to professional advice.

These payments, if made, are taxable benefits to the Non-Executive Director and the tax arising is paid by the Company on the Director's behalf.

Fees for the Non-Executive Directors are determined by the Board as a whole, on the recommendation of the Executive Directors and the Chairman. Fees for the Chairman are determined by the Committee.

Remuneration Policy continued

The policy on fees for the Chairman and Non-Executive Directors is:

Purpose and link to strategy	To be sufficient to attract, motivate and retain Non-Executive Directors necessary to contribute to a high-performing Board.
Chairman	The fee for the Chairman is determined by the Committee and reflects the commitment, demands and responsibility of the role. The fee is paid monthly and can either be taken in cash or shares or a combination of both. The fee is inclusive of all Committee roles and is not performance-related or pensionable. Limited benefits relating to travel, accommodation and meals may also be payable in certain circumstances, with the tax arising being paid by the Company on the Chairman's behalf. The fee payable to the Chairman may be varied (either up or down) from this level during the three-year period that this Remuneration Policy operates to ensure it continues to appropriately recognise the requirements of the role.
Non-Executive Directors	Fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-Executive Directors abstaining from any discussion or decision on their fees. The Board takes account of recognised best practice standards for such positions when determining the fee level and structure. The Non-Executive Directors receive a base fee. Additional fees may be payable for additional responsibilities, including chairmanship of the Company's key Committees and for performing the Senior Independent Director role. Fees are paid monthly and can either be taken in cash or shares or a combination of both. Non-Executive Directors' letters of appointment contain provisions for payment in lieu of notice. Other than the Group Employee Director, Non-Executive Directors do not participate in any of the Company's incentive arrangements or receive any pension provision. Non-Executive Directors are reimbursed for expenses and any tax arising on those expenses is settled directly by the Company. To the extent that these are deemed taxable benefits, they will be included in the Annual Report on Remuneration, as required. Reasonable costs of travel and accommodation for business purposes are reimbursed to Non-Executive Directors. On the limited occasions when it is appropriate for a Non-Executive Director's spouse or partner to attend, such as to a business event, the Company will meet these costs. The Company will meet any tax liabilities that may arise on such expenses. Fee levels may be varied (either up or down) during the three-year period that the Remuneration Policy operates to ensure they continue to appropriately recognise the time commitment and responsibilities of the role, increases or decreases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.
Group Employee Director	The Group Employee Director's fee is in line with the basic fee of the Non-Executive Directors and is payable in addition to the remuneration received as an employee of the respective Group operating company, which includes participation in any benefit and incentive arrangements and pension scheme.

Consideration of shareholder views

As part of the Remuneration Policy review, the Committee consulted with our top shareholders (who collectively held c.70% of our outstanding share capital at the time of consultation) inviting them to provide feedback on our proposed Remuneration Policy. The consultation process allowed us to ensure shareholders views were considered in shaping the Company's Remuneration Policy. The Committee values its continued dialogue with shareholders and engages directly with them and their representative bodies at the earliest opportunity. Shareholder feedback received in relation to the AGM, as well as any additional feedback and guidance received during the year, is also considered by the Committee when developing the Company's remuneration framework and practices.

Sally Cabrini

Chair, Remuneration Committee
11 June 2024

Compliance with the Corporate Governance Code

P Remuneration policies and practices designed to support strategy

The Directors' Remuneration Policy, which if approved will apply from the 2024 AGM, was designed with consideration of the UK Corporate Governance Code. The majority of the Executive Directors' remuneration is through performance-related incentives linked to the Group's strategic goals. Half of any Executive Director's annual bonus that vests under the EABP is deferred into shares that vest after three years. Any awards that vest under the LTIP are subject to a further two-year holding period. Additionally, the Executive Directors have shareholding guidelines and post-cessation shareholding guidelines provide a clear link to the Group's ongoing performance and shareholder experience. See pages 144-155 for the 2024 policy.

Q Formal and transparent procedure for developing policy on executive remuneration

FirstGroup welcomes open and frequent dialogue with shareholders on its approach to remuneration. Major shareholders have been consulted on the Committee's approach to remuneration.

R Directors to exercise independent judgment and discretion when authorising remuneration outcomes

The Remuneration Policy allows for the use of discretion to adjust the formulaic incentive outcomes if they are not reflective of underlying performance of the Group. As noted under Provision 37, discretion has been applied to reduce formulaic outcomes under the EABP in FY 2020 and FY 2021, resulting in no bonus being awarded in either year. The Committee also used its discretion to apply a downward adjustment resulting in an overall reduction of 10% of the 2020 LTIP award that vested in June 2023.

32 Establish a remuneration committee

The Company has a Remuneration Committee in accordance with the requirements of the Code.

33 Delegation of responsibilities and review of workforce remuneration and related policies

When determining senior team pay the Committee considers it in the context of wider workforce pay, policies and practices. Each year, a number of items are tabled at Committee meetings to ensure the approach throughout the Group is fair. See pages 128-129 for further information.

34 Non-executive director remuneration

The Company's NEDs each receive an annual fee reflecting the time commitment for their roles. An additional fee is paid to the Senior Independent Director and Chairs of the Audit, Remuneration and Responsible Business Committees to reflect the additional time commitment associated with these roles. The NEDs do not receive any performance-related pay or equity awards. NEDs are permitted to buy shares in the Company, subject to the Company's share dealing code. See page 136 for fees paid to NEDs and the Chairman.

35 Consultants appointed by the committee

Willis Towers Watson was appointed by the Committee in FY 2020.

Compliance with the Corporate Governance Code

36 Remuneration schemes should promote long-term holdings by executive directors

Executive Directors are required to hold shares to the value of 200% of base salary within five-years of appointment. Post-cessation, Executive Directors must maintain 100% of their in-employment shareholding guideline in the first year following employment, dropping to 50% in the second year (or the full actual holding if lower).

37 Use of discretion

As noted in Principle R, the Committee has the ability to use discretion to override formulaic outcomes.

The Committee used their discretion to reduce formulaic outcomes under the FY 2020 and FY 2021 EABP, resulting in no payout in both years, to ensure performance is reflective of the Company's underlying performance and aligned with the shareholder experience. The Committee also used its discretion to apply a downward adjustment resulting in an overall reduction of 10% of the 2020 LTIP award that vested in June 2023. Additionally, malus and clawback provisions apply to both the EABP and LTIP.

38 Only basic salary to be pensionable

The Company complies with this provision and pension contributions are aligned with the wider workforce. See page 130 for further information.

39 Notice and contractual periods

The notice and contractual periods for the Executive Directors are for one year.

40 Matters to be addressed by the committee when determining remuneration

The current remuneration structures address the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture. See page 144 for further detail on how the agreed Remuneration Policy addresses these factors.

41 Report on the work of the committee and reporting requirements

The strategic rationale for our Executive Director remuneration policies and structures is set out in the Remuneration Committee Chair's letter on pages 124-126 and in the Annual Report on Remuneration on pages 130-143. The Committee is satisfied that the remuneration outcomes are appropriate, considering internal and external measures and the wider workforce pay.

We encourage an open dialogue with shareholders on executive remuneration matters.

In developing the Remuneration Policy we consider alignment with the wider workforce pay policies. The Remuneration Committee Chair regularly attends Employee Director Forums and answers questions about executive remuneration.

Directors’ report and additional disclosures

The Directors present their report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the 53 weeks ended 30 March 2024. Information required to be disclosed in the Directors’ report may be found below and is incorporated into the Directors’ report by cross reference to the following sections of the Annual Report and financial statements in accordance with the Companies Act 2006 (the 2006 Act) and Listing Rule 9.8.4R of the Financial Conduct Authority.

Information	Page
Sustainability governance	48
Greenhouse gas emissions	57
Likely future developments in the business	13
Risk factors and principal risks; going concern and viability statements	85 to 97
Governance arrangements; human rights and anti-corruption and bribery matters	73
Long-term incentive schemes	148
Financial instruments and related market transactions	182 to 183 216 to 222

Directors

The Directors of the Company who served during the year, and those appointed after the end of the financial year, are shown on pages 106 to 108.

Details of the Directors’ interests in shares can be found in the Directors’ Remuneration report on page 139.

During the year, no Director had any interest in any shares or debentures in the Company’s subsidiaries, or any material interest in any contract with the Company or a subsidiary being a contract of significance in relation to the Company’s business.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company’s Articles.

Conflicts of interest

The Directors have a statutory duty under the Companies Act 2006 to avoid situations in which they have, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. This duty is in addition to the existing duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The Company’s conflict of interest procedures are reflected in the Articles. In line with the Companies Act 2006, the Articles allow the Directors to authorise conflicts and potential conflicts of interest where appropriate. The decision to authorise a conflict can only be made by non-conflicted Directors. Directors do not participate in decisions concerning their own remuneration or interests.

The Company Secretary minutes the consideration of any conflict or potential conflict of interest and authorisations granted by the Board. On an ongoing basis, the Directors inform the Company Secretary of any new, actual or potential conflict of interest that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when authorisation is given, a Director is not absolved from their duty to promote the success of the Company.

Furthermore, the Articles include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director from breaching their duty if a conflict of interest arises.

These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors. The Board considers that the formal procedures for managing conflicts of interest currently in place have operated effectively during the year under review.

Election and re-election of Directors

Directors are required under the Articles to submit themselves for election by shareholders at the AGM following their appointment by the Board. Also, in accordance with best practice and the Code, all of our Directors put themselves forward for re-election by shareholders annually and will do so at the AGM on 26 July this year.

Directors’ indemnities and liability insurance

FirstGroup maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to the extent permitted by law to each of the Directors, the Company Secretary and a number of other executives and senior managers. These indemnities are uncapped in amount in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director or Officer of the Company or any of its associated companies. Neither the indemnity, nor insurance cover provides cover in the event a Director or Officer is proved to have acted fraudulently or dishonestly. The indemnity is categorised as a ‘qualifying third-party indemnity’ for the purposes of the Companies Act 2006 and will continue in force for the benefit of Directors and Officers on an ongoing basis.

Disclosure of information to the external auditor

Each of the Directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information (being information needed by the auditor in connection with preparing their audit report), of which the Company’s auditor is unaware, and each of the Directors has taken all the steps that they ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Share capital

As at 30 March 2024, the Company’s issued share capital was 750,695,015 ordinary shares of 5 pence, each credited as fully paid and the Company held 110,880,572 of these shares in treasury, and the issued share capital of the Company which carries voting rights of one vote per share comprised 639,814,443 ordinary shares. Given the ongoing buyback programme, these figures continue to change – announcements are made to the market each day that shares are repurchased. Further details of the Company’s issued share capital are shown in note 28 to the Company’s financial statements.

The Company’s shares are listed on the London Stock Exchange.

Directors' report and additional disclosures continued

Substantial shareholdings

As at 30 March 2024, the Company had been notified under the FCA's Disclosure, Guidance and Transparency Rule of the following interests in its total voting rights of 3% or more:

Name of shareholder	Number of ordinary shares	% of total voting rights	Date of notification
Ameriprise Financial, Inc.	80,699,728	12.59	19 March 2024
Schroders Plc	70,053,170	10.93	20 March 2024
Majedie Asset Management Limited	60,915,714	4.99	3 February 2021
Aberforth Partners LLP	33,717,348	4.97	6 September 2023
Lombard Odier Asset Management Limited	55,461,667	4.54	16 December 2020
Coast Capital Management LP	25,169,383	3.35	20 May 2022

Between 30 March 2024 and the date of this report:

Name of shareholder	Number of ordinary shares	% of total voting rights	Date of notification
BlackRock, Inc	32,025,072	5.01	23 April 2024
Schroders Plc	63,587,135	9.99	29 April 2024
BlackRock, Inc	n/a	below 5%	14 May 2024
BlackRock, Inc	31,599,564	5.00	27 May 2024

Articles of Association

The description in this section summarises certain provisions of the Company's Articles and applicable Scottish law concerning companies. This summary is qualified in its entirety by reference to this Company's Articles and the Companies Act 2006. The Company's Articles may be amended by a special resolution of the Company's shareholders.

Shares

The rights attached to the ordinary shares of the Company are defined in the Company's Articles. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Voting rights

Shareholders are entitled to attend and vote at any general meeting of the Company. It is the Company's practice to hold a poll on every resolution at general meetings. This means that each member present in person or by proxy has one vote for every share held. In the case of joint holders the vote of the senior shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

Dividend rights

Shareholders may by ordinary resolution declare dividends but the amount of the dividend may not exceed the amount recommended by the Board.

Transfer of shares

There are no specific restrictions on the size of a holding, nor on the transfer of shares which are both governed by the general provisions of the Company's Articles and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights at any meeting of the Company.

Going concern and viability

Directors are required to consider if it is appropriate to adopt the going concern basis of accounting. Disclosure of the Directors' deliberations to determine whether it is appropriate to adopt the going concern basis of accounting in addition to consideration of whether there are any material uncertainties which may affect the Group's ability to continue to adopt this basis can be found in the Going concern statement on page 97, the Audit Committee report on starting on page 116 and in note 2 to the financial statements. In summary, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 96.

Employee share plans

The Company operates a number of employee share plans, details of which are set out in note 36 and in the Directors' Remuneration Report that starts on page 124.

All of the Company's employee share plans contain provisions relating to change of control. On a change of control, options and awards granted to employees may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at the time.

Employment of disabled persons

Applicants with disabilities are given full and fair consideration during recruitment processes. We are committed to supporting employees with disabilities with regard to training, career development and promotion. Our policies on employee consultation and on equal opportunities for all employees can be found on pages 65 to 68.

Employee engagement

We remain committed to employee involvement throughout the Group. Employees are kept well informed of the performance and strategy of the Group and other matters of concern through a variety of means including personal briefings, regular meetings, email and broadcasts by the Group Chief Executive and other senior managers. Refer to page 68 for further information.

Stakeholder engagement

The Board has determined that the Group's stakeholders are customers, investors, government, employees, communities and our strategic partners and suppliers. The Board is aware that its actions and decisions impact our stakeholders. Effective engagement with stakeholders is important to the Board as it strengthens the business and helps to deliver a positive result for all our stakeholder groups. In order to comply with Section 172 of the Companies Act, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which Directors have discharged this duty during the year. The Group's stakeholders are identified on pages 98 to 100 of the Strategic report and the statement of compliance with Section 172 is set out on pages 101 and 102. Further information on workforce engagement can also be found on page 68.

Directors' report and additional disclosures continued

Purchase of own shares

At the AGM of the Company in 2023 authority was granted for the Company to purchase up to 14.99% of its ordinary shares. The Company announced a £115m buyback programme on 8 June 2023 under the authority granted at the 2023 AGM and restricted this to 14.99% of the issued share capital on the day before the programme commenced. The Company anticipates seeking authority to purchase up to 14.99% of its ordinary shares at the AGM in 2024.

Political donations

At the 2023 AGM, shareholders passed a resolution to authorise the Company and its subsidiaries to make political donations to political parties or independent election candidates, to other political organisations, or to incur political expenditure (as such terms are defined in Sections 362 to 379 of the 2006 Act), in each case in amounts not exceeding £100,000 in aggregate. As the authority granted at the 2023 AGM will expire, renewal of this authority will be sought at this year's AGM. Further details are available in the Notice of AGM.

As a result of the broad definition used in the 2006 Act of matters constituting political donations, it is possible that normal business activities, which might not be thought to be political expenditure in the usual sense, could be covered. Accordingly, authority is being sought as a precaution to ensure that the Company's normal business activities do not infringe the 2006 Act, but it is not the policy of the Company to make donations to UK or EU political organisations, nor to incur other political expenditure in the UK or EU.

No political donation nor expenditure was incurred by the Company and its subsidiaries during FY 2024.

Change of control – significant agreements Financing agreements

As at 30 March 2024, the Group had a £300m multi-currency revolving credit and guarantee facility between, amongst others, the Company and The Royal Bank of Scotland plc dated 27 August 2021, maturing in August 2026. Following any change of control of the Company, individual lenders may negotiate with the Company with a view to resolving any concerns arising from such change of control. If the matter has not been resolved within 30 days, an individual bank may cancel its commitment and the Company must repay the relevant proportion of any drawdown.

The Group also had a £150m Green Hire Purchase Finance Facility between, amongst others, the Company and Lloyds Bank plc dated 21 December 2023, maturing in December 2026. Following any change of control of the Company, individual lenders may negotiate with the Company with a view to resolving any concerns arising from such change of control. If the matter has not been resolved within 30 days, an individual bank may cancel its remaining available commitment under the facility and immediately terminate any Hire Agreements already in place.

The outstanding £96.2m 6.875% bonds due 18 September 2024 issued by the Company may also be affected by a change of control of the Company. Upon a change of control of the Company, provided that certain further thresholds in relation to the credit rating of the bonds are met, the bondholders have the option to require the Company to redeem the bonds.

First Rail

The Group's contracted passenger rail operators, First Greater Western Limited, First MTR South Western Trains Limited (jointly owned with MTR Corporation) and First Trenitalia West Coast Rail Limited (jointly owned with Trenitalia) are each party to a contractual agreement with the Secretary of State for Transport. These agreements are subject to termination clauses which may apply on a change of control.

First MTR South Western Trains Limited, First Greater Western Limited, First Trenitalia West Coast Rail Limited and the Group's non-contracted rail operators, Hull Trains Company Limited and East Coast Trains Limited, each hold railway licences as required by the Railways Act 1993 (as amended); these licences may be revoked on three months' notice if a change of control occurs without the approval of the ORR. All of these operators also require and hold track access agreements with Network Rail Infrastructure Limited under which they are permitted to access railway infrastructure.

Failure by any of the operators to maintain its railway licence is a potential termination event under the terms of the track access agreements. The Group's railway operators also lease rolling stock from specialist rolling stock leasing companies such as Eversholt Rail Group, Rock Rail Limited, Beacon Rail Limited, Porterbrook Leasing Company Limited and Angel Trains Limited. A material number of the individual leasing agreements include change of control provisions. The Group is also involved from time to time in bidding processes for transport contracts in the UK and further afield which customarily include change in circumstance provisions which would be triggered on a change of control and could result in termination or rejection from further participation in the relevant competitions.

Significant shareholders' agreements

The Group, through First Rail Holdings Limited, has shareholders' agreements governing its relationship with MTR Corporation in relation to the SWR rail operator and with Trenitalia in relation to the West Coast Partnership rail operator. As is customary, these agreements include provisions addressing change of control.

FirstGroup plc entered into a strategic partnership with Hitachi ZeroCarbon (H2C), via a 50:50 joint venture, to purchase up to 1,000 bus batteries as part of its fleet decarbonisation journey.

Post balance sheet events

Information on material events that occurred from 30 March 2024 to the date of this report can be found on page 248 and in note 39.

Branch disclosure

The Group has a branch in France (First Travel Solutions Ltd), which was established on 28 March 2019.

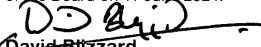
Streamlined Energy and Carbon Reporting (SECR) compliance

In compliance with the SECR requirements, our GHG emissions and our energy consumption and energy and emissions reduction initiatives are reported on page 57.

Management report

The Strategic and Directors' reports together are the management report for the purposes of the FCA's DGTR 4.1.5R.

The Directors' report was approved on behalf of the Board on 11 June 2024.


David Blizard
Company Secretary
11 June 2024

395 King Street, Aberdeen AB24 5RP

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2024 and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report, comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report, confirm that, to the best of their knowledge:

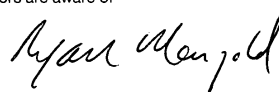
- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Ryan Mangold
Chief Financial Officer
11 June 2024

395 King Street,
Aberdeen AB24 5RP



Independent auditors' report to the members of FirstGroup plc

Report on the audit of the financial statements

Opinion

In our opinion:

- FirstGroup plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 March 2024 and of the group's loss and the group's cash flows for the 53 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the "Annual Report"), which comprise: the Consolidated balance sheet and the Company balance sheet as at 30 March 2024; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statements of changes in equity, the Company statement of changes in equity, and the Consolidated cash flow statement for the period then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

The group consists of two main divisions, Rail and Bus. In the Rail division, all train operating companies have continued to be operating under contracts with the Department for Transport ("DfT") with Great Western Railway (GWR) and South Western Railway (SWR) on National Rail Contracts for the full year and Avanti West Coast (AWC) under an Emergency Recovery Measures Agreement (ERMA) until October 2023 before moving onto a National Rail Contract. Under both types of contract this has meant a fixed management fee was received to operate at agreed service levels, as well as a performance-based fee element. The structure of the contracts within the Rail division has reduced the revenue and cost risk compared to the previous franchise arrangements. Outside of the TOCs the Rail Division also includes Hull Trains and Lumo which have experienced growth year on year. First Bus continued to receive government support in the way of Business Recovery Grants (BRG) in England, Bus Emergency Scheme (BES) in Wales and Bus Service Operators Grant (BSOG) in Scotland for the first three months of the year and has continued to receive funding in respect of the £2 bus fare cap in England which provided further government revenue support in the Bus division with this now extended to December 2024. The group has continued to realise value from retained assets from the sale of US businesses with the Transit Earn Out being settled in the year and a partial buy-in performed in relation to legacy Greyhound pension schemes. In addition the group has exited two Local Government Pension Schemes in the year, significantly reducing the assets and liabilities in relation to their pensions assets and liabilities, incurring an exit cost of £146.9m as well as a gain of £161.0m within Other Comprehensive Income from the restricted accounting surplus.

Overview

Audit scope

- The scope of our audit determines where we go and what we do, the best types of audit evidence to obtain, the right areas of operations to focus on and the resources needed to deliver this. As group auditors we are required to obtain sufficient audit evidence from the components of the group. We have determined there are four components for group reporting purposes.
- Each Rail Train Operating Company (TOC) is a separate component, with all TOCs operating throughout the whole year in scope for group reporting, being Great Western Railway (GWR), South Western Railway (SWR), and Avanti West Coast (AWC).
- First Bus

Key audit matters

- Valuation of pension liabilities driven by salary increase, mortality, discount rate and inflation level assumptions (group)
- Valuation of complex investments within the pension assets (group)
- Recoverability of the company's investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £20,000,000 (2023: £20,000,000) based on 0.42% of revenue.
- Overall company materiality: £13,600,000 (2023: £16,200,000) based on 1% of total assets.
- Performance materiality: £15,000,000 (2023: £15,000,000) (group) and £10,200,000m (2023: £12,150,000) (company).

Independent auditors’ report to the members of FirstGroup plc continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of pension liabilities driven by salary increase, mortality, discount rate and inflation level assumptions (group)	
The group has gross defined benefit obligations in the UK and North America totalling £5,026.6m at 30 March 2024 (2023: £6,156.5m). The total liabilities has been reduced significantly largely due to the exit of two local government pension schemes in the period. The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions, and this is considered to be the significant audit risk. Management's actuaries carry out the valuation of the pension liabilities based on these assumptions. In addition, there are restrictions under IAS19 and IFRIC 14 as to when a net pension surplus should be recognised, as well as balance sheet adjustments in respect of First Rail due to the Rail contracts. Refer to note 37 and the Critical accounting judgements and key sources of estimation uncertainty section in note 2. Refer to the Audit Committee report for a description of its assessment of this significant judgement.	We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK, US and Canadian Schemes were reasonable and in line with accounting standards. We assessed whether mortality rate assumptions were appropriate for each plan and, where applicable, incorporated considerations of relevant national actuarial data. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with market information. We examined the salary increase assumptions to consider whether they represent management's best estimate. In addition to our significant risk areas, we reviewed the trust deeds and statutory legislation relevant to each plan where applicable. We tested the IFRIC 14 adjustments in respect of these plans, agreed the value of the restrictions and found them to be reasonable, based on the specifics of each plan. We also assessed management's judgement with regard to the rail 'contract adjustment' and found no exceptions. We evaluated the calculations prepared by the external actuaries to assess whether the disclosed pension liabilities are consistent with the assumptions used. Where there has been updated Funding Valuations, we have performed completeness checks and reviewed movements in the census data for each scheme by reference to the latest Funding Valuation performed. We have performed procedures on the exit of two Local Government Pension Schemes and obtained support for the final liability position and settlement cost and release of the restricted surplus. Based on procedures performed we consider that the assumptions used to value the pension obligation are within an acceptable range other than a trivial difference. We assessed the appropriateness of the related disclosures in note 37 of the group financial statements and consider them to be materially appropriate.

Independent auditors' report to the members of FirstGroup plc continued

Key audit matter	How our audit addressed the key audit matter	Key audit matter	How our audit addressed the key audit matter
Valuation of complex investments within the pension assets (group) As set out in note 37, the group has gross defined benefit plan assets in the UK and North America totalling £5,135.0m at 30 March 2024 (2023: £6,220.0m) excluding agent arrangements. The pension schemes in which the group participates hold unquoted pooled investment vehicles which invest in private equity, infrastructure, and property funds. There is significant estimation uncertainty in determining the valuation of these investments which are based on inputs that are not directly observable. The funds where the valuation requires significant judgement across the group total £475m (2023: £467m). The funds are present in the FirstGroup UK Bus Pension Scheme. There is a potential range of reasonable outcomes to the valuations of these assets greater than our materiality for the financial statements as a whole.	We obtained pricing confirmations directly from investment managers as primary sources of evidence. We also performed additional procedures on investments that are more complex in nature to evaluate whether there is any contradictory evidence suggesting that the pricing confirmations do not reflect an appropriate valuation as at the balance sheet date. For investments considered more complex these procedures included one or more of the following: ■ Obtained the most recent third party controls assurance reports and bridging letters on the valuation procedures and investment managers' operations; ■ Reviewed the pricing of transactions taking place close to the balance sheet date; ■ Performed look back testing of previous valuations provided by investment managers to their audited financial statements; ■ Performed independent internet based searches for information suggesting any doubts in the investment managers' capability of pricing; and/or ■ Reviewed investment contributions and distributions between the valuation date and the balance sheet date and obtained affirmations from investment managers that the price taken is the latest price available where the valuation date is different to the balance sheet date. Based on the procedures performed we have no findings to report.	Recoverability of the company's investments in subsidiary undertakings (parent) As set out in note 5 to the Company financial statements, investments in subsidiaries are £738.2m (2023: £740.7m). Of this balance, £659.3m relates to the direct and indirect ownership of the Bus division. The investments are accounted for at cost less provision for impairment in the Company balance sheet at 30 March 2024. The carrying value of the investment in Bus is supported by the recoverable amount which has been calculated on a value in use basis. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of any impairment loss. Consideration is also given to whether there are indications that impairments previously booked should be reversed. Management have prepared a value in use model which shows headroom compared to the carrying value of the investment. This is considered a significant audit risk. Judgement is required in this area, particularly in assessing whether the carrying value of an asset can be supported by the recoverable value, being the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. Refer to note 5 in the Plc company accounts and the Critical accounting judgements and key sources of estimation uncertainty section in note 1.	The recoverable value of the investment in First Bus subsidiaries was determined from the discounted future cash flows of the Bus division. We obtained management's value in use impairment assessment and ensured the calculations were mathematically accurate. We evaluated the inputs in the value in use calculation and challenged the key assumptions including: ■ The operating margins forecast to be achieved, noting that the margins in the terminal year are consistent with those achieved in the industry pre-covid; ■ Using our internal valuation experts to calculate an independent WACC rate range, with reference to comparable businesses, and to assess whether management's rate is within a reasonable range; ■ With the support of internal valuation experts assessing the long-term growth rate applied. We evaluated the extent to which the considerations of climate change, such as capital expenditure on battery, electric and hydrogen fuel cell vehicle fleets had been reflected in the underlying cash flows. We verified adjustments made to the value in use in respect of external and intercompany debt within the subsidiaries. Based on our procedures we did not identify any matters indicating that management's model was inappropriate. We have assessed the disclosures provided and consider them to be appropriate. For non-Bus investments we have assessed the value of the US investment to the net assets which provides sufficient support.

Independent auditors’ report to the members of FirstGroup plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is organised into two operating divisions, First Bus and First Rail. There are 134 reporting units within the consolidation, the majority of which are inactive although there is some trading activity in nine reporting units in addition to those included in group reporting scope. We have defined a component as a business unit where legal entities have been grouped together based on the fact they have the same management, the same control environment and also considering the way the component reports to the group. We have determined there are four components required for group reporting as follows: SWR, GWR, AWC and First Bus. We have performed audit procedures over significant or large balances outside of the in scope entities and performed analytics over all out of scope entities.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management on climate change adopted to assess the extent of the potential impact of climate risk on the group’s financial statements and support the disclosures made within the Note 2 and Note 11.

In addition to enquiries with management, we also:

- Read the governance processes in place to assess climate risk
- Read additional reporting made by the entity on climate including its Environmental Performance Report 2024

We challenged the completeness of management’s climate risk assessment by:

- Reading external reporting made by management including the Carbon Disclosure Project submissions
- Reading the entity’s website /communications for details of climate related impacts

Management has made commitments to operate a fully zero emission Bus fleet by 2035. Management considers the impact of climate risk does give rise to a potential material financial statement impact.

The key areas of the financial statements where management evaluated that climate risk has a potential significant impact are disclosures relating to impairment assessment of goodwill and carrying value of investments in subsidiaries.

Using our knowledge of the business we evaluated management’s risk assessment, its estimates as set out in note 2 of the financial statements and resulting disclosures where significant. We considered the following areas that could potentially be materially impacted by climate risk and consequently we focused our audit work in these areas:

- Valuation of goodwill
- Carrying value of investment in subsidiaries

To respond to the audit risks identified in these areas we tailored our audit approach to address these, in particular, we:

- Challenged management on how the impact of climate commitments made by the group would impact the assumptions within the discounted cash flows prepared by management that are used in the group’s impairment analysis.
- Evaluated whether the impact of both physical and transition risks arising due to climate risk had been appropriately included in the recoverable value of the group’s assets.
- Challenged whether the impact of climate risk in the Directors’ assessments and disclosures of going concern and viability were consistent with management’s climate impact assessment

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the period ended 30 March 2024.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£20,000,000 (2023: £20,000,000).	£13,600,000 (2023: £16,200,000).
How we determined it	Based on 0.42% of revenue	Based on 1% of total assets
Rationale for benchmark applied	Revenue is considered to be the most appropriate benchmark for the financial year. In the engagement leader’s judgement £20 million is an appropriate materiality for a group of the scale and size of FirstGroup plc.	The entity is a holding company of the rest of the group and is not a trading entity. Therefore an asset based measure is considered appropriate.

Independent auditors' report to the members of FirstGroup plc continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £13,500,000 and £19,000,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £15,000,000 (2023: £15,000,000) for the group financial statements and £10,200,000m (2023: £12,150,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,000,000 (group audit) (2023: £1,000,000) and £680,000 (company audit) (2023: £810,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing management's going concern assessment to the business's Board-approved plan and ensuring that the base case scenario indicates that the business generates sufficient cash flows to meet its obligations within the going concern assessment period while complying with covenant arrangements;
- considering the extent to which the group's and company's future cash flows might be adversely affected by discontinuation of Government support and the impact of contingent liabilities, pending litigation, or cost of living;
- reviewing management's cash flow forecasts, assessing the existing sources of finance and considering the overall impact on liquidity;
- ensuring the mathematical accuracy of management's models;
- evaluating management's severe but plausible scenario and ensuring this is appropriately modelled through the cash flows;
- considering the risk of breach of the covenant arrangements in place for external borrowings under the severe but plausible scenario;
- evaluating whether the cash flows in the going concern period include the costs associated with achieving the group's climate change goals such as capital expenditure on battery, electric and hydrogen fuel cell vehicle fleet;
- performing further sensitivity analysis on the severe but plausible scenario;
- considering the adequacy of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of FirstGroup plc continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report and additional disclosures, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report and additional disclosures

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report and additional disclosures for the period ended 30 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report and additional disclosures.

Directors' remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors' report to the members of FirstGroup plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries including those to increase revenue and management bias within accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries of management at the group and divisional levels;
- Enquiries of the group's legal teams;
- Enquiries with component auditors;

- Review of internal audit reports in so far as they related to the financial statements;
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations which result in an impact to revenue; and
- Challenging estimates and judgements made by management in determining significant accounting estimates, in particular in relation to valuation of pensions liabilities, valuation of complex investments within the pension assets and recoverability of investments held by the parent.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of FirstGroup plc continued

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

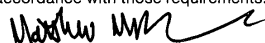
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 5 November 2020 to audit the financial statements for the year ended 27 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 27 March 2021 to 30 March 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.



Matthew Mullins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Watford
11 June 2024

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Consolidated income statement

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

Continuing Operations	Notes	2024 £m	2023 £m
Revenue	3,5	4,715.1	4,755.0
Operating costs before LGPS pension settlement and related charges	6	(4,521.7)	(4,601.1)
LGPS pension settlement and related charges	4	(146.9)	–
Total operating costs	6	(4,668.6)	(4,601.1)
Operating profit	5,6	46.5	153.9
Investment income	8	16.7	12.3
Finance costs	8	(82.0)	(69.1)
(Loss)/profit before tax		(18.8)	97.1
Tax	9	15.1	(10.4)
(Loss)/profit from continuing operations		(3.7)	86.7
(Loss)/profit from discontinued operations	21	(5.7)	8.6
(Loss)/profit for the year		(9.4)	95.3
Attributable to:			
Equity holders of the parent		(15.9)	87.1
Non-controlling interests		6.5	8.2
		(9.4)	95.3
Earnings per share			
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share		(1.5)p	10.6p
Diluted earnings per share		(1.5)p	10.3p
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	10	(2.4)p	11.8p
Diluted earnings per share	10	(2.4)p	11.4p
Adjusted results (from continuing operations)¹			
Adjusted operating profit	4	204.3	161.0
Adjusted profit before tax		139.0	104.2
Adjusted EPS	10	16.7p	11.6p
Adjusted diluted EPS		16.1p	11.2p

¹ Adjusted for certain items as set out in note 4. The Group has revised its definition of adjusted earnings/EPS during the year, to exclude also the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

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

Consolidated statement of comprehensive income

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Notes	2024 £m	2023 £m
(Loss)/profit for the year		(9.4)	95.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	37	(77.7)	(150.9)
Gain on termination of LGPS participation from restricted accounting surplus		161.0	–
Deferred tax on actuarial losses/(gains) on defined benefit pension schemes		(20.2)	37.2
		63.1	(113.7)
Items that may be reclassified subsequently to profit or loss			
Hedging instrument movements	29	5.1	(6.3)
Deferred tax on hedging instrument movements		(0.5)	(1.3)
Cumulative (loss)/gain on hedging instruments reclassified to the income statement		(2.7)	10.9
Exchange differences on translation of foreign operations – continuing operations		–	0.9
Exchange differences on translation of foreign operations – discontinued operations		(6.6)	6.8
		(4.7)	11.0
Other comprehensive income/(loss) for the year		58.4	(102.7)
Total comprehensive income/(loss) for the year		49.0	(7.4)
Attributable to:			
Equity holders of the parent		42.5	(15.6)
Non-controlling interests		6.5	8.2
		49.0	(7.4)
Total comprehensive income/(loss) for the year attributable to owners of FirstGroup plc arises from:			
Attributable to:			
Continuing operations		62.1	(22.6)
Discontinued operations		(13.1)	15.2
		49.0	(7.4)

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

Consolidated balance sheet

As at 30 March 2024/25 March 2023

	Notes	2024 £m	2023 £m
Non-current assets			
Goodwill	11	111.0	99.6
Other intangible assets	12	10.4	10.8
Property, plant and equipment	13	2,155.4	2,329.7
Deferred tax assets	26	39.6	47.0
Retirement benefit assets	37	6.4	44.6
Derivative financial instruments	25	0.4	0.1
Financial asset	25	99.6	117.6
Investments	14	2.6	2.5
		2,425.4	2,651.9
Current assets			
Inventories	16	25.9	26.0
Trade and other receivables	17	852.6	848.3
Contingent consideration receivable	17	–	72.3
Current tax assets		4.4	–
Cash and cash equivalents	20	496.5	791.4
Derivative financial instruments	25	2.0	7.4
		1,381.4	1,745.4
Assets held for sale	18	0.6	8.9
Total assets		3,807.4	4,406.2
Current liabilities			
Trade and other payables	19	1,258.6	1,314.4
Tax liabilities – Current tax liabilities		0.4	0.3
– Other tax and social security		39.6	41.4
Borrowings	22	626.5	554.7
Derivative financial instruments	25	3.4	2.6
Provisions	27	74.6	85.9
Current liabilities		2,003.1	1,999.3
Net current liabilities		(621.7)	(253.9)

	Notes	2024 £m	2023 £m
Non-current liabilities			
Borrowings	22	1,018.3	1,512.3
Derivative financial instruments	25	1.3	1.9
Retirement benefit liabilities	37	31.7	16.7
Provisions	27	111.3	125.2
		1,162.6	1,656.1
Total liabilities		3,165.7	3,655.4
Net assets		641.7	750.8
Equity			
Share capital	28	37.5	37.5
Share premium		693.3	693.2
Hedging reserve	29	(1.8)	(0.7)
Other reserves	29	22.4	22.4
Own shares	29	(20.4)	(15.4)
Translation reserve	30	(22.9)	(16.3)
Retained earnings		(74.8)	19.5
Equity attributable to equity holders of the parent		633.3	740.2
Non-controlling interests		8.4	10.6
Total equity		641.7	750.8

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

Ryan Mangold
11 June 2024

Ryan Mangold

Consolidated statement of changes in equity

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Share capital (note 28) £m	Share premium £m	Hedging reserve (note 29) £m	Other reserves (note 29) £m	Own shares (note 29) £m	Translation reserve (note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 27 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
Profit for the period	-	-	-	-	-	-	87.1	87.1	8.2	95.3
Other comprehensive income/(loss) for the period	-	-	3.3	-	-	7.7	(113.7)	(102.7)	-	(102.7)
Total comprehensive income/(loss) for the period	-	-	3.3	-	-	7.7	(26.6)	(15.6)	8.2	(7.4)
Hedging instrument movements transferred to balance sheet (net of tax)	-	-	(23.3)	-	-	-	-	(23.3)	-	(23.3)
Transactions with owners in their capacity as owners										
Shares issued	0.0	0.4	-	-	-	-	-	0.4	-	0.4
Shares bought back but not yet cancelled	-	-	-	-	-	-	(31.6)	(31.6)	-	(31.6)
Liability for shares not yet bought back	-	-	-	-	-	-	(43.9)	(43.9)	-	(43.9)
Dividends paid	-	-	-	-	-	-	(14.7)	(14.7)	(6.1)	(20.8)
Movement in EBT and treasury shares	-	-	-	-	(6.4)	-	(8.6)	(15.0)	-	(15.0)
Share-based payments	-	-	-	-	-	-	6.4	6.4	-	6.4
Deferred tax on share-based payments	-	-	-	-	-	-	0.9	0.9	-	0.9
Balance at 25 March 2023	37.5	693.2	(0.7)	22.4	(15.4)	(16.3)	19.5	740.2	10.6	750.8
Balance at 26 March 2023	37.5	693.2	(0.7)	22.4	(15.4)	(16.3)	19.5	740.2	10.6	750.8
(Loss)/profit for the period	-	-	-	-	-	-	(15.9)	(15.9)	6.5	(9.4)
Other comprehensive income/(loss) for the period	-	-	1.9	-	-	(6.6)	63.1	58.4	-	58.4
Total comprehensive income/(loss) for the period	-	-	1.9	-	-	(6.6)	47.2	42.5	6.5	49.0
Hedging instrument movements transferred to balance sheet (net of tax)	-	-	(3.0)	-	-	-	-	(3.0)	-	(3.0)
Transactions with owners in their capacity as owners										
Shares issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Shares bought back but not yet cancelled	-	-	-	-	-	-	(74.7)	(74.7)	-	(74.7)
Liability for shares not yet bought back	-	-	-	-	-	-	(41.1)	(41.1)	-	(41.1)
Non-controlling interest buy-out	-	-	-	-	-	-	-	-	(2.2)	(2.2)
Dividends paid	-	-	-	-	-	-	(29.5)	(29.5)	(6.5)	(36.0)
Movement in EBT and treasury shares	-	-	-	-	(5.0)	-	(11.5)	(16.5)	-	(16.5)
Share-based payments	-	-	-	-	-	-	15.6	15.6	-	15.6
Deferred tax on share-based payments	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Balance at 30 March 2024	37.5	693.3	(1.8)	22.4	(20.4)	(22.9)	(74.8)	633.3	8.4	641.7

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

Consolidated cash flow statement

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Notes	2024 £m	2023 £m
Cash generated by operations	32	626.6	644.8
Tax paid		(2.2)	(1.0)
Interest paid		(81.1)	(70.0)
Net cash from operating activities	32	543.3	573.8
Investing activities			
Interest received		15.7	6.4
Proceeds from disposal of property, plant and equipment		42.8	147.8
Purchases of property, plant and equipment		(216.9)	(173.7)
Purchases of software		(2.4)	(4.2)
Proceeds from capital grant funding		94.8	144.2
Proceeds from contingent consideration		65.3	–
Net proceeds from disposal of subsidiaries (net of cash disposed)		–	2.0
Settlement of foreign exchange hedge		4.1	(12.5)
Acquisition of businesses (net of cash acquired)		(13.6)	(30.6)
Net cash (used in)/generated from investing activities		(10.2)	79.4
Financing activities			
Shares purchased by Employee Benefit Trust		(16.5)	(15.3)
Treasury shares purchased via share buyback scheme and directly associated costs		(117.6)	(31.6)
External dividends paid		(29.5)	(14.7)
Dividends paid to non-controlling shareholders		(6.5)	(6.1)
Non-controlling interest buy-out		(3.1)	–
Shares issued		–	–
Repayment of bond issues		(88.0)	(15.7)
Repayment of lease liabilities		(506.9)	(546.9)
Repayment of asset backed financial liabilities		(19.3)	(10.6)
Repayment of loan notes		(0.6)	–
NextGen facility drawdown		13.1	–
Fees for finance facilities		(1.4)	–
Net cash flow used in financing activities		(776.3)	(640.9)
Net (decrease)/increase in cash and cash equivalents before foreign exchange movements		(243.2)	12.3
Cash and cash equivalents at beginning of year		708.5	700.2
Foreign exchange movements		3.4	(4.0)
Cash and cash equivalents at end of year		468.7	708.5

Cash flows of discontinued operations are shown in note 21.

	Notes	2024 £m	2023 £m
Reconciliation to cash flow statement			
Cash and cash equivalents – balance sheet	20	496.5	791.4
Bank overdraft	22	(27.8)	(82.9)
Cash and cash equivalents at end of year per consolidated balance sheet		468.7	708.5

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

	Notes	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents in year		(243.2)	12.3
Decrease in debt excluding leases		75.5	15.7
Adjusted cash flow		(167.7)	28.0
Repayment of lease liabilities and asset backed financial liabilities		526.2	557.5
(Inception)/termination of leases and asset backed financial liabilities		(237.5)	(1,231.8)
Foreign exchange movements		3.4	(4.0)
Other non-cash movements		(0.1)	0.2
Movement in net debt in year		124.3	(650.1)
Net debt at beginning of year		(1,269.1)	(619.0)
Net debt at end of year	33	(1,144.8)	(1,269.1)

Management considers that adjusted cash flow is an appropriate measure for assessing the Group cash flow as it is the measure that is used to assess both Group and divisional cash performance against budgets and forecasts. Adjusted cash flow is stated prior to cash flows in relation to debt excluding leases.

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

Notes to the consolidated financial statements

1 General information

FirstGroup plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 395 King Street, Aberdeen, Scotland, United Kingdom AB24 5RP. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 4 to 102.

These financial statements are presented in pounds sterling. Foreign operations are included in accordance with the accounting policies set out in note 2.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006, in addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006.

The consolidated financial statements of FirstGroup plc comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with IFRSs as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. There were no unendorsed standards effective for the period ended 30 March 2024 affecting these consolidated and separate financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on a going concern basis as described in the going concern statement within the Strategic report on page 96.

As set out on page 85, the Group has undertaken detailed reviews of a range of severe but plausible financial and operational scenarios using financial outlook modelling. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the Group is exposed, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for at least a 12-month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements for the 53 weeks ended 30 March 2024 include the results and financial position of the First Rail businesses for the year ended 31 March 2024 and the results and financial position of all the other businesses for the 53 weeks ended 30 March 2024. The financial statements for the 52 weeks ended 25 March 2023 include the results and financial position of the First Rail businesses for the year ended 31 March 2023 and the results and financial position of all the other businesses for the 52 weeks ended 25 March 2023.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns.

Non-controlling interests in subsidiaries are identified separately from the Group's equity interest therein. The present ownership interests of non-controlling shareholders entitle their holders to a proportionate share of net assets upon liquidation, and may initially be measured at fair value, or at the non-controlling interests' proportionate share of their fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisitions method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Assets and disposal groups held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Goodwill and intangible assets

Goodwill arising on consolidation is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) which are tested for impairment annually, or more frequently where there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated to the goodwill of the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software. Software is amortised on a straight-line basis over its useful economic life (three to five years).

Revenue recognition

Under IFRS 15 revenue is recognised when control of a good or service transfers to the customer. The point at which goods and services are transferred to the customer is based on the fulfilment of performance obligations.

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

Revenue principally comprises revenue from train passenger services, road passenger transport, and certain management and maintenance services in the UK. Where appropriate, amounts are shown net of rebates and sales taxes. An explanation of the types of revenue is set out below.

Note that revenues include contractual and direct fiscal support including post-pandemic recovery funding. This is covered in more detail further on in this note.

Passenger revenues

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

Contract revenues

Contract revenues mainly relate to tenders in First Bus. Revenues are recognised as the services are provided over the length of the contract and based on a transaction price which is defined in the terms of the contract.

Rail contract subsidy receipts

Revenue in the First Rail businesses includes subsidy receipts from the Department for Transport (DfT) for National Rail Contracts (NRCs), Emergency Recovery Measures Agreements (ERMAs), and for FY 2023 Emergency Measures Agreements (EMAs), with amounts receivable under these arrangements including certain funded operational projects. Revenue also includes amounts attributable to the Train Operating Companies (TOCs), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts. Revenue is recognised over time as the performance obligations are met as agreed between the individual TOCs and the DfT.

Other revenues

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

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Contractual and direct fiscal support

The principal direct fiscal support recognised during the year comprised £383.5m (2023: £848.8m) of EMA/ERMA/NRC funding in the First Rail businesses, and £25.0m (2023: £76.3m) of funding and concessions (including the £2 fare cap in England) in First Bus. These are recognised within revenue in accordance with IFRS 15 when control of the good or service is transferred to the customer and the Group is entitled to the consideration.

In the legacy North America business (discontinued operations), there were £nil (2022: £10.7m) of CARES Act employee retention credits accounted for through operating costs. These amounts were recognised as an offset to the related costs when conditions were met and expenses were incurred.

The main direct fiscal support recognised in revenue over time for each division has been as follows:

First Bus

The English, Scottish and Welsh Governments have each supported bus operators, through a variety of funding schemes since March 2020. In England, the BRG scheme, which provided funding from September 2021 to June 2023, has been replaced by a new scheme, BSOG+ from July 2023, under which funding is provided through enhanced BSOG rates per litre and an additional payment per km operated for eligible miles. In addition to this the DfT implemented a £2 cap on all single fares across the country in January 2023 and are currently reimbursing operators for any revenue foregone as a result of the reduced ticket prices, with the scheme now running until at least December 2024. In Scotland, the NSG+ scheme which ran throughout FY23 has ended with the only remaining funding being provided by the NSG scheme which essentially replaces BSOG. In Wales the BES scheme which funded operators to a pre-agreed margin in order to allow them to maintain the network ended in July 2023 and has been replaced by the Bus Transition Fund (BTF) which operated in an almost identical manner and ended in March 2024 with the Welsh Government now providing funding through tendering non-commercially viable routes.

The extent to which certain costs are eligible for inclusion in claiming bus support grant income and how certain costs should be determined for the purposes of the schemes remains subject to reconciliation processes. Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

First Rail

The Emergency Measures Agreements (EMAs), the Emergency Recovery Measures Agreement (ERMAs) and the National Rail Contracts (NRCs) transferred substantially all revenue and substantially all cost risk to the government and for the current and prior periods our First Rail contracts were operated under the terms of these arrangements:

- EMA in respect of GWR up to 26 June 2022, whereupon GWR transitioned to a new, three-year NRC with an option for the DfT to extend by a further three years to June 2028.
- ERMA in respect of WCP/Avanti up to 16 October 2022, whereupon the existing arrangement was extended by a further six months by the DfT to March 2023. That arrangement was again extended to 15 October 2023, and in September, a new NRC was awarded for a nine-year period, with a minimum core three-year term to 18 October 2026.
- NRCs for SWR throughout both periods.
- On 11 May 2023, the DfT confirmed that it would not exercise its option to extend FirstGroup's TransPennine Express (TPE) NRC and the contract expired on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.

Under the arrangements, our franchised TOCs are paid a fixed management fee to continue to operate the rail network at a service level agreed with the government. Performance based fees are earned through a combination of scorecards and quantified target methodologies benchmarked off this agreed service level. Net DfT funding including the management and performance fee is recognised as revenue in Rail contracts subsidy receipts, in line with the revenue recognition policy for contract subsidy receipts from the DfT.

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

Leasing

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 identified asset for a period of time in exchange for consideration.

Right of use asset

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

The right of use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or current contract terms for rail TOCs. In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease, are also included. The payments are discounted at the incremental borrowing rate since the rates implicit in the leases are not readily available.

The lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is remeasured 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.

Lease incentives

The Group assesses reimbursements from lessors, to establish whether these represent lease incentives. Where a lease incentive is identified, the income is spread over the term of the related lease.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to selected leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option and where it is not reasonably certain that the lease term will be extended. It also applies the low-value assets recognition exemption to leases of assets of low value based on the value of the asset when it is new, regardless of the age of the asset being leased. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

On the balance sheet, right of use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised within other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised within other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the Group holds currency swaps and borrowings in foreign currencies (see note 25 for details of the Group's policies in respect of foreign exchange risks).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the closing exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the average exchange rates used and the period end rate, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items is significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions, and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case-by-case basis. Such potential adjusting other items may include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; pension settlement gains or losses; and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance. Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs.

Management considers that this overall basis supports year-on-year business performance comparisons, to underpin planning and decision making on resource allocation. The Group does not consider the non-GAAP measures to be more important than, or superior to, IFRS measures. See note 4 for the reconciliation to non-GAAP measures and performance.

Notes to the consolidated financial statements continued**2 Significant accounting policies continued****Retirement benefit costs**

The Group operates or participates in a number of pension schemes, which include both defined benefit schemes and defined contribution schemes.

Payments to defined contribution plans are charged as an expense as they fall due. There is no further obligation to pay contributions into a defined contribution plan once the contributions specified in the plan rules have been paid.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial updates being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the consolidated statement of other comprehensive income.

All past service costs are recognised immediately in the consolidated income statement.

Where changes to the benefits in payment on defined benefit pension schemes require a change in scheme rules or ratification by the Trustees, the change is recognised as a past service charge or credit in the income statement. Where changes in assumptions can be made without changing the Trustee agreement, these are recognised as a change in assumptions in other comprehensive income.

The retirement benefit position recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any residual asset resulting from this calculation is limited to refunds economically available to the Company, in the form of either a public sector payment or the present value of future service costs recognised via suspension of cash contributions.

Various TOCs in the First Rail business participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the contract is held. The full liability is recognised on the balance sheet, which is then reduced by a 'contract adjustment' so that the net liability reflects the Group's obligations to fund the scheme over the contract term, subject to any changes in the schedule of contributions following a statutory valuation.

Retirement benefits are also covered in the Key sources of estimation uncertainty section of note 2 below.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and includes an estimate of the tax which could be payable as a result of differing interpretation of tax laws.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised and is based on the estimated tax consequences of items that are subject to differing interpretations of tax laws. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with within other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group follows IFRIC 23 Uncertainty over Income Tax Treatments. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a Group, and

- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Property, plant and equipment

Properties for provision of services or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Passenger carrying vehicles and other plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than freehold land, the land element of long leasehold properties or on assets in the course of construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	50 years straight-line
Passenger carrying vehicles	seven to 17 years straight-line
Other plant and equipment	three to 25 years straight-line

Assets specific to Train Operating Companies are depreciated over the lesser of their estimated useful lives or the rail contract term.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Capital grants

Capital grants relating to property, plant and equipment are held in other payables and released to the income statement over the expected useful lives of the assets concerned. Capital grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories of spare parts and consumables are stated at the lower of cost and net realisable value, after making appropriate allowances for obsolete and slow-moving items. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Where the purchase of inventory was the hedged item in a cash flow hedge relationship, the initial carrying amount of the recognised inventory is adjusted by the associated hedging gain or loss transferred from the hedging reserve (a basis adjustment). There are no material inventory allowances.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets can be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Financial assets are classified into one of three primary categories:

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement within finance costs. Transaction costs arising on initial recognition are expensed in the income statement.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Fair value through other comprehensive income

The Group does not have any financial assets held at fair value through other comprehensive income.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Financial liabilities

Bank borrowings

Interest-bearing bank loans and overdrafts are measured on an amortised cost basis.

Bonds and loan notes

These are measured either on an amortised cost basis or at fair value, if designated.

Trade payables

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks. Use of such financial instruments is governed by policies and delegated authorities approved by the Board. The Group does not hold or issue derivative financial instruments for trading purposes. The main derivative financial instruments used by the Group are interest rate swaps, fuel swaps, and cross currency interest rate swaps. Such instruments are initially recognised at fair value and subsequently remeasured to fair value at the reported balance sheet date. The fair values are calculated by reference to market exchange rates, interest rates and fuel prices at the period end, and supported by counterparty confirmations. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Group income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge, the nature of the risks being hedged and the economic relationship between the item being hedged and the hedging instrument.

Fair value hedging: The fair value change on qualifying hedging instruments is recognised in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Cash flow hedging: The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial item such as inventory, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included as a basis adjustment in the initial measurement of the cost of that item. This transfer does not affect other comprehensive income, however the hedging gains and losses that will subsequently be transferred as basis adjustments are categorised as amounts that may be reclassified subsequently to profit or loss, as such a reclassification may occur in the event that the hedged transaction is no longer expected to occur. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Net investment hedging: Derivative financial instruments are classified as net investment hedges when they hedge the Group's net investment in an overseas operation. The effective element of any foreign exchange gain or loss from remeasuring the derivative instrument is recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Any ineffective element is recognised immediately in the Group income statement. Gains and losses accumulated in the foreign currency translation reserve are included in the Group income statement on the disposal or partial disposal of the foreign operation.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Self-insurance

The Group's policy is to self-insure high-frequency, low-value claims within the businesses. In addition there are typically a smaller number of major claims during a financial year for which cover is obtained through third party insurance policies subject to an insurance deductible. Where the Group holds legacy self-insurance exposures related to disposed businesses, insurance and re-insurance policies have been purchased to de-risk this exposure. Provision is made under IAS 37 Provisions, Contingent Liabilities and Contingent Assets for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date. The provision is discounted to appropriately reflect the timing of future cash claims settlements. Self-insurance is also covered in the Key sources of estimation uncertainty section of note 2 below.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest and is adjusted for the effects of non-market-based vesting conditions.

Fair value is measured by use of a Black-Scholes or other appropriate valuation models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Joint operations

Where the Group assesses a joint arrangement to be a joint operation, it recognises its direct right to the assets, liabilities, revenue and expenses of the joint operation, and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Adoption of new and revised standards

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

The following amended standards and interpretations were adopted by the Group during the year:

- IFRS 17 Insurance contracts
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12 – deferred tax relating to assets and liabilities arising from a single transaction
- Amendment to IAS 12 – international tax reform, which grants a temporary exemption from applying IAS 12 to the International Tax Reform: Pillar Two Model Rules

There has been no material change as a result of applying these amendments and no significant impact is expected from any of the future standards and amendments that are visible.

Key sources of estimation uncertainty and significant judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical estimates and judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets in CGUs

The key sources of estimation uncertainty in relation to the potential risk of impairment of assets in CGUs relate to the cash flow forecasts including significant judgements in deciding what assumptions to make regarding the future financial performance of the CGU in a post-pandemic environment, the ongoing macroeconomic uncertainty, and the Group's future climate-related targets and ambitions. This is covered in more detail in note 11.

Defined benefit pension arrangements

Railway Pension Scheme

As at the balance sheet date, the Group sponsors five sections of the Railway Pension Scheme (RPS), relating to its obligations for its contracted TOCs, and a further section for Hull Trains, its Open Access operator. The RPS is a defined benefit pension scheme which covers the whole of the UK rail industry. The RPS is partitioned into sections and, for the sections that relate to contracts, the Group is responsible for the funding of these sections only while it operates the relevant contract. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement, and for the contracted TOCs, those amounts are then reimbursed to the TOCs as part of the overall allowable contracted operating expenses. Management of the RPS is not the responsibility of the Group, nor is it able to benefit from any future surplus, or liable for any deficit, of those funds.

At the end of the contract term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next contractor. At each balance sheet date a contract adjustment is recognised against the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next contractor.

The Directors view this arrangement as analogous to the circumstances described in paragraphs 92-94 of IAS 19 (Revised) with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by another party and hence none of that deficit is attributable to the current contractor. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in future, which is recognised as an adjustment to service cost in the income statement. Under circumstances where contributions are renegotiated, such as following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through other comprehensive income.

The Directors consider this judgement to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the contract commitment is only to pay contributions during the period in which we run the contract.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Actuarial assumptions

The UK schemes' retirement benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. Another key estimate is the longevity of members. We take specialist advice on this from our actuarial advisers which aims to consider the likely experience taking into account each scheme's characteristics. Our approach is to review these assumptions for each scheme following completion of their funding valuations, and more frequently only if appropriate to do so. Given pay increases for employees in the rail division are under negotiation, the gross figures for the contract rail pensions disclosures may be under- or overstated, but there will be nil impact on the balance sheet as a result of the contract adjustment.

The Pension Regulator (TPR) has been in discussions with the RPS (the Scheme) regarding the long-term funding strategy of the Scheme. Whilst TPR believes that the Scheme should be funded on a more prudent basis, it is not possible at this stage to determine the impact to ongoing contribution requirements.

The carrying amount of the Group's continuing retirement benefit arrangements at 30 March 2024 was a liability of £(25.3)m (2023: asset of £27.8m). Further details and sensitivities are set out in note 37.

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided (including the Incurred But Not Reported (IBNR) element) is adjusted as required. Given the diversity of claim types, their size, the range of possible outcomes and the time involved in settling these claims, a material change could be required to the carrying value of claims provisions in the next financial year. These factors also make it impractical to provide sensitivity analysis on one single measure and its potential impact on overall insurance provisions. The Group's total self-insurance provisions as at the balance sheet date were £100.2m (2023: £129.9m) as set out in note 27. Of this £55.7m relates to North America of which £50.8m is de-risked with insurance, leaving £4.9m where the actuarial range is £4.7m to £5.3m (2023: £5.8m and actuarial range £5.1m to £5.8m). A receivable matching the value of the de-risked provision of £50.8m is recorded within Other receivables to account for the recovery from the third party insurer.

Determining the incremental borrowing rate used to measure lease liabilities

The Group is required to determine its incremental borrowing rate (IBR) to measure its lease liabilities. Judgement is required to determine the components of the IBR used for each lease, including risk-free rates, credit risk and any lease-specific adjustments.

IBRs applied to new (or modified) leases are determined quarterly or at the time of a new franchise. They depend on the term, country and start and end date of the lease. They are estimated based on several factors which include the risk-free rate based on government bond rates, a country-specific adjustment and a credit risk adjustment based on the average credit spread of entities with similar ratings to the Group.

Determining lease expiry dates

In assessing the lease term, the Group is required to make judgements around the current contract terms for its rail TOCs, and when the contracts are considered likely to expire. The contracts typically have an initial core term and a full term, whereby the DfT determines whether the contract continues beyond its core term, and so judgement is required in assessing which expiry date is appropriate to use for lease terms for each rail contract. If there were to be a change in the judgement regarding lease expiry dates, this would result in a remeasurement of the right of use asset and lease liabilities.

Climate change

In the preparation of the Group's consolidated financial statements, management has considered the potential impact of climate change, particularly in the context of the disclosures included in the Strategic report (including the Task Force for Climate-related Disclosures), and the Group's own climate-related ambitions and targets, including its stated Sustainability strategic pillar. This includes an assessment of how the Group's accounting estimates and judgements are impacted by the Group's pathway to achieving its stated ambitions and targets and delivering on its Sustainability strategic pillar, as well as by climate-related risks and opportunities for the Group.

Actions required to drive the Group's climate-related ambitions and targets and to deliver on its Sustainability strategic pillar, including their financial impacts, are factored into the longer-term business planning cycles of the Group. The following areas of estimation have been considered as part of these planning cycles, in addition to those detailed in the Key sources of estimation uncertainty section. Management do not believe that these areas will have a material impact on financial reporting estimates and judgements in the next year. Owing to the inherent medium/longer-term uncertainty with regard to climate-related risks and opportunities, it is not currently possible to assess whether in the future, these areas of estimation and judgement may have a more material impact on carrying values of assets and liabilities. Management will continue to regularly assess climate-related risks in the context of the estimates and judgements made in the preparation of the Group's financial statements.

Going concern and viability

There may be a risk of increased future costs and capital investment requirements to ensure compliance with environmental regulatory requirements (for example carbon taxes/charges, or other emissions-related restrictions), and to achieve the Group's stated sustainability targets and ambitions. However, the Group believes that there is likely to be an increasing modal shift towards public transport, as awareness grows among customers of climate-related issues, and with governmental support for transport decarbonisation, which could create new opportunities for the Group.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Carrying value of non-current assets

Environmental regulatory requirements, in parallel with the Group's climate-related targets and ambitions, may further accelerate the transition to electrification of vehicle fleets. Transitional risks relating to the evolution of climate-related technologies may alter the expected obsolescence profile of existing vehicle fleets. These factors may impact the Group's estimates of the useful lives of existing assets, their residual values, and the risk of asset impairment. The Group monitors closely the accounting estimates in relation to its vehicle fleets to ensure they remain reasonable.

Provisions

Climate-related legislative and regulatory changes may, in future, require the Group to assess whether environmental provisions are necessary, for example the potential introduction of carbon taxes/charges. In parallel with the work towards achieving its climate-related ambitions and targets, the Group tracks such legislative changes to ensure the impact on the business is well understood and managed effectively.

Other areas of the financial statements which may also be impacted by climate-related risks and opportunities include:

- Share-based payments – certain of the Group's share-based payments arrangements include a sustainability target (see note 36), and the Group's ability to meet these targets may impact the amount or timing of any share-based payments.
- Deferred tax assets – recoverability of deferred tax assets is dependent on future profitability, which may be impacted by climate-related factors.
- Borrowing facilities – during the year, the Group has entered into innovative funding arrangements for the future purchase of both electric bus batteries and electric bus bodies (chassis and drivetrain). The timing of the utilisation of these facilities to support the Group's decarbonisation and sustainability targets may impact levels of borrowing and finance costs for the Group.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2025 and evaluated whether it was appropriate to prepare the full year results on a going concern basis. In doing so, the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

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

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of macroeconomic considerations on the operating environment, assumptions on passenger volumes and government support, as well as the impact of actions required to address the Group's climate-related targets and ambitions, and having regard to the risks and uncertainties to which the Group is exposed.

Base case scenario

The Board considered the annual budget to 31 March 2025 and medium-term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2024 year end. These projections were the subject of a series of executive management reviews and were used to establish the base case scenario that was used for the purposes of the going concern assessment. The base case assumes a continuing recovery in passenger volumes and yields in FY 2025, with some offset from a reduction in direct government funding. The Rail base case also reflects the expiry in May 2025 of the South Western Railway contract and the uncertainty regarding its renewal. The macro projections in the updated base case assume that the UK operates in a low-growth, cautiously recovering economy. The annual budget and medium-term plan also capture the expected financial impact of the actions required to support the Group's climate-related targets and ambitions.

Downside scenario

In addition, a downside case was also modelled which assumes a more adverse macroeconomic recovery profile. In First Bus the downside case assumes a reduction in passenger volumes driving a 25% reduction in Bus profitability, as well as the impact of other unexpected cost inflation. In First Rail, the downside case assumes TOC performance fee awards at 50% of expected levels, potential expiry of the GWR NRC at the end of its core period, and volume and revenue reductions in Hull Trains and Lumo driving a 25% reduction in Open Access profitability. The downside scenario also considers potential impacts of a significant climate-related event or unbudgeted decarbonisation costs, as well as the risk of one-off safety, regulatory non-compliance or technology incidents.

Mitigating actions

If the performance of the Group were to be more adversely impacted than assumed in the base case or downside case scenarios, the Group would reduce and defer planned growth capital expenditure and further reduce costs in line with a lower-volume operating environment to the extent that the essential services we operate in First Bus are not required to be run for the governments and communities we support.

Going concern statement

Based on the review of the financial forecasts for the period to September 2025 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved, including compliance with banking covenants under both the base case and downside scenarios. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Notes to the consolidated financial statements continued

3 Revenue

	2024 £m	2023 £m
Services rendered	3,952.1	3,483.0
First Rail contract subsidy receipts	456.8	893.0
Other revenues	306.2	379.0
Revenue from continuing operations	4,715.1	4,755.0
Discontinued operations	–	4.0
Revenue	4,715.1	4,759.0

Disaggregated revenue by operating segment is set out in note 5.

Other revenues principally represent funding mechanisms in First Bus and the First Rail businesses.

4 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons, and to enable the like-for-like monitoring of the Group's recurring operations over time. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items is significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions, and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case-by-case basis. Such potential adjusting other items may include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; pension settlement gains or losses; and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance. Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs.

	2024 £m	2023 £m
Reconciliation of operating profit to adjusted operating profit on a continuing basis		
Operating profit on a continuing basis	46.5	153.9
Adjustments for:		
LGPS pension settlement and related charges	146.9	–
Legal claims in North America and the UK	10.5	–
First Bus divisional restructuring costs	–	7.0
Strategic items	–	(1.4)
Greyhound Canada	0.4	1.5
Total operating profit adjustments on a continuing basis	157.8	7.1
Adjusted operating profit on a continuing basis (note 5)	204.3	161.0

	2024 £m	2023 £m
Reconciliation of operating profit/(loss) to adjusted operating profit on a discontinued basis		
Operating (loss)/profit from discontinued operations	(5.3)	31.3
Adjustments for:		
Transit earnout charge	2.3	33.8
Retirement benefit restructuring charges	1.1	–
Gain on disposal of Greyhound properties	–	(71.4)
Strategy costs	–	(0.3)
Total operating profit adjustments from discontinued operations	3.4	(37.9)
Adjusted operating loss from discontinued operations	(1.9)	(6.6)

	2024 £m	2023 £m
Reconciliation of profit/(loss) before tax to adjusted profit before tax and adjusted earnings		
(Loss)/profit before tax (including discontinued operations)	(24.4)	128.7
Adjusting operating profit items – continuing operations	157.8	7.1
Adjusting operating profit items – discontinued operations	3.4	(37.9)
Adjusted operating profit items – total operations	161.2	(30.8)
Adjusted profit before tax including discontinued operations	136.8	97.9
Rail management fee-based operations – IFRS 16 adjustment	10.2	6.9
Adjusted tax charge	(32.1)	(20.7)
Non-controlling interests ¹	(6.5)	(5.1)
Adjusted earnings including discontinued operations	108.4	79.0

1 Statutory non-controlling interests in 2024 and 2023 principally reflect Avanti West Coast and South Western Railway.

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

	2024 £m	2023 £m
Reconciliation of tax charge to adjusted tax charge		
Tax (credit)/charge (note 9)	(15.0)	33.4
Tax effect of adjusting items (note 10)	42.5	(12.7)
Adjustments attributable to changes in tax rates and laws	–	1.4
Write-back of previously unrecognised deferred tax assets (note 9)	5.3	–
Write-down of previously recognised deferred tax assets (note 9)	(0.7)	(1.4)
Adjusted tax charge (including discontinued)	32.1	22.4
Adjusted tax charge – continuing operations	32.0	22.1
Adjusted tax charge – discontinued operations	0.1	0.3

The Group has revised its definition of adjusted earnings during the year, to exclude also the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

Adjusting items – 2024

The principal adjusting items in the year for the continuing business are as follows:

First Bus pension settlement charge and related items

In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Schemes and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £146.9m relating to the settlement charge and other costs relating to the termination were recognised during the period. A gain of £161.0m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Legal claims in North America and the UK

The Group has recognised legal provisions relating to claims in North America and the UK.

Adjusting items – discontinued operations

First Transit earnout

The final valuation of the First Transit earnout contingent consideration receivable was agreed and settled during the year, with the Group receiving cash of \$83.8m (£65.3m). The Group incurred an adjusting charge of £2.3m, reflecting the hedging of the cash receipt, translation of the US dollar asset into pounds sterling before settlement, offsetting the small write-off of the residual asset on settlement.

Adjusting items – 2023

The principal adjusting items in the prior year were as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Strategic items

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives following the exit from North America, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £(1.5)m relating to the continued winding down of Greyhound Canada operations were incurred during the year.

Adjusting items – discontinued operations

First Transit earnout

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., the Group now estimates its earnout consideration to be around \$88.5m (£72.3m) based on the information received on the sale by EQT. This gave rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

Gain on disposal of properties

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

Notes to the consolidated financial statements continued**4 Reconciliation to non-GAAP measures and performance continued**

	2024 £m	2023 £m
First Bus EBITDA comprises:		
Pre-IFRS 16 EBITDA	132.5	105.0
IFRS 16 adjustments ¹	15.6	15.9
First Bus adjusted EBITDA per segmental results table (note 5)	148.1	120.9
First Rail EBITDA comprises:		
Non-management fees-based TOCs pre-IFRS 16 EBITDA	37.6	32.5
Group's share of management fee income available for dividends (net of tax and non-controlling interest)	39.5	38.7
Tax on management fee income	15.0	10.2
Non-controlling interest	6.5	5.1
IFRS 16 adjustments ¹	521.9	574.5
First Rail adjusted EBITDA per segmental results table (note 5)	620.5	661.0
Group items EBITDA comprises:		
Pre-IFRS 16 EBITDA	(21.8)	(21.2)
IFRS 16 adjustments ¹	1.9	1.7
Group items adjusted EBITDA per segmental results table (note 5)	(19.9)	(19.5)
First Rail adjusted operating profit comprises:		
Non-management fees-based TOCs	36.4	31.5
Group's share of management fee income available for dividends (net of tax and non-controlling interest)	39.5	38.7
Tax on management fee income	15.0	10.2
Non-controlling interest	6.5	5.1
IFRS 16 adjustments ¹	45.9	39.3
First Rail adjusted operating profit per segmental results table (note 5)	143.3	124.8
Reconciliation of pre-IFRS 16 adjusted EBIT to post-IFRS 16 adjusted EBIT		
Pre-IFRS 16 adjusted EBIT	156.6	119.1
IFRS 16 adjustments ¹	47.7	41.9
Post-IFRS 16 adjusted EBIT	204.3	161.0

¹ IFRS 16 adjustments to EBITDA principally reflect the add back of operating lease rental costs charged to the income statement before the adoption of IFRS 16. IFRS 16 adjustments to operating profit reflect operating lease rental costs less depreciation charges on right of use assets.

Notes to the consolidated financial statements continued

5 Business segments and geographical information

For management purposes, the Group is organised into three operating divisions – First Bus, First Rail and Greyhound.

The divisions are managed separately in line with the differing services that they provide and the geographical markets in which they operate. There is a clear distinction between each division and no judgement is required to identify each reportable segment. With regard to prior year comparative data, the properties related to the retained Greyhound US business were classified as held for sale and treated as discontinued up to their disposal in December 2022. Greyhound Canada was retained and was categorised as a Continuing Operation, although trading operations have ceased.

The segment results for the 53 weeks ended 30 March 2024 are as follows:

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Passenger revenue	769.1	3,030.1	–	–	3,799.2	–	–	3,799.2
Contract revenue	188.4	–	–	(35.5)	152.9	–	–	152.9
Rail contract subsidy receipts	–	456.8	–	–	456.8	–	–	456.8
Other revenues	54.7	251.5	–	–	306.2	–	–	306.2
Revenue	1,012.2	3,738.4	–	(35.5)	4,715.1	–	–	4,715.1
EBITDA²	148.1	620.5	–	(20.0)	748.6	(1.8)	–	746.8
Depreciation	(73.9)	(513.8)	–	(2.0)	(589.7)	(0.1)	–	(589.8)
Software amortisation	(1.0)	(1.7)	–	(0.6)	(3.3)	–	–	(3.3)
Capital grant amortisation	10.4	38.3	–	–	48.7	–	–	48.7
Segment results	83.6	143.3	–	(22.6)	204.3	(1.9)	–	202.4
Other adjustments (note 4)	(146.9)	–	(0.4)	(10.5)	(157.8)	(1.1)	(2.3)	(161.2)
Operating profit/(loss)³	(63.3)	143.3	(0.4)	(33.1)	46.5	(3.0)	(2.3)	-41.2
Investment income	1.7	1.6	–	13.4	16.7	0.1	–	16.8
Finance costs	(4.2)	(61.5)	–	(16.3)	(82.0)	(0.4)	–	(82.4)
Profit/(loss) before tax	(65.8)	83.4	(0.4)	(36.0)	(18.8)	(3.3)	(2.3)	(24.4)
Tax								15.0
Loss after tax								(9.4)

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Capital additions	200.8	45.5	–	0.3	246.6	–	–	246.6

Capital additions comprises intangible asset additions and acquisitions (note 12) and property, plant and equipment acquisitions, additions and transfers from right of use assets (note 13).

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
Balance sheet ¹			
Greyhound retained	54.2	(78.9)	(24.7)
First Bus	895.5	(315.3)	580.2
First Rail	2,164.1	(994.9)	1,169.2
	3,113.8	(1,389.1)	1,724.7
Group items	152.5	(91.8)	60.7
Borrowings and cash	496.5	(1,644.8)	(1,148.3)
Taxation	44.0	(40.0)	4.0
Total	3,806.8	(3,165.7)	641.1
Greyhound (held for sale)	0.6	–	0.6
Total	3,807.4	(3,165.7)	641.7

1 Group items comprise central management and other items.

2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.

3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

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

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

The segment results for the 52 weeks ended 25 March 2023 were as follows:

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Passenger revenue	660.0	2,713.8	–	–	3,373.8	–	–	3,373.8
Contract revenue	149.9	–	–	(40.7)	109.2	–	–	109.2
Rail contract subsidy receipts	–	893.0	–	–	893.0	–	–	893.0
Other revenues	92.6	286.4	–	–	379.0	4.0	–	383.0
Revenue	902.5	3,893.2	–	(40.7)	4,755.0	4.0	–	4,759.0
EBITDA²	120.9	661.0	–	(19.5)	762.4	(6.6)	–	755.8
Depreciation	(68.6)	(651.2)	–	(2.1)	(721.9)	–	–	(721.9)
Software amortisation	(1.7)	(6.3)	–	(0.6)	(8.6)	–	–	(8.6)
Capital grant amortisation	7.8	121.3	–	–	129.1	–	–	129.1
Segment results	58.4	124.8	–	(22.2)	161.0	(6.6)	–	154.4
Other adjustments (note 4)	(7.0)	–	(1.5)	1.4	(7.1)	71.7	(33.8)	30.8
Operating profit/(loss)³	51.4	124.8	(1.5)	(20.8)	153.9	65.1	(33.8)	185.2
Investment income	–	2.0	–	10.3	12.3	0.5	–	12.8
Finance costs	(2.5)	(49.4)	–	(17.2)	(69.1)	(0.2)	–	(69.3)
Profit before tax	48.9	77.4	(1.5)	(27.7)	97.1	65.4	(33.8)	128.7
Tax								(33.4)
Profit after tax								95.3

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items/ eliminations ¹ £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	Total £m
Capital additions	150.1	56.7	–	1.1	207.9	–	–	207.9

Capital additions comprises intangible asset additions and acquisitions (note 12) and property, plant and equipment acquisitions, additions and transfers from right of use assets (note 13).

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
Balance sheet¹			
Greyhound retained	79.8	(101.6)	(21.8)
First Bus	775.5	(263.6)	511.9
First Rail	2,460.4	(1,092.1)	1,368.3
	3,315.7	(1,457.3)	1,858.4
Group items	251.5	(89.4)	162.1
Borrowings and cash	791.4	(2,067.0)	(1,275.6)
Taxation	47.0	(41.7)	5.3
Total	4,405.6	(3,655.4)	750.2
Greyhound (held for sale)	0.6	–	0.6
Total	4,406.2	(3,655.4)	750.8

¹ Group items comprise central management and other items.

² EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.

³ Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

⁴ Segment assets and liabilities are determined by identifying the assets and liabilities that relate to the business of each segment but excluding intercompany balances, net debt and taxation.

Geographical information

The Group's operations are located predominantly in the United Kingdom, with the prior year also including residual United States of America and Canada segment assets. The following table provides an analysis of the Group's revenue by geographical market:

Revenue	2024 £m	2023 £m
United Kingdom/Republic of Ireland	4,715.1	4,755.0
Total continuing operations	4,715.1	4,755.0
United States of America – discontinued operations	–	4.0
Total discontinued operations	–	4.0
Total revenue	4,715.1	4,759.0

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

The following is an analysis of non-current assets excluding financial instruments, deferred tax and pensions, the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Non-current assets excluding financial instruments deferred tax and pensions		Additions to property, plant and equipment and intangible assets		Carrying amount of segment total assets	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
United Kingdom/Republic of Ireland	2,376.4	2,557.6	246.6	207.9	3,708.6	4,278.8
Canada – continuing operations	–	–	–	–	1.1	0.7
Unallocated corporate items	–	–	–	–	44.0	47.0
Total – continuing operations	2,376.4	2,557.6	246.6	207.9	3,753.7	4,326.5
United States of America – discontinued operations	2.6	2.6	–	–	53.7	79.7
Total – discontinued operations	2.6	2.6	–	–	53.7	79.7
	2,379.0	2,560.2	246.6	207.9	3,807.4	4,406.2

Notes to the consolidated financial statements continued

6 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2024 £m	2023 £m
Depreciation – owned assets	98.6	171.4
Depreciation – right of use assets	491.1	550.5
Operating commitments	496.6	516.2
Other intangible asset amortisation charges	3.3	8.6
Capital grant amortisation	(48.7)	(129.1)
Cost of inventories recognised as an expense	261.4	268.1
Employee costs (note 7)	1,572.0	1,517.9
Gain on disposal of property, plant and equipment	(5.7)	(0.7)
Impairment charges	3.8	13.6
Reversal of impairment	–	(4.3)
Auditor's remuneration (see below)	3.4	3.4
Rail franchise payments	1.1	3.4
LGPS pension settlement and related charges	146.9	–
Foreign exchange	2.8	(0.4)
Other operating costs ¹	1,642.0	1,682.5
Operating costs – continuing operations	4,668.6	4,601.1
Operating costs/(income) – discontinued operations²	5.3	(27.3)
Operating costs – continuing and discontinued operations	4,673.9	4,573.8

¹ Other operating costs includes £46.4m (2023: £32.6m) received or receivable from government bodies in respect of bus service operator grants and fuel duty rebates.

² Discontinued operations' operating income in 2023 consisted primarily of the Greyhound US property gains on disposal (£71.4m), partly offset by the First Transit earnout charge (£33.8m). See note 4 for more details.

Amounts payable to PricewaterhouseCoopers LLP and its associates by the Company and its subsidiary undertakings for continuing and discontinued operations in respect of audit and non-audit services are shown below:

	2024 £m	2023 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	3.0	3.0
Total audit fees	3.2	3.2
Audit-related assurance services	0.1	0.1
Other non-audit services	0.1	0.1
Total non-audit fees	0.2	0.2

Fees payable to PricewaterhouseCoopers LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance report on page 122. No services were provided pursuant to contingent fee arrangements.

Non-audit services principally reflect the review of the half yearly financial information and other regulatory reporting.

Notes to the consolidated financial statements continued

7 Employee costs

The average monthly number of employees including discontinued operations (including Executive Directors) was:

	2024 Number	2023 Number
Operational	25,913	26,708
Administration	3,426	3,275
	29,339	29,983
Less – discontinued operations	–	–
	29,339	29,983

The aggregate remuneration including discontinued operations (including Executive Directors) comprised:

	2024 £m	2023 £m
Wages and salaries	1,354.9	1,296.8
Social security costs	136.0	137.1
Pension costs (note 37)	81.1	86.4
	1,572.0	1,520.3
Less – discontinued operations	–	(2.4)
	1,572.0	1,517.9

Wages and salaries include a charge in respect of share-based payments of £15.6m (2023: £6.4m).

Disclosures on Directors' remuneration, share options, long-term incentive schemes and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Conduct Authority (FCA) are contained in the tables/notes within the Annual report on remuneration on pages 130 to 143. Directors' emoluments in aggregate were £5.0m (2023: £5.1m).

8 Investment income and finance costs

The average monthly number of employees including discontinued operations (including Executive Directors) was:

	2024 £m	2023 £m
Investment income		
Bank interest receivable	(14.7)	(6.3)
Interest on pensions	(2.1)	(6.5)
Total investment income (including discontinued operations)	(16.8)	(12.8)
Finance costs		
Bonds	11.9	13.5
Bank interest and facility fees	5.8	3.5
Finance charges payable in respect of lease liabilities	62.1	50.6
Finance charges payable in respect of asset backed financial liabilities	1.4	1.5
Interest on long-term provisions	0.8	0.2
Interest on pensions	0.4	–
Total finance costs (including discontinued operations)	82.4	69.3

Finance costs are stated after charging fee expenses of £0.7m (2023: £0.6m). There was no interest capitalised into qualifying assets in either the current or prior period.

Investment income of £0.1m (2023: £0.5m) and finance costs of £0.4m (2023: £0.2m) relate to discontinued operations (note 21).

Notes to the consolidated financial statements continued**9 Tax on profit/(loss) on ordinary activities**

	2024 £m	2023 £m
Current tax charge	1.3	1.1
Adjustments with respect to prior years	(3.0)	1.7
Total current tax (credit)/charge (including discontinued operations)	(1.7)	2.8
Origination and reversal of temporary differences	(11.0)	40.9
Adjustment in respect of prior years	2.3	(10.3)
Adjustments attributable to changes in tax rates and laws	–	(1.4)
Writing down of previously recognised deferred tax assets	0.7	1.4
Write back of previously unrecognised deferred tax assets	(5.3)	–
Total deferred tax (credit)/charge (note 26)	(13.3)	30.6
Total tax (credit)/charge (including discontinued operations)	(15.0)	33.4
Tax (credit)/charge attributable to:		
Profit from continuing operations	(15.1)	10.4
Profit from discontinued operations	0.1	23.0

UK corporation tax is calculated at 25% (2023: 19%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred tax has been provided at 25% on temporary differences at the balance sheet date.

Notes to the consolidated financial statements continued

9 Tax on profit/(loss) on ordinary activities continued

As the Group's parent company is domiciled and listed in the UK, the Group uses the UK corporation tax rate to reconcile its effective tax rate. The tax charge for the year can be reconciled to the UK corporation tax rate as follows:

	2024 £m	2024 %	2023 £m	2023 %
(Loss)/profit from continuing operations before income tax expense	(18.8)	n/a	97.1	n/a
(Loss)/profit from discontinued operations before income tax expense	(5.6)	n/a	31.6	n/a
(Loss)/profit from total operations	(24.4)	100.0	128.7	100.0
Tax at the UK corporation tax rate of 25% (2022: 19%)	(6.1)	25.0	24.5	19.0
Non-deductible expenditure	0.7	(2.9)	7.6	5.9
Non-taxable income	(5.8)	23.8	–	–
Capital expenditure super deduction	–	–	(1.9)	(1.5)
Tax rates outside of the UK	0.5	(2.0)	6.7	5.2
Unrecognised losses	0.9	(3.7)	1.2	1.0
Other adjustments in relation to prior years	(0.6)	2.5	(8.6)	(6.7)
Writing-down of previously recognised deferred tax assets	0.7	(2.9)	1.4	1.1
Write-back of previously unrecognised deferred tax assets	(5.3)	21.7	–	–
Increased deferred tax rates on current year temporary differences	–	–	3.9	3.1
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(1.1)
Tax (credit)/charge and effective tax rate for the year	(15.0)	61.5	33.4	26.0

Future years' tax charges would be impacted if the final liability for currently open years is different from the amount currently provided for. The future tax charge may also be affected by the levels and mix of profits in the countries in which we operate including differing foreign exchange rates that apply to those profits. Changes to the prevailing tax rates and tax rules in any of the countries in which we operate may also impact future tax charges. There may be an impact, from 2025 onwards, of the UK's enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two). The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation for the 2025 financial year.

In addition to the amount charged/(credited) to the income statement, deferred tax relating to actuarial gains/(losses) on defined benefit pension schemes of £20.2m (2023: £(37.2)m) and cash flow hedges of £0.5m (2023: £1.3m) have been charged/(credited) to comprehensive income together with a further £(1.0)m (2023: £(7.8)m) on cash flow hedges and £0.3m (2023: £(0.9)m) on share-based payments taken directly to equity. These amount to a total charge/(credit) of £20.0m (2023: £(44.6)m) recognised in other comprehensive income and equity.

Notes to the consolidated financial statements continued

10 Earnings per share (EPS)

EPS is calculated by dividing the loss/profit attributable to equity shareholders of £(15.9)m (2023: profit of £87.1m) by the weighted average number of ordinary shares of 662.9m (2023: 739.5m). The number of ordinary shares used for the basic and diluted calculations is shown in the table below.

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

	2024 Number m	2023 Number m
Weighted average number of shares used in basic calculation	662.9	739.5
Executive share options	26.2	24.0
Weighted average number of shares used in the diluted calculation	689.1	763.5

The adjusted EPS is intended to highlight the recurring operating results of the Group before certain other adjustments as set out in note 4, and before IFRS 16 charges relating to the Group's management fee-based Rail operations. A reconciliation is set out below:

	2024		2023	
	£m	EPS (pence)	£m	EPS (pence)
Basic (loss)/profit/EPS	(15.9)	(2.4)	87.1	11.8
Management fee-based Rail operations – IFRS 16 adjustments	10.2	1.5	6.9	1.0
Other adjustments (note 4)	161.2	24.3	(30.8)	(4.2)
Non-controlling interest	–	–	3.1	0.4
Tax effect of Other adjustments	(42.5)	(6.4)	12.7	1.7
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(0.2)
Write down of previously recognised deferred tax assets	0.7	0.1	1.4	0.2
Write back of previously unrecognised deferred tax assets	(5.3)	(0.8)	–	–
Adjusted profit and EPS attributable to the ordinary equity holders of the Company	108.4	16.4	79.0	10.7
Adjusted (loss)/EPS from discontinued operations	(2.3)	(0.3)	(6.6)	(0.9)
Adjusted profit/EPS from continuing operations	110.7	16.7	85.6	11.6

	2024 pence	2023 pence
Diluted EPS	(2.4)	11.4
Adjusted diluted EPS	15.7	10.3

Notes to the consolidated financial statements continued

10 Earnings per share (EPS) continued

The adjusted EPS on a continuing basis is set out below:

	2024		2023	
	£m	EPS (pence)	£m	EPS (pence)
Basic (loss)/profit/EPS	(10.2)	(1.5)	78.5	10.6
Management fee-based Rail operations – IFRS 16 adjustments	10.2	1.5	6.9	1.0
Other adjustments (note 4)	157.8	23.7	7.1	1.0
Non-controlling interest	–	–	3.1	0.4
Tax effect of Other adjustments	(42.5)	(6.3)	(10.0)	(1.4)
Adjustments attributable to changes in tax rates and laws	–	–	(1.4)	(0.2)
Write-down of previously recognised deferred tax assets	0.7	0.1	–	–
Write back of previously unrecognised deferred tax assets	(5.3)	(0.8)	1.4	0.2
Adjusted profit/EPS from continuing operations	110.7	16.7	85.6	11.6
			2024 pence	2023 pence
Diluted EPS			(1.5)	10.3
Adjusted diluted EPS			16.1	11.2

Notes to the consolidated financial statements continued

11 Goodwill

	2024 £m
Cost	
At 26 March 2023	99.6
Additions ¹	11.4
At 30 March 2024	111.0
Accumulated impairment losses	
At 26 March 2023	–
At 30 March 2024	–
Carrying amount	
At 30 March 2024	111.0
At 26 March 2023	99.6

¹ Additions of £11.4m relate mainly to goodwill on the acquisition of York Pullman Bus Company Limited.

Goodwill in the above table primarily relates to First Bus.

Impairment testing

At the year end, the carrying value of goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets.

In carrying out this review, climate-related impacts were considered, in line with the TCFD disclosures. This work assessed FirstGroup's potential exposure to climate-related transition and physical risks, across different climate scenarios, over the short, medium and long term, and estimated cumulative Enterprise Value at Risk over the period FY 2025 to FY 2029.

Transition risks included potential impacts from increased carbon prices and route constraints due to new zero emission zones, as well as technology costs from an accelerated shift to a zero emission fleet and the impairment of carbon-intensive vehicles. Physical risks concentrated mainly on flooding as the most material impact. Key findings are outlined on pages 74 to 84 of this Report and focus on direct risks to FirstGroup.

For impairment calculations, the 2.5°C ('Stated Policy') scenario modelled by Marsh was used, which identified technology risks as 'medium impact' and flooding risks as 'low impact' over the next four years.

Full detailed impairment testing has been performed on a value in use basis on First Bus. The value of the Franchised TOC asset base is protected by the passthrough and termination arrangements of the respective EMA/ERMAs or NRCs, such that no impairment is expected to arise on these assets.

The Group prepares cash flow forecasts derived from the Board-approved plan for 2024/25 to 2026/27 which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from a market participant's weighted average cost of capital, benchmarked to externally available data.

Impairment testing – First Bus

First Bus value in use has been assessed based on the projected cash flows for 2024/25 to 2026/27 from the Board-approved forecasts. These have been extrapolated to perpetuity cash flows and discounted to a net present value based on the following assumptions.

First Bus has £412m of positive headroom at 30 March 2024 (25 March 2023: £496m) based on a 10.3% discount rate (2023: 10.0%) and 10.8% terminal margin (2023: 11.2%), which reflects the impact of expected future passenger volumes and yields, as well as planned resizing of the network.

Break-even would arise at:

- 15.1% discount rate (with a 10.8% terminal margin);
- 5.6% terminal margin (applying the cap to just the final year/terminal value) using a 10.3% discount rate; or
- 7.2% terminal margin throughout the forecast period and terminal margin (applying the cap in all years at 7.2%, not just in the terminal years) using a 10.3% discount rate.

As the break-even points lie outside management's range of reasonable expectation, no impairment of First Bus is proposed.

Notes to the consolidated financial statements continued

12 Other intangible assets

	Software £m	Total £m
Cost		
At 27 March 2022	32.0	32.0
Additions	4.2	4.2
Transfers from property, plant and equipment	3.6	3.6
At 25 March 2023	39.8	39.8
At 26 March 2023	39.8	39.8
Additions	2.4	2.4
Disposals	(5.2)	(5.2)
Transfers	4.0	4.0
At 30 March 2024	41.0	41.0
Accumulated amortisation and impairment		
At 27 March 2022	19.6	19.6
Charge for year	8.6	8.6
Transfers from property, plant and equipment	0.8	0.8
At 25 March 2023	29.0	29.0
At 26 March 2023	29.0	29.0
Charge for year	3.3	3.3
Disposals	(4.2)	(4.2)
Transfers	2.5	2.5
At 30 March 2024	30.6	30.6
Carrying amount		
At 30 March 2024	10.4	10.4
At 25 March 2023	10.8	10.8

Notes to the consolidated financial statements continued**13 Property, plant and equipment****Owned assets**

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 27 March 2022	203.6	799.1	662.8	1,665.5
Acquisitions ²	20.2	7.6	0.5	28.3
Additions	16.1	80.1	79.2	175.4
Disposals	(8.2)	(134.0)	(23.8)	(166.0)
Reclassified as assets held for sale	(18.4)	–	(2.7)	(21.1)
Transfers	(0.2)	0.7	(4.4)	(3.9)
At 25 March 2023	213.1	753.5	711.6	1,678.2
At 26 March 2023	213.1	753.5	711.6	1,678.2
Acquisitions ²	–	3.1	0.1	3.2
Additions	31.1	135.5	74.4	241.0
Disposals	(7.3)	(74.5)	(76.1)	(157.9)
Reclassifications	(1.8)	13.4	(5.7)	5.9
Transfers to right of use assets	–	(2.7)	(14.7)	(17.4)
At 30 March 2024	235.1	828.3	689.6	1,753.0
Accumulated depreciation and impairment				
At 27 March 2022	76.9	484.2	448.0	1,009.1
Charge for year	3.6	48.3	119.5	171.4
Disposals	(2.4)	(104.1)	(22.9)	(129.4)
Impairment ¹	(4.3)	4.5	2.0	2.2
Reclassified as assets held for sale	(11.3)	–	(1.6)	(12.9)
Transfers	(2.0)	–	1.1	(0.9)
At 25 March 2023	60.5	432.9	546.1	1,039.5
At 26 March 2023	60.5	432.9	546.1	1,039.5
Charge for year	11.5	53.2	33.9	98.6
Disposals	(3.2)	(67.6)	(59.7)	(130.5)
Impairment ¹	–	–	2.6	2.6
Reclassifications	(5.9)	8.3	(7.7)	(5.3)
At 30 March 2024	62.9	426.8	515.2	1,004.9
Carrying amount				
At 30 March 2024	172.2	401.5	174.4	748.1
At 25 March 2023	152.6	320.6	165.5	638.7

¹ The impairment charge in the current year of £2.6m relates to Rail contracts. The impairment reversal in the prior year of £4.3m relates to Southampton properties, which were subsequently transferred to assets held for sale. The impairment charge in the prior year of £6.5m primarily relates to the write-down of passenger carrying vehicles as a result of fleet resizing.

² Acquisitions of £3.2m (2023 £28.3m) relate to continuing operations (see note 31).

Notes to the consolidated financial statements continued

13 Property, plant and equipment continued

An amount of £0.8m (2023: £0.8m) in respect of assets under construction is included in the carrying amount of land and buildings, plant and equipment.

At 30 March 2024 the Group had entered into contractual capital commitments amounting to £61.8m (2023: £125.0m), principally representing purchase of passenger carrying vehicles, electrical infrastructure and TOC commitments.

Right of use assets

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost					
At 27 March 2022	2,585.6	55.9	60.2	7.5	2,709.2
Additions	1,200.2	16.2	1.3	1.3	1,219.0
Disposals	(4.1)	(0.9)	(9.8)	(0.3)	(15.1)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
At 26 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
Additions	183.3	4.3	6.5	2.8	196.9
Disposals	(221.6)	(10.6)	(0.5)	(0.4)	(233.1)
Transfers from owned assets	–	–	2.7	14.7	17.4
At 30 March 2024	3,743.4	65.1	60.4	25.6	3,894.5
Accumulated depreciation and impairment					
At 27 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
Charge for period	528.7	8.5	11.8	1.5	550.5
Lease impairment ¹	7.1	–	–	–	7.1
Disposals	(0.8)	(0.3)	(7.1)	(0.2)	(8.4)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
At 26 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
Charge for period	470.3	8.7	10.2	1.9	491.1
Lease impairment	1.2	–	–	–	1.2
Disposals	(220.6)	(6.4)	(0.3)	(0.1)	(227.4)
At 30 March 2024	2,395.6	33.2	50.2	8.2	2,487.2
Carrying amount					
At 30 March 2024	1,347.8	31.9	10.2	17.4	1,407.3
At 25 March 2023	1,637.0	40.5	11.4	2.1	1,691.0

¹ The impairment of £1.2m in the current year and £7.1m in the prior year both relate to GWR.

The discounted lease liability relating to the right of use assets included above is shown in note 23.

Notes to the consolidated financial statements continued**13 Property, plant and equipment continued**

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Owned assets and right of use assets					
Carrying amount					
At 30 March 2024	1,347.8	204.1	411.7	191.8	2,155.4
At 25 March 2023	1,637.0	193.1	332.0	167.6	2,329.7

The maturity analysis of lease liabilities is presented in note 23.

	2024 £m	2023 £m
Amounts recognised in income statement (including discontinued operations)		
Depreciation expense on right of use assets	491.1	550.5
Interest expense on lease liabilities	62.1	50.6
Impairment charge	1.2	7.1
Expense relating to short-term leases	–	2.0
Expense relating to leases of low-value assets	0.1	2.1
	554.5	612.3

14 Investments

	2024 £m	2023 £m
Other investments	2.6	2.5

Notes to the consolidated financial statements continued

15 Subsidiaries and non-controlling interests

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given below.

A full list of subsidiaries, joint ventures and associates is disclosed in note 40.

The non-controlling interests of the Group are First Trenitalia West Coast Limited (70% ownership and voting rights) and First MTR South Western Trains Limited (70% ownership and voting rights). The registered addresses are disclosed in note 40. The non-controlling interest share of profit for the financial year is a profit of £3.1m which relates to First Trenitalia West Coast Limited and £3.4m which relates to MTR South Western Trains Limited.

UK and Ireland local bus and coach operators	Rail companies
Ensign Bus Company Limited	First Greater Western Limited
First Aberdeen Limited ¹	Hull Trains Company Limited
First Beeline Buses Limited	First Trenitalia West Coast Limited (70%)
First Cymru Buses Limited	First MTR South Western Trains Limited (70%)
First Eastern Counties Buses Limited	East Coast Trains Limited
First Essex Buses Limited	
First Glasgow (No. 1) Limited ¹	
First Glasgow (No. 2) Limited ¹	
First Hampshire and Dorset Limited	
First Manchester Limited	
First Midland Red Buses Limited	
First Potteries Limited	
First South West Limited	
First South Yorkshire Limited	
First West of England Limited	
First West Yorkshire Limited	
First York Limited	
Last Passive Limited ²	
Leicester CityBus Limited	
Somerset Passenger Solutions Limited	
York Pullman Bus Company Limited	

All subsidiary undertakings are wholly owned by FirstGroup plc at the end of the year except where percentage of ownership is shown above. All these companies above are incorporated in United Kingdom and registered in England and Wales except those:

1 Registered in Scotland.
2 Incorporated in the Republic of Ireland.

All shares held in subsidiary undertakings are ordinary shares.

All of these subsidiary undertakings are owned via intermediate holding companies.

Notes to the consolidated financial statements continued**16 Inventories**

	2024 £m	2023 £m
Spare parts and consumables from continuing operations	25.9	26.0

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

17 Trade and other receivables

	2024 £m	2023 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	-	72.3

	2024 £m	2023 £m
Amounts due within one year (from continuing operations)		
Trade receivables	400.1	386.1
Loss allowance	(41.7)	(49.0)
Trade receivables net	358.4	337.1
Other receivables	187.6	210.3
Amounts recoverable on contracts	38.9	22.5
Prepayments	38.7	90.8
Accrued income	229.0	187.6
	852.6	848.3

	2024 £m	2023 £m
Movement in accrued income:		
Balance as at 25 March 2023/26 March 2022	187.6	115.7
Additions	222.5	119.4
Accrued income invoiced during the year	(181.1)	(47.5)
Balance as at 30 March 2024/25 March 2023	229.0	187.6

The loss allowance relates solely to credit loss allowances arising from contracts with customers.

Other receivables includes £64.5m (2023: £67.1m) of VAT receivables, £14.1m (2023: £8.6m) of receivables from government bodies for fuel duty rebates, and £50.8m (2023: £73.3m) of insurance recoveries.

Amounts recoverable on contracts relates to amounts due from governmental and similar bodies for agreed contractual changes.

Accrued income principally comprises amounts relating to contracts with customers billed each month. Any amount previously recognised as accrued income is reclassified to trade receivables at the point at which it is invoiced to the customer.

Notes to the consolidated financial statements continued

17 Trade and other receivables continued

Credit risk

Credit risk is the risk that financial loss arises from failure by a customer or counterparty to meet its obligations under a contract.

Credit risk exists in relation to the Group's financial assets, which comprise trade receivables, amounts recoverable on contracts and accrued income of £668.0m (2023: £596.2m), cash and cash equivalents of £496.5m (2023: £791.4m) and derivative financial instruments of £2.4m (2023: £7.5m).

The Group's maximum exposure to credit risk for all financial assets at the balance sheet date was £1,166.9m (2023: £1,395.1m). The exposure is spread over a large number of unconnected counterparties and the maximum single concentration with any one counterparty was £215.0m (2023: £286.0m) at the balance sheet date.

The Group's credit risk is primarily attributable to its trade receivables, amounts recoverable on contracts and accrued income. The amounts presented in the balance sheet are net of credit loss allowances, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit loss allowance at the balance sheet date was £41.7m (2023: £49.0m).

Most trade receivables, amounts recoverable on contracts and accrued income are with public or quasi-public bodies, principally the DfT, Network Rail and local authorities in the UK. The Group does not consider any of these counterparties to be a significant risk. Each division within the Group has a policy governing credit risk management on receivables.

The counterparties for bank balances and derivative financial instruments are mainly represented by lending banks and large banks with a minimum of 'A' credit ratings assigned by international credit rating agencies. These counterparties are subject to approval by the Board. Group Treasury policy limits the maximum deposit with any one counterparty to £150.0m and limits the maximum term to three months.

Impairment of trade receivables amounts recoverable on contracts and accrued income

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for all trade receivables, amounts recoverable on contracts and accrued income at each reporting date.

Provision matrices are used to measure expected losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, such as geographical region, service type, and customer type and rating. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables, amounts recoverable on contracts and accrued income are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The 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. Further there have not been any significant issues with the recoverability of non-governmental receivables.

Notes to the consolidated financial statements continued**17 Trade and other receivables continued**

The gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income for which the loss allowance is measured at an amount equal to the lifetime expected credit losses under the simplified method, is analysed below:

	Carrying amount £m	Current £m	Days past due: 2024			
			Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	6.2%	–%	0.4%	1.0%	1.2%	84.9%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	668.0	478.7	103.5	28.9	8.7	48.2
Loss allowance (from continuing operations)	41.7	–	0.4	0.3	0.1	40.9

	Carrying amount £m	Current £m	Days past due: 2023			
			Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	8.2%	0.7%	6.6%	42.7%	88.7%	60.2%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	596.2	494.2	29.0	24.1	14.2	34.7
Loss allowance (from continuing operations)	49.0	3.3	1.9	10.3	12.6	20.9

The table above is an aggregation of different provision matrices for each of the customer segment groupings, as outlined above. The expected loss rate for each ageing category is the weighted average loss rate across these groupings. The 'current' category consists primarily of receivables from groupings for which, based on historical losses and both the current and forecast economic conditions, the expected credit losses are negligible, resulting in the application of a close to 0% loss rate.

Movement in the loss allowance for trade receivables	2024 £m	2023 £m
At 26 March 2023/27 March 2022	49.0	15.2
Amounts written-off during the year	(1.2)	(3.2)
Increase in allowance recognised in the income statement	13.6	1.2
Amounts recovered during the year	(0.6)	(8.2)
Reversal of provision	(19.1)	–
Amounts transferred from liquidated damages	–	44.0
At 30 March 2024/25 March 2023	41.7	49.0

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

Notes to the consolidated financial statements continued

18 Assets held for sale

Movement in assets held for sale	£m
At 26 March 2023	8.9
Net book value of disposals	(8.3)
At 30 March 2024	0.6

19 Trade and other payables

Amounts falling due within one year (from continuing operations)	2024 £m	2023 £m
Trade payables	277.4	338.8
Other payables	291.2	210.8
Accruals	539.9	621.6
Deferred income	129.0	125.5
Season ticket deferred income – Rail	21.1	17.7
	1,258.6	1,314.4

Movement in deferred income	2024 £m	2023 £m
Balance as at 26 March 2023/27 March 2022	125.5	109.8
Additions	177.2	131.5
Recognised during the period	(162.9)	(115.8)
Loss of TPE operations	(10.8)	–
Balance as at 30 March 2024/25 March 2023	129.0	125.5

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Deferred income and season ticket deferred income principally comprises amounts relating to contracts with customers.

Other payables includes £21.7m (2023: £15.2m) for the purchase of property, plant and equipment where increased payment terms have been agreed with the supplier due to the nature of the payable. Other payables also include deferred capital grants from government or other public bodies of £162.2m (2023: £116.1m).

The average credit period taken for trade purchases is 41 days (2023: 36 days). The Group has controls in place to ensure that all payments are paid within the appropriate credit timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the consolidated financial statements continued**20 Cash and cash equivalents**

	2024 £m	2023 £m
Cash and cash equivalents	496.5	791.4

The fair value of cash and cash equivalents approximates to the carrying value. Cash and cash equivalents includes ring-fenced cash of £249.6m (2023: £369.6m). Ring-fenced cash is cash held in the Group which has restrictions around its use or distribution. The most significant ring-fenced cash balances are held by the Group's First Rail subsidiaries. All non-distributable cash in franchised Rail subsidiaries is considered ring-fenced under the terms of the National Rail Contract. Ring-fenced cash balances of £4.0m (2023: £5.4m) are held outside the First Rail subsidiaries. These other ring-fenced cash balances include two elements: (1) funds of £4.0m (2023: £4.1m) withheld from the de-risking insurer as permitted under the de-risking agreement, and (2) balances of £nil (2023: £1.3m) within former First Transit subsidiaries which were retained by the Group following the sale of First Transit, where those subsidiaries act as a disbursement agent on behalf of their customers and the cash is only allowed to be used to settle customer liabilities.

21 Discontinued operations

	2024 £m	2023 £m
Discontinued operations		
Revenue	–	4.0
Operating (costs)/income	(5.3)	27.3
Operating (loss)/profit	(5.3)	31.3
Investment income	0.1	0.5
Finance costs	(0.4)	(0.2)
(Loss)/profit before tax	(5.6)	31.6
Tax	(0.1)	(23.0)
(Loss)/profit for the year after tax	(5.7)	8.6
Attributable to:		
Equity holders of the parent	(5.7)	8.6
Non-controlling interests	–	–
	(5.7)	8.6
EPS	2024 pence	2023 pence
Basic EPS	(0.9)	1.2
Diluted EPS	(0.9)	1.1

Notes to the consolidated financial statements continued

21 Discontinued operations continued

Cash flow	2024 £m	2023 £m
Net cash outflow from operating activities	(4.2)	(139.7)
Net cash inflow from investing activities	74.7	126.9
Net cash flow from financing activities	–	–
Net increase/(decrease) in cash generated	70.5	(12.8)

Other comprehensive income/loss	2024 £m	2023 £m
Actuarial (loss)/gain on defined benefit pension schemes	(1.2)	0.2
Hedging instrument movements	0.4	(0.4)
Exchange differences on translation of discontinued operations	(6.6)	6.8
Total	(7.4)	6.6

Notes to the consolidated financial statements continued

22 Borrowings

	2024 £m	2023 £m
On demand or within one year		
Lease liabilities (note 23) ^{2,3}	492.8	447.4
Asset backed financial liabilities (note 23) ³	6.2	17.3
Bank overdraft	27.8	82.9
Loan notes (note 24)	–	0.6
Bond 6.875% (repayable 2024) ¹	99.7	6.5
Total current liabilities	626.5	554.7
Within one to two years		
Lease liabilities (note 23) ^{2,3}	385.0	381.6
Asset backed financial liabilities (note 23) ³	7.9	5.9
Bond 6.875% (repayable 2024)	–	184.2
	392.9	571.7
Within two to five years		
Lease liabilities (note 23) ^{2,3}	546.2	825.9
NextGen battery debt	3.0	–
Asset backed financial liabilities (note 23) ³	13.6	12.1
	562.8	838.0
Over five years		
Lease liabilities (note 23) ^{2,3}	34.5	93.7
NextGen battery debt	10.2	–
Asset backed financial liabilities (note 23) ³	17.9	8.9
	62.6	102.6
Total non-current liabilities at amortised cost	1,018.3	1,512.3

1 Prior year includes accrued interest only.

2 The right of use assets relating to lease liabilities are shown in note 13.

3 The maturity analysis of lease liabilities and asset backed financial liabilities is presented in note 23.

Notes to the consolidated financial statements continued**22 Borrowings continued****Fair value of bonds issued**

Cash flow	Par value £m	Interest payable	Month	2024 Fair value £m	2023 Fair value £m
Bond 6.875% (repayable 2024)	96.2	Annually	September	100.1	192.2

The fair value of the bond is inclusive of accrued interest. The fair value is calculated by discounting the future cash flow that will arise under the contracts.

Effective interest rates

The effective interest rates at the balance sheet dates were as follows:

	2024	Maturity	2023	Maturity
Bank overdraft	SONIA +1%	–	SONIA + 1%	–
Syndicated loan facilities	SONIA + 0.73%	August 2026	SONIA + 0.73%	August 2026
Bond 2024	6.94%	September 2024	6.93%	September 2024
HP contracts and finance leases	Average fixed rate of 4.1%	Various	Average fixed rate of 3.3%	Various
Loan notes	N/A	N/A	SONIA + 0.5%	March 2024

	2024 £m	2023 £m
Pounds sterling	1,644.7	2,066.9
Euro	–	–
Canadian dollar	–	0.1
	1,644.7	2,067.0

Borrowing facilities

The Group had £300.0m (2023: £300.0m) of undrawn committed borrowing available under its Revolving Credit facility as at March 2024. In addition there was £129.8m (2023: £nil) committed headroom available under the Husk Financer facility and £54.9m (2023: £nil) under the NextGen Battery facility. Total undrawn bank borrowing facilities at year end stood at £501.0m (2023: £316.5m) of which £484.7m (2023: £300.0m) was committed and £16.3m (2023: £16.5m) was uncommitted.

Capital management

The Group aims to maintain an investment grade credit rating and appropriate balance sheet liquidity headroom. The Group has a net debt to EBITDA ratio of 1.5 times as at March 2024 for the continuing Group (2023: 1.7 times).

Liquidity within the Group has remained strong. At year end there was £705.2m (2023: £638.9m) of committed headroom and free cash. The Group's Treasury policy requires a minimum of £250m of committed headroom at the year end and half year for the budget year, and £200m for year two of the three-year plan. The Group's net debt, excluding accrued bond interest, at 30 March 2024, was £1,144.7m (2023: £1,269.1m) as set out in the Financial review on page 43.

The Group's primary objectives of capital management is to ensure that the Group is able to continue as a going concern, to maintain an optimal capital structure and adequate liquidity headroom to deliver on shareholder and stakeholder expectations. The Group's capital structure consists of equity and net debt. The Group actively manages its capital structure and will adjust it when appropriate should economic conditions change. The Group's debt is monitored on the basis of a gearing ratio, being net debt divided by EBITDA, further details of which are provided in the Chief Financial Officer's review.

Notes to the consolidated financial statements continued

23 Lease liabilities and asset backed financial liabilities

The Group had the following lease liabilities and asset backed financial liabilities at the balance sheet dates, excluding liabilities relating to the discontinued operations:

Maturity analysis	Lease liabilities		Asset backed financial liabilities	
	2024 £m	2023 £m	2024 £m	2023 £m
Due in less than one year	539.4	503.1	6.5	17.9
Due in more than one year but not more than two years	414.1	421.5	8.5	6.3
Due in more than two years but not more than five years	574.6	878.8	16.2	13.7
Due in more than five years	44.9	105.0	23.7	10.9
	1,573.0	1,908.4	54.9	48.8
Less future financing charges	(114.5)	(159.8)	(9.3)	(4.6)
	1,458.5	1,748.6	45.6	44.2

Lease liabilities have a fair value of £1,458.5m and asset backed financial liabilities have a fair value of £49.3m (2023: lease liabilities £1,748.6m, asset backed financial liabilities £43.3m).

The total cash outflow for the lease liabilities and asset backed financial liabilities recorded on the balance sheet amounted to £506.9m and £19.3m respectively (2023: £546.9m and £10.6m).

The right of use assets related to the lease liabilities is presented in note 13.

24 Loan notes

The Group had the following loan notes issued as at the balance sheet dates relating to continuing operations:

	2024 £m	2023 £m
Due in less than one year	-	0.6

In the prior year, the loan notes had an average effective borrowing rate of 2.6%. They were redeemed upon maturity in March 2024.

Notes to the consolidated financial statements continued

25 Financial instruments

Non-derivative financial instruments

	2024 £m	2023 £m
Total non-derivatives		
Total non-current assets	99.6	117.6
Total assets	99.6	117.6

Certain pension partnership structures were implemented during 2022. These structures involved the creation of special purpose vehicles (SPVs) to hold cash to fund the Bus and Group pension schemes if required based on a designated funding mechanism. Management have concluded that these amounts represent financial assets under IAS 32.

Derivative financial instruments

Total derivatives		
Total non-current assets	0.4	0.1
Total current assets	2.0	7.4
Total assets from continuing operations	2.4	7.5
Total current liabilities	3.4	2.6
Total non-current liabilities	1.3	1.9
Total liabilities from continuing operations	4.7	4.5

Derivatives designated and effective as hedging instruments carried at fair value

Non-current assets		
Fuel derivatives (cash flow hedge)	0.4	–
Currency forwards (cash flow hedge)	–	0.1
	0.4	0.1
Current assets		
Fuel derivatives (cash flow hedge)	2.0	3.3
Currency forwards (cash flow hedge)	–	4.1
	2.0	7.4
Current liabilities		
Fuel derivatives (cash flow hedge)	2.7	2.6
Currency forwards (cash flow hedge)	0.7	–
	3.4	2.6
Non-current liabilities		
Currency forwards (cash flow hedge)	0.2	0.1
Interest rate swaps (NextGen)	0.5	–
Fuel derivatives (cash flow hedge)	0.6	1.8
	1.3	1.9

The Group enters into derivative transactions under International Swaps and Derivatives Association Master Agreements that allow for the related amounts to be set-off in certain circumstances. The amounts set out as Fuel derivatives and Currency forwards in the table above represent the derivative financial assets and liabilities of the Group that may be subject to the above arrangements and are presented on a gross basis. Derivative liabilities of £nil (2023: £nil) were subject to netting arrangements. Total cash flow hedges are a liability of £2.3m (2023: £3.0m asset).

Notes to the consolidated financial statements continued

25 Financial instruments continued

The following (profits) were transferred from equity into inventory as basis adjustments during the year:

	2024 £m	2023 £m
Operating (profits)	(4.0)	(31.2)

Fair value of the Group's financial assets and financial liabilities (including trade and other receivables and trade and other payables) on a continuing basis:

	Fair value				2023 Carrying value Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	
Financial assets and derivatives					
Trade and other receivables	–	668.0	–	668.0	668.0
Derivative financial instruments	–	2.4	–	2.4	2.4
Financial liabilities and derivatives					
Borrowings ¹	–	1,621.0	–	1,621.0	1,616.9
Trade and other payables	–	1,096.4	–	1,096.4	1,096.4
Derivative financial instruments	–	4.7	–	4.7	4.7

¹ Includes lease liabilities and asset backed financial liabilities as set out in note 23.

The estimated fair value of cash and cash equivalents, financial assets and bank overdrafts are a reasonable approximation to the carrying value of these items.

	Fair value				2023 Carrying value Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	
Financial assets and derivatives					
Contingent consideration receivable	–	72.3	–	72.3	72.3
Trade and other receivables	–	596.2	–	596.2	596.2
Derivative financial instruments	–	7.5	–	7.5	7.5
Financial liabilities and derivatives					
Borrowings ¹	0.6	1,984.1	–	1,984.7	1,984.1
Trade and other payables	–	1,198.3	–	1,198.3	1,198.3
Derivative financial instruments	–	4.5	–	4.5	4.5

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

The estimated fair value of cash and cash equivalents and bank overdrafts are a reasonable approximation to the carrying value of these items.

Notes to the consolidated financial statements continued

25 Financial instruments continued

Financial assets/(liabilities)	Fair values at 30 March 2024 £m	Fair values at 25 March 2023 £m	Fair value hierarchy	Valuation technique(s) and key inputs
Derivative contracts				
1) Fuel derivatives	(0.9)	(1.1)	Level 2	Discounted cash flow; future cash flows are estimated based on forward fuel prices and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.
2) Currency forwards	(0.9)	4.1	Level 2	Discounted cash flow; future cash flows are estimated based on forward foreign exchange rates and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.
3) Interest rate swaps	(0.5)	–	Level 2	Future cash flows are estimated based on interest rates and then discounted at a rate that reflects the credit risk of the various counterparties.

The following table illustrates the carrying value of all financial assets and liabilities held by the Group on a continuing basis.

	2024			
Classification of financial instruments	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	Total £m
Financial assets and derivatives				
Cash and cash equivalents	496.5	–	–	496.5
Trade and other receivables	668.0	–	–	668.0
Non-derivative financial instruments	99.6	–	–	99.6
Derivative financial instruments	–	–	2.4	2.4
	1,264.1	–	2.4	1,266.5
Financial liabilities and derivatives				
Interest bearing loans and borrowings ¹	1,621.0	–	–	1,621.0
Trade and other payables	1,096.4	–	–	1,096.4
Derivative financial instruments	–	–	4.7	4.7
	2,717.4	–	4.7	2,722.1

¹ Includes lease liabilities and asset backed financial liabilities as set out in note 23.

Notes to the consolidated financial statements continued**25 Financial instruments continued**

	2023			
	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	Total £m
Classification of financial instruments				
Financial assets and derivatives				
Cash and cash equivalents	791.4	–	–	791.4
Trade and other receivables	596.2	–	–	596.2
Non-derivative financial instruments	117.6	–	–	117.6
Derivative financial instruments	–	–	7.5	7.5
	1,505.2	–	7.5	1,512.7
Financial liabilities and derivatives				
Interest bearing loans and borrowings	2,067.0	–	–	2,067.0
Trade and other payables	1,198.3	–	–	1,198.3
Derivative financial instruments	–	–	4.5	4.5
	3,265.3	–	4.5	3,269.8

	Cash flow hedges		
As at 30 March 2024	Commodity price risk	Electricity price risk	Foreign exchange price risk
Nominal amount of hedging	0.46m bbls	70,080 MWh	\$55.3m
< 1 year	0.32m bbls	39,408 MWh	\$39.1m
1 – 2 years	0.14m bbls	30,672 MWh	\$16.2m
2 – 5 years	–	–	–
> 5 years	–	–	–
Average hedged rate	\$99.63/bbl	£113.5/MWh	1.240
Maturity	Apr24-Mar26	Apr24-Mar26	Apr24-Mar26
Carrying amount of hedging instruments			
Assets – Derivatives (£m)	2.4	–	–
Liabilities – Derivatives (£m)	(0.1)	(3.2)	(0.9)
(Liabilities – Borrowings (£m))	–	–	–
Carrying amount of hedged item			
Liabilities – Borrowings (£m)	n/a	n/a	n/a
Accumulated amount of fair value hedging adjustments included in carrying amount of hedged item			
Liabilities – Borrowings (£m)	n/a	n/a	n/a
Changes in fair value of hedged item used for calculating hedge effectiveness	(8.1)	3.8	(1.3)
Changes in fair value of hedging instrument used in calculating hedge effectiveness	8.1	(3.8)	1.3
Changes in fair value of hedging instrument accumulated in cash flow hedge reserve	1.9	(1.3)	(1.8)

No gains and losses on derivatives designated for hedge accounting have been charged through the consolidated income statement in either the current or prior year.

Notes to the consolidated financial statements continued

25 Financial instruments continued

Financial risk management

The Group is exposed to financial risks including liquidity risk, credit risk and certain market-based risks principally being the effects of changes in foreign exchange rates, interest rates and fuel prices. The Group manages these risks within the context of a set of formal policies established by the Board. Certain risk management responsibilities are formally delegated by the Board, principally to a sub-committee of the Board and to the Chief Financial Officer and to the Treasury Committee. The Treasury Committee comprises the Chief Financial Officer and certain senior finance employees and is responsible for approving hedging transactions permitted under Board-approved policies, monitoring compliance against policy and recommending changes to existing policies.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities. The objective of the Group's liquidity risk management is to ensure sufficient committed liquidity resources exist. The Group has a diversified debt structure largely represented by medium-term unsecured syndicated committed bank facilities, medium- to long-term unsecured bond debt and finance leases. It is a policy requirement that debt obligations must be addressed well in advance of their due dates.

The Group's Treasury policy requires a minimum of £250m of committed headroom at the year end and half year for the budget year, and £200m for year two of the three-year plan. At year end, the total amount of these facilities stood at £532.4m (2023: £300.0m), and committed headroom was £484.7m (2023: £300.0m), in addition to free cash balances of £220.5m (2023: £338.9m). The next material contractual expiry of revolver bank facilities is in August 2026.

The average duration of net debt (excluding ring-fenced cash) at 30 March 2024 was 2.4 years (2023: 2.7 years).

The following tables detail, on a continuing basis, the Group's expected maturity of payables for its borrowings, derivative financial instruments and trade and other payables. The amounts shown in these tables are prepared on an undiscounted cash flow basis and include future interest payments in the years in which they fall due for payment.

	2024				
	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Borrowings ¹	677.4	423.5	596.7	79.7	1,777.3
Fuel derivatives	2.7	0.6	—	—	3.3
FX forwards	0.7	0.2	—	—	0.9
Interest rate derivatives	—	0.5	—	—	0.5
Trade and other payables	1,096.4	—	—	—	1,096.4
	1,777.2	424.3	596.7	79.7	2,878.4

	2023				
	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Borrowings ¹	563.1	578.1	839.5	104.6	2,085.3
Fuel derivatives	(2.6)	(1.8)	—	—	(4.4)
FX forwards	—	(0.1)	—	—	(0.1)
Trade and other payables	1,198.3	—	—	—	1,198.3
	1,758.8	576.2	839.5	104.6	3,279.1

¹ Includes lease liabilities and asset backed financial liabilities as set out in note 23.

No derivative financial instruments had collateral requirements or were due on demand in any of the years. Derivative financial instruments are net settled.

Notes to the consolidated financial statements continued

25 Financial instruments continued

Currency risk

Currency risk is the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds sterling due to movements in exchange rates.

'Certain' and 'highly probable' foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group is also exposed to currency risk relating to its UK fuel costs which are denominated in US dollars. This is hedged through entering a series of average rate forward contracts on a similar profile to our fuel hedging programme. Forward currency risk is designated in the cash flow hedges, however valuation movements arising from changes in currency-basis spreads are excluded from the relationships as costs of hedging. At the balance sheet date the value to be recorded in a separate component of equity was immaterial, and as such no separate reserve has been shown within the primary financial statements.

IFRS 7 requires the Group to show the impact on profit after tax and hedging reserve on financial instruments from a movement in exchange rates. The following analysis details the Group's sensitivity to a 10% strengthening in pounds sterling against the US dollar. A 10% weakening in pounds sterling against the US dollar would have an equal but opposite effect to that shown below. The analysis has been prepared based on the change taking place at the beginning of the financial year and being held constant throughout the reporting period. A positive number indicates an increase in earnings or equity where pounds sterling strengthens against the US dollar.

	2024 £m	2023 £m
Impact on profit after tax	0.4	0.2
Impact on hedging reserve	(0.1)	(0.1)

Interest rate risk

The Group has variable rate debt and cash and therefore net income is exposed to the effects of changes to interest rates. The Group Treasury policy objective is to maintain fixed interest rates at a minimum of 75% of on-balance sheet net debt over the medium term, so that volatility is substantially reduced year-on-year to EPS. The policy objective is primarily achieved through fixed rate debt. The policy on interest rate risk within operating leases is to hedge 100% by agreeing fixed rentals with the lessors. The main floating rate benchmarks on variable rate debt are US dollar SONIA and sterling SONIA.

At 30 March 2024, 100% (2023: 99%) of gross debt (pre-IFRS 16 and overdraft) was fixed. This fixed rate protection had an average duration of 2.3 years (2023: 1.8 years).

Interest rate risk within operating leases is hedged 100% by agreeing fixed rentals with the lessors prior to inception of the lease contracts.

The following sensitivity analysis details the Group's sensitivity to a 100 basis points (1%) increase in interest rates throughout the reporting period with all other variables held constant.

	2024 £m	2023 £m
Impact on profit after tax	4.8	5.7

Diesel fuel price risk

The Group purchases its fuel on a floating price basis and is therefore exposed to changes in diesel prices, primarily in relation to First Bus operations. The Group's policy objective is to maintain a significant degree of fixed price protection in the short term with lower levels of protection in the medium term, so that the businesses affected are protected from any sudden and significant increases and have time to prepare for potentially higher costs, whilst retaining some access for potentially lower costs over the medium term. To achieve this the Group operates a progressive hedging policy. The policy hedge target levels differ by division but are monitored monthly and appropriate actions taken to maintain satisfactory hedge levels. Gasoil or Diesel derivatives are used to hedge UK exposure. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased diesel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the core risk component of the fuel grade ultimately purchased and there is a very strong correlation between the movements in the prices of the derivative underlying and the purchased fuel. Variances in pricing of the derivative commodities and the purchased fuel are primarily driven by further refinement of the fuel or the associated transportation costs which were excluded from the hedge relationship. Currently First Bus diesel exposure is hedged 68% to March 2025 and 32% to March 2026.

Notes to the consolidated financial statements continued

25 Financial instruments continued

The Group has entered into swaps for periods from April 2024 to March 2026 with the majority of these swaps relating to the 52 weeks ending 31 March 2025. The swaps give rise to monthly cash flow exchanges with counterparties to offset the underlying settlement of floating price costs, except where they have a deferred start date. Gains or losses on fuel derivatives are recycled from equity into inventory on qualifying hedges to achieve fixed rate fuel costs within operating results.

The following analysis details the Group's sensitivity on profit after tax and equity if the price of diesel fuel had been \$10 per barrel higher during the 53 weeks ending 30 March 2024 and at the year end:

	2024 £m	2023 £m
Impact on profit after tax	(0.5)	(0.3)
Impact on hedging reserve	2.7	3.5

Electricity price risk

The Group purchases electricity on a floating price basis and is therefore exposed to changes in electricity prices, primarily in relation to First Bus and Group operations. The Group's policy objective is to maintain a significant degree of fixed price protection in the short term, so that the businesses affected have time to prepare for prices after the current hedge period expires. To achieve this the Group uses cash flow hedge financial instruments to achieve significant fixed price certainty.

The Group has entered into swaps for periods from April 2024 to March 2026, with the majority of these swaps relating to the 52 weeks ending 31 March 2025. The swaps give rise to monthly cash flow exchanges with counterparties to offset the underlying settlement of floating price costs, except where they have a deferred start date. Gains or losses on electricity derivatives will be recycled from equity to the income statement on qualifying hedges to achieve fixed rate electricity costs within operating results.

The following analysis details the Group's sensitivity on profit after tax and equity if the price of electricity had been £50 per MWh higher during the 53 weeks ending 30 March 2024 and at the year end:

	2024 £m	2023 £m
Impact on profit after tax	(0.2)	(1.0)
Impact on hedging reserve	2.6	1.2

Notes to the consolidated financial statements continued**26 Deferred tax**

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

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax losses £m	Total £m
At 26 March 2022	(6.1)	48.6	(44.9)	(33.7)	(36.1)
Charge/(credit) to income statement	28.0	(2.8)	10.6	(5.2)	30.6
Credit to other comprehensive income and equity	–	(37.2)	(7.4)	–	(44.6)
Acquisitions and disposals of subsidiaries	4.7	–	0.3	–	5.0
Foreign exchange and other movements	(1.9)	–	–	–	(1.9)
At 25 March 2023	24.7	8.6	(41.4)	(38.9)	(47.0)
Charge/(credit) to income statement	7.0	(33.4)	14.2	(1.1)	(13.3)
Charge/(credit) to other comprehensive income and equity	–	20.2	(0.2)	–	20.0
Acquisitions and disposals of subsidiaries	0.7	–	–	–	0.7
At 30 March 2024	32.4	(4.6)	(27.4)	(40.0)	(39.6)

With respect to the total net deferred tax asset of £39.6m, UK net deferred tax assets of £38.7m have been recognised as the Group forecasts sufficient taxable profits in future periods and a deferred tax asset of £0.9m relating to the US is recognised because it is probable that book gains will arise on the remaining US property portfolio.

No deferred tax has been recognised on tax losses of £457.9m (2023: tax losses of £460.8m) as there are insufficient future profits forecast in North America and some UK entities may cease to trade before their tax losses can be utilised.

Notes to the consolidated financial statements continued**27 Provisions**

	Insurance claims £m	Legal and other £m	Total £m
At 25 March 2023	129.9	81.2	211.1
Charged to the income statement	8.9	25.3	34.2
Utilised in the year	(37.0)	(20.5)	(57.5)
Notional interest	0.8	–	0.8
Foreign exchange movements	(2.4)	(0.3)	(2.7)
At 30 March 2024	100.2	85.7	185.9
Current liabilities	35.7	38.9	74.6
Non-current liabilities	64.5	46.8	111.3
At 30 March 2024	100.2	85.7	185.9
Current liabilities	45.5	40.4	85.9
Non-current liabilities	84.4	40.8	125.2
At 25 March 2023	129.9	81.2	211.1

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next four years although certain liabilities in respect of lifetime obligations of £1.1m (2023: £1.3m) can extend for more than 25 years. The utilisation of £37.0m (2023: £37.1m) represents payments made against the current liability of the preceding year as well as the settlement of claims resulting from incidents occurring in the current year.

The insurance claims provisions, of which £55.7m (2023: £78.6m) relates to legacy Greyhound claims, includes £50.8m (2023: £73.3m) which is recoverable from insurance companies and a receivable is included within other receivables in note 17.

Legal and other provisions relate to estimated exposures for cases filed or thought highly likely to be filed for incidents that occurred prior to the balance sheet date. It is anticipated that most of these items will be settled within ten years. Also included are provisions in respect of costs anticipated on the exit of surplus properties which are expected to be settled over the remaining terms of the respective leases and dilapidation, other provisions in respect of contractual obligations under rail franchises and restructuring costs. The dilapidation provisions are expected to be settled at the end of the respective franchise.

Notes to the consolidated financial statements continued

28 Called up share capital

	Number of shares million	£m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 26 March 2023	750.6	37.5
SAYE/BAYE exercises	0.1	–
Balance as at 30 March 2024 (ordinary shares of 5p each)	750.7	37.5

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

On 16 December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares. This programme completed on 3 August 2023 having repurchased 63,868,786 shares for a total consideration of £75.5m including transaction costs.

On 8 June 2023, the Company announced a share buyback programme to purchase up to £115m of ordinary shares. At 30 March 2024, the Company had repurchased 46,854,557 shares for a total consideration of £74.7m, including transaction costs. As at 30 March 2024, a total of £115.8m has been deducted from retained earnings in respect of the shares already repurchased, directly associated transaction costs, and the remaining commitment to purchase up to £115m of ordinary shares.

During the year, 0.1m shares were issued to satisfy principally SAYE and BAYE exercises.

Notes to the consolidated financial statements continued

29 Reserves

The share premium account represents the premium on shares issued since 1999 and arose principally on the rights issue on the Ryder acquisition in 1999 and the share placings in 2007 and 2008. The reserve is non-distributable. The hedging reserve records the movement on designated hedging items. The own shares reserve represents the cost of shares in FirstGroup plc purchased in the market and either held as treasury shares or held in trust to satisfy the exercise of share options.

Hedging reserve

The movements in the hedging reserve were as follows:

	2024 £m	2023 £m
Balance at 25 March 2023/26 March 2022	(0.7)	19.3
Transfer to hedging reserve through consolidated statement of comprehensive income		
Diesel derivatives	8.1	2.0
Electricity derivatives	(3.8)	(1.2)
Interest rate swaps – NextGen	(0.5)	–
Currency forwards	1.3	(7.1)
	5.1	(6.3)
Tax on derivative hedging instrument movements through statement of comprehensive income	(0.5)	(1.3)
Transfer from hedging reserve to the balance sheet:		
Diesel derivatives	(5.5)	(27.7)
Electricity derivatives	2.1	–
Currency forwards	(0.6)	(3.4)
	(4.0)	(31.1)
Tax on derivative hedging instrument movements to the balance sheet	1.0	7.8
	0.9	(11.6)
Cumulative loss on hedging instruments reclassified to the income statement	(2.7)	10.9
Balance at 30 March 2024/25 March 2023	(1.8)	(0.7)

Own shares

The number of own shares held by the Group at the end of the year was 125,292,999 (2023: 42,774,044) FirstGroup plc ordinary shares of 5p each. Of these, 14,379,907 (2023: 13,068,899) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2023: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2023: 157,229) were held as treasury shares, with a further 110,723,343 (2023: 29,515,396) held as treasury shares as part of the share buyback programmes. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 30 March 2024 was £226.0m (2023: £43.3m).

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
Balance at 30 March 2024/25 March 2023	19.7	2.7	22.4

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled, less the associated transaction costs and stamp duty. The capital reserve arose on acquisitions made in 2000. Neither reserve is distributable.

Notes to the consolidated financial statements continued

30 Translation reserve

	2024 £m	2023 £m
At 25 March 2023/26 March 2022	(16.3)	(24.0)
Movement for the financial year	(6.6)	7.7
At 30 March 2024/25 March 2023	(22.9)	(16.3)

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries offset by movements on loans used to hedge the net investment in those foreign subsidiaries.

31 Acquisition of businesses and subsidiary undertakings

	2024 £m	2023 £m
Provisional fair value of net assets acquired:		
Property, plant and equipment	3.2	28.3
Current assets	2.5	11.8
Other liabilities	(1.5)	(8.0)
	4.2	32.1
Goodwill	11.3	6.1
Satisfied by cash paid and payable	15.5	38.2

Acquisitions in 53 weeks to 30 March 2024

On 23 February 2024, the Group completed the acquisition of York Pullman Bus Company Ltd, which operates five coach services brands providing home-to-school and college contracted services, private hire operations including rail replacement services, and a small number of local bus routes on behalf of several local authorities.

The total consideration of £15.5m represents £15.0m paid during the period, and £0.5m to be paid in future periods. This includes cash acquired of £1.5m included in current assets.

The business acquired during the year contributed £1.2m to Group revenue from continuing operations and £0.3m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, revenue from the acquisition for the year would have been £11.2m and operating profit from the acquisition would have been £2.8m.

Acquisitions in 52 weeks to 25 March 2023

On 9 March 2023, the Group completed the acquisition of Ensign Bus Company Ltd, which has strong positions in business-to-business and regional commercial bus operations in Essex, as well as a vehicle refurbishment and re-sale operation.

The total consideration of £35.7m represents £34.7m paid during the period and £1.0m to be paid in future periods, and includes cash acquired of £6.6m included in current assets.

The business acquired during the year contributed £1.2m to Group revenue from continuing operations and £0.1m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £28.4m and Group operating profit would have been £3.0m.

On 26 October 2022, the Group completed the acquisition of Airporter Ltd, a provider of bus services and supplier of coaches, mini buses and private vehicles for hire.

The total consideration of £2.5m was fully paid in the year.

The business acquired during the year contributed £0.3m to Group revenue from continuing operations and £0.2m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £1.8m and Group operating profit would have been £1.0m.

Notes to the consolidated financial statements continued

32 Net cash from operating activities

	2024 £m	2023 £m
Operating profit from:		
Continuing operations	46.5	153.9
Discontinued operations	(5.3)	31.3
Total operations	41.2	185.2
Adjustments for:		
Depreciation charges	589.7	721.9
Capital grant amortisation	(48.7)	(129.1)
Software amortisation charges	3.4	8.6
Loss on disposal of subsidiaries and businesses	–	3.7
Impairment	3.8	13.6
Reversal of impairment	–	(4.3)
Share-based payments	15.6	6.4
Profit on disposal of property, plant and equipment	(5.7)	(71.7)
Operating cash flows before working capital and pensions	599.3	734.3
Decrease in inventories	0.1	2.9
Increase in receivables	(3.1)	(159.4)
(Decrease)/increase in payables due within one year	(103.1)	53.8
Decrease in financial assets	23.7	–
Decrease in contingent consideration receivable	–	33.8
Decrease in provisions due within one year	(12.4)	(31.8)
Decrease in provisions due over one year	(15.5)	(1.2)
Settlement of foreign exchange hedge	(1.1)	(1.2)
Local Government Pension Scheme refund	23.1	11.8
Defined benefit pension payments lower than income statement charge	115.6	1.8
Cash generated by operations	626.6	644.8
Tax paid	(2.2)	(1.0)
Interest paid ¹	(81.1)	(70.0)
Net cash from operating activities²	543.3	573.8

¹ Interest paid includes £62.1m relating to lease liabilities (2023: £50.6m).

² Net cash from operating activities is stated after an inflow of £5.1m (2023: inflow of £35.1m) in relation to financial derivative settlements.

Notes to the consolidated financial statements continued

33 Analysis of changes in net debt

	At 25 March 2023 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 30 March 2024 £m
Components of financing activities:					
Bonds	(184.2)	88.0	–	–	(96.2)
Lease liabilities ¹	(1,748.6)	506.9	–	(216.8)	(1,458.5)
Asset backed financial liabilities	(44.2)	19.3	–	(20.7)	(45.6)
Share of NextGen battery debt	–	(13.1)	–	(0.1)	(13.2)
Other debt	(0.6)	0.6	–	–	–
Total components of financing activities	(1,977.6)	601.7	–	(237.6)	(1,613.5)
Cash	421.8	(178.3)	3.4	–	246.9
Bank overdrafts	(82.9)	56.0	–	(0.9)	(27.8)
Ring-fenced cash	369.6	(120.0)	–	–	249.6
Cash and cash equivalents	708.5	(242.3)	3.4	(0.9)	468.7
Net debt (including held for sale – discontinued operations)	(1,269.1)	359.4	3.4	(238.5)	(1,144.8)

¹ Lease liabilities 'other' includes £216.8m net inception of new leases. This comprises £222.5m inception of new leases, being £191.7m of rolling stock leases, £9.2m of passenger carrying vehicle leases and £21.6m of property and other leases, offset by £5.7m termination of leases. Termination of leases includes £1.0m in relation to rolling stock leases, £0.2m in relation to passenger carrying vehicle leases and £4.5m relating to property and other leases.

	At 25 March 2022 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 30 March 2023 £m
Components of financing activities:					
Bonds	(199.9)	15.7	–	–	(184.2)
Lease liabilities ¹	(1,083.2)	546.9	–	(1,212.3)	(1,748.6)
Asset backed financial liabilities	(35.5)	10.6	–	(19.3)	(44.2)
Other debt	(0.6)	–	–	–	(0.6)
Total components of financing activities	(1,319.2)	573.2	–	(1,231.6)	(1,977.6)
Cash	319.6	106.2	(4.0)	–	421.8
Bank overdrafts	(87.5)	4.9	–	(0.3)	(82.9)
Ring-fenced cash	468.1	(98.5)	–	–	369.6
Cash and cash equivalents	700.2	12.6	(4.0)	(0.3)	708.5
Net debt (including held for sale – discontinued operations)	(619.0)	585.8	(4.0)	(1,231.9)	(1,269.1)

¹ Lease liabilities 'other' includes £1,212.3m net inception of new leases. This comprises £1,219.0m inception of new leases, being £1,200.2m of rolling stock leases, £1.3m of passenger carrying vehicle leases and £17.5m of property and other leases, offset by £6.7m termination of leases. Termination of leases includes £3.3m in relation to rolling stock leases, £2.7m in relation to passenger carrying vehicle leases and £0.7m relating to property and other leases.

Accrued interest of £3.5m (2023: £6.5m) is excluded from the values above and derivative valuations are presented as the clean values.

Notes to the consolidated financial statements continued

34 Contingent liabilities

To support subsidiary undertakings in their normal course of business, FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £59.8m (2023: £55.0m) and letters of credit for £164.3m (2023: £169.9m). The performance bonds primarily relate to First Rail franchise operations of £56.7m and residual North American obligations of £3.2m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £103.4m to First Rail Train Operating Companies of which £78.5m remains undrawn. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

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

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

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

First MTR South Western Trains Limited (FSWT), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the CAT) in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited (SSWT) (the former operator of the South Western network) is also a defendant to these proceedings, but agreed a settlement of the claim against it with the class representative (CR) which was approved by the CAT on 10 May 2024 and, as a result, the claim that was originally brought against it will not be proceeding. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities (LSER) and against Govia Thameslink Railway Limited and related entities (GTR) in respect of the operation of other rail services. The three sets of proceedings are being heard together. The CR alleges that FSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order (CPO) has been made by the CAT in respect of the proceedings. The proceedings have been split into three trials, the first two of which have been set for June/July 2024 and June 2025, respectively, with no date currently set for the final trial. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims.

Notes to the consolidated financial statements continued**35 Operating commitments**

	2024 £m	2023 £m
Minimum payments made under contractual terms recognised in the income statement for the year:		
Plant and machinery	5.5	6.9
Track and station access	473.1	492.7
Hire of rolling stock	–	1.0
Other assets	18.0	15.6
	496.6	516.2

At the balance sheet dates, the Group had outstanding commitments for future payments under non-cancellable operating contracts, which fall due as follows:

	2024 £m	2023 £m
Within one year	484.1	481.1
In the second to fifth years inclusive	747.8	1,135.8
After five years	1.1	0.5
	1,233.0	1,617.4

Included in the above commitments are contracts held by the First Rail businesses with Network Rail for access to the railway infrastructure, track, stations and depots of £1,206.9m (2023: £1,573.9m).

Notes to the consolidated financial statements continued

36 Share-based payments
Equity-settled share option plans

The Group recognised total expenses of £15.6m (2023: £6.4m) related to equity-settled share-based payment transactions.

All Employee Plans

(a) Save as you earn (SAYE)

The Group operates an HMRC-approved savings-related share option scheme and at the start of the year there were no outstanding options. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months. The plan rules set out the treatment of those who leave employment before the end of the savings contract. The scheme was offered again in FY 2024 following a break of several years. More than 3,450 employees accepted the invitation to join the scheme and just less than 15m options were granted at a price of 111 pence per share. Further information is provided in the table below.

	SAYE Aug 2023 Options Number
Outstanding at the beginning of the year	–
Granted during the year	14,955,244
Exercised during the year	(1,080)
Lapsed during the year	(514,634)
Outstanding at the end of the year	14,439,530
Exercisable at the end of the year	5,280
Weighted average exercise price (pence)	111
Weighted average share price at date of exercise (pence)	168.2

(b) Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. Until August 2023, the Company provided two matching shares for every three shares bought by employees, subject to a maximum Company contribution of shares to the value of £20 per month. With the relaunch of the SAYE scheme in FY 2024 (see above) the Company decided to stop the matching shares in the BAYE plan to facilitate a larger SAYE scheme than would have been possible had the matched funding continued. If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

At 30 March 2024 there were 4,356 (2023 5,667) participants in the BAYE scheme. During the year, scheme participants have purchased 1,450,052 shares with the Company contributing 195,729 matching shares.

Discretionary plans

Prior to FY 2022 the discretionary awards were structured as nil cost options. Since that date the awards have been granted as conditional shares, there is no economic difference for the Company or participants as a result of this change.

Notes to the consolidated financial statements continued

36 Share-based payments continued

(c) Deferred bonus shares (DBS)

DBS awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

	DBS 2013 Options Number	DBS 2014 Options Number	DBS 2015 Options Number	DBS 2016 Options Number	DBS 2017 Options Number	DBS 2018 Options Number	DBS 2019 Options Number	DBS 2020 Options Number	DBS 2021 Options Number	DBS 2022 Options Number	DBS 2023 Options Number
Outstanding at the beginning of the year	106,094	108,038	108,187	61,668	25,356	24,648	346,901	500,212	887,555	2,102,149	–
Granted during the year	–	–	–	–	–	–	–	–	–	–	831,260
Forfeited during the year	–	–	–	–	–	–	–	–	–	–	–
Exercised during the year	(90,510)	(41,867)	(55,566)	(24,130)	(13,023)	(9,869)	(276,017)	(341,846)	(230,101)	(343,020)	–
Lapsed during the year	(15,564)	–	–	–	–	–	(2,336)	(9,565)	(17,744)	(62,674)	–
Outstanding at the end of the year	nil	66,171	52,621	37,538	12,333	14,779	68,548	148,801	639,710	1,696,455	831,260
Exercisable at the end of the year	nil	66,171	52,621	37,538	12,333	14,779	68,548	148,801	93,885	–	–
Weighted average share price at date of exercise (pence)	119.5	127.5	123.1	137.5	147.5	112.3	136.6	147.3	151.2	160.5	n/a

(d) Long-Term Incentive Plan (LTIP)

LTIP awards granted in 2019 had a TSR versus comparator group, EPS and a 'Road' ROCE performance measure. The awards granted in 2020 had two TSR measures (given the difficulty of setting targets during the pandemic), one to the FTSE 250 and one to a comparator group. The LTIP awards granted in 2021, 2022 and 2023 have relative TSR, EPS and sustainability targets. Where the threshold measures are exceeded, the awards are settled by equity.

	LTIP 2019 Options Number	LTIP 2020 Options Number	LTIP 2021 Options Number	LTIP 2022 Options Number	LTIP 2023 Options Number
Outstanding at the beginning of the year	512,636	5,136,713	2,588,698	8,603,684	–
Granted during the year	–	–	–	–	7,553,190
Forfeited during the year	–	–	–	–	–
Lapsed during the year	–	(527,391)	–	(1,163,613)	(197,298)
Exercised during the year	(512,636)	(4,609,322)	–	–	–
Outstanding at the end of the year	–	–	2,588,698	7,440,071	7,355,892
Exercisable at the end of the year	–	–	–	–	–
Weighted average share price at date of exercise (pence)	139.4	140.0	n/a	n/a	n/a

Notes to the consolidated financial statements continued

36 Share-based payments continued

(e) Executive Share Plan (ESP)

ESP awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

	ESP 2015 Options Number	ESP 2016 Options Number	ESP 2017 Options Number	ESP 2018 Options Number	ESP 2019 Options Number	ESP 2020 Options Number	ESP 2021 Options Number	ESP 2022 Options Number	ESP 2023 Options Number
Outstanding at the beginning of the year	82,213	47,245	181,175	395,721	1,414,679	1,226,403	2,255,545	251,294	–
Granted during the year	–	–	–	–	–	–	–	–	56,637
Forfeited during the year	–	–	–	–	–	–	–	–	–
Lapsed during the year	–	–	–	–	(28,933)	(5,047)	(174,250)	(6,636)	–
Exercised during the year	(40,822)	(2,356)	(124,035)	(243,181)	(960,125)	(937,400)	(955,098)	(45,300)	(44,678)
Outstanding at the end of the year	41,391	44,889	57,140	152,540	425,621	283,956	1,126,197	199,358	11,959
Exercisable at the end of the year	41,391	44,889	57,140	152,540	425,621	283,956	410,210	10,038	–
Weighted average share price at date of exercise/release (pence)	152.5	160.6	150.9	136.6	130.9	145.9	156.3	158.3	171.1

Notes to the consolidated financial statements continued**36 Share-based payments continued**

The fair values of the awards granted during the last two years were measured using a Black-Scholes model except for the TSR element of the LTIPs which were measured using a Monte Carlo model. The inputs into the models were as follows:

	2024 £m	2023 £m
Weighted average share price at grant date (pence)		
– DBS	135.8	110.6
– LTIP	136.2	112.8
– ESP	138.8	99.9
Weighted average exercise price at grant date (pence)		
– DBS	–	–
– LTIP	–	–
– ESP	–	–
Expected volatility (%)		
– DBS	N/A	N/A
– LTIP	59	60
– ESP	N/A	N/A
Expected life (years)		
– DBS	3.0	3.0
– SAYE schemes	N/A	N/A
– LTIP	3.0	2.62
– ESP	3.0	3.0
Rate of interest (%)		
– DBS	N/A	N/A
– LTIP	–	–
– ESP	–	–
Expected dividend yield (%)		
– DBS	–	–
– LTIP	–	–
– ESP	–	–

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients some are expected to leave before an entitlement vests. The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it. Fair values for the SAYE include a 10% per annum pre-vesting leaver assumption whereas the Executive, LTIP and deferred share plans exclude any allowance for pre-vesting forfeitures.

The Group used the inputs noted above to measure the fair value of the new conditional awards.

	2024 £m	2023 £m
Weighted average fair value of options at grant date		
– DBS	135.2	105.4
– LTIP	135.3	84.9
– ESP	128.2	99.9

Notes to the consolidated financial statements continued

37 Retirement benefit schemes

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

UK Bus and Group – DB schemes: The First UK Bus Pension Scheme and The FirstGroup Pension Scheme. **DC schemes:** The First Bus Retirement Savings Plan and the Enhanced Lifetime Savings Plan. The Group terminated its participation in two Local Government Pension Schemes on 31 October 2023, with affected employees enrolled into The First Bus Retirement Savings Plan.

North America – legacy schemes from operations which have now been sold.

Rail – sponsoring four sections of the Railways Pension Scheme (RPS) relating to the Group's obligations for its TOCs, with an additional section for its Open Access Hull Trains business. Since the obligations to the TOC arrangements are considered to be limited to contributions during the period of the contract, these are fundamentally different to the obligations to the other pension arrangements.

Each of these groups of arrangements have therefore been shown separately.

Overall, the duration of the Company's obligations is approximately 16 years although the durations of the individual schemes tend to vary with the UK exposures tending to be of longer duration and the North American exposures tending to be of shorter duration.

The pension schemes in the UK and USA are operated independently of the Group by the relevant pension scheme's trustee. All pension scheme assets are held separately from FirstGroup's assets. The managers or trustees (as appropriate) of the pension schemes are responsible for the investment policy, although the sponsor is consulted.

The market value of the assets as at 30 March 2024 for all non-contract rail operation defined benefit schemes totalled £1,413m (2023: £2,534m). The present value of scheme liabilities for all non-contract rail operation defined benefit schemes totalled £1,438m (2023: £2,342m).

(a) First Bus and Group (including open access rail operators)

Defined contribution plans (shown on a continuing basis)

Payments to defined contribution plans are charged as an expense as they fall due. There is no further obligation to pay contributions into a defined contribution plan once the contributions specified in the plan rules have been paid. The total expense recognised in the consolidated income statement of £31.6m (2023: £28.1m) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group operates defined contribution plans for all Group and First Bus employees and First Rail employees who are not eligible to join a defined benefit arrangement. They receive a company match to their contributions, which varies by salary and/or service.

Defined benefit plans (shown on a continuing basis)

The Group has full responsibility for the retirement benefits for former and current employees of Group, First Bus and Hull Trains who are members of the schemes described in the following paragraphs, bearing all the risks and responsibilities of sponsorship of these schemes. These comprise three funded defined benefit plans across its First Bus and Group operations (including Hull Trains which, unlike the majority of First Rail operations, is operated under open access), covering approximately 24,700 former and current employees. All of these schemes are closed to new entrants.

Triennial valuations assess the cost of future service (where relevant) and the funding position. The employer and trustees are required to agree on assumptions for the valuations and to agree the contributions that result from these. Deficit recovery contributions may be required in addition to future service contributions. In agreeing contribution rates, reference must be made to the affordability of contributions by the employer.

At their last valuations, the defined benefit schemes had funding levels between 74% and 94% (2023: 74% and 99%).

Surplus after benefits have been paid/secured, can be repaid to the employer, in line with the rules of the schemes.

The First UK Bus Pension Scheme

This provides pension benefits to employees in First Bus. Historically it provided salary-related benefits on a shared cost basis, but from April 2013, new members were enrolled in the defined contribution section. The scheme closed to defined benefit accrual on 5 April 2018. In 2023, the defined contribution section was transferred out into a standalone scheme, The First Bus Retirement Savings Plan.

The FirstGroup Pension Scheme

A smaller FirstGroup Pension Scheme provides defined benefit pensions to Group employees in addition to certain First Bus employees. This scheme closed to defined benefit accrual on 5 April 2018. A project is under way to merge The First UK Pension Scheme into The FirstGroup Pension Scheme.

The rules governing both these schemes grant the employer influence over the allocation of any residual surplus once the beneficiaries' rights have been secured. Accordingly, the net surplus/deficit is recognised in full for these schemes.

Notes to the consolidated financial statements continued**37 Retirement benefit schemes continued****Local Government Pension Schemes**

On 31 October 2023, following a consultation with affected employees, the Group terminated the participation of the relevant First Bus subsidiaries in the two Local Government Pension Schemes (LGPS) in which they were admitted bodies. An adjusting income statement expense for settlement charges and related costs of £146.9m has been recognised, with gains of £5.0m recognised in income for curtailment gains and £161.0m recognised in Other comprehensive income in relation to the restricted accounting surplus. The termination of participation has removed £543.3m and £153.9m of obligations and £679.8m and £159.5m of assets from the Group's balance sheet for the Greater Manchester Pension Fund and North East Scotland Pension Fund respectively during FY 2024. From a cash perspective, there were no payments required in relation to the exit from the Greater Manchester Pension Fund, while a payment of £23.1m was made from the North East Scotland Pension Fund to the Group. The closure to accrual and previously held irrecoverable surplus amounts are recognised within the settlement charge disclosed below.

The Hull Trains Shared Cost Section of the Railways Pension Scheme

Hull Trains participates in its own Section of the Railways Pension Scheme. This scheme, which closed to new entrants in March 2024, but remains open to the accrual of benefits for current members, provides salary-related benefits. Costs relating to accrual and to any deficit are shared with members. Any deficit is now fully borne by the sponsor – the impact of this currently has a negligible impact on the accounting balance sheet.

The table below is set out to show the movements in the fair value of schemes' assets (Assets) along with the movements in the present value of Defined benefit obligations (DBO) (Liabilities) for the Bus and Group and Hull Trains Defined Benefit schemes:

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period	2,166.9	1,972.5	2,930.1	2,571.7
Income statement				
Operating				
– Current service cost	–	5.8	–	8.5
– Past service gain including curtailments	–	(5.0)	–	–
– Settlement in relation to LGPS participation termination	(839.3)	(697.2)	–	–
Total operating	(839.3)	(696.4)	–	8.5
Interest income/cost	81.2	74.8	84.0	72.5
Total income statement¹	(758.1)	(621.6)	84.0	81.0
Amounts paid to/(from) scheme				
Employer contributions	6.0	–	(7.5)	–
Employee contributions	0.7	0.7	1.2	1.2
Benefits paid	(100.2)	(100.2)	(121.6)	(121.6)
Total	(93.5)	(99.5)	(127.9)	(120.4)
Expected closing position	1,315.3	1,251.4	2,886.2	2,532.3
Change in financial assumptions	–	(87.4)	–	(632.8)
Change in demographic assumptions	–	(14.3)	–	(43.6)
Employee share of changes	–	0.2	0.2	(1.6)
Return on assets in excess of discount rate	(167.5)	–	(719.5)	–
Experience	–	11.9	–	118.2
Total	(167.5)	(89.6)	(719.3)	(559.8)
At end of period	1,147.8	1,161.8	2,166.9	1,972.5

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
(Deficit)/surplus before adjustment		(14.0)		194.4
Impact of shared cost		–		(0.3)
Adjustment for irrecoverable surplus ²		–		(156.7)
(Deficit)/surplus in schemes		(14.0)		37.4
The amount is presented in the consolidated balance sheet as follows:				
Non-current assets		6.0		44.6
Non-current liabilities		(20.0)		(7.2)
		(14.0)		37.4

¹ In addition there was a financing charge of £4.3m relating to the interest on the asset ceiling as shown in the table below.

² The irrecoverable surplus represented the amount of the surplus that the Group could not recover through reducing future Company contributions to LGPS, see below.

Adjustment for First Bus irrecoverable surplus

Movements in the adjustment for the First Bus irrecoverable surplus were as follows:

	2024 £m	2023 £m
At beginning of period	(156.7)	(162.3)
Interest on irrecoverable surplus	(4.3)	(4.7)
Gain on settlement of LGPS arrangements	161.0	–
Actuarial gain on irrecoverable surplus	–	10.3
At end of period	–	(156.7)

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

At March 2024	Quoted £m	Unquoted £m	Total £m
Equity	16.1	163.6	179.7
Other return seeking assets	–	27.2	27.2
Real estate	–	3.5	3.5
Fixed income/liability driven	680.0	243.7	923.7
Other income generating	–	1.0	1.0
Annuities	–	–	–
Cash and cash equivalents	12.7	–	12.7
	708.8	439.0	1,147.8

At March 2023	Quoted £m	Unquoted £m	Total £m
Equity	145.9	164.4	310.3
Other return seeking assets	22.0	56.8	78.8
Real estate	–	21.9	21.9
Fixed income/liability driven	1,428.2	145.9	1,574.1
Other income generating	–	1.1	1.1
Annuities	–	129.6	129.6
Cash and cash equivalents	51.1	–	51.1
	1,647.2	519.7	2,166.9

(b) North America

Greyhound pension arrangements

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

The Group operates a legacy DB arrangement in the US (2023: one), while in Canada, there is a legacy plan (2023: one) with a DB and a DC section, and a small unfunded supplementary executive retirement plan (SERP).

The Group has commenced the termination of all its legacy pension schemes in North America.

In July 2023, a buy-in was secured for all members of the Canadian DB plan other than for a small number of members for whom lump sums were payable. Surplus funds of £5.0m remain in the plan as at the balance sheet date. After excess contributions are refunded to the employer, the plan rules require that any surplus on termination is distributed amongst members. This surplus is considered to be an increase in the value of benefits and the resulting increase in DBO is being treated as OCI experience. Reflecting the position at the date of the transaction, this requirement to distribute surplus will increase obligations by £4.6m such that the net surplus is £0.4m, to be refunded to the employer on termination. The buy-in provides a direct match to the underlying benefits thereby eliminating future balance sheet volatility in respect of these obligations. The buy-in assets at the year end are categorised as annuities in the table below.

Separately, the Group conducted both a lump sum exercise and partial buy-out for the legacy DB arrangements in the US. The partial buy-out was completed in August 2023 and resulted in c.£56m of assets and liabilities as at year end being removed from the Group's balance sheet.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

The table below is set out to show the movements in the fair value of schemes' assets (Assets) along with the movements in the present value of defined benefit obligations (DBO) (Liabilities) for the North American defined benefit schemes:

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period (including held for sale)	366.8	369.5	412.4	408.7
Income statement				
Operating				
– Current service cost	–	3.4	–	2.1
– Past service gain including curtailments and settlements	(57.7)	(58.9)	–	–
Total operating	(57.7)	(55.5)	–	2.1
Interest income/cost	15.1	15.2	16.5	16.2
Total income statement	(42.6)	(40.3)	16.5	18.3
Amounts paid to/(from) scheme				
Employer contributions	0.6	–	4.5	–
Employee contributions	–	–	–	–
Benefits paid	(43.2)	(43.2)	(46.9)	(46.9)
Total	(42.6)	(43.2)	(42.4)	(46.9)
Expected closing position	281.6	286.0	386.5	380.1
Change in financial assumptions	–	(5.1)	–	(27.2)
Change in demographic assumptions	–	4.7	–	–
Employee share of change in DBO	–	–	–	–
Return on assets in excess of discount rate	(7.5)	–	(33.9)	–
Experience	–	–	–	1.6
Total	(7.5)	(0.4)	(33.9)	(25.6)
Currency gain/loss	(9.3)	(9.5)	14.2	15.0
At end of period	264.8	276.1	366.8	369.5

Notes to the consolidated financial statements continued**37 Retirement benefit schemes continued**

	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Surplus/(deficit)				
Calculated as at 30 March		(11.3)		(2.7)
Opening irrecoverable surplus		(6.8)		(14.6)
Change in irrecoverable surplus		6.8		7.0
Currency gain/(loss) on irrecoverable surplus		–		0.8
Presented in the consolidated balance sheet as Non-current liabilities		(11.3)		(9.5)

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At March 2024			
Fixed income/liability driven	109.4	–	109.4
Annuities	–	148.2	148.2
Cash and cash equivalents	7.2	–	7.2
	116.6	148.2	264.8
At March 2023			
Fixed income/liability driven	336.2	(27.2)	309.0
Cash and cash equivalents	57.5	0.3	57.8
	393.7	(26.9)	366.8

First Transit management contracts

The Group retained ten First Transit Management Contracts following the sale of First Transit in 2021. As at the balance sheet date, the Group had ceased to sponsor any Transit Management pension arrangements following the expiry of the last remaining contracts.

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

	2024 £m	2023 £m
Assets	–	14.0
Liabilities	–	(21.8)
Deficits in schemes	–	(7.8)
Amounts recoverable from contracting authorities	–	7.8
Net deficits in schemes	–	–

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(c) Rail contracts

The Railways Pension Scheme (RPS)

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

As at the balance sheet date, the Group sponsored four sections of the RPS, relating to its contracting obligations for its TOCs. The RPS is managed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

The RPS is a shared cost arrangement. All costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members.

For the TOC sections, under the contractual arrangements with the DfT, the employer's responsibility is to pay the contributions following triennial funding valuations while it operates the contracted services. These contributions are subject to change on consideration of future statutory valuations, though the Group is fully protected from any such changes through its contracts with the DfT. At the end of the contract, any deficit or surplus in the scheme section passes to the subsequent train operating company with no compensating payments from or to the outgoing TOC.

The statutory funding valuations of the various Rail Pension Scheme sections in which the Group is involved (last finalised with an effective date of 31 December 2022) and the IAS 19 actuarial valuations are carried out for different purposes and may result in materially different results. The IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time-based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). The contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised) and the Group does not account for uncommitted contributions towards the sections' current or expected future deficits. Therefore, the Group does not need to reflect any deficit on its balance sheet. A TOC adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with the members. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current contract and committed contributions. The TOC adjustment on the balance sheet date reflects the extent to which the Group is not currently committed to fund the deficit.

Movements in the TOC contract adjustment in a period arise from and are accounted for as follows:

Any service cost for the period for which the contribution schedule requires no contributions from the entity are reflected as an adjustment to the service cost in the income statement, which is considered to be in line with paragraphs 92-94 of IAS 19 (Revised).

Under circumstances where contributions are renegotiated, such as following a statutory valuation, any adjustment necessary to reflect an obligation to fund past service cost will be recognised in the income statement.

At the previous year end, we noted that The Pensions Regulator (TPR) had been in discussion with the RPS (the Scheme) regarding the assumptions used to determine the Scheme's funding requirements. These discussions have now been concluded with the finalisation of the 31 December 2022 triennial valuation.

Notes to the consolidated financial statements continued**37 Retirement benefit schemes continued**

Management do not believe that the current NRCs have impacted the position in relation to the Group's funding obligations towards the RPS sections and no allowance has therefore been made within the disclosures for these Agreements.

The disclosed information has been set out to illustrate the effect of this on the costs borne by FirstGroup. In particular, 40% of the costs, gains or losses and any deficit are attributed to the members. In addition, the total surplus or deficit is adjusted by way of a 'contract adjustment' which includes an assessment of the changes that will arise from contracted future contributions and which is the portion of the deficit or surplus projected to exist at the end of the contract which the Group will not be required to fund or benefit from.

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Contract adjustment £m	Net £m
At 1 April 2023	3,684.3	(3,814.5)	52.1	78.1	-
Impact from non-renewal of TPE contract	(239.2)	267.7	(11.4)	(17.1)	-
Revised opening position, excluding TPE	3,445.1	(3,546.8)	40.7	61.0	-
Income statement					
Operating					
– Service cost	-	(128.7)	51.5	24.9	(52.3)
– Admin cost	-	(5.8)	2.3	-	(3.5)
Total operating	-	(134.5)	53.8	24.9	(55.8)
Financing	166.1	(165.4)	(0.3)	(0.4)	-
Total income statement	166.1	(299.9)	53.5	24.5	(55.8)
Amounts paid to/(from) scheme					
Employer contributions	55.8	-	(22.3)	22.3	55.8
Employee contributions	36.7	-	(14.7)	(22.0)	-
Benefits paid	(141.7)	141.7	-	-	-
Total	(49.2)	141.7	(37.0)	0.3	55.8
Expected closing position	3,562.0	(3,705.0)	57.1	85.8	-
Change in financial assumptions	-	30.7	(12.3)	(18.4)	-
Change in demographic assumptions	-	74.6	(29.8)	(44.8)	-
Return on assets in excess of discount rate	160.4	-	(64.1)	(96.3)	-
Experience	-	11.0	(4.4)	(6.6)	-
Total	160.4	116.3	(110.6)	(166.1)	-
At 31 March 2024	3,722.4	(3,588.7)	(53.4)	(80.3)	-

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Contract adjustment £m	Net £m
At 1 April 2022	3,790.6	(5,066.1)	510.2	765.3	–
Income statement					
Operating					
– Service cost	–	(236.7)	94.6	89.2	(52.9)
– Admin cost	–	(10.4)	4.2	–	(6.2)
Total operating	–	(247.1)	98.8	89.2	(59.1)
Financing	108.2	(138.1)	12.0	17.9	–
Total income statement	108.2	(385.2)	110.8	107.1	(59.1)
Amounts paid to/(from) scheme					
Employer contributions	59.1	–	(23.6)	23.6	59.1
Employee contributions	39.4	–	(15.8)	(23.6)	–
Benefits paid	(140.8)	140.8	–	–	–
Total	(42.3)	140.8	(39.4)	–	59.1
Expected closing position	3,856.6	(5,310.6)	581.6	872.3	–
Change in financial assumptions	–	1,840.2	(736.1)	(1,104.1)	–
Return on assets in excess of discount rate	(172.3)	–	68.9	103.4	–
Experience	–	(344.2)	137.7	206.5	–
Total	(172.3)	1,496.0	(529.5)	(794.2)	–
At 31 March 2023	3,684.3	(3,814.5)	52.1	78.1	–

During the year £5.8m (2023: £10.4m) of gross administrative expenses were incurred, included in benefits paid above.

Finance costs above include interest income of £99.7m (2023: £64.9m) and employee share of interest on assets of £66.4m (2023: £43.3m).

Income statement charges on liabilities above of £299.9m (2023: £385.2m) represent:

	2024 £m	2023 £m
Current service costs	80.7	148.2
Interest costs	99.2	82.9
Employee share of change in DBO (not attributable to contract adjustment)	120.0	154.1
	299.9	385.2

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

At 30 March 2024/31 March 2024	Quoted £m	Unquoted £m	Total £m
Equity	–	2,106.4	2,106.4
Other return seeking assets	–	1,166.0	1,166.0
Real estate	–	440.1	440.1
Cash and cash equivalents	9.9	–	9.9
	9.9	3,712.5	3,722.4

At 25 March 2023/31 March 2023	Quoted £m	Unquoted £m	Total £m
Equity	–	2,069.3	2,069.3
Other return seeking assets	–	1,177.8	1,177.8
Real estate	–	426.5	426.5
Cash and cash equivalents	10.7	–	10.7
	10.7	3,673.6	3,694.3

The Rail contracts' assets are invested in pooled funds created specifically for the Rail schemes. As such, these assets have been categorised as unquoted.

(d) Valuation assumptions

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

At 25 March 2023/31 March 2023	First Bus 2024 %	First Rail 2024 %	North America 2024 %	First Bus 2023 %	First Rail 2023 %	North America 2023 %
Key assumptions used:						
Discount rate	4.86 – 4.88	4.89	4.85 – 5.16	4.67 – 4.69	4.80	4.66 – 4.92
Expected rate of salary increases	N/A	3.70	N/A	3.51	3.22	n/a
Inflation – CPI	2.61 – 2.62	2.60	2.00	2.51 – 2.56	2.72	2.0
Future pension increases	2.58 ²	2.60	n/a	2.532	2.72	n/a
Post-retirement mortality (life expectancy in years) ¹						
Current pensioners at 65:	19.3	20.1	19.8 – 21.6	19.4	20.7	19.7 – 21.6
Future pensioners at 65 aged 45 now:	19.7	21.5	21.4 – 22.6	19.8	22.2	21.3 – 22.6

1 Life expectancies reflect the largest underlying plans in each region.

2 Weighted average for principal scheme.

The Group reviews its longevity assumptions for each scheme following completion of funding valuations. The assumptions adopted reflect recent scheme experience and views on future longevity which may include industry-specific adjustment where appropriate. The Group obtains specialist actuarial advice before agreeing longevity assumptions.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(e) Sensitivity of retirement benefit obligations to changes in assumptions

The method used to derive the sensitivities is the same as that used to calculate the main disclosures. The exception is longevity where we have instead applied a general rule that one year's extra life expectancy adds c.3% to the defined benefit obligation (with resultant impacts on rail and irrecoverable surplus adjustments). This is consistent with the method applied to deriving last year's sensitivities.

A 1.0% movement in the discount rate would impact the balance sheet position by approximately £150m. A 0.5% movement in the inflation rate would impact the balance sheet position by approximately £59m. A one-year movement in life expectancy would impact the balance sheet position by approximately £38m.

Management considers that the figures provide a suitable indication of the potential impact of reasonably possible changes in the financial assumptions and one-year change in the mortality assumption. No allowance has been made for any consequent change in the value of assets held.

(f) Consolidated statement of comprehensive income

Amounts presented in the consolidated statement of comprehensive income comprise:

	2024 £m	2023 £m
Actuarial gain on DBO	206.5	2,079.7
Actuarial (loss) on assets	(14.6)	(925.7)
Actuarial (loss) on contract adjustments	(276.7)	(1,323.7)
Gain on settlement of LGPS arrangements	161.0	–
Adjustment for irrecoverable surplus	7.1	18.8
Actuarial gains/(losses) on defined benefit schemes	83.3	(150.9)

(g) Cash contributions

The estimated amounts of employer contributions expected to be paid to the defined benefit schemes during the 52 weeks ending 29 March 2025 is £62m based on current contributions schedules in force (30 March 2024: £64m).

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

(h) Risks associated with defined benefit plans

Other than for the First Rail TOCs, the number of employees in defined benefit plans is reducing rapidly, as these plans are closed to new entrants, and plans are being terminated. This will serve to limit the risks associated with DB pension provision by the Group.

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited, as under the contractual arrangements with DfT, the First Rail TOCs are not responsible for any residual deficit at the end of a contract. Furthermore, under these contractual arrangements with the DfT, the First Rail TOCs are indemnified against any short-term cash flow risks arising from future triennial valuations.

The key risks relating to the other defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The assets held in the defined benefit arrangements are intended to meet the long-term funding objectives of those arrangements, and therefore results in some risk in the short term and has the potential for material adverse movements relative to the liabilities as valued for accounting purposes.	Asset liability modelling has been undertaken to ensure that any risks taken are expected to be rewarded and, in relation to the Company's largest pension exposures, further work is being undertaken to ensure that the investment strategy remains the most appropriate.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.	Investment strategy reviews have led to increased inflation hedging, mainly through swaps or holding Index Linked Gilts in the UK schemes.
Uncertainty over level of future contributions	Contributions to defined benefit schemes can be unpredictable and volatile as a result of changes in the funding level revealed at each valuation.	The Group engages with the trustees and plan managers to consider how contribution requirements can be made more stable. The level of volatility and the Group's ability to control contribution levels varies between arrangements.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	Linking retirement age to State Pension Age (as in The First Bus Pension Scheme) has mitigated this risk to some extent.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, through introducing pension increases, vesting of deferred pensions, equalisation of certain benefits for men and women or reduced investment return through the ability to reclaim Advance Corporation Tax.	The Group receives professional advice on the impact of legislative changes.

Notes to the consolidated financial statements continued

38 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, which comprise the plc Board who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Annual report on remuneration on pages 130-143.

	2024 £m	2023 £m
Basic salaries ¹	1.9	1.7
Fees	0.7	0.8
Share-based payment	2.4	2.5
	5.0	5.0

¹ Basic salaries include cash emoluments in lieu of retirement benefits, bonuses and car allowances.

39 Events after the reporting period

On 31 May, the majority of the Bus Scheme's assets and liabilities were transferred into a newly created section of the Group Scheme, leaving c.£70m in the Bus Scheme. The Group anticipates starting the winding-up process of the Bus Scheme as soon as possible. Eligible members who decline a lump sum payment option will be transferred to the Group Scheme in due course, at which point the merger will be completed. The two Sections will remain segregated for funding and investment purposes and there is no impact to be reflected in the Group's financial statements.

Notes to the consolidated financial statements continued

40 Information about related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 30 March 2024 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held indirectly by FirstGroup plc, the entities are unlisted, and have one type of ordinary share capital, the year end is 30 March. The Group's interest in the voting share capital is 100% unless otherwise stated. No subsidiary undertakings have been excluded from the consolidation:

Subsidiaries – wholly owned and incorporated in the United Kingdom

A E & F R Brewer Limited,⁵ Heol Gwyrsoydd, Penlan, Swansea, SA5 7BN
Airport Buses Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Airport Coaches Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Airporter Limited,^{3,7} 21 Arthur Street, Belfast, BT1 4GA
Butler Woodhouse Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Cawlett Limited,^{1,4,5} Enterprise House, Easton Road, Bristol, BS5 0DZ
CCB Holdings Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
CentreWest Limited,^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
CentreWest London Buses Limited,^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
CentreWest ESOP Trustee (UK) Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Chester City Transport Limited,⁵ Bus Depot, Wallshaw Street, Oldham, OL1 3TR
Crosville Limited,⁵ Bus Depot, Wallshaw Street, Oldham, OL1 3TR
Don Valley Buses Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA
East Coast Trains Limited,^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
East West Rail Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
ECOC (Holdings) Limited,^{1,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Ensign Bus Company Limited,^{3,7} The Rifle Range, Juliette Close, Purfleet Industrial Park, Aveley, South Ockendon, Essex, RM15 4YF
Evolutionary Rail Limited,^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FB Canada Holdings Limited,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FG Canada Investments Limited,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FG Properties Limited,^{3,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FGI Canada Holdings Limited,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FK Cross London Limited,⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Aberdeen Limited,^{3,7} 395 King Street, Aberdeen, AB24 5RP
First Beeline Buses Limited,^{3,7} Hoeford, Gosport Road, Fareham, Hampshire, PO16 0ST
First Bus Central Services Limited,^{3,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Bus Pension GP Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Bus Retirement Savings Plan Trustee Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Capital Connect Limited,^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Capital East Limited,^{3,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
First Capital North Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First CentreWest Buses Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First City Line Ltd,^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Coaches Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ
First Customer Contact Limited,^{8,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Cymru Buses Limited,^{3,7} Heol Gwyrsoydd, Penlan, Swansea, SA5 7BN
First Dublin Metro Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Eastern Counties Buses Limited,^{3,7} Davey House, 7b Castle Meadow, Norwich, Norfolk, NR1 3DE
First Essex Buses Limited,^{3,7} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
First European Holdings Limited,^{1,3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Games Transport Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Glasgow Limited,^{1,5} 100 Cathcart Road, Glasgow, G42 7BH
First Glasgow (No.1) Limited,⁷ 100 Cathcart Road, Glasgow, G42 7BH
First Glasgow (No.2) Limited,^{3,7} 100 Cathcart Road, Glasgow, G42 7BH
First Greater Western Limited,^{7,9} Milford House, 1 Milford Street Swindon, Wiltshire SN1 1HL
First Hampshire & Dorset Limited,^{3,7} Hoeford, Gosport Road, Fareham, Hampshire, PO16 0ST
First Information Services Limited,^{1,3,8} 395 King Street, Aberdeen, AB24 5RP
First International (Holdings) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First International No.1 Limited,^{3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First London Cableway Limited,⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Manchester Limited,^{3,7} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Merging Pension Schemes Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Midland Red Buses Limited,^{3,7} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First North West Limited,^{3,4} Wallshaw Street, Oldham, OL1 3TR
First Northern Ireland Limited,^{3,7} 21 Arthur Street, Belfast, BT1 4GA
First Pioneer Bus Limited,^{3,5} Wallshaw Street, Oldham, OL1 3TR
First Potteries Limited,^{3,7} Abbey Lane, Leicester, England, LE4 0DA
First Provincial Buses Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Rail (Commuter) Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Rail Holdings Limited,^{1,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Rail Procurement Limited,^{1,3,8,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Rail Support Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First ScotRail Limited,^{3,9} 395 King Street, Aberdeen, AB24 5RP

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

First Shared Services Limited,⁵ 395 King Street, Aberdeen, AB24 5RP
First South West Limited,^{3,7} Union Street, Camborne, Cornwall, TR14 8HF
First South Yorkshire Limited,^{3,7} Olive Grove, Sheffield, South Yorkshire, S2 3GA
First Student UK Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First TransPennine Express Limited,^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Travel Solutions Limited,⁷ Unit 5 Petre Court, Petre Road Clayton Business Park, Clayton Le Moors, Accrington, BB5 5HY
First Wessex National Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ
First West of England Limited,⁷ Enterprise House, Easton Road, Bristol, BS5 0DZ
First West Yorkshire Limited,⁷ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
First York Limited,^{3,7} Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
FirstBus (North) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstBus (South) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstBus Group Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstBus Investments Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup American Investments,^{3,4} 395 King Street, Aberdeen, AB24 5RP
FirstGroup Canadian Finance Limited,^{1,3,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup Construction Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup Energy Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup Holdings Limited,^{1,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup Pension GP Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup (QUEST) Trustees Limited,^{1,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
FirstGroup US Finance Limited,^{1,3,8} 395 King Street, Aberdeen, AB24 5RP
FirstGroup US Holdings,^{3,4} 395 King Street, Aberdeen, AB24 5RP
Fleetrisk Management Limited,^{3,8} Olive Grove, Sheffield, South Yorkshire, S2 3GA
G.E. Mair Hire Services Limited,⁵ 395 King Street, Aberdeen, AB24 5RP
G.A.G. Limited,^{1,3,4} Enterprise House, Easton Road, Bristol, BS5 0DZ
GB Railways Group Limited,^{1,3,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Great Western Trustees Limited,^{5,9} Milford House, 1 Milford Street, Swindon, SN1 1HL
Grenville Motors Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
GRT Bus Group Limited,^{1,3,4} 395 King Street, Aberdeen, AB24 5RP
Gurna Limited,^{3,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Halesworth Transit Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Hampshire Books Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Hull Trains Company Limited,^{7,9} The Point, 8th Floor, 37 North Wharf Road, London, England, W2 1AF
Indexbegin Limited,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
KCB Limited,⁵ 100 Cathcart Road, Glasgow, G42 7BH
Kirkpatrick of Deeside Limited,⁵ 395 King Street, Aberdeen, AB24 5RP
LCB Engineering Limited,^{3,5} Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Leicester CityBus Limited,^{3,7} Abbey Lane, Leicester, England, LE4 0DA
Lynton Bus and Coach Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Lynton Company Services Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Mainline Partnership Limited,^{1,3,4,5} Olive Grove, Sheffield, South Yorkshire, S2 3GA
Midland Travellers Limited,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
Mistral Data Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
North Devon Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Northampton Transport Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR
Project Coral Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Quickstep Travel Ltd,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
Reiver Ventures Properties Limited,^{4,5} 395 King Street, Aberdeen, AB24 5RP
Reiver Ventures Limited,^{1,5} 395 King Street, Aberdeen, AB24 5RP
Reynard Buses Limited,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
Rider Holdings Limited,^{3,4} Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
Rider Travel Limited,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL
Scott's Hospitality Limited,³ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Sheafline (S.U.T.) Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA
Sheffield & District Traction Company Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA
Sheffield United Transport Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA
Skillplace Training Limited,⁵ Heol Gwyrosydd, Penlan, Swansea, SA5 7BN
Smiths of Portland Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ
SMT Omnibuses Limited,^{1,5} 395 King Street, Aberdeen, AB24 5RP
Southampton CityBus Limited,^{3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Southampton City Transport Company Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Specialist Passenger Solutions Ltd,^{3,7} J24 Hinkley Point C, Park and Ride, Huntworth Business Park, Bridgwater, TA6 6TS
Streamline Buses (Bath) Limited,^{1,5} Enterprise House, Easton Road, Bristol, BS5 0DZ
Taylor's Coaches Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ
The FirstGroup Pension Scheme Trustee Limited,⁸ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
The First UK Bus Pension Scheme Trustee Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Totaljourney Limited,^{1,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
Tram Operations Limited,^{7,9} Tramlink Depot, Coomber Way, Croydon, CR0 4TQ
Transportation Claims Limited,⁹ Aquis House, 49-51 Blagrove Street, Reading, RG1 1PL

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

Truronian Limited,^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
West Dorset Coaches Limited,^{4,5} Enterprise House, Easton Road, Bristol, BS5 0DZ
Western National Holdings Limited,^{4,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
York Pullman Bus Company Limited,⁷ 2 Clifton Moor Business Village, York, North Yorkshire, YO30 4XG
YPBC Limited,⁴ 2 Clifton Moor Business Village, York, North Yorkshire, YO30 4XG

Subsidiaries – wholly owned and incorporated in the United States of America

Durham City Transit Company,⁷ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801
FirstGroup Management,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801
FirstGroup Services,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801
Laidlaw Transportation Holdings,⁵ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801
Transit Management of Dutchess County,⁷ Inc. 112 S French Street Suite 105, Wilmington, Delaware 19801

Subsidiaries – not wholly owned but incorporated in the United States of America

Transportation Realty Income Partners LP (50%),⁷ 600 Vine Street Suite 1400, Cincinnati, Ohio 45202

Subsidiaries – wholly owned and incorporated in Ireland

Aeroporto Limited,⁴ 25-28 North Wall Quay, Dublin
Last Passive Limited,⁷ 25-28 North Wall Quay, Dublin

Subsidiaries – wholly owned and incorporated in Panama

First Transit de Panama, Inc.⁵ Morgan & Morgan, Costa del Este, MMG Tower, 23rd Floor, Panama City

Subsidiaries – wholly owned and incorporated in Canada

GCT Holdings Ltd.,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8
GCT Investment Limited Partnership,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8

Greyhound Canada Transportation ULC,⁷ Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia V7X 1L3

Subsidiaries – not wholly owned but incorporated in Canada

GACCTO Limited (50%),⁵ 130 King Street West, #1600, Toronto, Ontario M5X 1J5

Subsidiaries – not wholly owned but incorporated in the United Kingdom

Careroute Limited (80%),⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First/Keolis Holdings Limited (55%),^{1,3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First/Keolis TransPennine Holdings Limited (55%),^{3,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First/Keolis TransPennine Limited (55%),^{3,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First MTR South Western Trains Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
First Trenitalia West Coast Rail Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
NextGen AssetCo Limited (50%),⁷ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF
NextGen MidCo Limited (50%),⁸ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

- 1 Directly owned by FirstGroup plc.
- 2 All shares held in subsidiary undertakings are ordinary shares, with the exception of Leicester CityBus Limited where the Group owns 100% of its redeemable cumulative preference shares and 94% of its ordinary shares.
- 3 For the year ending 30 March 2024 these subsidiaries are exempt from audit of individual accounts under S479A of the UK Companies Act 2006.
- 4 Primary business is a holding company.
- 5 Primary business is a dormant company.
- 6 Primary business is an intragroup financing company.
- 7 Primary business is the provision of transportation services.
- 8 Primary business is an administrative or support services company.
- 9 Rail companies with 31 March year end.

Certain pension partnership structures (FirstBus Pension Limited Partnership and FirstGroup Pension Limited Partnership) were implemented during the 52 weeks ending 26 March 2022. These structures involved the creation of special purpose vehicles (SPVs) to hold cash to fund the Bus and Group pension schemes if required, based on a designated funding mechanism. The first accounting period end for these SPVs was 31 March 2023. The SPVs are consolidated into FirstGroup plc's consolidated accounts, and therefore under Partnership (Accounts) Regulations 2008, Regulation 7, the SPVs are exempt from the requirement to prepare individual entity annual accounts.

Group financial summary

Unaudited

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Consolidated income statement (includes discontinued operations)					
Group revenue	4,715.1	4,759.0	5,588.0	6,844.8	7,754.6
Operating profit before amortisation charges and other adjustments	202.4	154.4	226.8	220.4	256.8
Amortisation charges	–	–	(0.4)	(4.1)	(4.9)
Other adjustments	(161.2)	30.8	579.7	69.5	(404.6)
Operating profit/(loss)	41.2	185.2	806.1	285.8	(152.7)
Finance costs	(82.4)	(69.3)	(153.5)	(172.0)	(146.9)
Investment income	16.8	12.8	1.5	2.0	–
(Loss)/profit before tax	(24.4)	128.7	654.1	115.8	(299.6)
Tax	15.0	(33.4)	(12.1)	(24.7)	(25.0)
(Loss)/profit for the year	(9.4)	95.3	642.0	91.1	(324.6)
EBITDA	746.8	755.8	862.1	1,178.9	1,108.9
Per share measures					
	pence	pence	pence	pence	pence
Adjusted continuing EPS ¹	16.7	11.6	1.6	(2.8)	6.8
Basic EPS	(2.4)	11.8	60.2	6.5	(27.0)
Dividend per share	5.5	3.8	1.1	–	–
Consolidated balance sheet					
	£m	£m	£m	£m	£m
Non-current assets	2,425.4	2,651.9	2,267.2	2,641.2	6,225.1
Net current (liabilities)/assets	(621.7)	(253.9)	(546.8)	(876.8)	(701.9)
Non-current liabilities	(1,051.3)	(1,530.9)	(753.1)	(2,817.7)	(3,927.5)
Held for sale – continuing operations	–	8.3	–	–	–
Held for sale – discontinued operations	0.6	0.6	38.5	2,342.9	–
Non-current provisions	(111.3)	(125.2)	(120.7)	(135.5)	(419.0)
Net assets	641.7	750.8	885.1	1,154.1	1,176.7
Share data					
	millions	millions	millions	millions	millions
Number of shares in issue					
At year end	750.7	750.6	750.2	1,221.8	1,219.5
Average (excluding treasury shares and shares in trusts)	662.9	739.5	1,057.5	1,203.6	1,210.9
Share price					
	pence	pence	pence	pence	pence
At year end	180	101	107	92	50
High	188	140	107	95	138
Low	102	94	73	31	28

Group financial summary continued

Unaudited

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Market capitalisation					
At year end	1,154	803	1,124	610	1,105
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Continuing operations					
Revenue	4,751.1	4,755.0	4,591.1	4,318.8	4,039.6
Adjusted operating profit	204.3	161.0	106.7	112.2	81.3
Operating profit/(loss)	46.5	153.9	122.8	171.0	38.2
EBITDA	748.6	762.4	731.2	782.8	623.3
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
First Bus					
Revenue	1,012.2	902.5	789.9	698.9	835.9
Adjusted operating profit	83.6	58.4	45.2	36.6	46.1
Operating profit/(loss)	(63.3)	51.4	45.2	30.8	32.4
EBITDA	148.1	120.9	104.4	100.8	113.2
	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
First Rail					
Revenue	3,738.4	3,893.2	3,801.2	3,619.9	3,203.7
Adjusted operating profit	143.3	124.8	87.8	108.1	70.4
Operating profit/(loss)	143.3	124.8	91.8	203.8	69.3
EBITDA	620.5	661.0	649.9	711.1	540.3

1 The Group has revised its definition of adjusted earnings during the year, to exclude also the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases. The 2023 comparatives only have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

Company balance sheet

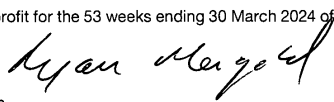
As at 30 March 2024/25 March 2023

	Notes	2024 £m	2023 £m
Non-current assets			
Trade and other receivables	3	513.4	506.9
Derivative financial instruments	4	–	0.1
Investments	5	738.2	740.7
		1,251.6	1,247.7
Current assets			
Cash and cash equivalents		118.9	371.4
Trade and other receivables	3	3.3	2.7
Derivative financial instruments	4	–	4.1
		122.2	378.2
Total assets		1,373.8	1,625.9
Current liabilities			
Trade and other payables	7	357.8	313.3
Derivative financial instruments	4	0.7	0.1
		358.5	313.4
Net current (liabilities)/assets		(236.3)	64.8
Non-current liabilities			
Trade and other payables		–	184.2
Derivative financial instruments	7	0.2	–
		0.2	184.2
Total liabilities		358.7	497.6
Net assets		1,015.1	1,128.3
Equity			
Share capital	8	37.5	37.5
Share premium		693.3	693.2
Other reserves		115.9	117.2
Own shares	9	(20.4)	(15.4)
Retained earnings		188.8	295.8
Total equity		1,015.1	1,128.3

The Company reported a profit for the 53 weeks ending 30 March 2024 of £37.6m (2023: profit of £232.3m).

Ryan Mangold

11 June 2024



Company number SC157176

Company statement of changes in equity

For the 53 weeks ended 30 March 2024/52 weeks ended 25 March 2023

	Share capital £m	Share premium £m	Own shares £m	Hedging reserve £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 27 March 2022	37.5	692.8	(9.0)	(10.2)	64.0	93.8	19.7	105.9	994.5
Profit/(loss) for the year	-	-	-	-	-	-	-	232.3	232.3
Other comprehensive (loss)/income for the year	-	-	-	0.0	-	-	-	-	0.0
Total comprehensive gain/(loss) for the year	-	-	-	0.0	-	-	-	232.3	232.3
Transactions with owners in their capacity as owners									
Shares issued	-	0.4	-	-	-	-	-	-	0.4
Shares bought back but not yet cancelled	-	-	-	-	-	-	-	(31.6)	(31.6)
Liability for shares not yet bought back	-	-	-	-	-	-	-	(43.9)	(43.9)
Movement in EBT and treasury shares	-	-	(6.4)	-	-	-	-	(8.6)	(15.0)
Share-based payments	-	-	-	-	-	-	-	6.4	6.4
Dividends paid	-	-	-	-	-	-	-	(14.8)	(14.8)
Reclassification to retained earnings	-	-	-	-	(50.1)	-	-	50.1	-
Balance at 25 March 2023	37.5	693.2	(15.4)	(10.2)	13.9	93.8	19.7	295.8	1,128.3
Balance at 26 March 2023	37.5	693.2	(15.4)	(10.2)	13.9	93.8	19.7	295.8	1,128.3
Profit for the year	-	-	-	-	-	-	-	37.6	37.6
Other comprehensive loss for the year	-	-	-	(1.3)	-	-	-	-	(1.3)
Total comprehensive gain/(loss) for the year	-	-	-	(1.3)	-	-	-	37.6	36.3
Transactions with owners in their capacity as owners									
Shares issued	-	0.1	-	-	-	-	-	-	0.1
Shares bought back but not yet cancelled	-	-	-	-	-	-	-	(74.7)	(74.7)
Liability for shares not yet bought back	-	-	-	-	-	-	-	(41.1)	(41.1)
Movement in EBT and treasury shares	-	-	(5.0)	-	-	-	-	(11.5)	(16.5)
Share-based payments	-	-	-	-	-	-	-	12.2	12.2
Dividends paid	-	-	-	-	-	-	-	(29.5)	(29.5)
Balance at 30 March 2024	37.5	693.3	(20.4)	(11.5)	13.9	93.8	19.7	188.8	1,015.1

Merger reserves relating to disposal of investments for qualifying consideration, and those relating to the extent related investments are impaired are considered realised and transferred to retained earnings.

The non-distributable portion of retained earnings is £37.6m (2023 £32.7m).

Notes to the Company financial statements

1 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments and on a going concern basis as described in the Going concern statement within the Strategic report on pages 4-102.

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, certain related party transactions and the requirement to present a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of its financial statements.

The financial statements for the current period include the results and financial position of the Company for the 53 weeks ending 30 March 2024. The financial statements for the prior period include the results and financial position of the Company for the 52 weeks ending 25 March 2023.

Where relevant, equivalent disclosures have been given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment. For investments in subsidiaries acquired for consideration in the form of shares, including the issue of shares qualifying for merger relief, cost is measured by reference to the fair value only of the shares issued.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Investment in subsidiaries

Estimation is required in relation to the recoverability of the investments and is sensitive to changes in cash flow forecasts supporting the recoverable amount. There is a significant risk that material adjustment to the carrying amounts of the investments and receivables could be required within the next financial year, including the reversal of prior year impairments. The carrying value of investments at 30 March 2024 is £738.2m (2023: £740.7m).

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit for the financial year ended 30 March 2024 of £37.6m (2023: profit of £232.3m).

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are disclosed in note 6 of the Group accounts. The Company had no employees in the current or preceding financial year.

3 Trade and other receivables

	2024 £m	2023 £m
Amounts due within one year		
Prepayments	3.3	2.7
	3.3	2.7
Amounts due after more than one year		
Amounts due from subsidiary undertakings	475.5	472.9
Loss allowance	(0.9)	(0.9)
Net amounts due from subsidiary undertakings	474.6	472.0
Deferred tax asset (note 6)	38.8	34.9
	513.4	506.9

Notes to the Company financial statements continued

4 Derivative financial instruments

	2024 £m	2023 £m
Total derivatives		
Total assets – due after more than one year	–	0.1
Total assets – due within one year	–	4.1
Total assets	–	4.2
Total creditors – amounts falling due within one year	0.7	0.1
Total creditors – amounts falling due after more than one year	0.2	–
Total creditors	0.9	0.1
Derivatives designated and effective as hedging instruments carried at fair value		
Current liabilities		
Currency forwards (net investment hedge)	–	0.1
Total liabilities	–	0.1
Derivatives classified as held for trading		
Non-current assets		
Currency forwards (cash flow hedge)	–	0.1
Current assets		
Currency forwards (cash flow hedge)	–	4.1
	–	4.1
Total assets	–	4.2
Current liabilities		
Currency forwards (cash flow hedge)	0.7	–
Non-current liabilities		
Currency forwards (cash flow hedge)	0.2	–
	–	–
Total liabilities	0.9	–

Full details of the Group's financial risk management objectives and procedures can be found in note 25 of the Group accounts. As the holding company for the Group, the Company faces similar risks over foreign currency and interest rate movements.

5 Investments in subsidiary undertakings

	Unlisted subsidiary undertakings £m
Cost	
At 25 March 2023	1,184.4
Additions	6.5
Write-off of investment	(2.5)
At 30 March 2024	1,188.4
Provision for impairment	
At 25 March 2023	443.7
Impairment	6.5
At 30 March 2024	450.2
Carrying amount	
At 30 March 2024	738.2
At 25 March 2023	740.7

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. The investments of £738.2m principally relate to an investment in the Group's former North American divisions and holding companies of £78.9m and the First Bus business of £659.3m.

The First Bus value in use requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow forecasts, the long-term growth rate to be applied and the discount rate used to discount the estimated cash flows to present value.

There was no reversal of impairment during the year.

The additions in the year relate to IFRS 2 share-based charges, which have subsequently been fully written down.

The investments in First Bus would break even using a discount rate of 12.3% or a reduction of terminal margin to 9.3%.

A full list of subsidiaries and investments can be found in note 40 to the Group accounts.

Notes to the Company financial statements continued

6 Deferred tax

The deferred tax asset/liability recognised by the Company and the movements thereon are as follows:

	Other temporary differences £m
At 25 March 2023	(34.9)
Credit to income statement	(3.3)
Credit to reserves	(0.6)
At 30 March 2024	(38.8)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 £m	2023 £m
Deferred tax asset due after more than one year	(38.8)	(34.9)

7 Creditors

	2024 £m	2023 £m
Amounts falling due within one year		
Bank overdraft	27.8	82.9
£200m sterling bond – 6.875% 2024	99.7	6.5
Amounts due to subsidiary undertakings	174.0	170.0
Accruals and deferred income	56.3	53.9
	357.8	313.3
Amounts falling due after more than one year		
£200m sterling bond – 6.875% 2024	–	184.2
	–	184.2

Borrowing facilities

The maturity profile of the Company's undrawn committed borrowing facilities is as follows:

	2024 £m	2023 £m
Facilities maturing:		
Revolving credit facility – due in more than two years	300.0	300.0
Green HP finance facility – due in more than two years	129.9	–

Details of the Company's borrowing facilities are given in note 22 to the Group accounts.

8 Called up share capital

	Number of shares million	£m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance at 25 March 2023	750.6	37.5
SAYE/BAYE exercises	0.1	–
Balance at 30 March 2024 (ordinary shares of 5p each)	750.7	37.5

On 16 December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares. This programme completed on 3 August 2023 having repurchased 63,868,786 shares for a total consideration of £75.5m including transaction costs.

On 8 June 2023, the Company announced a share buyback programme to purchase up to £115m of ordinary shares. At 30 March 2024, the Company had repurchased 46,854,557 shares for a total consideration of £74.7m, including transaction costs. As at 30 March 2024, a total of £115.8m has been deducted from retained earnings in respect of the shares already repurchased, directly associated transaction costs, and the remaining commitment to purchase up to £115m of ordinary shares.

The number of ordinary shares of 5p in issue, excluding treasury shares held in trust for employees, at the end of the period was 625.4m (2023: 737.3m). At the end of the period 125.3m shares (2023: 42.8m shares) were being held as treasury shares and own shares held in trust for employees.

9 Own shares

	Own shares £m
At 25 March 2023	(15.4)
Movement in EBT, QUEST and treasury shares during the year	(5.0)
At 30 March 2024	(20.4)

The number of own shares held by the Group at the end of the year was 125,292,999 (2023: 42,774,044) FirstGroup plc ordinary shares of 5p each. Of these, 14,379,907 (2023: 13,068,899) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2023: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2023: 157,229) were held as treasury shares, with a further 110,723,343 (2023: 29,515,396) held as treasury shares as part of the share buyback programmes. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 30 March 2024 was £226.0m (2023: £43.3m).

Notes to the Company financial statements continued

10 Contingent liabilities

To support subsidiary undertakings in their normal course of business, FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £59.8m (2023: £55.0m) and letters of credit for £164.3m (2023: £169.9m). The performance bonds primarily relate to First Rail franchise operations of £56.7m and residual North American obligations of £3.2m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £103.4m to First Rail, of which £78.5m remains undrawn. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

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

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

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

First MTR South Western Trains Limited (FSWT), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the CAT) in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited (SSWT) (the former operator of the South Western network) is also a defendant to these proceedings, but agreed a settlement of the claim against it with the class representative (CR) which was approved by the CAT on 10 May 2024 and, as a result, the claim that was originally brought against it will not be proceeding. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities (LSER) and against Govia Thameslink Railway Limited and related entities (GTR) in respect of the operation of other rail services. The three sets of proceedings are being heard together. The CR alleges that FSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order (CPO) has been made by the CAT in respect of the proceedings. The proceedings have been split into three trials, the first two of which have been set for June/July 2024 and June 2025, respectively, with no date currently set for the final trial. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims.

Shareholder information

Annual General Meeting

The AGM will be held on 26 July 2024 at Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London, SW1P 3EE.

The Notice of AGM is available on the Company's website and will have been posted to you if you have chosen to receive hard copy communications from the Company. Either a Form of Proxy or online Voting Card has been posted to all shareholders registered on the Company's register of members.

We are intending to hold the AGM as a physical meeting. Any changes to the arrangements will be communicated to shareholders before the meeting through our website and, where appropriate, by RIS announcement.

Shareholders are encouraged to submit proxies for the 2024 AGM electronically by logging on to www.sharevote.co.uk. Electronic proxy appointments must be received by the Company's Registrar, Equiniti, no later than 48 hours, excluding non-business days, before the time fixed for the AGM.

Shareholders who wish to ask questions relating to the business of the AGM are encouraged to do so by submitting questions in advance of the AGM by email to companysecretariat@firstgroup.co.uk, or by post for the attention of the Company Secretary (see addresses on the next page). We will consider all questions received and, to the extent practicable, answers will also be published on the Company's website. For all other queries regarding the AGM, please contact the Company Secretary.

Website and shareholder communications

A wide range of information on FirstGroup is available at the Company's website including:

- financial information – annual and half-yearly reports as well as trading updates;
- share price information – current trading details and historical charts;
- shareholder information – AGM results, details of the Company's advisers and frequently asked questions; and
- news releases – current and historical.

FirstGroup uses its website as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner. Electronic communications allow shareholders to access information instantly as well as helping FirstGroup to reduce its costs and its impact on the environment. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting Equiniti.

Shareholders can sign up for electronic communications online by registering with Shareview, the internet-based platform provided by Equiniti. In addition to enabling shareholders to register to receive communications by email, Shareview provides a facility for shareholders to manage their shareholding online by allowing them to:

- receive trading updates by email;
- view their shareholdings;
- update their records, including change of address;
- view payment and tax information; and
- vote in advance of Company general meetings.

To find out more information about the services offered by Shareview, please visit www.shareview.co.uk.

Shareholder enquiries

The Company's share register is maintained by Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using one of the methods listed below:

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing, West Sussex
BN99 6DA

Tel: +44 (0)371 384 2046*

Online: www.shareview.co.uk

* Telephone lines are open from 8.30am to 5.30pm, Monday to Friday.

If you receive more than one copy of the Company's mailings this may indicate that more than one account is held in your name on the register. This happens when the registration details of separate transactions differ slightly. If you believe more than one account exists in your name, please contact Equiniti to request that the accounts are combined. There is no charge for this service.

Equiniti also offers a postal dealing facility for buying and selling FirstGroup plc ordinary shares; please write to them at the address shown above or telephone 0371 384 2248. They also offer a telephone and internet dealing service which provides a simple and convenient way of dealing in FirstGroup shares. For telephone dealing call 0345 603 7037 between 8.30am and 4.30pm, Monday to Friday, and for internet dealing log on to www.shareview.co.uk/dealing.

Shareholder information continued

ShareGift

If shareholders have a small number of shares and the dealing costs or the minimum fee make it uneconomical to sell them, it is possible to donate these to ShareGift, a registered charity, which provides a free service to enable you to dispose charitably of such shares. More information on this service can be found at www.sharegift.org or by calling +44 (0)20 7930 3737. A ShareGift transfer form can also be obtained from Equiniti.

FirstGroup's policy on discounts for shareholders

The Group does not offer travel or other discounts to shareholders.

Unsolicited advice on the Company's shares

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to deal only with financial services firms that are authorised by the FCA. You can check a firm is properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register. If you do deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if anything goes wrong. For more detailed information on how you can protect yourself from an investment scam, or to report a scam, go to www.fca.org.uk/consumers/report-scam or call 0800 111 6768.

Half-yearly results

The half-yearly results, normally announced to the market in November, will continue to be available on the Company's website in the form of a press release and not issued to shareholders in hard copy.

Contact information

Company Secretary

David Blizzard
Tel: +44 (0)20 7291 0505

Registered office

FirstGroup plc
395 King Street
Aberdeen AB24 5RP
Tel: +44 (0)1224 650 100

Corporate office

FirstGroup plc
8th Floor
The Point
37 North Wharf Road
London W2 1AF
Tel: +44 (0)20 7291 0505

Joint corporate brokers

RBC Europe Limited
(trading as RBC Capital Markets)
100 Bishopsgate
London
EC2N 4AA

Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY

External auditor

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford WD17 1JJ

Glossary

Set out below is a guide to commonly used financial, industry and Group related terms in the Annual Report and Accounts. These are not precise definitions and are included to provide readers with a guide to the general meaning of the terms.

Adjusted cash flow

Adjusted cash flow is described in the table shown on page 42 of the Financial review

Adjusted net debt/(cash)

Net debt/(cash) excluding ring-fenced cash and IFRS 16 lease liabilities

Adjusted measures (other)

References to 'adjusted operating profit', 'adjusted profit before tax', 'adjusted earnings' and 'adjusted EPS' throughout this document are before items which management has determined as not being relevant to an understanding of the Group's underlying business performance, as set out in note 4 to the financial statements. 'Adjusted earnings' and 'adjusted EPS' also exclude the impact of IFRS 16 depreciation and interest charges in relation to the Group's rail management fee-based operations, given the Group takes no cost risk on these rolling stock leases

AGM

Annual General Meeting

ARP

American Rescue Plan

Avanti

Avanti West Coast, a train operating company

BAYE

Buy As You Earn

The Board

The Board of Directors of the Company

BRG

Bus Recovery Grant

CARES Act

Coronavirus Aid, Relief, and Economic Security Act; the US economic relief package signed into law on 27 March 2020

CBSSG and CBSSG-R

COVID-19 Bus Service Support Grant, a UK Government measure to secure continuity of service on crucial bus routes which may otherwise have ceased during the pandemic. CBSSG-Restart (CBSSG-R) was a successor scheme

CCFF

Covid Corporate Financing Facility, a UK Government commercial paper lending facility

CDP

An international non-profit organisation that helps companies and cities disclose their environmental impact

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGU

Cash Generating Unit

tCO₂(e)

Tonnes of Carbon dioxide equivalent, allowing other volumes of greenhouse gas emissions to be expressed in terms of carbon dioxide based on their relative global warming potential. Usually expressed as per kilometre or per passenger kilometre

Company

FirstGroup plc, a company registered in Scotland with number SC157176 whose registered office is at 395 King Street, Aberdeen AB24 5RP

CPT

Confederation of Passenger Transport, the UK bus industry membership body

'Cont' or the 'Continuing operations'

Refer to First Bus, First Rail and Group items

CPI

Consumer price index, an inflation measure that excludes certain housing-related costs

Defra

Department for Environment, Food and Rural Affairs (UK Government)

DfT

Department for Transport (UK Government)

'Disc' or the 'Discontinued' operations

Refer to First Student, First Transit and Greyhound US

Dividend

Amount payable per ordinary share on an interim and final basis

EABP

Executive Annual Bonus Plan

EATS

Exhaust after-treatment systems retrofitted to older diesel vehicles to improve their air quality impact

EBITDA

Earnings before interest, tax, depreciation and amortisation, calculated as adjusted operating profit less capital grant amortisation plus depreciation

EBITDA adjusted for First Rail management fees

First Bus and First Rail EBITDA from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs

EBT

Employee benefit trust

EDF

Employee Director's Forum

ED&I

Equality, diversity and inclusion

EMA/ERMA

Emergency Measures Agreements and Emergency Recovery Measures Agreements were introduced by the DfT to ensure that rail services could continue to operate during the pandemic

EPS

Earnings per share

ESG

Environmental, social and governance

EV

Electric vehicle

GED

Group Employee Director

GHG

Greenhouse gas emissions

Glossary continued

Group

FirstGroup plc and its subsidiaries

GWR

Great Western Railway, a train operating company

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

KPIs

Key performance indicators, financial and non-financial metrics used to define and measure progress towards our strategic objectives

LBG

London Benchmarking Group, an organisation that has created a framework for measuring community impact

LGPS

Local Government Pension Scheme

Local authority

Local government organisations in the UK, including unitary, metropolitan, district and county councils

LTIP

Long-Term Incentive Plan

M&A

Mergers and acquisitions

NBS

National Bus Strategy, announced by UK Government in March 2021

NRC

National Rail Contract

NED

Non-Executive Director

Net debt

The value of Group external borrowings excluding the fair value adjustment for coupon swaps designated against certain bonds, excluding accrued interest, less cash balances

Network Rail

Owner and operator of Britain's rail infrastructure, a UK public sector company that operates as a regulated monopoly

Ordinary shares

FirstGroup plc ordinary shares of 5p each

ORR

Office of Rail and Road

PLC

Public limited company

PPM

The UK rail industry's Public Performance Measure (punctuality and reliability). Trains are punctual if they arrive at their destination, having made all timetabled stops, within five minutes of scheduled time for London and South East and regional/commuter services and ten minutes for long distance trains

RCF

Revolving credit facility

RDG

Rail Delivery Group, the UK rail industry membership body that brings together passenger and freight rail companies, Network Rail and HS2

ROCE

Return on capital employed is a measure of capital efficiency and is calculated by dividing adjusted operating profit after tax by average year-end assets and liabilities excluding debt items

RSSB

Rail Safety and Standards Board

SAYE

Save As You Earn

SBT

Science-based target for reducing greenhouse gas emissions

ScotZeb

Scottish Zero Emission Bus funding scheme

SECR

Streamlined Energy and Carbon Reporting regulations, which took effect on 1 April 2019

SID

Senior Independent Director

SWR

South Western Railway, a train operating company

S&P

S&P Global Rating Agency

TCFD

Task Force on Climate-Related Financial Disclosures

TfL

Transport for London, the transport authority responsible for most aspects of London's transport system

TOC

Train operating company

TPE

TransPennine Express, a train operating company

TSR

Total shareholder return, the growth in value of a shareholding over a specified period assuming that dividends are reinvested to purchase additional shares

USPP

The US Private Placement market is a US private bond market which is available to both US and non-US companies

ZEBRA

Zero Emission Bus Regional Areas funding scheme

Cautionary comment concerning forward looking statements

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

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

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

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Consultancy, design and production
www.luminous.co.uk



Registered office

FirstGroup plc
395 King Street, Aberdeen AB24 5RP
Tel. +44 (0)1224 650100
Registered in Scotland number SC157176

Corporate office

FirstGroup plc
8th floor, The Point, 37 North Wharf Road
Paddington, London W2 1AF
Tel. +44 (0)20 7291 0505

www.firstgroupplc.com