Audit Committee report

ENRIQUE DUPUY DE LOME CHÁVARRI
Audit Committee Chair

Activity highlights

- Reviewed and satisfied itself as to the integrity and fairness of the Group's (i) six months results to 30 June 2025, (ii) unaudited 12-month results to 31 December 2025 and (iii) financial statements for the 15-months to 31 March 2026, and the appropriateness of their being prepared on a going concern basis
- Assessed and challenged the appropriateness of the Company's viability statement
- Assessed and challenged management's approach to critical accounting judgements and key sources of estimation uncertainty
- Oversaw the external Auditor tender process, resulting in the appointment of KPMG LLP
- Reviewed the findings and monitored the effectiveness of the internal audit function, and reviewed the programme of internal audits for the period ahead
- Reviewed the effectiveness of risk management and internal control systems
- Reviewed the opinions and monitored the independence and effectiveness of the external Auditor
- Supported the Board in its management of risk by reviewing the Group risks, including its ongoing review of cyber risk
- Reviewed the framework of the Group's compliance programme and the corporate policies comprised within it

For information on the primary role and key responsibilities of the Audit Committee, please visit the Committees page of the Company's website: **www.mobicogroup.com/about-us/corporate-governance/committees/**

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Enrique Dupuy de Lome Chávarri (Chair)[1]	01/11/2023	5/5
Ana de Pro Gonzalo[1]	01/10/2019	5/5
Carolyn Flowers[1]	04/12/2021	5/5

1 Independent Non-Executive Director

Other attendees: Company Secretary and, by invitation, Executive Chair, Group CFO, Group Deputy CFO, Group Finance Director, Head of Group Accounting & Reporting, Group Commercial Director, Group Director of Internal Audit and Risk, Group Legal Counsel, and representatives of the external Auditors.

Financial reporting

The Committee is responsible for considering and satisfying itself, after consultation with the Company's external Auditor, that the Company and its Group have adopted suitable accounting policies and appropriately applied the same, that management has made appropriate accounting judgements and estimates, that the adoption by the Company of the going concern basis of accounting is appropriate and that its viability statement is reasonable.

Key accounting matters

Details of the key accounting matters addressed by management when preparing the Consolidated Financial Statements, together with information about how the Committee assessed, challenged where appropriate and satisfied itself that the judgements and estimates made by management in relation to them were reasonable.

Going concern assessment

The Committee reviewed and robustly challenged management's assessment that the Group's results for the six-month period ending 30 June 2025, the unaudited 12-month period ending 31 December 2025 and the financial statements for the 15-month period ending 31 March 2026 should be prepared on a going concern basis. Management developed both base case and reasonable worst case financial scenarios over a 12-month look forward period using assumptions about trading drawn from the Group's strategic plan, budget and latest financial projections. They then applied stress tests to both those scenarios to determine whether the Company would be able to meet its liabilities as they fell due, having regard to the Group's liquidity and covenant tests.

The Committee satisfied itself that, in both the base case and the reasonable worst case scenarios, the Group would have sufficient liquidity and be able to comply with its debt covenants and there were no instances of a covenant breach identified in the base case and reasonable worst case scenarios; and the set of circumstances that would lead to a breach with the application of the further stress tests was considered remote. This included a detailed review of the mitigating actions management had identified as being available if they were required. Accordingly, the Committee recommended to the Board that the Company's, and its Group's, financial statements be prepared on a going concern basis.

Viability assessment

The Committee also carefully considered management's view of the Company's viability for the three-year period ending in 2029, including the rationale for assessing viability over a three-year period. The testing of viability involved the analysis of base case and reasonable worst case scenarios projected forwards over this three-year period by reference to trading assumptions drawn from the Group's strategic plan, and factored in the impact of risks including known and likely future climate risks that could materialise over this three-year period, offset by reasonable mitigations; as well as including the debt refinancing assumptions that underpin the assessment. The Committee satisfied itself that, in both the base case and reasonable worst case scenarios, the Group should be able to continue in operation and meet its liabilities as they fall due. Accordingly, the Committee recommended to the Board that the Company make its viability statement as set out in the Strategic Report.

Risk management
The Board has overall responsibility for risk management. The Committee supports the Board by conducting 'deep dive' reviews into the risk management activities of the Group's divisions (as explained in the section below on divisional risk reviews) as well as certain specific Group-wide risks, and by reviewing the Group's compliance programme.

Group risk appetite and principal and emerging risk review
The Board's risk appetite and assessment of the Group's principal and emerging risks, as well as a description of how the Group manages risk, are set out in the principal risks and uncertainties section of the Strategic Report. The Group's climate-related risks and opportunities are considered in more detail in the TCFD disclosures.

Divisional risk reviews
During the period, the Committee reviewed the principal and emerging risks of the Group's divisions and their management of such risks. Mirroring the Company's approved approach to Group-wide risk, the divisions record their risks in the form of heat maps which categorise both their likelihood and potential severity according to Group-developed guidance. Each risk is then assigned a business owner who develops and oversees the delivery of mitigating actions which are tracked at regular divisional management meetings. The Committee observed that the Group's divisions had included both current and emerging strategic, compliance, financial, operational and reputational risks in their registers and had developed action plans to manage such risks over the different time profiles over which such risks could materialise. It was also pleasing to note that certain matters identified as risks were also viewed as opportunities. Using insights gained from the Board's work on overseeing Group-wide risks, the Committee was able to challenge management on whether it had identified and appropriately classified its risks and whether it was adopting the most effective mitigation plans, and share best practices the Committee had observed within each division. The Committee reviews have also served to deepen Committee members' understanding of the risks the Group's different businesses face and, through the Committee sharing this understanding with the wider Board, they have informed the Board's ability to appropriately set the Group's risk appetite, assess the Group's principal and emerging risks and weigh up risks with opportunities when taking key business decisions.

Cyber risk review
Cyber risk remained a standing item on the Committee's agenda during the period, with the Group's ongoing cyber security programme, and the progress being made against the specific deliverables comprised in such programme, assessed at each of the regularly scheduled Committee meetings.

The Company's digital technology and cyber security programme is led by the Group CIO whose priorities are to enhance existing policies, processes and controls and continue to develop a programme aligned to best practices, standards and any new coming regulatory requirements.

Compliance risk
The Group has a range of existing policies and procedures for ensuring compliance with applicable laws and regulations, including Group-wide policies on business ethics, anti-bribery and corruption, modern slavery and whistleblowing, and divisional policies and procedures which either implement or supplement the Group policies having regard to local laws, regulations and best practice. The Group's whistleblowing procedures include access to an independently managed whistleblowing hotline via which the Group's stakeholders, including employees, can raise concerns, anonymously if they so wish. Reported concerns are duly investigated and acted upon by management or the functional support teams as appropriate, with a summary of cases and their outcomes reported to the Board. In case of any material issues identified or cases of a real whistleblowing nature, they will be reported, analysed and discussed thoroughly in the Committee's meeting.

A Policy Compliance Management Framework is in place that: establishes a common approach globally for all policy owners to manage their policies; sets out the minimum requirements across all divisions; provides guidance on policy creation and review; and provides ongoing awareness and training against these. The Group CFO along with the Group Director of Internal Audit and Risk, and the Group Company Secretary and their teams, have also been keeping the reforms on audit and corporate governance under review – for more information, see the Internal controls section of this report.

Internal control and system of internal control
The Committee is responsible for monitoring the adequacy and effectiveness of the Company's system of internal control and subsequently reporting on this to the Board.

The Company's systems of internal control are based on a three lines of defence model, with a number of component controls operating at each of those lines, as illustrated in Appendix 2 to this report.

The Committee assesses the performance of the three lines of defence model, as well as the operation of internal controls through the period and up to the date of approval of the Annual Report and Accounts, through its review and challenge of the work performed by the internal audit function. In addition, the Committee requests follow-up updates from management on controls in specific areas, for example in response to the findings from internal audits or risk reviews.

During previous years, significant control weaknesses have been identified in respect of our German Rail business and how it has historically managed and accounted for its long-term rail contracts. Progress towards addressing these weaknesses has been made during the prior and current periods, including a detailed and comprehensive contract model rebuild being undertaken, further work performed by management to improve visibility and control of performance across the contracts, and a strengthening of personnel within the business. As a result of the continued challenge and scrutiny overseen by the Committee in the current period, further errors were identified pertaining to the long-term contract accounting, which were collectively material and have been corrected as a prior period restatement. Additionally, further prior period adjustments have been identified and corrected for which, along with observations from the external Auditor, indicated associated control weaknesses which were considered and discussed by the Committee. Please refer to Note 2 to the Financial Statements for further detail.

The Group CFO, Group Director of Internal Audit and Risk, Group Company Secretary, their teams and the Committee have been monitoring changes to the UK Corporate Governance Code and have been preparing for its implementation. In response to the introduction of Provision 29, the Group has now formalised an internal control framework built around our material risks which will be used to assess the effectiveness of the financial and non-financial controls across the Group. Our internal controls environment has been strengthened and documented, and management has developed plans to continue to strengthen this environment where necessary over the remainder of 2026.

The work being undertaken is designed to enable the Board to make its first declaration on the effectiveness of material controls as at the balance sheet date for the first reporting period commencing on or after 1 January 2026.

Audit Committee report continued

Internal audit

The internal audit function acts as the third line of defence and provides the Committee with assurance on the effectiveness of the Company's first and second line internal controls, including financial controls and controls designed to prevent incidents of fraud. It does this through the independent observation and objective assessment of such controls via a programme of audits undertaken throughout the period against a plan reviewed and approved by the Committee.

The 2025/26 audit plan included: audits of core financial process controls across the divisions, reviews of Group and principal divisional risk controls and review of safety arrangements across the divisions.

Internal audit effectiveness

The Committee is responsible for monitoring the effectiveness of the internal audit function. In respect of its work during the period, the Committee monitored this effectiveness by reviewing the scores that colleagues, whose work or controls were subject to internal audit, awarded to the function on a 'value scorecard' and by making its own assessment of the quality of that work. The Committee is satisfied that the Company's internal audit function is effective.

Significant weaknesses or control failures

Following its review of and conclusions from all elements of assurance, the Committee is satisfied that there are no significant weaknesses or control failures to report in respect of the Company's 15-month financial period ending 31 March 2026 other than in respect of the incremental matters identified during the current period relating to the prior period adjustments as set out above.

External audit

KPMG LLP is the Company's Auditor following their appointment on 25 November 2025. Deloitte LLP resigned as the Company's Auditor with effect from 19 September 2025. KPMG's continued appointment will be subject to Shareholders' annual approval at prospective Company AGMs. David Neale is the Company's audit partner, completing his first period in that role. The Company has therefore complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

External audit plan and fee

The external audit plan, which was prepared by KPMG and reviewed and approved by the Committee, comprised full scope audit procedures for the Group's UK, Alsa, Germany and North America divisions. It included: the review by KPMG of the Consolidated Financial Statements; its challenge of management's significant judgements and estimates; its review of certain of the Group's key financial and fraud controls and of the risk of management override of controls; and its consideration of certain aspects of the Group's non-financial reporting. KPMG's fee for undertaking the current period audit, of £12.5m (2024 for Deloitte LLP: £3.4m), was also approved by the Committee. The increase in fee compared to the prior period principally related to the increased level of work required to be undertaken by KPMG, particularly given their appointment as Auditor during the period.

External audit effectiveness

The Committee is responsible for reviewing the effectiveness of the Company's external audit. The Committee assessed the effectiveness by considering a number of factors including:

- The risks to audit quality and how they have been addressed;
- The appropriateness of the audit plan and delivery against it;
- Interactions between the Auditor and the Committee;
- The experience and quality of the audit team and its understanding of the Company;
- Challenge provided by the Auditor to management and the results of those challenges; and
- The Auditor's response to challenge from members of the Committee and management.

The assessment of KPMG's effectiveness also took into consideration that KPMG was appointed as Auditor for the first time during the period. Based on feedback from members of the Committee, the Board and management, the Committee has determined that KPMG's performance has been satisfactory.

External Auditor provision of non-audit services and independence

The Committee is also responsible for reviewing the Auditor's independence and objectivity. The Company operates a non-audit services policy which sets out the permitted and prohibited non-audit services its Auditor may be engaged to provide, for the purpose of safeguarding the Auditor's objectivity. The Committee reviewed the policy during the period and determined it remained fit for purpose. The Committee noted that KPMG has performed non-audit services during the current and prior period which had been contracted and fully concluded before their appointment as the Company's Auditor in November 2025. The fees in relation to these services totalled £0.2m (2024: £1.2m). The Committee reviewed the safeguards in place, which include Deloitte remaining as the component statutory Auditor for one in-scope component where non-audit services were performed by KPMG. The Committee also noted that the Financial Reporting Council received KPMG LLP's application for a waiver of independence requirements in regard to the non-audit services already provided during the period and granted an exemption in respect of this. Further detail is set out in Note 7 to the Consolidated Financial Statements. Having regard to the operation of the non-audit services policy during the period, together with KPMG's reports to the Committee confirming its independence, the Committee assured itself of KPMG's ongoing independence.

Board assessment of effectiveness

Taking account of the Committee's work on assessing the effectiveness of the Company's system of internal control, and both the Committee's and its own work on assessing the Group's management of risk, the Board is satisfied that these are effective and have been over the period, other than where covered elsewhere in this report.

Fair, balanced and understandable

Having carefully reviewed the Company's Annual Report for the 15-months ending 31 March 2026, and considered management's approach to its preparation, including in compliance with applicable laws and having regard to the UK Corporate Governance Code, the Financial Reporting Council's best practice guidance, and having heard the views of its Auditor, the Committee recommended, and in turn the Board confirmed, that this report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for Shareholders to assess the Company's position and performance, business model and strategy.

Enrique Dupuy de Lome Chávarri
Audit Committee Chair

28 July 2026

Appendix 1 – Key accounting matters

The Committee considered the following key accounting matters as part of its review of the Consolidated Financial Statements:

Impairment of goodwill and recoverability of parent company investments (see Note 14 to the Consolidated Financial Statements and Note 3 to the Parent Company Financial Statements)	**Key accounting matter** In determining whether goodwill is impaired, and whether parent company investments are recoverable, management is required to make a number of estimations and assumptions, including on future cash flow projections, discount rates and perpetual growth rates. **Committee action and conclusion** The Committee carefully considered management's work on the impairment analysis and testing of the value of the Group's goodwill balances and the recoverability of parent company investments. These impairment assessments were based on modelled forecast cash flows, discounted using a country-specific weighted average cost of capital (WACC) and a terminal value based on a perpetual growth rate (PGR). After considering the assumptions made by management in forecasting cash flows and its rationale for the WACC and PGR and, taking into account the Auditor's views on these matters, the Committee concurred with management's view that goodwill is not impaired as at the balance sheet date and that an impairment of £465.0m in parent company investments was required.
Insurance and other claims provisions (see Note 26 to the Consolidated Financial Statements)	**Key accounting matter** The adequacy of the provisions associated with claims arising predominantly from traffic accidents and employee incidents in North America is subject to estimation based on an assessment of the expected settlement value of known claims together with an estimate of settlement values that could be made in respect of incidents that have occurred but not yet given rise to a claim at the balance sheet date. Given the level of uncertainty, complexity and judgement involved in making these estimations, there is a risk that the eventual outcome could be materially different from that estimated and provided for. **Committee action and conclusion** The Committee considered the information provided by management on the status of the North America and other material open claims made against members of the Group, together with advice from external actuaries, legal counsel and insurance brokers, on the likely outcome of such claims, as well as management's explanation of the methodology used to determine the value of provisions for such claims; particularly in relation to the legacy North America School Bus claims which the Group retained post the disposal of the business. After challenging whether management had considered all material open claims and incidents that could give rise to claims and the external advice given in connection with them, the Committee concluded that management's estimation of the value of such claims was within an acceptable range of the potential outcomes and accordingly was fairly stated.
Adjusting items (see Note 5 to the Consolidated Financial Statements)	**Key accounting matter** The Group presents profits and earnings per share measures before adjusting items to provide users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. The classification of adjusting items requires management judgement having regard to the nature and intention of the transactions to which they relate. **Committee action and conclusion** The Committee considered the nature and extent of the adjusting items identified by management and its rationale for why they did not form part of the Group's Adjusted Operating Profit (a key APM). The Committee noted that increases to the North America School Bus claims provision and the impact of contract changes in Morocco had both been treated as an adjusting item; this was consistent with the Group's accounting policy on adjusting items. The Committee also noted that onerous contract provision movements in respect of WeDriveU and German Rail RRX onerous contract provisions were adjusting items; fully consistent with items recorded as adjusting items in the prior years. After discussion with management, the Committee concurred with the approach management had taken.

Onerous contract provisions (see Note 26 to the Consolidated Financial Statements)	**Key accounting matter** The Committee reviewed the approach taken by management in respect of contracts classified as onerous contracts, and particularly the provisions in respect of (i) the RRX contracts in German Rail and (ii) the WMATA contract in WeDriveU. **Committee action and conclusion** The Committee reviewed the approach taken by management to identify and measure the impact of any onerous contracts, including the continuing relevance of contracts previously identified as onerous. The Committee challenged management as to the adequacy of the onerous contract provisions for the RRX and WMATA contracts and the estimates made to cover the losses associated with running the contract over the remainder of the contract term. The Committee also challenged the appropriateness of the related disclosures and sensitivities. After discussion with management and the external Auditor, the Committee concurred with the approach taken.
Valuation of contract assets (see Note 20 to the Consolidated Financial Statements)	**Key accounting matter** The Committee reviewed the approach taken by management in determining the value of the IFRS 15 Contract Asset in relation to the RME German Rail concession. **Committee action and conclusion** The Committee reviewed the approach taken by management which led to a reassessment in the value of the contract asset (under the long-term RME rail contract) at 31 March 2026 to £nil (31 December 2024 restated: £36.5m) as a result of significantly reduced expectations of future passenger revenue generation and penalties incurred; the former as a result of tariff changes announced by the public authorities in Germany. The Committee noted that the above factors were as they apply to the original RME contract and that management was unable to reflect the anticipated benefit of the renegotiated RME contract in considering the value of the contract asset at 31 March 2026 as it is only considered to represent a contract modification under IFRS 15 upon signing, which was post the period-end. Following discussion with management and the external Auditor, the Committee concurred with the approach taken.
Pension liabilities (see Note 32 to the Consolidated Financial Statements)	**Key accounting matter** The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions. In particular, a key area of estimation uncertainty is in respect of the discount rate. **Committee action and conclusion** The Committee reviewed the assumptions made by management in determining the defined benefit obligation, including considering the advice from independent qualified actuaries, and concluded that they were appropriate.
Arrangements regarding the provision of vehicles (see Note 33 to the Consolidated Financial Statements)	**Key accounting matter** The committee reviewed the approach taken by management with regards to the accounting for vehicle contracts in UK Bus and UK Coach. In particular, the Committee focused on the determination that under IFRS 16 assets and liabilities were not recognised on the balance sheet for the availability contracts in UK Bus and the coach hire arrangements in UK Coach. **Committee action and conclusion** The Committee reviewed how the arrangements have historically been treated and the facts and circumstances that gave rise to the assumptions made at inception of each contract. For the availability contracts in UK Bus, the Committee challenged management on whether the substitution clauses included in the contracts was substantive. For UK Coach, the Committee challenged on whether termination rights allowed for the short-term lease exemption to be applied to the coach hire arrangements. For both arrangements, the Committee also challenged management on the appropriate level of disclosure required in the Financial Statements. Management has included the value of gross commitments for both items in the notes. After discussion with management and the external Auditor, the Committee concurred with the approach taken.

Appendix 2 – System of internal control

Third line of defence

Board of Directors
Sets and monitors delivery of Group strategy, sets Group risk appetite, assesses the Group's principal and emerging risks and approves significant matters reserved to it

Audit Committee
Assists the Board in assessing risk management and reviews the effectiveness of the internal audit function and the external audit process

Internal Audit Function
Audits the effectiveness of the Company's first and second line internal controls through the independent observation and objective assessment of such controls

Second line of defence

Group Executive Committee
monitors the frameworks, policies and procedures and effectiveness of the functions referred to below

Group Risk Management Framework
sets the methodology under which Group and its divisions identify, assess, manage and monitor existing and emerging risks

Group Policy Compliance Framework
under which corporate policies, such as those on anti-bribery and anti-modern slavery, are created and enforced

Group Safety Policies
set minimum expectations for safety outcomes, such as speeding and driver risk monitoring

Group Standard Operating Procedures
set minimum standards for operations, such as vehicle maintenance and driver rostering

Group Whistleblowing Policy
by which internal and external stakeholders can raise concerns about wrongdoing

Group Cyber Security Programme and Team
set cyber security strategy and control and monitor progress against that strategy and compliance with those controls

Group Environmental Data Reporting Guidelines & Group Sustainability Steering Group
help track delivery of environment strategy and ensure the integrity and consistency of environmental data collection and its reporting

Group Consolidated Financial Reporting & Group Finance Team
consolidate and review Group financial results

Group Treasury & Tax Functions
centrally manage Group treasury activities and set Group tax strategy and review tax compliance

Group Legal Reporting & Group General Counsel
monitor, report and provide legal advice on Group legal risks

First line of defence

Divisional Executive Committees
monitor the policies and procedures and the effectiveness of the functions referred to below

Divisional Safety, Operational, Cyber and Environmental Policies and/or Procedures
which implement Group policies and/or procedures

Divisional Risk Registers & Management
track divisional risks and develop mitigations

Divisional Budgets & Forecasting
set divisional financial expectations and monitor delivery

Divisional Finance Teams
maintain the financial ledgers and prepare divisional accounts

Divisional Legal Teams
provide legal advice and assistance on divisional legal risks