Independent Auditor's Report

to the members of National Express Group PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Express Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group Income Statement;
- the group Statement of Comprehensive Income;
- the group and parent company balance sheets;
- the group and parent Statement of Changes in Equity;
- the group Statement of Cash Flows;
- the related notes 1 to 40 for the group financial statements; and
- the related notes 1 to 20 for the parent company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group for the year are disclosed in note 7 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of Spanish goodwill – Spain and North America • Accounting for and recoverability of deferred tax assets Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £11.5 million which was determined based on consideration of three key metrics: EBITDA before separately disclosed items, revenue and net assets.
Scoping	The group is organised into four operating divisions, each of which has multiple trading entities, each of which we identified as components, plus the head office function. Five Components were subject to full scope audits and two Components were subject to an audit of specified account balances. These Components account for 96% of the group's revenue, 82% of Underlying Operating Profit and 96% of net assets.
Significant changes in our approach	We have removed North American insurance and other claims provision as a key audit matter for the current year. This reflects the reduced level of judgement in estimating the provision and a convergence between management's actuarial analysis and our own independent analysis; these have led to a reduction in the level of associated audit risk and level of audit effort. We have introduced the accounting for and recoverability of deferred tax assets as a key audit matter in the current year. Given the history of recent losses, we have identified the accounting for and recoverability of deferred tax assets as a key audit matter in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the underlying assumptions which support management's analysis of the group's cost base and the levels of inherent risk in its revenue streams; this included consideration of operational difficulties, inflation and energy prices, passenger demand, and the group's ability to increase its prices;
- challenging the recovery assumptions in the forecast against external economic forecasts, as well as other relevant information about respective markets that may contradict management's assessment;
- assessing the level of headroom available to the group from its loan facilities and assessing the risk of breaching the related covenants;
- obtaining copies of financial facilities and evaluating forecast liquidity and performance against these;
- challenging management's reverse stress test analysis by assessing the point at which covenants are breached in the context of a reasonable worst-case scenario and performing a sensitivity analysis on the key variables; and
- assessing the disclosures made by the group around its going concern assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of Goodwill – Spain and North America

Key audit matter description	The goodwill balance allocated to the Spanish (ALSA) division is £561 million (2021: £785 million) as at 31 December 2022. The decrease in the balance is primarily due to the material impairment of £261 million in the current year, partially offset by foreign exchange movements, as outlined in Note 14. The goodwill balance allocated to the North American division is £743 million (2021: £670 million) as at 31 December 2022. The increase in the balance is principally due to foreign exchange movements. As outlined in Note 2 (ii) ALSA and North America goodwill impairment has been identified as a key source of estimation uncertainty. The key estimates in both impairment tests are the discount rate, long-term growth rate and long-term operating margin assumptions, including in relation to the impact of climate change. As the majority of the value in use resides in the terminal value, the impairment assessment is particularly sensitive to the perpetual growth rate and long-term operating margin and cash flows for each business. Further details on the assumptions applied and the sensitivity to changes in those assumptions is provided in Note 14. Within the long-term operating margin assumptions in the ALSA cash flows, we have pinpointed the greatest level of uncertainty to the long-term sustainable margins achievable in the Long-Haul business, as well as assumed margin expansion in Morocco. The Audit Committee Report on page 133 refers to the ALSA goodwill impairment. Note 2 to the Financial Statements sets out the group's accounting policy for testing impairment. The basis for the impairment reviews is outlined in Note 14 to the Financial Statements, including details of the pre-tax discount rate and perpetual growth rate used. The level of risk associated with this Key Audit Matter has increased as a result of the material impairment recorded against ALSA goodwill and also due to the significant reduction in headroom against North American goodwill, both of which were principally due to increases seen in market discount rates during the year.

5.1. Impairment of Goodwill – Spain and North America

How the scope of our audit responded to the key audit matter	Our procedures for challenging the group's methodology and assumptions included the following for each impairment test. **Understanding relevant controls, assessing discount rate, long-term growth rates and financial statement disclosures** • obtaining an understanding of relevant controls around impairment identification, review and the associated forecasts; • assessing the integrity of the impairment models through testing of the mechanical accuracy and evaluating the application of the input assumptions; • understanding the underlying process used to determine the risk-adjusted discount rates; • engaging with our valuation specialists to benchmark the discount rates and perpetual growth rates applied to external macro-economic and market data. This involved consideration of the impact of territory-specific risk adjustments to the discount rate and perpetual growth rates versus the risk adjustments made to the underlying cash flows; and • assessing the appropriateness of disclosures provided in the financial statements about the key source of estimation uncertainty, and the sensitivity analysis provided. **ALSA impairment cash flows** • making inquiries of finance and operational management as to the basis for the underlying projections; • challenging long-term cash tax rate assumptions with reference to historical actuals and long-term published tax rates; • challenging assumptions around capital expenditure and working capital with reference to historical trends; • obtaining published government data on the future of the Long-Haul market in Spain and formed an independent expectation of long-term earnings post concession renewals; • assessing evidence of historical contract wins and viewed recent correspondence with customers about ongoing contract tenders; • performing independent modelling on revenue and EBIT projections for each line of business, taking into account historical margin and revenue growth performance as well as macroeconomic and demographic forecasts, such as CPI and population growth; • considering the impact of climate change implications on the long-term projections of the business, specifically considering the total cost of ownership analysis of zero emission vehicles versus combustion engine vehicles; and • using the above information to come up with an independent point estimate of the cash flows in the model. **North America impairment cash flows** • challenging management's assumptions about route recovery in US School Bus with reference to actual performance to date, including applying sensitivities to those assumptions; • assessing cash tax rates assumed with reference to the business model and available future tax deductions; • considering the impact of climate change implications on the long-term projections of the business, specifically considering the total cost of ownership analysis of zero emission vehicles versus combustion engine vehicles; and • determining an independent point estimate with reference to historical earnings performance and external market data, such as CPI growth.
Key observations	Our audit procedures identified areas requiring improvement in the controls and processes surrounding the impairment assessment process. We are satisfied that the discount rate and long-term growth rate assumptions fall within our independently determined acceptable range. We concur with the final position adopted with regards to the ALSA cash flow forecasts and the impairment recognised. We concur with management's conclusion there is no impairment in North American goodwill but that it represents a key source of estimation uncertainty. We have also concluded that the related disclosures are appropriate.

5.2. Accounting for and recoverability of deferred tax assets

Key audit matter description	At 31 December 2022 the group recognised deferred tax assets relating to losses carried forward of £261.9 million (31 December 2021: £217.0 million), with £88.8 million relating to the UK (31 December 2021: £77.7 million) and £125.5 million relating to the US (31 December 2021: £97.2 million). There are also other tax attributes recognised as deferred tax assets along with deferred tax liabilities, giving a net deferred tax asset of £88.3 million in the UK (31 December 2021: £85.1 million), £86.2 million in the US (31 December 2021: £65.6million). As outlined in Note 2 (ii) the recoverability of the deferred tax assets in the UK and US have been identified as a key source of estimation uncertainty, due to the recent history of losses that exists in both territories. Judgement has therefore been required in assessing the weight of negative evidence versus positive evidence of past and future profitable performance, in concluding on the recoverability. The level of losses has increased from the prior year providing further weight to the negative evidence that the deferred tax assets may not be recoverable. As a result of the level of audit effort required, and judgement and estimation in this area, this has been identified as a new key audit matter. Separately, as outlined in Note 2, certain historical deferred tax balances have been restated in the current year to reflect errors identified in the current year. The associated adjustment recorded increased brought forward net assets at 31 December 2021 by £34 million. This further increased the level of audit effort required in completing the audit of deferred tax in the current year and has contributed to this being a key audit matter.
How the scope of our audit responded to the key audit matter	Our procedures for challenging the accounting judgements and assumptions included the following procedures: **Recoverability of deferred tax assets** • In conjunction with our tax specialists, we performed the following procedures: – confirmed the existence of the US and UK losses and tax attributes; – assessed management's historical analysis of the cumulative three-year trading position in the UK and US to assess and challenge whether the underlying reasons for recent losses were expected to reoccur; – considered whether there were any restrictions associated with the specific losses, including restrictions on use and time restriction for use, and the resultant period over which utilisation of those losses could occur; – challenged management's analysis of the utilisation of brought forward losses against forecast future profits; as part of this we considered the interplay between group interest and transfer pricing arrangements between the UK and US, as well as relevant UK and US tax law; – considered confirmatory and contradictory evidence arising from our work on going concern and impairment to assess whether the assumptions being applied were consistent with other estimates; – agreed the analysis prepared by management to underlying accounting records and supporting evidence; and – assessed the associated disclosures provided in the financial statements about the key source of estimation uncertainty, and the basis of recoverability of the deferred tax assets. **Restatement of deferred tax** • In conjunction with our tax specialists, we performed the below procedures: – assessed the tax basis for the deferred tax positions identified as erroneous and tested the corrected amounts; – assessed the materiality of the impact on the prior year financial statements to challenge management's conclusion a restatement was required; and – reviewed the associated disclosures against the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

5.2. Accounting for and recoverability of deferred tax assets

Key observations	Our audit procedures identified areas requiring significant improvement in the controls and processes surrounding the accounting for and assessment of recoverability of deferred tax assets, including historical deferred tax positions. This is outlined further in the Audit Committee report on page 131. We are satisfied that the basis for concluding the deferred tax assets are recoverable is reasonable, that appropriate disclosures have been provided, and that this represents a key source of estimation uncertainty We have concluded that the prior year restatement in relation to deferred tax has been appropriately recorded and disclosed.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£11.5 million (2021: £11.0 million)	£8.3 million (2021: £8.3 million)
Basis for determining materiality	In determining materiality, we considered EBITDA before separately disclosed items (see note 5), net assets, and revenue. This materiality level equates to 0.8 % (2021: 0.8%) of net assets, 2.8 % (2021: 3.7%) of EBITDA before separately disclosed items and 0.4 % (2021: 0.5%) of revenue.	The parent company materiality has been set at 0.4% (2021: 0.4%) of the parent Company's net assets and is 72.6% (2021: 76%) of group materiality.
Rationale for the benchmark applied	Consistent with the prior year, the benchmarks have been chosen to determine a materiality that considers both balance sheet and income statement metrics as we believe that using a materiality based on these benchmarks reflects critical underlying measures of the group which are of relevance to the users of the financial statements in the current environment.	Net assets is considered an appropriate benchmark for the parent company given that it is mainly a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	67.5% (2021: 65%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	When determining performance materiality, we have considered the quantum of likely uncorrected misstatements that we anticipated in planning the audit for the current year. This included our professional judgement and considerations of: – the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit; and – relevant factors about the group's control environment, specifically the control deficiencies identified as outlined in Section 7.2. In the current year, the performance materiality has been determined at 67.5% of materiality. This represents an increase of 2.5% (2021: 65%) to reflect remediation activity in the divisional transactional controls noted at the end of the prior year audit notwithstanding the findings in the key audit matters noted above.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.58 million (2021: £0.55 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The group operates predominantly in Europe and North America. Our approach to scoping is consistent with prior year. We determined that five components (located in UK, Germany, Spain and Morocco, and the USA) were subject to full scope audits, and two UK components were subject to audits of specified account balances. Work on these components was performed by Deloitte member firms to materiality levels between £3.9 million and £8.3 million (2021: between £3.1 million and £8.3 million). We also tested the consolidation process and carried out analytical procedures to reconfirm our conclusion that there were no significant risks of material misstatement to the group from the remaining components not subject to audit. The seven components subject to audit procedures account for 96% of group's revenue, 82% of underlying operating profit and 96% of net assets.

7.2. Our consideration of the control environment

In the current year we extended our controls audit work to include an assessment of certain relevant group-wide controls, as well as an increased number of business process controls.

The group operates a range of IT systems which underpin the financial reporting process. These vary by business and/or by geography. For four of the components noted above, which included North America for the first time, and for head office we identified relevant IT systems for the purpose of our audit work. These were typically the principal enterprise resource management systems for each business that govern the general ledger and contract accounting balances, together with any relevant revenue transactional systems. We performed an assessment of the controls associated with those financially relevant systems. Through our group-wide IT audit work in the current year we identified control deficiencies associated with privileged user access controls and also with reliance on third party service providers, who manage the associated IT applications.

As outlined in our key audit matters above, control deficiencies were identified in the areas of goodwill impairment and deferred tax.

Where control deficiencies were identified during the course of the audit, we reconsidered our risk assessment and the nature, timing and extent of our audit procedures.

7.3. Our consideration of climate-related risks

Throughout 2022 management has undertaken a number of steps to enhance and progress actions on the Taskforce on Climate related Financial disclosures ("TCFD") recommendations in its Annual Report, following its initial adoption in 2021. Management continues to perform a climate-related risk assessment which has been reviewed by the Board. Climate change is reported as a principal risk in the Annual report, page 57. As stated on page 90 of the Strategic Report, directors' view is that in any climate scenario the upside is potentially material, whilst the net financial impact of climate-related risks is low and mitigated by the group's geographical diversity, but not assumed in their modelling. As disclosed in note 14 of the financial statements and section 5.1 of this report, there are assumptions relating to climate risks that have an impact to the terminal value of the impairment assessments, most notably the total cost of ownership parity between zero emission vehicles and diesel equivalents. We have assessed the climate risks and opportunities throughout the disclosures and involved sustainability specialists in challenging management's disclosures on TCFD. We also read the disclosures in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The group audit team continued to follow a programme of planned oversight designed so that the Senior Statutory Auditor and/or a senior member of the audit team continually oversees each of the three non-UK divisions where the group audit scope was focussed. In relation to the current year audit for non-UK components, the Senior Statutory Auditor has physically visited the US and Spanish components to maintain oversight. In the current year, the audit of specified account balances in Germany has been directly led by the group engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the accuracy and occurrence of certain revenue streams in ALSA, the completeness and accuracy of grant income in the UKand accuracy of goodwill impairment. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence, regulations from the Traffic Commissioners and environmental regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified goodwill impairment as a key audit matter related to the potential risk of fraud. They key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and overseas tax authorities in the jurisdictions in which the group operates;
- in addressing the risk of fraud in the recognition of grant income, enquiring of management and obtaining external evidence to support management's accounting for Bus Service Improvement Plan ('BSIP') grant in UK, including discussions with the Department for Transport and Transport for West Midlands;
- tested the occurrence of certain revenue streams in Spain through reconciling the revenue system to the general ledger system and agreeing to supporting evidence; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 54;
- the directors’ explanation as to its assessment of the group’s prospects, the period this assessment covers and why the period is appropriate set out on page 62;
- the directors’ statement on fair, balanced and understandable set out on page 171;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 56 to 61;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 129 and 130; and
- the section describing the work of the Audit Committee set out on pages 130 to 135.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in this regard.

14.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made or the part of the directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in this regard.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 14 June 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. Following a competitive tender process, we were reappointed as the external auditor by the Audit Committee for the year ending 31 December 2021 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering periods from our initial appointment through to the period ending 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (‘ESEF RTS’). This auditor’s report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Jane Whitlock (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
Birmingham, UK

01 March 2023