2 March 2023

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

Sustained revenue momentum and improving profitability

" Improving operating and financial performance, driven by strong passenger growth and good momentum; progress on gearing, and dividend reinstated."

	FY 2022	FY 2021[2]	Change (Constant FX)	Change (Reported)
Group Revenue	**£2.81bn**	£2.17bn	24.3%	29.4%
Group EBITDA	**£418.1m**	£300.0m	31.1%	39.4%
Group Underlying[1] Operating Profit	**£197.3m**	£87.0m	108.0%	126.7%
Group Underlying[1] Profit Before Tax	**£145.9m**	£39.7m		
Underlying basic[1] EPS	**15.0p**	0.2p		
Dividend Per Share	**5.0p**	-		
Return on Capital Employed	**7.7%**	3.4%		

Statutory

Group Operating Profit/(Loss)	**£(158.5)m**	£(36.2)m
Group Profit/(Loss) Before Tax	**£(209.9)m**	£(84.9)m
Group Profit/(Loss) After Tax	**£(220.7)m**	£(77.1)m
Basic EPS	**(39.7)p**	(16.6)p

Free cash flow	**£160.5m**	£123.4m
Covenant Net Debt	**£985.8m**	£866.6m
Covenant Gearing	**2.8x**	3.6x

Improving financial and operating performance
- Revenue up 29% to £2.8bn; underlying operating profit of £197.3m, more than double the prior year
- Strong cash conversion of 81%, delivering free cash flow of £160.5m; ROCE up 430bps to 7.7%
- Reinstating full year 2022 dividend at 5.0p per share reflecting confidence in the future
- Statutory loss before tax of £209.9m driven by £261m non-cash impairment of goodwill in ALSA, arising from a rise in discount rates; underlying trading assumptions unchanged

Strong growth in passenger demand with good momentum
- 23% increase in passenger journeys across the Group
- Sustained growth in passenger demand in Spain, Morocco, the UK and Germany; strengthening in the second half of the year

Progress on driver recruitment and route reinstatement in US School Bus
- 900 net new drivers added in 2022, closing the gap by one third as expected, allowing route reinstatement to commence
- Average rate increases of just above 10% achieved on the 40% of contracts renewed in the year recovering increased driver costs albeit with a timing lag

Improving covenant gearing
- Covenant gearing at 2.8 times (December 2021: 3.6 times); expect to be close to target range in the next two years with reducing leverage remaining a key priority

Resilient and agile in the face of industry headwinds
- Restructured operations in Spain, Morocco, North America and the UK
- Network relaunch in UK scheduled coach saving 6% in cost per passenger mile
- Actively managing contracts to recover inflation
- Fuel cost 100% hedged for 2023 and 56% for 2024

Evolve strategic momentum delivering tangible results; well-positioned to deliver future growth

- 35 new contracts won, including the RRX Lot1 contract in Germany, worth approximately £150m in annualised revenue demonstrating our ability to convert a strong pipeline of opportunities into tangible growth
- Commenced service in new key target cities, such as Lisbon and Richmond, Virginia as well as multi-modal hub expansions in Geneva, Madrid and Boston
- Fleet decarbonisation accelerating with plans approved for 1,500 ZEVs across the Group by 2024

Ignacio Garat, Group Chief Executive of National Express said:

"I am pleased with the significant progress we made in 2022, which saw strong growth in passenger volumes resulting in a 29% increase in Group revenue; the doubling of revenue in our UK coach business and ALSA's revenue exceeding €1bn for the first time. After a first quarter that was impacted by Omicron, the resilience and agility of our teams amid a uniquely challenging operating environment meant we saw momentum build across our businesses through the year and continue into 2023.

Whilst the operating backdrop remains challenging, with inflationary pressures continuing in key markets, we expect to see that momentum continue, driven by growth in passenger numbers, mobilisation of new contracts, a continuing recovery in US School Bus and the securing of rate increases during 2023 and 2024 allowing us to recover cost increases.

Our expectations for 2023 are unchanged, and we have clear and robust actions in place to mitigate macro-economic headwinds and to reduce costs if necessary. The continued and expanding demand for public transport over the coming years will bring growth opportunities and our Evolve strategy positions us well to capitalise on them."

Enquiries

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Website

The full release and supplementary data will be available on our website from 7:00am (London time) on 2 March 2023. The web address is www.nationalexpressgroup.com/investors/results

There will be a presentation and webcast for investors and analysts at 9.00am on 2 March 2023. Please use the following link to register and to join the livestream of the presentation:
https://streamstudio.world-television.com/1355-2498-34716/en

Footnotes:

1. *To supplement IFRS reporting, we also present our results (including EBITDA) on an underlying basis to show the performance of the business before separately disclosed items. These are detailed on page 19 and principally comprise intangible amortisation for acquired businesses, impairment of goodwill, certain costs arising as a direct consequence of the pandemic and onerous contract charges in respect of driver shortages in North America. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance. Further explanation in relation to these measures can be found on page 19.*
2. *2021 restated in respect of correction to deferred tax assets and liabilities. This has changed 2021 Group Profit After Tax from £(77.9)m to £(77.1)m and 2021 underlying EPS from 0.1p to 0.2p and 2021 statutory EPS from (16.8)p to (16.6)p. Please see note 1 to the Financial Statements.*

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

Dividend: If approved by shareholders at the AGM on 10 May 2023, the full year 2022 dividend of 5.0p per ordinary share will be paid on 15 May 2023 to those shareholders registered on 14 April 2023.

Forward looking statements and other important information

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

Group Chief Executive's Statement

Overview

I am pleased to be reporting another year of significant progress, where momentum has continued to build across our diversified business in the face of macroeconomic volatility. So, first of all, let me thank our 46,200 employees for their hard work and tireless commitment throughout 2022, a year that clearly has not been without its challenges for our sector. Nonetheless, we saw continuing strong growth in passenger journeys of 23% year-on-year. Group revenue is up by 29% to £2.8bn (24% on a constant currency basis). This is despite Q1 being significantly impacted by Omicron.

As a result of this strong sequential improvement in revenue, we have started to rebuild our profitability and cash flow conversion. Underlying Operating Profit of £197m was more than double the level in 2021 and this improved profit performance has converted to cash, with the Group delivering free cash flow of £161m in the year at a cash conversion rate of 81%.

The statutory loss before tax was £210m compared to a loss of £85m last year, primarily as a result of a £261m non-cash impairment of goodwill in ALSA driven by an increase in the discount rates rather than any changes in the underlying trading assumptions used to forecast future cashflows. Further detail is set out in the CFO's Review starting on page 17.

We continued to make significant progress on our Evolve strategy. This was achieved despite a uniquely challenging operating environment in our main end markets underscoring the resilience of our increasingly diversified portfolio of businesses. Maintaining our focus on our people, operations, and contracts, the key highlights were:

- **People**: we right sized the workforce in both ALSA and North America. We also combined our Transit and Shuttle activities to drive operational synergies and create a Business Development and Customer Insights team capable of converting the significant opportunities in the sector. Additionally, we brought our UK coach and NXTS (National Express Transport Solutions) teams under common management. We also launched our first global engagement survey;
- **Operations**: in ALSA, we deployed and rolled out advanced network planning software as well as optimised pricing in our Long-Haul business using dynamic yield management. Meanwhile, in North America, we accelerated the roll-out of our digital operating platform, and we rebuilt and redesigned our UK Coach network to be more efficient delivering higher frequencies and faster journey times on key intercity routes, while reducing cost per passenger mile by 6%; and
- **Contracts**: across the Group we renegotiated contracts to reflect post-Covid reality in US Transit and achieved out-of-cycle rate increases in School Bus.

In October 2021 we set our Evolve strategy to be the world's premier shared mobility operator; leading the modal shift from cars to public transport whilst delivering strong financial returns. We made significant progress against all five of our key outcomes:

- Safest: We are making further improvements in safety, where our Fatalities Weighted Index per million miles score has improved by 42% year on year, our best ever result;
- Most reliable: Our relentless focus on reliability means that our Group-wide on-time performance measure for 2022 was 91%, which is in line with our pre-pandemic performance despite the challenges of significant network variability;
- Environmental leader: We have made further progress towards our goal to become the environmental leader in our sector, with plans approved for 1,500 ZEVs by 2024, and scope 1 and 2 Greenhouse Gas Emissions falling per passenger km;
- Most satisfied customers: we delivered 977 million passenger journeys in the year, a 23% increase on prior year; and
- Employer of choice: This year we refreshed our people strategy, and we launched our first global employee engagement survey achieving a 77% response rate and eNPS score (employer net promoter score) of + 7.

This progress is in the areas that matter to customers:

- We have won 35 new contracts during the year with an annualised revenue of £150m (worth approximately £1.2bn over the contract lives), including RRX Lot1 contract. This conversion rate is in line with what we need to achieve to deliver our target of £1bn of incremental revenue by 2027;

- We expanded the range of our product offerings in existing cities creating multi-modal hubs in Geneva (with an all-electric bus contract win), Madrid (entering into the €1.4bn paratransit market with the acquisition of Vitalia) and Boston (where we have won new corporate shuttle and universities contracts);

- We commenced service in new key target cities including Lisbon and Richmond, Virgina; and

- We made further progress towards our goal of being the environmental leader in our sector and lead the transition to net zero, with plans approved for 1,500 ZEVs by 2024. Importantly, we are also seeing early signs that electric buses are helping to drive modal shift, with both patronage and customer satisfaction higher on our ZEVs.

Despite the challenges faced in the year, the fundamentals of our business remain strong:

- Underlying demand for travel continues to increase;

- We are demonstrating good levels of conversion from our attractive pipeline (which is now worth £2.5bn) and we are winning new contracts to drive growth;

- The outcomes of our Evolve Strategy make us the differentiator in the eyes of our customers which will enable us to win more of this growth; and

- We are continuing to diversify our portfolio across our multi-modal offering into new geographies and market segments, providing us with greater resilience and further opportunities for future growth.

Passenger and new contract growth across our operations

In ALSA, we delivered record revenue exceeding the billion-euro mark for the first time and against a competitive backdrop of high-speed rail roll out. We saw a strong performance across all business lines, reflecting an improvement in underlying mobility. The diversification of ALSA from Long Haul to a more multi-modal portfolio continued. We mobilised our first urban bus contract in Lisbon, Portugal (with Porto to follow in 2023) and our acquisition of Vitalia in Spain, as well as encouraging recent expansion into new territories.

In North America, School Bus grew revenue by 8%, despite industry wide driver shortages which slowed the rate of route recovery. Through relentless focus on recruitment, retention (aided by a significant investment in wages) and route reinstatement, we achieved our target of closing the driver gap by one third by the calendar year end. Route reinstatement also progressed well, with about one quarter of routes now reinstated. Encouragingly, of the School Bus contracts which renewed during the year, we achieved rate increases of 10.3% (7.1% across the portfolio), compared to total wage increases of 10.1%, and we expect to recover more of the wage investment as the reinstatement of the contracts come up for renewal.

Elsewhere in North America, revenue in our Shuttle business was up 21% as the majority of customers returned to their workplaces. Transit was broadly stable versus the prior year: our retained contracts benefited from a progressive improvement in service volumes offset by the full-year impact of the actions we have previously undertaken to exit loss-making contracts. Because of our high customer satisfaction ratings and the quality of the service we deliver, we were awarded 21 new Transit and Shuttle contracts during the year worth over $100m over their base terms, most of which are asset light. Key wins were Greater Richmond Transit Company, Alexandria Real Estate (Boston), and Washington University in St Louis.

In the UK, our Coach business experienced a very strong growth in demand after the near complete network shutdown in Q1 as a result of Omicron. UK core coach revenue more than doubled, with airports reopening and strong demand for intercity travel. We continued to ramp up our capacity over the key summer trading period and have also benefited from the ongoing disruption on the national rail network. By reorganising our UK Coach operations under a single management team, we have been able to carefully manage our capacity by deploying non-scheduled Transport Solutions vehicles onto the scheduled Coach network in periods of high demand. Our

Bus operations have also seen a continuing recovery in demand, with commercial passenger journeys up 39% year-on-year.

In Germany revenue grew 49% with the emergency award of two contracts at the start of the year delivering an additional €100m of annualised revenue. In January 2023, we announced that we had been awarded extensions of these contracts on a 10-year basis.

Profit and cash flow benefiting from operational leverage, cost control and pricing power

Underlying Operating Profit more than doubled, driven by strong performances in ALSA, the UK and Germany. A relentless focus on operational leverage, cost discipline and successful pricing actions has underpinned a recovery in profit and margin as well as in the Return on Capital Employed.

ALSA delivered a strong result with Underlying Operating Profit up 85%, again driven by a significant uplift in underlying mobility, with the Underlying Operating Margin up 290 basis points year-on year to 10.8% and with our Long-Haul yield 3% higher than 2019.

North America has been impacted by labour issues, with high levels of wage inflation and driver shortages reflected in the 17% decrease in Underlying Operating Profit of $84.7m. Wage inflation has been successfully recovered on 40% of our contracts, which reflects the usual renegotiation on expiry and unprecedented out of cycle increases. As the remainder of contracts come up for renewal over the next two school years, we expect to see further recovery of costs. Driver shortages have also impacted the number of billable routes, with a timing-related gap between driver additions and routes being reinstated (as discussed further in the North America review starting on page 10) and which we expect to continue to close over the remainder of the 2022/23 school year, with a natural reset at the beginning of school year 2023/24.

The UK delivered a step up in Underlying Operating Profit of £48m year-on-year, reversing the losses in 2021. This performance is all the more pleasing in the context of the losses made in the first half of the year, as Omicron weighed on performance in the first quarter. The strong rebound in passenger demand in our scheduled Coach business is the key driver for this significantly improved performance, combined with strong yield management, with yields up 27% year-on-year and (15% ahead of pre-pandemic levels), and passengers up to 151% on prior year.

Germany grew its operating profit to £17.6m (up £12.6m on prior year) as a result of the RRX Lot 1 emergency award, and the associated operating synergies arising from achieving significantly larger scale.

As we look into 2023, there remain significant head winds in respect of cost inflation and driver shortages, but we have taken action to address these, and we have further plans in place for the year ahead. In particular, in North America, we have taken steps to boost recruitment, increase retention, and reinstate routes in our US School Bus business to address the challenges we experienced in 2022.

We continue to actively manage the challenges of cost inflation across the Group. Fuel costs are 100% hedged for 2023, and 56% for 2024. 85% of our contracted businesses benefit from high or medium level of protection against inflation, containing either annual fixed price or inflation-linked price increases, and in some cases a direct pass through of cost. However, in some cases there remains a lag in the timing of costs arising and the business driving associated price increases through contract renewals, contract indexation provisions and renegotiations.

On a statutory basis, the Group made a loss before tax of £210m, after £356m of separately disclosed items, which principally include; £261m in respect of a non-cash impairment of goodwill in ALSA as described above; £37.2m of amortisation of intangibles (consistent with previous years); and £31.4m of onerous contract charges and impairments directly attributable to post-covid market wide issues of driver shortages.

Outlook

I am pleased with the significant progress we made in 2022, which saw strong growth in passenger volumes resulting in a 29% increase in Group revenue; the doubling of revenue in our UK coach business and ALSA's revenue exceeding €1bn for the first time. After a first quarter that was impacted by Omicron, the resilience and agility of our teams amid a uniquely challenging operating environment meant we saw momentum build across our businesses through the year, and continue into 2023.

Whilst the operating backdrop remains challenging, with inflationary pressures continuing in key markets, we expect to see that momentum continue, driven by growth in passenger numbers, mobilisation of new contracts, an ongoing recovery in US School Bus and the securing of rate increases during 2023 and 2024 allowing us to recover cost increases.

Our expectations for 2023 are unchanged, and we have clear and robust actions in place to mitigate macro-economic headwinds and to reduce costs if necessary. The continued and expanding demand for public transport over the coming years will bring growth opportunities. Our Evolve strategy positions us well to capitalise on those opportunities and make progress toward our long-term guidance to 2027 of achieving £1bn of incremental revenue, over £100m of additional EBIT and cumulative free cash flow of £1.25bn.

ALSA

ALSA is the leading company in the Spanish road passenger transport sector.

Celebrating its 100-year anniversary in 2023, ALSA has significantly diversified its portfolio away from Long Haul to a multi-modal offering, which today additionally spans Regional and Urban bus and coach services across Spain, Morocco, Switzerland and Portugal. ALSA is a ‘bid engine’ that will power future growth.

Overview

ALSA delivered very strong growth in both Revenue and Underlying Operating Profit, reflecting the improving trajectory in trading over the year and the further diversification of our multi-modal activities. Revenue exceeded €1bn for the first time, growing by 35.1% to €1,129.3m, with a strong uplift across all business lines. Underlying Operating Profit of €121.8m was 84.8% ahead of the prior year, with a 290 basis points uplift in the Underlying Operating Margin to 10.8%. After separately disclosed items of €321.7m, this resulted in a statutory operating loss of €199.9m. The increase in separately disclosed items reflects a non-cash impairment of goodwill arising solely as a result of an increase in the discount rate, driven by increases in government bond yields and the cost of debt (as discussed in the CFO Review), with no change in the trading outlook of the business.

Revenue growth, passenger recovery

All our activities benefited from a significant uplift in underlying mobility, in terms of both patronage and service levels.

In Long Haul, revenue increased 76% year-on-year, with the steady improvement in underlying mobility over the year helping to optimise supply management and occupancy ratios. At the same time, we benefited from the recovery in passenger numbers and the enhanced digital sales ratio across all our nine main corridors as well as in other routes, with passenger numbers growing 64% on prior year. Long Haul yield was 3% higher than pre-pandemic levels.

Regional (revenue +22% versus 2021) and Urban bus (+23%) also delivered strong performances. Urban bus passenger volumes grew 15% on prior year. Revenue growth of 26% in Morocco was boosted by the network enhancement in Casablanca and Rabat as well as growth across other cities in which we operate at pre-pandemic levels.

Revenue growth was supported by both successful contract renewal, including Valencia-Alicante and Les Marines-Alicante in Regional, as well as new business wins (such as a new Urban bus contract in Alcantarilla and Murcia, and a bicycle supply contract in Santander) worth around €192m over their lifetime.

During 2022, we successfully mobilised a seven-year urban bus contract in Lisbon, our first win in Portugal. Having delivered on time and ahead of other operators, we continue to underscore our reputation for reinvigorating public transport, which provides us with strong credentials to bid for additional contracts in Portugal and for entry into other new markets as we look to increase our exposure to Southern Europe. We further expanded our offering with the acquisition of Vitalia in the attractive paratransit sector, which provides patient transport services in both the public and private sectors in Madrid and a number of other cities across Spain where we have existing operations. Since acquisition, we have significantly increased the size of the business, particularly in the private sector where we have seen a doubling in the number of customers.

Progressing Evolve

We made good progress with our Evolve strategic priorities during the year.

Our focus on safety delivered further encouraging results in 2022. The ongoing implementation of best practice and investment in driving training as well as smarter, AI-enabled digital systems continued to deliver improvements, while we continue to partner closely with OEMs to deliver the next generation of safety technology. Accordingly, we were proud to achieve 10 years of AENOR safety certification, demonstrating that our business meets the highest standards, and we remain an active promoter of changes in road safety legislation.

Using our digital optimisation platform in the Spanish Urban and Regional businesses has allowed us to make operational improvements in network planning, resulting in better reliability and use of resources. Additionally, as we have re-established our network and mileage to meet post-pandemic demand, the introduction of double-decker vehicles to our Long-Haul routes has delivered a lower unit cost of delivery, resulting in improved efficiency in corridors with high-speed rail competition as well as enhanced occupancy and customer satisfaction ratios.

Consistent with our aim to be the environmental leader, we continued to add ZEVs to our fleet during the year. Currently we operate 39 ZEVs rising to 62 including Lisbon. With 20 additional ZEVs supporting our new contract starting in 2023, almost the entire fleet in the urban contracts in Switzerland is zero emission while we continue to incorporate new electric buses to our contracts. In addition, we rolled out the first hydrogen buses in Madrid and the first 100% electric bus service in Bilbao, Granada, Jaen and Tres Cantos. Looking to the future, we have a number of trials in place with different OEMs including testing the latest battery and fuel technologies. We are making a number of environmental improvements to our depots (such as installing solar panels and 'smart' charging points), and we joined the Spanish Hydrogen Network ('SHYNE'), the largest multi-sectoral consortium in Spain created to promote the decarbonisation of the economy through renewable hydrogen.

In order to achieve the most satisfied customers, we extended our Mobility as a Service ('MaaS') app in further towns and cities following the launch last year. This app, which can be used for travel on all types of mobility services in the local area and, with real-time information on service, journey times and connections, makes it more convenient for customers to plan their routes. With expanded functionality and new even more convenient ways to pay, our MaaS app now has more than 50,000 users. This continued focus on improving in our capabilities helped to deliver a strong uplift in our customer satisfaction levels to pre-pandemic levels, with the award of a BCX seal for Best Customer Experience in the Transport Sector.

As a committed employer of choice, we digitised our talent management processes during the year, which will support our efforts around retention, skills development and succession planning, and were proud to achieve the 'Best Place to Work award in Morocco in H1.

Looking forward

We expect to see further growth in the coming year with continuing recovery in demand across our service lines. We also expect to continue to diversify our customer propositions; for example, with our second Regional and Urban bus contract in Porto, Portugal due to start operating in the second half of the year, as well as expansion in new territories.

We have a strong pipeline of bidding opportunities over the next 18 months, worth circa €430m, and we will target further opportunities over the coming year as we look to leverage our credentials. We see particular opportunity in Urban Bus, international markets, tourism, paratransit and corporate shuttle markets.

As we continue to roll out our digital platforms, we anticipate further cost efficiencies, with the ongoing shift to online or digital tickets and further integration of AI across our maintenance activities. There are also opportunities to reduce journey times and improve punctuality in our business through the adoption of our digital optimisation platform.

The Long-Haul concession renewal process has yet to restart, with the authorities continuing to conduct a remapping of the network. Industry expectations are for no impact from the Long-Haul concession renewal process before 2025 at the earliest. Long Haul is now only 15% of our revenues.

NORTH AMERICA

Our business in North America focuses on two distinct areas of activity under separate management teams: student transportation (School Bus) and Transit & Shuttle services. We operate in 34 states and three Canadian provinces.

The School Bus business operates through medium-term contracts awarded by local school boards to provide safe and reliable transport for students.

Our Transit & Shuttle business operates in a number of core distinct sectors across the USA. In Transit, our primary focus is on paratransit. Meanwhile, our Shuttle business, operating largely through WeDriveU, offers corporate employee shuttle services to technology, biotech and manufacturing clients, and is also growing in the universities shuttle market.

Overview

Overall, North America revenue increased by 8.3% to $1,296.8m, with growth in both our School Bus and combined Transit & Shuttle operations. However, Underlying Operating Profit declined to $84.7m with an Underlying Operating Margin of 6.5% reflecting the impact of driver shortages, investment in driver wages and route reinstatement delays. After separately disclosed items, statutory operating profit was $15.8m (2021: $63.8m). The increase in separately disclosed items relates to onerous contract provisions and impairments directly attributable to the post-covid market wide issue of driver shortages.

Revenue growth and service recovery

Our School Bus operations delivered an 8% revenue improvement versus the prior year, as schools returned to full in-school learning. Industry-wide labour issues, with high levels of wage inflation and driver shortages continued to act as a brake on our growth.

We ended FY 2022 having added over 900 net new drivers (compared to the end of the prior school year 2021/22), through enhanced recruitment processes, wage investment and focus on retention, which enabled us to close the driver gap by one-third. Route retention also progressed well, with about one-quarter of routes now reinstated.

As we have added drivers we have:

- released managers and other admin staff from driving roles so that they can focus on recruitment, training and deployment, route reinstatement and running our operations more effectively;
- undoubled routes. Doubled routes are those where, through necessity, one driver covers two combined routes and students experience much longer journeys to and from school. Our customers are keen to ensure that we return to single routes (undoubling) before we reinstate missing routes. Addressing this issue does not add to route count but is beneficial to revenue and profit (as doubled routes are not often paid at 100%) and it ensures we are satisfying our customers' priority needs leading to better contract retention and ability to seek price increases.
- reinstating routes we have been unable to run. This requires discussion with and agreement from our customers and as a result there is a timing lag between drivers being added and routes being reinstated. As the current school year progresses there is a risk that customers will be less inclined to reinstate routes for short periods of the remaining academic year and so we anticipate the next opportunity to significantly add routes will come with the beginning of school year 2023/2024 in September 2023.

Progress was also made in respect of recovery of the driver wage investment. Of the 40% of the portfolio that was renewed in the year we achieved rate increases of 10.3% (7.1% across the portfolio) compared to total wage increases of 10.1%.

In Shuttle (2022 revenue +21% versus 2021), we have seen the benefit of the majority of customers returning to their workplaces, which drove demand for our services. There was a 96% increase in service levels in 2022 vs 2021 noting that customers had continued to pay through 2021 regardless of service levels. We continued to diversify our activities away from technology-focused corporate customers towards a more balanced portfolio including biotechnology, education, and manufacturing: each of which has different drivers of demand in the end-markets we serve.

In Transit 2022 revenue was broadly flat on prior year. We saw a progressive improvement in service volumes, as well as the full-year impact of the actions we have previously undertaken to exit loss-making contracts.

The reduction in North America underlying operating profit largely came in School Bus, where wage inflation and route reinstatement delay were the main factors. As referenced above, the price recovery of wage inflation was successfully renegotiated on 40% of our contracts. In addition, we negotiated unprecedented out-of-cycle wage increases with a number of customers given the exceptional inflationary environment.

While our Transit & Shuttle operations have not been immune from underlying wage inflation and driver availability, the full-time nature of employment means that we do not compete against other pools of more casual or seasonal labour and were therefore less impacted than School Bus. We brought Transit & Shuttle under one management team creating benefits including a single Business Development and Customer Insights team that is capable of converting the significant opportunities in this sector.

We were awarded 21 new contracts during the year, worth over $100m over their base terms. Key wins included the Greater Richmond Transit Company, Alexandria Real Estate in Boston and Washington University in St Louis.

Progressing Evolve

Building on a strong performance in the prior year, we were pleased to record our best ever year for safety in North America in 2022 - in particular a further 16% reduction in speeding events - with the Driver Safety Scorecard continuing to be an important part of our overall safety programme. In those Customer Service Centres ("CSCs") in Canada where we received customer approval to do so we have installed driver safety cameras in over 80% of our vehicles and will complete the remaining installations in 2023. We have also made more use of technology to track both training and driving evaluation results in order to drive further improvements in safety.

We made continued progress with our aim to be the most reliable with operational transformation of School Bus in 2022, driven by the accelerated roll out of our digital operating platform. This has now been rolled out to 110 of our CSCs and has enabled us to automate and optimise wage control process. In addition, we deployed OPERATE, with over 350 of our leaders now trained, and the utilisation of this framework has delivered improvements in our approach to managing driver costs, routing efficiencies and the driver recruitment process. We have also seen further operational improvement in our School Bus business, with our excellent rate of preventable maintenance compliance indicative of the significant progress we have made over the last four years, particularly in terms of reducing cost per mile – and we opened our sixth parts reclamation centre during the year to safely dispose of redundant buses and reuse valuable parts.

During the year, we made further progress with our ambition to be the environmental leader. Working with our customers to access the Zero Emission Transit Fund in Canada and the Clean School Bus Program in the US, we added further ZEVs to our fleet. In addition, we successfully secured $30m in funding for 77 electric school buses and infrastructure to be deployed in the year ahead and will continue to pursue further funding in pursuit of our goal of 150 electric buses in 2023. Supporting our environmental targets, we continued to develop key partnerships with vehicle OEMs on technology integration relating to battery and charge management, route analytics for optimal efficiency, life cycle management and appropriate vehicle battery sizing, as well as address shortcomings such as range and ancillary loads.

We won Transportation Demand Management ('TDM') Excellence Award from the Association for Commuter Transportation with a number of our Shuttle customer programs being recognised with 'Best Workplace for Commuters' and 'Best Universities for Commuters' awards in 2022. This demonstrates our ability to win contracts based on our success to deliver outstanding customer service. We are also making further improvements to our customer service, using our digital customer management platform across our School Bus and Transit & Shuttle businesses to drive further efficiencies, from relationship mapping and account plans to automated customer surveys. Our BusZone app, introduced in Q4 2022, enables parents to track their child's school bus and receive real time updates. Although still in the early pilot stages, we look forward to bringing this app to more parents across additional locations in the future.

Consistent with our commitment to being an employer of choice, we are encouraged that the various employee initiatives we have implemented have contributed to a strong improvement in driver retention rates to circa 80%, a 500-basis point improvement versus 2021 and well above the average since 2015. We also saw a very positive response to our driver recruitment strategy to reach active job seekers, which was supported by targeted resource to focus on high volume sourcing in priority markets and locations.

Looking forward

Although we have made significant improvements to our underlying process in 2022, driver shortages and route recovery in our School Bus business remain the key factors in determining the pace of revenue and recovery in the short term. We expect the gap between driver additions and route additions to close over the remainder of this school year and into the next one. As the remainder of our contracts come up for renewal over the next two school years, we expect to see further improvement in the recovery of driver wage.

We have a strong pipeline of bidding opportunities over the next 18 months, worth circa $700m predominantly in the asset-light Transit & Shuttle businesses. In addition, we continue to see expansion bid opportunities in markets where we have existing Transit & Shuttle infrastructure, such as Los Angeles, Austin and Boston.

Our Shuttle business is well positioned to work with fast-growing corporations, who are seeking to attract the best talent and are providing private transport where public services do not exist or are not practical (due to restrictions on parking or high levels of congestion). We can share drivers, vehicles, maintenance staff and administrative costs in locations we own in our business, to capitalise on future opportunities, by maximising efficiencies and synergies. We have already successfully implemented this in Transit & Shuttle locations in Boston and Chicago.

Having restructured and combined our Transit & Shuttle activities in 2022 to bring them under a single management team, we see potential for future synergies; these include operating from combined depots and leveraging our digital customer management platform to identify opportunities across our combined customer base, as well as adopting common processes to drive key strategic outcomes (such as on-time performance and recruitment/retention).

UK & GERMANY

National Express operates both Bus and Coach services in the UK and regional Rail in Germany.

UK

In UK Bus, National Express is the market leader in the West Midlands – the largest urban bus market outside London. In UK Coach, we are the largest operator of scheduled coach services in the UK, operating high frequency services across the country. We also operate non-scheduled coach operations under one brand – National Express Transport Solutions – serving the fragmented commuter, corporate shuttle, private hire, accessible transport and holiday (under the Touromo brand) markets.

Overview

The UK delivered strong revenue growth, with a sequential improvement in Underlying Operating Profit following a challenging first half which was impacted by Omicron. Revenue was up 32.8% to £528.3m, with the recovery largely driven by UK Coach. The division returned to Underlying Operating Profit in H2 to deliver a full year outturn of £25.6m (2021: Underlying Operating Loss of £(22.6)m) and an Underlying Operating Margin of 4.8%. After separately disclosed items, the statutory operating profit was £18.1m, a year-on-year improvement of £64.5m reflecting recovery in passenger numbers as well as lower separately disclosed items

Revenue growth, return to profit, passenger recovery

Our UK Bus operations benefited from a continuing upward trend in demand, with commercial passenger growth of 39%. During the year, we received government funding support, including the Bus Recovery Grant which has now been extended to June 2023. Additionally, we continued to freeze our fares at pre-pandemic rates, funded by the West Midlands' region Bus Service Improvement Plan ('BSIP'), giving us the cheapest travel of any city area in England. These funded fares freeze allows us to continue to build patronage and drive modal shift at a time when many customers are considering making the switch to public transport. We also upgraded our digital ticketing systems during H2, which has already reduced fraud and improved the range of digital tickets we can offer; well over 80% of passengers now board with a digital ticket of some description, which allows us to leverage the resulting data to build future demand.

UK Coach delivered progressive year-on-year revenue growth with a strong recovery from March onwards. This was supported and driven by the dynamic rebuilding of the network to match new and emerging demand patterns to help deliver higher frequencies and faster journey times on key intercity routes. This ability to respond quickly has been made possible by the strong relationships with our Partner Operators and the ongoing integration of our Transport Solutions business, to optimise utilisation of spare vehicle and driver capacity to customer demand.

In our scheduled Coach operations – which celebrated its 50th anniversary in 2022 – overall patronage grew 150% on previous year, with H2 of 2022 up 37% on H1. As demand improved during the year, we continued to add capacity as a result of a smarter network and pricing interventions, our occupancy averaged 72% (significantly above pre-Covid levels, the yield in UK Coach was up 15% versus pre-pandemic levels). Encouragingly for the future, our research shows that almost 10% of new customers using our scheduled network during the strikes bought another ticket within a month to travel on a non-strike day.

Our Transport Solutions business also delivered a strong uplift in revenue, albeit versus a relatively low base in 2021, benefiting from recovery in private hire and holiday demand as travel restrictions eased post-pandemic. Having merged with our scheduled Coach business, both our business lines are now better placed to optimise scarce capacity in order to maximise customer demand.

2022 was a successful year for new business wins with over 30 wins across our transport solutions and events businesses. Among these, in Transport Solutions, we secured our first ZEV Shuttle contract, providing services to the Harry Potter World studio tour. Our second UK Demand Responsive Transport ('DRT') contract in the East Midlands with Leicester City Council reinforced our multi-modal expansion capability. We also saw returning confidence from larger B2B customers such as Next Generation Travel and delivered key one-off events including rail contingency services for the Commonwealth Games, the Tyson Fury fight at Wembley and US Navy shore leave provision in Southampton.

Progressing Evolve

During the year, we continued to make good progress versus our strategic objectives.

On safety, we continued to deliver very strong results, with initiatives such as investment in Virtual Reality driver simulators, the standardisation of driver and operator oversight and digital risk profiling helping to drive further improvements in FWI. As a result of this innovative approach, drivers are able to enter into service earlier than with traditional training and, encouragingly, we have seen a 20% reduction in collisions and a 15% reduction in risk profile in addition, we secured a 5-star audit from the British Safety Council and our sixth Sword of Honour accreditation. At the same time, our investment in people showed positive results, with record numbers of apprentices, graduates and management trainees building our capability for the future, and our ongoing focus on diversity and inclusion, wellbeing and health helping to ensure that we are seen as an employer of choice.

Our OPERATE transformation programme delivered further tangible improvements in our ambition to be the most reliable in 2022. For example, in UK Bus, we opened a new depot in Perry Barr, which has state-of-the-art design to optimise our environmental footprint and operational efficiencies. We also redesigned and reconfigured our UK core Coach network, to deliver higher frequencies and faster journey times (particularly on key intercity routes), increased utilisation, better interchanges, and efficiency savings, all of which with a view to delivering an improved customer experience.

Our net zero emission fleet targets are ambitious for a large public transport operator and remain on track to deliver in line with expectations. We now have 105 ZEV buses in service - and a further 375 approved and awaiting arrival – including Coventry where we are lead operator in the UK's first all-electric city. As part of our partnership, Transport for West Midlands ('TfWM') has secured funding for more than 100 hydrogen buses through the Zebra scheme, underscoring our commitment to help reinvigorate public transport. At the same time, as the number one Coach operator in the UK we are leading the industry in developing zero emission coaches for the future.

We continue to make progress on our aim to have the most satisfied customers. For example, the roll-out of our digital AI-enabled platform, which we are now using across our UK Bus business for timetable optimisation and service planning, is already delivering meaningful improvements in customer service, efficiency and revenue growth. Our Coach customers are also benefiting from a quicker, more streamlined online experience, resulting in higher spend per transaction as customers use new, more convenient ways to pay.

Looking forward

While we benefited from strikes elsewhere in public transport in 2022, our service levels have progressively grown, and we are encouraged by the momentum we have seen at the end of the year.

Our pipeline of bidding opportunities over the next 18 months is worth circa £240m. In Bus we will continue to benefit from longer term funding through the City Region Sustainable Transport Settlement ('CRSTS', £162m) which will double the length of priority bus lanes in the West Midlands. This will reduce journey times and improve punctuality and, as a result, increase passenger revenue and reduce our running costs, as well as underpin our low fares strategy. From January 2023, we are also receiving the Bus Fares Cap Grant to support the £2 single fare with a successor scheme in place for April 2023 onwards. BSIP provides a three-year funding platform to drive passenger growth and reinvigorate the network.

The start of 2023 has been encouraging, with continued passenger demand and contract growth in all businesses. Although the recruitment market remains tight, we have a strong employer proposition and as a result have full candidate pipelines; we expect vacancy gaps to be negligible by the Summer. Driver and engineering pay demands have reflected the national picture, and we anticipate these returning to normal levels as CPI reduces.

GERMANY

In Germany, we are the second largest rail operator in the German federal state of North Rhine-Westphalia ('NRW') and within the top five private operators in Germany. We are the sole operator of the Rhein-Ruhr Express ('RRX'), which is one of the most important railway infrastructure projects in NRW.

The RRX covers a total of 16m train kilometres and connect major cities (including Cologne, Duesseldorf, Koblenz and Kassel), with 55 to 60m passenger journeys taken in 2022.

Following the long-term award of the Lot 1 tender in early 2023, we now run all three asset-light RRX services under long-term contracts which, together with our Rhein—Munster Express ('RME') operation, will deliver an expected 20m train kilometres in 2023. Our successful mobilisations, at very short notice and on time, showcase our significant know how and ability to work closely with local transport authorities, driving operational transformation and ultimately providing strong credentials to bid and win. Securing the full RRX operation over the long-term (of which more below) provides greater visibility on revenues and builds on our existing services within the region, helping to drive operational and cost efficiencies across our network.

Overview

German Rail delivered a good result in 2022. Revenue growth of 48.7% to €315.0m reflects the successful mobilisation and delivery of the short-term Emergency Award of the RRX Lot 1 in February 2022 and the impact of energy and inflation pass-through mechanisms in our contracts, which offset higher costs, albeit the RRX Lot 2/3 contract continued to utilise onerous provisions

Underlying Operating Profit reached €20.7m, reflecting operational synergies and economies of scale, with the German rail operation now reaching a critical mass that will support our future growth ambitions in the region.

After separately disclosed items, the statutory operating profit was €8.4m (2021: statutory operating loss of €28.0m). Separately disclosed items include a further €10.9m increase to the onerous contract provision on the original RRX contract in relation to traction energy costs that were not covered by the contracts compensation mechanism.

Progressing Evolve

We have continued to improve safety performance through our focus on driver performance, training and development. Our non-technical skills training was rolled out to all new drivers as the Emergency Award (RE1 & RE11) embedded during the year. This training supplements the extensive use of Driver Simulators that form a core part of our driver development programme.

We have focussed on reducing causes of unreliability that are in our control and to minimising the impact of broader DB Network issues. Our Engineering team have used OPERATE principles to reduce maintenance time and costs, thereby increasing fleet availability and service reliability. We have recently employed 3D printing techniques for certain parts to speed up processes. Our control centres have been enhanced to manage the excess passenger demand caused by the nationwide 9€ fare scheme.

In pursuit of our ambition to be the environmental leader are rolling out driver management training to minimise electricity consumption and are replacing traditional lighting with LED on our vehicles.
Trains all use regenerative braking

Our trains are inspected in service by external PTA assessors to ensure we monitor progress against our goal of having the most satisfied customers, and we have improved the customer facilities on our trains.

We have focussed heavily on recruitment and retention in the last year, ensuring all our staff feel valued. Our engagement survey results were encouraging and highlighted where NX could continue to differentiate ourselves from the rest of the industry. We are a leading member of FocusBahn which looks to promote Rail Careers to all members of society, as a result we are seeing an increase in applications from female candidates.

Looking forward

In early February 2023 we were informed that we had secured the RRX 1 Lot 1 tender, a contract worth €1bn in revenue over 10 years, due to start from mid December 2023 and running through to 2033.This new business win establishes us as the leading private operator in the region and provides us with long-term visibility and a platform for growth. As a result, we are well placed to consolidate and compound our existing contracts and continue to grow our market share in NRW through the selective bidding for asset-light rail franchises, with a pipeline of opportunities worth circa €315m over the next 18 months.

In addition, we expect to continue to benefit from backing from the German government to support modal shift. Following their very successful recent scheme allowing unlimited travel across the German rail network for a fare of €9 (in response to the rising cost of living and energy crisis) a successor initiative has been introduced at €49 per month for unlimited travel. Operators are compensated for this where they have revenue exposure, as we do on RME.

One of our main areas of focus for the year ahead will be to recruit, onboard and develop the necessary talent, and strengthen the leadership team, to support the significant growth trajectory we have delivered (with revenue growth of over 400% since 2019).

We expect that the delivery of stable revenue and cash flows from contracts, with price increases protecting against energy and labour-related cost inflation, will result in a relatively asset-light business with very attractive levels of return on capital.

Group Chief Financial Officer's review

In summary

- Record revenue of £2.8bn, exceeding 2019 levels
- £197.3m Underlying Operating Profit
- After separately disclosed items, a statutory loss after tax of £220.7m
- £160.5m of free cash flow, representing 81% conversion
- £0.8bn in cash and undrawn committed facilities

Summary Income Statement

	Underlying result[1] 2022 £m	**Separately disclosed items[1] 2022 £m**	**Total 2022 £m**	Restated[2] Underlying result[1] 2021 £m	Separately disclosed items[1] 2021 £m	Restated[2] Total 2021 £m
Revenue	**2,807.5**	**-**	**2,807.5**	2,170.3	-	2,170.3
Operating costs	**(2,610.2)**	**(355.8)**	**(2,966.0)**	(2,083.3)	(123.2)	(2,206.5)
Operating profit/(loss)	**197.3**	**(355.8)**	**(158.5)**	87.0	(123.2)	(36.2)
Share of results from associates	**(0.4)**	**-**	**(0.4)**	(1.0)	-	(1.0)
Net finance costs	**(51.0)**	**-**	**(51.0)**	(46.3)	(1.4)	(47.7)
Profit/(loss) before tax	**145.9**	**(355.8)**	**(209.9)**	39.7	(124.6)	(84.9)
Tax	**(30.3)**	**19.5**	**(10.8)**	(12.0)	19.8	7.8
Profit/(loss) for the year	**115.6**	**(336.3)**	**(220.7)**	27.7	(104.8)	(77.1)

1: To supplement IFRS reporting, we also present our results on an Underlying basis which shows the performance of the business before separately disclosed items. These principally comprise intangible amortisation for acquired businesses, impairment of goodwill, certain costs arising as a direct consequence of the pandemic and onerous contract charges in respect of driver shortages in North America. Treatment as a separately disclosed item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Further explanation in relation to these measures, together with cross-references to reconciliations to statutory equivalents where relevant, can be found on pages 26 to 28.
2: Restated for correction to deferred tax assets and liabilities. Please see note 1 to the Financial Statements.

The year began with the Omicron variant of covid causing disruption across the business, particularly in the UK division. However, despite this, passenger numbers and revenue grew strongly resulting in revenue of £2,807.5m for the year; a record for the Group and an increase of 29.4% (24.3% on a constant currency basis) year-on-year.

Revenue growth was underpinned by a strong and sustained recovery, building in the second half of the year, in our coach, bus, and shuttle services as shown below

	2022 vs 2021 passenger growth %	**H2 vs H1 2022 passenger growth %**
UK bus	39%	6%
ALSA urban bus	15%	4%
UK scheduled coach	151%	37%
ALSA long haul	64%	31%
Shuttle	96%	6%

Revenue growth has been achieved despite a net £106.2m year-on-year reduction in Covid-related revenue support from governments and transport authorities as passenger fares replace Covid grants. As set out in the table below, grants received in the year totalled £56.7m (2021: £162.9m), falling from 7.5% of Group revenue in 2021 to 2.0% in 2022 as passenger numbers and service levels recovered.

	Revenue support £m	Cost support £m	Total £m
ALSA	22.0	-	22.0
North America	-	55.9	55.9
UK	19.6	19.1	38.7
German Rail	15.1	-	15.1
Total – full year 2022	**56.7**	**75.0**	**131.7**
Total – full year 2021	*162.9*	*64.5*	*227.4*
Total – full year 2020	*115.6*	*45.6*	*161.2*

The Group recorded an Underlying Operating Profit for the year of £197.3m (2021: £87.0m), representing a strong recovery from H1 which was impacted by Omicron particularly in the UK.

The year-on-year improvement in an Underlying Operating Profit of £110.3m reflected the increase in revenue described above, combined with continued cost control, which more than offset significantly reduced support from governments and transport authorities. The combined Covid-related revenue and cost support from governments and transport authorities of £131.7m is a reduction of £95.7m from the £227.4m recognised in the prior year. We anticipate little or no further Covid-related support going forward.

After £355.8m (2021: £123.2m) of separately disclosed items, of which £260.6m related to the non-cash impairment of goodwill in ALSA, the statutory operating loss was £158.5m (2021: £36.2m loss). The impairment of goodwill in ALSA was caused by a rise in risk free interest rates used to discount cash flows. The trading prospects for our ALSA business are unchanged.

Underlying net finance costs increased by £4.7m to £51.0m (2021: £46.3m) reflecting the increase in interest rates during the year, which impacted the 20% of the Group's Net Debt that is at floating rates of interest. After finance costs and a loss of £0.4m from the share of results from associates (2021: £1.0m loss), the Group recorded an Underlying Profit Before Tax of £145.9m (2021: £39.7m).

The Underlying tax charge was £30.3m (2021: £12.0m credit) representing an Underlying effective tax rate of 20.8% (2021: 30.2%). The statutory tax charge was £10.8m (2021: £7.8m credit). Tax losses in most jurisdictions have been recognised as deferred tax assets with forecasts of future profits supporting their utilisation.

The Statutory Loss for the year, after the separately disclosed items explained below, was £220.7m (2021: £77.1m loss).

Separately disclosed items

£355.8m (2021: £124.6m) of separately disclosed items were recorded as a net cost before tax in the Income Statement, of which £49.3m (2021: £44.4m) resulted in cash outflows in the year.

Separately disclosed items	**Income Statement 2022 £m**	Income Statement 2021 £m	**Cash 2022 £m**	Cash 2021 £m
Intangible amortisation for acquired businesses	**(37.2)**	(38.8)	–	–
Goodwill impairment	**(260.6)**	-	**-**	-
	(297.8)	(38.8)	**-**	-
Directly attributable gains and losses resulting from the Covid-19 pandemic	**(7.6)**	(41.0)	**(17.0)**	(31.5)
Onerous contract charges and impairments in respect of North America driver shortages	**(31.4)**	-	**(11.7)**	-
Re-measurement of the Rhine-Ruhr onerous contract provision	**(9.3)**	(27.9)	**(9.6)**	(1.5)
Restructuring and other separately disclosed items	**(9.7)**	(15.5)	**(10.9)**	(10.3)
Separately disclosed operating items	**(355.8)**	(123.2)	**(49.3)**	(43.3)
Interest charges directly resulting from the Covid-19 pandemic	**-**	(1.4)	**-**	(1.1)
Total (before tax)	**(355.8)**	(124.6)	**(49.3)**	(44.4)

Consistent with previous periods the Group classifies the £37.2m (2021: £38.8m) amortisation for acquired intangibles as a separately disclosed item.

A non-cash impairment of £260.6m in respect of goodwill in the ALSA division has been recorded. This is as a result of significantly increased discount rates, reflecting increases in government bond yields and the cost of debt, and does not reflect any change in management's assessment of the long-term prospects for the ALSA division, which continued to perform strongly during 2022.

£7.6m (2021: £41.0m) of directly attributable losses due to Covid-19 reflected the remeasurement of previously recognised onerous contracts; with some contracts performing better than previously expected and some performing worse. This charge does not include any new onerous contract provisions in 2022. The cash outflow of £17.0m was higher than the income statement expense as it related to the utilisation of onerous contract provisions booked in previous years. This cash outflow is expected to materially reduce going forwards. Going forward, we do not expect further separately disclosed items in respect of onerous contracts other than re-measurements of items previously recorded.

A £31.4m charge was recorded in respect of a number of new onerous contracts and associated impairments directly attributable to the post-covid market wide issue of driver shortages, in the school bus market in particular. This has resulted in both an increase in wages (to retain and recruit) and a reduction in service levels, and hence a reduction in profitability of certain contracts. The total £31.4m expense comprises £16.6m of onerous contract provisions, a £7.4m non-cash expense for the impairment of dedicated right-of-use assets on these contracts, and a further non-cash net impairment of intangible assets of £7.4m.

A £9.3m (2021: £27.9m) expense was incurred following the re-assessment of the Rhine-Ruhr Express (RRX) onerous contract in Germany; the charge reflected the impact of increased energy prices. Whilst there is short-term protection from the price cap that has been implemented by the German government until April 2024, it is anticipated that energy prices thereafter will be higher than previously assumed due to ongoing changes in the energy markets as a result of the war in Ukraine.

Restructuring and other costs of £9.7m (2021: £15.5m) principally comprise restructuring costs, fees in relation to the aborted Stagecoach acquisition and other costs in respect of implementation of strategic initiatives.

Further detail is set out in the notes to the Financial Statements.

Segmental performance

	Underlying Operating Profit/(Loss) 2022 £m	**Separately disclosed items 2022 £m**	**Segment result 2022 £m**	Underlying Operating (Loss)/Profit 2021 £m	Separately disclosed items 2021 £m	Segment result 2021 £m
ALSA	**103.9**	**(274.1)**	**(170.2)**	56.6	(26.4)	30.2
North America	**68.4**	**(55.7)**	**12.7**	74.4	(27.9)	46.5
UK	**25.6**	**(7.5)**	**18.1**	(22.6)	(23.8)	(46.4)
German Rail	**17.6**	**(10.4)**	**7.2**	5.0	(29.1)	(24.1)
Central functions	**(18.2)**	**(8.1)**	**(26.3)**	(26.4)	(16.0)	(42.4)
Operating profit/(loss)	**197.3**	**(355.8)**	**(158.5)**	87.0	(123.2)	(36.2)

ALSA's Underlying Operating Profit increased to £103.9m (2021: £56.6m) on the back of a revenue increase of 35% as a result of a strong recovery in Long Haul mobility, growth in Morocco, mobilisation in Portugal, and sustained growth in Urban and Regional. The segment result for ALSA has been impacted by the non-cash impairment of goodwill, as described above.

North America delivered an Underlying Operating Profit of £68.4m (2021: £74.4m). School Bus was impacted by Omicron in H1 of 2022, but the impact was partly offset by the final tranche of CERTS funding of £40.6m (which was an offset against costs). In the second half of the year, the business was impacted by industry-wide driver shortages, with a gap (at the end of school year 2021/2022) of over 2,600 drivers. This is discussed further in the North America divisional update.

The UK's Underlying Operating Profit increased to £25.6m (2021: loss of £22.6m). The UK Coach division has limited contracted revenue and was the most impacted by Covid. The return to profit in 2022 was despite a first quarter that was impacted by Omicron (and delivered an Underlying Operating loss of £12.8m for the first half). Our bus operations were less significantly impacted by Omicron, and seen a continuing recovery in demand, with commercial passenger journeys up 39% year-on-year. The segment result for the UK was impacted by £7.5m of separately disclosed items relating to the re-measurement of existing, Covid-related onerous contract provisions.

German Rail delivered an Underlying Operating profit of £17.6m (2021: £5.0m) as a result of the successful mobilisation and delivery of the Rhine-Ruhr Express ("RRX") Lot 1 and existing RME operations. Our existing RRX Lots 2 and 3 contributed £nil to Underlying Operating profit as they are covered by an onerous contract provision. The Underlying Operating profit uplift reflects the benefits of scale and operational maturity of the business. The Segment Result was impacted by a £9.3m charge to increase the onerous contract provision as a result of higher expected future electricity prices.

Movement in Net Debt

Funds flow	2022 £m	2021 £m
Underlying Operating Profit	**197.3**	87.0
Depreciation and other non-cash items	**220.8**	213.0
EBITDA	**418.1**	300.0
Net maintenance capital expenditure*	**(184.5)**	(142.1)
Working capital movement	**(1.1)**	33.0
Pension contributions above normal charge	**(7.4)**	(7.2)
Operating cash flow	**225.1**	183.7
Net interest paid	**(47.0)**	(41.1)
Tax paid	**(17.6)**	(19.2)
Free cash flow	**160.5**	123.4
Growth capital expenditure*	**(93.1)**	(134.4)
Acquisitions and disposals (net of cash acquired/disposed)	**(29.5)**	(54.3)
Separately disclosed items	**(49.3)**	(44.4)
Payment on hybrid instrument	**(21.3)**	(5.3)
Other, including foreign exchange	**(105.4)**	65.1
Net funds flow	**(138.1)**	(49.9)
Net Debt	**(1,207.9)**	(1,069.8)

** Net maintenance capital expenditure and growth capital expenditure are defined in the glossary of Alternative Performance Measures on page 26.*

The Group generated EBITDA of £418.1m in the year (2021: £300.0m).

Net maintenance capital expenditure of £184.5m (2021: £142.1m) increased due to the benefit in the previous year of the capital expenditure freeze implemented during the period of peak pandemic impact on the Group. Nevertheless, at a ratio of 0.8 of depreciation, it represented a lower proportionate capital cost than the long-term average, reflecting the utilisation of 'availability contracts' (rather than outright purchase) for the operation of electric buses in the UK as well as additional asset-light contracts, such as the new operations in Portugal. At the year-end there was £87.3m (2021: £104.3m) owing to vehicle suppliers in respect of either maintenance or growth capex; this is a material reduction on the £263.3m capital creditor at the end of 2019, reflecting the completion of investments in fleet for the large Morocco contracts won in recent years, combined with the early impact of pivoting towards more asset-light business.

The Group recorded a working capital outflow of £1.1m for the year (2021: £33.0m inflow), with a £40.6m outflow from the CERTS grant in North America (due to the cash being all received in 2021 but the income being recognised over both 2021 and 2022) offset by a combination of strong cash collection across the Group and the close-out of a proportion of the Group's fuel hedges.

Consistent with previous periods, the Group makes use of non-recourse factoring arrangements. These take two forms:

a) typical factoring of receivables existing at the balance sheet date (principally utilised for School Bus in North America), for which there was £62.5m (2021: £48.5m) drawn down on 31 December 2022 and recognised as a reduction in receivables; and

b) advance payments for factoring of divisional subsidies, for which £50.2m (2021: £77.9m) was drawn down at the end of the year, all in respect of Germany where the cash flow profile of the RME contract is such that it creates a working capital requirement over the first half of the 15 year contract, and we factor certain of the subsidies due in order to ensure that the contract has a cash neutral impact on the Group. The amounts drawn down on these arrangements are classified as borrowings.

Net interest paid increased by £5.9m to £47.0m (2021: £41.1m), reflecting the increase in central bank base rates during the year on the floating component of our debt, whilst cash tax payments were broadly flat year-on-year.

The net impact of the factors outlined above was a free cash inflow of £160.5m in the year (2021: £123.4m), representing conversion (from Underlying Operating Profit) of 81%, significantly above the long-term pre-pandemic average of 65%.

Growth capital expenditure of £93.1m (2021: £134.4m) principally comprised vehicles to service new contracts in ALSA and North America. The year-on-year decrease reflected the significant investment in the Rabat and

Casablanca fleets, which had been delivered in the previous year. A £29.5m outflow for acquisitions and disposals includes £19.1m for the purchase of a further 10% of the share capital of WeDriveU (upon exercise of put options by the vendor) and £4.8m for the acquisitions in ALSA. £11.8m was outstanding at the end of the year in respect of deferred consideration on acquisitions (2021: £13.4m; 2020: £28.8m), and the remaining put option liability, which is recorded on the Balance sheet, of £45.0m is expected to be paid within the next 12 months.

A cash outflow of £49.3m (2021: £44.4m) was recorded in respect of the items excluded from Underlying results as explained above.

Coupon payments of £21.3m (2021: £5.3m) were made in the year on the hybrid instrument, which was issued in November 2020, raising £495.5m net of costs, and which is accounted for as equity under IFRS. The 4.25% coupon, paid annually in February, is effectively treated as an equity dividend, albeit it is also deducted from earnings for the calculation of earnings per share when calculating dividend cover.

Other movements of £105.4m (increase to Net Debt) principally reflect the movement in exchange rates and settlement of foreign exchange derivatives as a result of the weakening in the value of the pound which increased the value of debt denominated in foreign currencies. In the previous year the pound had strengthened, which had the opposite impact.

Net funds outflow for the period of £138.1m (2021: £49.9m outflow) resulted in Net Debt of £1,207.9 million (2021: £1,069.8m). For covenant purposes a number of adjustments are made, as explained in the glossary of Alternative Performance Measures on page 26, resulting in Covenant Net Debt of £985.8 million (2021: £866.6m).

Dividend

After careful consideration, the Board is pleased to reinstate a dividend, reflecting the strong outlook for the business and recognising it needs to be done prudently and alongside a continued focus on the pace of deleveraging and maintaining sufficient investment capacity for growth.

As a result, a full year 2022 dividend of 5.0p per share is recommended for approval at the AGM. This equates to a dividend cover of approximately 3.0x (after adjusting for the coupon on the hybrid bond).

Our policy is to maintain a dividend cover ratio of at least two times. Reinstating at a higher level of cover represents a prudent approach to balancing deleveraging, investment and shareholder returns, and allows room for future growth. In future, the Board intends to pay an interim dividend of approximately one third of the prior full year dividend.

Treasury management

The Group maintains a disciplined approach to its financing and is committed to an investment grade credit rating.

In light of the impact of the pandemic on EBITDA generation, the Group renegotiated its covenants in previous years. The Gearing covenant (Net Debt to EBITDA, measured on a "frozen GAAP" basis excluding the impact of IFR16) had been waived by the lenders throughout 2020 and 2021 and amended during 2022 (with an amended Gearing covenant of 5.0x applying on 31 December 2022). In future periods the Gearing covenant reverts to the pre-amended level of 3.5x. Similarly, the interest cover covenant was amended to a minimum of 1.5x and 2.5x for the 30 June 2021 and 31 December 2021 test periods respectively and returned to its pre-amended level of 3.5x from 30 June 2022 onwards. In return for these waivers and amendments to the covenants the Group agreed to a quarterly £250m minimum liquidity test and a bi-annual £1.6bn maximum Net Debt test during the amendment period; these additional tests drop away after 31 December 2022. In addition, the Group agreed to pay no dividend during the period of the amendments if Gearing exceeded 3.5x or interest cover is below 3.5x. On 31 December 2022, Gearing was 2.8x (31 December 2021: 3.6x); well within the pre-amended level. Interest cover at the end of the year was 8.6x (31 December 2021: 6.3x); also, well within the covenant level. All covenants are on a pre-IFRS 16 basis.

On 31 December 2022, the Group had £1.9bn (31 December 2021: £1.9bn) of debt capital and committed facilities, with an average maturity of 3.7 years. On 31 December 2022, the Group's RCFs were undrawn, and the Group had £0.8bn (31 December 2021: £0.9bn) available in cash and undrawn committed facilities. The table below sets out the composition of these facilities.

Funding facilities	**Facility £m**	**Utilised on 31 December 2022 £m**	**Headroom on 31 December 2022 £m**	**Maturity year**
Core RCFs	527	-	527	2023-2025
2023 bond	400	400	-	2023
2028 bond	221	221	-	2028
Private placement	412	412	-	2027-2032
Divisional bank loans	146	146	-	Various
Leases	197	197	-	Various
Funding facilities excluding cash	1,900	1,376	527	
Net cash and cash equivalents		(233)	233	
Total		**1,143**	**760**	

The utilisation of funding facilities (excluding cash) of £1,376m presented above reconciles to the £1,488m of borrowings listed in note 29 to the financial statements after: adding back £59m of bank overdrafts, which are shown net in the cash and cash equivalents number in the table above; adding £50m of advance factoring liabilities, which are excluded from the above as these are not recognised as borrowings from a lender or covenant perspective; and adding £3m of accrued interest.

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

On 31 December 2022, the Group had foreign currency debt and swaps held as net investment hedges; these help mitigate volatility in the foreign currency translation of our overseas net assets. The Group also hedges its exposure to interest rate movements to maintain an appropriate balance between fixed and floating interest rates on borrowings. It has therefore entered into a series of swaps that have the effect of converting fixed rate debt to floating rate debt or vice versa. The net effect of these transactions was that, on 31 December 2022, the proportion of Group debt at floating rates was 19% (2021: 18%).

ROCE

ROCE is a key performance measure for the Group, guiding how we deploy capital resources and as such is a key component of executive incentives. ROCE for the year was 7.7% (2021: 3.4%), which is below our targeted level of returns whilst profitability recovers but represents a significant year-on-year improvement.

Group tax policy

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

Pensions

The Group's principal defined benefit pension scheme is in the UK. The combined deficit under IAS 19 on 31 December 2022 was £42.1m (2021: £95.4m), with the decrease being principally driven by an increase in discount rates.

The principal plan is the West Midlands Bus plan, which remains open to accrual for existing active members only. The deficit repayments on the West Midlands Bus plan will be around £7m per annum, rising with inflation, until 2026. The UK Group scheme was wound up during the year.

The IAS 19 valuations for the principal schemes on 31 December 2022 were as follows:

- WM Bus: £39.7m deficit (2021: £96.1m deficit); and
- UK Group scheme: £nil (2021: £3.8m surplus).

Fuel costs

Fuel cost represents approximately 8% of revenue. The Group is fully hedged for 2023 at an average price of 49.3p per litre; around 56.3% hedged for 2024 at an average price of 50.6p; and around 22.9% hedged for 2025 at an average price of 55.9p. This compares to an average hedged price in 2020, 2021 and 2022 of 37.2p, 37.8p and 37.5p respectively.

Going concern

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

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

Group-wide risks

Principal risks and uncertainties

The Board continually reviews and monitors the principal risks and uncertainties that could have a material effect on the Group's results. The updated principal risks and uncertainties for 2022 are listed below. Full disclosure of the risks including the factors that mitigate them will be set out within the Strategic Report of the 2022 Annual Report and Accounts:

1. Unprecedented external factors threatening the resilience of the business: The resilience of the business can be challenged from a number of major incidents such as a future pandemic, a financial crisis, a natural disaster (climate change) and if the Group is not able to identify, prepare and test appropriately, it will not be able to act and manage the situation which might lead to significant financial, reputational damages

2. Economic conditions: parts of the business may be adversely affected by economic conditions as discretionary travel in some areas of the business is historically correlated to GDP and employment

3. Political, geopolitical and regulatory changes: changes in political and regulatory environments can impact a regulated transport business through the operation of concessions; safety procedures; equipment specifications; employment requirements, and environmental procedures

4. Regulatory landscape and ability to comply: In our industry and highly regulated environment, we need to ensure that we are compliant with existing regulations and able to comply with newly introduced ones

5. Climate change (physical): Loss of a key location to either a man-made hazard such as fire, or natural catastrophe such as a hurricane, can result in asset loss and lost revenue. Widespread events such as extreme weather can also interrupt operations and cause revenue loss even if the Group's assets are undamaged

6. Changing customer expectations: failure to adapt to changing customer expectations especially in the digital environment could affect customer satisfaction and the business's ability to capitalise on valuable customer data and commercial initiatives

7. Climate change (transition): rapidly increased demand for alternative fuel vehicles (electric, hydrogen etc.) could require a significant change to infrastructure

8. Competition and market dynamics: increased competition from other modes of transport and/or in terms of increased price competition

9. HR risks: poor labour relations leading to operational disruption, reputational damage, and increased costs; lack of available management talent/leaderships skills which could inhibit growth; shortages in drivers and other key staff

10. Cyber security, IT failure and General Data Protection Regulations: loss of confidential data causing damage to brand reputation and incurring penalties; major IT failure causing severe or sustained disruption to the business

11. Safety, litigation and claims: a major safety-related incident could impact the Group both financially and reputationally; and

12. Credit/financing risk: Group liquidity could be impacted by a material increase in borrowing costs; and a material tightening of credit markets.

Cautionary statement

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

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

Alternative performance measures

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

Measure	Closest IFRS measure	Definition and reconciliation	Purpose
EBITDA	Operating profit[1]	Earnings Before Interest and Tax plus Depreciation and Amortisation. It is calculated by taking Underlying Operating Profit and adding back depreciation, fixed asset grant amortisation, and share-based payments. This is illustrated in the Group Chief Financial Officer's Report on page 17.	EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.
Gearing	No direct equivalent	The ratio of Covenant Net Debt to EBITDA over the last 12 months, after making the following adjustments to EBITDA: including any pre-acquisition EBITDA generated in that 12-month period by businesses acquired by the Group during that period; the reversal of IFRS 16 accounting; the exclusion of the profit or loss from associates; the exclusion of the profit or loss attributable to minority interest; and the add back of interest costs arising from the unwind of the discount on provisions.	The gearing ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of Underlying Profit After Tax. A reconciliation of Underlying Operating Profit and net cash flow from operating activities to free cash flow is set out in the supporting tables below.	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.
Net maintenance capital expenditure	No direct equivalent	Comprises the purchase of property, plant and equipment and intangible assets, other than growth capital expenditure, less proceeds from their disposal. It excludes capital expenditure arising from discontinued operations. It includes the capitalisation of leases initiated in the year in respect of existing business. A reconciliation of capital expenditure in the statutory cash flow statement to net maintenance capital expenditure (as presented in the Group Chief Financial Officer's Report) is set out in the supporting tables below.	Net maintenance capital expenditure is a measure by which the Group and interested stakeholders assesses the level of investment in new/existing capital assets to maintain the Group's profit.

Growth capital expenditure	No direct equivalent	Growth capital expenditure represents the cash investment in new or nascent parts of the business, including new contracts and concessions, which drive enhanced profit growth. It includes the capitalisation of leases initiated in the year in respect of new business.	Growth capital expenditure is a measure by which the Group and interested stakeholders assesses the level of capital investment in new capital assets to drive profit growth.
Net Debt	Borrowings less cash and related hedges	Cash and cash equivalents (cash overnight deposits, other short-term deposits) and other debt receivables, offset by borrowings (loan notes, bank loans and finance lease obligations) and other debt payable (excluding accrued interest).	Net Debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Covenant Net Debt	Borrowings less cash and related hedges	Net Debt adjusted for certain items agreed with the Group's lenders as being excluded for the purposes of calculating Net Debt for covenant assessment. The adjustments principally comprise the exclusion of IFRS 16 liabilities, the exclusion of amounts owing under arrangements to factor advance subsidy payments, the add back of trapped cash, and an adjustment to retranslate any borrowing denominated in foreign currency to the average foreign currency exchange rates over the preceding 12 months.	Covenant Net Debt is the measure that is applicable in the covenant gearing test.
Underlying earnings	Profit after tax	Is the Underlying Profit attributable to equity shareholders for the period and can be found on the face of the Group Income Statement in the first column.	Underlying earnings is a key measure used in the calculation of Underlying earnings per share.
Underlying earnings per share	Basic earnings per share	Is Underlying Profit attributable to equity shareholders divided by the weighted average number of shares in issue, excluding those held in the Employee benefit trust which are treated as cancelled. A reconciliation of statutory profit to Underlying profit for the purpose of this calculation is provided within note 8 of the financial statements.	Underlying earnings per share is widely used by external stakeholders, particularly in the investment community.
Underlying Operating Profit	Operating profit[1]	Statutory operating profit excluding separately disclosed items and can be found on the face of the Group Income Statement in the first column.	Underlying Operating Profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.

Underlying Operating Margin	Operating profit[1] ***divided by revenue***	Underlying Operating Profit/(Loss) divided by revenue	Underlying Operating Margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders
Underlying Profit Before/After Tax	Profit Before/After Tax	Statutory profit before/after tax excluding separately disclosed items and can be found on the face of the Group Income statement in the first column.	Underlying Profit Before Tax is a key performance measure for the Executive Directors' annual bonus structure. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.
Return on capital employed (ROCE)	Operating profit[1] and net assets	Underlying Operating Profit divided by average capital employed. Capital employed is net assets excluding Net Debt and derivative financial instruments, and for the purposes of this calculation is translated using average exchange rates. The calculation of ROCE is set out in the reconciliation tables below.	ROCE gives an indication of the Group's capital efficiency and is a key performance measure for the Executive Directors' remuneration.

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

Supporting reconciliations

Reconciliation of net cash flow from operating activities to free cash flow	**2022 £m**	2021 £m
Net cash flow from operating activities	**221.1**	170.9
Remove: Cash payments in respect of IFRIC 12 asset purchases treated as working capital for statutory cash flow*	**59.7**	42.9
Remove: Cash expenditure in respect of separately disclosed items	**49.3**	44.4
Add: Net maintenance capital expenditure	**(184.5)**	(142.1)
Add: Other non-cash movements	**(0.8)**	(1.3)
Profit on disposal of fixed assets	**15.7**	8.6
Free cash flow	**160.5**	123.4

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

Reconciliation of capital expenditure in statutory cash flow to funds flow	2022 £m	2021 £m
Purchase of property, plant, and equipment	**(169.0)**	(168.5)
Proceeds from disposal of property, plant, and equipment	**9.3**	13.7
Payments to acquire intangible assets	**(10.7)**	(44.4)
Proceeds from disposal of intangible assets	**5.2**	0.7
Net capital expenditure in statutory cash flow statement	**(165.2)**	(198.5)
Add: Profit on disposal of fixed assets	**(15.7)**	(8.6)
Add: capitalisation of leases initiated in the year, less disposals	**(37.0)**	(26.5)
Add: cash payments in respect of IFRIC 12 asset purchases*	**(59.7)**	(42.9)
Net capital expenditure in the funds flow (presented in the Group Chief Financial Officer's Report)	**(277.6)**	(276.5)
Split as:		
*Net maintenance capital expenditure***	***(184.5)***	*(142.1)*
*Growth capital expenditure***	***(93.1)***	*(134.4)*

* See explanation above

** These terms are defined in the glossary of APMs

Reconciliation of ROCE	2022 £m	2021 £m
Statutory operating loss	**(158.5)**	(36.2)
Add back: separately disclosed items	**355.8**	123.2
Return – Underlying Operating (Loss)/Profit	**197.3**	87.0
Average net assets	**1,436.2**	1,496.0
Add back: Average Net Debt	**1,138.8**	1,044.9
Add back: Average derivatives, excluding amounts within Net Debt	**1.2**	(13.4)
Foreign exchange adjustment	**(27.4)**	33.5
Average capital employed	**2,548.8**	2,560.9
Return on capital employed	**7.7%**	3.4%

Depreciation and other non-cash items	2022 £m	2021 £m
Depreciation charge	**203.5**	199.7
Underlying amortisation charge	**18.3**	15.5
Share-based payments	**1.2**	1.0
Amortisation of fixed asset grants	**(2.1)**	(3.2)
Depreciation and other non-cash items (as disclosed in the "funds flow" in the CFO report)	**220.8**	213.0

Financial Statements
Group Income Statement
For the year ended 31 December 2022

	Note	**Underlying result 2022 £m**	**Separately disclosed items (note 4) 2022 £m**	**Total 2022 £m**	(Restated) Underlying result 2021[1] £m	Separately disclosed items (note 4) 2021 £m	(Restated) Total 2021[1] £m
Revenue	3	**2,807.5**	**–**	**2,807.5**	2,170.3	–	2,170.3
Operating costs		**(2,610.2)**	**(355.8)**	**(2,966.0)**	(2,083.3)	(123.2)	(2,206.5)
Group operating profit/(loss)		**197.3**	**(355.8)**	**(158.5)**	87.0	(123.2)	(36.2)
Share of results from associates and joint ventures		**(0.4)**	**–**	**(0.4)**	(1.0)	–	(1.0)
Finance income	5	**2.2**	**–**	**2.2**	3.2	–	3.2
Finance costs	5	**(53.2)**	**–**	**(53.2)**	(49.5)	(1.4)	(50.9)
Profit/(loss) before tax		**145.9**	**(355.8)**	**(209.9)**	39.7	(124.6)	(84.9)
Tax (charge)/credit	6	**(30.3)**	**19.5**	**(10.8)**	(12.0)	19.8	7.8
Profit/(loss) for the year		**115.6**	**(336.3)**	**(220.7)**	27.7	(104.8)	(77.1)
Profit/(loss) attributable to equity shareholders		**113.4**	**(335.2)**	**(221.8)**	22.4	(103.2)	(80.8)
Profit/(loss) attributable to non-controlling interests		**2.2**	**(1.1)**	**1.1**	5.3	(1.6)	3.7
		115.6	**(336.3)**	**(220.7)**	27.7	(104.8)	(77.1)
Earnings per share:	8						
– basic earnings per share				**(39.7)p**			(16.6)p
– diluted earnings per share				**(39.7)p**			(16.6)p

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

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

Financial Statements
Group Statement of Comprehensive Income
For the year ended 31 December 2022

	2022 £m	(Restated) 2021[1] £m
Loss for the year	**(220.7)**	(77.1)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit pension plans	**53.0**	41.9
Deferred tax charge on actuarial movements	**(12.7)**	(2.7)
Gains on equity instruments classified as fair value through Other Comprehensive Income	**1.7**	1.2
	42.0	40.4
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on retranslation of foreign operations	**146.9**	(57.2)
Exchange differences on retranslation of non-controlling interests	**3.1**	(1.3)
(Losses)/gains on net investment hedges	**(57.6)**	26.5
Gains on cash flow hedges	**78.6**	52.5
Cost of hedging	**(0.7)**	0.1
Hedging gains reclassified to Income Statement	**(77.7)**	(3.3)
Deferred tax credit on foreign exchange differences	**1.3**	0.5
Deferred tax credit/(charge) on cash flow hedges	**5.2**	(9.5)
	99.1	8.3
Other comprehensive income for the year	**141.1**	48.7
Total comprehensive expenditure for the year	**(79.6)**	(28.4)
Total comprehensive (expenditure)/income attributable to:		
Equity shareholders	**(83.8)**	(30.8)
Non-controlling interests	**4.2**	2.4
	(79.6)	(28.4)

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

Financial Statements
Group Balance Sheet
At 31 December 2022

	Note	2022 £m	(Restated) 2021[1] £m	(Restated) 2020[1] £m
Non-current assets				
Intangible assets		**1,620.9**	1,778.5	1,851.8
Property, plant and equipment		**1,175.3**	1,129.6	1,233.2
Non-current financial assets		**26.9**	32.6	14.3
Investments accounted for using the equity method		**13.9**	13.7	15.6
Trade and other receivables		**173.5**	147.1	91.7
Finance lease receivable		**9.7**	12.7	10.6
Deferred tax assets		**185.5**	159.4	149.3
Defined benefit pension assets	12	**0.4**	3.8	12.3
Total non-current assets		**3,206.1**	3,277.4	3,378.8
Current assets				
Inventories		**32.4**	28.8	27.0
Trade and other receivables		**560.7**	428.3	391.7
Finance lease receivable		**4.3**	4.1	4.3
Derivative financial instruments		**37.7**	31.0	44.9
Current tax assets		**2.3**	3.3	2.6
Cash and cash equivalents	11	**291.8**	508.4	629.8
Total current assets		**929.2**	1,003.9	1,100.3
Assets classified as held for sale		**18.6**	18.6	18.8
Total assets		**4,153.9**	4,299.9	4,497.9
Non-current liabilities				
Borrowings		**(886.3)**	(1,294.3)	(1,313.0)
Derivative financial instruments		**(22.4)**	(11.1)	(10.6)
Deferred tax liability		**(26.9)**	(14.5)	(15.3)
Other non-current liabilities		**(121.2)**	(123.8)	(202.7)
Defined benefit pension liabilities	12	**(42.5)**	(99.2)	(147.4)
Provisions		**(65.7)**	(68.8)	(54.8)
Total non-current liabilities		**(1,165.0)**	(1,611.7)	(1,743.8)
Current liabilities				
Trade and other payables		**(874.5)**	(787.7)	(783.0)
Borrowings		**(602.0)**	(302.3)	(354.6)
Derivative financial instruments		**(41.9)**	(24.5)	(23.0)
Current tax liabilities		**(4.2)**	(3.0)	(2.2)
Provisions		**(75.6)**	(89.0)	(81.1)
Total current liabilities		**(1,598.2)**	(1,206.5)	(1,243.9)
Total liabilities		**(2,763.2)**	(2,818.2)	(2,987.7)
Net assets		**1,390.7**	1,481.7	1,510.2
Shareholders' equity				
Called-up share capital		**30.7**	30.7	30.7
Share premium account		**533.6**	533.6	533.6
Own shares		**(3.9)**	(4.5)	(3.5)
Hybrid reserve		**513.0**	513.0	497.6
Other reserves		**481.7**	384.0	373.2
Retained earnings		**(207.4)**	(16.2)	38.4
Total shareholders' equity		**1,347.7**	1,440.6	1,470.0
Non-controlling interests in equity		**43.0**	41.1	40.2
Total equity		**1,390.7**	1,481.7	1,510.2

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

I Garat
Group Chief Executive
1 March 2023

J Stamp
Group Chief Financial Officer

Financial Statements
Group Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2022 (Restated)[1]	**30.7**	**533.6**	**(4.5)**	**513.0**	**384.0**	**(16.2)**	**1,440.6**	**41.1**	**1,481.7**
(Loss)/profit for the year	–	–	–	–	–	**(221.8)**	**(221.8)**	**1.1**	**(220.7)**
Other comprehensive income for the year	–	–	–	–	**97.7**	**40.3**	**138.0**	**3.1**	**141.1**
Total comprehensive income/(expense)	–	–	–	–	**97.7**	**(181.5)**	**(83.8)**	**4.2**	**(79.6)**
Shares purchased	–	–	**(0.3)**	–	–	–	**(0.3)**	–	**(0.3)**
Own shares released to satisfy employee share schemes	–	–	**0.9**	–	–	**(0.7)**	**0.2**	–	**0.2**
Share-based payments	–	–	–	–	–	**1.2**	**1.2**	–	**1.2**
Deferred tax on share-based payments	–	–	–	–	–	**(0.4)**	**(0.4)**	–	**(0.4)**
Transaction costs on issuance of hybrid instrument	–	–	–	–	–	–	–	–	–
Accrued payments on hybrid instrument	–	–	–	**21.3**	–	**(21.3)**	–	–	–
Payments on hybrid instrument	–	–	–	**(21.3)**	–	–	**(21.3)**	–	**(21.3)**
Deferred tax on hybrid bond payments	–	–	–	–	–	**5.3**	**5.3**	–	**5.3**
Purchase of subsidiary shares from non-controlling interest	–	–	–	–	–	**5.8**	**5.8**	**(5.8)**	–
Disposal of subsidiary shares from non-controlling interest				–	–	**0.4**	**0.4**	**0.3**	**0.7**
Contributions from non-controlling interests	–	–	–	–	–	–	–	**3.2**	**3.2**
At 31 December 2022	**30.7**	**533.6**	**(3.9)**	**513.0**	**481.7**	**(207.4)**	**1,347.7**	**43.0**	**1,390.7**

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

Financial Statements
Group Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	(Restated) Other reserves[1] £m	(Restated) Retained earnings[1] £m	(Restated) Total[1] £m	Non-controlling interests £m	(Restated) Total equity[1] £m
At 1 January 2021 (Restated)[1]	30.7	533.6	(3.5)	497.6	373.2	38.4	1,470.0	40.2	1,510.2
(Loss)/profit for the year	–	–	–	–	–	(80.8)	(80.8)	3.7	(77.1)
Other comprehensive income/(expense) for the year	–	–	–	–	10.8	39.2	50.0	(1.3)	48.7
Total comprehensive income/(expense)	–	–	–	–	10.8	(41.6)	(30.8)	2.4	(28.4)
Shares purchased	–	–	(2.5)	–	–	–	(2.5)	–	(2.5)
Own shares released to satisfy employee share schemes	–	–	1.5	–	–	(1.5)	–	–	–
Share-based payments	–	–	–	–	–	1.0	1.0	–	1.0
Deferred tax on share-based payments	–	–	–	–	–	0.3	0.3	–	0.3
Transaction costs on issuance of hybrid instrument	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Accrued payments on hybrid instrument	–	–	–	21.2	–	(21.2)	–	–	–
Payments on hybrid instrument	–	–	–	(5.3)	–	–	(5.3)	–	(5.3)
Deferred tax on hybrid bond payments	–	–	–	–	–	4.4	4.4	–	4.4
Purchase of subsidiary shares from non-controlling interest	–	–	–	–	–	4.0	4.0	(4.6)	(0.6)
Other movements with non-controlling interests	–	–	–	–	–	–	–	3.1	3.1
At 31 December 2021	30.7	533.6	(4.5)	513.0	384.0	(16.2)	1,440.6	41.1	1,481.7

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

Financial Statements
Group Statement of Cash Flows
For the year ended 31 December 2022

	Note	**2022** **£m**	2021 £m
Cash generated from operations	13	**284.9**	231.1
Tax paid		**(17.6)**	(19.2)
Interest paid		**(48.6)**	(45.0)
Interest received		**2.5**	4.0
Net cash flow from operating activities		**221.2**	170.9
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired	10	**(4.8)**	(20.8)
Deferred consideration for businesses acquired	10	**(3.7)**	(13.0)
Proceeds from the disposal of business, net of cash disposed	10	**–**	(0.9)
Purchase of property, plant and equipment		**(169.0)**	(168.5)
Proceeds from disposal of property, plant and equipment		**9.3**	13.7
Payments to acquire intangible assets		**(10.7)**	(44.4)
Proceeds from disposal of intangible assets		**5.2**	0.7
Payments to settle net investment hedge derivative contracts		**(10.5)**	–
Receipts on settlement of net investment hedge derivative contracts		**3.1**	35.1
Receipts relating to associates and investments		**0.7**	0.9
Net cash flow from investing activities		**(180.4)**	(197.2)
Cash flows from financing activities			
Issuance of hybrid instrument[1]		**–**	(0.5)
Dividends paid to holders of hybrid instrument		**(21.3)**	(5.3)
Principal lease payments		**(85.9)**	(118.2)
Increase in borrowings		**128.8**	243.0
Repayment of borrowings		**(169.5)**	(220.1)
Payments to settle foreign exchange forward contracts		**(61.7)**	(11.9)
Receipts on settlement of foreign exchange forward contracts		**22.3**	20.7
Purchase of own shares		**(0.3)**	(2.5)
Acquisition of non-controlling interests[2]		**(19.1)**	(18.3)
Contributions from non-controlling interest		**3.2**	–
Disposals of non-controlling interests		**0.6**	–
Dividends paid to non-controlling interests		**–**	(0.4)
Dividends paid to shareholders of the Company	7	**–**	–
Net cash flow from financing activities		**(202.9)**	(113.5)
Decrease in net cash and cash equivalents		**(162.1)**	(139.8)
Opening net cash and cash equivalents		**376.2**	520.5
Decrease in net cash and cash equivalents		**(162.1)**	(139.8)
Foreign exchange		**19.0**	(4.5)
Closing net cash and cash equivalents	11	**233.1**	1.2

[1] £0.5m of transaction costs were paid in 2021 relating to the hybrid issue in 2020
[2] Amounts in 2022 include £19.1m (2021: £17.7m) paid on exercise of 10% (2021: 10%) of the WeDriveU put liability

1 Basis of preparation

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

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

Going concern

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

The group continues to maintain a strong liquidity position, with £0.8bn in cash and undrawn committed facilities available to it as of 31 December 2022 and total committed facilities of £1.9bn at this date. Within the going concern outlook period, the only expiry of these facilities is a £400m sterling bond maturing in November 2023. In anticipation of this refinancing, the Group entered into a £400m bridge-to-bond facility in December 2022; this is for an initial period of 18 months and includes committed options to extend the maturity date until December 2025.

The Group has positive relationships and regular dialogue with its lenders. Certain of the Group's borrowings are subject to covenant tests on gearing and interest cover on a bi-annual basis. The group negotiated a series of waivers and amendments to these covenants as it navigated the impact of the Covid-19 pandemic, with the final remaining amendment relating to the December 2022 gearing covenant, which was relaxed to ≤5.0x. The original gearing covenant of ≤3.5x will apply to subsequent tests. The interest cover covenant had already reverted to pre-amendment levels of ≥3.5x during 2022. Covenant metrics are calculated on the basis of Underlying profits, in line with the definition agreed with lenders, and therefore exclude the impact of separately disclosed items.

The Group has performed strongly throughout 2022, demonstrating a sustained recovery in passenger demand, with patronage in the final quarter surpassing pre-pandemic levels in several areas of the Group. This has delivered record revenue and rebuilt profitability as the benefit of operational leverage flows through. At the same time, the Directors remain confident in the longer-term outlook for the Group, underlined by the 35 new contract wins, an acquisition, and expansion into a new country achieved during 2022, and an ambition to selectively pursue further growth opportunities from a strong pipeline of over £2.5bn of annualised revenue of opportunities. This growth ambition is strengthened by government policy which is highly supportive of public transport as part of the solution to climate change.

In the base case projections, which cover the period to March 2024, we assume an ongoing increase in passenger demand across the Group, in line with the progress seen throughout 2022 and the exit velocity into 2023. The key points of note regarding the base case are as follows:

- In the UK, we will continue to rebuild the white coach network throughout the first half of 2023, sustaining revenue above pre-pandemic levels throughout the year, while the Bus business will benefit from Bus Service Improvement Plan (BSIP) funding to maintain low fares, enabling us to grow commercial patronage and offer a lower cost travel alternative in the face of a rising cost of living;

- In ALSA, we will grow revenue as demand for Long Haul and Regional services grows, and through expansion into new contracts such as the Lisbon urban bus contract which began in June 2022, the Porto urban bus contract due to start in mid-2023, and the acquisition of Vitalia which completed in June 2022, representing our first entry into the Spanish paratransit market. We remain protected from significant inflation by CPI-linked indexation clauses in most of our contracted revenue streams;

- In North America School Bus, we began the 2022/23 school year with around 10% of routes being unable to be operated due to driver shortages; we have made demonstrable progress in reducing this shortfall throughout 2022 and the base case assumes a further improvement in 2023, although not returning to full run-rate until the beginning of school year 2023/24. School Bus wage increases of 10%

on average have been made in 2022, which is helping to recruit and retain drivers. The base case anticipates a further low-to-mid single digit wage increase for school year 2023/24. Where contracts have been renewed, this wage inflation has been passed on through price increases. Where contracts are not due for renewal until the 2023/24 school year or later, the base case assumes we secure rate increases which offset the cumulative impact of this wage inflation, but only from September 2023 onwards. This means that School Bus profitability will be subdued in the first half, as we are yet to recover the entire impact of wage increases across the portfolio and continue to return routes to service. We are engaging with all customers on non-expiring contracts to work collaboratively and secure contributions towards wage inflation in order to accelerate the return of services, and have already secured significant contributions outside of the contract renewal cycle for a large number of routes;

- In North America Transit and Shuttle, 2022 exit run-rate volumes have progressively recovered throughout 2022 but remain slightly below pre-Covid levels; we anticipate further improvement in 2023. The business also continues to selectively bid for attractive opportunities, with a c.$0.5bn pipeline of asset-light contract opportunities available to continue scaling the business;

- Around the Group, our base case takes account of latest expectations of wage and cost inflation, and our estimate of the extent to which we can pass these on in price, either at our discretion or through contractual protection mechanisms. Wage inflation remains most acute in North America School Bus; elsewhere it averages mid-single digit percentage increases;

- Reliance on government funding continues to diminish, with the only material incremental funding stream in 2023, relative to pre-pandemic periods, being the BSIP support in the UK. This is part of a nationwide scheme to improve bus services outside London, as opposed to being Covid-specific funding. Covid-related government funding is assumed to taper down significantly in 2023;

- We expect to re-finance the £400m sterling bond in late 2023, and are cognisant of the recent volatility of debt markets. Our base case assumes a refinancing at rates significantly higher than that of the expiring bond, based on current prevailing rates.

Although we continued to be affected throughout 2022 by some knock-on effects of the pandemic such as driver shortages in North America, the impact on the Group's operations from mobility restrictions and reticence to travel has subsided. While continuing to monitor the impact of the pandemic, the Directors no longer consider that this represents a significant threat to the Group within the going concern assessment period. Therefore, the reasonable worst case (RWC) has instead been formed around the following three themes, all of which relate to the prevailing macroeconomic conditions:

1. Driver shortages: despite the expected increase in unemployment due to upcoming recession, we assume that labour shortages become deeper and broader, affecting the Group's ability to deliver services, losing between 2% and 5% of revenue (compared to the base case) across most divisions and reducing profitability;

2. Reduced demand: lower household disposable incomes due to high inflation and poor consumer confidence due to fears of a recession may affect customer demand in, in particular, discretionary services such as long haul coach and touristic services. We have also prudently assumed other services are also impacted on the basis of contract win/retention rates dropping due to public authorities cutting budgets;

3. Inflation: we assume that cost inflation is between 2% and 3% higher than that already modelled in the base case, and that in most divisions we are only able to pass on around half of this to customers in the form of price increases or contractual margin protection mechanisms.

These downsides have been modelled for each division in turn, taking into account the current economic situation in each market, including the relative labour market and inflation dynamics between geographies, which has been corroborated against independent external forecasts. Where we have assumed a reduction in revenue (items 1 and 2 above), we have triangulated this with the Group's actual experience throughout the 2008-10 Global Financial Crisis, and in most cases have assumed a total revenue reduction equal to or in excess of that seen during the last recession. We believe that this is a prudent view, since we expect that the higher cost of fuel compared to the previous recession and squeeze on household budgets from high inflation at present would encourage more people to switch to public transport and therefore offset any impact from reduced spending on discretionary travel.

In addition to these wider downside themes described above, we further assume failure to win certain new growth contracts, a shortfall in government funding, and higher interest rates on variable borrowings or the new £400m bond (due to be taken out in September 2023), as a result of central banks' efforts to curtail high inflation.

Consistent with prior assessments, against the RWC the Group has again assumed further mitigations in the form of further reductions in expenditure, over and above those reflected in the base case, primarily around discretionary spending and back office cost savings. Additional cash flow mitigating actions have also been assumed, including curtailment of capital expenditure, deferral of payment of the hybrid coupon due in February 2024, or, in the event of a significant downturn in trading, suspension of the FY22 final dividend payment.

The Directors have reviewed the base case and reasonable worst case projections, which were used to evaluate liquidity headroom and compliance with covenants. In both the base case and reasonable worst case scenarios the Group has a strong liquidity position over the next 12 months and significant headroom on all of its covenant tests.

In addition to the base case and reasonable worst case scenarios, the Directors have reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach any of the covenant tests. These reverse stress tests have focused on both the level of revenue reduction and the level of cost inflation that could be absorbed prior to breaching liquidity or EBITDA/interest cost headroom against covenants.

In applying a reverse stress test to liquidity the Directors have concluded that the set of circumstances required to exhaust it are so extreme as to be considered clearly remote. As ever, covenants that include EBITDA as a component are more sensitive to reverse stress testing; the Directors have therefore conducted in-depth stress testing on all covenant tests at June 2023 and December 2023. In doing so, the Directors have considered all cost mitigations that would be within their control, and indeed would have no alternative but to pursue, if faced with another short-term material EBITDA reduction and no lender support to amend or waive EBITDA-related covenants. In light of the recent volatility in interest rate markets, we have also performed further reverse stress tests on the interest cover covenants, including modelling the impact of lower EBITDA on sustained higher interest cost levels, and the impact of higher market interest rates on both variable rate debt (which is only 19% of the Group's total debt) and on the planned re-financing of the £400m bond. Taking all of these reverse stress tests into account, the Directors concluded that the circumstances that would be necessary for covenants to be breached were remote.

In any case, should there be a more severe set of circumstances than those assumed in the reasonable worst case, a number of further mitigating actions are available to the group, including: deeper and broader cost cutting measures, seeking further amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

In conclusion, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

Accounting policies

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

The following amendments and interpretations have been applied for the first time with effect from 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3

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

Prior year restatement of deferred tax balances

The Group has deferred tax assets which were not recognised in full in the previous years. The asset arose on a reorganisation of the Spanish group structure which gave rise to future goodwill amortisation for tax purposes. A deferred tax asset was recognised initially, only to the extent which the Directors at the time felt there was sufficient assurance of future profitability to enable the utilisation of the deferred tax asset. However, over time it has become clear that there is sufficient profitability in the ALSA such that the deferred tax asset should have been recognised in full, based on the tax laws substantially enacted at each balance sheet date.

In addition, an exercise undertaken in the current year to check the accuracy of deferred tax liabilities in North America has highlighted an overstatement of prior years' deferred tax liabilities by £8.8m. While the impact on the prior year is not material for the Group accounts individually, the Directors have elected to include it in the restatement of prior year balances.

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

Group Income Statement	**Reported**			**Restated**		
	Underlying result 2021 £m	Separately disclosed items (note 4) 2021 £m	Total 2021 £m	Underlying result 2021 £m	Separately disclosed items (note 4) 2021 £m	Total 2021 £m
Profit/(loss) before tax	39.7	(124.6)	(84.9)	39.7	(124.6)	(84.9)
Tax (charge)/credit	(12.8)	19.8	7.0	(12.0)	19.8	7.8
Profit/(loss) for the year	26.9	(104.8)	(77.9)	27.7	(104.8)	(77.1)
Basic EPS			(16.8)p			(16.6)p
Diluted EPS			(16.8)p			(16.6)p

Statement of Comprehensive Income	Reported 2021 £m	Restated 2021 £m
Loss for the year	(77.9)	(77.1)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on retranslation of foreign operations	(55.7)	(57.2)
Other comprehensive income for the year	50.2	48.7
Total comprehensive expenditure for the year	(27.7)	(28.4)
Total comprehensive (expenditure)/income attributable to:		
Equity shareholders	(30.1)	(30.8)
Non-controlling interests	2.4	2.4
	(27.7)	(28.4)

Group Balance Sheet	Reported 31 December 2021 £m	Restated 31 December 2021 £m	Reported 31 December 2020 £m	Restated 31 December 2020 £m
Deferred tax assets	150.6	159.4	140.5	149.3
Total non-current assets	3,268.6	3,277.4	3,370.0	3,378.8
Total assets	4,291.1	4,299.9	4,489.1	4,497.9
Deferred tax liabilities	(39.2)	(14.5)	(40.7)	(15.3)
Total non-current liabilities	(1,636.4)	(1,611.7)	(1,769.2)	(1,743.8)
Total liabilities	(2,842.9)	(2,818.2)	(3,013.1)	(2,987.7)
Net assets	1,448.2	1,481.7	1,476.0	1,510.2
Retained earnings	(45.8)	(16.2)	9.6	38.4
Translation reserve	71.7	75.6	127.4	132.8
Total equity	1,448.2	1,481.7	1,476.0	1,510.2

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

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

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

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

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

- **ALSA and North America goodwill impairment**

Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units and requires the entity to estimate the future cash flows expected to arise, the growth rate to extrapolate cash flows into perpetuity and a suitable discount rate in order to calculate present value. Cash flow projections involve the use of estimates, notably revenue levels, operating margins and the proportion of operating profit converted to cash in each year. Given that there is an impairment of ALSA goodwill and a reduced level of headroom in North America this year, as well as volatility in the discount rate (particularly interest rates, risk-free rates of return and equity risk premiums, including country-specific risk premiums), we consider impairment to be a key source of estimation uncertainty with respect to both our ALSA and North America divisions. The key assumptions used and their sensitivities are included in note 9.

- **Recognition of deferred tax assets**

At 31 December 2022 the Group had a $112.7m deferred tax asset in relation to federal tax losses and $39.9m deferred tax asset in relation to state tax losses in North America. This is a total deferred tax asset on losses of $152.6m (£125.5m). The total deferred tax asset on federal tax losses of $112.7m is calculated as 21%, being the substantially enacted rate set by US Federal governments at the balance sheet date, multiplied by trading losses of $536.7m. The majority of these losses may be carried forward indefinitely under US tax rules. There are other deferred tax liabilities in the NA business such as carried forward interest previously tax restricted and other short term timing differences of $57.8m (£48.3m), offset by deferred tax liabilities on accelerated tax depreciation of $106.0m (£87.6m), giving a total US deferred tax asset at 31 December 2022 of $104.4m (£86.2).

In assessing the probability of recovery of these losses, and the overall deferred tax asset, management have looked at the last three years financial performance as well as future financial projections. While the North America business as a whole has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic. Internal business modelling demonstrates that without the pandemic, the business would have been profitable in all three years.

As a result of increased route recovery anticipated in 2023, we are expecting a return to taxable profits in North America in the year ended 31 December 2023 and beyond. As such, our financial projections based upon our strategic plans indicate that these tax losses will be utilised in full by 2029 and so these losses have been recognised as a deferred tax asset. It is also expected that the other deferred tax assets will be utilised against these future taxable profits.

We have performed sensitivity analysis which shows that, even if our US profits fall by 25% from our financial projections, these losses will still be utilised in full by 2030.

In addition, at the 31 December 2022 the Group has a £88.8m deferred tax asset in relation to past losses in the UK business. This is calculated as 25%, being the substantially enacted tax rate set by the UK government from April 2023, multiplied by UK losses of £356m. These losses are made up of £269.3m post-2017 tax losses (which can be used against any future UK profits), plus £86.7m pre-2017 tax losses (which may only be used against future income in the legal entity in which they arose). Both of these types of losses may be carried forward indefinitely under UK tax rules.

In assessing the probability of recovery of these losses, management have looked at the last three years financial performance as well as future financial projections. While the UK business has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic. Internal business modelling demonstrates that without the pandemic, the business would have been profitable in all three years. As such, it is reasonable to rely upon future projections when assessing the probability of recovery of these losses. Based upon future financial projections, we estimate post-2017 tax losses in the UK business will be utilised by 2028 and the pre-2017 losses by 2029.

Consideration of climate change

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

2 Exchange rates

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

	2022 Closing rate	**2022 Average rate**	2021 Closing rate	2021 Average rate
US Dollar	**1.21**	**1.24**	1.35	1.38
Canadian Dollar	**1.64**	**1.61**	1.71	1.72
Euro	**1.13**	**1.17**	1.19	1.16

If the results for the year to 31 December 2021 had been retranslated at the average exchange rates for the year to 31 December 2022, North America would have achieved underlying operating profit of £82.5m on revenue of £967.4m, compared with underlying operating profit of £74.4m on revenue of £872.0m as reported, and ALSA would have achieved a underlying operating profit of £56.2m on revenue of £712.3m, compared with underlying operating profit of £56.6m on revenue of £718.4m as reported.

3 Revenue and segmental analysis

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

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

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

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

Further details on the activities of each segment are described in the Strategic Report.
Central functions is not a reportable segment but has been included in the segmental analysis for transparency and to enable a reconciliation to the consolidated Group.

(a) Revenue

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

	2022					
Analysis by class and reportable segment:	**Contract revenues £m**	**Passenger revenues £m**	**Grants and subsidies £m**	**Private hire £m**	**Other revenues £m**	**Total £m**
UK	**41.6**	**388.4**	**65.0**	**15.8**	**17.5**	**528.3**
German Rail	**–**	**38.3**	**228.4**	**–**	**1.8**	**268.5**
ALSA	**175.9**	**510.1**	**176.6**	**51.3**	**48.6**	**962.5**
North America	**988.5**	**–**	**–**	**54.1**	**5.6**	**1,048.2**
Central functions	**–**	**–**	**–**	**–**	**–**	**–**
Total revenue	**1,206.0**	**936.8**	**470.0**	**121.2**	**73.5**	**2,807.5**
Analysis by major service type:						
Passenger transport	**1,206.0**	**936.8**	**470.0**	**121.2**	**13.1**	**2,747.1**
Other products and services	**–**	**–**	**–**	**–**	**60.4**	**60.4**
Total revenue	**1,206.0**	**936.8**	**470.0**	**121.2**	**73.5**	**2,807.5**

Included in grants and subsidies is £19.6m (2021: £92.8m) of grant income recognised in the UK in response to Covid-19, principally from the Bus Recovery Grant (BRG) for the current year. Replacing the Covid Bus Services Support Grant (CBSSG) from 1 September 2021, the BRG intended to compensate UK bus operators for continuing bus services during the Covid-19 recovery period, and whereby funding has been allocated to the operators according to revenue and mileage operated. Included in the prior year is Covid-19 support from the CBSSG, of which £80.6m has been recognised within revenue. Grant income has been recognised in the Income Statement in the same period that the related revenue shortfall occurred and to the extent that there is reasonable assurance that the Group will comply with the conditions of the grant and that it will be received and retained (taking account of the potential adjustments to grant payments as a result of the review process). During the year, the West Midlands Combined Authority (WMCA), supported by our UK Bus business (UK Bus) and other regional operators, applied for and was awarded a grant by the Department for Transport (DfT) under the UK government's Bus Service Improvement Plan (BSIP). The total amount awarded was £87.8m and is available to WMCA and regional bus operators in return for delivering certain improvements to bus services in the West Midlands. The BSIP runs for three years from April 2022 to March 2025.

A pre-application condition for the BSIP grant set by DfT was either the existence of an Enhanced Partnership Plan (EPP) and an Enhanced Partnership Scheme (EPS) between WMCA and regional bus operators or progress towards regional bus franchising. An EPP and EPS, which included UK Bus and other regional bus operators, were in place for the West Midlands prior to the commencement of the BSIP, and now incorporate the objectives of the West Midlands region's bus service improvement plan (West Midlands BSIP) as those have been agreed between WMCA and regional bus operators. These objectives are underpinned by the need to maintain a comprehensive bus network in order to build bus patronage.

As UK Bus is an operator within the WMCA Enhanced Partnership and supported the WMCA BSIP Grant Application in 2022 we supported the EPS with a number of commitments such as freezing bus fares, maintaining bus network levels and developing bus passenger recovery plans as part of this grant application.

As at 31 December 2022, WMCA had not yet received cash funding from the DfT and so had not disbursed funds to the relevant operators at that point in time. However, the grant was awarded by the DfT on 12 December 2022 and UK Bus has received written confirmation from WMCA that they will be paying this grant award on to the operators in line with the Enhanced Partnership agreement. As a result, the £12.0m grant income recognised is recorded within current other receivables. The amount recognised is following IAS 20 Accounting for Government Grants and Disclosure of Government Assistance requirements, having concluded that the Group has (a) complied with any conditions attached to the grant under the EPP up to 31 December 2022 and expect to continue to comply through the end of the grant in March 2025, and (b) the grant is expected to be received.

The total amount of £12.0m represents 9/36th of the total three-year grant funding available in respect of the elements of the West Midlands BSIP that UK Bus delivered on in 2022, which totals £48.0m out of the total £87.8m. Of this, £4.0m of income has been recorded in revenue representing the portion of the grant income designed to compensate the business for freezing passenger fares. A further £8.0m is recorded to reduce expenditure to reflect the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during the period.

Also included in grants and subsidies is £15.1m (2021: £15.9m) of additional subsidies in Germany in respect of the Federal Framework Regulation on Aid to Public Transport. Under this arrangement, additional subsidies may be claimed by public transport operators in Germany to compensate for the loss of passenger revenue due to Covid-19. Similarly, a further £22.0m (2021: £54.2m) was recognised in ALSA from Public Transport Authorities to compensate for revenue shortfalls due to Covid-19. In both cases, subsidy income has been recognised in the same period in the Income Statement to match the period in which the related shortfall of revenue occurred and to the extent there is reasonable assurance that the Group has complied with the conditions.

In German Rail, at the commencement of the Rhine-Münster Express (RME) contract in 2015, a fixed amount of subsidy was agreed with the PTA for the life of the contract and the amount recognised each year was measured by considering the proportion of contract costs incurred at each balance sheet date. As it does every year, the Group has reforecast the contract out-turn and reassessed its estimate of the stage of completion. This reassessment concluded a re-phasing adjustment of revenue was not required in year (2021: £3.8m).

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

There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities.

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

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

(b) Operating profit/(loss)

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

	Underlying operating profit/(loss) 2022 £m	**Separately disclosed items 2022 £m**	**Segment result 2022 £m**	Underlying operating (loss)/profit 2021 £m	Separately disclosed items 2021 £m	(Restated)[1] Segment result 2021 £m
UK	**25.6**	**(7.5)**	**18.1**	(22.6)	(23.8)	(46.4)
German Rail	**17.6**	**(10.4)**	**7.2**	5.0	(29.1)	(24.1)
ALSA	**103.9**	**(274.1)**	**(170.2)**	56.6	(26.4)	30.2
North America	**68.4**	**(55.7)**	**12.7**	74.4	(27.9)	46.5
Central functions	**(18.2)**	**(8.1)**	**(26.3)**	(26.4)	(16.0)	(42.4)
Operating profit/(loss)	**197.3**	**(355.8)**	**(158.5)**	87.0	(123.2)	(36.2)
Share of results from associates and joint ventures	**(0.4)**	**–**	**(0.4)**	(1.0)	–	(1.0)
Net finance costs	**(51.0)**	**–**	**(51.0)**	(46.3)	(1.4)	(47.7)
Profit/(loss) before tax	**145.9**	**(355.8)**	**(209.9)**	39.7	(124.6)	(84.9)
Tax (charge)/credit			**(10.8)**			7.8
Loss for the year			**(220.7)**			(77.1)

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

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

4 Separately disclosed items

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

The total separately disclosed items before tax for the year ended 31 December is a net charge of £355.8m (2021: £124.6m). The items excluded from the underlying result are:

	2022 £m	2021 £m
Goodwill impairment of ALSA (a)	**260.6**	–
Intangible amortisation for acquired businesses (b)	**37.2**	38.8
	297.8	38.8
Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic (c)	**7.6**	41.0
Re-measurement of the Rhine-Ruhr onerous contract provision (d)	**9.3**	27.9
Onerous contract provision charges and impairments in respect of North America driver shortages (e)	**31.4**	–
Restructuring and other separately disclosed items (f)	**9.7**	15.5
	58.0	84.4
Separately disclosed operating cost items	**355.8**	123.2
Interest charges (g)	**–**	1.4
Total separately disclosed items	**355.8**	124.6

(a) Goodwill impairment of ALSA

The Group performs a goodwill impairment on each cash-generating unit annually. During the year, discount rates have increased significantly due to the significant increase in risk-free interest rates. Additionally, a country risk premium for Spain was applied to the ALSA discount rate for the first time, given the current heightened geopolitical and macroeconomic uncertainty in the Eurozone at the time of the assessment. This has led to a non-cash impairment of £260.6m being recognised in ALSA, bringing the carrying value of goodwill to its recoverable amount (see note 9 for further information). The impairment does not relate to any change in the forecast trading performance of ALSA. This is separately disclosed due to both size and nature and is excluded to enable the users of the financial statements to provide greater clarity on the current and future performance of the Group's results.

(b) Intangible amortisation for acquired businesses

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

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

As a result of Covid-19, a number of onerous contract provisions and impairments were recorded in previous years. For the contracts which the Group was still operating during the year, and remains committed to at the period end, the onerous contract provision has been re-measured, resulting in a net cost of £8.7m, with a tangible fixed asset impairment of £0.3m for assets which are dedicated to the contract. On these contracts, £15.2m provision has been utilised during the year, with a remaining provision of £12.0m at the period end, of which £7.7m is expected to be utilised within 12 months. Other than the contracts referenced in section (e) below no new onerous contracts were identified in the year.

In addition, assets which have been previously impaired due to the pandemic have been reassessed for indicators of further impairment, or reversal of impairment. This has resulted in a reversal of previous impairment of customer contract assets of £1.4m, reflecting improved profitability on those contracts.

In the prior year, included in the amounts attributable to the Covid-19 pandemic was the loss on re-measurement of the liability for the put options over the remaining 20% shares of WeDriveU of £11.5m. In the current year the liability has been re-measured by management with no resulting gain or loss.

(d) Rhine-Ruhr Express onerous contract provision
At December 2021, the Group had an onerous contract provision of £21.2m remaining with respect to the Rhine-Ruhr Express contract, having previously impaired all dedicated assets. At December 2022 the contract profitability was reassessed taking into account the first full year of operation of all lines as well as the surge in energy costs, and the commercial energy price capping in place. This reassessment resulted in an increase in the provision of £9.3m, principally due to energy costs. The provision at 31 December 2022 is £21.9m for the remainder of the contract term until 2033, following utilisation during the year of £9.6m.

(e) Onerous contract provision charges and impairments in respect of North America driver shortages
During the period, the Group has identified a series of new onerous contracts in North America in relation to nationwide driver shortages, principally in the school bus market. These shortages have resulted in both an increase in wages (to retain and recruit) and a reduction in service levels, and hence a reduction in profitability of certain contracts. An exceptional expense of £16.6m has been recognised in relation to onerous contracts and a further non-cash £7.4m expense for the impairment of dedicated right-of-use assets on these contracts. The remaining provision at the period end of £4.7m is expected to be utilised within the next 12 months.

In addition, the decrease in profitability of customer contracts has had an impact on the recoverability of intangible assets associated to the customer contracts. This has led to a net impairment of intangible assets of £7.4m in North America.

Driver shortages in North America are considered by management to be an acute and short-term problem rather than business as usual, and have had a material impact, and therefore the total expense has been recorded within separately disclosed items based on its size and nature.

(f) Restructuring and other separately disclosed items
During the year, the Group incurred £9.7m of costs in respect of Group-wide strategic initiatives and restructuring, as well as transaction fees in respect of the Group's aborted plans for a potential combination with Stagecoach. These one-off charges are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as separately disclosed on this basis.

(g) Interest charges
The prior year interest charges primarily related to fees associated with the gearing covenant waivers on the Group's borrowing facilities. These costs are not considered to be a normal finance cost of the Group.

5 Net finance costs

	2022 **£m**	2021 £m
Bond and bank interest payable	**35.5**	32.0
Lease interest payable	**9.4**	10.5
Other interest payable	**3.0**	2.7
Unwind of discounting	**3.4**	2.5
Net interest cost on defined benefit pension obligations	**1.9**	1.8
Finance costs before separately disclosed items	**53.2**	49.5
Separately disclosed finance costs	**–**	1.4
Total finance costs	**53.2**	50.9
Lease interest income	**(0.5)**	(0.7)
Other financial income	**(1.7)**	(2.5)
Total finance income	**(2.2)**	(3.2)
Net finance costs	**51.0**	47.7
Of which, from financial instruments:		
Financial assets measured at amortised cost	**(1.6)**	(1.5)
Financial liabilities measured at amortised cost	**44.4**	44.0
Derivatives	**1.9**	(1.8)
Loan fee amortisation	**1.1**	1.2

6 Taxation

(a) Analysis of taxation credit in the year

	2022 £m	(Restated) 2021[1] £m
Current taxation:		
UK corporation tax	**1.2**	2.8
Overseas taxation	**19.3**	16.3
Current income tax charge	**20.5**	19.1
Adjustments with respect to prior years – UK and overseas	**(1.0)**	0.2
Total current income tax charge	**19.5**	19.3
Deferred taxation:		
Origination and reversal of temporary differences	**(7.0)**	(23.5)
Adjustments with respect to prior years – UK and overseas	**(1.7)**	(3.6)
Deferred tax credit	**(8.7)**	(27.1)
Total tax charge/(credit) for the Group	**10.8**	(7.8)
The tax charge/(credit) for the Group comprises:		
Tax charge on profit before separately disclosed items	**30.3**	12.0
Tax on separately disclosed items	**(19.5)**	(19.8)
	10.8	(7.8)

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

The tax credit on separately disclosed items of £19.5m (2021: £19.8m credit) comprises of £9.1m tax credit (2021: £10.3m) on intangibles, £14.5m tax credit (2021: £14.9m) on tax deductible expenditure on exceptional costs and a £4.1m charge (2021: £5.4m charge) on exceptional tax items.

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

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

	2022 £m	2021 £m
Deferred taxation:		
Deferred tax charge on actuarial gains	**12.7**	2.7
Deferred tax (credit)/charge on cash flow hedges	**(5.2)**	9.5
Deferred tax credit on foreign exchange differences	**(1.3)**	(0.5)
Deferred tax credit on accrued hybrid instrument payments	**(5.3)**	(4.4)
Deferred tax charge/(credit) on share-based payments	**0.4**	(0.3)
	1.3	7.0

7 Dividends paid and proposed

No interim or final dividends were declared and paid during the period (2021: £nil). A final ordinary dividend of 5.0 pence per share (2021: nil), equating to a cash outflow of £30.6m (2021: £nil), has been proposed but not recognised as a liability at 31 December 2022.

8 Earnings per share

	2022	(Restated) 2021[1]
Basic earnings per share	**(39.7)p**	(16.6)p
Underlying basic earnings per share	**15.0p**	0.2p
Diluted earnings per share	**(39.7)p**	(16.6)p
Underlying diluted earnings per share	**15.0p**	0.2p

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

Basic EPS is calculated by dividing the earnings attributable to equity shareholders, a loss of £243.1m (2021 restated: £102.0m loss), by the weighted average number of ordinary shares in issue during the year, excluding those held by the Group's Employee Benefit Trust (note 32) which are treated as cancelled. Earnings attributable to equity shareholders is inclusive of amounts accruing to the holders of the hybrid instrument and are calculated as follows:

	2022 £m	2021 £m
Loss attributable to equity shareholders	**(221.8)**	(80.8)
Accrued payments on hybrid instrument	**(21.3)**	(21.2)
Earnings attributable to equity shareholders	**(243.1)**	(102.0)

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

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

	2022	2021
Basic weighted average shares	**612,772,081**	613,117,132
Adjustment for dilutive potential ordinary shares[1]	**339,199**	345,497
Diluted weighted average shares	**613,111,280**	613,462,629

[1] Potential ordinary shares have the effect of being anti-dilutive in 2022 and 2021, and have been excluded from the calculation of diluted earnings per share.

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

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

	2022			(Restated) 2021[1]		
	£m	Basic EPS P	Diluted EPS P	£m	Basic EPS P	Diluted EPS p
Earnings attributable to equity shareholders	**(243.1)**	**(39.7)**	**(39.7)**	(102.0)	(16.6)	(16.6)
Separately disclosed items	**355.8**	**58.1**	**58.1**	124.6	20.3	20.3
Separately disclosed tax	**(19.5)**	**(3.2)**	**(3.2)**	(19.8)	(3.2)	(3.2)
Separately disclosed non-controlling interests	**(1.1)**	**(0.2)**	**(0.2)**	**(1.6)**	**(0.3)**	**(0.3)**
Underlying profit attributable to equity shareholders	**92.1**	**15.0**	**15.0**	**1.2**	**0.2**	**0.2**
Amounts accruing to the holders of the hybrid instrument	**21.3**			21.2		
Underlying profit attributable to equity shareholders excluding the hybrid instrument	**113.4**			22.4		

[1] Restated for correction to deferred tax assets and liabilities, see note 1 for further information.

9 Goodwill and impairment

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

	2022 £m	2021 £m
UK	**52.4**	52.4
North America	**743.2**	669.5
ALSA	**560.6**	784.8
	1,356.2	1,506.7

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

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

	Pre-tax discount rate applied to cash flow projections		Growth rate used to extrapolate cash flows into perpetuity	
	2022	2021	**2022**	2021
UK	**11.2%**	7.9%	**2.7%**	2.4%
North America	**10.3%**	7.2%	**3.4%**	2.9%
ALSA	**13.9%**	7.8%	**3.0%**	2.9%

Discount rates have increased significantly due to the increase in underlying risk-free interest rates. Additionally, a country risk premium for Spain was applied to the ALSA discount rate for the first time, given the heightened geopolitical and macroeconomic uncertainty in the Eurozone at the time of the assessment.

The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. Forecast revenue and operating margins are based on past performance and management's expectations for the future. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on respective long-term country-specific GDP growth rates. The cash flows are discounted using pre-tax rates that are calculated from country-specific weighted average cost of capital (WACC), principally derived from external sources. Capital expenditure is projected over the first five years using a detailed, contract-by-contract level forecast of the capital requirements of the Group for new and replacement vehicles and other assets. In the extrapolation of cash flows into perpetuity (the terminal value), capital expenditure is assumed to be a 1:1 ratio to depreciation. A non-cash impairment of £260.6 million has been recognised in ALSA, bringing the carrying value of goodwill to its recoverable amount. In the previous year there had been £425.9 million of headroom on the assessment. The impairment in the latest assessment is due to the significant increase in the discount rates noted above and is not due to a change in the assessment of the trading prospects for the division. Sensitivity analysis on the key assumptions made is provided below.

The value in use of the North America division exceeds its carrying amount by £225.9m (2021: £812.0m); the reduction compared to the prior year being driven by the increased discount rate.

The assumptions behind the cash flow projections also take account of the climate change risk assessment exercise carried out during the year, from which the pertinent conclusions are as follows:

- While the global temperature rise above pre-industrial levels increases the likelihood of extreme weather events, the geographical diversity of the Group means that the risk to the Group as a whole is unlikely to be material. We have, nonetheless, factored in an assumption of financial impact from extreme weather disruption, albeit not to the extent of the extreme scenario disclosed in the TCFD section of the Strategic Report; and

- The Group's planning assumption is that input costs will not rise significantly above inflation on the basis that, for electric vehicles for example, supply will increase to match demand, and technological advances will also help decrease manufacturing costs. Furthermore, the Group assumes, based on its detailed modelling of electric versus diesel buses in the UK, that the total cost of ownership of zero emission vehicles will be no worse than their diesel equivalents. This assessment is inclusive of the cost of new electric vehicle infrastructure and assumes no government funding. The Group expects to utilise hydrogen vehicles in the transition to a zero emission fleet in long haul coach services and, while hydrogen vehicle technology is not currently as well developed as electric, the Group assumes that total cost of ownership for these vehicles will also be no worse than at parity with their diesel equivalents, albeit may require some level of government subsidies on the capital cost and/or the hydrogen fuel; and

- The Group already has ambitious targets for the transition to zero emission fleets. These targets are expected to result in the Group having a zero emission fleet before any potential ban on diesel vehicles is imposed by governments. The Group has assessed as very low the risk of the current fleet having a net book value higher than their residual value at the Group's targeted transition dates and has therefore concluded that no changes to the useful economic lives of the Group's current fleet are required; and

- The opportunity from modal shift from private cars to public transport is potentially significantly more material than that assumed in the Group's long-term cash flow projections as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions.

9 Goodwill and impairment continued
Sensitivities to key and other assumptions

(i) ALSA
For ALSA, a sensitivity analysis showing the increase in impairment of a change in each key assumption has been provided in the table below.

ALSA	Sensitivity	Additional Impairment £m
Base case		-
WACC	Increase of 1%	(65.1)
Perpetual Growth rate	Decrease of 1%	(45.6)
Underlying Operating Profit Margin	Decrease of 2%	(192.7)
Long Haul Underlying Operating Profit Margin	Decrease of 2%	(17.3)

The Group operates coach services on certain long-haul routes in Spain under concession arrangements with the government's transport department. These concessions are subject to renewal over the next few years, which brings uncertainty over the long-term margins of this business. Accordingly, we have included the Long Haul margins in the sensitivity analysis.

(ii) North America
For North America, sensitivity analysis has been completed on each key assumption in isolation. This analysis indicates that the value in use of the North America division will be equal to its carrying value with an increase in the pre-tax discount rate of 110 basis points (2021: 250 basis points) or a reduction in the growth rates used to extrapolate cash flows into perpetuity of 120 basis points (2021: 270 basis points).
In addition, for North America, a reduction in operating profit margin of 130 basis points (2021: 360 basis points) will result in the value in use of the division being equal to its carrying amount.

Management has also performed sensitivity analysis to assess the impact that a combination of reasonably possible changes in the key assumptions would have on the recoverable amount of the North America division. In combination, a 20% reduction in the cash flows in 2023 and 2024, a 100 basis points reduction in the long-term growth rate and a 100 basis points increase in the pre-tax discount rate would lead to a £178m impairment in North America.

The Directors have concluded that there is no risk of impairment for the UK and therefore, as permitted by IAS 36, have not provided sensitivity disclosure. The Directors consider the assumptions used to be consistent with the historical performance of each cash-generating unit and to be realistically achievable in light of economic and industry measures and forecasts.

10 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA

During the year, the ALSA division acquired both 100% control of Vitalia, a provider of paratransit services (Madrid, Spain) and the remaining 70% control of Sevirama, a touristic bus and regional concession provider (Sevilla, Spain).

The provisional fair values, along with final fair value adjustments in respect of the acquisition of Transportes Rober group acquired during 2021, are presented in aggregate below:

	£m
Intangibles	4.8
Property, plant and equipment	1.5
Inventory	0.1
Trade and other receivables	2.4
Cash and cash equivalents	0.4
Borrowings	(1.7)
Trade and other payables	(4.5)
Deferred tax liability	(0.9)
Net assets acquired	**2.1**
Goodwill	4.7
Total consideration	**6.8**
Represented by:	
Cash consideration	**5.2**
Deferred consideration	**1.6**
	6.8

As permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets and provisions acquired. Trade and other receivables had a fair value and a gross contracted value of £2.4m. The best estimate at acquisition date of the contractual cash flows not to be collected was £nil.

Goodwill of £4.7m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our operations in ALSA, along with growth benefits associated with entry into the paratransit sector and further growth within the touristic and regional concession market in Sevilla. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the year the fair value adjustments relating to the intangibles acquired in 2021 as part of the Transportes Rober Group in 2021 were finalised. This resulted in an increase in the fair value of intangibles acquired, a corresponding deferred tax liability, and a reduction in goodwill of £3.5m.

Included in the consideration shown above is contingent consideration of £1.6m. The Group is required to pay contingent consideration upon pre-determined revenue thresholds being met up to 2023 and other post-closing conditions, with a minimum expected undiscounted payment of £nil and maximum expected undiscounted payment of £1.6m. Based on projections, the Group expects the maximum amount to be paid. The amount recognised is undiscounted as the effect of discounting is not material.

The acquired businesses contributed £7.4m of revenue and £0.2m profit to the Group's result for the period between acquisition and the balance sheet date. Had the acquisition been completed on the first day of the financial year, the Group's revenue would have been £2,812.3m and the Group's statutory operating loss would have been £158.2m.

(b) Acquisitions – further information

Deferred consideration of £3.2m was paid in the period relating to acquisitions in ALSA in earlier years. Total cash outflow in the period from acquisitions in the ALSA division was £8.0m, comprising consideration for current year acquisitions of £5.2m and deferred consideration of £3.2m, less cash acquired in the businesses of £0.4m. In North America deferred consideration of £0.5m was paid in the period relating to acquisitions in earlier years. Transaction costs of £0.1m were incurred in the period to 31 December 2022 (2021: £0.1m).
During the year to 31 December 2022, the movement in the Group's carrying value of goodwill principally relates to the acquisition of Vitalia.

The Group measures deferred contingent consideration at fair value through profit and loss and by reference to significant unobservable inputs, i.e. classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are typically forecast earnings or estimating the likelihood that contracts will be renewed over a fixed period.

The fair value movement in deferred contingent consideration in the year is as follows:

	2022	2021
	£m	£m
Fair value:		
At 1 January	**13.4**	28.8
Additions in the year	**1.6**	5.6
Payments during the year	**(3.7)**	(13.0)
Fair value movement in the year	**(0.4)**	(7.9)
Foreign exchange	**0.8**	(0.1)
At 31 December	**11.7**	13.4

(c) Disposals

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

(d) Assets held for sale

In ALSA, a building with a carrying value of £18.6m (2021: £17.6m) has met the held for sale IFRS 5 criteria and been recognised within current assets. Included in the 31 December 2021 balance are also public service vehicles in the UK with a carrying value of £1.0m.

11 Cash and cash equivalents

	2022	2021
	£m	£m
Cash at bank and in hand	**171.7**	268.1
Overnight deposits	**6.6**	0.4
Other short-term deposits	**113.5**	239.9
Cash and cash equivalents	**291.8**	508.4

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The prior year cash and cash equivalents included £11.9m which was subject to contractual or regulatory restrictions, or withholding tax levied on repatriation of cash. These amounts held were not readily available for other purposes within the Group.

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

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

Net cash and cash equivalents comprise as follows:

	2022	2021
	£m	£m
Cash and cash equivalents	**291.8**	508.4
Bank overdrafts	**(58.7)**	(132.2)
Net cash and cash equivalents	**233.1**	376.2

12 Pensions and other post-employment benefits

The UK division (UK) operates defined benefit pension schemes.

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

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

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

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

The assets of the defined benefit schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries. The Group expects to contribute £10.2m into its defined benefit pension plans in 2023.

The total pension cost charged to underlying operating loss in the year for the Group was £9.7m (2021: £10.9m), of which £6.2m (2021: £6.0m) relates to the defined contribution schemes.

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

	2022 **£m**	2021 £m
Company	–	3.8
Other	**0.4**	–
Pension assets	**0.4**	3.8
UK	**(39.7)**	(96.1)
Other	**(2.8)**	(3.1)
Pension liabilities	**(42.5)**	(99.2)
Total	**(42.1)**	(95.4)

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuations. The most recent triennial valuations are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19. Following the buy-out of the Company scheme there are no remaining pension liabilities at 31 December 2022 (2021: £nil) and therefore no assumptions are disclosed.

The assumptions for the UK scheme are listed below:

12 Pensions and other post-employment benefits continued

	UK	
	2022	2021
Rate of increase in salaries	**2.5%**	2.5%
Rate of increase of pensions in payment	**2.5%**	2.8%
Discount rate	**4.8%**	1.8%
Inflation assumption (RPI)	**3.1%**	3.4%
Inflation assumption (CPI)	**2.5%**	2.8%
Post-retirement mortality in years:		
Current pensioners at 65 – male	**19.5**	19.6
Future pensioners at 65 – male	**20.9**	21.0
Current pensioners at 65 – female	**23.0**	23.0
Future pensioners at 65 – female	**24.5**	24.6

The Directors regard the assumptions around pensions in payment, discount rate, inflation and mortality to be the key assumptions in the IAS 19 valuation.

The following table provides an approximate sensitivity analysis of a reasonably possible change to these assumptions:

(Increase)/decrease in the defined benefit obligation	**UK 2022 £m**	UK 2021 £m
Effect of a 0.5% increase in pensions in payment	**(17.1)**	(30.4)
Effect of a 0.5% increase in the discount rate	**24.2**	36.1
Effect of a 0.5% increase in inflation	**(19.0)**	(34.8)
Effect of a 1-year increase in mortality rates	**(12.6)**	(18.0)

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

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

	2022 £m	2021 £m
Loss before tax	**(209.9)**	(84.9)
Net finance costs	**51.0**	47.7
Share of results from associates and joint ventures	**0.4**	1.0
Depreciation of property, plant and equipment	**203.5**	199.7
Intangible asset amortisation	**55.5**	54.2
Amortisation of fixed asset grants	**(2.1)**	(3.2)
Gain on disposal of property, plant and equipment	**(10.5)**	(8.0)
Gain on disposal of intangible assets	**(5.1)**	(0.6)
Share-based payments	**1.2**	1.0
Increase in inventories	**(1.5)**	(1.9)
Increase in receivables	**(118.5)**	(85.3)
Increase in payables	**52.5**	53.2
Receipts on settlement of fuel forward contracts	**26.2**	–
(Decrease)/Increase in provisions	**(23.9)**	17.1
Decrease in pensions	**(3.2)**	–
Separately disclosed operating items[1]	**318.6**	84.4
Cash flows relating to separately disclosed items	**(49.3)**	(43.3)
Cash generated from operations	**284.9**	231.1

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

13 Cash flow statement continued
b) Analysis of changes in net debt
Net debt is an alternative performance measure which is not defined or specified under the requirements of International Financial Reporting Standards. Please refer to the glossary for further information.

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

[1] Net of arrangement fees totalling £1.1m (2021: £1.5m) on bank and other loans

2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet

3 Excludes accrued interest on long-term borrowings

Short-term deposits relate to term deposits repayable within three months. Borrowings include non-current interest-bearing borrowings of £886.3m (2021: £1,294.3m). Other non-cash movements include lease additions and disposals of £36.9m (2021: £26.6m) and a £1.1m net reduction from the amortisation of loan and bond arrangement fees (2021: £1.2m). A £19.9m decrease in the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings.

13 Cash flow statement continued

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

1 Net of arrangement fees totalling £1.5m on bank and other loans

2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet

3 Excludes accrued interest on long-term borrowings

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

	2022 £m	2021 £m
Decrease in net cash and cash equivalents in the year	**(162.1)**	(139.8)
Cash inflow/(outflow) from movement in other debt receivables	**1.6**	(0.1)
Cash inflow from movement in debt and leases liabilities	**123.3**	93.4
Change in net debt resulting from cash flows	**(37.2)**	(46.5)
Change in net debt resulting from non-cash movements	**(100.9)**	(3.4)
Movement in net debt in the year	**(138.1)**	(49.9)
Opening net debt	**(1,069.8)**	(1,019.9)
Net debt	**(1,207.9)**	(1,069.8)

14 Financial information

The financial information set out above does not constitute the Group's Financial Statements for the years ended 31 December 2022 or 2021, but is derived from those Financial Statements. Statutory Financial Statements for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's annual general meeting. The auditors have reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Annual Report will be posted to shareholders on 27 March 2023 and will also be available from the Company Secretary at National Express House, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham, B5 6DD. Copies are also available via www.nationalexpressgroup.com.

15 Post balance sheet events

Subsequent to year end, National Express Rail GmbH business has won a contract worth €1 billion over the lifetime of the agreement to operate the RE1 and RE11 Rhein-Ruhr-Express ("RRX") lines in Germany to 2033. The German Rail division has been operating the two rail lines since February 2022 through an emergency contract award. Following this new contract award, National Express now operates all three RRX lots under long term contracts.