



mobico
group

Leading

sustainable

travel

Mobico Group
Annual Report and Accounts
for the year ended 2023

Strategic report

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Vision

Our vision is to be the world's premier shared mobility operator

Purpose

Our purpose is to lead the modal shift from cars to mass transit

Values

- Safety
- Excellence
- Customers
- People
- Community
- Environment

Mobico is a **leading international transport provider**, diversified internationally with operations in North America, continental Europe, the UK, Middle East and North Africa.

2023 summary

Revenue (£m)

+12%

£3,150.9m

(2022: £2,807.5m)

Adjusted Operating Profit (£m)

-15%

£168.6m

(2022: £197.3m)

Adjusted EPS (p)

4.5p

(2022: 15.0p)

Covenant Gearing

3.0x

(2022: 2.8x)

Free Cash Flow (£m)

+2%

£163.7m

(2022: £160.5m)

Statutory Operating Loss

+88%

£(21.4)m

(2022 restated: £(173.5)m)

Statutory EPS (p)

(30.2)p

(2022 restated: (41.4)p)

Dividend (p)

1.7p

(2022: 5.0p)

- Revenue growth of 12.2%, with continued delivery on pricing and passenger volume increases across the Group, including record year at ALSA and driver & route recovery in North America School Bus
- Adjusted Operating Profit decreased to £168.6m (FY 22: £197.3m) as benefits of volume recovery and in-year benefit from pricing and Accelerate 1.0 cost reduction programme were offset by cost inflation, reduction in Covid subsidies and lower profitability in Germany
- Statutory Operating Loss of £21.4m (FY 22 restated: £173.5m loss, itself following significant ALSA impairment), impacted by £30m restructuring costs and £99m charge to the German Rail onerous contract provision
- German profitability impacted as a result of industry wide labour scarcity, productivity issues, market volatility in energy prices and persistent high inflation, with approximately £10m in year impact as a result of changes to forward looking assumptions
- Further pricing and restructuring benefits to come with 'Accelerate 1.0' delivering in excess of £30m annualised, and 'Accelerate 2.0' well underway targeting at least £20m annualised
- 43 new contracts won across the Group, worth over £1bn in total contract value and circa £126m in annualised revenue, at ROCE of 23%, in line with Evolve strategy. Group mobilised in new key target cities, including Porto, Seville and Charleston as well as multi-modal hub expansions in Madrid, Chicago, Boston and Geneva
- New management teams in US School Bus and the UK & Germany
- Significant progress on driver recruitment and route reinstatement in US School Bus with driver shortage now only 2%; albeit with a consequential impact on higher training and recruitment costs
- Average rate increases in School Bus of 13% achieved on the 40% of contracts renewed in the year, recovering increased driver costs, albeit with a timing lag
- Covenant gearing ratio of 3.0x, increased from 2.8x last year end
- Debt maturity and liquidity improved with new £600m Rolling Credit Facility (RCF) facility to 2028 and maturing £400m bond replaced with a €500m Eurobond issue maturing in 2031
- Fuel cost was 100% hedged for 2024 and around 50% for 2025
- Fleet decarbonisation accelerating and on track to reach our target of 1,500 ZEVs across the Group by 2024

To supplement IFRS reporting, we also present our results on an adjusted basis to show the performance of the business before adjusting items. These are detailed on pages 177 to 179 and principally comprise for the 12 months to 31 December 2023; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. 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 pages 251 and 252.

We provide safe, efficient, clean and **reliable** shared mobility **solutions**

to cities, businesses, education, healthcare and consumers around the world.

What we do

We design, mobilise, and operate high quality mass transportation services in and between cities across the globe. We have global standards that apply to how we operate, maintain and drive vehicles. The vehicles can be owned or leased. In Spain, Morocco, Portugal, Bahrain, North America and Germany, services are run typically under an exclusive contract. In the UK, our bus and coach services are not contracted.

Where we operate

We operate in more than 50 key cities in 12 countries across the world, providing services to cities, businesses, healthcare and education providers, and direct to customers.

We are internationally diversified and multi-modal.

We are the market leader in providing long haul coach transport in both Spain and the UK, and are one of the largest school bus providers in North America.


We deliver large-scale urban bus operations in the UK, Spain, Morocco, Portugal, Switzerland, Bahrain and the USA.

We provide accessible paratransit services in the USA, Spain and in the UK.


We are one of the leading corporate and university shuttle solutions providers in the USA.


We deliver large-scale rail operations in Germany.

The Group earns revenue across a broad range of transportation services.

 Rail
£259.8m
German Rail

 Charter, private hire and leisure
£296.2m
North America, ALSA and UK

 Transit and Shuttle
£336.4m
North America

 Student transport
£713.1m
North America School Bus

 Urban bus
£587.1m
UK Bus/ALSA

 Regional/long haul coach
£958.3m
ALSA regional and long haul, UK Coach

5 things about Mobico Group and our operations:

- 01 More than 1 billion passenger journeys were made on our services in 2023 [Read more on customer safety on page 84](#)
- 02 We operate in more than 50 key cities in 12 countries across the world [Read more on divisional reviews on pages 23 to 33](#)
- 03 We operate 27,700 vehicles – with a strategy to transition to a fully zero emission fleet [Read more on sustainability on pages 52 to 64](#)
- 04 67% of the Group's revenue is generated through multi-year contracts [Read more on our Evolve strategy on pages 10 and 11](#)
- 05 We have a dedicated workforce of 47,700 across the Group [Read more on our business model on pages 12 and 13](#)

Per mile, bus travel is
10x
safer than driving a car

The cost of using buses is around
20%
of that of car ownership



ALSA

- ALSA
- Sanir
- AlpyTransfers
- ALSA Morocco
- ALSA Portugal
- ALSA Switzerland
- SAT (SAPTCO ALSA For Transportation)

ALSA operates long distance, regional and urban bus and coach services across Spain, Morocco, Portugal, Switzerland and France.

Apart from its scheduled bus and coach services, ALSA offers mobility solutions to meet business, leisure and healthcare needs.

ALSA has significant operations in other markets, including urban bus operations in Bahrain. In Saudi Arabia, we are partners in operating intercity coach services.

37.0%

of business revenue

North America

- National Express LLC
- Durham School Services
- Petermann
- WeDriveU
- National Express Transit
- Stock Transportation

In North America, we are one of the largest school bus operators providing student transportation services in 33 US states and two Canadian provinces.

Our Transit & Shuttle division provides services for clients including paratransit and fixed route bus services, and corporate and employee shuttle solutions.

35.4%

of business revenue

UK and Germany

- National Express
- National Express West Midlands
- National Express Transport Solutions
- National Express Rail

Our National Express business in the UK and Ireland includes scheduled intercity coach services, urban bus operations in the West Midlands, corporate and private hire solutions and our services connecting Dublin Airport in Ireland.

With a total of seven lines, in Germany, National Express connects the major cities of North Rhine-Westphalia quickly, conveniently and reliably. We operate 5 Rhein-Ruhr Express routes as well as the RE7 and RB48 of the Rhine Munster Express.

27.6%

of business revenue

Sustainability is at the heart of Mobico Group

We are playing a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities.



Read more on [customer safety](#) on page 84



Read more on [TCFD](#) from page 65



Our sustainability strategy supports three of our six Evolve strategy outcomes.



We respect the planet

The single most important step the Group can take to deliver decarbonisation and clean air is to lead the modal shift from cars to public transport. Our increasing experience of operating a growing fleet of Zero Emission Vehicles (ZEVs) demonstrates that there are early indications people are more likely to take a trip on a ZEV versus a diesel vehicle, which in turn will enable us to accelerate the benefits of modal shift for both our business and the environment.

Our expertise in managing the transition to ZEVs for public transport will play a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities.

2.5%

Reduction in Scope 1 and 2 intensity emissions Group wide on prior year

915

ZEVs in service or on order (2022: 491)

1st

place ranking by Corporate Knights Sustainability Global 100 in the Transit and Ground Transportation Sector in the UK

We connect places and transform communities

Mobico Group is proud of the role it plays in local communities and encourages colleagues to participate in a wide range of activities that have a positive impact on the diverse communities that we serve. Each of the divisions undertakes a wide range of community programmes and initiatives supporting young people.

At the Group level, Mobico has been a partner to Transaid for over a decade. Transaid's mission, to transform lives through safe, available transport, sits at the heart of our purpose, to drive modal shift and key outcomes of the Evolve strategy. In particular, Transaid focus on road safety and aims to build employability and professional skills in local communities.

€1 million

Contributed to the Moroccan Earthquake Special Fund

1 billion +

Customer journeys provided



We move people safely and responsibly

As well as the role public transport plays to support decarbonisation, the industry also has a key role to play in driving social mobility. This has never been more important than in the current economic environment where public transport provides affordable access to work opportunities.

Committed to paying the living wage and employee engagement

During 2023, as part of our 'Your Voice Matters' campaign, we carried out our second global engagement survey across our 47,700 colleagues and achieved a 73% response rate.

The survey provided us with a benchmark against which we will drive future action. Key results included: 69% of colleagues agree we address safety issues quickly and effectively; 77% of colleagues agreed that the organisation promoted DE&I and 70% of employees feel proud to work at Mobico.

Committed to our people

Delivering on our Vision and for our customers is only possible if Mobico is a good place to work.

Our commitment to our people includes our new People strategy, Be Part of the Future Today, has three main aims:

- Embraces diversity, equality and inclusion
- Helps us win the war for talent
- Enables our people to grow and develop in a high-performance culture.

Committed to transparency

We place strong value on Governance and aim to be open and transparent for all of our stakeholders. We are committed to being an employer of choice, with a genuine positive, safe and inclusive culture. Our employee value proposition reflects our commitment to support our colleagues to focus on their health and wellbeing, manage their careers and drive their personal development. We publish our gender pay gap reporting annually (<https://www.mobicogroup.com/about-us/our-policies/gender-pay-gap-reporting/>) and recognise the importance of D&I across the Group.

Chair's statement

A challenging year, but building for the future.

Helen Weir, Chair



Financial Performance and Dividend

2023 was a challenging year for the Group and the Board recognises that the overall financial performance was disappointing. Notwithstanding revenue growth across the Group, which more than off-set the loss of Government subsidies, and strong profit momentum in ALSA, the pace of profit recovery in other parts of the Group was not sufficient to offset strong inflationary headwinds. It is now clear that these will take time to recover through pricing and operational improvements which means that the return to Group profit growth is taking longer to deliver than we had previously anticipated.

The challenging environment also highlighted, more than ever, the importance of a focus on tight management of costs, improving our leverage and increasing our returns. 2023 saw the successful delivery in excess of £30m cost savings across the Group as part of Accelerate 1.0 and we have already launched the next phase of our cost efficiency programme – Accelerate 2.0 – targeted at achieving a further £20m in annualised savings. In addition, we have commenced a process for the proposed sale of our asset intensive North American School Bus business.

On 12 October 2023, the Company announced that it would suspend the 2023 final dividend. The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing. The Board is keenly aware of the importance of dividends to shareholders, but considers that reducing leverage is the primary priority. We will reinstate the dividend only when we consider that sufficient progress is being made on reducing the debt levels of the Group.

The delay to our audited results allowed management to conclude its review, and our auditors, Deloitte, the requisite amount of time to complete their audit work on our German business. This is in the context of the deterioration of profitability in 2023 primarily due to higher energy and labour costs, and driver shortages, and changes to certain indices used to calculate the associated cost recovery (with those changes being both in the behaviour of the indices, and a restatement of historical index values by the German Federal Statistical Office). The work to evaluate the impact on future contract performance is now complete, with the most significant result being the increase in the onerous contract provision for the RRX 2/3 contract. Work is already underway to improve the profitability of our German business going forward.

While the Board remains confident that the Evolve strategy will deliver profitable and sustainable growth in the years ahead, we recognise the need to take further immediate steps to improve profitability and reduce leverage.

Safety

Our relentless focus on safety continued in 2023. Although our FWI Index performance deteriorated year on year, it remains in line with our target and below historical levels. This is a significant achievement, particularly given the number of new driver hires in the year, and reflects the Group's ongoing investment in safety including the adoption of new technical solutions. We have also seen highly successful mobilisations in Lisbon in Portugal and Saudi Arabia where the business has invested significant time and resources to ensure that safety standards are maintained.

Environmental Leadership

The Group continues to move at pace to evaluate and mobilise ZEVs and our transition to net zero continues to gather momentum. We remain on track to have 1,500 ZEVs by 2024 and 14,500 by 2030. In addition, UK Bus remains on track to have 50% of its bus fleet comprised of ZEVs by 2025 and 100% by 2030.

In terms of environmental reporting, we have received confirmation that in January 2024, our new environmental targets were formally verified by the Science Based Initiative Taskforce in line with best practice reporting and we will move to reporting against our new targets in next year's annual report. We continue to improve our environmental data reporting processes and I am pleased that we have, once again, achieved limited external assurance to ISO 14064-3 Standard from Carbon Responsible Limited for our Scope 1, 2 and 3 emissions.

➤ Read more about our leadership on pages 82 to 87

Employer of Choice

As a growing international business, we know how critical our people are to the delivery of our performance and the achievement of our Evolve ambitions. How we treat our people is a cornerstone of our business. In 2023, we continued to work on our journey to creating a high trust, listening culture, as reflected in our people strategy: Be Part of the Future Today.

We have refreshed and strengthened our executive leadership, with new divisional CEOs being appointed in North America School Bus and the UK and Germany. These leadership changes are key to addressing the specific challenges within these divisions, sharpening our commercial focus and ensuring we have a strengthened team to lead the future of sustainable travel.

We have undertaken our second global employee engagement survey. Once again we achieved a high level of participation at 73% with an overall eNPS score of +11. Although we just missed our target, the increase of 4 points in eNPS year on year is pleasing in a year of challenge and change.

A key focus has been on improving female representation across the Group, given the historic under-representation of women in senior roles in transportation. In the last year, female representation increased across the senior leadership teams in North America and ALSA.

Group Name Change

Shareholders will be aware that the Group was renamed to Mobico Group PLC in June 2023. The Mobico name better reflects the Group's international nature and its diverse range of mobility services, as we continue to lead the modal shift to mass transit.

The Group's operating subsidiaries retained their well-known customer-facing brands, including National Express, ALSA, WeDriveU, Peterman and Durham School Services.

Concluding Remarks

As I reflect on my first full year as Chair, two things have struck me. Firstly, there is a need for us all to think differently about transportation in a world where private car use continues to dominate political decision making and remains the default mobility option for many consumers.

Secondly, we hear time and again about the climate crisis, with evidence of changing weather patterns and record global temperatures being hit in 2023, as well as the ongoing cost of living crisis. It is clear that public transportation has a very significant role in addressing both of these global challenges.

I am convinced that we have an important role to play in bringing these significant environmental and social benefits, and delivering value to shareholders. Each of our businesses have strong positions in their respective markets. Notwithstanding the challenges faced in some of our businesses over the last year, we are confident that they are well placed for future growth. This will be underpinned by a continued focus on reducing leverage and efficient capital allocation.

Last but not least, I am immensely proud of the commitment of our colleagues who have worked very hard to deliver safe, reliable and affordable services. I would like to express my heartfelt thanks to each of them for their contribution during 2023.



Helen Weir
Chair

21 April 2024



Read more about our [governance](#) from page 79







Read more about our [Evolve strategy](#) on pages 10 and 11



Our markets

Mobico Group is internationally diversified with operations in more than 50 key cities across 12 countries. We are a multi-modal business and currently deliver the following solutions in our markets:



- Key**
-  New locations
 -  Contracted revenue
 -  Passenger revenue
 -  Multi-modal expansion

United States and Canada

Total revenue
£1,116m

Market size: £16.8bn

We are one of the largest school bus operators in the US and deliver student transportation in more than 33 US states.

In Canada, we deliver student transportation in the provinces of Ontario and Alberta, with large-scale school bus operations in Toronto.

We provide large-scale, accessible paratransit services and fixed route bus services in major cities connecting communities and helping people to access work, education, healthcare and leisure across the US.

Through our WeDriveU brand, we deliver corporate and university shuttle solutions to providing employee travel solutions, and campus parking access.

United Kingdom and Ireland

Total revenue
£610m

Market size: £5.9bn

In the UK, National Express is the market leader in the country's intercity coach market, connecting cities, towns and airports across the country.

In the West Midlands, we operate large-scale urban bus services centred around the city of Birmingham in the largest bus network outside of London.

Our National Express Transport Solutions business provides accessible transport, B2B private hire and corporate shuttle solutions to clients.

In Ireland, we currently operate the Dublin Express with plans to expand further in the near future.

Morocco

Total revenue
£146m

Market size: £0.2bn

We are the largest urban bus operator in Morocco, with our ALSA brand operating over 1,700 buses across six cities.

This includes operations across five of the country's six largest urban areas, with major operations in Casablanca, Rabat and Marrakech.



Portugal

Total revenue
£29m

Market size: £0.6bn

In Portugal, ALSA delivers urban bus operations in the country's two largest cities of Lisbon and Porto.

In December 2023, we mobilised a 200 vehicle operation in Porto following a successful launch in Lisbon during 2022.

Spain

Total revenue
£963m

Market size: £5.0bn

In Spain, our services, trading under the brand ALSA, include long-distance and regional coach services connecting cities, towns and regions.

We operate urban bus services, with major operations in Madrid and Bilbao. Across Spain, we manage 44 urban bus networks in different cities and metropolitan areas.

We provide emergency and non-emergency healthcare transportation services through public health and private contracts, with large operations in Madrid.

We deliver discretionary and tourism based services across Spain.

Germany

Total revenue
£260m

Market size: £5.0bn

In Germany, we operate seven suburban commuter railway lines in North-Rhine Westphalia, Rhineland-Palatinate and Hesse using 120 zero emission trains.

Rest of the World

Bahrain, France, Saudi Arabia, Switzerland

Total revenue
£27m

In 2023, we entered Saudi Arabia through a partnership with Saudi Arabia Public Transport Company (SAPTCO). Together, we operate intercity coach services connecting over 80 destinations in the south of the Kingdom.

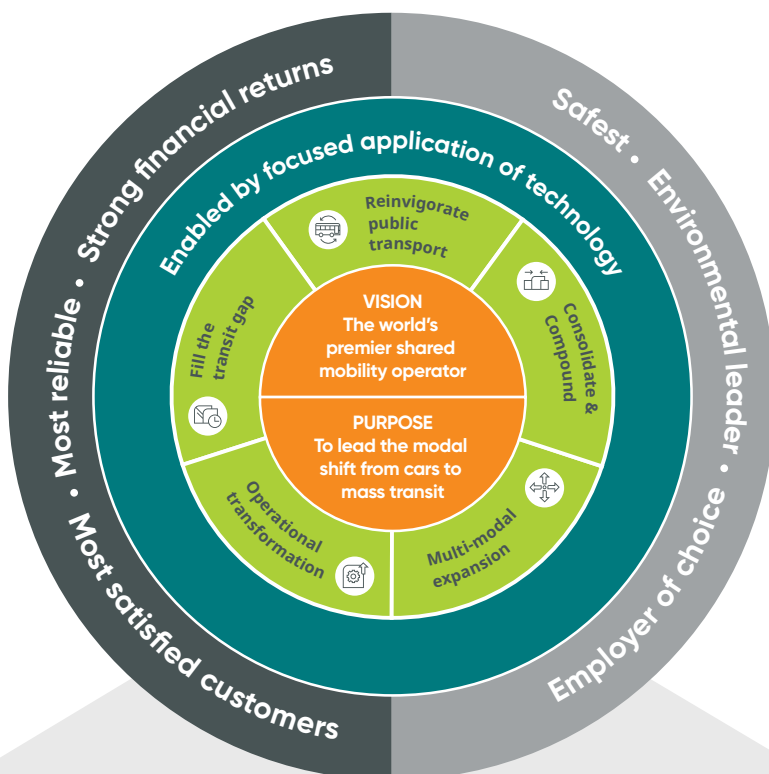
In Switzerland, we operate urban bus services in Geneva and are continuing to grow in the region. Between Switzerland and France, our AlpyTransfers business operates cross-border tourism services connecting Alpine resorts with nearby airports.

In Bahrain, we operate the country's urban bus network in a joint venture with a local partner.

Our **Evolve** strategy



In order to protect and develop our market-leading positions, as well as generate sustainable, profitable growth and deliver value for all our stakeholders, the business targets the highest standards of operational performance and customer satisfaction. It achieves those by focusing on what we believe to be the fundamental characteristics and outputs of success, as described by the Evolve strategy.



Our vision and purpose

At Mobico, we strongly believe that de-carbonising our economies and our communities cannot be properly achieved without modal shift – particularly from cars to mass transit alternatives, such as what we and our partners provide. The more compelling our offering to customers, the more successful we are at delivering those, the greater influence we can have on people making bus, coach and other shared solutions their preferred mobility choice. Our purpose is to lead that shift towards greater social mobility with better access to healthcare, education, employment and leisure. Our vision is to be the world's best.

Our culture

It is our belief that commercial success and a good culture are inextricably connected. A large part of Evolve is concerned with encouraging an open and collaborative ethos where employees and partners can work towards our shared goals; where collaboration and sharing best practice is the norm, not the exception; and where the diverse, inclusive and supportive culture so necessary to success is nurtured and protected.

Our Five customer propositions

Reinvigorate public transport

Grow the use of public transport in cities suffering congestion by building partnerships with stakeholders who want sustainable solutions.

Consolidate & compound

Consolidate fragmented markets and create 'at scale' operations to drive operating efficiencies and better customer solutions.

Multi-modal expansion

Build more modal capability and city hubs from existing locations where we already have a physical footprint.

Operational transformation

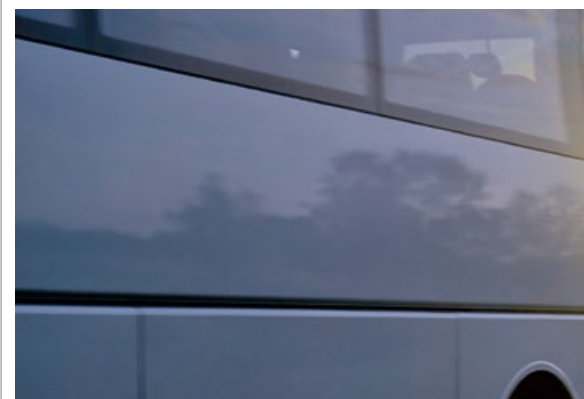
Application of our processes and know-how to drive efficiency, operational improvement and lower costs.

Fill the transit gap

Encouraging modal shift away from private cars in areas that are poorly served by public mass transit.



Read more about the [value we create](#) on page 13





Our focused application of technology and innovation

The opportunities to apply technology to the Mobico business are widespread and care needs to be taken to invest in the right areas if it is to be effective.

Much of our investment into data insights is directed towards safety, quality of service, cost efficiency, automation and ultimately customer satisfaction.

Key targets for technology investment have included vehicle and driver monitoring – where systems enhance feedback and training for employees as well as safety for employees and passengers. Similar systems also provide data that enables vehicle fleets to be efficiently utilised, resulting in better on-time-performance and ultimately better value fares. Good data collection can also result in more effective maintenance schedules – meaning lower costs and improved service reliability.

Consumer, booking and ticketing systems are also being constantly upgraded to improve the quality of service that our customers have come to expect.

New technology is being deployed in our increasing adoption of Zero Emission Vehicles (ZEVs).

Finally – innovation isn't always about technology. Employing new ways of working, developing new best practices, can be just as valuable.



Our strategic outcomes



Strong financial returns

We utilise our resource and relationships to achieve strong financial returns. By growing revenue, converting into profit, and delivering cash flow, we are able to invest for growth, maintain a strong balance sheet and provide returns to shareholders.



Most reliable

We will lead the industry in reliability by striving for ever increasing levels of punctuality, and driving down cancelled services and lost miles. Through excellence in reliability we will meet customer expectations, deliver industry-leading services and be a recognised as a willing and constructive partner.



Most satisfied customers

Our customers will rate us the highest in the industry. Customers lie at the heart of our business, and maintaining their loyalty is key to our success. Everything we do focuses on exceeding our customers' expectations for safe, clean and reliable services at a fair price.

Routine surveys of customer views, and disciplined feedback and response processes, are key components of the Group's operations and planning processes.



Our sustainability strategy

We aim to be the safest, cleanest, most reliable, convenient and best value transport provider in the modes we operate.



Safest

We will lead the industry in safety by continually driving down accidents. More than anything else, we value the safety of our customers, employees and the public generally. This priority is reflected in our policies and behaviours – the way we do business.



Environmental leader

Today, we operate 27,700 vehicles, and although the majority are diesel, we have worked to reduce our emissions from our current fleet. We are also committed to improvement across a range of key environmental targets, which can also be found in more detail on page 76.



Employer of choice

To be the place to work in mass transit. We will embed a high-performance culture that attracts and retains the best people.

Delivering on our vision and for our customers is only possible if we are a good place to work. We recognise that our workforce is our greatest asset and we want each of our 47,700 employees to reach their full potential and to give their best.



Read more about our [sustainability](#) on pages 52 to 64



Read more about our [governance](#) on pages 79 to 141



Our **business** model

The resources we rely on

Vehicles

At December 2023, we operate around 27,700 vehicles of varying sizes, from sedans, minivans, cars and minibuses, to double decker buses and long haul coaches. The fleet is predominantly internal combustion engine (ICE) powered. As we drive towards net zero, we also operate alternative fuel technologies such as electric and hydrogen; we have 915 Zero Emission Vehicles (ZEVs) in operation or awaiting delivery. We have well-developed plans to transition the whole fleet to ZEVs.

Sites

Our services operate from hundreds of depots across 12 countries and more than 50 key cities. These depots are where we deliver training, embed our safety practices and manage the fleet with many depots equipped to support ZEVs.

Financials

Mobico Group focuses on securing long-term quality of earnings, a policy for margin improving and return-on-assets enhancement and has a track record of consistently generating cash flow from its operations.

Colleagues

We have a diverse workforce and employ over 47,700 colleagues across our businesses around the world, the majority of whom are drivers. They deliver excellent customer service, and bring extensive technical skills and expertise in areas including operational excellence, route optimisation and vehicle technology.

Intellectual property

We continually develop and refine critical intellectual property, which allows us to design, mobilise and operate transport solutions that deliver on our Evolve ambitions.

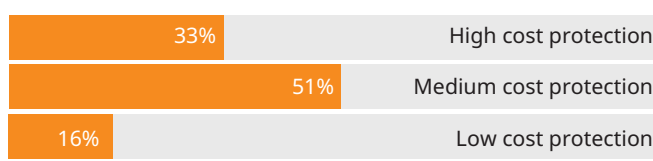
Our relationships

Our relationships with our customers are fundamental to our success. We have extensive, long-term relationships at local and national levels of government, with city or regional transport authorities and with our local emissaries. We work with them to find solutions, and improvements, to their transport needs. We also enjoy productive relationships with our suppliers to develop innovative solutions and improvements to safety, reliability, customer satisfaction and environmental impact.

How we do it

Our global diversified contract models

67% of the Group's revenue is generated from contracts where customers pay us a fee to operate routes. The remaining circa 30% of revenue comes from passengers purchasing tickets from Group companies. 84% of our contracts have a high or medium level of cost inflation protection. Medium levels of protection often mean that we have a lag in recovering inflation, and sometimes rely on indices that may not be a perfect match for the underlying cost they are supposed to mitigate.



67%

of Group revenue is contracted

76%

of contracted revenue has high or medium level of certainty

84%

of contracted revenue has high or medium level of cost inflation protection

Our wide range of products



Urban bus

single and double decker bus services in cities and their suburbs.



Corporate shuttle

a range of services for transporting employees to work often funded by the employer. Includes full home to-work service and filling the "last mile" gap from mass transit hubs to the place of work.



Long haul coach

intercity routes, tourism and airport transfer services providing a cheaper and in many cases, a more convenient form of transport.



Private hire

the provision of buses or coaches to individuals, employers, schools or other organisations for field trips, days out and holidays.



Student transportation

home-to-school transportation on behalf of school districts, enabling children to access education.



Healthcare

flexible and accessible solutions to passengers less able to use regular public transportation, including direct medical transportation.



Rail

we operate a number of lines in the west of Germany.

Benefits to Mobico Group

Sustainable long-term growth

Our strong relationships with customers, suppliers and government bodies, combined with experienced colleagues, in-depth knowledge and considerable scale in terms of resources and geographical spread, enable us to drive sustainable long-term growth. We take a long-term view to the planning and utilisation of our resources, and to organic and inorganic opportunities for growth.

Financial returns

By targeting revenue growth, converting it to profit and delivering cash flow, we provide the ability to invest for growth, maintain a strong balance sheet and provide returns to shareholders.

Key differentiators

Our processes and systems

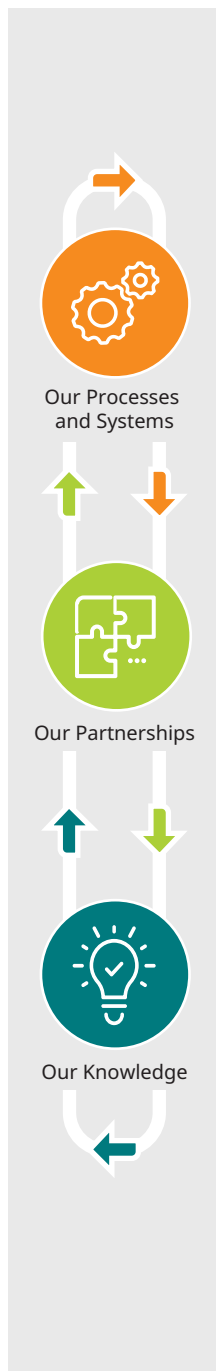
Mobilising and managing complex transport systems successfully involves robust processes and systems that can deliver reliability, consistency, efficiency and flexibility where it is needed. Our four step quality improvement training programme, OPERATE, defines the methodology we use to deliver operational excellence. Such systems take time and expertise to develop and operate and Mobico's long and successful experience through continuous improvement is differentiating. Success is measured in customer satisfaction rates as well as financial KPIs.

Our partnerships

Acting in partnerships – with our customers, the transport authorities, suppliers, colleagues, and with industry and government bodies is a fundamental tenet of our strategy and philosophy. We have developed strong relationships in all of these areas. By doing so, we ensure our identity and values are aligned, and that we can deliver to the satisfaction of all.

Our knowledge

Our knowledge is embedded throughout the Group, with all of our employees in their respective roles. Whether it becomes apparent in route scheduling, network design, customer services, passenger care, marketing or revenue management – it collectively creates a competitive edge.



The value we create

Colleagues

We are an organisation that shares the values of our employees and partners. We provide attractive career opportunities, paying competitive wages and salary rates, and creating safe, enjoyable and inclusive working environments.

Passengers & customer

We provide best-in-class, value for money services that provide compelling transport options versus the private car. Our services enable passengers to connect with family, friends, and workplaces, and facilitate access to healthcare and education.

Suppliers

We support a wide range of suppliers, from individuals to large businesses. We develop rewarding partnerships with them, working collaboratively and honourably to deliver market leading services to our customers.

Equity and debt investors

We aim to provide attractive investment returns, both for our equity and our debt investors. We have strong long-term relationships with shareholders and lenders, utilising a variety of sources of funding.

Communities

Our services facilitate social mobility and promote economic activity; connecting people to jobs, education, healthcare and leisure. Our services can be critical for people without access to a car and we provide transport for vulnerable people. By encouraging modal shift from private car to public transport, we also play an important role in improving air quality in our communities.

Governments

We have strong relationships at local and national levels of government, which enable us to help shape public transportation policies. We are also able to bring transport solutions to local government bodies and transport authorities; transforming the services in their areas. The Group also generates significant tax contributions to public finances across employee, sales, corporation, property and other taxes.

The environment

A significant proportion of the world's CO₂ is generated by transport – a key target for decarbonisation. For every bus journey, up to 70 car journeys are removed from the road. By making such journeys more reliable, more enjoyable and often more convenient than alternatives, we help communities and the world to reduce emissions significantly and greatly improve social mobility.

Benefits to Society

Improved social mobility

Our services connect people to each other and to places of work, education and healthcare. Someone choosing to swap a singular journey from an average diesel car to an average diesel bus can reduce their carbon footprint by 45%.

[➤ Read more on pages 59 and 60](#)

Reduced pollution and improved air quality







Many of our existing diesel vehicles already emit lower emissions than the average family car. By driving modal shift from private car to public transport, as well as transitioning our fleet to zero emission vehicles, we can make a significant impact on reducing pollution and improving air quality.

[➤ Read more on pages 54 to 56](#)



Measuring progress

Key

-  Strong financial return
-  Safest
-  Most reliable
-  Environmental leader
-  Most satisfied customers
-  Employer of choice

Financial

Adjusted Operating Profit (£m)

£168.6m

2022: £197.3m



KPI definition

Group Adjusted Operating Profit from operations. See glossary on page 252.

Relevance to strategy

A key measure of the overall performance of the business.

We are focused on driving growth in operating profit in order to generate higher and sustainable returns for our shareholders and providing the platform for further growth for all our stakeholders including our employees, our customers and our partners.

Performance

Adjusted Operating Profit decreased to £168.6m (FY 22: £197.3m) as benefits of volume recovery and in-year benefit from pricing and Accelerate 1.0 cost reduction programme were offset by cost inflation, reduction in Covid subsidies and lower profitability in Germany.

Remuneration linkage

Group Adjusted Profit before tax is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

Link to strategy



Refer to page 252 for definition of adjusted.

Free Cash Flow (£m)

£163.7m

2022: £160.5m



KPI definition

Free cash flow is the cash flow available after deducting net interest and tax from operating cash flow. See reconciliation on page 253.

Relevance to strategy

Strong cash generation provides the funding to invest in initiatives to drive our strategy.

Our focus on cash generation ensures that we are running the business efficiently, converting profit to cash to enable investment into the business; reduction in leverage returns to shareholders; and providing the platform for further growth for all our stakeholders.

Performance

Free cash inflow of £163.7m represents strong Free Cash Flow conversion of 97% (2022: 81%). The improvement in Cash Flow Conversion is a result of lower net maintenance capital expenditure as the Group accelerated capital expenditure at the end of December 2022 to secure production slots, resulting in lower cash outflows in 2023.

Remuneration linkage

Free cash flow is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

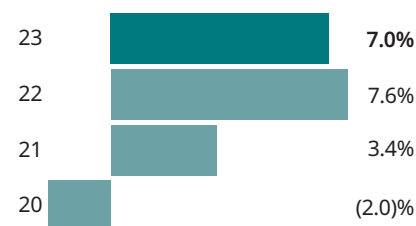
Link to strategy



Return on capital employed (%)

7.0%

2022 restated: 7.6%



KPI definition

Return on Capital Employed (ROCE) is Adjusted Operating Profit, divided by average net assets, excluding net debt and derivative financial instruments, translated at average exchange rates. See reconciliation on page 253.

Relevance to strategy

ROCE demonstrates how efficiently the Group is deploying its capital resources to generate operating profit.

A focus on ROCE ensures that we maintain a disciplined approach to capital investment and continue to invest in those areas in which we deliver the best returns. This ensures that we maximise returns to shareholders for the capital they invest.

Performance

ROCE of 7.0% remains below our targeted level and is reflective of the year-on-year reduction in Adjusted Operating Profit. During the year the Group invested £136 million of net maintenance capital, predominantly in replacing our fleet in our existing operations, and £18m in growth capital expenditure including vehicles to service new contracts in ALSA and North America.

Remuneration linkage

ROCE is one of the performance measures in the Long-Term Incentive Plan of Executive Directors and senior managers.

Link to strategy



Non-Financial

Safety – Fatalities and weighted injuries (FWI per million miles)

0.006

2022: 0.003



KPI definition

The Fatalities and Weighted Injuries (FWI) Index weights injuries by severity to give an overall standard-based score which is normalised by miles operated.

Relevance to strategy

Safety is of paramount importance to a public transport operator and being the 'safest' is one of the five Evolve outcomes.

Safety is at the heart of our values and is our priority for both our customers and our employees.

High safety standards also help to drive sustainable growth through customer loyalty and new business wins.

Performance

The 2023 performance for FWI per million miles is in line with the Group target (0.006) for the year and was comparable to the results achieved in 2021, although below the performance in 2022. This is primarily because the 2023 result includes two fatalities, whereas there were no fatalities included within the 2022 result. These fatalities – as well as the other preventable injuries which are included within the result – have been investigated and appropriate actions have been taken.

Although the 2023 Group FWI target of 0.006 was achieved, there is no bonus pay out on this metric for the Executive Directors because of the fatalities.

Remuneration linkage

FWI per million miles is an input into the Executive Directors' and senior managers' annual bonus structure.

[Link to strategy](#)



Passenger journeys

1,074m

2022: 977.0m



KPI definition

Passenger numbers as measured by the aggregate of passenger journeys across each of our operating divisions. Our numbers for North America are estimated as our school bus and shuttle services are not paid on a per passenger basis.

Relevance to strategy

Growth in passenger journeys is a leading indicator for customer satisfaction and hence growth, and modal shift from cars to public transport. Having the 'most satisfied customers' is a key aim of the Evolve strategy.

Mobico is targeting increased passenger ridership as a longer-term driver of sustainable value for both the business and the environment, with public transport a key solution to lowering carbon emissions and easing travel congestion.

Performance

Passenger numbers have continued to grow strongly, rising 10% in 2023, surpassing 1 billion for the first time. Discretionary travel continues to grow with our UK Coach business growing patronage by 25% and our ALSA long haul business growing patronage by 28%. Our UK Bus business grew patronage by 8% and continued to recover throughout the year. Our Moroccan business had another record year with further passenger growth of 3%.

Remuneration linkage

The Executive Directors and senior managers' annual bonus scheme typically includes a component of personal objectives relating to business development metrics.

[Link to strategy](#)



GHG emissions: tCO₂e/mpkms

36.39

2022: 40.06



KPI definition

Tonnes of GHG carbon emissions for Scope 1, 2 and 3, per million passenger kilometer.

Relevance to strategy

Reducing the environmental impact of transport is core to our purpose and links to the Evolve strategy outcome: being the environmental leader.

Per passenger, train, bus and coach travel is significantly less polluting than cars and, as such, modal shift is the single most important thing we can do to drive the climate change and clean air agendas. We are also committed to making public transport itself greener and have adopted Science-Based targets.

Performance

Tonnes of carbon emissions for Scope 1 and 2 reduced by 2.5% per million passenger kilometer.

Total Scope 1, 2 and 3 absolute emissions reduced by 6.8% overall on prior year.

We expect to make further progress as we accelerate our transition to ZEVs over the coming years.

See more on environmental performance on pages 247 and 248.

Remuneration linkage

25% of the Executive Directors and senior management Long-Term incentive Plan is linked to reducing GHG emissions and transitioning to ZEVs. See our Remuneration Report commencing on page 111.

[Link to strategy](#)



On-Time-Performance (OTP)

90.7%

2022: 91.1%



KPI definition

On-Time-Performance (OTP) measures the percentage of our services, weighted by mileage across divisions, that are arriving on time at intermediate (where relevant) and timing stops. The definition of on time varies by business, for example no more than one minute early or five minutes late for urban bus services. The OTP KPI excludes rail services, high frequency bus services (where frequency and actual vs scheduled waiting times is a more appropriate reliability measure), and services where we are currently not able to measure OTP accurately.

Relevance to strategy

Improving OTP is a key driver for customer retention and winning new contracts and links to the Evolve strategy outcome: most reliable. Our reputation for reliability, whether it be for fare paying passengers on our buses or with school boards and local passenger transport authorities, is vital to drive growth across the each of our businesses.

OTP is also a driver for achieving operating efficiencies across the Group, helping to improve financial returns.

Performance

In 2023, OTP was slightly lower than in previous years. Our ability to operate punctual services was impacted by increasing congestion and road traffic levels alongside driver shortages, particularly in our UK business. To combat these effects, we continuously focus on initiatives to improve punctuality. We have a relentless focus on driver recruitment and have introduced sophisticated digital scheduling platforms in our Bahrain and ALSA businesses to optimise network performance, whilst we actively monitor our UK networks to ensure efficiency and maximise OTP. In the West Midlands, we work closely with our partners, Transport for West Midlands, to jointly develop bus priority infrastructure. In our North America School Bus business, our focus on driver recruitment and retention, route restoration and optimisation, and ensuring operational excellence, meaning we delivered OTP performance ahead of 2022 levels, contrary to the overall trend.

Remuneration linkage

The Executive Directors' and senior managers' annual bonus structure typically includes a component of personal objectives relating to operational performance metrics.

Link to strategy



eNPS

+11

2022: +7



KPI definition

Employer Net Promoter Score, or eNPS, is a widely used scoring system designed to help employers measure employee satisfaction and loyalty within their organisations.

Relevance to strategy

The eNPS score is a key measure of how committed our employees are to the Group and is an indicator of areas of strength and also where we can improve in order to retain and grow our talent in the business, in order to support future growth. It links directly to our Evolve strategy outcome: employer of choice.

Performance

This measure was introduced in 2022 and is used as a base to measure our performance in the future and inform our action plan.

Part of a suite of measures used to gauge employee sentiment, engagement across the Group also increased 4% to 59%. In 2023, we achieved 73% participation across the Group.

There has been significant improvements for ALSA (engagement +8 pts, eNPS +7 pts) and UK (engagement +7 pts, eNPS +10 pts). There was stability across School Bus (engagement +2pts, eNPS +1pt, Shuttle & Transit (engagement +0, eNPS -2pts) and Bahrain (engagement -1pt, eNPS +9pts).

Remuneration linkage

Introduced into Executive Directors' and senior managers' bonus plans for the first time in 2023. eNPS is again included within their bonus structures for 2024.

Link to strategy



Key

- Strong financial return
- Most reliable
- Most satisfied customers
- Safest
- Environmental leader
- Employer of choice

Our results for 2023 are below the expectations we set ourselves at the beginning of the year. I am encouraged, however, at the progress we have continued to make in transforming the business with decisive action to bring in new leadership in North America School Bus and the UK & Germany; focus on pricing and delivery of our restructuring programs.

Ignacio Garat, Group CEO



Overview

2023 was a challenging year for Mobico Group. Profitability was affected by significant cost inflation (especially wage costs) and significantly reduced Covid subsidies. Structural issues in Germany (labour scarcity and energy price volatility), reduced expectations around the profitability of the UK private hire business, lower than expected growth in UK Bus passenger numbers, and higher driver recruitment costs in North America School Bus have also created a drag to our recovery in profitability. Decisive action has however been taken on pricing and restructuring which is expected to provide significant future benefits. This alongside good top line growth will help drive our recovery.

Mobico Group Revenue grew 12.2% on a reported basis and 10.9% on a constant currency basis. This reflects: (i) strong underlying growth in those businesses where revenue is driven by passenger demand and trip volumes; and (ii) continued recovery in North America School Bus through pricing and route recovery.

Adjusted Operating Profit decreased 14.5% and Group Adjusted Operating Margin decreased to 5.4% (FY 22: 7.0%), as the benefits of volume growth (+£88m), pricing improvements (+£114m) and the in-year impact of our Accelerate 1.0 restructuring initiative (+£15m) were not sufficient to offset:

- the impact of cost increases (£130m) of which approximately 55% was driver wage inflation, and 30% fuel and insurance costs,
- the lagged benefit from price rises in UK Bus and North America School Bus,
- a reduction in Covid subsidies of £105m (see strategic review section for more detail),
- the impact of lower expectations for energy subsidy recovery, higher costs, and the revised indices from the German Federal Statistical Office on profitability of our German rail contracts

Decisive action has been taken across the Group with the successful Accelerate program: Accelerate 1.0 delivered £15m in year savings (at least £30m on an annualised basis) and we have now launched Accelerate 2.0 (with a target of at least £20m annualised). Moreover, specific additional actions have been taken to i) recover cost increases in German Rail through ongoing contract renegotiation, ii) drive a recovery to profitability in National Express Transport Solutions (NXTS), and iii) further improve driver recruitment and training processes in North America School Bus.



Read more about our [business model](#) on pages 12 to 13



Read more about our [Evolve strategy](#) on pages 10 to 11



Read more about our [leadership](#) on pages 82 to 87

ALSA continued to trade well with growth across all lines of business, delivering Adjusted Operating Profit up 31.7% as a result of strong revenue growth of 21.1%, with especially strong trading in Long Haul, where the business acted quickly to capture the benefits of government backed travel initiatives (multi-voucher travel and 'young-summer' discounts). The profit impact of pricing increases and volume growth amounted to £111m, more than offsetting cost increases of £68m.

North America grew revenues by 6.4% as routes were re-instated in North America School Bus, with pricing recovery on expiring contracts also contributing positively. Adjusted Operating Profit was down £41.3m (60.4%) mainly as a result of a reduction in Covid funding of £44m (principally Covid-related CERTS funding) and the impact of wage costs and investment in the recruitment process. However, pricing recovery delivered an increased contribution in the second half of the year. Transit and Shuttle delivered 14 new contract wins worth approximately £54m in annualised revenue, at a ROCE of 31%.

In the UK and Germany, revenues grew 9.2%, representing strong trading in UK Coach, and with UK Bus patronage reaching 98% of pre-Covid levels. However, the fall in Adjusted Operating Profit was principally as a result of the January 2023 16.2% pay settlement in UK Bus which was effective from January (the primary driver of a £23m increase in driver costs, with price rises only effective from July), a reduction in Covid funding of £30m, and lower profitability in Germany.

In Germany lower expectations for energy subsidy recovery as a result of volatility in energy markets, higher costs associated with industry-wide driver shortages and the impact of the revised indices from the German Federal Statistical Office, reduced the profitability of our contracts:

- For the contracts not covered by the onerous contract provision (RME and RRX 1) profits reduced by £17m compared to prior year (to £0.2m). Of this reduction, approximately £10m was due to a reduction in the IFRS15 contract asset (primarily reflecting lower expectations of future profitability) and £6m of in-year impact of higher penalties associated with driver scarcity and higher net energy costs.
- The onerous contract provision associated with RRX Lots 2/3 increased from £47m (restated, as of 31 December 2022) to £118m as of 31 December 2023. This liability will unwind over the remaining life of the contract through to 2033.

A focused action plan – working with our Passenger Transport Authorities (PTA's) – to recover the profitability of these contracts is underway.¹

Balance Sheet, debt maturity and interest costs

The Group's covenant gearing ratio at 31 December 2023 was 3.0x, increased from 2.8x last year-end compared to a covenant test gearing limit of less than 3.5x. Free Cash Flow of £163.7m was slightly ahead of prior year (FY 22: £160.5m). However, cash outflows in respect of Adjusting Items of £71m (including cash costs of restructuring programmes and cash outflows relating to German onerous contracts) and dividend payments to equity shareholders of £41m (FY 22: £nil) resulted in covenant net debt broadly flat on prior year at £987.1m (FY 22: £985.8m) alongside slightly lower covenant EBITDA.

As of 31 December 2023, the Group had £2.0bn of cash and committed facilities. During the year, debt maturity and liquidity were improved with the £527m RCF (the majority of which would have matured in 2025) being replaced by a £600m RCF facility to 2028. We also refinanced the 2023 £400m bond with a €500m Eurobond issue maturing in 2031. Both the RCF and Eurobond were secured at competitive rates. As rates stand today, the anticipated net interest charge in FY 24 will be in the region of £85m to £90m (£75m in 2023). Approximately 80% of our debt is fixed, with the 20% that is swapped to floating rate due to revert to fixed in 2025.

Mobico has made clear its objective to reduce gearing. However, the lower than previously expected profits generated in 2023, increased costs associated with restructuring, and the German onerous contract cash costs means the timeline of that plan has been extended with the target range of 1.5x-2.0x now expected to be reached in 2027. The Group announced in October that it would look to accelerate the deleveraging (and reduce future capital intensity) with the potential disposal of NASB. Preparations for a potential sale continue to progress well and a sale at an appropriate valuation would accelerate the deleveraging timetable.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Outlook

Based on current market conditions Adjusted Operating Profit for FY 24 is expected to be within the range of £185m to £205m. Similarly to FY 23, we expect a greater bias to the second half of the year, given the phasing of cost reduction programmes and the timing of price increases.

Strategic commentary

2023 has been a year in which important underlying progress has been made in the context of an evolving market, where Mobico has:

- Adapted to the reality of a post-pandemic world and addressing notable external headwinds;
- Acted decisively to adjust the business model to be 'fit-for-the-future': addressing new patterns of demand, evolving requirements of the cost base, changing methods of delivery, and to capture new opportunities; and
- Positioned to capture future growth opportunities

¹ Opening balance restated £46.9m plus charge of £99m less utilisation to give closing position of £118m.

Adapted to external headwinds

2023 has been a year of continued progress in the face of notable external headwinds and an evolving market, including:

i. Reduced government funding

In 2023, we have offset a significant headwind from the £105.4m year-on-year reduction in Covid funding (FY 23: £26.3m; FY 22 £131.7m) with underlying improvements in trading.

Covid support	FY 23	FY 22
Revenue	13.4	56.7
Cost support	12.9	75.0
Total	26.3	131.7

It is a reality of many public transport systems that, if operated purely on a commercial basis, they would likely involve fewer routes and higher fares. It is therefore important to note that government support for transport services remains strong, and we continue to see evidence that governments around the world are increasingly aligned with our agenda and interested in driving the modal shift from cars to public transport.

ii. Markets undergoing continued evolution, both structural and cyclical

In ALSA, our Long Haul business grew significantly, despite the impact of high speed rail competition on some key corridors.

Elsewhere, five-day-a-week commuter travel has fallen as a result of increased hybrid working. This particularly impacted NXTS where the Private Hire and UK Holiday markets have also been slower to return to pre-pandemic levels of activity. The impact of lower commuter activity resulted in the decision to close two of our depots, with residual operations consolidated into a smaller depot footprint.

The impact of lower commuter activity on our Shuttle business in North America has been less pronounced as we are paid on a per-vehicle (rather than per-passenger) basis.

Acted to become fit-for-future

Throughout 2023 the Group has already taken decisive action to address these challenges, but also to create a business that is fit-for-future and well positioned to capitalise on future opportunities. This required change including:

- a sharper commercial focus of divisional leadership,
- driving further cultural alignment across the Group, and
- refining our business model.

i. Important leadership changes

In order to drive strong operational focus, the Group changed the leadership of two of the businesses: North America School Bus, with immediate impact (delivering one of the most successful school-year start-ups for several years); and the UK & Germany Division, to bring a sharper commercial focus and a fresh perspective on the operating model.

ii. Working with government partners to access continued funding

Throughout the year we continued to work with governments (regional and national) to access funding and create sustainable, long-term partnerships. Some notable successes in the year included:

- **ALSA:** integrating multi-voucher ticketing into our booking platform, gaining a significant competitive edge
- **North America:** accessed funding to purchase 143 fully electric school buses through the EPA Clean School Bus Program
- **UK:** funding package secured to the end of 2024 to allow the UK Bus business to maintain network coverage, with price rises implemented from 1 July 2023.
- **Germany:** secured funding to compensate for the impact of the €49 ticket on passenger revenues in our RME contracts (with the funding secured until the end of 2024 when the initiative is due to expire)

iii. Action to address structural changes

Across the Group we took action to combat structural change;

- **ALSA:** investment in innovative marketing and service delivery to optimise our proposition against High Speed Rail (HSR) helped to mitigate the impact of significant, discounted capacity on our major corridors.
- **North America:** in our Transit business we had already exited a number of loss making businesses where we deemed no recovery was possible through contract negotiation. In the remaining portfolio we have renegotiated a number of contracts to rebalance the fixed and variable components of income, and in 2023 we also retained two key contracts (Framingham and Tucson) with significant rate increases to restore profitability in the light of reduced volumes. An action plan is also in place to address remaining under-performance in six Customer Service Centres (CSCs) in Transit & Shuttle. The diversification strategy, taking Shuttle into new sectors and geographies, has delivered important gains for the business.
- **UK:** in response to the structural impact of increased home-working on our NXTS commuter businesses (Clarkes and Kings Ferry) we took action to close two depots and instigated a review of options across the remaining NXTS business, which is exposed to Private Hire demand.

iv. Combating the impact of inflation

2022 and H1 of 2023 saw a significant peak in inflation, particularly driver-related costs, which increased 2023 costs by £130m compared with prior year (which includes the impact of the full-year effect of the School Bus pay increase).

Recovering the impact of inflation has been a key priority for the Group and with significant progress having been made (typically with a lag between cost inflation and price rises). However, when inflation is high and persistent there is a need to act further which is why we have taken action on pricing and on the unit costs in the business.



During the year, we continued to make good progress on pricing:

- In School Bus we achieved price increases of 13% on the portfolio of contracts up for renewal at the beginning of School Year 2023/2024. This represented about 40% of our contracts, and comes on the back of the 10% rise achieved on a further 40% of the contracts in the prior year (noting, however, that there will be a lag before the price increases are annualised);
- In UK Bus we agreed a price rise of 12.5%, effective from July 2023; and
- In our Long-Haul Coach businesses we achieved full-year yield increases of 3.7% in the UK and 7.5% in ALSA.

However, recognising that there was a need to do more we have continued to address our cost base. We announced our Group-wide restructuring, cost and efficiency programme (Accelerate 1.0) in Q1 of 2023 with the stated aim of achieving £25m of annualised savings. That programme has delivered £15m of savings in FY 23 and is expected to deliver annualised savings in excess of £30m in FY 24. In Q4 2023 we announced a second cost and efficiency initiative (Accelerate 2.0) with a stated aim of unlocking a further £20m of annualised benefits (£10m targeted in FY 24). This programme is focused on fundamental organisational design, so that we have business models (and unit costs) that position the Group to be fit-for-the-future.

v. Solving driver shortages

Industry-wide driver shortages have been particularly acute in North America School Bus, UK Bus and, more recently, Germany.

In North America School Bus, there was a c.15 % driver shortage at the beginning of School Year 22/23 (i.e. September 2022). By December of 2023, we had reduced this to c.2%. This was achieved by overhauling recruitment processes, with a record net number of 990 drivers hired in the year (compared to 884 in FY 22 and a loss of 569 in FY 21). Although we did incur higher than expected recruitment costs in the second half of 2023 this represented necessary investment. As the pressure has eased, those costs are now significantly lower.

In UK Bus, we exited 2022 with a driver shortage of 11%. As a result of actions taken, this had reduced to 6% by the end of 2023. Actions taken include an overhaul of the candidate attraction process, standardised medical and interview procedures, updated onboarding processes, and improving the time taken to make offers to candidates. This resulted in an increase in offers (from application) from 14% to 17%, a reduction in onboarding “no shows” from 20% to 15% and a significant reduction in the time taken to gain the PCV licence.

In Germany, we have a plan that is well underway to reduce the driver gap including increasing drivers trained from 39 in 2022 to 70 trained in 2023, with this higher level continuing through 2024. We are also working with the PTAs to significantly increase capacity in Government sponsored courses.

Positioned to capture future growth opportunities Opportunity pipeline remains attractive; conversion is strong; retention is high

Since it was launched in 2021, the Evolve strategy has been crucial in building a robust business model that will capture sustained future growth. For example, we have taken further action in the past year to put the Group on a firm foundation for the future including leadership changes and the launch of our Accelerate restructuring programmes. We have also reinforced Business Development and Sales functions across the Group. While doing so, Mobico’s conversion of opportunities has been strong with 43 new contracts won in the year, worth over £1bn in total contract value and c.£126m in annualised revenue, at average ROCE of c.23%. ROCE will improve as we continue to favour Asset-Light opportunities. The new contracts won provide the platform for delivering our revenue growth targets.

Revenue growth has been good and the pipeline of opportunities – both organic and through M&A – remains well populated. That pipeline currently represents c.£2.5bn of annualised revenue (as compared with the equivalent £2.5bn at 31 December 2022). In 2023, we also closed a number of small, but strategically important acquisitions.

Debt reduction remains a priority

The Group enjoys excellent liquidity and very clear sight of interest costs given that circa 80% of such costs are fixed with weighted interest costs on our bonds of 4.0%, and a margin of 0.55% above SONIA on our RCF. Nonetheless, it is clear that the Group's debt (which increased as a consequence of Covid) and gearing is an issue that needs to be addressed. Mobico remains confident that it can reduce leverage through Adjusted EBITDA growth over the medium term. However, reduced expectations about the rate of profit recovery and increased cash costs associated with restructuring and German onerous contracts in the near term have delayed plans for full recovery and debt reduction; we now expect to achieve the target covenant gearing range of 1.5x-2.0x in 2027.

In October 2023, we announced the potential sale of the North America School Bus business on which preparations are progressing well. If a sale at an appropriate valuation is concluded, the proceeds will make a significant contribution to debt-reduction ambitions.

Zero emissions vehicles as a catalyst for change

The Group is moving at pace to evaluate, adopt, and mobilise ZEVs in fleets across our businesses. Mobico has a crucial role to play in planning and facilitating the transition to ZEVs, while remaining vigilant regarding the risks of decarbonisation and the commercial viability of solutions. We have previously set out and now reconfirm zero emission fleet targets, to hit net zero by 2040 (based on Scope 1 and 2 emissions). We continue to make excellent progress on our ZEV transition plan and remain on track to secure (operating and on-order) 1,500 ZEVs by the end of 2024 and 14,500 by 2030.

Updated long-term financial ambitions

In 2021, Mobico published financial ambitions as part of the launch of its Evolve strategy. In light of recent performance and the current trading environment, these have now been updated as follows:

- FY 27 revenue of at least £3.8bn (£1bn above FY 22)
- Sequential growth in Adjusted Operating Profit with FY 27 Adjusted Operating Profit of approximately £300m (circa £100m above FY 22)
- Cumulative Free Cash Flow (after growth capex and M&A) for FY 23 to FY 27 of around £300m
- Covenant net debt/covenant EBITDA of between 1.5x to 2.0x by FY 27
- Paying a dividend targeting 2.0x cover (once re-instated)
- * NB our definition of Free Cash Flow (now after growth capex and M&A) has been changed to reflect the ongoing discipline in the re-investment of cash flow to drive growth in revenue and profitability. Cumulative Free Cash Flow (prior to growth capex and M&A) and which previously had been guided to be £1.25bn between FY 23 and FY 27 would now be over £1bn).

Ignacio Garat

Ignacio Garat
Group CEO

21 April 2024

Case study

Key Luton Airport Coach contract retention reflects values of Evolve

Winning new contracts is important. Retaining them? Even more so. Delivering the Evolve strategy is about providing the best experience, delivering the safest and most reliable service, and being the most efficient and highest quality provider that we can be. So, when we believe we have delivered against our own exacting expectations, it is particularly rewarding to have customers renew their partnerships with us – and especially when those decisions rely on such qualitative, as well as financial, criteria.

One such instance has been the retention of two key lots for Luton Airport, one of London's fastest growing hubs, where Mobico has been successful in retaining contracts to deliver coach operations. One for the core London–Luton Airport lot, and the other, a regional services lot, that integrates Luton Airport as a stop on our intercity network. National Express already ran frequent coach services between Central London and London Luton Airport – 24 hours a day, seven days a week – with four departures an hour during the daytime.

When the contract was up for tender, a competitive submission was made to deliver the airport and National Express' shared vision of providing a green, affordable transport option for customers travelling to and from the airport and giving a seamless customer experience. In December 2023, National Express was re-awarded the five contract.

As if emphasising that truly committed service is a continuous process, when a recent, significant fire destroyed a car park, the National Express Luton team went above and beyond to support passengers through the night and ensure people could get to where they needed to go safely.



Performance reviews

Highlights and achievements over the year.

ALSA



North America



UK



Germany



ALSA



Francisco Iglesias

CEO: ALSA

With 100 years' experience, ALSA operates long distance, regional and urban bus and coach services across Spain, and in Morocco, Portugal, Switzerland France and the Middle East. Apart from its scheduled bus and coach services, ALSA offers mobility solutions to meet business, leisure and healthcare transport needs.



Urban bus



Long distance coach



Private hire



Healthcare

Revenue (£m)

+21.1%

£1,165.4m

(2022: £962.5m)

Adjusted Operating Profit (£m)

+31.7%

£136.8m

(2022: £103.9m)

Statutory Operating Profit/(Loss) (£m)

+171.1%

£121.0m

(2022: £(170.2)m)

Adjusted Operating Margin (%)

+0.9%

11.7%

(2022: 10.8%)

ALSA is the leading company in the Spanish road passenger transport sector. It has, over a number of years, significantly diversified its portfolio away from Long Haul to having a multi-modal offering, which today also spans Regional and Urban Bus and Coach services across Spain, Morocco, Switzerland, Portugal, France and – since October 2023 – Saudi Arabia (via a 15% minority holding).

Results

In its centenary year, ALSA delivered a record year for revenues which exceeded £1bn for the first time with revenues up 21.1% (18.7% on a constant currency basis) and Adjusted Operating Profit growth of 31.7% (29.2% on a constant currency basis). This was the result of strong passenger growth and significant pricing actions across all of its lines of business, and a diverse, growing portfolio.

Long Haul revenues were up 37.1% driven by passenger volume growth up 27.5% and yields up 7.5%, compared with 2022. Long Haul occupancy ratios were 5.5% better than FY 22. There was continuing growth in Regional and Urban business with revenues up by 14.9% and 7.3% respectively. Morocco delivered a robust performance, particularly after taking into account the earthquake in September, with revenue for 2023 growing 2.1% versus last year. The International business (including Portugal) delivered strong revenue growth of 61.2%. There were also some modest but strategic acquisitions in Spain in FY 23, providing entry to new targeted markets and further diversification of business lines, and in early FY 24 ALSA completed the acquisition of CanaryBus, the leading operator in the Canary Islands, strengthening our position in this important tourism market.

Statutory Operating Profit of £121.0m represented an increase of £291.2m versus 2022, principally due to the £260.6m non-cash impairment charge taken in 2022.

Highlights

The main highlights of the year included:

- Record Revenue and Adjusted Operating Profit performance in 2023, driven by highest ever passenger numbers reaching 589m in 2023 (+13% vs 2022)
- Retention of all key material domestic contracts that were bid including Aragon and Valencia, with total contract value of >£120m, and the renewal of BBVA, Caixabank, Arcelor and Metro private contracts with £20m contract value
- Expansion of our key Madrid multi-modal hub with important contract wins, including a healthcare transport contract strengthening our position in this key market (the original platform having been established by the acquisition of Vitalia – since renamed Sanir)
- Successful mobilisation of three significant international contracts: Porto (200 buses) and Geneva (35 buses) started in December and Saudi Arabia (129 coaches) launched in October
- New digital centre of innovation established as digital sales are now >65% of revenues.

In almost every respect, ALSA has delivered an improved performance over the same period last year. It has also improved its operation and its offering, whether through evolving use of technology or its relentless focus on the customer. It has long been the strategy of ALSA to diversify away from its original Long Haul business, while continuing to grow it. As a result of continuing diversification, including growth in Spain, Urban and Regional, international expansion into Morocco, Portugal and Switzerland, and growth in paratransit, cruise line transfers and other services, Long Haul now represents only 17% of ALSA's revenues from 25% in 2016.

In the Long Haul business, passenger numbers were up 27.5%, average ticket prices were up 7.5% and occupancy was up 5.5% driven by the nine main corridors. Indeed, occupancy levels in these key corridors reached a record in July at 77.1%. Increasingly sophisticated marketing strategies and network management tools contributed to this strong performance and helped capitalise on the positive impact of the Spanish Government's 'young summer' incentive in Long Haul (offering a 90% discount to people aged 18-30), which concluded in September. The scheme yielded good sales results with approximately 1.3m tickets sold for travel between 15 June to 15 September. Since the end of that scheme, ticket sales have stabilised. Nonetheless, it is estimated that approximately one-third of new customers brought into coach travel by the scheme have returned to travel by coach again.

While performing strongly, the Long Haul business faced continuing challenge from High Speed Rail (HSR) train corridors (including Madrid-Murcia, Madrid-Barcelona and Madrid-Alicante). Madrid-Asturias launched a HSR service in November 2023 but ALSA is responding with innovative marketing and revenue management plans as well as being more sophisticated in timing of routes and adapting to offer better origin-destination points for customers. The long-speculated potential change in the Long Haul Coach market, which could involve a change from the current structure, remains a possibility at some point in the future. ALSA's credentials as the best provider in its region, its extensive customer relationships, strategic assets and powerful brand means that it will remain well placed to prosper in any eventuality.

In the portion of the Regional business that is exposed to demand risk (i.e. those with net-cost contracts), passenger numbers were up 28.6%, with average ticket prices up 4.0%, both when compared with FY 22.

In Morocco, after the earthquake of 8 September there was some slowdown in activity, particularly in Marrakech and Agadir, where revenues fell 20% for one week when compared with the prior year. However, in subsequent weeks, business gradually recovered. In response to the tragedy, ALSA donated €1m to the 'Special Fund for Earthquake Management' created by the Kingdom of Morocco to support the reconstruction of the impacted area. The business also offered free travel for a period, to assist the affected communities.

Contract wins, renewals, and mobilisations

ALSA won 12 new contracts in 2023 with an annual contract value of circa £25m and an average ROCE of 46%. The Regional business successfully retained some important contracts in Aragon and Valencia, with total contract value of >£120m. Notable new contract wins included a five-year healthcare transport agreement using 175 vehicles in Madrid, expanding the existing important multi-modal hub in that city. Further, a number of significant contracts were successfully mobilised in the year, including Porto (Urban Bus – 200 buses), Geneva (two new Urban Bus contracts bringing our total operations to over 200 buses in Switzerland), and with our partners in Saudi Arabia (10 year Intercity Coach contract – 129 coaches), strengthening our reputation as the most reliable operator to manage contract transition.

Focus on efficiency and cost of delivery

ALSA has an excellent track record of delivery, established over many years. Nonetheless, it is not exempt from the need to constantly improve, and it has made significant further gains in efficiency through 2023. Examples include: deployment of Accelerate savings initiatives in depots (spare parts, brands and fleet availability optimisation), fleet productivity (maintenance, engine replacement and fuel consumption programmes), staff costs, procurement and digital. This resulted in further improvement in FY 23 with digital sales reaching 65.4% of total sales vs 55.8% in 2022 and fleet activity ratios improving to 76.2%, up 1.8% versus 2022.

Disciplined capital allocation

ALSA continues to deliver a high ROCE of circa 20% and maintains a highly disciplined approach to capital allocation, while also investing both organically and through M&A. ALSA completed four small but strategically important acquisitions in 2023 including Ibercruises (serving the leisure cruise industry), which completed in November. In March 2024 the acquisition of CanaryBus was formally completed significantly increasing our presence in the Canary Islands, which has a significant tourism market. Each acquisition offers access to attractive market adjacencies for ALSA at investment multiples that allow for excellent returns potential.

Evolve outcomes

ALSA continues to focus on the Evolve strategy with progress in the year:

- **Safest:** FWI (Fatalities Weighted Index) per Million Miles of 0.005 (FY 22: 0.005). New DriveCam IA technology is to be installed across 2,200 buses in 2024
- **Most satisfied customers:** Passenger growth of +12.9% vs 2022. Key initiatives in the year included improved passenger information and onboarding, and a B2B CRM Project Sales network 'Transform'. Ratings in December for NPS (Net Promoter Score) were +30% (+46% vs FY 22) representing significant progress against 2022 and 2019
- **Employer of choice:** eNPS of +24 (+7 on FY 22). As well as a tight control of absenteeism in the year, ALSA also secured Top Employer 2023 certification for ALSA Spain being the first transport company in Spain to achieve it, recognising organisations that stand out for their good practices in people management. Good progress in 2023 on our Diversity & Inclusion policy promoting equality with the creation of global and local committees and with a plan in course and dedicated resources
- **Most reliable:** OTP (On Time Performance) 94.9% (FY 22: 98.1%) as a result of increased congestion as traffic volumes return. Successful mobilisations in Porto and Geneva
- **Environmental leader:** Total ZEVs grew from 128 in service at December 2023 to 224 expected to be in service at December 2024 and are now >3% of the fleet. ALSA has begun operating six new lines on the 'Transports Publics Genevois' (TPG) network in Geneva, Switzerland, with a fleet of 100% electric buses.

Francisco Iglesias
CEO: ALSA

Case study

ALSA's successful expansion in healthcare further strengthens multi-modal credentials

Over many years, ALSA has been successful in expanding its operations and diversifying into adjacent markets – capitalising on its strengths, enhanced through Evolve principles and objectives. In partnership with Transinsa, ALSA acquired Vitalia (later renamed Sanir) in 2022 as its entry into the attractive healthcare transport market. During 2023, the business has won an important new contract in Madrid that simultaneously expands the healthcare business and also strengthens ALSA's multi-modal credentials in that valuable strategic hub.

The key drivers that make the healthcare transport business attractive include: the expectation of continuing market growth; the ongoing consolidation across ground medical transport companies; and the increasing demands of professionalism expected by customers from their suppliers. In the last instance, the experience of ALSA as a supplier of complex solutions across different markets, and for a varied range of exacting customers, provide differentiating credentials.

The new contract, operated as a joint venture, is for a five year term, and is worth a total of over €160m. Not only does it make ALSA the leading such provider in the region, but it will also provide an opportunity to leverage that position by bidding for opportunities in other regions (including Catalonia).



North America



Tim Wertner
CEO North America
School Bus



Erick Van Wagenen
CEO North America
Shuttle and Transit

Our business in North America has two areas of activity - student transportation and transit and shuttle services. We operate in 33 US states and two Canadian provinces.

The North America business now operates in 33 states and two Canadian provinces (following the disposal of the Nova Scotia business in August 2023). School Bus operates through medium-term contracts awarded by local School Boards. Transit and Shuttle provides fixed route, paratransit (the transportation of passengers with special needs) and demand-responsive services on a contracted basis to both public and private entities from a range of sectors including Technology, Biotechnology, Manufacturing and Education.

Results

Good constant currency growth with revenues up 7.0% on a constant currency basis (6.4% on a reported basis) and Adjusted Operating Profit of £27.1m. In School Bus, revenues were up 5.6% vs 2022, driven by price increases and route reinstatements, after the successful driver recruitment programme in the year (despite the circa \$8-10m higher investment made to achieve that). The business secured 97% of its maximum number of routes: ahead of what was expected earlier in the year. 990 net new drivers joined the business, compared with 884 hires in 2022. In Transit & Shuttle, revenues were up 10% but profits were down 34%, as a result of reduced government funding and decline in volumes with Technology customers, offset by 14 new contract wins, worth over £50m of annualised revenue.

Highlights

Following the withdrawal of Covid funding, Operating Profits reduced in the year. Nonetheless, the main operating highlights of 2023 year included:

- Significant progress with School Bus driver recruitment and retention resulting in route reinstatement at 97.3% of contractual maximum by December 2023
- Significant progress with School Bus pricing achieving 13% on the renewing portfolio
- Building upon the strength of our driver recruitment and active partnership in staffing routes with our customers, our school start-up in September was the best for some years
- Early contract wins for school year 24/25 to deliver over 450 new routes (which means we are well placed to achieve net route growth in the school year)



School Bus



Transit and Shuttle

Revenue (£m)
+6.4%

£1,115.6m

(2022: £1,048.2m)

Adjusted
Operating Profit (£m)
-60.4%

£27.1m

(2022: £68.4m)

Statutory
Operating (Loss)/Profit (£m)
-155.4%

£(7.1)m

(2022: £12.7m)

Adjusted
Operating Margin (%)
-4.1%

2.4%

(2022: 6.5%)



North America continued

- Revenue growth in Transit & Shuttle driven by 14 new contract wins with circa £54m annualised revenue, partly offsetting a volume reduction in some large corporate shuttle contracts in the Technology sector
- Retention of key contracts for Transit & Shuttle in the San Francisco Bay area, expanding the area as a key multi modal transport hub
- Acquired final 20% of WeDriveU on 7 July 2023 for \$57m, in-line with expectations

Mobico's North America businesses entered 2023 facing significant challengers to recover pricing and routes in School Bus and the impact of job reductions in the technology sector in Transit & Shuttle. As set out below, significant progress has been made in the year.

In June 2023 Tim Wertner joined the Group to lead the North American School Bus business to refocus efforts on driving both operational excellence and growth. Tim brings more than 30 years of significant and relevant leadership experience in transport and complex logistics, having served in various senior roles at FedEx.

School Bus entered the financial year with the legacy from chronic industry shortage of drivers which had caused significant challenges for school year 22/23 (beginning in September 2022). Changes to the recruitment process resulted in a material improvement in the number of drivers hired, and a reduction in the time taken to hire them. Although there were some additional, unforeseen costs involved in some of those improvements, we believe that this will be recovered over time (as the market returns to normal, our recruitment processes are streamlined and pricing recovery is delivered).

The division also demonstrated good pricing power in the market in order to continue to recover the investment in driver wages made in 2022. Prices for contracts due for renewal in the current school year (approximately 40% of the portfolio) have been increased by an average increase of 13%. This followed price increases for approximately 40% of contracts of circa 10% in the previous year. There remains a block (circa 20%) to be re-priced in 2024, and we are confident that similar levels of price increase will be delivered. The very successful, dependable 23/24 school year start-up will certainly help support that pricing process. Mobico retained circa 97% of its School Bus customers, in an already highly competitive SY23/24 bid season, and in the context of significant price increases.

In Transit & Shuttle, new contract wins in sectors outside Technology, including in Manufacturing and Education, helped to offset the Technology sector's cyclical weakness. In the meantime, revenue from key Technology sector customers appears to have stabilised. In addition, service levels and passenger volumes continued to increase, when compared with 2022. Services in Transit were up 16% in 2023, while passenger numbers in Shuttle were up 38% in the same period.

Contract wins/renewals and mobilisations

North America School Bus:

- Business retention rate of 97% (excluding exits from loss-making contracts)
- 12 new contract wins with approximately £46m of annual contract value included success at West Ada (Idaho) and Duval (Florida) which represents over 400 new routes for School Year 24/25 on contracts with a five year base term (with potential five year extension)

Transit & Shuttle:

- 14 new contract wins delivering £54m annualised revenue and 31% ROCE. The most significant wins included:
 - Charleston, South Carolina: Asset light fixed route and paratransit contract with 133 vehicles for up to 10-year term
 - Charlotte, North Carolina: Management contract for fixed route urban services with >300 buses (3+2-year contract)
 - North Cook County, Chicago: Asset light paratransit contract with 92 vehicles for up to 10-year term, expanding existing multi-modal city hub
 - University at Buffalo, NY: 10-year university shuttle contract with 28 vehicles
 - New corporate shuttle work, expanding our multi-modal city hubs in Chicago, Austin and San Francisco

Disciplined capital allocation

In the School Bus 2023 bid season, we won 121 routes from new bids that required no capital as we fully utilised cascaded fleet. Retention bids are all priced centrally with rigorous review aimed at maximising capital efficiency across the portfolio to limit maintenance capex spend, and with a retention rate of 97%. The 2024 bid season wins to date were at returns in excess of our return targets.

In Transit & Shuttle there is continued focus on limiting capital demands by focusing predominantly on a large pipeline of Asset-Light opportunities. In addition, cascading unutilised fleet to serve contract expansions, extending the useful life of assets, and the utilisation of variable leases where appropriate all contributing to more efficient use of capital. In 2023 actual capital expenditure was lower than expected – without sacrificing growth – largely through these measures.

Evolve outcomes

The main objectives of the Evolve strategy remain key business priorities. In each, further progress has been made:

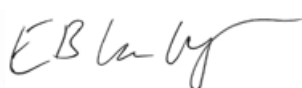
- **Safest:** FWI per Million Miles was 0.011 in School Bus (FY 22: 0.001) with the deterioration caused by six major injuries in 2023. Transit & Shuttle achieved a FWI of 0.003 (FY 22: 0.001), as a result of one major injury in 2023.
- **Most satisfied customers:** Average CSAT score of 4.2/5.0 in School Bus (+0.2 from 2022) driven by improved scores across communication, responsiveness, and partnerships. Transit 2023 average CSAT was 3.8/5 and NPS 22%,.
- **Employer of choice:** eNPS of +10 in School Bus (+1 on FY 22), and +8 in Transit & Shuttle (-2 on FY 22). Transit & Shuttle staffing levels increased by 14% and the number of School Bus drivers improved 12% in 2023, helping delivery, retention and morale. The eNPS reduction in Transit & Shuttle is associated with the restructure of that division.
- **Most reliable:** The new management teams are having a positive impact on reliability. OTP (On-time performance) was 92.4% in School Bus (FY 22: 89.9%) with a very successful school year start-up despite the significant operational challenges. Shuttle OTP was 97.4% (FY 22: 97.6%) with H2 OTP at 98.8%.
- **Environmental leader:** Shuttle operates Princeton University campus' 100% electric fleet, launched during the year, which will save up to 500 metric tons of CO₂ emissions per year. School Bus has been awarded a total of \$56m through the EPA Clean School Bus Program. The awards will provide 143 fully funded electric school buses to 16 school district customers.

Focus on efficiencies

In School Bus our digital operating platform was rolled-out across a further 34 sites during 2023 for a year-end total of 144 sites. This platform allows the business to control schedule compliance (which is a key driver of labour productivity) and creates a direct link between scheduled activity, payroll, and billings. In addition, we began rolling out the Maximo maintenance management platform across 10 School Bus sites and 2 Transit sites in 2023, with the remaining sites planned to be deployed in 2024. The Maximo maintenance management platform will enhance the effectiveness of our fleet maintenance capabilities through improved asset management and utilisation. In Transit & Shuttle, the combination of the two businesses to improve efficiencies continues to deliver cost benefits. In addition, the operations continue to eliminate loss-making business either by improving contract terms or exiting at routine option dates.



Tim Wertner
CEO: School Bus



Erick Van Wagenen
CEO: Transit and Shuttle

North America School Bus launches most successful school year start-up

The whole school bus industry in North America has been under considerable pressure over recent times, not least from a severe shortage in drivers being available to run services. This has affected operators across the industry, so it has not been an easy issue to address. Nonetheless, after the new leadership mobilised resources and invested in a more effective driver recruitment and training programme, the situation was significantly improved. The business was then able to launch the most successful school year start-up (for school year 23/24) that it has launched for many years.

Much of this recovery can be attributed to even tighter adherence to Evolve strategy values and principles, as embraced and directed by the new CEO of the business appointed in July, Tim Wertner. Following his arrival there has been a considerable focus on driver hiring, training and retention. As a result, by the end of 2023, the business had successfully re-instated 96% of maximum available routes.

Such has been the success with route reinstatement, we have already won significant new contracts that will deliver circa 400 routes in total for the school year start-up season 24/25, well ahead of the time such bids are normally decided.

Case study



WeDriveU acknowledged as provider of best commuter transport programme

WeDriveU – part of the Shuttle and Transit business owned by Mobico – is proud to operate TigerTransit on the Princeton University campus. The University's 100% EV transit service is free and accessible to students, faculty, staff and visitors. WeDriveU manages an on-site operations team of 30 professional bus drivers (including hiring, training, and scheduling), safety managers, dispatchers, and fleet maintenance technicians. In addition, we utilise technology innovations to support operational excellence and increase safety for passengers and drivers, including charge management systems to monitor efficiency and stage of charge.

The services encompass 37,000 service hours annually. WeDriveU's Customer Service Center runs out of two satellite yards with 10 electric bus chargers and now 17 EVs. WeDriveU facilitates safe, convenient, and reliable transportation for over 600,000 annual passengers while supporting Princeton's fully electric fleet.

In all respects, the contract reflects the principle and values of Mobico's Evolve strategy, including technology. Innovative technologies include onboard video with Artificial Intelligence (AI) capability for real time driver monitoring and coaching, Driver Vehicle Inspection Reports (DVIRs) to facilitate preventative maintenance and increase efficiency, and a real time multi-modal trip planning mobile app for added passenger convenience.

Although selected in 2021 to operate the services, 2023 has proven a notable year for the business, and its relationship with Princeton, with significant awards reflecting both the quality of service provided and strong, collaborative relationship.

- 2023 Best Universities for Commuters award.
- 2023 Association for Commuter Transportation (ACT) Commuting Options – Best Overall Program.
- In Autumn 2023, WeDriveU co-hosted Princeton's electric Transit Event, a peer exchange with over 70 attendees from over 20 organisations, including universities, transit agencies and utilities.



UK and Germany



Alex Jensen

CEO: UK and Germany

Our National Express business in the UK and Ireland had five areas of activity through the year, scheduled coach, bus services in the West Midlands, corporate and private hire, and services in Ireland. In Germany, we operate 5 Rhein-Ruhr Express routes as well as the RE7 and RB48 of the Rhine Munster Express.



Urban bus



Long distance coach



Rail

Revenue (£m)

+9.2%

£869.9m

(2022: £796.8m)

Adjusted Operating Profit (£m)

-45.1%

£23.7m

(2022: £43.2m)

Statutory Operating Profit/(Loss) (£m)

-1,059.2%

£(98.8)m

(2022 restated: £10.3m)

Adjusted Operating Profit Margin (%)

-2.7%

2.7%

(2022: 5.4%)

In the UK Bus sector, Mobico is the market leader in the West Midlands – the largest UK urban bus market outside London. UK Coach is the largest operator of scheduled coach services in the UK, and also serves the fragmented, corporate shuttle, private hire and accessible transport markets.

In Germany, Mobico is the second-largest rail operator in North Rhine-Westphalia and one of the top five operators in Germany.

Results

Good constant currency growth with Divisional revenues up 8.4% on a constant currency basis (9.2% on a reported basis) but a decline in Adjusted Operating Profit of £19.5m (45.1%). In UK Bus, revenues were down 1.7% vs 2022. In UK Coach, revenues were up 30.5% vs 2022. In Germany, revenues were down 3.2% vs 2022 (5.1% at constant currency), although this mainly reflects lower “pass-through” costs in our contracts.

Highlights

In July 2023, the UK Bus and Coach businesses were combined into a ‘one-UK’ structure to drive efficiencies and best practice across the division. In September 2023, Alex Jensen was appointed as the new Divisional CEO, together with a new CFO. As with the North American division, new leadership was deemed necessary to bring sharper commercial focus to the business. The immediate focus has been in three areas: (i) driving performance through tighter operational control, optimising networks and driving volumes and yields; (ii) transforming the business models to improve the risk and reward balance and rebase costs; and (iii) building organisational capability and discipline, including around capital and cost allocation.

Although both UK businesses have delivered good passenger and revenue results, they share a common challenge in their respective cost bases which have risen sharply since 2019 on a unit-cost basis relative to unit-revenues (i.e. when looked at on a per passenger or per mile basis). Work is underway, at pace, to determine the optimum cost structure.

UK Coach

- Strong growth in UK Coach core scheduled coach revenue resulting from good passenger recovery (+25.4%) and yields (+3.7%) vs 2022; including an estimated £15m profit benefit from rail strikes
- National Express's UK scheduled coach network growth in 2023 has significantly outpaced our main competitors, with 6.4m seats added over the year
- 15% of first-time users on a rail strike day have since used National Express again.

UK Bus

- UK Bus was significantly impacted by the drivers' strike in Q1 and associated wage settlements which added £23.3m of incremental cost. The cost of the strike itself (from lost revenue net of saved variable costs) was £2.4
- Significant funding from West Midlands Combined Authority to protect the bus network of £47.0m (FY 2022: £50.7m). While this funding is important, it is not sufficient to cover the cost increases or deliver an attractive return, and the team is working to reset this in January 2025 when the current funding deal ends
- 12.5% fare increase implemented from July 2023, lagging but assisting in mitigating cost increases (the pay award was effective 1 January 2023)
- Customer complaints reduced by 28% year on year reflecting an increased focus on lost mileage, punctuality, driver recruitment & retention and customer response
- Reduced the driver vacancy gap from 11% to 6%.

German Rail

- Lifetime profitability of contracts adversely impacted by industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation
- Increased onerous contract provision for RRX Lots 2&3 to £118.3m (FY 22 restated: £46.9m)
- Active discussions with PTA to renegotiate contracts and minimize disruption to passengers.

UK Coach

UK Coach delivered strong passenger growth of 25% in 2023 from a network that grew by 29%. Yields increased by 3.7%, and occupancy was marginally down at 69.7% as airports built back up.

National Express coaches provided significant support to customers during the repeated rail strikes through the year, which generated an estimated 615,000 additional passengers, and £17m revenue. Excluding strike impacts in 2022 and 2023, estimated underlying passenger growth in 2023 was 24%.

Overall, the growth in active online customers registered with National Express was circa 43%. This includes new customers who switched to our service, due to the disruption caused by continued rail strikes in 2023 and who we have subsequently retained.

In October, a review of the loss-making NXTS business resulted in a decision to close two depots (Gillingham and Sydenham) which have been impacted by a reduction in daily commuter traffic as a result of the working-from-home trend. The rest of the NXTS business has a significant dependence on the UK private hire and charter market which has been slow to recover post Covid. All potential options are being considered, including further rationalisation and rightsizing.

UK Bus

In FY 23 commercial passenger numbers were up 8.2% and exited the year at 98% of 2019 levels on a smaller network (at the end of 2023, the network was operating at 89% of 2019 mileage levels).

The drivers' strike in Q1 2023 resulted in a wage settlement of 16.2%, backdated to 1 January 2023 with the total cost of driver pay awards being £23.3m. The net cost of the strike itself,

including lost revenue and other business interruption costs, but after savings, was £2.4m. While this is unwelcome, settlements that are above inflation are unsustainable and we have taken the action necessary to maintain the business on a sustainable and strong footing. In response to the pay increase, National Express increased ticket prices in July 2023 by circa 12.5%, with the average day ticket increasing from £4.00 to £4.50.

During the year, we continued to receive government funding support to deliver customer growth and to maintain those parts of the bus network that are not commercially viable (£47.0m of funding was received in FY 23, compared with £50.7m in FY 22). This contribution reduces to £38.7m in FY 24, after which time the current agreement ends. The reduction mainly reflects the end of specific support received for the fare freeze in FY 23 (£3m) and a £5m reduction in support received under the Bus Recovery Grant. Discussions are underway to secure further funding, and alternative network cuts (removal of non-profitable routes) have already been identified which would act to bridge any remaining funding gap.

Contract wins, renewals and mobilisations

Late in the year, the UK Coach business successfully retained its Luton Airport contract after a competitive process, extending a very effective and collaborative partnership exemplified by the response to the major fire at the airport parking facilities in October 2023. This new contract (five-year plus two-year extension option) continues a successful partnership that has run since 2013 serving circa 1.5 million passengers per year.

Our Ireland operations, operating as Dublin Express, continue to grow and expand. In January 2024, we successfully retained the contract in a competitive tender process to operate Airport to City services from the premium departure slots until 2027. We see further growth in this buoyant market both in terms of ongoing airport growth and expansion of Dublin Express' reach, starting with launch of an additional service to southern Dublin in H1 2024. Overall passenger numbers grew from 1.2m in FY 22 to 1.7m in FY 23 (+48%). This growth was driven by ongoing recovery in Dublin Airport air passenger numbers, further embedding of the Dublin Express brand in the Irish market and a focus on partnerships, such as our exclusive ticket sales arrangement with national rail operator, Irish Rail. To meet this demand, we increased our overall seat capacity between Dublin and Dublin Airport by 94% over the course of the year.

In parallel, we launched the Dublin to Belfast route on 18 July 2023. Comprising 16 round trips per day, this route has already gained a significant foothold in the market and was profitable after just three months. We have now carried 150k passengers and believe that this will grow to over 0.5m passengers per annum over the next two years.

We continue to build our reputation for quality and reliability, enjoying an NPS on Belfast routes of over 70 (and over 40 on high frequency Airport-Dublin routes), demonstrating the quality of service being delivered hand in hand with the significant growth over the period.

Focus on efficiency

Through the year, the UK Coach operated network has grown – with operated mileage in 2023 at 61.3m miles, 29% higher than in 2022 with seat utilisation at 70%, 6% above 2019 levels (64%). This growth has been added quickly but in an efficient and sustainable manner, without sacrificing punctuality or customer satisfaction. Absolute growth in the National Express network has significantly exceeded that of our two largest competitors combined.

During 2023, UK Bus placed a strong focus on driver recruitment and retention, investment in new more reliable fleet, and proactively working with local authorities to limit highway disruption. The launch of 'Project Clockwork' is designed to deliver a significant improvement in bus punctuality and further improvement in lost mileage by the end of 2024.

Disciplined capital allocation

During the year, the business undertook a commercial review of a project to bring 100 Hydrogen Fuel Cell ZEVs into UK Bus operations, as part of the ZEBRA (Zero Emission Bus Regional Areas) Government funding scheme. The review drew on insight gained in running a fleet of 20 buses in Birmingham in partnership with Birmingham City Council. Given what we learnt from this small trial, we made the decision to move away from the hydrogen element of the ZEBRA scheme. We are in discussions with TfWM and DfT about next steps. Hydrogen may become viable for longer distance Coach operations in the future, and that will be further evaluated as the technology evolves.

Germany

In Germany we face pressure on profitability of our contracts mainly as a result of three key structural issues: firstly, costs associated with industry-wide disruption in the train driver market and lower productivity; secondly, lower expectations for net energy cost recovery relating to volatility in energy costs and associated energy cost recovery indices (including the impact of the revised indices from the German Federal Statistical Office); and finally, persistent levels of inflation.

Driver scarcity

Driver scarcity in Germany is an industry-wide issue caused by an increasingly competitive market for driver recruitment. Supply of drivers has traditionally been dominated by Deutsche Bahn's own workforce planning (and where state-backed retirement benefits are very attractive to the older members of the workforce). It is estimated that 40% of drivers will retire by 2027. In context, a typical driver training program requires 12-18 months to complete. This scarcity has recently been compounded by three key structural issues:

- i. Continuing pressure on labour productivity by the unions who are seeking a reduction in productive working hours of 8% (to 35 hours a week). As a result, the driver establishment in North RhineWestphalia (NRW) for all train operating companies (TOCs) has increased significantly and it is expected that there will be a recruiting requirement of nearly 1,000 new drivers in the region.
- ii. In late Summer and Q4 of 2023, we saw higher than anticipated resignations as drivers left to join agencies (where they could be re-employed on significantly higher pay). This has been a significant and rapid change for the industry. When we mobilised the RRX Lot 1 emergency award in February 2022 only 20 agency drivers were employed representing 5% of our driver workforce. By January 2024, in contrast we were running with an agency driver quota of 12%.
- iii. Significant network upgrade work with almost 1,000 construction projects planned for the NRW region. Major projects include RRX expansion and the remodelling of the Cologne junction and affects around 30 per cent of daily journeys in NRW, this results in longer journeys and a higher driver requirement.

As a result of the issues outlined above, at the end of FY 23 we had an overall driver gap of circa 9%, (after the utilisation of 41 agency drivers). While a driver gap of 5-10% can be managed in the short term (with higher penalties and overtime costs), this level of gap is not sustainable over the medium term, and management have put in place an action plan to address:

- Agreed mileage reductions with our PTAs to minimize disruption to passengers and associated penalties (although with a reduction in subsidy) over the next 12 months

- Increased the number of our own driver training courses from 39 in 2022 to 70 in 2023 and a similar number planned in 2024, in order that we recover the driver shortage by 2025/26
- Amended our workforce plans to take account of lower productivity

Energy subsidy

Energy subsidies are received to compensate operators for volatility in energy prices, and are calculated by reference to specific indices published by the German Federal Statistical Office, DeStatis. The way that indices relevant to our RME and RRX 2&3 contracts are compiled is not transparent.

However, historically the way in which these indices had behaved was relatively predictable: tending to increase as wholesale prices increased (and decrease as market prices fell) but in a less pronounced way. For example, energy prices for short-dated energy purchases peaked in August 2022 at over 500% of August 2021, the energy compensation index only increased 250%. During 2023 the index started to behave in a different way from this previous experience giving us a greater exposure.

As a result, we have revised our forecasts for long-term cost recovery under the contracts.

Revised Indices

In addition to the issues described above, in early March 2024 DeStatis republished values for the index used in our contracts, replacing previous data for the 38 months from January 2021 to February 2024. This revision required us to re-evaluate our forecasts for how the energy subsidy index will behave relative to our assumptions about the cost of energy.

Financial impact

Although we are involved in constructive ongoing dialogue with our PTAs to rebalance contracts for the structural issues that are outside of our control, the impact on our German operations prior to mitigation is as follows:

- Adjusted Operating Profit on our RME and RRX Lot-1 contracts reduced by £17m (compared to prior year) in 2023 to £0.2m. Of this change, approximately £10m is due to the IFRS15 contract asset, principally reflecting lower expectations of future profitability, with the balance of £6m representing the in-year impact of lower net energy costs, lower subsidy and the costs associated with driver shortages
- We expect that the RME and RRX Lot-1 contracts will generate future profits (through Adjusted Operating Profit) of approximately £20m over the remaining contract lives, but with a loss of approximately £5m in FY 24 as the driver issues are resolved, and we transition to operating RRX Lot-1 on a permanent basis (compared to an emergency award basis between February 2022 and December 2023)
- As a result of the issues described above, the onerous contract provision in respect of our RRX Lots2/3 contracts (which recognises all of the expected losses on that contract over its contract life) increases to £118.3m (FY 22 (restated): £46.9m), with an expected cash outflow of approximately £30m in FY 24, and an average cash outflow of £10m p.a. for the remainder of the contract lives.

Evolve outcomes

- **Safest:** UK FWI per Million Miles of 0.001 (FY 22: 0.002) reflecting the launch of an enhanced suite of 'Golden Safety Rules', expert coaching, and continued deployment of driver simulator in UK Bus. Germany had an FWI of 0.047 (FY 22: 0.000) as a result of a fatality of a track worker which is still under investigation.
- **Most satisfied customers:**
 - **UK Bus:** Passenger volume growth of 8.2%. Punctuality & reliability complaints, the biggest satisfaction driver for our customers, reduced by 48% year on year.
 - **Coach:** Passenger volume growth of 25%. Customer satisfaction for National Express (Coach) remains strong with an NPS of 36.8, flat on 2022, despite the impact of a significant number of rail strikes resulting in much busier services and increased traffic congestion.
 - **German rail:** Passenger volume growth of 13% stimulated by subsidised fares in the form of the €49 ticket.
- **Employer of choice:** UK eNPS of -28, although disappointing, represents a significant improvement on prior year (+10 on FY 22), which was impacted by industrial relations issues and management change. In our drive to become Employer of Choice, we launched our National Express Inclusion Playbook for managers and colleagues, which is a toolkit for managers and their teams to navigate and nurture an inclusive culture.
- **Most reliable:**
 - **OTP (On Time Performance)** of 80.8% (FY 22: 85.6%) in UK Bus, and 86.9% (FY 22: 88.9%) in UK Coach: A key controllable driver of reliability for our customers is lost mileage (defined as the difference between our scheduled mileage and operated mileage, reflecting services which have not been delivered) across both our Bus and Coach operations. In a period of rail strikes, growing demand for our services and the impact of increased traffic and roadworks, this metric has improved by circa 35% in both businesses. Despite this OTP has declined as a result of increased congestion and driver shortages.
 - **OTP of 60.9% (FY 22: 64.3%)** in German Rail: with the fall due to significant network infrastructure upgrades and route diversions, compounded by the scarcity of drivers. As discussed above, we are working with the PTAs to minimize the impact of disruption to customers.
 - **Environmental leader:** Our UK Bus business now has 159 electric buses in operation (79 as at December 2022) meaning that 10.1% of our operated network that is fully electric, with further ZEVs already on order that will take that proportion significantly higher. In Coventry we are leading the UK's first 'All Electric Bus City' project, which is on schedule to be completed by 2025.



Alex Jensen
CEO: UK and Germany



Strong passenger growth and demand in the period resulting in a 12.2% increase in Group revenue to £3.2bn. £168.6m Adjusted Operating Profit and a £162.7m statutory loss after tax and adjusting items. £163.7m of free cash flow, representing 97% conversion, with £0.9bn in cash and undrawn commitments.

James Stamp, Group Chief Financial Officer



Summary Income Statement

	Year ended 31 December					
	Adjusted result ¹ 2023 £m	Adjusting items ¹ 2023 £m	Statutory Total 2023 £m	Adjusted result ¹ 2022 £m	(Restated) Adjusting items ^{1,2} 2022 £m	(Restated) Statutory Total 2022 ² £m
Revenue	3,150.9	-	3,150.9	2,807.5	-	2,807.5
Operating costs	(2,982.3)	(190.0)	(3,172.3)	(2,610.2)	(370.8)	(2,981.0)
Operating profit/(loss)	168.6	(190.0)	(21.4)	197.3	(370.8)	(173.5)
Share of results from associates	(0.5)	-	(0.5)	(0.4)	-	(0.4)
Net finance costs	(75.2)	(1.2)	(76.4)	(51.0)	(0.4)	(51.4)
Profit/(loss) before tax	92.9	(191.2)	(98.3)	145.9	(371.2)	(225.3)
Tax	(42.5)	(21.9)	(64.4)	(30.3)	24.4	(5.9)
Profit/(loss) for the year	50.4	(213.1)	(162.7)	115.6	(346.8)	(231.2)

¹ To supplement IFRS reporting, we also present our results on an adjusted basis to show the performance of the business before adjusting items. These are detailed on pages 177 to 179 and principally comprise for the 12 months to 31 December 2023; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. 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 pages 251 and 252.

² Restated for a correction to the German Rail onerous contract provision; please refer to Note 2 of the Financial Statements section for more information.



Read more about our leadership on pages 82 to 87

The Group has seen strong passenger growth and demand for its services in the period resulting in Group revenue increasing by 12.2% to £3,150.9m (FY 22: £2,807.5m), with topline revenue growth across all operating segments, driven by overall passenger growth of 9.9%.

The table below illustrates the levels of passenger and revenue growth during the year in the key parts of the business that are exposed to passenger volume-related revenues¹.

	2023 vs 2022 passenger growth %	2023 vs 2022 revenue growth %
UK Bus commercial	8%	14%
ALSA urban bus	22%	7%
UK scheduled coach	25%	30%
ALSA long haul	28%	37%

¹ We have not included the RME contract in German Rail in the table above as revenues are covered by subsidies relating to the €49 ticket.

In addition to strong passenger growth, we also delivered good route recovery in North American School Bus and prices increases in a number of areas, including:

- The 40% of School Bus contracts that were up for renewal in this bid season had price increases of 13%, effective September 2023 (beginning of School Year 23/24);
- Price increases in UK Bus of 12.5% were implemented from 1 July 2023;
- Effective yield management in our UK and Spanish long-haul coach businesses increased average yields by 3.7% and 7.5% respectively.

These gains offset a £105.4m year on year reduction in Covid-related grants.

Covid-related grants	Revenue Support £m	Cost Support £m	Total £m
ALSA	11.5	-	11.5
North America	-	4.2	4.2
UK	1.9	8.7	10.6
German Rail	-	-	-
Total - Year ended 31 December 2023	13.4	12.9	26.3
Total - Year ended 31 December 2022	56.7	75.0	131.7

Adjusting items

Adjusting operating items were £190.0m (FY 22 restated: £370.8m), of which £71.0m (FY 22: £49.3m) resulted in cash outflows in the period.

Adjusting items debit/(credit)	Income Statement 2023 £m	(Restated) Income Statement 2022 ¹ £m	Cash 2023 £m	Cash 2022 £m
	Goodwill impairment of ALSA	-	260.6	-
Intangible amortisation for acquired businesses	35.3	37.2	-	-
Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic	2.1	7.6	7.1	17.0
Re-measurement of the Rhine-Ruhr onerous contract provision	99.2	24.3	27.9	9.6
Re-measurement of onerous contract provisions and impairments in respect of North America driver shortages	12.0	31.4	9.8	11.7
Final re-measurement of WeDriveU put liability	2.4	-	-	-
Repayment of UK Coronavirus Job Retention Scheme grant ('Furlough')	8.9	-	-	-
Restructuring and other costs	30.1	9.7	26.2	11.0

However, we also saw significant inflation and increased driver related costs which were not able to be fully offset in the year. Notwithstanding good progress on Accelerate 1.0, which delivered £15m cost savings during the year, Group Adjusted Operating Profit fell to £168.6m (FY 22: £197.3m), a reduction of £28.7m. We expect the impact of run-rate benefits from our cost saving initiatives; the full year impact of pricing increases implemented during FY 23; further price increases to be implemented in FY 24; and further route recovery in North America School Bus to benefit FY 24.

After £190.0m (FY 22 restated: £370.8m) of adjusting items (described in further detail below) the statutory operating loss was £21.4m (FY 22 restated: £173.5m loss).

Net Finance Costs increased by £25.0m to £76.4m (FY 22 restated: £51.4m) due to both the refinancing of the £400m bond, which carried a 2.5% interest rate, with a €500m bond at a 4.875% interest rate; and the impact of higher interest rates on the Group's floating rate debt.

Adjusted Profit Before Tax was £92.9m (FY 22: £145.9m) and Statutory Loss Before Tax was £98.3m (FY 22 restated: £225.3m loss).

The Adjusted effective tax rate of 45.7% (FY 22: 20.8%) resulted in an Adjusted tax charge of £42.5m (FY 22: £30.3m). The effective tax rate has been impacted by an interest disallowance in the UK due to the Corporate Interest Restriction Rules (restricting interest deductions to 30% of EBITDA) and higher interest rates.

The statutory tax charge was £64.4m (FY 22 restated: £5.9m), with an Adjusting tax charge of £21.9m (FY 22 restated: £24.4m credit). The adjustment relates to: (i) the write-off of UK and North America deferred tax assets on tax losses which are either restricted in their use or have expired of £27.2m; (ii) a further £51.3m write-off of deferred tax assets on tax losses in Germany; (iii) a £46.2m credit relating to tax on adjusting items; and (iv) a tax credit of £10.4m on intangible assets.

The Statutory Loss after tax was £162.7m (FY 22 restated: £231.2m loss).

	Income Statement 2023 £m	(Restated) Income Statement 2022 ¹ £m	Cash 2023 £m	Cash 2022 £m
Adjusting items debit/(credit)				
Adjusting operating items	190.0	370.8	71.0	49.3
Unwinding of discount of the Rhine-Ruhr onerous contract provision (c)	1.2	0.4		
Total Adjusting items before tax	191.2	371.2		
Tax charge/(credit)	21.9	(24.4)		
Total Adjusting items after tax	213.1	346.8		

¹ Restated for a correction to the German Rail onerous contract provision; please refer to Note 2 of the Financial Statements section for more information.

Following the impairment of goodwill in ALSA in 2022, no further goodwill impairment has been recorded.

Consistent with previous periods, the Group classifies £35.3m (FY 22: £37.2m) amortisation for acquired intangibles as a Adjusting item.

Re-measurements of onerous contracts which arose following the Covid-19 pandemic of £2.1m (FY 22: £7.6m) relates only to re-measurements in respect of contracts previously classified as onerous, and where we are still operating the contract. No new contracts became onerous in 2023. The cash outflow of £7.1m was higher than the income statement charge as it relates to the utilisation of onerous contract provisions recognised in previous years. We do not expect further Adjusting items in respect of new onerous contracts (with any remeasurements only in respect of those contracts previously recorded as onerous).

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

The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of

those dates as set out in the notes to the Financial Statements. As a result the income statement charge for the year ended 31 December 2022 within adjusting items was restated to £24.3m (previously reported: £9.3m).

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

In US School Bus, an additional £12.0m charge was recorded in respect of onerous contracts and associated impairments which continued to be impacted by the post-covid market wide issues of driver shortages. This charge relates only to contracts which were previously considered to be onerous; no further such contracts have become onerous in 2023.

The WeDriveU put liability charge of £2.4m represents the final true-up payment in respect of the final 20% tranche of shares purchased and the Group now owns 100% of that business, with no further adjustments required.

Repayment of the UK Coronavirus Job Retention Scheme grant of £8.9m reflects the commitment made to voluntarily repay furlough funding at the time a dividend was paid to shareholders. This was subsequently paid in early 2024.

Restructuring and other costs of £30.1m includes the impact of Group wide strategic initiatives and restructuring, which includes one-off costs relating our cost saving programmes, and costs relating to preparation for the previously announced sale of US School Bus.

The Adjusting tax charge of £21.9m (FY 22 restated: credit £24.4m) is made up of a tax credit on amortisation of acquired intangible assets £10.4m (FY 22: £9.1m), a tax credit on Adjusting costs of £46.2m (FY 22 restated: £19.4m) and a deferred tax charge associated with de-recognition of tax losses of £78.5m (FY 22 restated: £4.1m).

Segmental performance

	Year ended 31 December						
	Adjusted Operating Profit/(Loss) 2023	Adjusting items 2023	Segment result 2023	Adjusted Operating Profit/(Loss) 2022	(Restated) Adjusting items 2022 ¹	(Restated) Segment result 2022 ¹	
	£m	£m	£m	£m	£m	£m	
ALSA	136.8	(15.8)	121.0	103.9	(274.1)	(170.2)	
North America	27.1	(34.2)	(7.1)	68.4	(55.7)	12.7	
UK	23.5	(22.2)	1.3	25.6	(7.5)	18.1	
German Rail	0.2	(100.3)	(100.1)	17.6	(25.4)	(7.8)	
Central functions	(19.0)	(17.5)	(36.5)	(18.2)	(8.1)	(26.3)	
Operating profit/(loss)	168.6	(190.0)	(21.4)	197.3	(370.8)	(173.5)	

¹ Restated for a correction to the German Rail onerous contract provision

ALSA Adjusted Operating Profit has increased by £32.9m to £136.8m driven by robust passenger growth and improved yields compared with FY 22. The Regional and Urban business has also seen continuing growth boosted by increased mobility and network increases. The Statutory Profit has increased by £291.2m to £121.0m, due to the impairment of goodwill in FY 22.

North America Adjusted Operating Profit has decreased by £41.3m to £27.1m, with revenue growth of 6% as services rebuild, partly offsetting a £51.7m reduction in Covid-related cost support. While the business has faced higher operating costs due to driver shortages during the year, there has been significant progress in School Bus, with driver recruitment and retention resulting in route reinstatement at near to its contractual maximum, and with price increases for expiring contracts at 13%.

Revenue growth in Transit and Shuttle has been driven by new contract wins in the year, offsetting some of the volume decrease that we have seen in some of our large corporate shuttle contracts.

The statutory operating loss of £7.1m for the North America division as a whole is £19.8m down on prior year despite a £21.5m reduction in Adjusting items (as a result of a lower charge associated with the re-measurement of onerous contracts as the driver-gap and number of onerous contracts has reduced) because of the reduction in Adjusted Operating Profit noted above.

In the UK, Adjusted Operating Profit reduced by £2.1m to £23.5m. UK Bus revenues were helped by commercial passenger numbers increasing by 8% versus 2022 and a 12.5% price increase in July 2023. These helped to mitigate the impact of the drivers' strike in the first quarter of 2023 and the associated 16% wage settlement which was effective from 1 January 2023. During the year we continued to receive grants and subsidies to operate services. UK Coach revenues were supported by strong passenger growth of 25%. Passenger revenues were boosted by rail strikes through the year which generated an estimated 600,000 additional passengers. UK Coach operating profit was impacted by the continued disappointing performance in NXTS, the private hire and contracts business. Two loss making depots (Gillingham and Sydenham) were identified for closure in the year. The increase in Adjusting items of £14.7m reflects the commitment to repay the UK Coronavirus Job Retention Scheme grant and also restructuring costs.

German Rail Adjusted Operating Profit is down £17.4m to £0.2m. Of this reduction, approximately £10m is due to the IFRS15 contract asset adjustments associated with the RME contract. This movement includes approximately £8m of adjustments to reflect the impact of lower future profit expectations over the remaining contract life. The balance of the reduction in profitability (approximately £6m) was a result of higher penalties (and lower subsidies) caused by driver shortages, and the in-year impact of lower recovery of energy costs due to index ineffectiveness and rebasing on RME and RRX1.

RRX Lots 2 and 3 contributed £nil to Adjusted Operating Profit as they are covered by the onerous contract provision noted above. The segment result was impacted by a £99.2m charge relating to the increase in the onerous contract provision reflecting the latest view of profitability of the RRX Lots 2 and 3 contract over the remaining contract life to 2033.

Cash management

Funds flow	2023 £m	2022 £m
Adjusted Operating Profit	168.6	197.3
Depreciation and other non-cash items	217.4	220.8
Adjusted EBITDA¹	386.0	418.1
Net maintenance capital expenditure ²	(135.7)	(184.5)
Working capital movement	9.1	(1.1)
Pension contributions above normal charge	(7.5)	(7.4)
Operating cash flow	251.9	225.1
Net interest paid	(61.0)	(47.0)
Tax paid	(27.2)	(17.6)
Free cash flow	163.7	160.5
Growth capital expenditure ²	(17.9)	(93.1)
Acquisitions and disposals (net of cash acquired/disposed)	(59.6)	(29.5)
Adjusting items	(71.0)	(49.3)
Payment on hybrid instrument	(21.3)	(21.3)
Dividend	(41.1)	-
Other, including foreign exchange	53.4	(105.4)
Net funds flow	6.2	(138.1)
Net Debt	(1,201.7)	(1,207.9)

¹ Adjusted EBITDA is defined in the glossary of Alternative Performance Measures on page 251.

² Net maintenance capital expenditure and growth capital expenditure are defined in the glossary of Alternative Performance Measures on page 251.

The Group generated Adjusted EBITDA of £386.0m in the period (FY 22: £418.1m).

Net maintenance capital expenditure of £135.7m is principally related to asset purchases in North America and ALSA and is £48.8m less than FY 22 as the Group accelerated capital expenditure in FY 22 to secure production slots, resulting in a lower cash outflow in FY 23. Working capital was well controlled with an inflow of £9.1m including the collection of amounts from public bodies in the UK and Morocco and the adjustment to the RME IFRS15 contract asset discussed above (the reduction in the asset which forms part of working capital offsets the non-cash charge associated with the reduction included in Adjusted EBITDA, hence is cash-neutral within FY 23).

Consistent with previous periods, the Group makes use of non-recourse factoring arrangements.

These take two forms:

- typical factoring of receivables existing at the balance sheet date (principally utilised for School Bus in North America and ALSA), for which there was £74.9m (FY 22: £62.5m) drawn down at year end and which is recognised as a reduction in receivables and recorded within operating cash flow; and
- advance payments for factoring of divisional subsidies, for which £83.8m (FY 22: £50.2m) was drawn down at the end of the year, of this, £66.4m (FY 22: £50.2m) is in 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; £17.4m (FY 22: £nil) was also factored in ALSA in relation to urban bus consortium arrangements. The amounts drawn down on these arrangements are classified as borrowings.

Net interest paid increased by £14.0m to £61.0m reflecting the increase in central bank base rates during the year on the floating component of our debt and the refinancing of the £400m bond, at 2.5% interest rate, with a €500m bond at a 4.875% interest rate.

Tax paid increased by £9.6m to £27.2m due to higher taxable profits in ALSA, as well as a temporary rule introduced by the Spanish tax authorities, limiting the amount of tax losses which can be utilised during the current year (with the restriction only impacting current year).

Free cash inflow was £163.7m (FY 22: £160.5m), representing strong conversion of 97% (FY 22: 81%).

Growth capital expenditure of £17.9m in the period (FY 22: £93.1m) primarily relates to assets purchased for new business in North America and ALSA partially offset by a funding receipt from the local authority of £11.9m relating to the new Casablanca fleet. The decrease from 2022 is due to significant payments for the new fleet in Casablanca and Rabat that were made in the prior year.

Acquisition costs of £59.6m (FY 22: £29.5m) relate mainly to the £46.1m purchase of the final 20% share in WeDriveU, which is now a 100% subsidiary; a £6.1m deposit related to the Canarybus acquisition in ALSA; as well as several smaller acquisitions in ALSA and earn-out considerations being paid for previous acquisitions.

A cash outflow of £71.0m was recorded in respect of Adjusting items as explained above. £21.3m of coupon payments on the hybrid instrument were made in the period and £41.1m in respect of the 2022 full year and 2023 interim dividend was paid to shareholders. Other inflows of £53.4m principally reflect the movement in exchange rates and settlement of foreign exchange derivatives as a result of our hedging strategy which seeks to protect covenant gearing from foreign exchange rate volatility.

Net funds inflow for the period of £6.2m (FY 22: £138.1m outflow) resulted in Net Debt of £1,201.7m (FY 22: £1,207.9m).

Please see page 253 for a reconciliation to the statutory cash flow statement.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance. It is not expected that an interim dividend for FY 24 will be paid.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Treasury management

The Group maintains a disciplined approach to its financing and is committed to an investment grade credit rating. Our Moody's and Fitch ratings are Baa2/negative and BBB/stable respectively.

The Group has two key bank covenant tests; being a <3.5x test for gearing and a >3.5x test for interest cover. At 31 December 2023, covenant gearing was 3.0x (FY 22: 2.8x) and interest cover was 5.2x (FY 22: 8.6x). The increase in the covenant gearing ratio is attributable to the reduction in Adjusted EBITDA, with covenant net debt broadly consistent with FY 22.

At 31 December 2023, the Group had utilised £1.4bn of debt capital and committed facilities. At 31 December 2023, the Group's RCFs were undrawn and the Group had available a total of £0.9bn (FY 22: £0.8bn) in cash and undrawn committed facilities. The table below sets out the composition of these facilities:

Funding facilities	Facility £m	Utilised at 31 December 2023 £m	Headroom at 31 December 2023 £m	Maturity year
Core RCFs	600	-	600	2028
2028 bond	232	232	-	2028
2031 bond	428	428	-	2031
Private placement	405	405	-	2027-2032
Divisional bank loans	164	164	-	Various
Leases	181	181	-	Various
Funding facilities excluding cash	2,010	1,410	600	
Net cash and cash equivalents		(294)	294	
Total		1,116	894	

The Group completed two significant refinancing activities successfully during the year, which has improved the debt maturity and liquidity profile.

In July 2023, the Group completed the refinancing of its Core RCF facility, with the signing of a new £600m, 5 year committed revolving credit facility, with options to extend for two further years.

In September 2023, the Group issued a new €500m bond, maturing in 2031 and with a fixed interest coupon of 4.875%. This refinanced the maturing £400m bond which was repaid in November 2023.

The result of these two activities is an extension to our average debt maturity to 5.4 years, up from 3.7 years at FY 22.

To ensure sufficient liquidity, the Board requires the Group to maintain 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 a result, are not included in (or required for) liquidity forecasts.

At 31 December 2023, 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. At 31 December 2023, the proportion of Group debt at floating rates was 21% (31 December 2022: 19%).

Return on capital employed

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 7.0% (FY 22 restated: 7.6%), as result of the lower EBIT in the year.

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 North America. 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 2023 was £32.6m (FY 22: £42.1m), with the IAS 19 deficit for the Group's main scheme, West Midlands Bus being £30.0m (FY 22: £39.7m).

The agreed deficit repayments on the West Midlands Bus plan are £7.5m, £7.7m and £7.8m per annum for the three years from 1 April 2023.

Fuel costs

Fuel cost represents approximately 9% of revenue (FY 22: 8%). At 31 December 2023 the Group is fully hedged for 2024 at an average price of 51.6p per litre; around 50% hedged for 2025 at an average price of 51.1p; and around 17% hedged for 2026 at an average price of 47.8p. This compares to an average hedged price in 2022 and 2023 of 37.5p and 48.5p respectively. This increase in hedged rates will add approximately £5m to gross fuel costs by FY 24 compared with FY 23.

Going concern

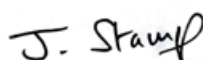
The Financial Statements have been prepared on a going concern basis as the Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. Details of the Board's assessment of the Group's 'base case', 'reasonable worse case', and 'reverse stress tests' are detailed in note 2 of the Financial Statements on pages 159 to 161.

Risks and uncertainties

The Board considers the following are the principal risks and uncertainties facing the business:

- **Unprecedented external factors threatening the resilience of the business:** The resilience of the business can be challenged from major incidents such as a future pandemic, a financial crisis or extreme weather. If the Group is not able to identify and prepare appropriately, it might lead to significant financial, operational and reputational damages.
- **Adverse economic conditions affecting our speed of recovery:** Declining economic conditions and very high inflation rates can impact demand for travel.
- **Adverse political and policy environment affecting funding:** Political and geopolitical events such as trade tensions and regional conflicts can bring change. Those changes may impact government policy and funding for transport, which may impact the Group's operations.

- **Regulatory landscape and ability to comply:** Changes in current regulations and newly introduced regulations can impact the cost structure and operational procedures in our business as we strive to remain compliant.
- **Climate changes (physical):** We see increased frequency and intensity of extreme weather events such as hurricanes, floods and heatwaves that can lead to extensive damage to infrastructure, loss of lives, and disruptions to communities. The Group can lose key locations or suffer severe asset damages, or operations can be interrupted and cause revenue loss even if the Group's assets are undamaged.
- **Climate changes (transitional):** The transition to zero emissions mass mobility is driven by regulatory changes, market demands, and Group's commitment to reducing its carbon footprint. The successful and sustainable transition poses a number of challenges due to significant changes required to infrastructure and changes to the risk profile associated with owning and operating the assets.
- **Implications of new technology in our business model (ZEV transformation):** Transition to ZEV means introducing new technology that involves changes impacting across the business model including financing, contracting, maintaining and operating of the assets.
- **Competition and market dynamics in a digital world:** The evolving digital landscape in the transportation sector brings a number of challenges and opportunities including: i) shifting consumer preferences towards digitalisation; ii) alternative revenue structures which may disrupt traditional fare structures; iii) structural transformation which could cause unforeseen disruptions or affect productivity.
- **Shortages of drivers and frontline employees:** A tightening labour market leads to a combination of higher turnover and lower numbers of new recruits. A material shortage of drivers, engineering and maintenance employees impacts our ability to effectively deliver services and impact profitability, operations and reputation.
- **Industrial action:** Industrial action can impact the delivery of service, revenues and damage our brand and reputation, along with employee engagement and morale.
- **Cyber attack:** Major IT failure could disrupt operations and lead to loss of revenue. Data compromise involving a loss of customer information could result in reputational damage and significant remedial costs.
- **Safety incidents, litigation and claims:** Major safety-related incident could impact the Group both financially and reputationally. Higher than planned claims or cash settlements could adversely affect profit and cash outflow. Non-compliance with regulations can create legal and financial risk. A security incident (e.g. terrorism) would have a direct impact through asset damage, disruption to operations and revenue loss.
- **Credit/financing:** A material increase in interest rates would increase the Group's cost of borrowing, albeit around 80% of our debt is now at fixed rates following refinancing in FY 23. Constrained equity and/or debt markets increase the costs of capital and debt financing. Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital.
- **Attraction and retention of talent and succession planning:** Risk of not being able to attract or retain talented individuals with key skills needed to deliver the Evolve strategy.



James Stamp
Group Chief Financial Officer

21 April 2024

Risk

management

Committed to managing risk effectively

The Board of Mobico Group recognises the importance of effective risk management in the successful achievement of its strategic objectives. Positioned as a global leader in the transportation industry, Mobico is exposed to an evolving landscape of risks, which could potentially impact performance or reputation negatively, as well as positively. The Board remains ultimately responsible for the effective management of risk in the Group, and is committed to driving continuous improvement and adopting best practice in this crucial area. In addition to the broad strategic responsibilities, the Board:

- a. approves the Group Risk Appetite Statement;
- b. reviews and approves the Group Emerging Risks;
- c. reviews the Principal Risks faced by the Group and approves the Group Risk Register.

The Audit Committee reinforces the process further by conducting 'deep dive' reviews, either on specific risks or through discussions with divisional leadership teams to challenge their divisional risk registers.

a. Group Risk Appetite Statement

The Board recognises that in continuing to deliver Mobico's strategy and achieve our objectives we need to take some calculated risks. However, Mobico will tolerate a level of risk that is consistent with our core purpose and values, can be managed effectively and be in line with the expectations of our shareholders and other stakeholders to offer superior returns. The acceptable level of risk is reviewed on an annual basis, which defines the appetite and tolerance level against key risks by analysing the mitigation actions in place and what additional measures might be needed. This ensures alignment between our view of acceptable risk exposure and the strategic priorities of the Group.

Mobico's strategy and objectives, including the focus on the Evolve strategy outcomes are reflective of its risk appetite. Mobico has:

- A strategy to create value for shareholders and society in a sustainable way;
- A clear understanding of its risks and opportunities in the transport industry across all geographic regions the business operates in (with any future expansion into new regions being subject to deep and rigorous country risk reviews) ensuring that the appropriate governance arrangements are in place aligned with the Group's strategy and values; and
- No appetite for risks impacting the safety of our employees, customer or general public, brought on by unsafe vehicles or actions.

Mobico is exposed to a universe of risks for which it has a varying degree of appetite and tolerance. In determining its appetite and tolerance for specific risks, the Board and Audit Committee ensures that:

1. Risks are consistent with Mobico's core purpose and values, strategy and financial objectives;
2. Risks are tolerated only when high standards of control and mitigation have been implemented and appropriate review and approval has been attained through the Risk Management Framework and improvement and reward is achievable; and
3. Risks are actively reviewed and monitored through the appropriate allocation of resources.

The Board remains ultimately responsible for determining the nature and extent of the risk it is willing to take to achieve strategic objectives, ensuring an effective management of those risks in the Group, and is committed to driving continuous improvement and adopting best practice in this important area.

b. Group Emerging Risks

Emerging Risks are reviewed and approved by the Board. The Group considers an emerging risk to be one that cannot yet be fully assessed and is not currently having a material impact on the business, but has a reasonable likelihood of impacting future strategy or operations. The Group's approach to identifying and managing emerging risk exposure is to:

- identify a wide universe of potential emerging risks using horizon scanning techniques, published external research and peer/competitor review;
- preliminarily assess these risks, taking into account our industry sector and market position, and our strategy, to determine broad relevance;
- consider the potential impact of each risk on the Group's strategy, finances, operations and reputation, taking into account the likelihood of the risk occurring, and the speed with which it may manifest; and
- develop actions to address the risks where appropriate.

From a very wide universe of potential emerging risks, the Group has, through the above process, identified a number of risks that warrant closer review. Based on the rate of development of the risk, they have been further segregated into those requiring only a monitoring approach at present and those where actions are being developed alongside the principal risks. The majority of the emerging risks identified relate to frontier technologies such as:

- disruptive new technologies and use of AI, and the ethical aspects of AI use; and
- autonomous vehicles and their impact in the industry.

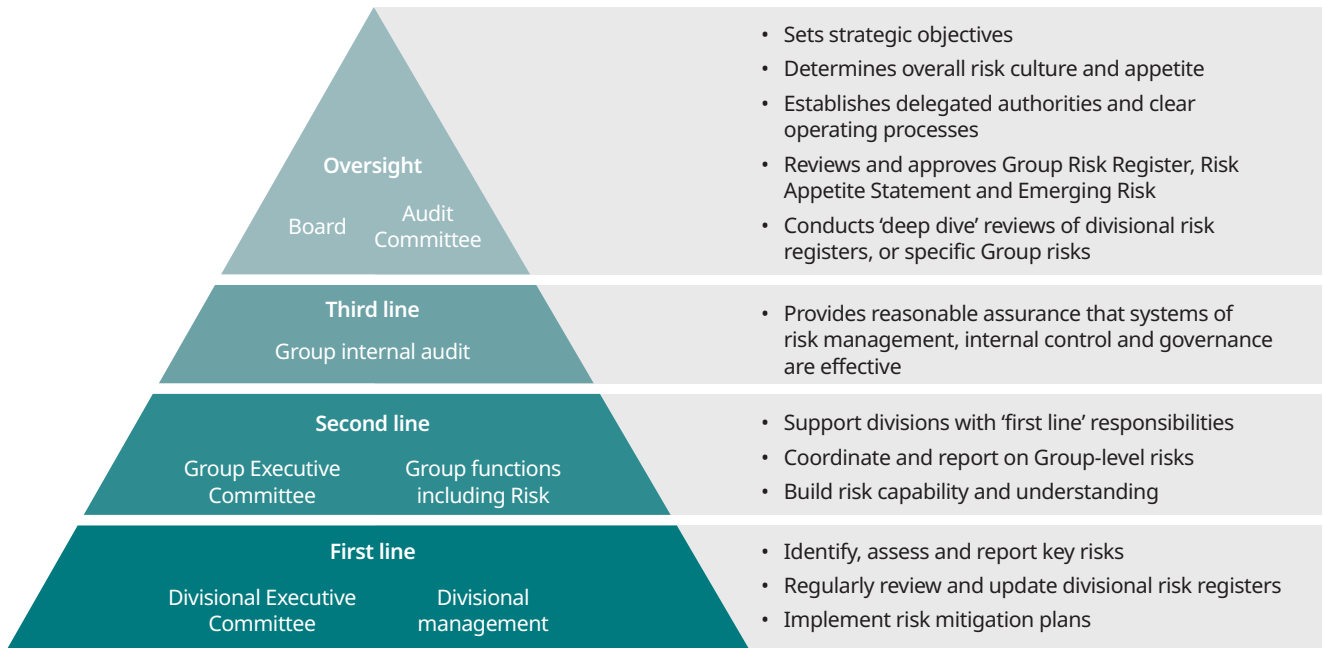
In addition, we continue to evaluate potentially disruptive operating models arising from ZEV transformation and are closely monitoring macroeconomic and geopolitical developments and the varying impact to our geographical regions. It should be noted that the Group considers some of these areas to bring risks as well as opportunities.

c. Group Principal Risks

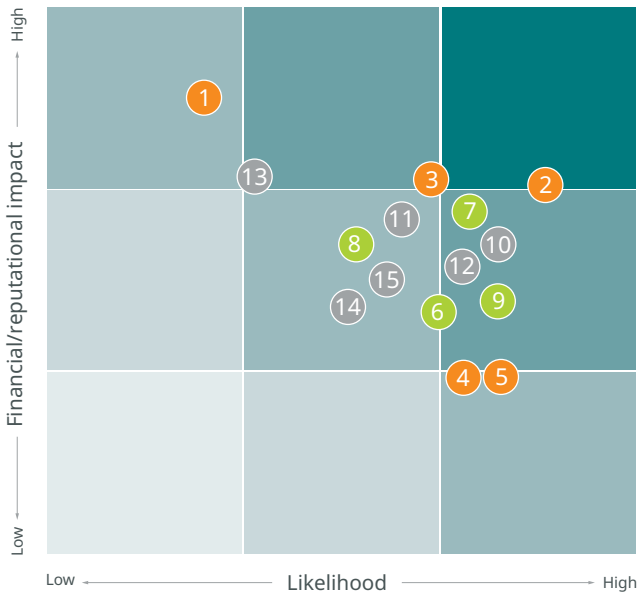
The management of risk is embedded in the day-to-day operations of divisional management teams. A key element of this is the regular review and update of detailed risk registers in each division, in which risks are identified and assessed in terms of both the probability of the risk occurring and its potential impact. Group-level risks are derived from a combination of a "top-down" and "bottom-up" approach, and either from the divisional risk registers, because the risk either affects multiple divisions, or is of a materiality in itself that is considered of Group significance. Each of these Group-level risks is then assessed by the Board in terms of its potential impact on the Group and its key stakeholders. The Group prioritises risk mitigation actions by considering risk likelihood and impact.

Risk management framework and lines of assurance

In our continuous review of best risk management processes and governance models to apply to Mobico, we continue to use the “Three Lines Model” as the one which provides an optimal structure with clear roles and oversight that work together to achieve good assurance. The “Three Lines Model”, is summarised below.



Group principal risks



Macro/external risks

- 1 Unprecedented external factors threatening the resilience of the business
- 2 Adverse economic conditions affecting our speed of recovery
- 3 Adverse political and geopolitical environment affecting funding
- 4 Regulatory landscape and impact on compliance
- 5 Climate changes (physical)

Strategic risks

- 6 Climate changes (transitional)
- 7 Implications of new technology in our business model (ZEV transformation)
- 8 Competition and market dynamics in a digital world
- 9 Organisational transformation and growth

Operational risks

- 10 Shortages of drivers and frontline employees
- 11 Industrial action
- 12 Cyber attack
- 13 Safety incidents, litigation and claims
- 14 Credit/financing
- 15 Attraction and retention of talent, and succession planning

Principal risks and uncertainties

Macro/external risks		Potential impact
<p>1</p> <p>Unprecedented external factors threatening the resilience of the business</p>	<p>Risk movement —</p> <p>Risk appetite M</p>	<p>The resilience of the business can be challenged from major incidents such as a future pandemic, a financial crisis or extreme weather. If the Group is not able to identify and prepare appropriately, it will not be able to act and manage the situation that might lead to significant financial, operational and reputational damages.</p>
<p>2</p> <p>Adverse economic conditions affecting our speed of recovery</p> <p>➤ Read more about significant challenges on page 20</p>	<p>Risk movement —</p> <p>Risk appetite M</p>	<p>Declining economic conditions and very high inflation rates can impact demand for travel and put pressure on our profitability.</p>
<p>3</p> <p>Adverse political and policy environment affecting funding</p>	<p>Risk movement —</p> <p>Risk appetite M</p>	<p>Political and geopolitical events such as trade tensions, regional conflicts, changes in governments can bring change. Those changes may impact government policy and funding for transport, which may impact the Group's operations.</p>
<p>4</p> <p>Regulatory landscape and ability to comply</p> <p>➤ Read more about market and regulatory factors on pages 50 and 51</p>	<p>Risk movement —</p> <p>Risk appetite M</p>	<p>Changes in current regulations and newly introduced regulations can impact the cost structure and operational procedures in our business as we strive to remain compliant.</p> <ul style="list-style-type: none"> • Continued intensification and tightening of environmental regulations are creating changes in emissions regulations, restricting operations through clean air zones. • New regulations in the cyber security and cyber resilience areas. • Introduction of more sanctions and the need to perform due diligence to our supplier base. • More scrutiny and new requirements on companies' governance (UK Corporate Governance Code 2024).
<p>5</p> <p>Climate changes (physical)</p> <p>➤ Read our TCFD on pages 70 and 71</p>	<p>Risk movement —</p> <p>Risk appetite M</p>	<p>We see increased frequency and intensity of extreme weather events such as hurricanes, floods and heatwaves that can lead to extensive damage to infrastructure, loss of lives, and disruptions to communities. The Group can lose key locations or suffer severe asset damages, or operations can be interrupted and cause revenue loss even if the Group's assets are undamaged.</p>

Risk appetite

H High risk **M** Moderate risk **L** Low risk

Change from previous year

▲ Increase **▼** Decrease **—** No change **N** New/change in scope

Management Mitigation/ Actions	Opportunity	Change in risk in the year
<ul style="list-style-type: none"> Refresh business continuity procedures for different types of incident scenarios Review of resources needed (material and human resources) Lessons learned and root cause analysis to continuously learn and improve resilience Sharing best practices across divisions in different geographic regions Review contracts to ensure they have appropriate exemptions or protection for events of such scale and nature. 	<ul style="list-style-type: none"> Being quickly adaptable to manage unpredicted situations enabled the ALSA team in Morocco to respond the effects of the 2023 earthquake and offer help and support to the local communities impacted the most. 	<ul style="list-style-type: none"> The likelihood of the risk has increased based on the extreme weather phenomenon seen during 2023, combined with severe macroeconomic and market volatility. Volatility in the electricity market triggered by the Russian invasion of Ukraine has led to unexpected changes in the behaviour of the energy indices used in Germany to calculate recovery of energy cost subsidy. The overall risk remains high and unchanged from the previous year.
<ul style="list-style-type: none"> Strategic plans are stress tested for differing economic scenarios “Accelerate” programmes drive efficiencies and cost control Strong leadership leading business restructure and simplification further supporting cost control Increasing focus on gross cost contracts that offer greater downside protection Negotiate long term framework agreements with key suppliers Wider diversification of customers, industry and geographic regions. 	<ul style="list-style-type: none"> Despite a generally unsettled economic outlook demand for public transport continue to be strong Due to high fuel prices and economic conditions globally, rail strikes in the UK, and government incentives to drive modal shift, an increasing number of passengers are shifting from the use of personal cars and rail to coaches and buses. 	<ul style="list-style-type: none"> Economic pressures will continue during 2024 although there are signs that inflationary pressures are beginning to ease.
<ul style="list-style-type: none"> Monitoring of the political landscape and focus on effective stakeholder management Group raises awareness on the importance of public transport to central and local governments Focus on operational excellence and delivering value in our franchises and contracts, and to our fare paying customers Political risk carefully assessed when considering bids or new market entry. 	<ul style="list-style-type: none"> Political and social pressure continues to reduce congestion and improve air quality, which favours public transport Increasing investment in public transport and increasing adoption of franchising models (especially in the UK and ALSA). 	<ul style="list-style-type: none"> The effects of the new law in Spain (Spain Sustainable Mobility Plan) and the Mayoral elections in West Midlands in 2024 impacting the bus franchising position might bring risks and opportunities.
<ul style="list-style-type: none"> Regulatory horizon scanning to proactively identify new regulations or when considering new market entry. Awareness raising and communication supporting Group's position in key regulatory changes. Comprehensive third party due diligence process to help us identify, manage and mitigate risks. Continuously improve our compliance programme with the right governance structures in place to ensure oversight and progress in achieving our targets and good quality reporting. 	<ul style="list-style-type: none"> Increased legislation at local or national level to drive modal shift and to reduce environmental impact Funds committed to drive public transport projects and modal shift in the UK, the USA and the EU to combat pollution and congestion. 	<ul style="list-style-type: none"> More scrutiny and more requirements on companies' compliance programs is seen across all geographic regions we operate.
<ul style="list-style-type: none"> Geographical diversification of the Group provides a natural hedge to this risk Established emergency and continuity plans in each division Physical risk rating across Group locations Insurance coverage is available and in place for some hazard-related risks Comprehensive environmental risk assessment, climate change scenario modelling. 	<ul style="list-style-type: none"> Increased legislation at local or national level to drive modal shift to reduce the environmental impact Political and societal desire to reduce emissions to tackle the risks posed by climate change 	<ul style="list-style-type: none"> Continued increase in extreme weather events around the globe, including hurricanes, storms, floods and wildfires confirms a high likelihood, albeit specifically for Mobico the impact is yet to be significant and many mitigating actions are in place.

Principal risks and uncertainties continued

Strategic risks		Potential impact
<p>6</p> <p>Climate changes (transitional)</p> <p>➔</p> <p>Read our TCFD on pages 70 to 75</p>	<p>Risk movement</p> <p>—</p> <p>Risk appetite</p> <p>H</p>	<p>The transition to zero emissions mass mobility is driven by regulatory changes, market demands, and Group's commitment to reducing its carbon footprint. The successful and sustainable transition poses a number of challenges due to significant changes required to infrastructure and changes to the risk profile associated with owning and operating the assets.</p>
<p>7</p> <p>Implications of new technology in our business model (ZEV transformation)</p> <p>➔</p> <p>Read our TCFD on pages 70 to 75</p>	<p>Risk movement</p> <p>N</p> <p>Risk appetite</p> <p>M</p>	<p>Transition to ZEV means introducing new technology that involves changes impacting across the business model including financing, contracting, maintaining and operating of the assets.</p> <ul style="list-style-type: none"> • Asset ownership and availability risk associated with new financing models • Technology and safety-specific risk (for example increased risk of thermal events in electric vehicles) requiring mitigation • Changes to driver and maintenance training requirements • Infrastructure challenges including the suitability of existing depots for ZEVs • Performance risk, particularly for new technologies
<p>8</p> <p>Competition and market dynamics in a digital world</p> <p>➔</p> <p>Read more about digitalisation on pages 17 and 25</p>	<p>Risk movement</p> <p>—</p> <p>Risk appetite</p> <p>M</p>	<p>The evolving digital landscape in the transportation sector brings a number of challenges and opportunities.</p> <ul style="list-style-type: none"> • Consumer preferences are shifting towards digital booking, payment, and real-time tracking. • Digital innovations raise the bar for customer experience. • Dynamic pricing models or subscription models offer alternative revenue structures that may disrupt traditional fare structures. • Digital technologies may lower barriers to entry, allowing new players enter the market or existing ones heavily invested to win a competitive edge (direct price competition; inter-modal). <p>Failure to develop applications and digital channels that meet these increasing expectations could affect profitability, customer satisfaction and the business' ability to capitalise on valuable customer data to enable commercial initiatives.</p>
<p>9</p> <p>Organisational transformation and growth</p> <p>➔</p> <p>Read more about our business model on pages 08 to 13</p>	<p>Risk movement</p> <p>N</p> <p>Risk appetite</p> <p>M</p>	<p>Structural transformation (particularly with organisational design and business model transformation) can affect productivity in the short term, bring unforeseen disruptions, misalignment of goals and resistance to change.</p>

Risk appetite

















H High risk **M** Moderate risk **L** Low risk

Change from previous year

▲ Increase **▼** Decrease **—** No change **N** New/change in scope

Management/Mitigation	Opportunity	Change in risk in the year
<ul style="list-style-type: none"> Environmental leadership with pledge to never again buy a diesel bus in the UK. Ambition to reach zero emissions in UK Bus by 2030; UK Coach and Spain bus by 2035; and Spain coach, North America and Morocco by 2040 Cross-division executive leadership of ZEV strategy Close engagement with new and existing original equipment manufacturers. 	<ul style="list-style-type: none"> ZEVs present potential opportunities to reduce the cost base of the business, while helping cities solve the challenges of the drive for a cleaner air environment Opportunity to fulfil our vehicle requirements through changing ownership model which require less capital expenditure and reduce technology infrastructure risk, enabling a faster transition North America School Bus received an additional funding for 53 more ZEVs and associated infrastructure and an additional 91 in January 2024. Distribution is continuing to be announced. 	<ul style="list-style-type: none"> Increased ZEV fleet to 915 in operation or awaiting delivery of.
<ul style="list-style-type: none"> Comprehensive planning outlining the phased implementation of ZEVs in the business model, considering operational, technological, and financial aspects Frontline employee trainings to adapt to new technologies and operational procedures associated with ZEVs Thorough financial assessments to understand the short-term and long-term costs and benefits of transitioning to ZEVs Collaborate with technology providers, infrastructure developers, and other stakeholders to build a supportive and sustainable ecosystem for a ZEV business model Implement a robust monitoring system to track the performance and challenges associated with the ZEV transformation, allowing for timely adjustments to the business model. 	<ul style="list-style-type: none"> Increasing political and customer demand for operators who understand the risks and opportunities associated with ZEVs. 	<ul style="list-style-type: none"> n/a
<ul style="list-style-type: none"> Assess market trends, customer preferences and emerging technologies to adapt strategies and invest in the right technology. Developing our technology strategy to allow us to use and surface data via internal and third-party customer-facing digital channels. Commitment to service excellence, providing the best solutions to our customers and value for money Developing demand responsive services and close monitoring of the effectiveness of various digital channels Targeted acquisitions and growth in the most attractive markets. 	<ul style="list-style-type: none"> Millennials and younger generations are an increasingly important target market and more inclined to use public transportation if the service is right. Continuing urbanisation drives cities to partner with high quality transportation operators Weaker transport operators become targets for acquisition or contracts being re-tendered. 	<ul style="list-style-type: none"> Continued increases in bookings through online and digital mobile platforms Industry consolidation creating stronger competition.
<ul style="list-style-type: none"> Clear strategy and goals communicated and reinforced Strong senior management with experience in leading transformational projects successfully Attracting, retaining, and developing a workforce to handle the evolving demands. 	<ul style="list-style-type: none"> Increased efficiency, innovation, customer satisfaction, and profitability Proposed disposal of Mobico's North American school bus business accelerating capacity for growth and other key investments. 	<ul style="list-style-type: none"> n/a

Principal risks and uncertainties continued

Operational risks		Potential impact
<p>10</p> <p>Shortages of drivers and frontline employees</p> <p></p> <p>Read more in our CEO review on page 21</p>	<p>Risk movement </p> <p>Risk appetite </p>	<p>A tightening labour market leads to a combination of higher turnover and lower numbers of new recruits. A material shortage of drivers, engineering and maintenance employees impacts our ability to effectively deliver services and impact profitability, operations and reputation.</p>
<p>11</p> <p>Industrial action</p>	<p>Risk movement </p> <p>Risk appetite </p>	<p>Industrial action can impact the delivery of service, revenues and damage our brand and reputation, along with employee engagement and morale.</p> <ul style="list-style-type: none"> • Increase wage costs • Reduced productivity as a result of unfavourable T&Cs • New unfavourable regulations for employers leading to increase in union activity • Strikes can disrupt operations and lead to lost revenue and reputational damage.
<p>12</p> <p>Cyber attack</p>	<p>Risk movement </p> <p>Risk appetite </p>	<ul style="list-style-type: none"> • Major IT failure could disrupt operations and lead to loss of revenue • Data compromise involving a loss of customer information could result in reputational damage and significant remedial costs • Breach of the UK Data Protection Act (DPA), EU General Data Protection Regulation (GDPR) or the US California Consumer Privacy Act (CCPA) could result in a regulatory investigation and financial losses.
<p>13</p> <p>Safety incidents, litigation and claims</p> <p></p> <p>Read more on page 84</p>	<p>Risk movement </p> <p>Risk appetite </p>	<ul style="list-style-type: none"> • Major safety-related incident could impact the Group both financially and reputationally • Higher than planned claims or cash settlements could adversely affect profit and cash outflow • Non-compliance with regulations can create legal and financial risk • A security incident (e.g. terrorism) would have a direct impact through asset damage, disruption to operations and revenue loss • Potential indirect impact from a general reduction in the public's appetite to travel reducing demand and revenue.
<p>14</p> <p>Credit/financing</p> <p></p> <p>Read more on note 30 in the accounts</p>	<p>Risk movement </p> <p>Risk appetite </p>	<ul style="list-style-type: none"> • A material increase in interest rates would increase the Group's cost of borrowing • Constrained equity and/or debt markets increase the costs of capital and debt financing • Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital.
<p>15</p> <p>Attraction and retention of talent and succession planning</p> <p></p> <p>Read more about our People Strategy on pages 62 and 63</p>	<p>Risk movement </p> <p>Risk appetite </p>	<p>Risk of not being able to attract or retain talented individuals with key skills needed to deliver the Evolve strategy. Due to the organisational changes the business is undergoing (especially in UK and North America) the likelihood is increased. This may a diversely affect our ability to operate and grow effectively.</p>

Risk appetite

H High risk **M** Moderate risk **L** Low risk

Change from previous year

A Increase **V** Decrease **—** No change **N** New/change in scope

Management/Mitigation	Opportunity	Change in risk in the year
<ul style="list-style-type: none"> The Group is committed to employee engagement and invests in a number of retention programmes Reward and recognition programmes are established to further enhance employee engagement Streamlined recruitment process to allow a higher volume of candidates Key partnership with employment agencies as well as direct targeting strategy Creation of “driver academy” and engineering apprenticeship programme. 	<ul style="list-style-type: none"> Minimising labour-related disruption improves our reliability relative to other operators which can drive contract change. 	<ul style="list-style-type: none"> Although the risk remains high due to the volatility of the job market currently, North America School Bus and UK Bus have significantly reduced the driver gap over the past 12 months. Significant industry-wide deterioration in driver availability in Germany.
<ul style="list-style-type: none"> Focus on the effective communication and management of stakeholder and union relationships, and the advice of specialist outside counsel is sought where necessary Timely dialogue and prompt resolution on pay negotiations Regular reporting of union activities across division to the Group Executive teams and close oversight by the Global HRD Detailed review of the Employee Satisfaction Survey results to identify improvement opportunities Foster a culture of open communication and dialogue with all employees. 	<ul style="list-style-type: none"> Rail strikes in the UK has seen an increasing number of passengers shifting from the use of personal cars and rail to coaches and buses. 	<ul style="list-style-type: none"> In North America the National Labor Relations Board (NLRB) issued a decision (CEMEX) in 2023 which enforces increased administrative procedures to employers on how to manage the unionisation An agreement was quickly reached during the UK strikes Significant union activity in Germany leading to high industry-wide wage settlement and reduced productive hours.
<ul style="list-style-type: none"> A cyber security strategy led by an experienced team that is aligned with the threat landscape Ongoing investment in education of staff on cyber awareness as a first line of defence Investment in organisational and technical measures to protect data assets and improve defences against cyber breaches Regulatory compliance plans in place, tailored to each division’s exposure (DPA, GDPR or CCPA) Improve our compliance programme with reviews from the second and third line, supported by external experts. 	<ul style="list-style-type: none"> Strengthened resilience against cyber threats increases awareness and leverage of technology across the Group. 	<ul style="list-style-type: none"> Increase in prevalence and sophistication of ransomware attacks across the globe targeting all industries Cyber security investment continuously supporting further resilience and risk management.
<ul style="list-style-type: none"> Very strong safety culture We train our employees to offer great service Invest in leading safety technology, data collection optimisation systems Appropriate insurance coverage for terrorism and accident-related claims to employees and third parties with experienced claims management and legal teams All divisions have developed emergency plans and established safety audit programmes, validated by Group internal audit. 	<ul style="list-style-type: none"> Relentless focus on safety and investment in technology should facilitate risk and cost reductions and enable differentiation in our customer offering Transitioning to ZEVs is further improving safety. 	<ul style="list-style-type: none"> Mobico has a very strong safety culture and in 2023 we achieved our safety targets at a time of an increasingly challenging urban environment and growing volumes of traffic.
<ul style="list-style-type: none"> Strong relationships with a number of key relationship banks Continued monitoring and scenario analysis over covenants Appropriate liquidity maintained through committed bank facilities, finance lease programmes and debt capital market issuances Close monitoring of receivables and appropriate provisions made for possible non-collection. 	<ul style="list-style-type: none"> Investment grade rating and proven track record give efficient access to credit markets enabling investment in growth Investors’ increased focus on ESG should increase the demand for quality public transport stocks Cost and access to debt capital should favour purpose-led companies with positive environmental impact. 	<ul style="list-style-type: none"> Sustained high interest rates, but successful extension of our RCF and raise of our inaugural Euro bond Announced the plan to dispose Mobico’s North American school bus business accelerating capacity for growth and other key investments.
<ul style="list-style-type: none"> The Group is committed to employee engagement and invests in a number of retention programmes Appropriate training and development is provided for managers and supervisors Mentoring and coaching programmes Reward and recognition programmes are established to further enhance employee engagement Focus on improving core recruitment and retention process. 	<ul style="list-style-type: none"> Partnership with universities offer great opportunities for students and recent graduates by gaining experience or securing a work position early in their careers. 	<ul style="list-style-type: none"> Organisational changes in two of our divisions present both opportunity and risk.

Viability statement

Assessment of prospects

The Board continues to believe that the Group's prospects are positive in the medium to long term.

We are diversified:

- No one contract contributes more than 4% to revenue;
- The Group operates in over 50 cities across 12 countries and across multiple modes or usages of transport, most recently into healthcare transport.

We are positioned to benefit from the future trends in transportation:

- Transport demand continues to grow;
- Public transport is fundamental to the long-term solution for the urban challenges of congestion and poor air quality; our ambition to be an environmental leader places us at the forefront of this opportunity.

We invest in the business to secure its future:

- We invest in technology to allow customers to access our products at competitive prices and to deliver our services safely and efficiently;
- We continue to selectively bid for and win new business, with over 40 contract wins in 2023 including Charleston in our Transit business and Serveo in ALSA as well as other wins across our Transit, Shuttle and School Bus businesses in North America and in the UK Coach business;
- We also continue to employ disciplined capital allocation to invest in inorganic opportunities, such as the acquisition of Ibercruises in 2023, solidifying our footprint in the Portuguese tourism market.

The Group has strong liquidity, with £0.9 billion of cash and undrawn facilities available as at 31 December 2023. The Group's credit rating remains investment grade.

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

Principal risks and assessment period

The Board reviewed the Group's principal risks (pages 41 to 47, looking at each risk's impact, likelihood and the timeframe over which the risk was likely to reduce Group cash flows. On this basis, the highest impact and highest likelihood risks were considered in modelling a severe but plausible downside to assess the Group's future viability: the specific risks modelled are outlined below. While there are other principal risks included in the Group's risk matrix, these are not considered to have a material financial impact over the assessment period.

The Board concluded that three years continues to be an appropriate timeframe over which to assess the Group's ongoing viability on the basis that the impact and/or likelihood of a number of risks was expected to reduce during that period, including the following:

- Regulatory: after repeated delays to the process, the majority of the major Spanish concessions renewals that we intend to participate in are expected to have been concluded within three years.
- Financing: the first call date of the Group's hybrid instrument is in 2025. We also expect to begin preparations for refinancing of the USPP in 2026, ahead of its first maturity in 2027.

Assessment of viability

In assessing viability, the Directors have considered the Group's long-term financial projections (the base case, aligned with the Group's long-term strategic plan) and have then applied stress tests.

These stress tests have been derived from the Group's principal risks and uncertainties, including the Group's estimates of the impact of climate change (informed by the climate change scenario modelling), using external forecasts (such as those published by the IMF and OECD) to help inform the shape of these assumptions.

Climate change

Utilising the Group's climate risk assessment process, which is a very granular risk assessment that has been built up by division, the Board has also considered how climate risks could impact the Group's viability.

More detail on the Group's assessment of risks and opportunities from climate change is contained in our TCFD disclosures on pages 65 to 76. The key conclusions pertaining to the viability assessment were as follows:

- Given the Group's geographic diversity, operating from hundreds of depots in around 50 cities across 12 countries, the financial impact of extreme weather events over the three-year viability period was not likely to be material. Nonetheless, for stress test purposes, the financial projections include some level of impact from disruption caused by extreme weather events.
- Risks arising from governments taking concerted action to accelerate reduced emissions were unlikely to cause any material adverse impact over the viability period given that, while the vast majority of the Group's emissions are from vehicles, the Group is already targeting industry-leading timescales for transitioning its vehicles to zero emission. Furthermore, the Group is rapidly increasing its expertise in procuring and operating zero emission alternatives to diesel vehicles, and is gaining further operational evidence that such vehicles are economically viable.

All other stress tests

The following theoretical downsides were derived from the Group's principal risks and uncertainties and were evaluated and modelled as occurring simultaneously:

Economic conditions and driver shortages:

Cost inflation is more persistent and prolonged, with lower pass-through to customers than assumed in the base case despite the protection embedded in many of the Group's contracts. Customer demand is negatively impacted as a result of reduced disposable income, without any corresponding upside from customers swapping cars for public transport. Interest rates increase, causing an impact on the cost of variable rate debt facilities. Driver shortages increase and take longer to resolve, resulting in lost service days.

Competition and market dynamics:

New contract wins assumed across the Group are heavily reduced. The School Bus bid season ends unfavourably compared to central case, with further route losses and lower bid wins modelled in addition to assuming that rate increases may be lower than expected as a result of further competition. There is additional competition in the UK long haul coach market as a result of aggressive pricing strategies by emerging competitors.

Transformation:

A material delay to the ramp up of savings under the second phase of the Accelerate programme is modelled, in addition to further non-delivery risk in the outer years of the assessment.

Political/geopolitical/regulatory landscape:

Industrial relations with drivers deteriorate, resulting in additional industrial action and higher pay demands, leading to lost service days and higher costs. Meanwhile, relations with local government deteriorate, resulting in less support for further price rises to recover inflationary cost increases in the UK Bus business.

Cyber/IT failure/data protection:

IT system failure and data loss following a cyber attack causes significant revenue loss and financial penalties.

Safety, security incident, litigation and claims:

Following a major safety/terrorism-related incident, either on board our vehicles or in the wider markets in which we operate, there is a reduction in demand for discretionary travel.

Financing

There is limited financing activity planned within this viability assessment period, with the recent refinancing of the RCF and £400m Sterling bond (with Nov-23 maturity) completed in the year. With the exception of the £250m interest rate swap (which ends in 2025) the rates of all our bonds are fixed, and therefore visibility of interest costs is high. Covenant compliance with comfortable levels of headroom on adjusted EBITDA, interest expense and net debt is forecast throughout the period under the base case, improving progressively over time, albeit when stress tests are applied, mitigating actions would be required such as those described below in the Conclusion.

In making the viability assessment the Board has assumed that these facilities can all be replaced or added on appropriate, market-rate terms. The first call date on the £500m hybrid bond is November 2025. The second call date is November 2030. The hybrid bond is structured as a perpetual bond callable at Mobicog's discretion and hence is classified as equity from an accounting and covenant perspective. In our viability assessment, we have considered a coupon reset which would apply regardless of whether the bond is called and refinanced, or not called.

Conclusion

In the unlikely event of a concurrence of events set out above, the Board would mitigate through reduced operating costs (through cuts in discretionary spending) and capital expenditure (through freezing non-committed, non-fleet expenditure and/ or through disposal of assets). During assessment, the Group's continued cash generation, access to liquidity and funding, and mitigation actions demonstrated that it could tolerate the impact of the risk scenarios without exhausting liquidity or breaching covenants.

Viability statement

Based on the results of the analysis, the Board has a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the three-year period of assessment.

Non-financial information statement

The new non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006 require us to provide information to help stakeholders understand our position on non-financial matters.

The table below sets out a summary, with all the policies described at <https://www.mobicogroup.com/about-us/our-policies/>.

Requirement	How we govern our approach	Further information
Environment	<ul style="list-style-type: none"> Group Environmental Policy Health & Safety Policy 	<ul style="list-style-type: none"> Environmental leadership page 55 Sustainability Committee Report pages 109 and 110 Environmental performance data pages 247 and 248 www.mobicogroup.com/sustainability
Employees	<ul style="list-style-type: none"> Human Rights and Diversity Policy (including Workplace Rights) Whistleblowing Policy 	<ul style="list-style-type: none"> Your Voice Matters survey page 110 Our colleagues page 50
Human rights	<ul style="list-style-type: none"> Human Rights and Diversity Policy – Modern Slavery Statement Whistleblowing Policy Privacy Policy 	<ul style="list-style-type: none"> Colleague's rights page 91 Sustainable Development goals page 54 to 59
Social matters	<ul style="list-style-type: none"> Rather than a specific policy, our approach to social matters is framed by our Community and Environment Value 	<ul style="list-style-type: none"> We move people page 59 to 64 We connect places pages 57 to 59
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> Anti-bribery and Policy (including Gifts and Hospitality) Procurement Policy 	<ul style="list-style-type: none"> Our culture page 91 System of internal control page 108
Policy implementation, due diligence and outcomes	<ul style="list-style-type: none"> Policy Compliance Framework (second line assurance programme) 	<ul style="list-style-type: none"> Corporate Governance pages 79 to 141 (including Board activity during the year page 83) Audit Committee Report pages 102 to 108
Principal risks and impact on business activity	<ul style="list-style-type: none"> Risk Management Framework 	<ul style="list-style-type: none"> Risk management pages 40 to 47 Audit Committee Report pages 102 to 108
Description of business model		<ul style="list-style-type: none"> Our business model pages 12 and 13
Non-financial key performance indicators		<ul style="list-style-type: none"> Key performance indicators pages 15 to 17 Environmental performance data pages 247 and 248

Our 2023 Strategic Report, from the inside front cover to page 78, has been reviewed and approved by the Board.

Ignacio Garat

Ignacio Garat
 Chief Executive Officer
 21 April 2024

Engaging our stakeholders

Colleagues 	Passengers and customers 	Suppliers 
<p>Why they are important to strategy Our people are the heart of our business. They are at the front line of executing strategy, ensuring that our services are the safest and most reliable and that our customers are the most satisfied</p>	<p>Why they are important to strategy Our ability to win passenger and customer loyalty and satisfaction in both our B2B and B2C businesses by the provision of safe and reliable services is central to our continued growth</p>	<p>Why they are important to strategy Our suppliers partner with us to supply the resources we need to deliver our services, and innovative solutions to continuously improve those services. Their success is important to our success</p>
<p>How we engage</p> <ul style="list-style-type: none"> • Open lines of communication with both Group and divisional management including regular updates and newsletters • Two-way dialogue with the Board through employee engagement forums • Constructive dialogue with trade unions • CEO meetings with SLT • Employee engagement surveys, including the annual 'Your Voice' global engagement survey 	<p>How we engage</p> <ul style="list-style-type: none"> • Local relationships guided by common standards across the Group • Intuitive and highly rated websites, apps and social media, and easily accessible customer service centres • Direct dialogue with transport authorities, school boards and corporate customers • Passenger feedback and customer satisfaction surveys • High quality bidding and engagement through the bid process 	<p>How we engage</p> <ul style="list-style-type: none"> • Local divisional relationships supplemented by oversight from the Group centre • Regular discussions with suppliers about evolving market places, opportunities and collaborating with them to innovate • Considering suppliers importance to our strategic success when tendering contracts and engaging in contract negotiations • Direct dialogue with Board members
<p>What they value Our colleagues expect us to look after their safety, health, and wellbeing. They expect a workplace that values diversity and champions inclusion, and an employer that respects their rights. Fair reward and recognition for their work and opportunities for progression are important to them as well as regular and clear communication</p>	<p>What they value Our passengers and customers want safe and reliable services. They value consistent service delivery that generates trust. They expect prompt and pragmatic responses to changing demands, and open and honest communication. Increasingly they also want to engage with socially responsible and sustainable companies</p>	<p>What they value Our suppliers want to work in partnership and collaborate with us, investing in relationships over the long-term to achieve mutual benefits. They value good line of sight on placement of orders and fair engagement and payment terms</p>
<p>Delivering for them</p> <ul style="list-style-type: none"> • We maintain the highest safety standards protecting our colleagues' health and wellbeing • We were the first transport company to adopt the real Living Wage or equivalent • We have increased investment in development programmes • We actively promote diversity and inclusion <p>Links to KPIs: FWI, eNPS, OTP</p>	<p>Delivering for them</p> <ul style="list-style-type: none"> • Safety is a cornerstone of our culture, and we invest heavily in our safety programme to ensure it remains a priority • We train our employees to offer great service • We adapt our services, develop operational initiatives and invest in technology, to best meet our passengers' and customers' needs <p>Links to KPIs: Passenger journeys, FWI, OTP, GHG emissions</p>	<p>Delivering for them</p> <ul style="list-style-type: none"> • We invest in long-term supply relationships and look to provide good visibility on orders. We have a particular focus on long-term relationships with suppliers of zero emission vehicles and alternative energy supplies • We contract on mutually acceptable commercial terms and meet our payment obligations <p>Links to KPIs: ROCE</p>
<p>Market and regulatory factors</p> <ul style="list-style-type: none"> • Labour laws can impact working conditions and cost of employment • Qualification and training regulations can impact recruitment time • Macro-economic conditions and immigration laws can impact access to labour pools • Competitor pay and working conditions can impact recruitment and retention • Flexible working conditions and benefits can attract and retain a more diverse workforce 	<p>Market and regulatory factors</p> <ul style="list-style-type: none"> • Macro political and economic events can change travel behaviours and funding, which may result in new opportunities and risks • Regulation to achieve better air quality in cities can increase the relative attractiveness of shared mobility for passengers and prompt B2C customers to seek shared mobility solutions • The de-regulation or re-regulation of certain markets can create new opportunities and risks 	<p>Market and regulatory factors</p> <ul style="list-style-type: none"> • Component shortages and labour shortages can disrupt the supply chain • Increased regulation affecting suppliers, such as changes in import/export rules and charges, can impact the cost and speed of the supply chain
<p>Opportunities</p> <ul style="list-style-type: none"> • An engaged workforce will better support delivery of strategic goals • Knowledgeable and well-trained colleagues can help us innovate and identify new opportunities • Favourable workplace conditions can attract and retain talent 	<p>Opportunities</p> <ul style="list-style-type: none"> • More optimised transport networks, and greener fleets, can attract more passengers • Increased or new institutional requirements can create new customer opportunities • Increased congestion and clean air charging, as well as rising fuel costs, may increase the relative attractiveness of shared mobility 	<p>Opportunities</p> <ul style="list-style-type: none"> • Our relationships can give us access to more competitive pricing and shortened delivery times • Investing in long-term relationships can aid our transition to a zero emission fleet by giving suppliers confidence to invest in developing innovative solutions with us
<p>Risks</p> <ul style="list-style-type: none"> • Labour shortages hinder our ability to deliver reliable services • Discontent can lead to strikes or attrition 	<p>Risks</p> <ul style="list-style-type: none"> • Increased competition can erode market share and reduce our profitability 	<p>Risks</p> <ul style="list-style-type: none"> • Poor quality control or financial difficulties faced by suppliers can compromise their ability to support us

Our section 172(1) statement

The Board of Directors has had regard to the stakeholders' interests as described on these pages, and the other matters set out in Section 172(1) (a) to (f) of the Companies Act 2006, when making decisions during the year under review. Examples of this are set out on pages 88 and 89 and are incorporated into this statement by reference.

Equity and debt investors 	Governments 	Communities 
<p>Why they are important to strategy Our equity and debt investors provide access to the capital necessary to fund the delivery of our strategy</p>	<p>Why they are important to strategy Central and local government authorities set transport policies and provide funding for transport initiatives, which can create favourable conditions for the delivery of our strategy</p>	<p>Why they are important to strategy The communities in which we operate drive the demand for transport services that underpins our strategy as well as being where our colleagues live and work</p>
<p>How we engage</p> <ul style="list-style-type: none"> Market announcements, financial results presentations and investor roadshows Direct engagement by the CEO, CFO, Chair and our Investor Relations function Ongoing engagement via our brokers and other advisers 	<p>How we engage</p> <ul style="list-style-type: none"> Inviting key government stakeholders to present to the Board Local relationships guided by common Group standards Formal alliances, such as the Bus Alliance in the West Midlands and the American Public Transportation Association in North America Industry groups and associations Senior management meetings with Government representatives 	<p>How we engage</p> <ul style="list-style-type: none"> Each division has well established community support programmes: <ul style="list-style-type: none"> The Youth Promise in the UK Partners Beyond the Bus in North America The Integra Foundation Partnership in ALSA
<p>What they value Investors value clarity of strategy and business model and consistent financial performance and returns. They expect strong risk management and internal controls, and compliance with listing obligations and debt terms. They increasingly expect commitment to sustainability objectives</p>	<p>What they value Governments want safe, reliable, and good value passenger transport services for the benefit of the communities they serve. They seek partners who will work with them to solve the challenges of clean air and traffic congestion</p>	<p>What they value The communities in which we operate look to us for safe, clean, reliable, and affordable transport services and opportunities for rewarding employment. They also value companies which give back to their communities, and which keep people connected</p>
<p>Delivering for them</p> <ul style="list-style-type: none"> Through our regular meetings and calls we deliver clear, consistent, and high quality data and trading commentary We strive to deliver financial returns in-line with our own and our investors' expectations We maintain an investment grade debt rating <p>Links to KPIs: Adjusted Operating Profit, Free cash flow, ROCE, GHG emissions</p>	<p>Delivering for them</p> <ul style="list-style-type: none"> We invest consistently in the safety and operational reliability of our services We keep service standards high while keeping prices fair on services that generally serve communities We are working towards ambitious fleet decarbonisation targets across our markets <p>Links to KPIs: Passenger journeys, FWI, OTP, GHG emissions</p>	<p>Delivering for them</p> <ul style="list-style-type: none"> We offer attractive employment opportunities in local communities by investing in colleague health and wellbeing, paying a fair wage, investing in training and development, and promoting diversity and inclusion We support our communities through keeping people connected <p>Links to KPIs: Passenger journeys, FWI, OTP, GHG emissions</p>
<p>Market and regulatory factors</p> <ul style="list-style-type: none"> Macro political and economic events (including greater inflation, increasing interest rates and changing customer behaviour) can impact our operations and financial performance, which can affect our share price Regulation relating to our equity listing can increase our costs Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital 	<p>Market and regulatory factors</p> <ul style="list-style-type: none"> Governments can provide or reduce funding for transport Laws and regulations on driver licensing and training, vehicle condition and testing, directly impact our economics Increased regulation to reduce carbon emissions can create demand for green technologies but make older technologies obsolete 	<p>Market and regulatory factors</p> <ul style="list-style-type: none"> Macro political and economic events can change travel behaviours of local communities Increasing regulation such as Low Emission Zones and Clean Air Zones will help drive modal shift to public transport
<p>Opportunities</p> <ul style="list-style-type: none"> Investors' increased focus on ESG should increase the demand for quality public transport stocks Cost and access to debt capital should favour purpose-led companies with positive environmental impact 	<p>Opportunities</p> <ul style="list-style-type: none"> Bus franchising and re-regulation present opportunities in existing and new markets Increased grant funding to support transition to zero emission fleet can improve our economics 	<p>Opportunities</p> <ul style="list-style-type: none"> Increased congestion and clean air charging, in addition to the rise in fuel prices, increases the relative attractiveness of shared mobility Increasing awareness of global warming and air quality issues creates demand for alternatives to the car
<p>Risks</p> <ul style="list-style-type: none"> Constrained equity and/or debt markets increase the costs of capital and debt financing Capital is diverted towards 'moon shot' disruptors impacting fundamental valuations 	<p>Risks</p> <ul style="list-style-type: none"> Reduction or withdrawal of government support for bus transport can worsen our economics 	<p>Risks</p> <ul style="list-style-type: none"> Community confidence in using public transport may not return, and/or travel behaviours by members of the community may not revert to pre-pandemic norms

Sustainability

at Mobico Group

We are playing a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities. Our culture and purpose-led approach is at the heart of our ESG commitments.



We respect the planet

Link to Evolve strategy:
Environmental leadership

Our work so far:

- Zero emission fleet target page 55
- Sustainability Committee report page 109
- New Science-Based Targets page 76
- TCFD pages 65 to 78

We connect places and transform communities

Link to evolve strategy:
Most reliable
Most satisfied customers

Our work so far:

- Connecting communities for the future page 58
- On Time Performance page 17

We move people safely and responsibly

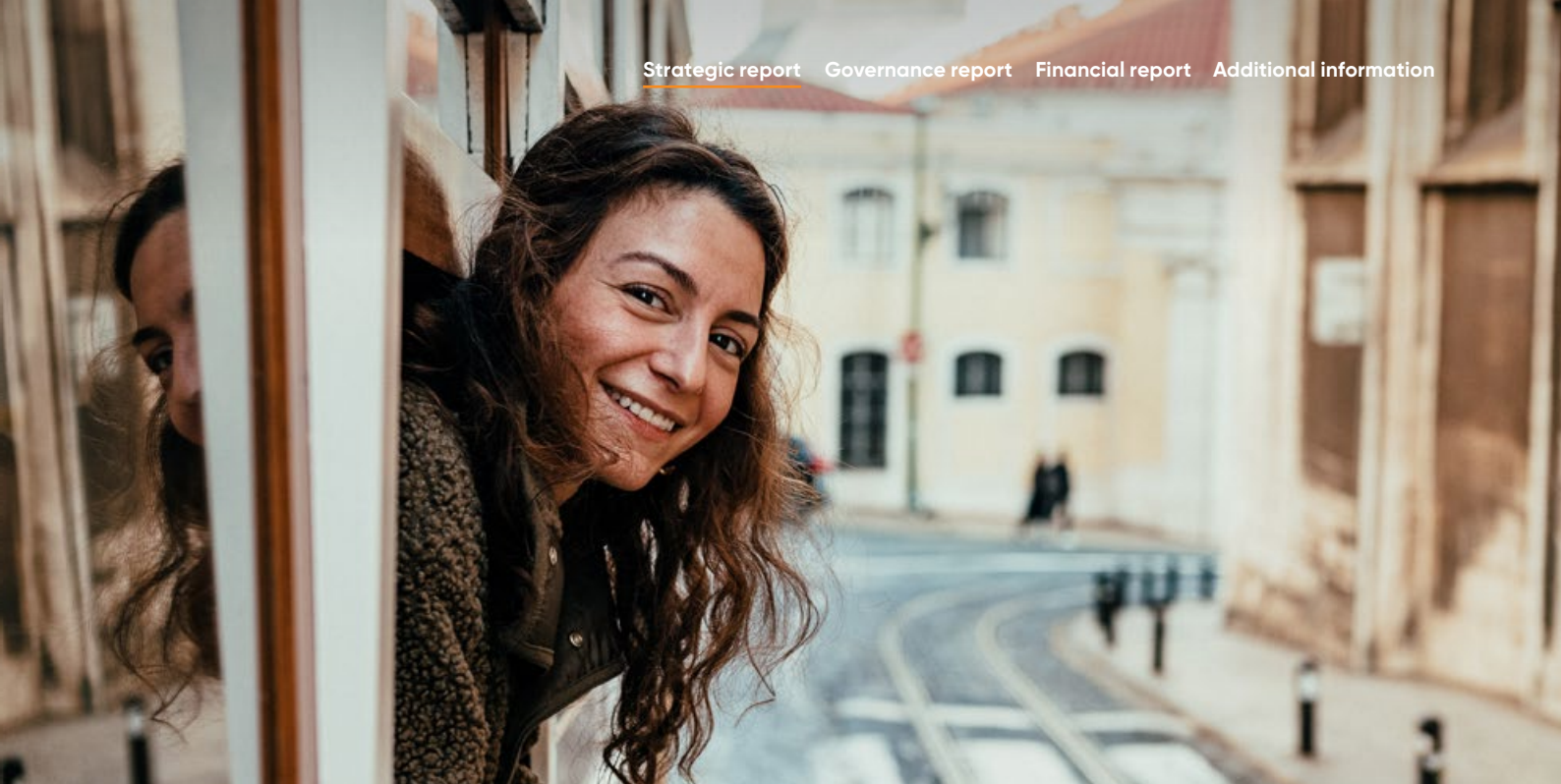
Link to evolve strategy:
Most satisfied customers
Safest

Our work so far:

- People strategy pages 62 and 63
- Policies page 49
- Safety page 84



Read more on [Principal Risks](#) on pages 42 to 47



Planet

EVs currently on Order

264

Total ZEVs in operation

651

Places

1 billion

Passenger journeys in 2023

1 million

euros donated to Moroccan earthquake disaster fund

People

Engagement survey participation rate

73%

eNPS

+11

Rethinking transportation

At Mobico, we believe our mission: to drive modal shift from private car to mass transportation, is key to managing climate change and delivering cleaner, more workable, liveable cities.

Leading modal shift

We are committed to our purpose of leading the modal shift from cars to shared mobility, which is central to our business model, our Evolve strategy, our approach to sustainability and to our engagement with our stakeholders.

Modal shift is about choice- choices that respect the planet, connect places and move people.

Sustainably driven

Sustainability at Mobico is about respecting the planet, connecting places, moving people and acting responsibly.

Our Evolve strategy sets out our Mobico vision, to be the world's premier shared mobility operator.

This means that we are committed to being the best: leading in safety, reliability, environmental leadership, customer satisfaction and – in the eyes of our 47,700 colleagues – to being the employer of choice.

Mass transportation has many benefits over using a private car

The benefits to people, places and planet, from mass transportation over using a private car, are well researched and documented, these include:

- **reductions in air pollution** with positive impacts on health;
- **reductions in GHG emissions** per passenger kilometer;
- **improvements in congestion** with positive impacts on economic productivity;
- **improvements in wellbeing as congestion**, particularly in large cities, has a very negative impact on people's wellbeing, and on stress. Increases in time taken to travel leads to less time for families, leisure and social connections; and
- **improvements in social mobility**, when our services connect people to each other and to the places they need to travel to – places of work, education and healthcare, there are connected improvements in social mobility, reductions in inequality.

We respect the planet



Our purpose, to drive modal shift, is at the heart of the Evolve strategy and is a key differentiator with our customers.

We have continued to make excellent progress on our ZEV transition plan during the year. Each of the Mobico Operating Divisions are focused on leading ZEV migration in each of our markets. Plans are in place to secure 1,500 ZEVs by 2024, increasing to 14,500 by 2030.

Sustainable Development Goals (SDGs) that align with our priorities:



Progress against our targets

Global trends	Definition	Our response
Air quality/GHG emissions	<p>Sustainable cities and communities SDG 11 11.2 – as most reliable</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and other waste management.</p> <p>Responsible production and consumption SDG 12 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>Climate action SDG 13 13.2 Integrate climate change measures into national policies, strategies and planning.</p>	<ul style="list-style-type: none"> • Our On Time Performance result is 90.7% • Our waste reduction target has been met



Environmental leadership

Modal shift to mass transportation helps improve air pollution and the climate crisis.

We are also committed to our own climate action plans and improvements.

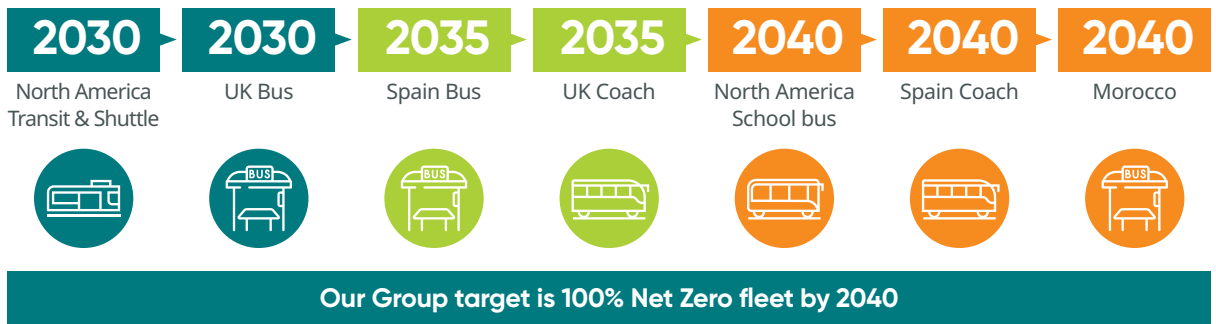
Today we operate 27,700 vehicles, and although the majority are diesel, we have worked to reduce our emissions from our current fleet. Today, most of our existing diesel vehicles already emit lower emissions than the average family car, and we have clear targets and a roadmap to transition the fleet to ZEVs.

While our performance in the shift to zero emission vehicles is gaining momentum, we still have a long way to go. However, we have clear net zero fleet targets and a roadmap cascaded to our divisions, which is set out below.

We have set KPIs on traction energy usage, traction carbon emissions and total Scope 1 and 2 carbon emissions, all on a per million passenger kilometer basis for the period 2019 to 2025, from a 2018 baseline using the Sectoral Decarbonisation Approach (SDA) methodology. We stated at the time, our intention to review these targets on a regular basis as climate science, technology and forecasting methods improved. We recognise that best practice reporting has since moved on and we have therefore submitted revised targets, aligned to the Paris Agreement to control the increase in global warming to below 1.5 degree celcius, to the Science Based Target Initiative (SBTI) for validation. These include a near-term emissions reduction target for Scope 1, 2 and 3 and a net zero target and were approved in January 2024. Our commitment is set out on page 76. These targets have subsequently been validated by SBTi.

We are also committed to improvement across a range of key environmental targets, which can also be found in more detail on page 76.

Zero emission fleet target



<p>We participate with ...</p>	<p>We are preparing to be compliant with ...</p>	<p>We have verified targets from ...</p>	
<p>We are proud to be ranked by ...</p>	<p>We also won these in 2023 ...</p>		

Case study



All-Electric Bus City Coventry

We are constantly striving to innovate and share knowledge across the Group.

Our Coventry depot will operate an entirely electric bus fleet by the end of 2025. National Express Coventry received a batch of 130 new double decker zero emission buses, which were fully operational by September 2023, in addition to the 10 buses delivered previously. In 2024, we are looking forward to procuring the remaining vehicles to fully electrify the depot.

All 140 Enviro400 electric buses are UK-built in Falkirk by Alexander Dennis. The buses produce zero carbon emissions at the tailpipe and are powered by renewable energy thanks to solar panels, a second-life battery and charge-point infrastructure installed at National Express Coventry's bus depot by electrification specialist Zenobē. The electric buses take four hours to charge and can run for up to 175 miles depending on the time of year.

The transition to an entirely electric operation has required close partnership between teams both within the business

and with external stakeholders. The transition has involved infrastructure adaptations, including upgraded electricity capacity and new chargers, as well as significant operational changes to our business. Our focus on mandatory driver training for the new ZEVs has led to benefits of improved range, extended battery life and slower battery degradation, while also improving our safety performance.

To date, National Express Coventry's electric buses have operated over 2.5 million miles since their first introduction in August 2020, saving 4,000 tonnes of carbon dioxide and contributing towards the achievement of Coventry Council's objectives to reduce vehicle emissions within the city.

The vehicles have telematics for driver continuous improvement and battery charging and degradation has so far been better than expected.

130

new double decker zero emission buses

20%

of vehicles in UK Bus will be ZEV when the current orders are delivered

We connect **places** and transform communities



The Evolve strategy commits us to being the safest, being the most reliable and having the most satisfied customers.

Sustainable Development Goals (SDGs) that align with our priorities:



Progress against our targets

Global Trends	Definition	Our response
Car pooling and using public transport instead of private	<p>Sustainable cities and communities SDG 11</p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p>	<ul style="list-style-type: none"> In 2023, the number of customer journeys we provided hit a record high of over 1 billion In 2023, we won 43 new contracts to help expand public transport networks

We connect places and transform communities continued

We connect places

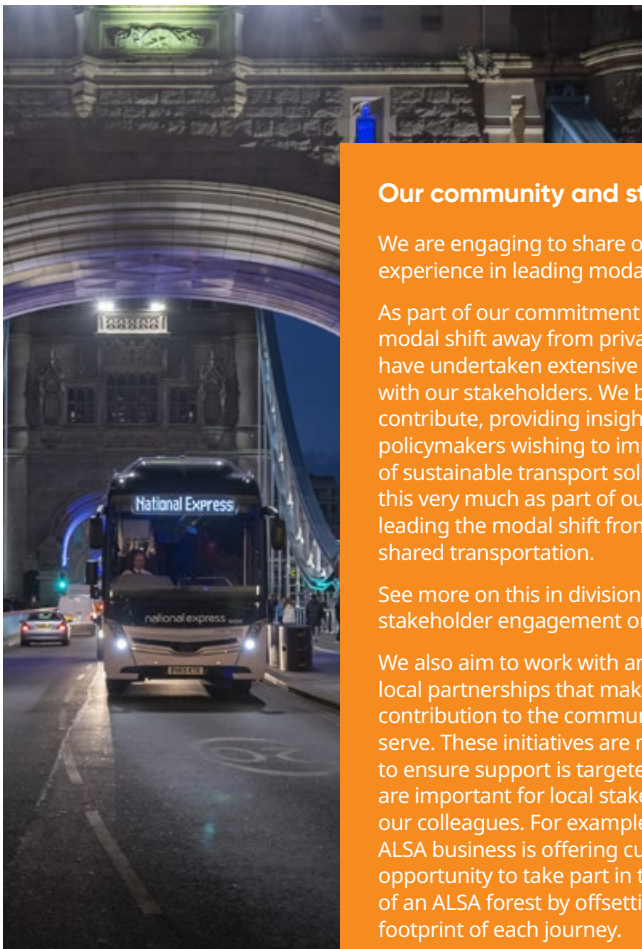
Our services connect places improving social mobility. Our services provide access to a range of workplaces, healthcare, education providers or social connections that they need or want to have access to. When people can't get to a job interview, or to a place of work via mass transportation and have no other way to get there, they often take lower paid work locally, or face unemployment.

Our Evolve strategy focuses on leading modal shift through improving the services we offer and the places we connect. We develop new ways to reinvigorate, innovate and improve transport services.

We have a strong reputation for successful mobilisation of new contracts and services and are recognised by local passenger transport authorities in our markets.

To an individual, the cost of using the bus is around 20% of that of car ownership. That is why, during the current cost of living crisis, we are engaging with supportive governments internationally to develop sustainable transport solutions in the most effective and cost efficient way.

This year highlights in our progress in diversification by mode and location, which is covered in more detail in the divisional updates in pages 24, 27 and 30.



Our community and stakeholder engagement

We are engaging to share our skills and experience in leading modal shift.

As part of our commitment to leading the modal shift away from private cars, we have undertaken extensive engagement with our stakeholders. We believe we can contribute, providing insight and guidance to policymakers wishing to improve provision of sustainable transport solutions. We see this very much as part of our commitment to leading the modal shift from private cars to shared transportation.

See more on this in division updates and in stakeholder engagement on page 50.

We also aim to work with and develop local partnerships that make a positive contribution to the communities that we serve. These initiatives are managed locally to ensure support is targeted to areas that are important for local stakeholders and our colleagues. For example, in Spain, our ALSA business is offering customers the opportunity to take part in the development of an ALSA forest by offsetting the carbon footprint of each journey.

This is helping ALSA to reforest in Palencia, Spain, an area of high ecological value that suffered deforestation after a fire in 2020. To date, more than 53,000 trees have been

replanted across almost 60 hectares, with an estimated 82,000 tonnes of life-cycle CO₂ absorbed, on completion of the project.

In North America, our businesses support a diverse range of local partnerships including 'Partners beyond the Bus' a volunteering initiative that saw 70% of customer service centres participating in one or more community outreach programmes. The School Bus business also continued its practice of donating buses to the community, most recently to Hutchinson Community College which will use the donated bus for driver training.

At the Group level, we once again supported Transaid, which has been a long-standing partnership since 2012. In the UK, the National Express Foundation has provided more than £1.5 million of funding to community organisations that work alongside young people, helping them to develop key skills and gain valuable life experiences. The Foundation's grant programme for 2023 received over 600 applications, with 32 being successful. ALSA has continued with a range of community activities including the flagship reforestation programme as well as supporting the Moroccan earthquake disaster fund.

We move people safely and responsibly

As well as the role public transport plays to support decarbonisation, the industry also has a key role to play in driving social mobility.

This has never been more important than in the current economic environment where public transport provides affordable access to work opportunities, healthcare and leisure. A previous review undertaken for the Department of Transport (DfT) noted that transport is an important facilitator of social inclusion and wellbeing which can affect social and economic outcomes and therefore inequality. Mobico is proud of the role it plays in local communities.

Sustainable Development Goals (SDGs) that align with our priorities:



Progress against targets

Global trends	Definition	Our response
Access & affordability/ Quality & safety Employee H&S Critical incident risk management	<p>Sustainable cities and communities SDG 11 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> <p>Good Health and Wellbeing SDG 3 3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.</p>	<ul style="list-style-type: none"> • Zero responsible fatalities • FWI/million miles • Leading safety credentials in each market
Labour practices/ Employee H&S	<p>Decent Work and Economic Growth SDG 8 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<ul style="list-style-type: none"> • Commitment to real Living Wage (or 10% above national minimum wage where Living Wage does not exist) • FWI/million miles

We move people safely and responsibly continued

We move people

We moved over 1 billion people where they want to go in 2023.

We put our customers at the heart of what we do to provide safe, reliable, clean, accessible and affordable mass transit services for them.

Clearly, responsibility for moving people is key to our approach to sustainability and central to our business model. To achieve our vision and be the world's premier shared mobility operator we need to look after our passengers on their journeys with us and provide them with the best possible experience.

We do this with our partners well before the first passenger has even stepped foot on one of our vehicles. We work to design, mobilise and operate safe, reliable transport networks as a trusted partner, everywhere we choose to compete.

Once we have operationalised our services, we aim to have the most satisfied customers, to provide the most reliable service, to be the safest, enabled by the best use of technology. We have strong processes and systems in place in each of our businesses to achieve these outcomes.

We continually invest in safety, reliability and customer satisfaction and have clear KPIs and standard operating procedures in place, aligned to global policies and governance to ensure we deliver on our Evolve outcomes.

Our services are for all. We aim to provide access to those in vulnerable circumstances, women, children, persons with disabilities and older persons.

We act responsibly

Our people

We want to be an employer of choice for all our 47,700 colleagues.

As an international and growing business, we know how critical our people are to the delivery of our performance and the achievement of our Evolve ambitions. How we treat our people is a cornerstone of our business and our approach to sustainability.

This year we have continued to work on our journey to becoming a high trust, listening culture, as reflected in our new People strategy, Be Part of the Future Today, highlighting the pillars of Embrace, Energise and Elevate, underpinned by great processes and policies (see People section on page 62 and 63).

Our people are proud of their contribution to their local community and are committed to engagement and support for community activities.



Safest

Safety remains our number one priority and is a key outcome of the Evolve strategy: To be the Safest.

The Group FWI result has increased from 2022. This is primarily because the 2023 result includes two fatalities (versus zero fatalities in 2022). These fatalities – as well as the other preventable injuries which are included within the result – have been thoroughly investigated and appropriate actions have been taken. As a result, the Group FWI bonus metric for Executive Directors will not pay out. See more on page 84.

The Company has a robust range of safety systems that are anchored in our 'Driving Out Harm' safety programme which was put in place in 2011 and is continually updated.

Examples of how we continue to refresh and innovate include: in the UK, the introduction of new Golden Safety Rules, which puts greater emphasis on looking after physical and mental wellbeing and on speaking out if something doesn't feel right. National Express West Midlands is the first company in the UK to invest in four driver simulators and has seen a 20% reduction in preventable accidents and a 75% reduction in risk. In Portugal, where we introduced new services, we implemented a comprehensive safety induction programme resulting in a 50% reduction of traffic accident rates in 2023 compares to 2022.

We incorporated 44 electric buses into the Lisbon fleet requiring the adoption of new safety measures. In our new partnership in Saudi, KSA, the focus has been on defensive driver training to more than 425 drivers and the certification of 200 drivers in high altitude driving through mountain routes. In the 2.5 months of operation in 2023 we had zero casualty accidents.

The Board believes that the Group's approach to safety and commitment to continually learning and improving through innovation, ensures it will continue to meet its overall strategic ambition to be the safest operator in the industry.

Safety is in our DNA

We are proud to be externally recognised for our approach to safety.

In North America School Bus, our operating authorities have maintained the highest safety rating. ALSA once again achieved the AENOR certification for road safety for the 11th year.



Employer of choice

The Group launched its diversity and inclusion strategy in 2020, which included the incorporation of the Company's Global Diversity & Inclusion Council. As part of this, there were three strategic ambitions:

1. Reflecting the communities we serve by increasing those in underrepresented groups at all levels of the workforce, with a key emphasis on those in management roles, in order that we better reflect the communities we operate in
2. Creating inclusive and accessible working environments, free of racism or any other form of discrimination, where people respect and value each other's diversity and the contribution they make
3. Driving a culture of empowerment by empowering leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change
 - Embraces diversity, equality and inclusion
 - Sets the tone for us as a purpose-led organisation
 - Helps us win the war for talent
 - Enables our people to grow and develop in a high-performance culture.

The strategy is organised around three pillars and underpinned by Essentials; colleagues are encouraged to participate in a wide range of community activities that have a positive impact on the diverse communities that we serve.

See the Your Voice survey results for 2023 on page 110.

Mobico Group was the first UK private transport group to become an accredited Living Wage Foundation employer and continue to be; we are conscious that the cost of living continues to pose challenges for our colleagues in 2023.

73%

Response rate

66%

I can get the training and development I need to do my job

+11

eNPS

70%

Colleagues are proud to work for Mobico Group

Equal Opportunities

The Company and all members of its Group are equal opportunities employers and are committed to ensuring that all members of staff in the Group are treated fairly and are valued irrespective of disability, race, gender, sexual orientation, marital status, nationality, religion, employment status, age or membership or non-membership of a Trade Union. Please see our Human Rights and Diversity Policy (available on our website <https://www.mobicogroup.com/about-us/our-policies/>) for further information. For the avoidance of doubt, this also applies to, and therefore sets out our policy in respect of, disabled employees.





Employer of choice

People strategy

Our Evolve strategy commits us to being the employer of choice. This year we have taken the time to work with the divisional representatives to put in place the foundations to create a high trust, listening culture. Our new People strategy, Be Part of the Future Today, has three pillars underpinned by 'Essentials':



As noted in the Sustainability Committee Report (page 109), we are pleased to have made good progress under each of our People Strategy pillars during 2023 summarised below.



During the year the focus has been on improving female representation across the business.

Since last year at executive level this has increased from 28% to 30%. Female leadership has increased across the senior leadership team across North America from 18% to 26% and in ALSA from 25% to 33%. A D, E & I census was undertaken covering 95% of the senior leadership population and a D&I task force has been established to drive further improvements. Other initiatives included the introduction of an Inclusion 'Playbook' in the UK, the continued support of Pride in Germany and the UK, and Black History month under the theme of Saluting our Sisters and the celebration of the second year of the Women's Inspiration Network in North America.



We undertook our second global employee survey in 2023.

Specific initiatives under this pillar included a new recruitment campaign in North America that resulted in 34% more applications and a 16% increase in driver training hires over the prior year. In the UK the introduction of a GP Hero – a free consultation service for all employees. A new reward and recognition initiative was put in place to supplement extensive local front-line recognition schemes.

ALSA became the first Spanish mobility company certified as a Top Employer in 2023 and Bahrain gained a Great Place to work certification.



There has been a focus on talent development during the year with 139 talent assessments undertaken across the senior leadership and business critical roles.

As a result 38 new successors have been identified since last year. Over the last year 36% of the Group Executive team and 20% of the wider leadership team have been replaced to further strengthen the capability of our business. We have put in place a senior leadership academy and introduced training in change management as well as establishing a global talent taskforce.



Essentials underpins the pillars and is focused on putting in place the foundations required to optimise our processes and policies.

Enhancements this year include: the creation of a global people dashboard to enable us to track and monitor across a arrange of metrics; the implementation of a new mobile application in North America to support the recruitment drive and the launch of a global intranet MobiconX, connecting 300 senior leaders across the Group to improve communication, cross functional collaboration and productivity and efficiency.



Case study



National Express to deploy new electric school buses across the US through EPA clean school bus grants

Our School Bus business is proud to announce that its school district partners have been named recipients of the 2023 US. Environmental Protection Agency (EPA) Clean School Bus Grant Program Round Two Award. These newly awarded grants will allow NEXS to add 141 new electric school buses to our growing fleet of zero-emission vehicles and further bolster our goal of achieving 100% zero emission vehicles by 2035.

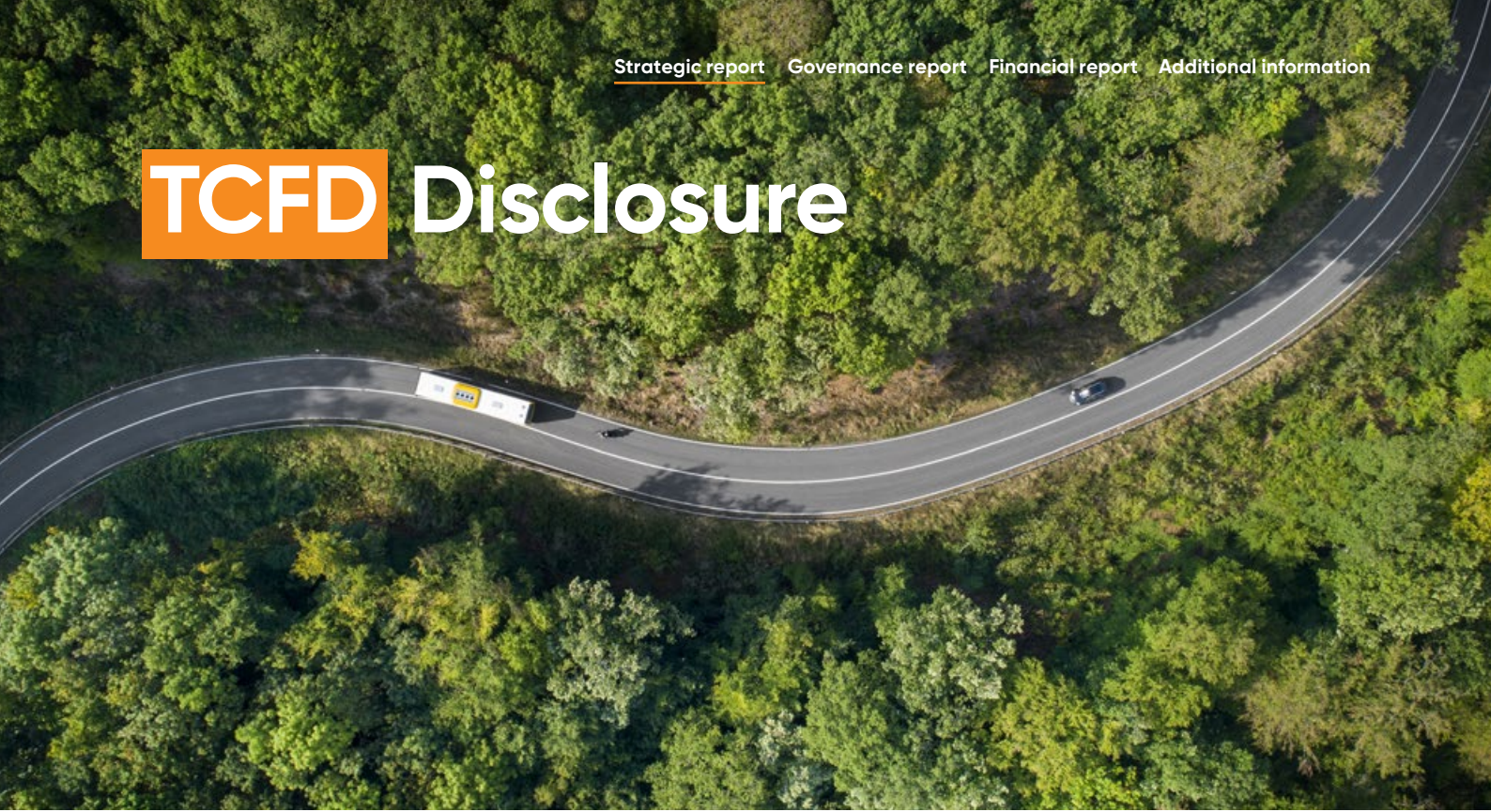
The new electric vehicles will begin to be deployed this year across Florida, Illinois, Louisiana, Michigan, Mississippi, Ohio, Tennessee, and Washington.



We are thrilled by the grant awards, as the funds will greatly assist us in providing our partners with best-in-class “clean-fuelled” vehicles,” said the Senior Director of Electric Vehicles, National Express LLC. **“As we continue to shift our focus towards electrification and sustainability initiatives, the positive outcomes of zero emissions school buses are both inspiring and reinforced by a growing wealth of supportive data and studies. As such, we are excited to embark on these new journeys with our partners and look forward to the healthier and more sustainable futures we are building for our students and communities.”**



TCFD Disclosure



The Task Force on Climate-related Financial Disclosures

The Group has complied with the requirements of LR 9.8.6 R by including climate-related financial disclosures consistent with all 11 of the TCFD recommendations and recommended disclosures. These disclosures also incorporate the new mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 issued by the Department of Business, Energy and Industrial Strategy ('BEIS').

TCFD Recommendation	Recommended disclosures	Further information
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	See pages 66 and 67 See also our Sustainability Committee Report on page 109.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	See pages 70 to 75
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See pages 70 to 75
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	See page 75
Risk Management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	See page 68
	b. Describe the organisation's processes for managing climate-related risks.	See more detail in our Group Risk Management disclosures from pages 40 to 47.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See page 76
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	See pages 77 and 78 See more detail in our Environmental Performance Report on page 247
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

Governance

Board's Oversight and Review of Climate-Related Risks and Opportunities

The Board's oversight of climate-related risks and opportunities is through its dedicated Sustainability Committee, with a remit to cover the governance of environmental and sustainability matters. The Sustainability Committee met three times during 2023. The terms of reference can be found on the Company's website at <https://www.mobicogroup.com/about-us/corporate-governance/committees/>. The key activities of the Sustainability Committee during 2023 can be found on page 109. On behalf of the Board, the Committee also monitors progress against our goals and targets, primarily through monitoring and reviewing a KPI dashboard.

During the year, a new director with significant environmental experience and CEO of Good Energy, Nigel Pocklington, was appointed to the committee.

One of the key outcomes of the Group's Evolve strategy is to be an Environmental Leader, by delivering our fleet transition to Zero Emission Vehicles (ZEVs). To monitor operational progress against this strategy and the related financial impact, the Board performs an annual review of both the long-term strategic plan, of which the latest runs until 2028, and the annual budget, the most recent of which is for FY 24. Both exercises consider the transition to a low carbon economy and the potential impact of physical risks from climate change, which are discussed in detail in the Strategy section of this disclosure. Please refer to the Risk Management section of this disclosure for how the Board exercises oversight regarding incorporating climate-related issues into the risk management processes.

Board Reporting

The Sustainability Committee reports to the Board of Directors, with the Committee Chair providing updates to the Board after each Committee meeting on the matters discussed. Climate risks and opportunities form part of the Group's overall risk management process, which the full Board is specifically updated as described in the Risk Management section. The Sustainability Committee also produces a formal written report each year to the Company's Shareholders, which is approved by the Board. This year's report is set out on pages 109 and 110 of this Annual Report.

Board Training and Development

To assist them in both discharging their oversight responsibilities on the Group's Environmental Leader strategy and having the ability to give direction and raise challenges, the Committee received a Future Reporting Landscapes presentation from Ernst and Young's ESG specialists during 2023. Individual Committee members have also participated in training webinars provided by Deloitte Global Board Training Program. Additionally, Committee members can access to climate-related resources, including Chapter Zero.

Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

The Company's Executive Directors are responsible for the delivery of the Group's "Environmental Leader" strategy (see pages 54 to 56 for more information) and are the sponsors of its overall 2040 ambitions to achieve net zero for Scope 1 and 2 emissions.



The below diagram explains the role both Board committees and different senior leaders play in having oversight of assessing and managing climate-related risks and opportunities:



Risk Management

Identifying and Assessing Climate Risks within the Overall Risk Framework

The Group applies a two-pronged approach to identifying and assessing climate-related risks and opportunities. Firstly, climate risks are considered as part of the Group's risk management system to identify and assess on all business risks (see pages 40 to 47 for more detail), which is presented to the Board at least twice annually. These risks are cascaded from down to divisional Executive Management. Both existing and emerging transitional and physical climate-related risks, like any principal risks, feed into the divisional and Group risk registers. They are assigned to risk owners, who are responsible for continuously capturing and reporting any developments to the Group risk register, from which a register is made of the most significant risks with the support of Group. Any necessary actions required to respond to climate-related risks (for example increased investment or other actions to mitigate the risks) are discussed and approved as per the Group's delegated authority framework in the diagram shown on the next page and those most significant are discussed at Board meetings per the Governance section above (frequently ZEV transition and infrastructure). Deep dives into specific topics within the divisional risk registers and their mitigations are conducted by the Board every year.

Secondly, in 2021, a specific climate-related risks and opportunities divisional self-assessment was introduced for the first time, which was re-performed fully in 2022 and reported up to and rereviewed by Group for any material changes by all the Group's operating divisions during 2023. This process enabled the Group to assess the potential size and scope of climate-related risks and opportunities identified across the Group. It is the Group's intention to re-perform the scenario modelling at least every three years, in line with the suggested cadence within the UK

Climate-related Financial Disclosure regulations. The outcomes are presented in the strategy section on the next page.

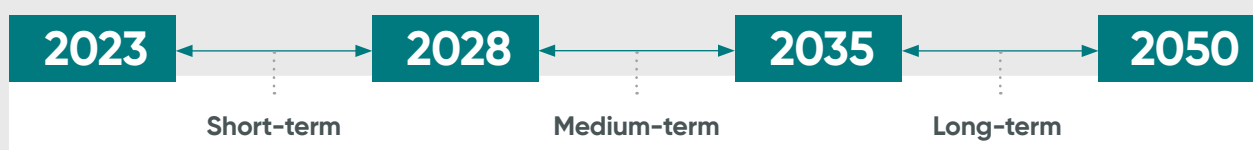
The key features of the specific climate-related risk assessment were as follows:

- The assessment consisted of two components: physical risks (such as extreme weather events); and risks related to the transition to a lower carbon society (such as the operational challenges with transitioning rapidly to a ZEV fleet).
- Divisional teams assigned both a probability of occurrence and an estimated financial impact score against each of the risks and opportunities identified, in order for the Group to assess the priority and materiality of each climate-related risk.
- For each risk and opportunity, divisional teams assessed the expected frequency of occurrence, the activities and controls in place to mitigate the risk, and the effectiveness of those controls.
- The risk assessments were reviewed by the Group Financial Controller, Group Head of Compliance and Group Sustainability Director, with a summary presented to the Board, who duly challenged the conclusions, enabling an assessment of the relative significance of the risks posed by climate change compared to other risks.

There is a clear interrelationship between addressing climate-related risks and Group strategy, primarily through the transition to ZEVs. As a further control over the completeness and accuracy of the divisional and Group risk registers, a cross-check is performed from the detailed climate-related risks self-assessment exercise to ensure it is consistent with the risk register process.

Time Horizons

In order to assess the impact of climate-related risks over time, the Group has set short, medium and long term time horizons as set out in the diagram below.



The short-term time horizon to 2028 aligns with the five-year forecast period used for the Group's strategic financial planning process. The medium-term end date of 2035 aligns with the assumed ban on use of diesel vehicles that we have applied in the 'extreme transition' scenario (as described below), and is also a key milestone date for the Group's zero emission targets. The long-term assessment considers a period to 2050, to align with the Paris Agreement Net Zero Goal.

Please refer to page 55 for our net zero goals, timeline and plan.

Materiality

In assessing these risks and opportunities, we have set materiality thresholds in line with TCFD guidance. For short to medium-term risks, we have applied a level of materiality consistent with the approach of our Financial Statement audit (the higher of (i) 5% of the Group's Adjusted Operating Profit in the respective year of the Group's long term strategic plan; or (ii) £10 million). For longer-term risks, we apply a higher materiality of 10% of a long-term estimate of the Group's Adjusted Operating Profit, as the risks are less certain, and the Group has longer to develop mitigation plans.

We applied this assessment to both the climate change scenario modelling analysis and the divisional assessments, to determine material risks and opportunities arising from climate change.



Strategy

Two climate scenarios were selected for modelling. The rationale for selecting these two scenarios was in order to model the potential impacts at the opposite end of the spectrum of likely outcomes: the extreme transition scenario (consistent with significant, co-ordinated intervention) increases transition risk, but minimises physical risks associated with climate change, whereas the opposite can be said for the extreme physical climate change scenario. We also analysed a third scenario (based on the IPCC's 'RCP 4.5' scenario) to confirm that it sat within the spectrum of outcomes of our two extreme scenarios.

A summary of the two scenarios is set out in the table below.

Extreme physical climate change scenario	Extreme transition scenario
<p>Scenario outline</p> <p>An extreme physical climate change scenario assuming a lack of co-ordinated governmental action and intervention to reduce emissions, ultimately resulting in more extreme weather events. This scenario assumes the current warming rate continues unabated; rising to c.+4°C by the end of the century, as forecast by the Intergovernmental Panel on Climate Change (IPCC) in its worst case 'RCP 8.5' scenario.</p>	<p>Scenario outline</p> <p>An extreme transition scenario, including an assumed ban on internal combustion engines to limit the global temperature increase to 1.5°C above pre-industrial levels, as projected by the IPCC's 'RCP 2.6' scenario.</p>
<p>Physical climate change pathway</p> <p>RCP 8.5 degrees celsius</p>	<p>Physical climate change pathway</p> <p>RCP 2.6 degrees celsius</p>
<p>Modelling approach</p> <p>In this scenario, we assumed a range of extreme weather events occurring with increasing frequency through the time horizons under consideration, which included damage to depots from flooding or fires and business disruption from extreme heat or cold. We considered the impact of these before and after mitigations.</p>	<p>Modelling approach</p> <p>We considered the risk of regulatory change requiring a transition to zero emission public transport in a shorter period of time. Specifically, assuming a global ban on the use of internal combustion engine vehicles from 1 January 2035, and the Group's plans to transition to a low carbon economy to address the Group's existing net zero targets.</p>

The output of the climate scenario analysis was the identification of climate-related risks and opportunities by time horizon, as defined in the Risk Management section above. The table below summarises these, together with their impact on the Group's strategy and resilience thereof, and the impact on financial planning.

Physical risks

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
Disruption from extreme weather events	<p>Extreme weather events have historically always had some impact on our operations; in 2023, the financial impact from extreme weather events was £3m (2022: £5m), mostly being disruption from snow fall in North America and this was broadly consistent with that experienced in prior years.</p> <p>Under the extreme climate change scenario, our climate modelling showed that the financial impact caused by an increased magnitude and severity of extreme climate events will grow, and from 2028, before any offset from mitigating actions and modal shift opportunities that would arise under this extreme scenario, could be in the order of c.£50m annual profit, as calculated by our modelling exercise.</p> <p>A physical risk assessment of approximately 200 of the Group's major locations performed in 2022 identified that sites in central USA, largely from drought and high temperatures; and southern Spain, from extreme rainfall, are the sites at the highest risk of impact from climate change in 2030 and 2040, using both RCP 2.6 and RCP 8.5 scenarios. Detailed results of this are available in 2022 TCFD at https://www.mobicogroup.com/sustainability/task-force-on-climate-related-financial-disclosures/.</p>				North America, ALSA

Transition risks

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
Availability of zero emission vehicles	<p>Whether there will be sufficient volume of vehicles available in the market to achieve our divisional ZEV target dates. Some locations are already experiencing longer than usual lead times.</p> <p>Similarly, in particular for our long haul operations, having a suitable zero emission vehicle in the marketplace in time to transition the full fleet is a risk.</p>				School Bus – North America Long-Haul Coach – UK and ALSA
Commercial viability of zero emission vehicles	<p>Unfavourable changes to market prices for vehicles.</p> <p>Funding arrangements being available and changes to input costs such as electricity or hydrogen fuel costs and/or operational maintenance costs could affect the commercial viability of zero emission vehicles.</p>				School Bus – North America Long-Haul Coach – UK and ALSA

Key



Low

Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy



Medium

Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy



High

Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

Mitigation plans include:

- Maintaining a diverse portfolio of geographical locations across the globe, providing a natural mitigation from having a large number of individual locations, reducing the impact that any single weather event has on the Group reducing the likelihood of a material financial impact, post mitigations;
- Relocating assets away from localised affected area;
- Adjustments built into our contracts, meaning we have access to reimbursement of infrastructure costs and penalty reductions, as is the case in Germany; and
- The Group continues to evolve insurance policies to cover many of the risks of physical damage, as well as the cost of business interruption.

We already operate vehicles in both the coldest large city in the USA (Fairbanks, Alaska, with a mean January temperature of -22°C), and Bahrain, which has an average high temperature of 38°C in the summer. As a result, we are already prepared to operate in extreme weather conditions, and have the accumulated experience to manage it.

Whilst based on calculated materiality, a £50m annual profit impact from 2028 would represent a material impact on Group profit, it would not affect our ongoing viability nor cause any issue for our key lender covenant tests, based on our latest five-year strategic plan; and in any case, the £50m amount is calculated before any mitigations. In reality, storms and other weather events often come with advanced warning, so mitigating actions can be implemented to reduce the impact, and the Group already has various other general mitigations as described above.

Annual financial impact from extreme weather events

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

There is good supply of suitable vehicles in many of the areas in which we operate in order to enable the transition, particularly for those divisions with the earliest net zero target. In some divisions the transition will take longer. North America School Bus is seeing some short-term delays in the supply chain arising from very significant sums of grant funding for vehicles becoming available in a short time frame, stimulating high demand. Nonetheless, we have been able to secure orders for over 141 electric school buses from the first two tranches of funding awards.

For our long haul operations in the UK and ALSA, there is not currently a suitable vehicle on the market but we are proactively working very closely with our vehicle suppliers to have prototype hydrogen coach vehicles available. There is a clear direction of travel within the vehicle manufacturing industry to develop hydrogen powered coaches suitable for the long distance range many of our services operate. We are confident there will be suitable vehicles coming onto the market to enable us to transition these operations to zero emission. In the meantime, hybrid vehicles are a successful solution to temporarily lower emissions.

Number of zero emission vehicles in service or on order

% of total fleet that is zero emission vehicles (including on order)

The pipeline of new ZEVs over the next five years has been reflected in the financial forecasts within the Group's latest strategic plan, which runs to 2028. A combination of funding models, from outright capital purchase and on balance sheet leasing, to new ownership models (including variable leasing) and the availability of funding are expected to hold replacement costs down.

Number of zero emission vehicles in service or on order

% of total fleet that is zero emission vehicles (including on order)

Transition risks

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
Infrastructure requirements to enable operation of zero emission vehicles	Group's reliance on the required infrastructure being in place in each locality that we operate, to enable us to operate our services using zero emission vehicles, including electricity availability and speed for charging, and supply of hydrogen.				Long-Haul Coach - UK and ALSA
Requirement for an accelerated transition due to increased regulation	If there is significant intervention from governments and other public bodies to restrict or ban the use of diesel and other emitting vehicles, the Group may need to transition faster to ZEV to comply with local and national regulations, which could have implications for the net book value of existing diesel vehicles.				All except German Rail

Opportunities

Opportunity	Opportunity explained	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
Modal shift: driving customers to use public transport	An increase in government and other public bodies' intervention to introduce congestion and/or pollution measures to disincentivise or even ban the use of private transport could enable modal shift by increasing users of public transport in the future. For example, the California Climate Act disallows the purchase of some diesel vehicles from 2024. This presents us an enhanced opportunity to become an Environmental Leader per our Evolve strategy on page 10.				All
Operational efficiency	Increased operational efficiencies (both planned and reactive) from operating zero emission vehicles perpetuate or grow from the early experience we have seen across the Group. The customer experience is much better in ZEVs than diesel vehicles.				All

Key



Low

Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy



Medium

Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy



High

Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

We have a significant level of engagement with public bodies to help drive the agenda forward, particularly with regard to hydrogen infrastructure. In 2023, the UK Government launched an open call for evidence regarding infrastructure for zero emission heavy goods vehicles and coaches, thus including the Coach operation in the wider Government plans for zero emission transport. A full updated strategy is expected to be published in 2024 including refuelling and recharging requirements.

The Group is proactively engaging with external stakeholders to make beneficial changes, such as looking to reduce the costs of hydrogen supply, and exploring alternative supply options such as on-site hydrolisers.

We will be closely following emerging solutions for the considerably larger haulage industry, which will likely accelerate the emergence of technology and infrastructure solutions into the market.

The Group will continue to take mitigating actions where we can, primarily via engagement with a wide range of stakeholders and seeking a wide range of possible different solutions, in particular for long-haul services. However, the Group will be reliant on a number of factors outside of our control, including the need for local and national government policies to drive forward the availability of infrastructure through policy action and making funding available, and for the wider industry to be able to support this through provision of the required infrastructure.

Please refer to the transition plan section below for our long haul operations for further detail.

Number of zero emission vehicles in service or on order
% of total fleet that is zero emission vehicles (including on order)

We have already set out our divisional net zero target dates which range from 2030 to 2040. In that regard we therefore expect to be very well progressed in the transition by 2035, which was the year in which we modelled the impact of a ban on the use of diesel vehicles in our climate modelling. We consider this the main mitigation by being a leader in the transition such that the financial and operational impact of any regulation being introduced on our existing transition plan is relatively minimal.

Some ZEV suppliers are actively buying back diesel vehicles to accelerate the introduction of electric vehicles. There is also a secondhand market (especially large in the North America Transit business) enabling recovery of any net book value of diesel vehicles.

The net book value of diesel vehicles at 2035, would be £18m, and so the impact of accelerated depreciation on annual profit from 2024 would be c. £1.5m if there was a ban on the use of diesel vehicles from 2035 as assumed in our modelling scenario; an immaterial amount.

Please refer to note 15 in the Notes to the Consolidated Accounts for further information. Similarly, the impact of this on impairment assessments is set out in note 14 to the Consolidated Accounts.

Number of zero emission vehicles in service or on order
% of total fleet that is zero emission vehicles (including on order)
Net book value of diesel vehicles at 2035 and 2040

Strategic and financial impacts

Metrics to track progress

It is likely that local government authorities or transport authorities would unilaterally impose measures to address congestion and pollution in cities (to help the drive for a clean air environment) and simultaneously meet their countries' own carbon reduction targets, particularly under the extreme transition scenario which we have modelled. Our shorter routes and School Bus business model perfectly lends itself to ample mid-day or overnight charging.

The UK's Climate Change Committee predicts that 9-12% of car journeys could be switched to bus by 2030, with 17-24% being switched by 2050. According to our analysis of the Department for Transport's 'Passenger transport by mode' 2019 statistics, a modal shift of 1% from car to bus would result in an increase of 23% bus passenger kilometres.

We see that the benefits of modal shift far outweighs the costs of having to comply with new regulations.

Million passenger kilometres

There are several operational benefits from using ZEVs, including the ability to optimise maintenance (both planned and reactive), and experience to date has shown further operational benefits such as fewer breakdowns. Our investment in driver training is enabling high quality driving of the vehicles, which in turn is generating benefits such as lower maintenance and repair spend and also higher regenerative braking, resulting in lower energy use.

There is the opportunity to see further operational benefits and battery performance to the business as the transition progresses and we gain more experience in operating the vehicles.

Group operating expenses

The Group Transition Plan

The Group's ability to transition the fleet to ZEVs to meet our own net zero targets, and to mitigate risk in the extreme transition scenario, is dependent on the ability to transition to and operate ZEVs across all divisions, with the exception of Germany, which already operates a fully electric fleet of trains. Vehicle emissions currently represent 93% of Scope 1 emissions and therefore transitioning the fleet to ZEVs is the key driver of achieving our net zero target. We therefore currently anticipate that carbon offsetting will represent only a minor part of the strategy to reach net zero. We recognise that as part of an industry sector with currently high emissions, delivery of this strategy is critical to significantly reducing our contribution to the current level of global emissions, in addition to contributing to avoided emissions by providing public transport services.

As noted in the risks table above, one of the most significant priority risks, amplified by our goal to be the Environmental Leader in our sector, is the Group's ability to manage this transition. The Group has a proactive approach to transition challenges and we continuously engage with our suppliers, partners and customers to drive the agenda.

A summary of each divisional transition plan is set out in detail below.

Urban Bus – UK

The Group is most progressed in the UK Bus division with 20% of the fleet already zero-emission or with a zero-emission replacement on order. Our experience from operating electric vehicles has been extremely positive to date, with lower maintenance costs (both planned and reactive) and running costs. We have also seen significantly fewer breakdowns than on a diesel bus, and lower energy usage than expected thanks to the increased regenerative braking and our significant investment in driver training.

We are able to mitigate the small remaining technology transition risks by negotiating with supply chain partners and West Midlands Combined Authority, by obtaining extended warranties on battery performance, for example. Secondly, the Office for Zero Emission Vehicles is accelerating the ease of installing charging points for businesses. Lastly, we have three depots fully designed to accommodate ZEVs already, and have a pipeline of future redesigns in place for more depots. We do not expect our vehicle purchasing requirements to comprise a significant portion of the market capacity for the manufacture of these vehicles, and electricity network connections in our depot locations have been strong enough for our needs.



Urban Bus – Spain and Morocco

In Spain and Morocco, we expect our Urban Bus operations to transition on a slightly longer timescale than in the UK as a result of three key factors: (i) operating conditions, including route length, and ambient temperatures being more challenging than in the UK; (ii) the contracted nature of the services means that the transition timetable needs to be agreed with the contract counterparty; and (iii) the extent to which electricity is available to power entire depots' charging points. While there is more uncertainty than in the UK, the availability of suitable vehicles in the market is more than sufficient to meet our transition plan and the support for vehicles and infrastructure is high on the agenda of the public authorities. We expect to see similar operational benefits to those we have seen in the UK as the transition progresses. In the meantime, hybrid vehicles and a range of alternative fuel types are used to lower emissions on the diesel fleet.

School Bus – North America

School bus operations are well suited to ZEVs given relatively short operating distances and ample time for mid-day recharging. However, the longer transition target date in North America is reflective of two key factors: (i) ZEVs for the school bus market are currently expensive, reflecting the short-term impact on market prices from high levels of funding being made available; and (ii) contracted procurement practices at school board level needing to adapt to accommodate ZEV introduction.

Nevertheless, we are seeing increased demand for ZEVs (particularly as parents embrace the clean air agenda), and funding is becoming increasingly available, such as winning \$31m in grants last year from the \$5bn Clean School Bus programme, which has enabled the funding of 53 electric school buses and the required infrastructure, which will be delivered in early 2024. In early 2024, funding for 91 more electric school buses was granted. While the availability of 100% funding for both vehicles and infrastructure is clearly an enabler of the transition, it is to some extent currently having a negative effect on the market price of a ZEV, which remains high compared to the equivalent diesel vehicle, and limiting other market options. This is expected to reduce over time as the initial effects of launching the large funds programme on the market starts to recede.

Additionally, our own assessment shows that the market capacity for ZEVs that we expect to consume is not notably larger than our proportionate market share and there is a significant second-hand market for the sale of diesel vehicles before their useful life expires.

Transit and Shuttle – North America

Introduction of future regulations such as the Clean Air Act in California is expected to drive the need for change by phasing out the sale of diesel vehicles through increased regulation. We lead a Zero Emission Leadership Coalition (ZELC) that brings together a number of our key customers, industry experts and vehicle providers to share knowledge and experience to also help to drive the transition agenda. Although lead times for vehicle delivery are currently longer than in other areas of the business, there is ample capacity in the vehicle market to enable transition by the target date.

Long haul coach – UK and ALSA

The vehicle replacement cycle in coach operations is much faster, due to the intensive operational nature of the vehicle. For example, in our UK Coach division, each vehicle is typically used for 5 to 7 years before being replaced, meaning there is a longer time window from now in which to develop a ZEV solution for this market and ensure the necessary infrastructure is in place to achieve the ZEV target date.

Our UK suppliers are working on a hydrogen coach vehicle that meets our specification requirements which we are expecting to see the first of in 2024. However, while hydrogen power produces a better range than battery ZEV, the technology is less developed, and fuel costs are currently too high to compete economically with diesel or electric power, making the solution more uncertain as we have reliance on the required infrastructure being in place to support our vehicle operations. In the meantime, while battery ZEV may be impractical for long distance journeys, it is likely to be the ideal solution for shorter coach services like our airport operations, and we are already using electric vehicles on a private hire contract in the UK.

In ALSA, we are exploring options for electric superchargers at stations to coincide with mandatory driver breaks. The Confederation for Passenger Transport (CPT) ZEV taskforce in UK and the International Federation of Public Transport (UITP) are working on further solutions.

Ultimately, we anticipate that we will be able to procure ZEVs suited to short and long- distance journeys to enable us to achieve full transition by the target date, given our progress in engaging with suppliers and the wider industry thus far. We would expect that, particularly under the extreme transition scenario, a combination of government support and private investment would ensure the requisite infrastructure was in place to enable the wider use of hydrogen vehicles, including with the UK's updated ZEV HGV Infrastructure Strategy expected to be published in early 2024.

German Rail

While German Rail already operates a full electric fleet of trains, plans are ongoing to reduce energy usage and hence Scope 2 emissions in the future, for example the development and planned deployment of a driver assistance system which gives recommendations for energy-optimised driving behaviour.

Resilience of the Group's strategy

Collectively, across governments, our customers and the general public, there is a desire and a need to reduce emissions to tackle the risks posed by climate change. We believe this will accelerate both modal shift into public transport and the need to transition away from diesel vehicles; and that this would happen more quickly under the extreme physical climate change scenario. As we have set out, although physical risks from climate change will undoubtedly provide more challenges to the business, we see greater opportunities from the vehicle transition and modal shift which are both key to our strategy. Therefore, we believe our strategy is resilient to these likely challenges, and we do not foresee having to adjust the operations of the business in the future due to climate risks.

Metrics and Targets

In 2019, the Group was an early adopter of a set of intensity-based metrics which were measured year-on-year and were used as the basis for a set of emission reduction targets, using the Sectoral Decarbonisation Approach (SDA) methodology. These targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, and were based on intensity metrics widely used in the transport industry, and aimed to be achieved over a seven-year performance period, 2019 to 2025, with 2018 being the baseline year. These are shown in the table below.

During 2023, the Group submitted new near-term carbon reduction targets covering Scope 1, 2 and 3 emissions to the Science Based Targets Initiative (SBTi) in order to both obtain external validation of our targets and most critically, to ensure alignment with the Paris agreement of controlling the increase in global warming to below 1.5 degrees. The SBTi completed their validation process in January 2024 and the approved targets are as follows:

Mobico Group PLC commits to reduce absolute Scope 1 and 2 GHG emissions 55% by 2033 from a 2022 base year.

Mobico Group PLC commits to reduce absolute Scope 3 GHG emissions 33% by 2033 from a 2022 base year.

The target boundary includes biogenic land-related emissions and removals from bioenergy livestock.

The Group will commence reporting against the new targets from 2024.

The Group already has incentives in place across all divisions to lower our carbon footprint in our operations, for example being embedded within bonus targets and employee objectives. In addition to this, capital investment requests and bid models are already scrutinised for their environmental impact. Given that these processes already meet the aim of using a carbon price, we are not currently utilising one in our internal reporting at this stage; however, this will be kept under review.

The Group has reviewed the full list of metrics in tables A1.1, A1.2 and A2.1 in the TCFD guidance and set out the relevant metrics and KPIs, which the Group will use to track climate-related risks and opportunities in the following table. Please refer to the climate-related risks and opportunities table in the Strategy section for which risk and opportunity each metric is linked to. The Group considers the remaining metrics to not be relevant nor meaningful to the Group at the current time, but the Group will continue to monitor this. The Group monitor progress against these metrics by the way of quarterly reporting of Scope 1 and 2 emissions from each of our operating divisions.

Metrics and Targets Dashboard

	Base year		Target year		2022	2023	% change	% change	% change
	Year	Result	Year	Result	Result (PY)	Result (CY)	from base year	YOY (2022-2023)	to meet target
Scope 1 & 2 absolute carbon emissions (tCO ₂ e) (our net zero tracking metric)- SBTi approved target	2022	913,864	2033	411,239	913,864	913,937	0.01%	0.01%	-55.0%
Scope 3 absolute carbon emissions (tCO ₂ e)- SBTi approved target	2022	600,400	2033	402,268	600,400	497,280	-17.2%	-17.2%	-19.1%
Traction Energy: (vehicle fuel and electricity) MWh/mpkm*	2018	66.92	2025	58.72	83.82	85.50	27.8%	2.6%	-31.3%
Traction Carbon Emissions (Scope 1 & 2) tCO ₂ e/mpkm*	2018	17.67	2025	15.45	23.38	22.84	29.3%	-2.3%	-32.4%
Total Scope 1 & 2 Emissions tCO ₂ e/mpkm*	2018	19.26	2025	16.45	24.17	23.57	22.4%	-2.5%	-30.2%
Site Scope 1 & 2 Emissions (building use only) tCO ₂ e	2018	41,656	2025	38,199	29,839	28,165	-32.4%	-5.6%	Met
Landfill Waste Disposal tonnes	2018	7,711	2025	5,783	4,215	883	-88.5%	-79.0%*	Met
Water consumption m ³	2018	478,956	2025	439,209	429,170	411,692	-14.0%	-4.1%	Met
Number of zero emission vehicles in service or on order	n/a	n/a	2024	1,500	491	915	86.4%	86.4%	64%
			2030	14,500					
% of total fleet that is zero emission vehicles (including on order)	2023	2%	2040	100%	2%	3.3%	1.3%	1.3%	96.4%
Scope 1 and 2 emissions (in kg CO ₂ e) per £ revenue	n/a	n/a	n/a	n/a	0.3264	0.2891	-11.4%	-11.4%	n/a
Impact on operating profit from extreme weather events					£5m	£3m			
Net book value of diesel vehicles at 2035					£14m	£18m			
Net book value of diesel vehicles at 2040	No specific targets set currently				£0m	£0m	No specific targets set currently		
Proportion of LTIP remuneration targets based on ESG metrics (see page 121 for more detail on ESG Directors Remuneration)					25%	25%			

* mpkm: million passenger kilometres is defined in the Glossary to this annual report

Scope 1, 2 and 3 emissions

We measure and report our Scope 1, 2 and 3 greenhouse gas emissions in line with the GHG protocol methodology which are summarised in the table below and split by division on the Environmental Performance Report on page 247.

Reporting Boundaries & Recalculation Policy

The Group applies an operational control approach to reporting emissions for collecting this data, thereby covering 100% of our business activities. A regular review is undertaken to ensure any changes to the Group structure are reflected in capturing emissions data. The Group's GHG Emissions Recalculation Policy was approved by the Board Sustainability Committee during the year and can be found at <https://www.mobico.com/about-us/our-policies/>.

tCO ₂ e emissions by scope	2017	2018	2019	2020	2021	2022	2023	% change YOY (2022–2023)
1	801,061	808,650	823,582	514,106	657,239	830,287	834,815	0.5%
2 (location based)	60,682	48,583	49,938	67,879	73,649	83,577	79,122	-5.3%
3**	6,127	7,627	8,221	8,641	5,762	600,400	497,280	-17.2%
Total Scope 1, 2 and 3 (location based)	867,870	864,860	881,741	590,626	736,650	1,514,264	1,411,217	-6.8%

**The Group completed a full baseline assessment of Scope 3 emissions in 2022, including all relevant categories. Prior to 2022, Scope 3 included only business travel, waste, water and certain other upstream emissions.

Scope 1 emissions (from combustion of fuels, and use of natural gas and refrigerant gases) represent the largest category for emissions, with vehicle emissions representing 93% of Scope 1 emissions. Scope 2 emissions (from electricity usage) represent energy usage both in our buildings, in our German Rail operations and electric vehicles in operation in other divisions.

An increase in electricity consumption, particularly in our German Rail operation due to the award of new contracts, drove an increase in the Traction Energy metric. Whilst we remain adrift of the 2025 targets for traction energy and carbon emissions, as can be seen in the table below, Traction Carbon Emissions and Total Emissions both improved year on year per million passenger km, as both patronage improved over the year and starting to see the positive impact of the ZEV transition achieved. As we expect the growth in ZEVs to gain pace in future years, there remains potential for material improvement in these intensity metrics as this progresses.

The remaining three metrics for Site Emissions, Water Consumption and Landfill Waste Disposal had already been met in previous years but it was pleasing to see that all three metrics improved on last year. It should be noted that the majority, but not all of the reduction in Landfill Waste Disposal, was from revising the methodology for calculating waste in our North America division, which is described in more detail below.

Scope 1 emissions were broadly flat on 2022, a good result considering the increase in operations in 2023 and the increase in million passenger kilometers as a result. The scope 1 performance was benefitted by an over 10% decrease in emissions year on year in our UK Bus business, which is seeing the benefit of being most progressed in ZEV transition.

Scope 2 emissions decreased by 5.3%, as an increase in electricity consumption in our German Rail operation was more than offset by a lower emissions factor for 2023 for Germany electricity compared to 2022.

A breakdown of Scope 1, 2 and 3 by division is included in the Environmental Performance Report on page 247.

Scope 3 emissions have been calculated based on the guidance in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

For categories 1 and 2 (purchased goods and services and capital goods), the calculation methodology is based on actual spend data, which was then applied to emissions factors by spend

category, as supplier-specific data is not yet available. The same methodology was used within category 8 for emissions from the manufacture of leased vehicles, which includes the optional disclosure of life cycle emissions associated with manufacturing leased assets.

We aim to transition to a supplier-specific approach over time, starting with the most material suppliers, for example the companies who manufacture and produce our vehicles, some of which have committed to Scope 1 and 2 Science-Based Targets already. The UK division is actively engaging with an initial six suppliers, selected based on spend and size of carbon footprint in order to obtain supplier-specific emissions data and embed climate elements into contracts and policies. We will continue to improve the methodology for calculating supplier emissions, and therefore, category 1 may see more significant year-on-year movements in the future. Additionally, following feedback from the SBTi received during our validation process, we will also work towards being able to disaggregate the transportation and distribution element of Category 1 Scope 3 in future reporting, to enable disclosure of these emissions under category 4.

For category 5, actual data is used where available, and if not, a best estimate is made. The methodology used in previous years for estimating waste in our North American division, where actual waste data is not currently available, was significantly revised in 2023, as the previous methodology based on estimated waste per employee was found to result in an overestimate of total landfill waste. A new methodology, using actual data available in other divisions and applying this to the size and operation of the North America division has been utilised in 2023 and has resulted in a significant year on year reduction in the amount of landfill waste disposal in both the division, and also the total Group, in 2023.

For employee commuting (category 7), reasonable assumptions have been made around commuting patterns applied to the actual number of employees at each location. This category includes the optional emissions arising from home working.

For investments (category 15), the 'average data' method is used, based on the sector the investee company operates in, which drives the sector specific emission factor used, applied to revenue data, and our proportional share of equity held.

For all other Scope 3 categories (3, 4, 6 and 13), actual usage data has been obtained.

A breakdown of scope 3 tCO₂e emissions by category is shown in the following table:

Category	2023	2022	% change YOY
1. Purchased goods and services	138,835	221,783	-37.4%
2. Capital goods	92,435	92,680	-0.3%
3. Upstream fuel and energy production and distribution	201,723	214,893	-6.1%
4. Upstream transportation and distribution	n/a	n/a	n/a
5. Waste and water	683	1,967	-65.3%
6. Business travel	2,390	2,349	1.7%
7. Employee commuting	43,062	41,819	3.0%
8. Upstream leased assets	15,533	10,543	47.3%
9. Downstream transportation and distribution	n/a	n/a	n/a
10. Processing of sold products	n/a	n/a	n/a
11. Use of sold products	n/a	n/a	n/a
12. End-of-life treatment of sold products	n/a	n/a	n/a
13. Downstream leased assets	1,194	1,118	6.85%
14. Franchises	n/a	n/a	n/a
15. Investments	1,425	13,248	-89.2%
TOTAL tCO₂e	497,280	600,400	-17.2%

Scope 3 emissions decreased by 17.2% primarily driven by a 37.4% reduction in category 1, purchased goods and services. This was a result of lower 2023 emission factors applied to the spend across the Group in this category, and Group-wide spend reductions, particularly in higher emitting activities such as vehicle repairs and maintenance, mostly within the North America division.

Category 5, waste and water, decreased significantly in percentage terms; albeit a low absolute reduction, due to lower water usage and the methodology for estimating waste in our North American division being revisited in the year, as explained above.

Category 8, upstream leased assets, increased by 47.3% year on year due to an increase in the number of new leased vehicles procured in the year, mainly in our UK Coach division, as category 8 includes the optional upstream emissions from the manufacture of leased vehicles.

Data Quality and Assurance

We recognise the importance of emissions data, and the quality of data underpinning it. Accordingly, we have continued to enhance our approach and processes in line with expectations by continuing to utilise external support in the calculation and compilation of the Group's emissions.

Additionally, external assurance from Carbon Responsible Limited has been obtained over the Group's 2023 environmental data underpinning absolute Scope 1, 2 and 3 emissions, to a limited level of assurance to the ISO14064-3 standard. The 2023 assurance report can be found at <https://www.mobicogroup.com/sustainability/performance-reports-and-data/>.

Future developments

The Group continuously monitors future regulation and reporting requirements affecting all territories that it operates in. The most significant future requirements that we expect to impact on the Group are described below:

- During 2023, the International Sustainability Standards Board ('ISSB') published its first two IFRS Sustainability Disclosure Standards, which are effective 1 January 2024, and at the time of writing awaiting formal adoption by the UK. These are:
 - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
 - IFRS S2 *Climate-related disclosures*

The requirements in IFRS S2 are consistent with the four core recommendations and 11 recommended disclosures published by the TCFD. There are some additional reporting requirements in IFRS S2 over and above the existing TCFD requirements and the Group will focus on these areas in order to prepare for the required disclosures.

- The UK Transition Plan Taskforce ('TPT') published its final disclosure framework on climate transition plans, setting out good practice for robust and credible transition plans as part of a company's annual reporting. The expectation is for new requirements in relation to transition plan disclosures to be effective 1 January 2025, thus first being applied in the Group's FY 25 Annual Report. The Group will commence preparatory work during 2024.
- The Corporate Sustainability Reporting Directive ('CSRD') was adopted by the European Parliament and European Council in December 2022. The Group is in scope for this legislation due to our subsidiary operations in the EU, principally in Spain and Germany. The scope and impact of the CSRD is complex and the Group plans to perform a detailed assessment of the impact on the Group and its subsidiaries in 2024 and thereafter establish a Group-wide working group to plan for and deliver compliance with the reporting requirements.

Governance Report

Governance report

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Chair's introduction to Corporate Governance

It is important to ensure we allow the right consideration of the issues that might arise in the year ahead, as we look to continue our recovery and address leverage concerns.

Helen Weir, Chair



This Corporate Governance Report describes our governance practices. Our corporate governance framework within which those practices operate is available on our website here: <https://www.mobicogroup.com/about-us/corporate-governance/governance-framework/>.

Strategy, risk management, internal control, and safety & environmental leadership

The Board is responsible for reviewing the Group's strategy and its management of risk and ensuring that there is a robust system of internal control in place. The Board, supported by its Audit and Sustainability Committees, has been active during 2023 in discharging these responsibilities, by reviewing progress against the Evolve strategy, conducting 'deep dive' reviews of Group-wide and divisional risks, and monitoring the Group's overall compliance, safety and sustainability programmes.

Governance at a glance

Effective decision-making, including in accordance with our s.172(1) duty – see the Board's activities on pages 83 and 84 and our s.172(1) statement on pages 88 and 89.

A focus on the appointments of two Non-Executive Directors to the Board and Board and senior management succession planning, talent development and diversity – see our Nominations Committee Report on pages 98 to 101.

Robust and ever-evolving risk management and internal controls – see our Audit Committee Report on pages 102 to 108.

A drive to be an environmental leader and the employer of choice – see our Sustainability Committee Report on pages 109 and 110.

Remuneration Committee Chair, Directors' Remuneration Report and new proposed Directors' Remuneration Policy on pages 111 to 136.

Corporate Governance Compliance Statement

The Board is pleased to report that the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code issued by the FRC in July 2018 for its financial year ended 31 December 2023. The Code is publicly available from the FRC website here: <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/>.

This Corporate Governance Report as a whole explains how the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code, but below is a guide to where the most relevant explanations are given for each of the Principles:

	Principles	Pages
Board leadership and Company purpose	A, B, C, D and E	Pages 82 to 84 and pages 88 to 97
Division of responsibilities	F, G and H	Pages 85 to 87
Composition, succession and evaluation	I, J, K and L	Pages 98 to 101
Audit, risk and internal control	M, N and O	Pages 102 to 108
Remuneration	P, Q and R	Pages 111 to 136

Further details of these matters are set out throughout the Strategic Report and in the Audit and Sustainability Committee Reports.

Board and senior management composition, succession, talent and diversity

As part of ongoing succession planning in relation to the Board, we welcomed two new Non-Executive Directors during 2023; Nigel Pocklington joined in August 2023 and is a member of the Remuneration and Sustainability Committees, and Enrique Dupuy de Lome Chávarri joined in November 2023 and is a member of the Audit Committee, with the intention that he will take over as Chair of the Audit Committee when Mike McKeon steps down in June 2024. The Nominations Committee report provides further detail on these recruitments and associated changes.

At the end of July 2023, we said goodbye to Matthew Crummack as Senior Independent Director. We thank him for his valued contribution during his tenure, both as a Board member and as Senior Independent Director, and wish him all the best for the future. Karen Geary was appointed as the Senior Independent Director with effect from 1 August 2023.

There were also changes to the Group Executive Committee during the year, with new divisional CEOs being appointed in both North America School Bus and the UK and Germany division. These leadership changes were key to addressing specific challenges within these divisions and to sharpen commercial focus.

The Board undertook an internal evaluation for the year in review, the outcome of which showed that we have made good progress on the actions arising from the internal Board evaluation conducted in 2022 and highlighted areas for continued focus, as noted in the Nominations Committee Report. The overall outcome of the evaluation was positive, which confirms our view that the Board works effectively and that debate is open, honest and robust with the Board focusing on the key matters. The Nominations Committee report contains further detail.

Further information about the Board's and its Committees' composition, succession plans and evaluation, senior management succession and talent development plans, and how diversity and inclusion are being fostered on the Board and across the Group, can be found in our Nominations Committee Report.

Remuneration balance between reward and restraint

The Board, through its Remuneration Committee, is responsible for ensuring appropriate arrangements are in place for rewarding and incentivising management in the context of Company and individual performance as well as the workforce, shareholder and wider stakeholder experience.

The Remuneration Committee has sought to achieve the right balance between rewarding the Executive Directors and incentivising them to continue their work on leading the Company's recovery and exercising restraint on their total pay. In doing so, the Remuneration Committee has taken regard of the wider stakeholder experience, and further consultation was undertaken with major shareholders in advance of this year's pay decisions. This year we are also proposing a new Directors' Remuneration Policy for approval by shareholders.

Further information about the Remuneration Committee's decisions on Executive Director pay, alongside the regulated information about all Directors' pay and the new Directors' Remuneration Policy, can be found in the Directors' Remuneration Report.

Stakeholder relations

Considerations relating to stakeholders have remained high on the Board's agenda in 2023, including through: direct engagement with equity and debt investors on key matters; direct engagement with the workforce; and hearing other stakeholders' views, including a Board visit to the Daimler Bus factory in Mannheim, speaking with Georg Seifert from one of our German Rail business's key PTAs and meeting with some key customers from our Shuttle & Transit business during the Board's visit to Boston, as more fully described on page 95 of this Report. The Board remains committed to open channels of communication with all stakeholders to be able to hear their views to aid its decision-making. Our s.172(1) statement provides examples of how the Board has considered stakeholders in making Board decisions.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 1:30pm on Tuesday 11 June 2024 in the Bevan Suite at BMA House, British Medical Association, Tavistock Square, London WC1H 9JP. Further information will be in the Notice of AGM. As the AGM provides an opportunity for you to meet with and ask questions of your Directors regarding the Group, this Annual Report and the matters before the meeting, I would encourage you to attend and look forward to meeting you.

Conclusion

Our approach to corporate governance has helped us during a challenging 2023. That approach will also allow the right consideration of the issues that might arise in the year ahead as we look to continue our recovery and address leverage concerns. On behalf of the Board, I would like to thank all of our colleagues, customers, suppliers and many other stakeholders who have contributed to, and supported, the Group during 2023. I extend my thanks to the Group Executive and to my fellow Board members for their support and contributions.



Helen Weir
Non-Executive Chair

21 April 2024

Board of Directors

Key

- Audit
- Nominations
- C Chair
- Remuneration
- Sustainability



Helen Weir
Non-Executive Chair
Independent on appointment

Appointed: October 2022 and Chair from January 2023

Current external appointments:

- Supervisory Board Member, Koninklijke Ahold Delhaize N.V.
- Senior Independent Director, Superdry PLC



Ignacio Garat
Group Chief Executive Officer

Appointed: November 2020

Current external appointments:

None



James Stamp
Group Chief Financial Officer

Appointed: Interim CFO November 2022 and Group CFO from December 2022

Current external appointments:

None



Karen Geary
Senior Independent Director

Appointed: October 2019

Current external appointments:

- Non-Executive Director, Sabre Insurance Group PLC
- Non-Executive Director, PageGroup PLC



Jorge Cosmen
Non-Independent Deputy Chair

Appointed: December 2005

Current external appointments:

None



Carolyn Flowers
Independent Non-Executive Director

Appointed: June 2021

Current external appointments:

None



Mike McKeon
Independent Non-Executive Director

Appointed: July 2015

Current external appointments:

None



Ana de Pro Gonzalo
Independent Non-Executive Director

Appointed: October 2019

Current external appointments:

- Non-Executive Director, ST Microelectronics NV
- Non-Executive Director, Novartis AG
- Independent Director, National Advisory Board representing Spain before the Global Steering Group for Impact Investment

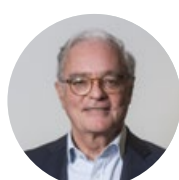


Nigel Pocklington
Independent Non-Executive Director

Appointed: August 2023

Current external appointments:

- Chief Executive Officer, Good Energy Group PLC
- Senior Independent Director, Kin and Carta PLC



Enrique Dupuy de Lome Chavari
Independent Non-Executive Director

Appointed: November 2023

Current external appointments:

- Non-Executive Director, Wizz Air Holdings PLC



Matthew Crummack
Senior Independent Director

Appointed: May 2015

Resigned: July 2023

External appointments as at 31 July 2023:

- Chief Executive Officer, Domestic & General Limited

For more information on each of the directors' experience and key strengths in support of the Company's strategy, please visit the Company's website:

<https://www.mobicogroup.com/about-us/our-leadership-team/>

Further details about Directors' independence, conflicts of interest and commitment are set out on pages 86 and 87.

Board activity in 2023

Strategy, business and operational performance	<ul style="list-style-type: none"> Reviewed progress against the Group's Evolve strategy and assessed opportunities to accelerate Evolve and deleverage, including the proposed North America School Bus disposal Reviewed the performance of the Group's divisional businesses, including receiving reports from the divisions on their performance versus strategy and their priorities and initiatives Undertook strategic 'deep-dives' throughout the year, including on ZEV transition, digital transformation and safety Approved the change of the Company's name to Mobico Group PLC, which better reflects the Group's international nature and its diverse range of mobility services Reviewed and approved bids for significant opportunities to provide transportation services
Financial performance	<ul style="list-style-type: none"> Received reports from the Audit Committee on the integrity and reasonableness of, and reviewed and confirmed, the Company's and its Group's full year and half year financial results, the going concern basis on which they were prepared and the Group's viability Approved the Group's annual budget and monitored the Group's trading performance against both budget and forecasts in light of changing market conditions, particularly in respect of labour costs and availability, interest rates and inflation and evaluated strategic options Reviewed and agreed the Group's financing requirements, including headroom against Board-set liquidity requirements and bank-set covenants, and approved the refinance of a £600 m Revolving Credit Facility and issuance of a €500 m bond under the Company's £1.5 bn Euro Medium Term Note programme Considered the Company's dividend policy, approved the payment of the 2023 interim dividend and suspension of the 2023 full year dividend
Risk management and internal control	<ul style="list-style-type: none"> Reviewed the Group's risk appetite and its management of principal and emerging Group-wide risks Received reports from the Audit Committee on its reviews of cyber risk and divisional risk management Received reports from the Audit Committee on, and reached its own conclusion about, the effectiveness of the Group's system of internal control, including the findings and effectiveness of the internal audit function and the work of the external auditor Reviewed the Group's guarantees register and approved the annual renewal of the Group's insurances Received regular updates on legal and regulatory matters, including material legal claims brought by and against the Group's companies
Sustainability	<ul style="list-style-type: none"> Received reports from the Sustainability Committee on the progress against the Group's sustainability ambitions, including progress against the Group's environmental targets and strategy and the Group's people targets and strategy Received people updates relating to engagement survey results, driver shortages, trade union relations and other matters affecting the workforce Participated in a number of workforce engagement activities, as further described on pages 94 to 97 of this Corporate Governance Report See page 84 of this Corporate Governance Report for a detailed review of the Board's activity during 2023 in relation to safety
Leadership and remuneration	<ul style="list-style-type: none"> Received and approved recommendations from the Nominations Committee on the appointment of two new Non-Executive Directors, the proposed size and composition of the Board and each of its Committees and the proposed annual election, or re-election, of Directors at the next AGM Received a report from the Nominations Committee on senior management succession plans, talent identification and development programmes Received reports from the Remuneration Committee on its activities, including Chair, Executive and senior management pay awards, bonus awards, targets and out-turns, long-term incentive grants, performance conditions and vestings and overall pay conditions across the Group Consulted with shareholders on Executive Directors' remuneration (including the new Directors Remuneration Policy) to ensure shareholder views were understood Reviewed and approved Non-Executive Director fees
Governance	<ul style="list-style-type: none"> Approved the Company's Annual Report, including ensuring that it is fair, balanced and understandable Considered developments in corporate governance and reporting and how best to implement such developments, such as the new Parker Review recommendations to set senior management ethnicity targets by the end of 2023 Reviewed the results of the internal Board and Committee effectiveness evaluation Reviewed the Board's terms of reference, its Committees' terms of reference and the Group's delegated authority framework Reviewed and approved the Group's modern slavery statement

Further details about the Board and Committee meetings held during 2023, Directors' attendance at those meetings and the Board and its Committees' processes are set out on pages 86 to 87 of this Corporate Governance Report.

Board activity in 2023 continued

Safety

The Group CEO has overall responsibility for the Group's safety system and performance, supported by the Divisional CEOs, the Group Operations and Safety Director and the Divisional Safety Directors. The Board has direct oversight of the Group's safety system and performance, receiving a safety report and updates at each Board meeting.

Safety system

The Group has well-defined and developed safety systems and standards which operate across its global businesses and has its foundations in the 'Driving Out Harm' programme which originated in 2011. This was enhanced in 2017 with the introduction of five new Global Safety Policies relating to speed management, driving evaluation, competence of driving evaluators, driver monitoring and driver performance management. A sixth Global Safety Policy on road vehicle shunting was introduced in 2021. These policies are fully implemented across the Group's existing operations and continue to be implemented in those cities and countries in which the Group has more recently commenced operations.

Safety performance

The Board assesses the Group's safety performance and risk by reference to a number of KPIs, the principal one being the Fatality and Weighted Injuries (FWI) index measure. The FWI index weights preventable injuries by severity to give an overall base score which is normalised by miles operated.

A further KPI measures a preventable accident score which counts the number of vehicle accidents that should, by compliance with the Group's safety system, have been capable of being prevented.

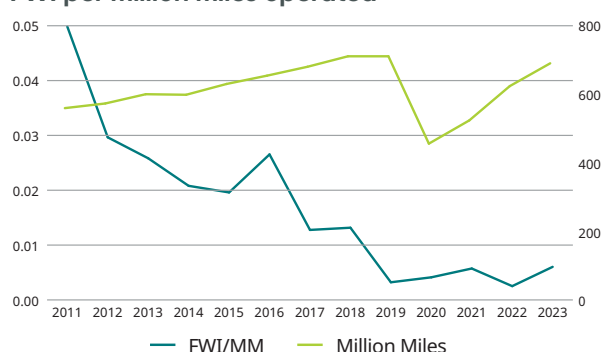
To ensure continued focus on the Group's safety performance, a portion of the bonuses for Executive Directors and senior management is based on the Group FWI Index score, with the threshold for pay-out only being met if there were no preventable fatalities during 2023. The 2023 FWI index target is derived from the Group's average FWI score from the previous five years (excluding 2020 which was a year of unusually low operations due to the pandemic). The actual score achieved for 2023 is set out in the table below:

KPI Target and 2023 Bonus Target	Bonus Weighting	Target Score	Actual Score
Group FWI index score (per million miles)	15%	0.006	0.006

Although the Group FWI index target for 2023 was met and was comparable to the result in 2021, the Board noted that the 2023 score has increased from the previous year. This is primarily because the 2023 score includes two fatalities, whereas the 2022 result had no fatalities. The 2023 fatalities have been thoroughly investigated and appropriate actions have been taken. Although the Group target was achieved, there is no bonus pay out on the FWI metric in 2023 for Executive Directors as a result of the fatalities.

The impact of the Group's relentless focus, and continuous investment, in safety is illustrated by the graph at the top of the next column. To demonstrate the Group's ongoing focus and commitment to safety, the Remuneration Committee of the Board will continue to include safety metrics within the Executive Directors' and senior management bonus plans for 2024, as set out in the Directors' Remuneration Report.

FWI per million miles operated



In addition to assessing safety performance by reference to KPIs, the Board also reviewed all major safety incidents within the Group, their root causes and any lessons to be learned, together with action plans implemented in response to them. It also received updates about a number of specific or new aspects of the Group's safety system, for example:

- following an increase in preventable accidents in Morocco, the Board learnt of a new bespoke Moroccan Safety Improvement initiative which was being implemented to reverse this trend through increased training and monitoring. The Board was pleased to hear that the trend was showing signs of improving despite an increase in new drivers and increased mileage. This is also an example of how the Group continues to be alert to new and emerging risks and devises plans to mitigate their effects;
- a detailed safety 'deep-dive' into German Rail in June 2023 – key highlights include the Board being given: (i) an overview of the safety management system in place in German Rail, (ii) an introduction to signal passed at danger ("SPADs") incidents and the German Rail's SPAD performance, observing the training simulator introduced to reduce incidents, (iii) an explanation as to the key safety risks within German Rail and how they differ to those within Bus and Coach, including in respect of the infrastructure, depot and platform interfaces where other organisations may have primary safety responsibilities;
- a briefing on the Group's standards on the safety of vehicles and premises which had been updated to include an extensive fire risk section specifically addressing electric and hydrogen vehicles; and
- an update about how the Divisional Safety Directors were working on a road map to move from a training and monitoring approach to one which empowers and predicts. This is to encourage drivers to take more responsibility for being more self-aware through support and the use of predictive technology – further demonstrating the Group's focus on continuous improvement.

The Group's safety excellence also continued to be recognised externally during 2023, for example ALSA, the UK and Bahrain achieved ISO 45001 accreditation, the UK Coach and Bus divisions had 5* BSI safety audits, and ALSA achieved the highest rating in the assessment of Workplace Road Safety from the Regional Government of Madrid.

The Board believes that the Group's approach to safety, and commitment to continually learning and improving through innovation, ensures it meets and will continue to meet its overall strategic ambition of being the safest operator in the industry.

Division of responsibilities

Roles and responsibilities

The Board has agreed a clear division of responsibilities between the Chair and Group Chief Executive. Other roles are also clearly defined to enhance Board effectiveness. A summary of those roles and responsibilities is set out below:

Chair Helen Weir ¹	<ul style="list-style-type: none"> Provides overall leadership to, and ensures the effectiveness, of the Board Sets the agenda, character and tone of Board meetings and discussions Maintains an effective working relationship with the Group Chief Executive Officer Leads the annual performance evaluation of the Board and its Committees and ensures Non-Executive Directors make effective contributions Assists the Board in understanding stakeholders', including shareholders', views
Deputy Chair Jorge Cosmen ²	<ul style="list-style-type: none"> Maintains a close dialogue with the Chair and the Group Chief Executive Officer Supports and deputises for the Chair as required Assists the Group Chief Executive Officer in developing strategy, in view of his deep knowledge of the Group and the passenger transport sector
Group Chief Executive Officer Ignacio Garat ³	<ul style="list-style-type: none"> Develops the Group's strategy for consideration and approval by the Board and provides effective leadership to the GEC in the delivery of that strategy Responsible for the management of the Group's operations, including the Group's safety and sustainability activities Manages, with the GEC members, relationships with key stakeholders, from shareholders to key customers and suppliers Communicates the Group's progress against strategy and operational performance to investors and analysts Leads the workforce and sets the Group's culture 'from the top'
Group Chief Financial Officer James Stamp ³	<ul style="list-style-type: none"> Works closely with the Group Chief Executive Officer in the development and delivery of the Group's strategy Responsible for the financial stewardship of the Group and management of its resources through appropriate accounting, financial and other internal controls Directs and manages the Group's finance, risk management, internal audit, insurance, tax and treasury functions Manages investor relations, including by communicating the Group's financial performance to investors and analysts
Senior Independent Non-Executive Director Karen Geary ⁴	<ul style="list-style-type: none"> Acts as a sounding Board for the Chair and a trusted intermediary for other Directors Available to investors to discuss any concerns that cannot be resolved through the normal Chair or Executive Director channels Leads the Board in the annual performance evaluation of the Chair and in developing Chair succession plans
Independent Non-Executive Directors Mike McKeon, Ana de Pro Gonzalo, Carolyn Flowers, Nigel Pocklington and Enrique Dupuy de Lome Chávarri	<ul style="list-style-type: none"> Monitor and scrutinise the Group's performance against its strategic goals and financial plans Bring objective perspective to the Board's deliberations and decision-making, drawing on their collective experience and individual expertise and insights Chair and otherwise play lead roles in the functioning of the Board's Committees Monitor and assess the Group's culture, use appropriate and effective means to engage with the workforce and acquire an understanding of stakeholders' views Monitor and assess the effectiveness of, and support and constructively challenge, the Executive Directors
Group General Counsel & Company Secretary Simon Callander	<ul style="list-style-type: none"> Provides advice and support to the Board, its Committees, the Chair and Directors individually as required Responsible, with the Chair, for setting the agenda for Board meetings and for high quality and timely information and communication between the Board and its Committees, and between the Directors and senior management as required Ensures that Board and Committee procedures are complied with

¹ Independent on appointment

² Non-independent Non-Executive Director

³ Executive Director

⁴ Appointed as the Senior Independent Director with effect from 1 August 2023, following Matthew Crummack stepping down from the Board on 31 July 2023

Division of responsibilities continued

Board and Committee meeting attendance

The Board and its Committees conduct their business at scheduled meetings during the year. Additional meetings are held, and other arrangements made, to consider and decide ad hoc matters outside of scheduled meetings. The table below sets out the attendance by Directors and Committee members at the scheduled meetings of the Board and its standing Committees in 2023:

Attendance at meetings	Board	Nominations Committee	Audit Committee	Remuneration Committee	Sustainability Committee
Total meetings in 2023¹	8	3	4⁷	4	3
Executive Directors					
Ignacio Garat, Group Chief Executive Officer	8	-	-	-	-
James Stamp, Group Chief Financial Officer	8	-	-	-	-
Chair and Non-Executive Directors					
Helen Weir	*8	3	-	4	3
Jorge Cosmen	8	*3	-	-	3
Matthew Crummack ²	5	2	-	2	-
Carolyn Flowers	8	3	4	-	*3
Karen Geary	8	3	-	*4	3
Mike McKeon ³	8	1	*4	-	-
Ana de Pro Gonzalo ⁴	8	-	4	3	-
Nigel Pocklington ⁵	3	-	-	1	1
Enrique Dupuy de Lome Chávarri ⁶	1	-	2	-	-

¹ Some of the Board and Committee decisions were taken outside of scheduled meetings during the year and the Chair of the Board and the Executive Directors were also invited to attend certain meetings of the standing Committees of the Board where appropriate, neither of which are shown in the table above. The Disclosure Committee and Executive Committee of the Board met during 2023 as and when required but these meetings are not reflected in the table above given the nature of these committees means that such meetings are not scheduled

² Matthew Crummack stood down from the Board on 31 July 2023 having attended all meetings of the Board, Remuneration Committee and Nominations Committee held during the year prior to this

³ Mike McKeon was appointed as a member of the Nominations Committee on 1 August 2023 and attended all meetings held after appointment

⁴ Ana de Pro Gonzalo could not attend one of the Remuneration Committee meetings as that meeting had to be re-arranged to another date where she already had a pre-existing commitment

⁵ Nigel Pocklington was appointed to the Board on 1 August 2023 as a Non-Executive Director and attended all the meetings of the Board held after appointment. He was also appointed to the Remuneration and Sustainability Committees on 1 August 2023. He attended all Committee meetings held after that date, save for one Remuneration Committee meeting which he could not attend due to a pre-existing commitment

⁶ Enrique Dupuy de Lome Chávarri was appointed to the Board on 1 November 2023 as a Non-Executive Director and attended all the meetings of the Board and the Audit Committee held after appointment

⁷ There were 4 Audit Committee meetings scheduled for 2023 as set out in the table, but the Committee meeting scheduled for December 2023 was moved to January 2024 to fit better with the audit schedule

* Board Chair or Committee Chair

Director independence

The Board reviews the independence of its Non-Executive Directors annually in advance of proposing Directors for election or re-election at the AGM. The Nominations Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board.

Helen Weir was considered independent on appointment as Chair. Mr Cosmen, the Deputy Chair, is not considered independent due to his long tenure on the Board (18 years), his close links with the Group's business (especially the ALSA business) and the interests the Cosmen family hold in shares in the Company. However, Mr Cosmen's extensive experience in the passenger transport industry and deep understanding of the Group's business enables him to provide the Board with valuable support when reviewing strategic and operational matters.

On the advice of the Nominations Committee, the Board considers all other serving Non-Executive Directors to be independent.

Director conflicts of interest

The Board operates a policy to identify and manage situations declared by Directors (in accordance with their legal duty to do so) in which they or their connected persons have, or may have, an actual or potential conflict of interest with the Group. The Board considers such situations as they arise and decides whether to authorise any conflict based on the overriding principle that a Director must at all times be able to exercise independent judgement to promote the success of the Group.

A register of Directors' actual and potential conflicts of interest, together with authorisations previously given by the Board, is maintained by the Group General Counsel and Company Secretary. Following review by the Nominations Committee of the application of this policy during the year under review, the Board is satisfied that no Director conflict situation currently exists.

Director commitment and external appointments

The Directors ability to commit sufficient time and attention to their duties, including having regard to their external appointments, is reviewed by the Board annually in advance of Directors being proposed for election or re-election at the AGM, following recommendation from the Nominations Committee. All Directors are expected, and required by their appointment terms, to commit sufficient time to the Board and the Group in order to carry out their duties. They are also required, by their appointment terms, to seek the Board's approval to taking on significant new commitments.

The Board's policy on Directors' commitment and external appointments gives guidance on what constitutes a significant commitment outside the Group and the process to follow to seek approval for new external appointments. The policy guides that the Board will not normally approve Executive Directors holding more than one other significant commitment, such as a non-executive directorship in another publicly traded company, and will not normally approve Non-Executive Directors holding more than five 'mandates' as defined in the policy.

A register of Directors' external appointments is maintained by the Group General Counsel and Company Secretary. Details of all Directors' current significant external appointments are included in their biographies on the website here: <https://www.mobicogroup.com/about-us/our-leadership-team/>.

Following recommendation by the Nominations Committee the Board considers, taking into account Directors' attendance at Board and Committee meetings, their contributions to the Group outside the Boardroom and their other current significant commitments, including external appointments, that all the Directors are able to devote sufficient time and attention to their duties.

Board and Committee processes

The Board has a schedule of matters reserved for its approval, which matters include: strategy review, risk appetite and Group-wide principal and emerging risk review; major acquisitions, disposals, bids and contracts; share capital changes and debt financing; review of financial results and approval of business plans and budgets; setting and changes to key corporate policies; Board and Committee membership; and corporate governance arrangements. Other responsibilities and authorities have been delegated by the Board to its standing Committees, comprising its Nominations, Audit, Remuneration, Sustainability, Executive and Disclosure Committees.

The schedule of matters reserved to the Board and the terms of reference of each of its standing Committees, which are reviewed and approved by the Board annually, can be found on our website at www.mobicogroup.com. Matters that fall outside of those reserved to the Board or its standing Committees fall within the responsibility and authority of the Group Chief Executive Officer and/or the Group Chief Financial Officer and are either reserved to them or delegated by them further pursuant to a Group Delegated Authorities Framework which is also reviewed and approved by the Board.

The Chair of the Board and Group General Counsel and Company Secretary, in consultation with the Chief Executive Officer and Chairs of the Committees, maintain a scheduled 12-month programme of business for the Board and its standing Committees. This incorporates flexibility for additional business to be discussed as required either at those scheduled or additional ad hoc meetings of the Board or its Committees.

At each scheduled Board meeting, the Board reviews updates from the Executive Directors on the Group's strategic, operating and financial performance, and from and other members of the Group Executive Committee including the Group General Counsel and Company Secretary on legal compliance and corporate governance and the Group Operations and Safety Director on the Group's safety performance.

Committee Chairs provide summaries of the main decisions and recommendations arising from Committee meetings to ensure non-members are kept up to date with the work undertaken by each Committee. Senior management and external advisers regularly attend both Board and Committee meetings where detailed discussions on specific matters on which their input or advice is needed take place. The Board also seeks to bring external viewpoints into the Boardroom, including from customers, suppliers, government or regulatory officials and experts in areas relevant to the Group's delivery of strategy or management of risk.

If a Director is unable to attend a meeting due to illness or exceptional circumstances, they still receive all supporting papers in advance of the meeting and are invited to discuss with, and provide input to, the Chair of the Board, relevant Committee Chair or the Group General Counsel and Company Secretary on the business to be considered at that meeting. Feedback is provided to any absent Director on the key decisions taken at the meeting.

The Board has access to the Group General Counsel and Company Secretary, for support and advice as required, and the Company operates a policy which allows Directors to obtain, at the Group's expense, independent professional advice where required to enable them to fulfil their duties effectively.

In addition to Board and Committee meetings, Non-Executive Directors hold private meetings without the Executive Directors present, including to discuss Executive Director performance. There are also opportunities during the year for Directors to have informal discussions outside the Boardroom, either between themselves or with senior management or external advisers.




















Further, Non-Executive Directors have the opportunity, throughout the year, to attend seminars and discussion groups on matters relevant to their roles and responsibilities or on topics of interest to the Company, including through the Deloitte Academy and Chapter Zero.

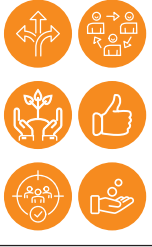



Section 172(1) statement

The Board makes decisions after careful consideration of all relevant factors including, but not limited to, those specified in s.172(1) Companies Act 2006. Examples of some of the decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out in the table below:

Key

-  Long-term impact
-  Employees
-  Fostering business relationships
-  Community and environment
-  Reputation
-  Acting fairly between members
-  Financial implications
-  Advancing the purpose

Board decision	Directors' consideration of factors in accordance with s. 172(1)
<p>Approved the decision to prepare the North American School Bus business for a potential disposal</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">    </div> <div> <ul style="list-style-type: none"> in line with the Group's commitment to disciplined capital allocation and deleveraging as well as its focus on future return-enhancing growth, the Board undertook a strategic review of the North America School Bus business, concluding that the demand for high quality, infrastructure-like businesses presented a compelling opportunity to deliver shareholder value through a potential disposal. Such a disposal would accelerate the Group's deleveraging whilst enhancing financial flexibility to focus on opportunities with higher return potential </div> </div>
<p>Approved recommendations from the Nominations Committee on the appointments of two new Non-Executive Directors to the Board and the appointments of two new divisional CEOs (in the UK & Germany and North America School Bus) to the Group Executive Committee</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">      </div> <div> <ul style="list-style-type: none"> wider stakeholder implications for the North American School Bus business, including greater certainty for colleagues, longer term financial security for the business with a less capital constrained owner and better ability to bid and win contracts thereby fostering business relationships and servicing more of the community </div> </div>
<p>Approved recommendations from the Nominations Committee on the appointments of two new Non-Executive Directors to the Board and the appointments of two new divisional CEOs (in the UK & Germany and North America School Bus) to the Group Executive Committee</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">     </div> <div> <ul style="list-style-type: none"> the appointments support the long-term success of the Group, as suitably experienced and qualified individuals have been appointed to the Board and Group Executive, who have strong reputations for delivery of strategic ambitions and/or their area of expertise to help deliver stronger financial outcomes, accelerate the Evolve strategy and support the growth agenda </div> </div>
<p>Approved the refinance of a £600m Revolving Credit Facility and issuance of a €500m bond under the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme, the latter enabling the refinance of the Group's maturing £400m bond</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">      </div> <div> <ul style="list-style-type: none"> the refinance and bond issue strengthens the Group's debt maturity and liquidity profile, diversifies its sources of funding and provides a stronger platform from which to deliver future growth, thereby enabling it to execute its strategic plans and advance its purpose </div> </div>
<p>Approved the refinance of a £600m Revolving Credit Facility and issuance of a €500m bond under the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme, the latter enabling the refinance of the Group's maturing £400m bond</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <div> <ul style="list-style-type: none"> the refinance and bond issue enabled the Company to develop lending relationships with debt investors that were new to the Group, and build on those with debt investors that already lend to the Group </div> </div>
<p>Approved the refinance of a £600m Revolving Credit Facility and issuance of a €500m bond under the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme, the latter enabling the refinance of the Group's maturing £400m bond</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <div> <ul style="list-style-type: none"> the decision to secure debt, rather than equity funding, helps to ensure that shareholders, particularly small shareholders who may not be able to take up their rights in a rights issue and would therefore be diluted, are treated equally </div> </div>

Board decision	Directors' consideration of factors in accordance with s. 172(1)	
<p>Approved the decision to suspend the 2023 full year dividend</p>		<ul style="list-style-type: none"> in determining whether or not to suspend the dividend, the Board considered the financial implications and long term impact of recommending such a dividend, acting fairly between members who had expressed different views, alternative applications of those monies (including reinvestment and deleverage) and the impact on the Company's reputation
<p>Reviewed and approved the Group's five year strategic plan and opportunities to accelerate the Evolve strategy</p>		<ul style="list-style-type: none"> the achievement of our strategy through execution of our customer propositions and delivery of our outcomes will have positive outcomes for all; our colleagues will benefit from financial, career and development opportunities resulting from our growth; our business relationships will benefit through strengthening existing relationships and developing new relationships with our customers, suppliers, debt providers and our partnerships with local governments; the community and environment will benefit as we transition to zero emissions vehicles and seek to keep local communities well connected with safe and reliable transportation services; and all of our members will benefit from our growth and increased profitability through returns on their investment the achievement of our strategy will improve our reputation in the long-term, because we will be: the safest, most reliable operator with the most satisfied customers; an employer of choice; and an environmental leader, with strong financial returns, which will advance our purpose
<p>Approved bids for significant opportunities to provide transportation services</p>		<ul style="list-style-type: none"> the bids would, if successful, generate revenue and profit and contribute to the Group's growth strategy and align with its purpose, including through access to new markets and strengthening our presence in existing markets which could create further opportunities in the long-term. Our members will all benefit from our growth and increased profitability through returns on their investment as will our existing colleagues from the increased financial stability within the Group additional colleagues would join the Group if the bids are successful. They would benefit from our training programmes and application of our Group Safety Policies, which would teach them new skills and procedures aimed at reducing risk the local communities served could benefit from either a new or continued service operated to the high standards set by the Group, particularly in terms of safety and in line with the Group's environmental ambitions to transition its global fleet to zero emissions vehicles the Group chose to partner with others in some of its bid submissions, which enabled the Group to form new, or strengthen existing, stakeholder relationships
<p>Approved the Group's modern slavery statement</p>		<ul style="list-style-type: none"> the statement confirmed the Group's zero-tolerance approach to slavery and human trafficking and sets out the steps taken by the Group during the year to ensure there was no modern slavery or human trafficking in any part of its business or supply chain, and in approving such statement, consideration was given to the Group's reputation for conducting its business in an ethical manner and with integrity and the importance of working with trusted suppliers who operate to the same high standards with respect to conduct of their business and management of their social and ethical issues

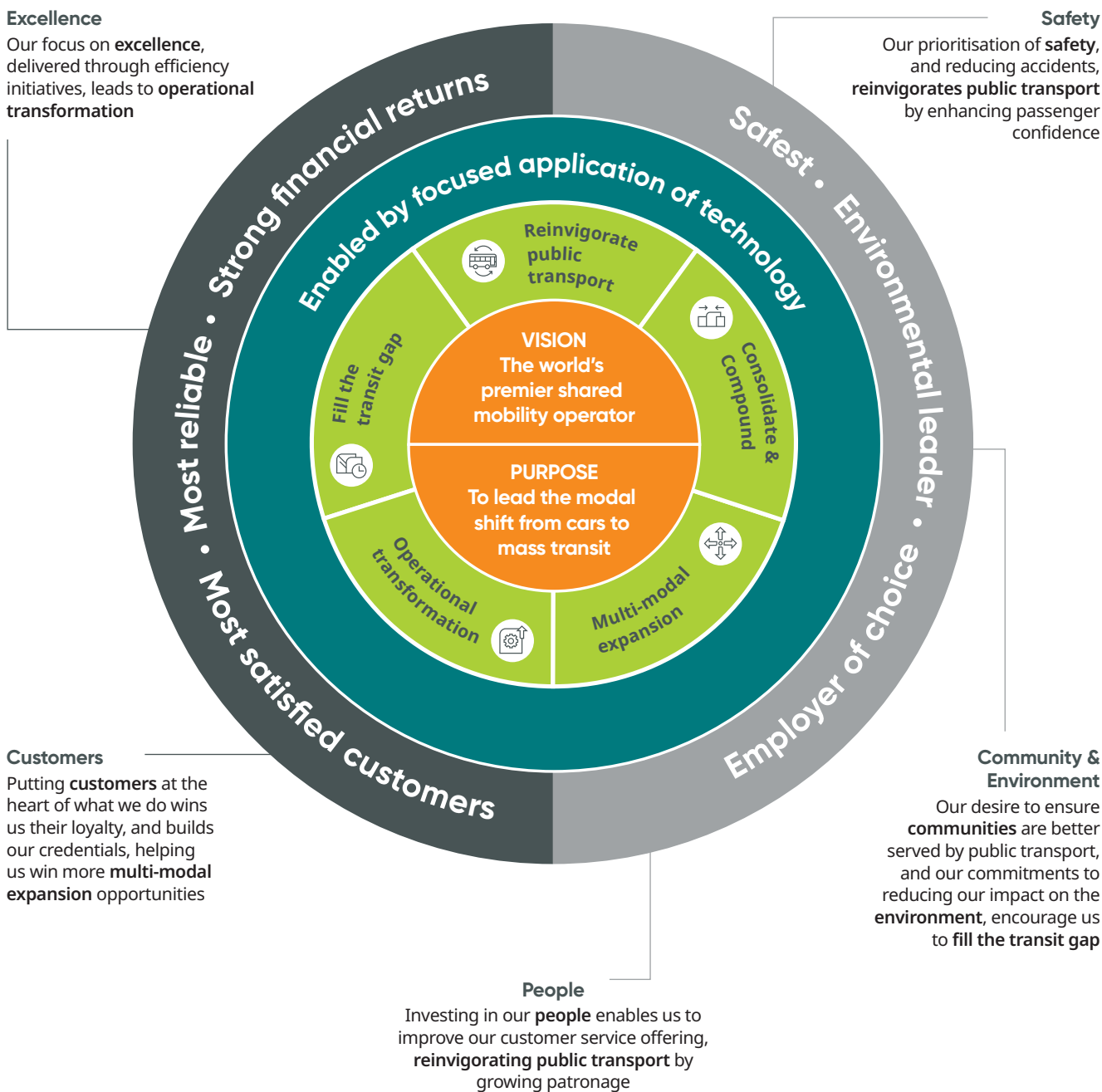
Purpose, values and culture

Purpose, vision and strategy

The Group has a clear purpose and vision to be achieved through the execution of its Evolve strategy. This strategy is built upon five customer propositions, each underpinned by the focused application of technology, to deliver six outcomes for stakeholders. For more details see pages 10 and 11.

Aligning our purpose, vision, values and strategy

The Group's values – Safety, Excellence, Customers, People and Community & Environment – support the execution of the Evolve strategy as they are directly aligned with the six outcomes for stakeholders, as illustrated by the examples in the diagram below:



Culture

The below table sets out the framework of policies and practices which support our culture and explains how the Board monitors culture:

Culture framework	Board methods of monitoring culture
<p>Our safety priority</p> <p>The Group's prioritisation of safety, led from the top, ensures it remains central to all business decisions and operational practices. Its global safety policies and systems set high and consistent standards across its operations worldwide. The inclusion of stretching safety targets in short-term incentive arrangements maintains this continued focus.</p>	<ul style="list-style-type: none"> • The Board monitors the development, implementation and compliance with the global safety policies and reviews major safety incidents, their root causes and any lessons to be learned from them. • The Board undertakes safety 'deep-dives' to assess safety compliance and safety culture across different parts of the business. • The Group CEO, supported by the Group Operations & Safety Director, constantly monitors the Group's safety performance and reports on such performance to the Board at every Board meeting.
<p>Our environmental strategy and ambitions</p> <p>The Group's environmental strategy is centred on the transition of the Group's fleet to ZEVs, and its environmental ambition to achieve zero emission fleets within each of its current business divisions. Its environmental KPIs enable progress against ambitions to be tracked and the inclusion of carbon reduction targets in long-term incentive arrangements maintains focus.</p>	<ul style="list-style-type: none"> • The Sustainability Committee monitors progress against the Group's environmental strategy and ambitions. • The Group CEO and Group CFO, assisted by the Group Sustainability Director, the Global Sustainability Steering Group and the Zero Emission Vehicle Steering Group, regularly assess the development and delivery of zero emission fleet and other environmental initiatives, track progress against the environmental KPIs and report on such performance to the Sustainability Committee.
<p>Our people strategy and employee policies and practices</p> <p>The Group adopted a new people strategy during 2022 which is based around three key priorities: Embrace, Energise, Elevate which are underpinned by our Essentials, as further explained on pages 62 and 63. The Company has adopted people KPIs, including eNPS as described on page 17.</p> <p>Fair and transparent employee policies and practices ensure that our colleagues' rights are respected in accordance with applicable laws, their contracts and recognised collective bargaining agreements. A number of programmes and initiatives also support their health and wellbeing, develop their talent, recognise their excellence, encourage innovation and promote diversity and inclusion among them.</p>	<ul style="list-style-type: none"> • The Sustainability Committee monitors progress against the people strategy and ambitions, including tracking progress against the people KPIs. • The Sustainability Committee and the Board receive people updates on all key people data and trends, including levels of establishment, levels of engagement, outcome of staff surveys and the status of trade union relations. • The Nominations Committee performs 'deep-dive' reviews into the effectiveness of senior management succession plans, talent identification and development plan and diversity & inclusion initiatives. • Directors engage directly with colleagues via engagement events as described on pages 94 to 97.
<p>Our corporate policies</p> <p>The Group's corporate policies, including those on anti-bribery and corruption, anti-slavery and human trafficking, data protection and whistleblowing, set clear expectations, and mandates, for every member of the workforce to perform business with integrity and in accordance with applicable laws.</p> <p>The Group Compliance & Risk Officer champions compliance, and a compliance framework has been developed to bring greater alignment to corporate policies.</p>	<ul style="list-style-type: none"> • The Group's compliance framework, and the corporate policies which form part of it, are reviewed and approved by Board or the Audit Committee. • The Group Compliance & Risk Officer sponsors the Group's compliance programme, manages its development and enforcement and reports to the Audit Committee on its effectiveness. • Any serious allegations of breach of corporate policy or other wrongdoing, whether identified through internal audits, the whistleblowing hotline (via which colleagues can raise concerns in confidence and anonymously if they wish) or otherwise, are duly investigated, acted upon and brought to the Board's attention.
<p>Our supplier protocols and procedures</p> <p>Standard supplier protocols and procedures, standard contractual terms and audits of suppliers ensure that key suppliers operate their businesses and respect their workers' rights in the same way that we do. Building long-term, mutually beneficial, relationships with core suppliers also enables the Group and its suppliers to understand and assist in the achievement of what is important to the other.</p>	<ul style="list-style-type: none"> • The Board receives stakeholder reports and presentations from core suppliers from time to time. • The Group Procurement team monitors compliance by key suppliers with the Group's policies, protocols and procedures, and the Board receives reports from the Group Procurement Director from time to time.
<p>Our values</p> <p>The Group has an embedded set of values which all our colleagues are encouraged to live by. The identification in the Evolve strategy of the six stakeholder outcomes, by which the Group measures whether it is delivering on its strategy and achieving its purpose, further reinforces the importance of the values. The alignment between the values and the outcomes is explained on page 90.</p>	<ul style="list-style-type: none"> • The Board's engagement with our colleagues, through the means described on pages 93 to 97, enables the Board to assess first hand whether our colleagues are living by our values. • The Board also hears customer, supplier and other stakeholder views, through the means described on pages 93 to 97, facilitating a further assessment of whether our stakeholders consider we are living by our values.

Through its monitoring activities, the Board is satisfied that the Group's culture is strongly aligned with its values, purpose and strategy.



Stakeholder relations

Board engagement with shareholders, analysts, potential investors and debt providers

The Board is committed to maintaining a two-way dialogue with its key financial stakeholders. The Chair, supported by the Senior Independent Director and the Executive Directors, has overall responsibility for ensuring this communication is effective.

The Executive Directors, with the support of the investor relations team, undertook their usual investor relations programme during the year. The programme, which is aligned to the Group's financial reporting calendar, includes holding meetings with and giving presentations to existing and prospective equity investors, participating in analyst-arranged investor conferences and investment bank sales desk meetings. These events are shown by ● in the investor relations programme to the right. In addition, the Chair had a number of introductory and follow up meetings with some of the Company's major shareholders as part of her induction programme as shown by ●.

The Executive Directors, supported by the Group Investor Relations Director, and the Chair met with some of the Company's major shareholders following the Q3 trading update, as shown by ●.

The Chair of the Remuneration Committee also undertook additional engagement in connection with (i) the 2022 Directors' Remuneration Report in advance of the 2023 AGM, to ensure the Remuneration Committee and the Board understood the views of the shareholders before making decisions on Executive Directors' remuneration, and (ii) the new Directors Remuneration Policy in advance of publication of the Notice of 2024 AGM, as shown by ●.

The Executive Directors, supported by the Group's brokers and financial advisers and treasury team, undertook engagement in connection with the £600m Revolving Credit Facility ("RCF") and issuance of a €500m bond under the Group's £1.5bn Euro Medium Term Note ("EMTN") programme, the latter enabling the refinance of the Group's maturing £400m bond, all of which involved discussions with existing and prospective debt investors, as designated by ●.

The Board is kept fully informed of the views of shareholders via regular reports from the Executive Directors on their investor relations activities and via feedback from the Chair and other Non-Executive Directors on their engagement, as well as Board updates given by the Group Investor Relations Director. The Company's brokers and investor relations advisers also provide regular confidential feedback on investor views, perceptions and opinions which are shared with the Board.

The AGM also gives shareholders (especially retail shareholders) the opportunity to engage with the Board regarding the matters before the meeting and we were pleased to welcome over 20 retail shareholders at the 2023 AGM. The 2024 AGM will again be an in-person meeting; further details are in the Notice of 2024 AGM.

During 2023, 11 analysts published equity research notes covering the Group through the year, although only 8 analysts are currently providing coverage. Details of the analysts that currently provide coverage in relation to the Group appear at <https://www.mobicogroup.com/investors/>.

2023 Investor Relations Programme:

January	● Letters sent to major shareholders on executive remuneration matters in advance of the 2023 AGM
February	● One-on-one discussions with major shareholders who wished to engage in discussion on executive remuneration matters in advance of the 2023 AGM ● Chair had meetings with a number of major shareholders as part of her induction
March	2022 full year results announcement and investor roadshow ● Meetings with investment bank sales desks ● Bank of America investors' conference ● Berenberg investors' conference ● Jefferies investors' conference ● Further letters sent to major shareholders on executive remuneration matters in advance of 2023 AGM
April	Q1 trading update ● Ad hoc investor meetings
May	2023 AGM ● HSBC investors' conference
June	● Discussions with debt investors in connection with £600m RCF
July	2023 half year results announcement ● £600m RCF completed
August	2023 half year investor roadshow ● Chair met with major shareholder as part of her induction
September	2023 half year investor roadshow ● €500m bond roadshow and issuance
October	Q3 trading update ● Meetings with shareholders following the Q3 trading update
November	● Ad hoc investor meetings
December	● Letters sent to major shareholders on the new Directors' Remuneration Policy in advance of the 2024 AGM

Board engagement with the workforce

The Board undertook two site visits during the year in review, the first in June 2023 to Cologne as part of an overview of the German Rail business and then in Boston, USA in September 2023 to visit two of the North America Shuttle & Transit divisions depots, or CSCs. This programme of site visits was supplemented by Directors participating in workforce engagement events, undertaken through online listening forums and in-person engagement during site visits. Further details of all of these events can be found on page 93 to 97.

These touchpoints for the Board with the workforce are not just an important means of monitoring the Group's culture but they also serve to deepen Directors' understanding of how the Group's operations function in practice and allow them to hear directly from colleagues about matters that can either be directly relevant to the Board's decision-making or can give better context to that decision-making.

Cologne site tour

The Board visited Germany in June 2023, spending time with Daimler Buses at its electric bus factory in Mannheim (more detail on this can be found on page 97), travelling across Germany on services operated by competitors where they experienced the issues customers face in relation to unreliable services, and with our German Rail division at its headquarters in Cologne.



Boston site tour

The Board went to Boston in September 2023 and had the opportunity to visit two CSCs and speak with colleagues and some key customers.



Cologne site tour

During the visit to Cologne the Board had the opportunity to:

Visit the Control Centre and learn more about German Rail infrastructure from the operations team

01



Receive a demonstration of the new simulator training introduced to reduce SPADs

02

03

See how the HR and Contract Management teams use technology within their areas to improve data collection, which in turn drives enhanced performance, efficiency and trust



04



Hear from the engineering team about how they were using a 3D printer to develop innovative solutions to supply chain issues whilst also lowering cost

Travel on one of our RRX trains from Cologne to Dusseldorf Airport

05



Boston site tour

During the site tour, the Board:

01

Met with the General Manager at the Hyde Park CSC and were given an overview of the paratransit services operated from the facility



02



Spoke with key customer, Michele Stiehler from Massachusetts Bay Transportation Authority (MBTA), about the MBTA's strategy and partnership with us

03



Saw the maintenance shop at Hyde Park CSC and spoke with engineers about the maintenance services they provide

04



Travelled to a Boston CSC where the General Manager described the contracts operated from the CSC and gave an update on future growth plans

05

Got on board one of the transit electric vehicles at the Boston CSC



Chair induction

As part of her planned induction programme the Chair visited a number of Group's divisions in early 2023. During those visits she engaged with staff at a number of our depots across Spain, the UK and North America. There was also an opportunity to engage with a number of customers of the North American Shuttle & Transit and School Bus businesses to better understand their differing needs and service expectations



Online listening forums

Online listening forums take the form of roundtable discussions between one or two Non-Executive Directors and 10-20 members of the workforce drawn from a variety of roles. These forums have been positively received by those attending them who have commented, in particular, that the format encourages a free-flowing dialogue.

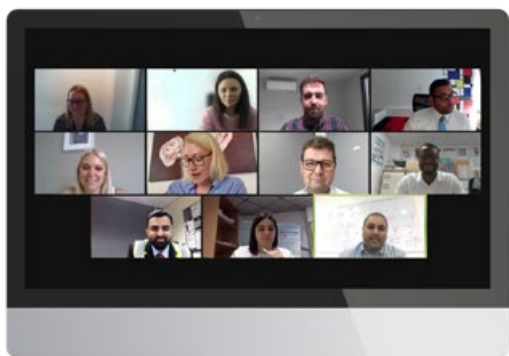
Three online listening forums were held in 2023, one for colleagues from each of the Company's principal business divisions of UK & Germany, North America and ALSA. The UK event was attended by Karen Geary, the North American event by Carolyn Flowers, Mike McKeon and Helen Weir, and the ALSA event by Jorge Cosmen and Ana de Pro Gonzalo.

The topics at each of the sessions differed: wellbeing was a key theme in the ALSA session, with colleagues very complimentary of the mental health sessions that had been provided by ALSA; separation issues were raised during the North America session following the division of that business into two distinct units – School Bus and Shuttle & Transit – particularly in relation to the use of multiple IT systems. This issue was being addressed through consolidation of the IT systems, albeit it was taking time. This group also had some very interesting insights into sustainability opportunities which was fed back into the Board; and the mood of the session with the UK was described as “cautiously optimistic” after a difficult year with a number of senior management changes. The feedback was that pay and reward were fair, but that the benefits package as a whole should be revisited – since this session, a new GP access benefit has been launched in the UK which has been received very positively.

Ms Geary was encouraged noting that:



I really like these sessions – the informal nature means our people speak openly and honestly which gives the directors another perspective to consider when making decisions.”



In-person engagement during site visits

During the Board site visit to the German Rail business in June 2023, the Non-Executive Directors hosted an informal lunch with around 25 colleagues at different levels within that business. The colleagues in question were drawn from the business' talent development programme and the lunch was an excellent opportunity for members of the Board to informally communicate directly with those colleagues to better understand their goals and aspirations, their views on the performance of their business and their proposed solutions to some of the challenges which are regularly discussed in the Boardroom.

The Board also had the opportunity to engage with members of the senior leadership team from each of the German Rail and North America School Bus and Shuttle & Transit businesses over dinners organised as part of the respective visits. The dinner enabled conversations, which had begun during the site visits or the divisional business presentations, to be continued in a more informal setting and for longer to be spent exploring and discussing individual issues.

The Board had the opportunity to speak with some of our North America Shuttle & Transit drivers when they presented Mobico Hero awards during their trip to Boston in September 2023. The awards are intended to recognise and celebrate those colleagues who go above and beyond to deliver against one or more of the Evolve Strategy outcomes, and the Board enjoyed hearing about the achievements of those drivers from the Boston CSC.

Mr Cosmen felt:



There is an overwhelming sense of pride – our people are very passionate and that translates to a good culture.”

Workforce engagement methodology

The Group's workforce engagement events are a variant of the UK Corporate Governance Code recommended 'designated non-executive director' method of engaging with the workforce. Because they give more of the Directors and more colleagues the opportunity to speak directly with each other; they take due account of the size, geographic expanse, and cultural diversity of the Group's workforce; and the relative informality of their nature encourages open and honest discussion, they are considered by the Board to be more effective than that of the other Code recommended methods.

Understanding other stakeholders' views

Most engagement the Group has with its other stakeholders, such as customers and passengers, suppliers, governments and regulators, takes place at the divisional level where a variety of well-established methods are used to ensure that divisional management understand their business' stakeholders' views. These views are passed to the Board through divisional business updates.

To supplement those updates and reports and to allow the Board more direct opportunities to understand stakeholder views, the Board also engages directly with wider stakeholders where there is appropriate opportunity to do so. In June 2023, the Board was pleased to meet with senior leaders from Daimler Buses, one of the Group's key suppliers of zero emission vehicles, and Georg Seifert, from the VRR PTA in North Rhine-Westphalia, and in September 2023, the Board had the opportunity to speak with a key customer of the North America Shuttle & Transit Division, as further explained in the boxes below.

The Board visited Daimler Buses' factory in Mannheim in June 2023. Daimler Buses is one of the Group's key suppliers of zero emissions vehicles, and at the time of the visit, the factory was producing ALSA vehicles for use in Geneva. On arrival at the factory, the Board participated in a test drive onboard a Mercedes-Benz eCitaro (a zero emissions vehicle) to check the safety features including brakes and steering. They were taken on a tour of the factory which showed them zero emission vehicles at each stage of the production line.

After introductions and a summary of their history and vision, the Daimler Buses team then led a discussion with the Board with the key themes being: levels of standardisation and whether Mobico technology could be installed during production; what power solution was likely to be best for long distance coach and how that would advance without public funding; hydrogen and the challenges with cost and infrastructure; supply chain issues and how to respond to and/or resolve them; financing models, ownership and risk management and how service contracts could be used; and the new safety risks introduced with zero emission vehicles and how to respond to them.



Further information about who the **Company's key stakeholders are, and how the Company engages with them**, is set out on pages 50 and 51 of the Strategic Report. Further examples of how different **stakeholders' interests** have been taken into account by the Board in its decision-making are also set out on pages 88 and 89 of this Corporate Governance Report.

Georg Seifert, from the VRR PTA, spoke with the Board during their visit to Germany in June 2023. VRR is one of the three public transport authorities within the state of North Rhine-Westphalia (NRW) and therefore is a key PTA for the German Rail business. Having given an overview of the structure of how Rail is managed and financed between the Federal Government and State PTAs in Germany, Mr Seifert led a discussion with the Board on how the three NRW PTAs are keen to ensure fair competition and equal opportunities amongst operators and over the last decade have been involved with the following initiatives to encourage competition: (a) the PTA will purchase the rolling stock from manufacturers selected by the operator and lease these to the operator at good rates – meaning all operators have access to funding over the long term with no interest rate risk, (b) enhancing quality of rail operations which is tailored to each line, and (c) the introduction of contracts where the PTA takes the revenue risk, given the operator cannot influence fares or schedules. Mr Seifert stressed that the PTA wants what is best for passengers, through better vehicles, punctuality and cost and that he was particularly thankful to the German Rail team for their efforts and incredible success in mobilising RRX Lot 1 following the insolvency of the incumbent.



The Board also spoke with one of North America Shuttle & Transit's key shuttle customers during their Board meeting in Boston in September 2023. The customer explained to the Board what was important to them – to be able to offer a first class, seamless shuttle experience for their tenants' employees to get to the office which is what our Shuttle & Transit division enabled them to do. This prompted discussion on how ridership can be increased, how technology can be used to overcome the challenges of the first and last mile when trying to convince employees to utilise the service and the need for reliable, convenient public transport given the parking, traffic and congestion issues in most large cities.

Nominations

Committee report



Jorge Cosmen, Nominations Committee Chair

Activity highlights

- Kept Board and Committee composition under review, led the process to appoint two new Non-Executive Directors in line with previously developed Board succession planning and considered and recommended changes to the Committee's membership following those appointments
- Reviewed updated senior management succession plans following changes to the senior management teams and reviewed proposals for the enhancement of talent identification and development programmes across the Group
- Reviewed the diversity of the Group's senior leadership teams, approved the Group's ethnicity target for the senior leadership team, and reviewed the diversity and inclusion initiatives taken across the Group

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

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Jorge Cosmen (Chair)	01/12/2005	3/3
Helen Weir	31/01/2023	3/3
Karen Geary ¹	01/10/2019	3/3
Matthew Crummack ^{1, 2, 3}	28/01/2020	2/2
Carolyn Flowers ¹	30/11/2021	3/3
Mike McKeon ^{1, 2}	01/08/2023	1/1

¹ Independent Non-Executive Director

² Matthew Crummack and Mike McKeon attended all Committee meetings held in the year while they were a Committee member

³ Matthew Crummack resigned on 31/07/2023

Other attendees: Group General Counsel and Company Secretary, Group Chief Executive Officer and Group HR & Communications Director

Board and Committee composition during the year under review

Throughout 2023, the Committee kept the composition of the Board and its Committees under review and led the process to appoint two new Non-Executive Directors in line with the Board's previously developed succession plans.

We welcomed Nigel Pocklington as a Non-Executive Director on 1 August 2023 following a rigorous recruitment process undertaken with the assistance of independent consultancy Egon Zehnder. Nigel is the current Chief Executive Officer of Good Energy Group PLC, the renewable energy services company, and is also Senior Independent Director and Remuneration Committee Chair at Kin and Carta PLC, the global digital transformation consultancy. He was previously Chief Commercial Officer at Moneysupermarket.com Group PLC and before that held a number of roles with Expedia, the online travel company. Nigel has a strong track record in the travel sector, as well as in transport electrification, green energy and sustainability matters. His valuable strategic and commercial mindset and previous experience will add to the Board's capabilities in relation to transformation and the digitisation.

Mike McKeon, the current Chair of the Audit Committee, is due to reach 9 years of service in July 2024 and has agreed to remain as Chair of the Audit Committee until the AGM in June 2024 to ensure a smooth and orderly transition of responsibilities to the new Chair of the Audit Committee. Having reviewed and interviewed a strong field of candidates in a process undertaken with the assistance of independent consultancy Russell Reynolds, the Board welcomed Enrique Dupuy de Lome Chávarri as a Non-Executive Director on 1 November 2023, with the intention that Enrique take over as Chair of the Audit Committee when Mike steps down. Enrique has a wealth of international experience in finance and accounting with a strong track record in the travel sector. He is currently a Non-Executive Director and Audit Committee Chair at Wizz Air Holdings PLC, the UK listed airline group. Prior to this, he was the Group Chief Financial Officer at International Consolidated Airlines Group SA (IAG) and the Spanish airline Iberia Líneas Aereas de España, S.A. ("Iberia"). Enrique has also previously held a number of Non-Executive roles at Amadeus IT Group, S.A, British Airways PLC and Iberia.

Matthew Crummack, who was the Senior Independent Director, stood down from the Board on 31 July 2023 having been a Director for over 8 years. On behalf of the Board, I would like to extend my sincere thanks to Matthew for his valued service to the Company. Karen Geary, a current Non-Executive Director and Chair of the Remuneration Committee, was appointed as the Senior Independent Director with effect from 1 August 2023.

Following these changes, the Board is currently comprised of ten Directors who, as described in their biographies on <https://www.mobicogroup.com/about-us/our-leadership-team/> and as shown by the table on page 99, have, between them, a wide range of highly relevant knowledge, skills, and experience. This table is used by the Committee when considering Board succession planning.

The Committee kept the membership of all the Board's Committees under review during the year to ensure that each Director's knowledge, skill and experience was being put to best use and that Non-Executive Directors were maintaining an appropriate share of Committee responsibilities, particularly given the Board changes during 2023. The outcome of this review was that:

- Helen Weir joined the Sustainability, Nominations and Remuneration Committee with effect from 31 January 2023;
- Nigel Pocklington joined the Remuneration and Sustainability Committees with effect from 1 August 2023;
- Mike McKeon joined the Nominations Committee with effect from 1 August 2023; and
- Enrique Dupuy de Lome Chávarri joined the Audit Committee with effect from 1 November 2023.

The Audit Committees is composed of four independent Non-Executive Directors who, between them, have both the requisite disciplinary experience and wider relevant experience. The Remuneration and Nominations Committees each remain composed of a majority of independent Non-Executive Directors who, between them, have a good balance of relevant skills and experience.

Name and role of Director	Passenger transport industry experience ¹	Closely adjacent industry experience	UK listed company experience ¹	Operational/management experience	International business experience ¹	Finance/accounting experience ¹	People/remuneration experience ¹	IT/Digital experience ¹	ESG experience ¹
Helen Weir Chair			●	●	●	●		●	
Jorge Cosmen Deputy Chair and Nominations Committee Chair	●			●	●				
Ignacio Garat Group Chief Executive Officer		●		●	●		●	●	
James Stamp Group Chief Financial Officer	●			●	●	●			
Karen Geary Senior Independent Non-Executive Director and Remuneration Committee Chair	●		●	●	●		●		●
Mike McKeon Non-Executive Director and Audit Committee Chair			●	●	●	●			
Ana de Pro Gonzalo Non-Executive Director		●		●	●	●		●	
Carolyn Flowers Non-Executive Director and Sustainability Committee Chair	●			●	●				
Nigel Pocklington Non-Executive Director	●		●	●	●		●	●	●
Enrique Dupuy de Lome Chávarri Non-Executive Director	●		●	●	●	●			

¹ For all Directors, excluding via their directorships with the Company

Board, Committee and Director effectiveness

To assess the effectiveness of the Board, its Committees and of individual Directors for the year in question, an internal evaluation was conducted using online questionnaires. The Company Secretary, in consultation with the Chair of the Board and Chairs of the Committees, analysed the results of the evaluation by reference to the scores given and the specific observations made, commendations given or improvements suggested, following which such results were presented to and discussed by the Board and its Committees.

The overall outcome of the evaluation was positive, demonstrating that the Board and each of its Committees continue to function effectively, with Board members in agreement that (i) debate was open, honest and robust, and (ii) the Board focussed on the key matters and dedicated sufficient time to those matters.

Focus areas for further improvement during 2024 will include: 1. the continuation of strategic 'deep-dives' in addition to the focussed strategy session; 2. continuing review of efforts to ensure appropriate stakeholder engagement; and 3. assessing and improving the process for Board papers being made available to the Directors. Progress against these objectives will be reviewed through the year.

Nominations Committee report continued

The progress made during 2023 against the areas identified for focus following the 2022 evaluation is as follows:

Area of focus identified in the 2022 evaluation	Progress during 2023
Focus on Board succession and composition as some Directors approach their 9-year tenure	On the recommendation of the Nominations Committee, the Board appointed two new independent Non-Executive Directors. Further details can be found above.
Focus on building a 12-month rolling agenda to ensure there are appropriate opportunities to 'deep-dive' into strategic topics	A 12 month rolling agenda was introduced during 2023 and has been tabled at each Board meeting since its introduction to help ensure the Board focus on key issues. In addition to a Board meeting dedicated to Group Strategy, there have been a number of 'deep-dives' into strategic topics during 2023, including on deleverage options, digital strategy and safety.
Focus on ensuring there is broader Board stakeholder engagement	The programme during 2023 provided a broad range of stakeholder engagement, with the workforce, customers, ZEV suppliers and debt and equity investors – see pages 93 to 97 of the Corporate Governance Report for the details.

Senior management succession planning

During 2023, the Committee undertook its annual review of senior management succession planning, undertaking a comprehensive assessment of the health of succession planning across the Group to assess how much progress had been made since the previous reviews in 2021 and 2022.

The Committee was pleased to see continued progress during 2023 noting that there are now succession plans and talented individuals in the pipeline for the majority of the roles. A particular highlight was the improvement of the gender succession pipeline which at the time of the review was 36% female (versus 31% in the 2022 review and 19% in the 2021 review). The Committee was also pleased to observe: (i) the senior management changes in North America and the UK to help the Group take advantage of opportunities; (ii) the creation of the new Global Talent Taskforce and Global EDI Taskforce; and (iii) the roll out of the SLT Leadership Academy. The review also highlighted what work remained to be done and where the focus areas should be for 2024 to ensure that progress continues, for example, in continuing with the roll out of the JDI tool to identify talent and implementing the leadership development programme to develop successors. See the Sustainability section of the Strategic Report for more information.

Group commitment to diversity and inclusion

The Group is committed to ensuring diversity in all its forms among its colleagues as these can:

- improve decision-making at all levels of business by ensuring that diverse perspectives are brought to bear in those decisions;
- attract, retain and promote the best talent by developing a culture of inclusion where all individuals are respected and supported to reach their full potential; and
- better serve our customers, other stakeholders and the communities in which we work by ensuring the diversity of our workforce is representative of the diversity of our stakeholders.

The Group remains committed to enhancing diversity at all levels of its organisation, from the Board and senior management team to those working in front-line roles. This commitment helps support the delivery of our Evolve strategy by contributing directly to our desired outcome to be the employer of choice and also contributes indirectly to other desired outcomes, such as to be the safest and most reliable operator and have the most satisfied customers.

The Board's diversity policy is set out in the box below and the Committee believes this remains the right policy by specifically promoting gender and ethnic diversity as well as diversity of thought whilst ensuring all Board members have the right experience and skills. Committee members are drawn from the Board, and therefore these policy considerations have already been taken into account when considering Committee membership.

The Board's policy on diversity and inclusion is:

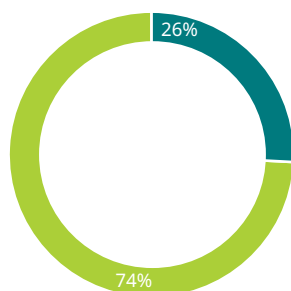
- to achieve and then maintain at least 40% female representation on the Board;
- to achieve and then maintain ethnic minority representation on the Board;
- to ensure that its membership reflects the diversity of the geographies and customers that the Group serves and takes into account wider diversity characteristics; and
- to respect the differences of its members and value and encourage the diversity of thought that such differences can bring, in each case and always within the context of Board members having, between them, the experience and skills required to support the development, oversight and delivery of the Company's strategy.

The Committee is pleased to report that at 31 December 2023 the Board continued to meet all three of the diversity targets introduced by the Listing Rules during 2022. At that date, at least 40% of the Board's directors were women, at least 1 ethnic minority director served on the Board, and two women served in senior Board roles, namely Helen Weir as Chair and Karen Geary as Senior Independent Director. Between that date and the date of this report, there have been no changes.

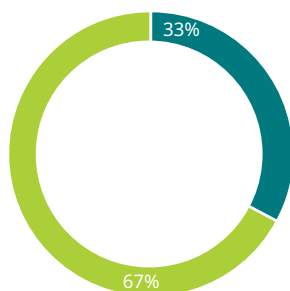
The table on the next page sets out the numerical data on diversity as at 31 December 2023 in the standardised table format as required by the Listing Rules. We engaged with the individual members of the Board and the Group Executive Committee ('GEC') to verify their diversity data.

Diversity is a key consideration in senior management succession planning and, as noted before, diversity within the current senior management team and the talent pipeline is considered as part of the Committee's annual review.

Gender of the SLT as at 31 December 2023



Gender of the entire workforce as at 31 December 2023



Key
● Female
● Male

Numerical Diversity Data as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of executive management	Percentage of executive management
Men	6	60%	2	7	70%
Women	4	40%	2	3	30%
Other categories	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of executive management	Percentage of executive management
White British or other White (including minority—White groups)	9	90%	4	10	100%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	-	-	-	-	-
Black/African/ Caribbean/Black British	1	10%	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/ prefer not to say	-	-	-	-	-

The gender diversity of the GEC is shown in the numerical data table above. The gender diversity of the Group's Senior Leadership Team ("SLT") is 26% women and 33% women for all colleagues within the Group as at 31 December 2023, as shown by the pie charts above. As such, gender diversity remains strong from the senior management level across the entire workforce as a whole.

For the first time this year, the Group has collated ethnic diversity data for the SLT, obtaining responses from 150 colleagues out of a total SLT population of 158 colleagues. The results were that 6% of the SLT population identified as an ethnic minority. Following on from this, and in line with recommendations made by the Parker Review in 2023, the Committee agreed that the Company will adopt the following targets: by 31 December 2027, at least 15% of the individuals on the Company's: (i) SLT, and (ii) GEC and Board combined, will identify as an ethnic minority.

For more on the Group's diversity initiatives, please see the Sustainability section of the Strategic Report on page 61.

Proposed re-election and election of Directors

Having regard to the outcome of the internal evaluation described in this report, and in particular, its finding that Board members have, between them, highly relevant knowledge and experience, a broad range of skills and a collective deep understanding of passenger transport, the Committee is satisfied that the Board and its Committees function effectively and that each Director contributes well to the Company.

The Committee has also considered the independence of each individual Director and the overall independent balance of the Board and its Committees. The Board, on the Committee's advice, is satisfied that there is an appropriate balance of independence

on the Board and all its Committees, and that each Director who is identified as being independent on page 82 is so independent.

The Committee further considered each individual Director's commitment to the Company, their external commitments and any actual and potential conflicts of interest in line with the Company's policies, as referred to on pages 86 and 87. The Board, on the Committee's advice, is also satisfied that each Director has dedicated, and is able to dedicate, sufficient time and attention to their duties to the Company.

Accordingly, the Board, on the Committee's advice, is recommending that shareholders re-elect, or elect, all the current Directors of the Company at the 2024 AGM, save for Mike McKeon who will stand down from the Board from the conclusion of the 2024 AGM.

Jorge Cosmen
 Nominations Committee Chair

21 April 2024

Committee report



Mike McKeon,
Audit Committee Chair

Activity highlights

- Reviewed and satisfied itself as to the integrity and fairness of the Group's half and full year financial statements and the appropriateness of their being prepared on a going concern basis
- Considered and recommended to the Board the need to delay the publication of the Group's financial results in order to allow management to: (i) conclude its review of accounting judgements made relating to the German Rail business and: (ii) assess the impact of the changes to certain indices by the German Federal Statistical Office which are used by the Group to calculate and agree the recovery of energy costs from the relevant passenger transport authorities in German Rail, and to allow the Group's auditor, Deloitte, the requisite amount of time to complete its audit following the conclusion of that review and assessment
- Assessed and challenged the appropriateness of the Company's viability statement
- Assessed and challenged management's approach to key accounting judgements and estimates including the recognition of deferred tax assets in North America and the UK
- Assessed and challenged (i) the significant increase in the proposed increase in the onerous contract provisions related to the German Rail division's RRX2/3 contracts as at 31 December 2023 and the underlying issues relating to driver recruitment and energy subsidy recovery and (ii) the key accounting estimates as at 31 December 2021 and 2022 in the context of the information available at those times
- Assessed and challenged the assumptions and key accounting estimates relating to the IFRS15 contract receivable in relation to the RME German Rail contract
- Reviewed the findings and monitored the effectiveness of the internal audit function, and reviewed the programme of internal audits for the year 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 its continued programme of 'deep dive' reviews into divisional risk and 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: <https://www.mobicogroup.com/about-us/corporate-governance/committees/>

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Mike McKeon (Chair) ¹	03/07/2015	4/4
Ana de Pro Gonzalo ¹	01/10/2019	4/4
Carolyn Flowers ¹	04/12/2021	4/4
Enrique Dupuy de Lome Chávarri ^{1,2}	01/11/2023	2/2

¹ Independent Non-Executive Director

² Enrique Dupuy de Lome Chávarri joined the Committee on 1 November 2023 and attended all the meetings of the Audit Committee held after appointment.

Other attendees: Company Secretary and, by invitation, Company Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Legal Counsel, Group Head of Compliance & Risk and representatives of the external auditor, Deloitte LLP.

There were 4 Audit Committee meetings scheduled for 2023, but the Committee meeting scheduled for December 2023 was moved to January 2024 to fit better with the audit schedule. In addition to the 4 scheduled meetings recorded above, the Committee held additional meetings to review the divisions' principal and emerging risks and their management of such risks as further explained on page 103 and also a number of ad-hoc meetings to consider issues arising in early 2024 in relation to the Group's German Rail division.

While the Group has continued to see continued revenue growth driven by increased passenger volumes, route recovery and pricing, this has not been sufficient to mitigate the impact of inflation and the related increased driver costs, as well as the reduction in Covid-19 funding. These cost headwinds and their impact on the Group's performance has been monitored closely by the Committee during year.

The announcements delaying publication of the audited financial results for 2023 was considered carefully by Audit Committee members and was necessary in order to allow management to complete its review of the accounting judgements made relating to the German Rail business and to assess the impact of the changes to certain indices by the German Federal Statistical Office which are used by the Group to calculate and agree the recovery of energy costs from the relevant passenger transport authorities in German Rail, and to allow the Group's auditor, Deloitte the requisite amount of time to complete its audit.

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 financial statements for the six-month period ended 30 June 2023 and for the financial year ended 31 December 2023 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 reasonable worst case scenarios, the Group would have sufficient liquidity and be able to comply with its debt covenants and there was no more than a remote possibility that it would not be able to do so even after the application of the further stress tests. Accordingly, the Committee recommended to the Board that the Company's, and its Group's, financial statements at the half and full year 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 31 December 2026, 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. 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 on pages 48 to 49 of 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 Group's divisions' risk management activities (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 on pages 40 to 41 of the Strategic Report. The Group's climate-related risks and opportunities are considered in more detail in the TCFD disclosures on pages 65 to 78.

Divisional risk reviews

During 2023, the Committee reviewed the Group's divisions' principal and emerging risks and their management of such risks. These were undertaken during additional dedicated meetings of the Committee at which risk and senior managers from each of the divisions presented their principal and emerging risk registers and explained how they were managing, and where possible, mitigating risk. 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, that 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 pleased 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 and the Committee's work on reviewing divisional risks, the Committee was able to challenge each division 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. Through its reviews, the Committee has sought to test and gain assurance that each of the divisions has a robust risk identification and management process and that risk management becomes embedded in the day-to-day business activities and culture of the divisions. It is clear, however, that further improvements should be considered following events related to the Group's German rail business and management has been asked to update the Committee on proposed improvements ahead of the publication of the interim results for 2024. Such 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 in 2023, 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 program are led by the Group CIO and the newly hired CISO whose priorities are to enhance existing policies, processes and controls and continue develop a program 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.

The Group Head of Compliance and Risk has established a Policy Compliance Management Framework 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. Additionally, the Group Head of Compliance and Risk continues to manage the Risk Management Framework globally and is continuously improving the second line of assurance by introducing deep dives which are performed based on a Risk and Control Matrix (RCM) developed for each Group Policy. The Deep Dive program kicked off in 2023. The Group Head of Compliance and Risk, working with the Group Chief Financial Officer and Group General Counsel and their teams, has also been keeping the reforms on audit and corporate governance under review – for more information, see the Internal controls section of this report. At the request of the Committee, the Group Head of Compliance and Risk attends all Committee meetings to both report on progress in their area and to have an understanding of other aspects of the Committee's work.

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 is 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 year 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 the 2023 year end process, a number of significant weaknesses were identified in respect of our German business and how it has historically managed, communicated and accounted for its long term rail contracts. The issues related to inadequate documentation of the key assumptions underpinning the contract models and consequent lack of understanding about how changes to these assumptions could impact the performance of the business. Oversight, challenge and review performed at local, divisional and Group level did not identify these issues in a timely manner. The year end process has now established a sound basis for the management of these contracts going forward and we will look to implement additional controls in these areas. Management has assessed and the Committee concurs, that these particular issues relate to the German business only. Full explanations for the accounting impact of this review can be found in Note 2.

During the year the Group Head of Compliance and Risk, Group Chief Financial Officer and Group General Counsel and their teams and the Committee have been monitoring closely the developments relating to changes to the Corporate Governance Code and has noted that, following the consultation in the Summer, the revised Code was published by the Financial Reporting Council on 22 January 2024. Management are currently developing plans to further strengthen our internal controls and meet the revised requirements relating to internal controls which will be applicable for the year ended 31 December 2026.

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 year against a plan reviewed and approved by the Committee.

The 2023 audit plan included: audits of standard divisional financial controls, an audit of our UK Shared Service Centre in India, audits of key safety and operational controls in North America, a review of a new contract in Portugal and an audit of the information provided in our TCFD disclosure.

Internal audit effectiveness

The Committee is responsible for monitoring the effectiveness of the internal audit function. In respect of its work in 2023, 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. Whilst the Committee was satisfied that the Company's internal audit function continued to be effective, it also welcomed the arrival of a new Group Director of Internal Audit with new perspective and experience and looked forward to that arrival bringing further enhancements to the function.

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 financial year ended 31 December 2023, other than in respect of certain issues relating to the German Rail business as indicated above.

External audit

Deloitte LLP is the Company's auditor. Deloitte was first appointed as auditor in 2011 and, following its selection in the Company's audit tender conducted in 2020 and shareholders' approval given at the Company's 2023 AGM, was re-appointed in 2023. Deloitte's continued appointment will be subject to shareholders' annual approval at prospective Company AGMs. Jane Whitlock is the Company's audit partner, completing her third year in that role, following the mandatory rotation of the previous Deloitte audit partner in 2021. 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 2023 external audit plan, which was prepared by Deloitte 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 Deloitte 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, including the Group's TCFD disclosures. Deloitte's base fee for undertaking the 2023 audit, of £2.6m, was also approved by the Committee. When the issues relating to the management judgements and controls relating to the Group's German Rail business became clear it was necessary to update, amend and extend that external audit plan which will involve additional fees being paid to Deloitte as a result.

External audit effectiveness

The Committee is responsible for reviewing the effectiveness of the Company's external audit. The Committee did so by considering the outcome of colleagues' evaluation of the quality and efficiency of Deloitte's work, using an audit quality indicator framework developed in the year in line with the framework set out by the Financial Reporting Council, and is satisfied that Deloitte performed its work to a high standard.

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 year and determined it remained fit for purpose. It also reviewed the Company's compliance with the policy, which was confirmed as Deloitte performed only permitted non-audit services during 2023 for which its fees totalled £0.3m, representing 12% of the total audit fee. The non-audit services during 2023 principally comprised the 2023 half year review and comfort letters in respect of the European Medium Term Note renewal. The Committee concurred with management that the auditor was best placed to undertake these services given that both services are aided by knowledge gained during the annual external audit. Having regard to the operation of the non-audit services policy during 2023, together with Deloitte's reports to the Committee confirming its independence at the half and full year, the Committee assured itself of Deloitte'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 year, other than were covered elsewhere in this report.

Fair, balanced and understandable

Having carefully reviewed the Company's 2023 Annual Report, and considered management's approach to its preparation, including in compliance with applicable laws and having regard to the UK Corporate Governance Code, the FRC'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.



Mike McKeon
Audit Committee Chair

21 April 2024

Appendix 1 – Key accounting matters

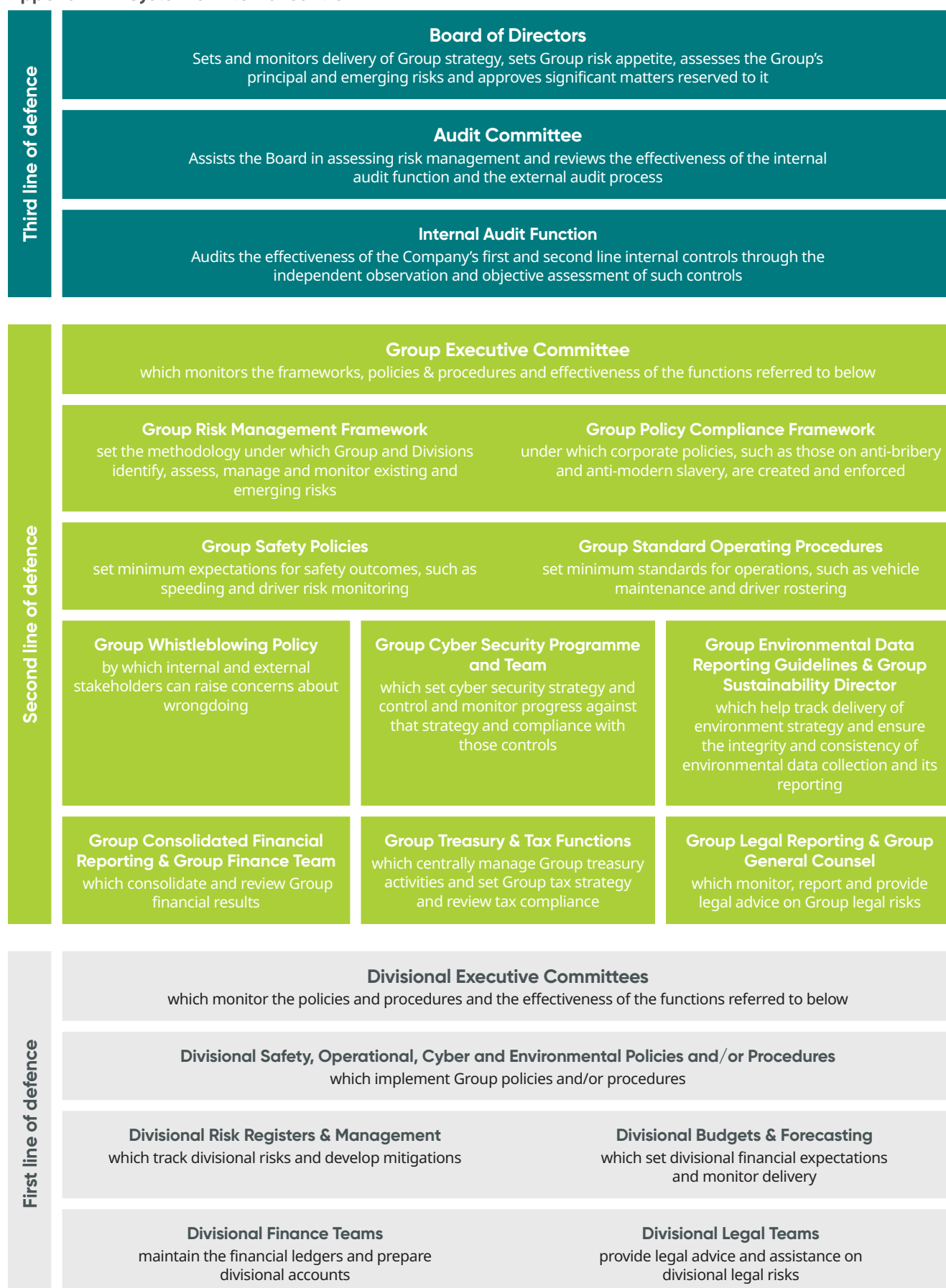
The Committee considered the following key accounting matters as part of its review of the Consolidated Financial Statements:

	Key accounting matter	Committee action and conclusion
<p>Impairment of goodwill (see note 14 to the Consolidated Financial Statements)</p>	<p>In determining whether assets are impaired, management is required to make a number of estimations and assumptions, including on future cash flow projections, discount rates and perpetual growth rates.</p>	<p>The Committee carefully considered management's work on the impairment analysis and testing of the value of the Group's goodwill balances, applying particular focus to the value of ALSA and North America division's goodwill in view of the lower level of headroom.</p> <p>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).</p> <p>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.</p>
<p>Insurance and other claims provisions (see note 26 to the Consolidated Financial Statements)</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>Adjusting items (see note 5 to the Consolidated Financial Statements)</p>	<p>The Group presents profits and earnings per share measures before adjusting items to provide more meaningful information to shareholders on the Group's adjusted performance. The classification of adjusting items requires management judgement having regard to the nature and intention of the transactions to which they relate. The alternative performance measure (APM) adjusting items represents a change in terminology from the prior period which separately disclosed certain items to show an underlying profit measure. The change in terminology has been adopted to reduce any judgement and interpretation of the meaning underlying profit by users of the Financial Statements. As this is a terminology change only, there has been no change to how the Group determines items to be adjusting, and there has been no change to previously reported comparatives. Any previously separately disclosed items continue to meet the definition of adjusting items following the change in terminology in the current year.</p>	<p>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 Underlying Operating Profit (a key APM).</p> <p>The Committee noted that certain Covid-19 related incremental costs, the WeDriveU put liability and onerous contract provision charges and impairments in respect of North America driver shortages and the RRX onerous contract provision were adjusting items, but satisfied itself that these only represented the re-assessment of estimations in respect of items recorded as adjusting items in the prior years.</p> <p>The Committee also noted that the repayment of the CRJS ('furlough') amounts received had been included as an adjusting item. The rationale for this being that the repayment was a one-off cost which was historic in nature (occurring more than two years after initial receipt), a significant amount, and unlike the original receipt, there are no corresponding staff costs in the period to be offset against.</p> <p>After discussion with management, the Committee concurred with the approach management had taken.</p>

	Key accounting matter	Committee action and conclusion
<p>Onerous contract provisions (see note 26 to the Consolidated Financial Statements)</p>	<p>The Committee reviewed the approach taken by management in respect of contracts classified as onerous contracts, and particularly the provision in respect of its RRX Lots 2&3 German rail concession.</p>	<p>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.</p> <p>In respect of the existing provision relating to RRX Lots 2&3, the Committee reviewed the approach taken by management, which led to a closing provision of £118.3m at 31 December 2023 (31 December 2022 restated: £46.9m).</p> <p>The Committee noted the reasons for the increase in provision being primarily driven by a reduction in the level of energy compensation from the Passenger Transport Authority (PTA) and an increase in driver costs during the year, and a change to the discount rate to a risk-free-rate.</p> <p>The Committee challenged management as to the adequacy of the provision and the estimates made to cover the losses associated with running the contract over the remainder of the contract term, and given the size of the increase to the provision in the year, challenged the appropriateness of the assumptions made in respect of FY 22 and FY 21 resulting in a restatement of those years. The Committee also challenged the appropriateness of the related disclosures and sensitivities.</p> <p>After discussion with management and the external auditor, the Committee concurred with the approach taken.</p>
<p>Valuation of contract assets (see note 20 to the Consolidated Financial Statements)</p>	<p>The Committee reviewed the approach taken by management in determining the value of the IFRS15 Contract Asset in relation to the RME German rail concession.</p>	<p>The Committee reviewed the approach taken by management which led to a reduction in the contract assets (under the long term RME rail contract) at 31 December 2023 to £48.6m (31 December 2022: £53.8m).</p> <p>The Committee noted the reasons for the decrease, representing higher expectations for future costs required to run the contract over its remaining contract term.</p> <p>The Committee challenged management on the revenue and cost assumptions in the model and challenged the appropriateness of the related disclosures and sensitivities.</p> <p>After discussion with management and the external auditor, the Committee concurred with the approach taken.</p>
<p>Recoverability of deferred tax assets (see note 27 to the Consolidated Financial Statements)</p>	<p>Over the last few years the Group's deferred tax assets in respect of tax losses have increased due to the impact of the pandemic on profitability. Furthermore, the impact of the pandemic has created consecutive periods of losses and our recovery from it has been slower than anticipated with the pace of profit recovery not sufficient to offset inflationary headwinds, particularly in North America and the UK.</p> <p>In determining whether it is appropriate to recognise deferred tax assets management is required to consider whether there are sufficient deferred tax liabilities against which to offset these deferred tax assets and, where this is not the case, to satisfy itself both that the recent history of consecutive losses can be explained as being due to the temporary impact of the pandemic and its aftermath as the Group recovers from inflationary headwinds over time (and is therefore not expected to be recurring) and that there are sufficient taxable profits projected in order to utilise these losses in an appropriate timeframe.</p>	<p>The Committee considered management's assessment of the causes of the recent history of losses, including its slower than anticipated recovery and its assessment of future profit projections, including ensuring that these projections were derived from the long-term financial planning projections reviewed as part of the Board's annual strategic plan review. After considering the above, the Committee concurred with management's view that it remained appropriate to recognise these deferred tax assets.</p> <p>After considering the above and hearing from the external auditor, the Committee agreed with management's approach of derecognising previously recognised deferred tax assets of £60.4m, which comprised of German losses due to the reduction of future forecasts of £33.2m, UK PLC trapped losses of £20.9m and US state taxes previously recognised of £6.3m.</p> <p>The Committee also concurred with management's view that it remained appropriate to continue to recognise the remaining deferred tax assets.</p>
<p>Pension liabilities (see note 33 to the Consolidated Financial Statements)</p>	<p>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.</p>	<p>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.</p>

Audit Committee report continued

Appendix 2 – System of internal control



Sustainability

Committee report



Carolyn Flowers, Sustainability Committee Chair

Activity highlights

- Endorsed the Group's new overarching sustainability strategy and monitored its progress to date
- Assessed the Group's performance against its sustainability targets and reviewed the plans for achieving its sustainability ambitions, which included a review of KPI dashboards and the Group's transition milestone plan
- Approved the Group's new environmental targets which are aligned to the more ambitious Paris Agreement, the targets for which have been approved by SBTi
- Reviewed the results of the Group's second global engagement survey
- Educated on future sustainability reporting requirements, including Transition Plan Taskforce and Corporate Sustainability Reporting Directive
- Reviewed and approved the Group's sustainability disclosures reported in this Annual Report

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

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Carolyn Flowers (Chair) ¹	11/05/2022	3/3
Jorge Cosmen	11/05/2022	3/3
Karen Geary ¹	11/05/2022	3/3
Helen Weir	31/01/2023	3/3
Nigel Pocklington ^{1,2}	01/08/2023	1/1

¹ Independent Non-Executive Director

² Nigel Pocklington attended all Committee meetings held in the year while he was a Committee member

Other attendees: Group General Counsel and Company Secretary, Executive Directors, Group Sustainability Director, Group HR Director, Deputy Group CFO and Group Financial Controller, Head of Corporate Accounting & ESG Reporting and Group Employee Experience Director

Governance

The Executive Directors are the sponsors of the Group's sustainability ambitions and are responsible for the delivery of the Group's strategies relating to sustainability, supported by the Group Sustainability Director, the Group Human Resources Director, divisional CEOs and divisional sustainability specialists.

The Committee's role is to review the appropriateness of the Group's sustainability ambitions and strategies in the context of its broader strategy, to monitor and report to the Board on the Group's progress in achieving those ambitions and delivering those strategies. It also plays a key role in overseeing the Group's sustainability reporting.

Reporting and communication

The Group's external report on climate-related risks and opportunities in line with the recommendations of the Taskforce on Climate-related Disclosures (TCFD) for 2023 is set out on pages 65 to 78. Its mandatory disclosures on energy consumption and carbon emissions, including under the Streamlined Energy and Carbon Reporting Regulations (SECR), can be found on page 248. These disclosures have been reviewed and approved by the Committee.

Progress on internal sustainability reporting has continued during 2023: (i) the Global Sustainability Steering Group has regular meetings to better coordinate sustainability initiatives and share best practice across the Group, (ii) the Committee review two KPI dashboards: an environment and a people dashboard, with each tracking key environment and people metrics enabling the Committee to monitor progress of key sustainability KPIs and projects, (iii) the Group continued to enhance and refine its internal data collection approach and verification processes ensuring these are streamlined across the Group. The Committee also received an update in July 2023 from Ernst & Young on the evolving climate related reporting and legislative requirements, with a focus on the requirements of the forthcoming Transition Plan Taskforce, which will require the publication of a transition plan at least every 3 years, and the Corporate Sustainability Reporting Directive, which will require broader ESG reporting, both of which will impact the Group when they come into force.

Sustainability overview

One of the key actions following the peer review undertaken in 2022 was to develop an overarching Group sustainability strategy. The Committee was pleased to endorse this new strategy during 2023 – which is based on three pillars: planet, people and places, which are in turn linked to the Evolve strategy outcomes of being an environmental leader, an employer of choice and our purpose, to drive modal shift. Please see pages 52 to 64 for more information. The Committee monitored progress of each pillar as set out below.

Environment – Planet

Environment ambitions

The Group's environment strategy is centred around transitioning its fleet of vehicles across its operating subsidiaries to zero emission vehicles (ZEVs). Building on the Group's commitment to never buy another diesel bus in the UK and its ambition to have zero carbon emission fleets in UK Bus by 2030 and UK Coach by 2035, in 2021 the Group adopted wider ambitions to have zero carbon emission fleets in North America Shuttle & Transit by 2030, Spain Bus by 2035 and in each of Spain Coach, Morocco Bus and North America School Bus by 2040. Approximately 95% of the Group's Scope 1 and 2 carbon emissions originate from its fleet so this transition to ZEVs will have the greatest effect in reducing the Group's impact on the environment and improving air quality in the communities it serves.

The Committee has monitored progress against these ambitions during 2023 through reviewing the Group's ZEV transition plan which included an update on progress against the fleet ambitions and the projected impact on our emissions. The Committee were pleased to hear about some of the major fleet transition projects underway around the Group, including the Coventry All Electric Bus depot, the first of the electric North America School Bus operations with ZEVs ordered for use in Rhode Island and the multiple fleet technology trials being undertaken in conjunction with manufacturers and particularly for coach in ALSA and the UK. See pages 55, 74 and 75 for more information on the Group's fleet transition ambitions.

Environment performance

The Group monitors six key performance indicators (KPIs) with related targets to track the Group's progress in reducing its impact on the environment over the seven-year period 2019-2025, using 2018 as the base year. These indicators relate to carbon emissions (where targets were set using the SDA approach), water consumption and waste to landfill production. The targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, meaning that they are not aligned to the more ambitious Paris Agreement target of limiting annual average temperature increases to 1.5 degrees above pre-industrial levels.

During the year, the Group submitted near-term carbon reduction targets covering Scope 1, 2 and 3 emissions to the Science Based Targets Initiative ('SBTi') in order to both obtain external validation of our targets and to ensure alignment with the Paris Agreement, with these targets having been reviewed and approved by the Committee prior to submission to SBTi. SBTi completed their validation process in January 2024 and the approved targets are set out on page 76. The Group also has a Emissions Recalculation Policy which was approved by the Committee during 2023 and can be found at www.mobicogroup.com/about-us/our-policies/.

Given SBTi only completed its validation process in 2024, the Committee reviewed progress against the existing targets at the end of 2023. The 2023 results are set out in the table on page 76 (being the six KPIs in the table with a base year of 2018).

An increase in electricity consumption, particularly in our German Rail business due to the award of a new contract, drove an increase in our traction energy metric. While we remain behind all three intensity targets set in 2019, traction carbon and total (Scope 1 and 2) emissions have improved since 2022, as patronage improved year on year. The Group is starting to see the positive impact of its ZEV transition, with the expectation that this trend will continue over the coming years as the transition to ZEVs continues. The Committee also noted the progress on the absolute metrics relating to site emissions, water use and landfill waste disposal – the targets set in 2019 had already been met and there had been further reductions since 2022, albeit the majority of the reduction in landfill waste disposal was due to revising the methodology for calculating waste in North America. See pages 76 to 78 for further information.

As also explained in previous Annual Reports, the Remuneration Committee has set environmental performance metrics in each of the last three annual long-term incentive plan (LTIP) awards. The vesting level of the 2021 LTIP is as set out in the Directors' Remuneration Report, with the carbon emission reduction metric not achieved as a result of the impact of Covid-19 on the Group's intensity metrics.

To demonstrate the Group's ongoing commitment, the Remuneration Committee intends to include further carbon reduction metrics in the 2024 LTIP award. Further details are in the Directors' Remuneration Report.

Social – People and Places

Social ambitions

A number of the Group's social ambitions are intrinsically linked to our Evolve strategy; the employer of choice, the safest, the most reliable and the most satisfied customers.

The Group's people remain a critical component, being the key driver of the Evolve outcome of being the employer of choice. Our people strategy (Be Part of the Future Today), which was launched in 2022, has three pillars: Embrace, Energise and Elevate, which are underpinned by our Essentials, as further described on pages 62 and 63 of the Strategic Report. This year, the Committee has continued monitoring the implementation of the people strategy and was pleased to note the progress made on all four 'E's during 2023, including the establishment of a global talent taskforce, a D&I taskforce, SLT academy, the launch of a new global intranet – MobiconX, the trial of the new Mobico Hero awards which will now be launched in 2024 and a second global engagement survey was completed – see page 63 for further information on these initiatives.

The Committee also received an update on the Places pillar and the activities undertaken by our divisions in the communities they serve, including a reforestation project being undertaken in Palencia in Spain and our donation of a bus to Suited for Success, a Birmingham based charity. This highlighted that, whilst it is appropriate that the divisions lead on such initiatives given their proximity to the local communities, the Group also needed an overarching Group community engagement framework and plans are underway to develop this framework during 2024.

Social performance

As part of the 'Your Voice Matters Campaign' (a key component of the Energise pillar of the people strategy), the Group carried out its second global employee survey in late 2023.

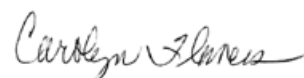
The Group achieved a 73% response rate against a target of 75% and our Group employee net promoter score (eNPS) was +11 against a target of +12. Although the targets were just missed, the Committee noted that: (i) a response rate of 73% was high and would be demonstrative of the workforce, (ii) eNPS had increased +4pts from the previous year, which was a pleasing increase in a year of challenge and change, and (iii) that the key areas of focus emerging from the last survey relating to reward and recognition, talent and staffing and career progression had all improved, demonstrating our 2023 action plans had been effective.

In reviewing the results from the survey, the Committee observed some key opportunities for 2024: (i) focus on engaging leaders to boost engagement, (ii) embed a consistent experience across divisions to increase engagement and performance, and (iii) maintain the positive momentum to ensure colleagues stay proud and connected. Action plans are currently being put in place and the Committee will review progress throughout 2024.

In addition, a new people specific KPI dashboard was introduced towards the end of 2023 which will be presented to the Committee annually to allow them to track progress of the Group's people metrics linked to each of the 4 'E's.

To demonstrate the Group's ongoing commitment to its people, eNPS will be part of the senior leaders' bonus schemes for 2024.

For more information on the Group's social performance, see pages 04, 05 and 52 to 64.



Carolyn Flowers
Sustainability Committee Chair

21 April 2024

Remuneration at a glance

Aligning our remuneration approach to the Group's strategy

Our remuneration approach is aligned to our purpose, values and strategy, thereby incentivising the creation of long-term value for all of our stakeholders.

Our Purpose is to lead the modal shift from cars to mass transit

Our Evolve strategy

Stakeholders

Our remuneration approach supports our business and people strategy and reflect the views of all different stakeholders

The proposed Remuneration Policy being put forward, along with the proposed implementation for 2024, reflects a comprehensive consultation with stakeholders along with alignment to strategy and current key priorities

Our remuneration frameworks are designed to be aligned to strategy and reflect the interests of each of our stakeholder groups



Remuneration

Committee report



Karen Geary, Remuneration Committee Chair

Activity highlights

- Engaged with the Company's stakeholders to understand views on executive remuneration
- Tracked financial results/remuneration outcomes for Executive Directors and senior management
- Reviewed 2023 annual bonus/2021 LTIP outturns for Executive Directors/Senior Management
- Reviewed the Chair's/Executive Directors/senior managers' pay/benefits in 2023, in the context of their performance, the Company's performance and the Group's stakeholder experiences
- Considered and set targets and performance conditions for the 2024 annual bonus and the 2024 LTIP awards, to be made to Executive Directors and senior management
- Ongoing remuneration environment/best practice review

For information on the primary role and key responsibilities of the Remuneration Committee, please visit: www.mobicogroup.com/about-us/corporate-governance/committees

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Karen Geary (Chair) ¹	01/10/2019	4/4
Matthew Crummack ^{1,3}	01/05/2016	2/2
Ana de Pro Gonzalo ^{1,4}	04/12/2021	3/4
Helen Weir	31/01/2023	4/4
Nigel Pocklington ^{1,2}	01/08/2023	1/2

¹ Independent Non-Executive Director

² Nigel Pocklington was unable to attend one meeting after joining due to a prior commitment

³ Matthew Crummack resigned on 31/07/2023

⁴ Ana de Pro Gonzalo was unable to attend one meeting, which was re-arranged to a date she was unavailable

Other attendees: Group General Counsel & Company Secretary, Group CEO, Group CFO, Group HR & Communications Director, Group Employee Experience Director, Korn Ferry representatives (independent remuneration advisers). No individual was present when his/her own remuneration was discussed.

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the 2023 Annual Report on Remuneration. The report aims to set out simply and transparently how remuneration has operated across the Group in 2023, including the decisions made by the Committee on Chair, Executive Director and senior management remuneration, the associated rationale for these decisions, and how the Committee intends to operate the Directors' Remuneration Policy in the year ahead.

During the year the Committee undertook a full review of the Directors' Remuneration Policy and our recommendations are summarised below and presented in full on pages 127 to 136.

2023 AGM and engagement with shareholders

I was pleased that 94% of votes were in favour of the 2022 Directors' Remuneration Report, reflecting ongoing support for the Group's remuneration structure and the Committee's approach to implementation of the Directors' Remuneration Policy in a challenging environment.

As Chair, I am always keen to maintain this productive and collaborative relationship. As such and ahead of the publication of this report, I wrote to our top 20 shareholders to gather views and feedback.

Once again, I am extremely grateful for the responses I received and the level of engagement from shareholders, having had direct engagement with 13 of our top 20. This engagement has been valuable in shaping the Committee's decision-making set out in this report (particularly in relation to finalising the changes we are proposing to make to the Directors' Remuneration Policy) as well as maintaining the productive relationship that has helped shape Committee decision making since I became Chair.

2023 business performance

As you will have read earlier, 2023 has been a year where underlying progress has been made, despite real challenges. Continuing revenue growth (driven by passenger volume, route recovery, pricing and restructuring) was not sufficient in-year to mitigate a number of factors including inflationary impacts and reductions in subsidies.

This is reflected in Group Revenue growing by 12.2% on a reported basis, (10.9% on a constant currency basis) but Adjusted Operating Profit falling by £28.7m to £168.6m.

ALSA continued to trade well with growth across all lines, with Adjusted Operating Profit growing up £32.9m to £136.8m as a result of strong revenue growth of 21.1%.

In North America, revenue grew 6.4% as a result of routes being re-instated in School Bus along with pricing recovery also contributing. However, Adjusted Operating Profit was down by £41.3m to £27.1m principally as result of a reduction in Covid-19 funding of £44m.

In the UK & Germany, revenues grew 9.2% but Adjusted Operating Profit was down by £19.5m to £23.7m due to a 16.2% pay settlement in UK Bus and a reduction in COVID funding of £30m. In Germany, lower expectations for energy subsidy recovery, higher costs and the revised indices from the German Federal Statistical Office impacted the profitability of our rail contracts

2023 did see the launch of the Accelerate 1.0 cost savings programme which has delivered substantial in-year cost savings in excess of £30m and Accelerate Phase 2 is well underway in 2024.

We have also seen progress in safety, driven by investment in launching an enhanced suite of 'Golden Safety rules', expert coaching and continued deployment of driver simulator. New DriveCam AI technology is to be installed across 2,200 buses in 2024, with improving accident statistics already apparent.

Finally, we have continued to make further progress towards our goal to become 'the environmental leader' with total ZEVs in operation growing from 491 to 651 (now more than 3% of the fleet) and traction energy emissions down from 23.38 tCO₂e/m passenger km in December 2022 to 22.84 in December 2023.

Wider workforce context

The Committee's responsibilities in respect of overseeing remuneration across the business has once again been a major part of the Committee's activities during the year. I, and a number of my Board colleagues, have taken part in listening forums with colleagues from each of our four divisions during 2023, which have provided valuable insights.

Mobico Group continues to be a real Living Wage accredited employer in the UK and the Committee is conscious that cost of living continues to pose challenges for our colleagues in 2023. Given the range of operations and geographies within the Group, salary increases differ. UK salary increases awarded to non-unionised colleagues will average 4%, equal to current inflation levels, with our other geographies following similar approaches.

The Group is also committed to supporting employees beyond this and operates a number of support packages for colleagues such as access to hardship loans, employee discounts and financial education webinars, in addition to wider health and wellbeing support through the provision of apps and seminars.

We were pleased that despite the challenges, many of our colleagues recognise the progress made toward the 'Employer of Choice' Evolve outcome, with a positive group-wide eNPS score of +11, an improvement of +4. This builds on the success of the people strategy rolled out in 2022, "Being part of the future today", with three pillars at its heart (underpinned by our 'Essentials') – 'Embrace' (our approach to Equality, Diversity and Inclusion), 'Energise' (our approach to creating an inspiring, energetic culture that our colleagues want to be part of) and 'Elevate' (our approach to career and self-development). For more information on progress made in supporting colleagues, see pages 62 to 63 earlier in the report.

2023 activity and remuneration outcomes

As referenced in the 2022 Annual Report, prior to the 2023 AGM the Committee considered whether an adjustment to the 2023 LTIP grant should be made to reflect the reduced share price of the Company. It was determined that an adjustment was appropriate and that the size of the award for both the CEO and CFO should be scaled down by 30%. Notwithstanding this the Committee will also assess whether a windfall gain has been created during the three-year performance period prior to vesting in 2026 and determine whether a second scale back is appropriate.

In determining annual and long-term incentive outcomes for 2023, the Committee reviews not only the financial outcomes against targets set, but also considers wider performance. As an example, these factors include progress against Evolve outcomes, growth in passenger numbers, employee engagement, shareholder experience and wider stakeholder experience.

The Committee believes that the incentive plans continue to drive the desired behaviours to support the company's values and strategy, are aligned with stakeholder experience and that the Directors' Remuneration Policy has operated as intended in 2023.

Annual bonus

The formulaic out-turn of the annual bonus was 30.5% of maximum for the CEO and CFO. This outcome was driven by performance against Free Cash Flow and personal objectives, with the outturn under Group Profit Before Tax being nil. However, following recommendation from management and taking in to account the shareholder experience, the Committee exercised discretion and reduced the annual bonus to nil for the year for the Executive Directors.

LTIP vesting

Based on performance against the targets, the vesting outcome of the 2021 LTIP was assessed as nil.

Renewal of the Remuneration Policy

Our Directors' Remuneration Policy is to be renewed at the 2024 AGM. The Committee has reviewed its operation and reflected on feedback from shareholders over the last year. Whilst the level of payout under the annual bonus plan for 2023 and the low vesting levels in recent years under the LTIP are disappointing, the Committee does not feel that the Policy itself requires material change at the current time. We have however, reviewed the wording of the Policy and propose to make a number of changes to simplify and provide some limited flexibility in how it may operate in the future. This results in a clearer and shorter Policy, as set out on pages 127 to 136.

2024 remuneration arrangements

As noted above, the Committee is mindful that there is still significant uncertainty in the macroeconomic climate in 2024. However, it is satisfied that the targets that have been set are robust and stretching and recognise the potential performance that can be achieved.

Remuneration arrangements for the CEO

As highlighted in previous years' reports, the Committee is conscious that upon Ignacio Garat's appointment as CEO, his base salary and bonus opportunity were significantly below that of his predecessor and mid-market levels for comparable FTSE companies. The Committee set the initial remuneration mindful of the economic environment at the time and stated that it expected to increase remuneration over time reflecting Ignacio's development in role.

The Committee had originally committed to reviewing the CEO's remuneration from 1 January 2022 to better align it to market and his progress in the role, but felt it appropriate to postpone the review in recognition of the economic environment. As a result, base salaries for both the CEO and the then CFO remained unchanged for 2022.

The Committee remained mindful of its commitments and during 2022 undertook a review of remuneration arrangements for the CEO. Based on this review, the Committee increased the CEO's salary from 1 January 2023 from £575,000 to £600,000. That increase of 4.3% was below the increase for the wider workforce for 2023. Given the ongoing economic environment, the CEO voluntarily waived his increase in base salary for 2023 meaning his salary remained the same as in 2022 and 2021.

His salary will be paid at the level of £600,000 for 2024, but there will be no increase. The base salary of the CFO of £425,000, will also remain unchanged from 2023.

Annual bonus

The annual bonus opportunity will remain at 200% and 150% of salary for 2024 for the CEO and CFO respectively.

The Committee has set stretching performance targets against which the annual bonus will be measured. A change is being made to replace the Group Free Cash Flow measure with Covenant Gearing. This reflects the importance of reducing the Company's gearing levels during the year as a key part of our strategy. It is also a more comprehensive and consistent measure of performance than Free Cash Flow.

Measures and weightings will be as follows:

- 50% Group Adjusted Profit Before Tax
- 25% Covenant Gearing
- 15% Group Safety – Fatality and Weighted Injuries (FWI) Index score, including an underpin such that this element will not pay out if there are any responsible fatalities
- Specific personal, strategic and risk management targets, with an aggregate weighting of 10%

A hurdle of 90% achievement of the Group Adjusted Profit Before Tax target will be introduced for 2024 and will apply to potential payouts under any of the bonus metrics.

LTIP

The LTIP opportunity for the CEO and CFO will remain unchanged for 2024 and will be 200% and 150% of salary respectively.

The measures used for the 2023 LTIP grant will be retained for 2024, other than simplification of the environmental measures. Based on detailed analysis, the two environmental measures of Zero Emissions Vehicles and the Group's global carbon emissions per million passenger kilometres are closely correlated and their combined weighting has been allocated to the more comprehensive global carbon emissions measure:

- an earnings per share measure, with a 25% weighting;
- a return on capital employed measure, with a 25% weighting;
- a single total shareholder return measure relative to the FTSE 250, with a 25% weighting; and
- an environmental measure of the Group's global carbon emissions per million passenger kilometres, with a 25% weighting.

Full details of these performance criteria are set out on page 117.

As with the 2023 grant, the Committee will consider scaling back grants depending on the share price at the time of grant and will also include a provision that the Committee will assess, and potentially reduce vesting, if there has been a windfall gain following the granting of awards.

Potential Disposal of North America School Bus

In addition, the Committee is very conscious that having set incentive targets that include all of the businesses currently within the Group, it will need to consider adjusting those targets in the event that some are sold in the year. The Committee's approach, which will be fully explained at the time, will be to evaluate the impact of any disposal on each performance metric in light of the following:

- what was assumed when the targets were set;
- seeking to ensure that a consistent approach is taken to decisions across the various performance metrics;
- the materiality of any potential adjustment; and
- whether the outcome of the potential adjustment is fair and proportionate in the circumstances.

Concluding thoughts

The Committee is always keen to hear the views of shareholders and their representative bodies and values their ongoing engagement on remuneration matters.

Finally, as a Committee we wish to thank all of our colleagues throughout the business for their continued hard work and dedication.



Karen Geary
Remuneration Committee Chair

21 April 2024

Remuneration Policy for Executive Directors operated in 2023

The table below sets out an abridged version of the Remuneration Policy for the Company which was approved by shareholders at the 2021 AGM. The Policy operated in 2023 but will be replaced by the new Policy set out on pages 127 to 136 if approved by shareholders at the 2024 AGM.

The full Directors' Remuneration Policy can be found within the Governance section of the Mobico website.

Element and link to strategy	Operation	Maximum opportunity and performance conditions
<p>Base salary</p> <p>To recruit, reward and retain Executive Directors of a suitable calibre for the role and duties.</p>	<p>Salaries for Executive Directors are reviewed annually by the Remuneration Committee with effect from 1 January.</p> <p>Reviews cover individual performance, experience, development in the role and market comparisons.</p>	<p>When reviewing Executive Directors' salaries, consideration will always be given to the general performance of the Company and the approach to employee pay across the Group. Therefore, salary increases will not normally exceed the general employee increase. Larger increases may be necessary in exceptional circumstances.</p> <p>No increase will exceed 10% above RPI in any one year, except for internal promotion or where the Executive Director's salary is below the market level.</p>
<p>Pension</p> <p>To provide fair benefits, in line with the wider workforce, to allow individuals to work towards saving for retirement.</p>	<p>Executive Directors receive a cash allowance in lieu of a pension provision.</p> <p>Executive Directors' pension contributions are aligned with those of the majority of the UK workforce (which is currently 3% of salary).</p>	<p>Since 1 November 2020, the annual cash allowance payable to new Executive Directors in lieu of a pension is equal to the wider workforce pension contribution rate.</p>
<p>Benefits</p> <p>To provide competitive benefits as part of fixed remuneration to enable the Group to recruit and retain high performing Executive Directors.</p>	<p>Executive Directors receive a combination of family private healthcare, death-in-service and life assurance cover (4x base salary), long-term sickness and disability insurance, car allowance, free travel on the Company's services and professional membership subscriptions.</p>	<p>The cost to the Company of providing the benefits may vary from year to year in accordance with market conditions. This will therefore determine the maximum amount that will be paid in the form of benefits to Executive Directors during the Policy period.</p>
<p>Annual Bonus</p> <p>To incentivise delivery of near-term performance objectives which are directly linked to the financial, strategic delivery and risk management priorities of the Group.</p>	<p>Performance conditions are a combination of financial and non-financial (including strategic delivery, risk management and personal) objectives set at the beginning of each year.</p> <p>Performance conditions will not be disclosed in advance (except for any numerical safety performance conditions) as the Committee considers this information commercially sensitive. Performance outcomes will be reported retrospectively.</p> <p>50% of the bonus earned is subject to mandatory deferral into shares for one year from award.</p> <p>The annual bonus includes the ability for the Committee to use its discretion to adjust the bonus outcome if outcomes are not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post award, including following cessation of employment.</p> <p>Bonus payments are paid following announcement of the Company's audited year end results and are not pensionable.</p>	<p>The maximum bonus award is equal to 200% of base salary for the Group Chief Executive Officer and 150% of base salary for the other Executive Directors (currently only the CFO).</p> <p>The financial performance conditions will typically relate to profit and/or cash generation, are set on an annual basis and are intended to be achievable at threshold and stretching at maximum.</p> <p>The non-financial performance conditions will be set annually based on objectives for the year. These may include safety, operational and business development objectives, customer-related developments or metrics, colleague related developments or metrics, and environmental, social and governance (ESG) developments or metrics, as determined by the Committee on an annual basis.</p> <p>Normally, the proportion of the bonus determined by non-financial performance conditions will only become payable when the Company achieves a threshold level of normalised profit but the Committee has discretion to vary this in appropriate circumstances.</p>

Element and link to strategy	Operation	Maximum opportunity and performance conditions
<p>Long-Term Incentive Plan ('LTIP')</p> <p>To encourage strong and sustained improvements in financial performance, in line with the Company's strategy to align executives to the long-term interest of shareholders.</p>	<p>LTIP awards (in the form of conditional shares, nil cost options or forfeitable shares) are granted annually with vesting subject to the achievement of performance conditions measured over a three-year consecutive financial period commencing with the year of award.</p> <p>An additional two-year holding period for vested shares exists post vesting for the Executive Directors.</p> <p>Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods.</p> <p>Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances.</p> <p>The LTIP includes the ability for the Committee to use its discretion to adjust the LTIP outcomes if such outcome is not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post vesting, including following cessation of employment.</p>	<p>The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors.</p> <p>For FY 23 the LTIP awards had performance conditions relating to EPS, ROCE, TSR and ESG measures, and which remain for 2024.</p> <p>The threshold vesting level will be no more than 25% and may vary by performance condition and from year to year. There is no ability to retest any of the performance conditions.</p> <p>To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the vesting of an LTIP award (in whole or in part) until those investigations or proceedings are completed.</p> <p>The Committee also retains discretion under the LTIP rules to amend existing performance conditions to take account of any events that may arise which would mean in its opinion, if such adjustments were not made, the performance condition would not constitute a fair measure of the Company's performance over the measurement period.</p>

Shareholding requirement for Executive Directors

Executive Directors are required to build up a shareholding to a value equal to 200% of base salary over a five-year period commencing from the later of the 2021 AGM or their date of appointment. Compliance with this requirement is a condition of continued participation in the Company's LTIP and other equity incentive arrangements.

A shareholding requirement will continue to apply to an Executive Director after the cessation of employment for two years.

Only shares derived from the 2021 LTIP awards and other share awards granted after the Policy comes into effect will be included in the post-cessation shareholding requirement. Shares held by an Executive Director prior to the Policy coming into effect or vesting under an award granted to an Executive Director prior to the Policy coming into effect (other than the 2021 LTIP award), and shares independently acquired by an Executive Director will not be included.

Performance conditions under the annual bonus and LTIP

Performance measures for the Annual Bonus are selected annually to align with the business goals for the year. 'Target' performance is typically set in line with the business plan for the year. If the Committee materially changes the LTIP performance conditions within the life of the Policy, it will consult with shareholders in advance on the changes to be made and the reasons for doing so.

Malus and clawback provisions

Executive Directors' annual bonus awards and LTIP awards are subject to malus and clawback provision and will be applied in the following circumstances:

- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed (or was due to be assessed);
- the discovery that the assessment of any performance target, measure or condition in respect of an award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine any performance target, measure or condition in respect of an award (or to determine the number of shares over which an award was granted) was based on error, or inaccurate or misleading information;
- there is action, inaction or conduct of an award holder which, in the reasonable option of the Committee, amounts to fraud or gross misconduct;
- there is action, inaction or conduct of an award holder which has had a significant detrimental impact on the reputation of the Company; or
- the Company becomes insolvent or otherwise suffers a corporate failure in connection with which the value of the Company's shares is materially reduced, provided the Committee is satisfied after due investigation that the award holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

Annual Report on Remuneration

1. Statement of implementation of current Directors' Remuneration Policy in 2024

(a) Executive Directors' fixed remuneration

As set out in the Chair's letter, Ignacio Garat's salary is £600,000 for 2024. James Stamp's salary will not increase.

Ignacio Garat, Group Chief Executive Officer	£600,000
James Stamp, Group Chief Financial Officer	£425,000

Pension and benefits will operate in line with the Directors' Remuneration Policy.

(b) Executive Directors' annual bonus

Executive Directors' annual bonuses for the 2024 financial year will provide a maximum opportunity of 200% and 150% of salary for the CEO and CFO respectively.

Performance will be assessed by reference to the following performance measures, with weightings indicated in brackets:

- Financial, Group Profit before Tax (50%)
- Financial, Group Covenant Gearing (25%)
- Group Safety, Fatalities Weighed Injuries (FWI) Index score (15%)
- Personal objectives, strategic and risk (10%)

A zero responsible fatality underpin will also apply to the full 15% safety element and a minimum level of Group Profit Before Tax will underpin the whole bonus.

When considering the bonus structure and setting the bonus targets for 2024, the Committee has taken into account:

- The need to continue to set robust and stretching targets.
- The need to ensure that annual bonus measures and targets fully align to the business strategy.
- That both Profit Before Tax and Covenant Gearing are key financial measures of overall financial performance of the business and directly link to our financial KPIs – see pages 15 to 17. The Committee is keen to ensure that Executive Directors are focused on driving profit growth in order to generate higher and sustainable returns for our shareholders and provide the platform for further growth for all our stakeholders including employees, our customers and our partners. Covenant Gearing reflects the impact of reinvesting Free Cash Flow into growth.
- The importance of safety to the Group and all stakeholders. On-target FWI index performance has been set as equal to or better than the Group's last 3-year average FWI index, with maximum payout requiring performance that is equal to or better than the Group's best FWI index score in the last 3 years.
- Personal objectives have been specifically selected to drive delivery of the Evolve strategy and position future growth.

A hurdle of 90% achievement of the Group Adjusted Profit Before Tax target will be introduced for 2024 and will apply to potential payouts under any of the bonus metrics.

The Committee will disclose the exact targets, the threshold to maximum performance ranges and the strategic and risk management objectives (which are considered commercially sensitive), and actual performance against these financial targets and the non-financial bonus objectives, in next year's report.

(c) Executive Directors' 2024 Long-Term Incentive Plan (LTIP) awards

Executive Directors' LTIP grants for the 2024 financial year will provide a maximum opportunity of 200% of salary for the CEO and 150% of salary for the CFO. The Committee will consider scaling back grants depending on the share price at the time of grant. The Committee will also include a provision that it will assess if there has been a windfall gain following the granting of awards. Other than the simplification of the environmental measures, performance measures and weightings are unchanged from the 2023 LTIP awards. The targets are as follows:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for others)	Target (50% vesting)	Maximum (100% vesting)
TSR ¹ vs. FTSE 250 Index	25%	Median	–	Upper quintile
EPS ^{2,3}	25%	17.3p	19.2p	21.1p
ROCE ^{2,4}	25%	10%	11%	12%
tCO ₂ e/million passenger km ⁵	25%	-12.5%	-15%	-17.5%

- 1 For TSR measures, straight-line vesting will occur between threshold and the maximum level of performance
- 2 For EPS, ROCE and ESG measures, straight-line vesting will occur between threshold and target, and between target and maximum levels of performance
- 3 EPS is fully diluted adjusted earnings per share in 2026
- 4 ROCE is return on capital employed in 2026
- 5 Calculated as reduction in measure as at the end of measurement period vs YE 2022 baseline

The 2024 LTIP EPS range has been set in accordance with long-term financial guidance set out by the Group, including a target to grow EBIT by more than £100m between 2022 and 2027.

The 2024 LTIP ROCE performance range target has been increased compared to the 2023 level (10.5%) and the range around it narrowed from 3.5% to 2%.

The Committee continues to review best practice in the incorporation of ESG measures into variable remuneration arrangements and seeks guidance from the Group's Sustainability Committee. The 15% reduction as Target is aligned to our new science-based near-term emission reduction targets which have been fully approved by the Science-Based Targets Initiative ('SBTI').

The performance conditions will be measured over the three-year financial period ending 31 December 2026, awards will be subject to a compulsory two-year holding period post vesting and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalent entitlements will attach to any vested shares over the vesting period and during the holding period while options remain unexercised and will be satisfied in shares rather than cash.

Remuneration Committee report continued

(d) Chair's and Non-Executive Directors' 2024 fees

Non-Executive Director fees will operate in line with Directors' Remuneration Policy.

With effect from 1 January 2024, the Committee determined for the Chair, and the Board determined for the Non-Executive Directors, that there would be no change to fee levels, which would remain as follows:

Role	Fees (gross)
Chair	£259,325
Senior Independent Director (additional fee)	£11,000
Non-Executive Director (base fee)	£56,000
Committee Chair (additional fee)	£12,000

The letters of appointment for the Chair and the Non-Executive Directors, together with the service agreements for the Executive Directors, are available for inspection at the Company's registered office.

Annual Report on Remuneration (Audited Information)

2. Single total figure of remuneration for Executive Directors

The table directly below sets out the single total figure of remuneration and breakdown for each Executive Director who served during the financial year ended 31 December 2023 (with comparative figures provided for 2022). The subsequent information and tables in this section give more detail on various elements of the Executive Directors' remuneration.

£'000		Base salary	Benefits ²	Pension allowance	Total fixed remuneration	Annual bonus ³	Vested LTIPs ⁴	Total variable remuneration	Total
Ignacio Garat	2023	575	24	17	616	0	0	0	616
	2022	575	31	17	623	595	0	595	1,218
James Stamp	2023	425	13	13	451	0	0	0	451
	2022	71 ¹	2	2	75	75	20	95	170

¹ The 2022 base salary and benefits of Mr Stamp reflects the period served as a Director during 2022

² Benefits comprise the gross of tax value of car allowance and private medical insurance. Benefits for Mr Garat also include the reimbursement of the cost of preparation of Mr Garat's UK and Spanish tax returns

³ Full disclosure of the annual bonus amounts and delivery mechanism are set out in section 2(a) Annual bonus below

⁴ The 2022 vested LTIP value has been restated from last year's report to reflect the value of the award on the date of vesting, based on the share price of 138.9p on 12 March 2023

(a) Annual bonus

The table below summarises the 2023 bonus potential for the Executive Directors that the Remuneration Committee set for 2023.

	Weighting	At threshold performance	At target performance	At maximum performance
Potential bonus in respect of financial objectives	75%	0%	48.75%	75%
Potential bonus in respect of safety objectives	15%	0%	7.5%	15%
Potential bonus in respect of personal objectives	10%	0%	5%	10%
Bonus potential for 2023	100%	0%	50%	100%

It was a pre-condition to the award of any element of the 2023 bonus, that the Committee was satisfied that a significant negative event had not occurred, and there was no material adverse impact on either the reputation of the Company or its share price as a result of the systematic failure of management to put in place and operate effective safety processes (the 'safety underpin').

50% of any bonus earned is subject to mandatory deferral into shares for one year from award as per the Remuneration Policy.

(i) 2023 bonus out-turn

The formulaic out-turn of Executive Directors' bonuses was 30.5% of maximum for the CEO and CFO. As outlined in the Committee Chair's statement, following recommendation from management, the Committee exercised discretion and reduced the annual bonus to nil for the year for the Executive Directors.

(ii) 2023 bonus performance conditions

The following table sets out performance conditions that were attached to Executive Directors' 2023 bonus and the associated outcomes.

Category	Measure	Threshold	Target	Max	Weighting	Outcome achieved	Bonus Achieved
Financial ¹	Group profit before tax (£m)	109.9	122.1	134.3	50%	92.9	0%
	Free cash flow (£m)	118.6	131.7	144.9	25%	163.7	100%
Safety	FWI	Zero Responsible Fatality	0.006	0.003	15%	Two Responsible Fatalities	0% ²
Personal (CEO)					10%	See below	55%
Personal (CFO)					10%	See below	55%
		CEO formulaic 2023 bonus outcome (% of maximum)					30.5%
		CFO formulaic 2023 bonus outcome (% of maximum)					30.5%

¹ Consistent with previous years and associated disclosures, the Group Adjusted Profit Before Tax and free cash flow targets are adjusted to align the method of calculation to the basis on which the performance outcome is calculated. The original Group Adjusted Profit Before Tax target was set at £130.2m. After adjustment to reflect foreign exchange movements and variances in acquisition investment (compared to budgeted levels), the revised target was £122.1m, with the threshold and maximum amounts adjusted accordingly. The original Group free cash flow target was £142.0m. After adjustment to reflect foreign exchange movements and timing of capital expenditure payments (to align with the budgeted assumptions), the revised target was £131.7m, with the threshold and maximum amounts (set at +/- 10% of the target) adjusted accordingly

² Although the FWI target was achieved, there were 2 responsible fatalities meaning the safety underpin resulted in zero bonus under this element

Taking in to account the wider shareholder experience and that there was no payout due under the profitability elements of the bonus (as shown in the table above), the Committee (and management) did not feel it would be appropriate for there to be any payout under the bonus, and used downward discretion to reduce the bonus to 0%.

If the financial performance had led to a payout under those elements, the payout under the personal performance element would have been 55%, reflecting progress on key areas such as North America School Bus improvements, strengthened succession pipelines, the bond refinancing, employee engagement and the Accelerate cost saving programme.

(b) Long-Term Incentive Plan (LTIP) vesting and awards**(i) LTIP awards vesting in 2024**

The three-year LTIP awards granted to Executive Directors in 2021 are due to vest in April 2024 (delayed from March 2024) as the measurement period relating to them ended on 31 December 2023. The formulaic out-turn was 0% of maximum. Whilst there are many factors that could have been taken into account to adjust the formulaic outcome, the Committee did not feel it was appropriate to make any such adjustments in light of the shareholder experience during this period.

Details of the performance conditions attaching to the 2021 LTIP awards, which were granted as nil cost options, and the extent to which they have been met, are set out in the table below:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for ROCE)	Target	Maximum (100% vesting)	Actual	Percentage vesting
TSR ¹ vs. FTSE 250 Index	12.5%	Median	-	Upper Quintile	Below Median	0%
TSR ¹ vs. Bespoke Index ²	12.5%	Equal to Index	-	≥ Index + 10% p.a.	Below Index	0%
EPS ^{3,4}	25%	25.1p	25.6p	26.3p	4.5p	0%
ROCE ^{3,5}	25%	8%	9%	11%	7.0%	0%
tCO ₂ e/million passenger km	25%	6% reduction in tCO ₂ e/ million passenger km by 2023 relative to 2019 base year	7% reduction in tCO ₂ e/ million passenger km by 2023 relative to 2019 base year	8% reduction in tCO ₂ e/ million passenger km by 2023 relative to 2019 base year	+25.0%	0%
Total vesting						0%

¹ For TSR performance measures, straight-line vesting occurs between threshold and maximum performance

² The Bespoke Index comprised three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc

³ For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance

⁴ Actual EPS is the fully diluted adjusted earnings per share in the last year of the performance period

⁵ Actual ROCE is the average return on capital employed in the last year of the performance period

Remuneration Committee report continued

(ii) LTIP awards granted in 2023

Details of LTIP awards granted to Executive Directors in 2023 are set out in the table below:

Executive Director	Grant Date	Number of shares awarded ¹	Award type	Award amount	Face value of award £'000 ²	Performance period	Performance conditions
Ignacio Garat	27/03/2023	714,894	Nil cost option	140% of base salary	840	01/01/2023–31/12/2025	See below
James Stamp	27/03/2023	379,787	Nil cost option	105% of base salary	446	01/01/2023–31/12/2025	

¹ The number of shares subject to the LTIP awards was determined by dividing the award amount, being the relevant multiple of the Executive Directors' base salaries, by the Company's MMQ share price on the last business day preceding the date of grant, being 117.5p on 27 March 2023. Award sizes were scaled back by the Committee by 30% reflecting the significant share price fall from the grant of the 2022 awards

² The face value of the LTIP awards is the number of (adjusted) Company shares over which awards were made multiplied by the Company's MMQ share price on the last business day preceding the date of grant, being 117.5p on 27 March 2023

(iii) Performance conditions attaching to 2023 LTIP awards

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for others)	Target (50% vesting)	Maximum (100% vesting)
TSR ¹ vs. FTSE 250 Index	25%	Median	–	Upper quintile
EPS ²	25%	21.6	24.0	26.4
ROCE ²	25%	9%	10.5%	12.5%
tCO ₂ e/million passenger km ²	12.5%	5.0% reduction in tCO ₂ e/million passenger km by 2025 relative to 2022 base year	5.5% reduction in tCO ₂ e/million passenger km by 2025 relative to 2022 base year	6.0% reduction in tCO ₂ e/million passenger km by 2025 relative to 2022 base year
Fleet transition ²	12.5%	2,000 zero emission vehicles in service or on order by 31 December 2025	2,200 zero emission vehicles in service or on order by 31 December 2025	2,400 zero emission vehicles in service or on order by 31 December 2025

¹ For TSR performance measures, straight-line vesting occurs between threshold and maximum performance

² For EPS, ROCE and ESG performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance

Vested shares will be subject to a compulsory two-year holding period and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalents are payable on vested shares over the vesting period and during the holding period while options remain unexercised.

(iv) Executive Deferred Bonus Plan (EDBP)

The table below sets out the awards under the 2023 EDBP in the form of forfeitable shares in the Company which were granted to the Executive Directors on 27 March 2023 and relate to the one-year deferred element of their bonuses for the financial year ended 31 December 2022.

The table below details those awards subject to mandatory deferral under the Policy.

Executive director	As at 1 January 2023	Vested 18 March 2023	Granted in 2023	Lapsed	As at 31 December 2023	Market price at date of vesting	Date of grant
Ignacio Garat	86,315	86,315	252,093	–	252,093	120p	27/03/2023
James Stamp	–	–	31,595	–	31,595	–	27/03/2023

3. Single total figure of remuneration for Non-Executive Directors

The table below sets out the single total figure of remuneration (fees) for the Non-Executive Directors who served during the financial year ended 31 December 2023 (with comparative figures provided for 2022):

Non-Executive Director	2023 fees £'000	2022 fees ¹ £'000
Helen Weir (Chair) ¹	259	14
Jorge Cosmen (Deputy Chair and Nominations Committee Chair)	68	68
Matthew Crummack (Senior Independent Director until 1 August 2023)	39	67
Mike McKeon (Audit Committee Chair)	68	68
Ana de Pro Gonzalo (Independent Non-Executive Director)	56	56
Carolyn Flowers (Independent Non-Executive Director) ²	73	70
Karen Geary (Remuneration Committee Chair and, from 1 August 2023, Senior Independent Director)	73	68
Nigel Pocklington (Independent Non-Executive Director from 1 August 2023) ³	23	n/a
Enrique Dupuy de Lome Chávarri (Independent Non-Executive Director from 1 November 2023) ⁴	9	n/a

¹ Helen Weir's fee received during her period as Chair Designate from 1 October 2022 to 31 December 2022 was £56,000 per annum pro-rated

² A travel allowance is also paid to Carolyn Flowers for each Board meeting or other Board-related matter she attends outside the North American continent, in an amount per such meeting or matter of £1,000. For 2023, Ms Flowers received £5,000 in respect of this allowance in addition to her base fee

³ Nigel Pocklington joined the Board on 1 August 2023, so his 2023 fee reflects the pro-rated proportion of his annual fee for the year.

⁴ Enrique Dupuy de Lome Chávarri joined the Board on 1 November 2023, so his 2023 fee reflects the pro-rated proportion of his annual fee for the year.

4. Payments to past Directors and payments for loss of office

(a) Payments to past Directors

No payments were made to past Directors during or in respect of the financial year ended 31 December 2023.

(b) Payments for loss of office

No payments were made to any former Directors for loss of office during or in respect of the financial year ended 31 December 2023.

5. Statement of Directors' shareholdings and share interests

(a) Executive Directors' interests in shares

Details of the Executive Directors' and their connected persons' beneficial interests in the Company's shares, and of the Executive Directors' other interests in shares, as at 31 December 2023 are shown in the table below:

Executive Director	Shares held directly			Other share interests		
	Shareholding target (% salary)	Shareholding value (% salary) ¹	Beneficially owned	Forfeitable shares held under the EDBP not subject to performance conditions	Outstanding LTIP share option awards subject to performance conditions	Vested but unexercised LTIP share option awards
Ignacio Garat	200% ²	53.3%	125,688	252,093	1,560,206	n/a
James Stamp	200% ³	18.6%	54,392 ⁴	31,595	735,995	14,278

¹ The Company's closing share price of 84.6p as at 31 December 2023 has been used for the purposes of this calculation and has been applied to the beneficially owned shares, 53% of the vested but not exercised LTIP and the forfeitable shares held under the EDBP not subject to performance conditions, in arriving at the shareholding value as at 31 December 2023

² Mr Garat's current shareholding requirement applies to the five-year period commencing from the later of the approval of the Directors' Remuneration Policy or his date of appointment and therefore Mr Garat has until 12 May 2026 to reach his shareholding requirement

³ Mr Stamp's current shareholding requirement applies to the five-year period commencing from the later of the approval of the Directors' Remuneration Policy or his date of appointment and therefore Mr Stamp has until 5 December 2027 to reach his shareholding requirement

⁴ The previously reported number of shares beneficially owned by Mr Stamp was 54,464. This was a transcription error

More information about current and former Executive Directors' interests in forfeitable shares held under the EDBP are set out in section 2(biv) above. Pages 121 provides more information about current Executive Directors' interests in shares under outstanding LTIP awards.

Remuneration Committee report continued

Share interests

The table below sets out the share awards granted to current Executive Directors under the rules of the Company's 2015 LTIP which either vested or lapsed during 2023 or remain outstanding as at 31 December 2023:

LTIP award year/ type	Date of grant	During 2023				Awards held at 31/12/2023	Vesting date	Latest exercise date ¹
		Awards held at 01/01/2023	Granted	Exercised/ Eligible for exercise	Lapsed			
Ignacio Garat								
LTIP 3-year	22/03/2021	366,943	-	-	-	366,943	22/03/2024	22/03/2026
LTIP 3-year (Approved CSOP) ²	22/03/2021	9,572 ³	-	-	-	9,572 ³	22/03/2024	22/03/2026
LTIP 3-year	21/03/2022	478,369	-	-	-	478,369	21/03/2025	21/03/2027
LTIP 3-year	27/03/2023	-	714,894	-	-	714,894	27/03/2026	27/03/2028
		845,312	714,894	-	-	1,560,206		
James Stamp								
LTIP 3-year	12/03/2020	142,781	-	14,278 ⁴	128,503	14,278 ⁴	12/03/2023	12/03/2025
LTIP 3-year	22/03/2021	154,627	-	-	-	154,627	22/03/2024	22/03/2026
LTIP 3-year	21/03/2022	201,581	-	-	-	201,581	21/03/2025	21/03/2027
LTIP 3-year (Approved CSOP) ²	21/03/2022	12,479 ³	-	-	-	12,479 ³	21/03/2025	21/03/2027
LTIP 3-year	27/03/2023	-	379,787	-	-	379,787	27/03/2026	27/03/2028
		498,989	379,787	14,278	128,503	750,273		

¹ Awards vesting under the 2015 LTIP are subject to a two-year exercise period and holding period which run concurrently, save for Mr Stamp's LTIP awards between 2018 and 2022, which are not subject to any holding period as these were granted prior to him being appointed as an Executive Director. Latest exercise dates are shown only for those LTIP awards which have either yet to vest, or which have vested and are yet to be exercised

² All LTIP awards are granted in the form of nil-cost options, save for LTIP approved CSOP awards which are granted as market value share options with an exercise price per share equal to the share price at grant. Mr Stamp's 2022 CSOP award was granted with an exercise price of 240.4p per share. LTIP approved CSOP awards comply with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and can be exercised by way of effective set-off against any shares vesting under the corresponding LTIP award

³ Due to the effective set-off arrangements explained in the note above, the number of shares subject to LTIP approved CSOP awards are not counted in the total number of awards held as this would result in a double-count.

⁴ Mr Stamp's 2020 LTIP vested on 12 March 2023 but has not yet been exercised. The latest exercise date is 12 March 2025 as per the approved rules.

(b) Non-Executive Directors' interests in shares

The details of the Non-Executive Directors' and their connected persons' interests in shares, for current Non-Executive Directors as at 31 December 2023 (or if earlier, the date they ceased to be a director of the Company), all of which are held beneficially, are shown in the table below:

Non-Executive Director	Beneficially owned
Helen Weir	76,000
Jorge Cosmen ¹	47,826
Enrique Dupuy de Lome Chávarri	-
Carolyn Flowers	10,000
Karen Geary	14,347
Mike McKeon	60,869
Nigel Pocklington	-
Ana de Pro Gonzalo	4,347
Matthew Crummack	18,844

¹ Neither Jorge Cosmen nor his connected persons are now sufficiently closely connected with any of the Cosmen family companies which hold shares in the Company (including European Express Enterprises Ltd which is a major shareholder in the Company) for such family companies' shareholdings to be considered his or his connected persons' interests in Company shares

(c) Other information

The Register of Directors' interests maintained by the Company contains full details of the Directors' holdings in shares and options over shares in the Company.

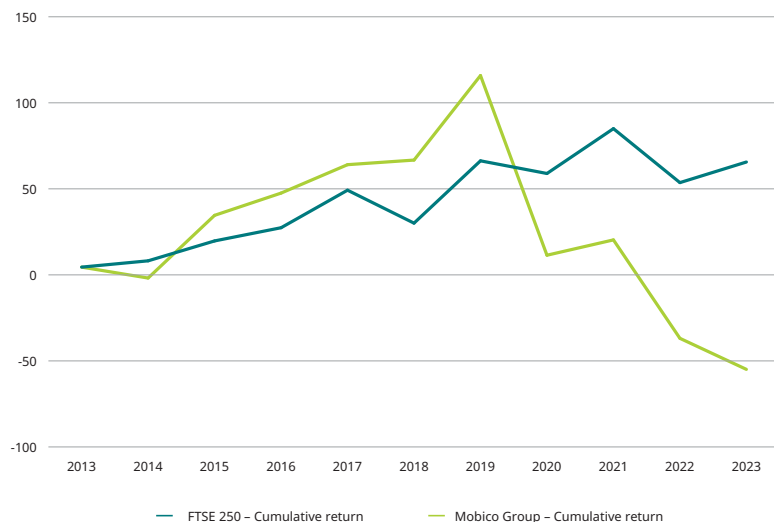
The closing price of a Company ordinary share at 31 December 2023 was 84.60p (2022: 130.00p) and the range during the year ended 31 December 2023 was highest 142.60p to lowest 56.50p per share.

(d) Changes since year end

There have been no changes in current Directors' shareholdings between 31 December 2023 and the date of this Report.

6. Comparison of overall performance

The graph below shows a comparison of the Company's cumulative total shareholder return (i.e. share price growth plus dividends paid) and annual return against the FTSE 250 Index over the last 10 years. The FTSE 250 Index has been selected as the Company is a constituent of that Index.

Shareholder returns – 10 year history**7. Context of Director pay**

The following table sets out the actual percentage changes between 2019 and 2023 for certain elements of the remuneration for the persons who served as Directors during 2023, compared with the average percentage change in those same elements of remuneration for the Company's employees. It also sets out, by way of voluntary disclosure, a comparison with the Group's whole UK employee population as this provides a more meaningful comparison in view of the fact that the Company itself only employs a small proportion of the Group's employees.

The elements of each Executive Director's remuneration included in the table below comprise base salary, benefits and annual bonus calculated in the same way as in the single total figure of remuneration table on page 118. The Chair and Non-Executive Directors' fees included in the table below are calculated in the same way as in the single total figure of remuneration table on page 121.

	Actual/Average percentage increase/ (decrease) from 2019 to 2020			Actual/Average percentage increase/ (decrease) from 2020 to 2021		
	Base/salary fees	Benefits	Performance related bonus	Base/salary fees	Benefits	Performance related bonus
Ignacio Garat (current CEO)	n/a	n/a	n/a	499.0% ¹	200.6% ¹	100.0% ²
James Stamp (current CFO)	n/a	n/a	n/a	n/a	n/a	n/a
Ana de Pro Gonzalo	315.4% ⁶	n/a	n/a	(5.9)% ³	n/a	n/a
Carolyn Flowers	n/a	n/a	n/a	n/a	n/a	n/a
Enrique Dupuy de Lome Chávarri	n/a	n/a	n/a	n/a	n/a	n/a
Helen Weir	n/a	n/a	n/a	n/a	n/a	n/a
Jorge Cosmen	0.0%	n/a	n/a	25.9% ^{3,4}	n/a	n/a
Karen Geary	315.4% ⁶	n/a	n/a	(5.9)% ^{3,5}	n/a	n/a
Matthew Crummack	14.8%	n/a	n/a	8.1% ³	n/a	n/a
Mike McKeon	1.5%	n/a	n/a	3.0% ³	n/a	n/a
Nigel Pocklington	n/a	n/a	n/a	n/a	n/a	n/a
Company employees	5.7%	(0.09)%	(100)%	4.4%	(8.2)%⁹	100%²
Company Group UK employees	1.7%¹¹	(0.09)%	(100)%	2.3%	(17.0)%⁹	100%²

Remuneration Committee report continued

	Actual/Average percentage increase/ (decrease) from 2021 to 2022			Actual/Average percentage increase/ (decrease) from 2022 to 2023		
	Base/salary fees	Benefits	Performance related bonus	Base/salary fees	Benefits	Performance related bonus
Ignacio Garat (current CEO)	0%	-35.4%	45.1%	0%	-23.6%	-100%
James Stamp (current CFO)	n/a	n/a	n/a	498.6% ¹⁰	566.0% ¹⁰	-100%
Ana de Pro Gonzalo	0%	n/a	n/a	0%	n/a	n/a
Carolyn Flowers	99.0% ⁷	n/a	n/a	4.3%	n/a	n/a
Enrique Dupuy de Lome Chávarri	n/a	n/a	n/a	n/a	n/a	n/a
Helen Weir	n/a	n/a	n/a	0%	n/a	n/a
Jorge Cosmen	0%	n/a	n/a	0%	n/a	n/a
Karen Geary	17.5% ⁸	n/a	n/a	7.4%	n/a	n/a
Matthew Crummack	0%	n/a	n/a	-41.8%	n/a	n/a
Mike McKeon	0%	n/a	n/a	0%	n/a	n/a
Nigel Pocklington	n/a	n/a	n/a	n/a	n/a	n/a
Company employees	7.2%	-1.2%	-12.1%	11.0%	5.2%	-100%
Company Group UK employees	8.5%	4.6%	-10.1%	8.3%	4.6%	-100%

¹ Mr Garat joined in November 2020 and the increase from 2020 to 2021 reflects this joining date. No increase in base salary was given for 2021

² No bonuses were awarded for 2020

³ The year-on-year increase reflects salary sacrifices made in April and May 2020 in light of the pandemic

⁴ Received an additional chair fee from 2021

⁵ Appointed Chair of the Remuneration Committee on 3 December 2021

⁶ Reflect dates of joining in 2019 and only serving 3 months in that year

⁷ Reflects the fact Carolyn Flowers joined the Board on 1 June 2021. 2022 fee reflects appointment as Sustainability Committee Chair in May 2022

⁸ Reflects appointment as Remuneration Committee Chair in December 2021, so 2021 fee includes only one month as Committee Chair

⁹ Driven by the net cost to the Company of providing certain benefits decreasing and others increasing, and the impact of job role changes/promotions

¹⁰ Reflects 2022 being a comparator year where James Stamp was on the Board for a pro-rated part of the year

¹¹ Helen Weir's increase from 2022 to 2023 is shown as nil as the fees earned in 2022 reflected time spent as Chair Designate. She became Chair on 1 January 2023

8. History of CEO pay

The table below sets out the total remuneration paid to the Chief Executive Officer over the last 10 years, valued using the methodology applied to the single total figure of remuneration:

Year	2014	2015	2016	2017	2018	2019	2020 ¹	2020 ²	2021	2022	2023
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	I Garat	I Garat	I Garat	I Garat
Single figure total remuneration (£'000)	1,562	3,661	3,887	4,225	4,318	3,048	531	137	1,050	1,218	616
Annual bonus payment (as % of maximum opportunity)	93%	96%	83.5%	95%	90%	100%	0%	n/a ³	47.5%	69.0%	0%
LTIP vesting level achieved (as % of maximum opportunity)	0%	73.4%	80.8%	86.9%	96%	91.53%	0%	n/a ³	n/a ⁴	n/a ⁴	0%

¹ Mr Finch served as Chief Executive Officer from 1 January 2020 to 31 August 2020

² Mr Garat served as Chief Executive Officer from 1 November 2020 to 31 December 2020

³ In 2020, Mr Garat was not entitled to any bonus award or LTIP award subject to performance conditions whose final year of performance ended during that year

⁴ In 2021 and 2022, Mr Garat was not entitled to any LTIP award subject to performance conditions whose final year of performance ended during those years

9. CEO pay ratios

The Committee reviewed the Company's CEO pay ratios and the Group's employee pay policies and practices when formulating the Directors' Remuneration Policy, and is satisfied that the structure and quantum of remuneration for the Executive Directors is appropriate in view of their relative roles and responsibilities.

The following table sets out ratios which compare the CEO's total remuneration in the Company's financial year ended 31 December 2023 to that of the Group's UK employees whose full time equivalent remuneration ranks them at the lower quartile, median and upper quartile of pay for all of the Group's UK employees (together with that data for the Company's previous two financial years). The significant drop in all ratios for 2023 is due to there being no CEO bonus in 2023 (vs last year) and also driver salary increases being higher in 2023 than in the previous year increasing the denominator in the calculation.

Year	Methodology	25th percentile (lower quartile) pay ratio	50% percentile (median) pay ratio	75th percentile (upper quartile) pay ratio
2023	Option A	20:1	17:1	14:1
2022	Option A	46:1	39:1	31:1
2021	Option A	43:1	37:1	31:1
2020	Option A	31:1	26:1	23:1

Option A was used to calculate the pay ratios as it is the most statistically accurate method and the relevant pay data was available to the Company in time for the preparation of this Report. The UK employees at the lower quartile, median and upper quartiles were identified as at 31 December 2023 and their full-time equivalent total remuneration was calculated in respect of the 12 months ended 31 December 2023 on the basis explained further below. The employee at the 25th percentile is employed as a cleaner and the employees at the 50th and 75th percentiles are employed as bus drivers, with their different pay reflecting overtime and different pension contributions.

The CEO's remuneration for 2022 and 2023 was calculated as per the single total figure, shown on page 118.

The total remuneration of the UK employees (including those at the lower quartile, median and upper quartiles) has been calculated using the same methodology as for the CEO's single total figure of remuneration, noting that:

- a large number of the Group's UK employees, such as bus and coach drivers and customer service centre staff, work full time but are paid by the hour (rather than having an annual fixed base salary). Their wages have been calculated as the actual number of hours worked in the year multiplied by the relevant hourly rates of pay applicable during the year; and
- a number of the Group's UK employees work part time. Those who are paid on a salaried basis have had their salaries and benefits grossed up to the full time equivalent salary for their role.

Although similar to the approach used for 2023, for further details on the calculation methodology for previous years please refer to the Annual Report for that year. Note for 2020 and 2021, where the Group's UK employees were placed on furlough during any part of 2020 or 2021, the amounts actually paid to them have been included, including amounts subsequently reimbursed to the Company and its UK subsidiaries by the UK government under the Coronavirus Job Retention Scheme and topped-up amounts funded by the Company's Group.

The table below shows the CEO's total remuneration and the salary component of that total remuneration and that of each of the UK employees at the lower, median and upper quartiles of the Group's UK employee population for 2023:

Year	Pay data	Group Chief Executive	25th (lower quartile) percentile	50th (median) percentile	75th (upper quartile) percentile
2023	Salary	£575,000	£30,025	£35,605	£43,780
2023	Total pay	£615,671	£30,485	£36,540	£44,705

The Committee considers that the median pay ratio is consistent with the Company's pay, reward and progression policies. This is because, when setting CEO pay, the Committee has regard to the same core considerations as those taken into account by the UK management team when setting UK employee pay, including the Company's policy to pay market rates of pay that reward employees fairly for work done and that have due regard to individual performance and Company performance where the individual has the ability to influence wider Company performance. The CEO has ultimate responsibility for, and the greatest ability to influence, the Company's performance and returns to shareholders and, to reflect this, a much higher proportion of the CEO's remuneration is comprised of performance-related pay (in the form of an annual bonus and LTIP award vesting) compared with the majority of UK employees. This means that the pay ratios will fluctuate depending on the outcomes of incentive plans each year.

10. Relative importance of spend on pay

The table below sets out the total spend on pay in 2023 compared with distributions made to shareholders in 2023 and the figures for such values in 2022 for further comparison:

Measure	2023 £m	2022 £m	% increase from 2022 to 2023
Overall Group spend on pay including Directors	1,585.1	1,395.5	13.7% ¹
Profit distributed by way of dividend ²	10.5	30.6	(65.7%)

¹ Overall Group spend on pay was calculated by aggregating the Group's costs of salaries and wages, social security costs, pension costs and share-based payments for all the Group's employees whether employed in the UK or overseas in the relevant year.

² Profit distributed by way of dividend has been used as the comparator measure as it permits a comparison between the Group's annual investment in its employed workforce and its annual cost of returning value to shareholders.

Remuneration Committee report continued

11. Historical results of shareholder voting on remuneration matters

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2023 AGM were as follows:

Resolution	Votes For	Votes Against	Number of votes withheld
To approve the Annual Report on Remuneration for the year ended 31 December 2022 (advisory vote only)	396,242,850 94.02%	25,215,882 5.98%	2,114,806

The votes cast on the resolution seeking approval of the current Policy at the 2021 AGM were as follows:

Resolution	Votes For	Votes Against	Number of votes withheld
To approve the Directors' Remuneration Policy (binding vote)	339,520,411 72.57%	128,310,745 27.43%	27,540,836

¹ A vote withheld is not a vote at law and is not counted in the calculation of votes For or Against a resolution.

12. Retained advisers to the Committee

Korn Ferry was appointed as external remuneration adviser to the Remuneration Committee during 2021 following a review of potential advisers by the Committee.

Korn Ferry did not provide any services other than in relation to advising the Remuneration Committee during the year – the Committee is satisfied that no conflict of interest can arise as a result of these services. Korn Ferry has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. In view of these factors, the Committee is satisfied that the advice it receives from Korn Ferry is objective and independent. For the year under review, Korn Ferry received fees of £86,470, which were charged on a time cost basis.

13. Dilution

The Company has permitted share dilution authority reserved to it under the rules of its 2015 Long-Term Incentive Plan (LTIP), as previously approved by shareholders and in line with the Investment Association's guidelines. However, as the Company's funding strategy has been and continues to be to satisfy all outstanding share incentive awards granted under the LTIP (and its other incentive plans) through the delivery of market purchased shares via the Company's Employee Benefit Trust, as opposed to by the issue and allotment of new shares, the Company has not to date used any of its permitted share dilution authority under the 2015 LTIP.

On behalf of the Board



Karen Geary
Remuneration Committee Chair

21 April 2024

Directors' Remuneration policy

Summary of key changes proposed to the Directors' Remuneration Policy

A summary of the key changes proposed to be made in the new Policy (as compared with the current Policy), is set out below.

- **Salary:** Remove references to potential upper quartile levels of salary and annual increases being up to 10% + RPI in any year.
- **Pensions and benefits:** Simplify pensions so that they are on the same basis as is available to the majority of colleagues in the market in which the Executive Director is based. Simplify the benefits policy wording.
- **Annual bonus plan:** Limit the weighting on non-financial metrics to less than 50% of the opportunity, simplify the wording and provide some limited flexibility in the operation of the bonus plan. This will allow for more than the current 50% of the bonus to be deferred and assessment will normally be undertaken annually.
- **Long-Term Incentive Plan:** Simplify the wording to remove some duplication with the LTIP rules and provide some additional flexibility in the operation of the LTIP whilst remaining within those rules, including making it clear that awards will normally be made annually.
- **Committee discretion:** Allow the Committee to make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.
- **NED and Chair:** Clarify that fees are normally reviewed annually and that the Company is permitted to meet income tax due on expenses incurred. Allowing the notice period to be up to 6 months for the Chair and up to 3 months for other NEDs.
- **Other changes:** Clarify that Executive Directors may hold external directorships in limited circumstances; that buy-out awards in recruitment situations would also take account of the expected vesting/payment date is awarded.

Alignment to strategy and culture, ensuring risk mitigation and supporting clarity, simplicity, proportionality, and predictability

Ensuring that our Directors' remuneration arrangements support the delivery of the Evolve strategy is important to the Committee, and this is achieved through aligning the performance measures and targets used in our incentive schemes with our key strategic priorities. The Committee also ensures that the right behaviours and actions are driven through the organisation by focussing on measures and targets that are balanced across financial and non-financial outcomes, for example the inclusion of employee, customer, and health, safety and environment metrics in both the personal element of the annual bonus and the LTIP. The Committee also takes into consideration the Group's financial and non-financial performance and environment when reviewing formulaic outcomes of metrics across all incentives, which is evidenced throughout this report.

The table below explains how the Directors' Remuneration Policy, and the Committee's practice in applying it over the year under review, address the factors set out in Provision 40 of the UK Corporate Governance Code, as well as how they are aligned with the Company's culture:

Clarity	Simplicity	Risk
<ul style="list-style-type: none"> • This report sets out a summary of the Remuneration Policy and how it has operated during the year. • Clarity and transparency are achieved through a combination of explanations for decisions taken and disclosure of the nature and weighting of Annual Bonus targets and LTIP performance measures. • The Remuneration Policy and its implementation looks to support the wider Mobicco business strategy. 	<ul style="list-style-type: none"> • Achieved by directors' remuneration being composed of a limited number of elements designed to balance the retention and incentivisation of directors with the delivery of strategy and shareholder returns. • Executive Director remuneration is composed of only four elements: base salary, pension and other benefits, annual bonus and LTIP. • The annual bonus and LTIP structure operated are market typical and are well understood by shareholders and executives alike. 	<ul style="list-style-type: none"> • A range of features of directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour. • Executives are expected to build a material shareholding which must be maintained for a period following departure, which aligns themselves to the long-term interests of Mobicco. • Additionally, variable remuneration is subject to malus and clawback provisions ensuring that there is long-term alignment of the executives to any risks the business may have been exposed to during their period as an executive.

Directors' Remuneration policy continued

Predictability	Proportionality	Alignment to culture
<ul style="list-style-type: none"> Some of the same features of directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range. Shareholders are provided with potential values which can be awarded to executive directors under the Annual Bonus and LTIP. 	<ul style="list-style-type: none"> Achieved through the use of variable remuneration arrangements which links remuneration outcomes and the financial and non-financial performance of Mobico. The Remuneration Committee has the ability to apply discretion to variable remuneration to ensure it is proportionate and reflects the performance of the business. 	<ul style="list-style-type: none"> Achieved through strong links between directors' remuneration and the Company's values. Mobico values are Safety, Excellence, Customers, People and Community & Environment. Elements of the Remuneration Policy for Executives are cascaded through the business.

1. Introduction to the new Policy

This new Directors' Remuneration Policy ('Policy' or 'new Policy') will be put to a binding shareholder vote at the 2024 AGM and, if approved, this new Policy will be effective for the 2024 financial year and so will apply to incentive awards with performance periods beginning on 1st January 2024. Payments to Directors can only be made if they are consistent with a shareholder approved Policy or amendment to the Policy. The current Directors' Remuneration Policy approved at the 2021 AGM ('current Policy') will continue to apply until a new policy is approved. It is currently intended that the new Policy will remain in force until the Company's AGM in 2027.

2. Considerations when setting and determining the Policy

The Remuneration Committee's primary objective when setting remuneration policy is to align Director remuneration to the long-term success of the Company and to the shareholder experience whilst also enabling the Company to effectively recruit, motivate and retain key individuals.

To achieve this, the Remuneration Committee ('Committee') takes into account the experience, responsibilities, performance and contribution of the individual, as well as levels of remuneration for individuals in comparable roles elsewhere. The Policy places significant emphasis on the need to achieve stretching and rigorously applied performance targets, with a significant proportion of remuneration weighted towards performance-linked variable pay.

As noted further below, the Committee also takes into account the views expressed by shareholders and best practice expectations, and monitors developments in remuneration trends. The Company does not formally consult with employees on remuneration policy. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the overall approach to pay and employment conditions across the Group.

3. Consideration of shareholder views

The Committee is committed to maintaining strong relationships and an open dialogue with shareholders and values their views in the process of formulating remuneration policy decisions.

The Committee reviewed the current Policy during 2023 to ascertain whether it was fit for purpose in the context of the Company's current strategy and developments in corporate governance, best practice and investors' expectations and determined that it remained broadly fit for purpose but could be better aligned with best practice in a number of areas. The Committee then wrote to our Top 20 shareholders to seek their views (of which 13 directly responded), including on the best practice changes proposed, which helped the Committee determine the new Policy. While a small number of shareholders provided feedback suggesting further changes, the vast majority considered that the new Policy was appropriate and balanced and therefore the Committee did not make any further amendments. The Committee will consider feedback received at the 2024 AGM and beyond as part of its ongoing review of remuneration policy. We are grateful for the time, assistance and support shareholders give us.

4. Remuneration Policy for Executive Directors

4.1 Summary of the individual elements of the Policy for Executive Directors

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Base salary To provide base salaries which enable the Company to:</p> <ul style="list-style-type: none"> attract, retain and motivate high performing Executive Directors of the calibre required to lead the business and successfully implement strategy, but without paying more than is necessary to do so. 	<p>Base salaries are paid in cash and normally reviewed annually with effect from 1 January.</p> <p>Reviews cover individual performance, experience, development in the role and market comparisons.</p> <p>To determine market comparisons, the Committee reviews remuneration data on executive positions in comparator groups including transport/ leisure and general sector companies of similar size, complexity and international presence. The Committee retains the discretion to amend the comparator groups as necessary to remain relevant.</p>	<p>While there is no prescribed formulaic maximum, base salaries will reflect Executive Directors':</p> <ul style="list-style-type: none"> roles and responsibilities; knowledge, skills and experience; and performance and effectiveness. <p>In addition, when reviewing Executive Directors' salaries, consideration will always be given to the general performance of the Company and the approach to employee pay across the Group. Therefore, salary increases for Executive Directors will not normally exceed the general employee increase for the country in which they are domiciled. However, larger increases or above median salaries may be necessary, for example (but without limitation):</p> <ul style="list-style-type: none"> where there has been a material increase in the scope and/ or scale of the Executive Director's responsibility in the role (including as a result of internal promotion); to apply salary progression for an Executive Director who was appointed on a salary below the market level; or where an Executive Director is extremely experienced and has a long track record of proven performance. 	Not applicable.
<p>Pension To provide fair benefits as part of fixed remuneration to allow Executive Directors to work towards saving for retirement.</p>	<p>Executive Directors receive a pension contribution, or a cash allowance in lieu of a pension provision in line with market practice.</p>	<p>The maximum pension contribution for Executive Directors will be on the same basis as is available to the majority of colleagues in the market in which the Executive Director is based.</p> <p>Incumbent Executive Directors' maximum pension is in line with the UK workforce, currently 3% of salary.</p> <p>No element other than base salary is pensionable.</p>	Not applicable.
<p>Benefits To provide competitive benefits as part of fixed remuneration to enable the Group to recruit and retain high performing Executive Directors.</p>	<p>Executive Directors may receive a combination of family private healthcare, death-in-service and life assurance cover, long-term sickness and disability insurance, car allowance, free travel on the Company's services and professional membership subscriptions.</p> <p>The Committee has discretion to provide additional benefits or remove benefits in order to remain competitive or to meet the needs of the business.</p>	<p>The cost to the Company of providing the benefits may vary from year to year in accordance with market conditions.</p> <p>This will therefore determine the maximum amount that will be paid in the form of benefits to Executive Directors during the Policy period.</p>	Not applicable.

Directors' Remuneration policy continued

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Annual bonus To incentivise delivery of near-term performance objectives which are directly linked to strategy. A portion of any bonus paid is deferred into shares, assisting the retention of Executive Directors and alignment of their interests with those of shareholders.</p>	<p>Executive Directors' bonus payments are based on the achievement of pre-specified objectives normally over a one-year performance period.</p> <p>At least 50% of the bonus earned is subject to mandatory deferral into shares for one year from award.</p> <p>Dividends are delivered on the deferred share element.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum bonus award is equal to 200% of base salary for the Group Chief Executive Officer and 150% of base salary for other Executive Directors (currently only the CFO).</p>	<p>Performance conditions are a combination of financial and non-financial objectives for the year.</p> <p>The Committee retains discretion in appropriate circumstances to amend the weightings of the financial and non-financial elements of the bonus from year to year and for each Executive Director as appropriate. However, a majority of the opportunity will be dependent upon financial metrics.</p> <p>The financial performance conditions will typically relate to profit and/or cash generation, are set on an annual basis and are intended to be achievable at threshold and stretching at maximum.</p> <p>The non-financial performance conditions will be set annually based on objectives for the year. These may include safety, operational and business development objectives, customer related developments or metrics, colleague related developments or metrics, and environmental, social and governance (ESG) developments or metrics, as determined by the Committee on an annual basis. Normally, the proportion of the bonus determined by non-financial performance conditions will only become payable when the Company achieves a threshold level of normalised profit but the Committee has discretion to vary this in appropriate circumstances.</p> <p>The annual bonus includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust the bonus outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if the formulaic outcome is not reflective of overall corporate performance and/or individual performance.</p> <p>To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the award of a bonus (in whole or in part) until those investigations or proceedings are completed.</p>

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Long-Term Incentive Plan ('LTIP')</p> <p>To incentivise delivery of longer-term performance outcomes, reward the execution of strategy, aid retention of Executive Directors and align their longer-term interests with those of shareholders.</p>	<p>LTIP awards (in the form of conditional shares, nil cost options or forfeitable shares) are normally granted annually with vesting subject to the achievement of performance conditions measured over a three-year consecutive financial period commencing with the year of award.</p> <p>An additional two-year holding period for vested shares exists post vesting for the Executive Directors.</p> <p>Dividend equivalents and dividends can be delivered on vested shares, in shares, in respect of both the performance and holding periods.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors.</p>	<p>Awards will be subject to stretching performance conditions over a period of three consecutive financial years.</p> <p>The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.</p> <p>The threshold vesting level will be no more than 25%, and may vary by performance condition and from year to year.</p> <p>The LTIP includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust an LTIP award vesting outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if the formulaic outcome is not reflective of overall corporate performance and/or stakeholder experience</p> <p>To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the vesting of an LTIP award (in whole or in part) until those investigations or proceedings are completed.</p> <p>The Committee also retains discretion under the LTIP rules to amend existing performance conditions to take account of any events that may arise which would mean in its opinion, if such adjustments were not made, the performance condition would not constitute a fair measure of the Company's performance over the measurement period.</p>

4.2 Shareholding requirement for Executive Directors

Executive Directors are required to build up a shareholding to a value equal to 200% of base salary over a five-year period commencing from their date of appointment, or the date of approval of the Policy if any changes are made (if later). Compliance with this requirement is a condition of continued participation in the Company's LTIP and other equity incentive arrangements.

A shareholding requirement will continue to apply to an Executive Director after the cessation of their employment which equates to the lesser of shares which have a value equal to 200% of base salary calculated as at the date of leaving employment and their actual shareholding at the date of leaving employment, irrespective of the reason for leaving, save it will not apply where the reason for leaving is in connection with a change of control in the Company.

Only shares derived from the 2021 LTIP awards and any share awards granted after the 2021 Policy came into effect will be included in the post-cessation shareholding requirement. Shares held by an Executive Director prior to the 2021 Policy coming into effect, or vesting under an award granted prior to then (other than the 2021 LTIP award), and shares independently acquired by an Executive Director at any time, will not be included.

4.3 Performance measures under the annual bonus and LTIP

The Committee has flexibility to set the performance conditions for the annual bonus and LTIP awards from year to year.

However, if the Committee materially changes the LTIP performance conditions within the life of the Policy, it will normally consult with shareholders in advance on the changes to be made and explain the reasons for doing so.

The performance measures that will apply to the LTIP awards to be granted in 2024 are shown on page 117.

Directors' Remuneration policy continued

4.4 Malus and clawback provisions

Executive Directors' annual bonus awards and LTIP awards are subject to malus and clawback provisions. Malus provisions enable the Committee to reduce the amount (including to nil) of any bonus prior to its award or payment and to reduce the number of shares (including to nil) under any unvested LTIP award prior to its vesting. Clawback provisions enable any bonus amount awarded and paid, and either the number of shares that vested under an LTIP award and/or an amount equal to their market value sale proceeds and/or any other benefits derived from them, to be recovered (in whole or in part, but net of tax) during the period of two years after they have been so awarded or vested, in each case in the following circumstances:

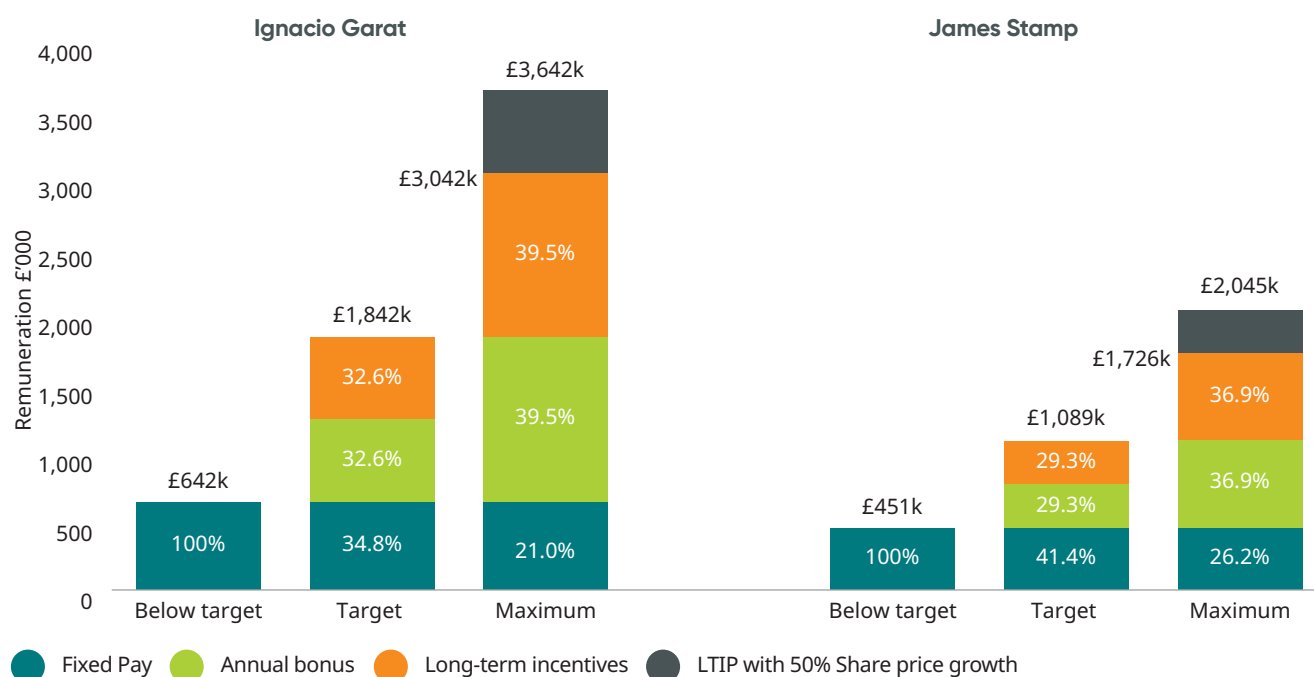
- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed (or was due to be assessed);
- the discovery that the assessment of any performance target, measure or condition in respect of an award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine any performance target, measure or condition in respect of an award (or to determine the number of shares over which an award was granted) was based on error, or inaccurate or misleading information;
- there is action, inaction or conduct of an award holder which, in the reasonable option of the Committee, amounts to fraud or gross misconduct;
- there is action, inaction or conduct of an award holder which has had a significant detrimental impact on the reputation of the Company; or
- the Company becomes insolvent or otherwise suffers a corporate failure in connection with which the value of the Company's shares is materially reduced, provided the Committee is satisfied after due investigation that the award holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

4.5 Previous arrangements

For the avoidance of doubt, in approving this Policy, authority is sought by the Company (i) to honour any pre-existing outstanding commitments (subject to existing terms, conditions and plan rules, as applicable) entered into with current or former Directors (as previously disclosed to shareholders) before this Policy took effect or before they became a Director; and (ii) when an internal appointment to the Board is made, any pre-existing obligations may be honoured by the Committee and payment will be permitted under this Remuneration Policy.

4.6 Total remuneration opportunity at various levels of performance

The Committee's aim is to ensure that superior reward is only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of variable pay. The chart below illustrates the remuneration opportunity provided to each current Executive Director at different levels of performance for the first year of operation of the Policy:



The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term incentives, as explained further below:

Element	Description
Fixed	Latest base salary, pension allowance and taxable benefits
Annual variable	Performance-related annual bonus (including deferred element)
Long-term incentives	Performance-conditioned Long-Term Incentive Plan award

Assumptions used in determining the level of payout under the given scenarios are as follows:

- base salaries are those as at 1 January 2024;
- taxable benefits for the Group CEO and Group CFO are those paid in 2023;
- bonus award opportunities are equal to 200%/150% of Group CEO/CFO base salaries and LTIP awards are granted at 200%/150% of Group CEO/ CFO base salaries;
- minimum performance level assumes fixed pay only and no variable pay;
- on-target performance level assumes performance resulting in 50% of maximum annual bonus payout and 50% of maximum LTIP vesting (and, while the bonus has targets for threshold, on-target and maximum, the LTIP only has targets for threshold and maximum for some metrics so the values shown for the on-target outturn include the values for on-target bonus and estimated on-target LTIP performance); and
- maximum performance level assumes maximum annual bonus payout and full LTIP vesting.

While share price appreciation is ignored in each of the minimum, on-target and maximum remuneration outcomes for the Executive Directors, the fourth bar shows the maximum remuneration outcomes assuming 50% share price appreciation.

4.7 Comparison with approach to remuneration across the Group

The Group operates across a number of countries and accordingly sets terms and conditions for employees which reflect the different legislative requirements and labour market conditions that exist in each country. We have a framework for recognition and rewards internationally. We will always meet or exceed national minimum standards of employment in all our business divisions, offering pay and other terms and conditions that are appropriate to each labour market in which we operate. In particular, we are committed to adhering to the real Living Wage in the UK and to at least the national minimum wage in each of the other countries in which we operate. Base pay is set at a level that allows us to recruit and retain colleagues in each relevant labour market and performance-related pay arrangements are based on the achievement of business division and team or individual goals, objectively assessed.

The Group offers pension and pension savings arrangements to its employees appropriate for the labour markets in which it operates. In the UK, in line with market practice, employees are offered membership of a defined contribution plan, with employer contributions for the majority of employees equal to 3% of base salary. The Group also has a legacy defined benefit scheme in its UK Bus division, with employer contributions of 35% of base salary. In the UK, employees also receive death-in-service benefits and free travel on the Company's transport services, and middle and senior managers may also receive car or travel allowances and/or private medical insurance, subject to their employee grade.

The Group's divisions operate various cash bonus incentive schemes for appropriate individuals, incentivising the delivery of particular divisional strategic, operational, safety and personal objectives. Senior management participates in a bonus scheme which is broadly aligned with Executive Directors' annual bonuses, where targets may relate to divisional rather than Group-wide performance and/or place more emphasis on divisional strategic or safety objectives and/or personal objectives. LTIP and other awards are also granted to selected senior managers to incentivise and reward them for delivering long-term value for the Company and its shareholders.

Measures for bonus arrangements across the Group are based on different measures depending on the nature of the business unit, and typically, outcomes were between target and maximum.

In addition to this, the Group operates a number of support packages for colleagues such as access to hardship loans, employee discounts and financial education.

The Committee reviewed the Company's CEO pay ratios and its Group's employee pay policies and practices when formulating this Policy, and is satisfied that the structure and quantum of remuneration for the Executive Directors is appropriate in view of their relative roles and responsibilities.

Directors' Remuneration policy continued

4.8 Executive Directors' service agreements

The Executive Directors have service agreements with the Company and the table below shows the dates of those agreements and the relevant notice period to be provided by the parties to them in normal circumstances:

Executive Director	Date of service agreement	Date of appointment	Notice period from Company	Notice period from Director
Ignacio Garat	11/10/2020	01/11/2020	12 months	6 months
James Stamp	17/10/2022	01/11/2022	12 months	6 months

The Committee regularly reviews its policies on executive remuneration and severance in the best interests of shareholders. Guidance on best practice expectations is taken into account prior to agreeing Executive Directors' contractual provisions.

4.9 Executive Directors' employment termination arrangements

The Company may at its discretion make payment in lieu of notice to Executive Directors, which could potentially include up to 12 months' base salary, benefits and pension, and which may be subject to payment by instalments and/or mitigation.

The table below sets out the treatment of the elements of remuneration that would normally apply where an Executive Director's service with the Company is terminated:

Reason for termination	Salary, pension and contractual benefits	Annual bonus	Unvested deferred bonus share awards	Unvested LTIP awards	Other
Good leaver: retirement, disability, redundancy, death, sale of part of the Company that employs the Director or any other reason that the Committee determines.	Payment equal to the aggregate of base salary, pension allowance and the value of other contractual benefits during the notice period, including any accrued but untaken holiday.	Bonus will be awarded at the normal award date, subject to the satisfaction of performance targets and subject to pro-rata to reflect the proportion of the year served, unless the Committee determines otherwise.	Deferred bonus share awards will ordinarily vest on the normal vesting date, unless the Committee determines otherwise.	Unvested LTIP awards will ordinarily vest on the normal vesting date, subject to the satisfaction of performance conditions, unless the Committee determines otherwise. Unvested LTIP awards will also ordinarily be subject to pro-rata to reflect the proportion of the time served between the date of grant and date of vesting, unless the Committee determines otherwise. The post-vesting holding period will continue to apply post-cessation of employment.	Fees for outplacement and legal advice may be paid.
Other reasons.	Paid to date of termination, including any accrued but untaken holiday.	No bonus award for the year in which termination occurs.	Awards lapse in full on termination.	Awards lapse in full on termination.	Not applicable.

4.10 Minor amendments

The Committee may make minor amendments to the Policy set out in this Policy Report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

4.11 External directorships

Directors are permitted to hold external directorships in order to broaden their experience, to the benefit of the Company. Such appointments are subject to approval by the Board and the Director may retain any fees paid in respect of such directorships. The Board ensures compliance by Directors with Code provision 16.

Subject to the circumstances surrounding the termination, the Committee may, in its discretion, treat the Executive Director as a 'good leaver'. The Committee will consider factors such as personal performance and conduct, overall Company performance and the specific circumstances of the Executive Director's departure, including, but not limited to, whether the Executive Director is leaving by mutual agreement with the Company. In addition, the Committee will take the above circumstances into account when determining whether to use its discretion not to pro-rate the bonus awards and/or vested LTIP awards of an Executive Director who is a 'good leaver'.

The Committee reserves the right to make additional exit payments to an Executive Director where such payments are made in good faith:

- to discharge an existing legal obligation (or by way of damages for breach of such an obligation); or
- by way of settlement or compromise of any claim arising in connection with the termination of office or employment.

On a change of control, unvested LTIP awards will vest, except to the extent they are exchanged for awards over shares in the acquiring company, and vested LTIP shares subject to a holding period will be released. Vesting will be subject to satisfaction of the relevant performance conditions assessed by the Committee at the date awards are deemed to vest and will normally be pro-rated to reflect early vesting, unless the Committee determines that such pro-ration is inappropriate. The Committee may replace one or more of the performance criteria or assess the extent to which it determines that targets have been met on a basis that it deems is reasonable in the circumstances. On a change of control of the Company, unvested deferred bonus share awards will also vest automatically.

4.12 Approach to the remuneration of newly appointed Executive Directors

When determining the remuneration arrangements for a newly appointed Executive Director (whether such individual is an internal promotion or external candidate), the Committee will take into consideration all relevant factors to ensure that arrangements made are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Committee will generally seek to align the remuneration of any new Executive Director following the same principles as for the current Executive Directors. The elements that would be considered by the Company for inclusion in the remuneration package of a new Executive Director are:

- salary and other benefits, including an allowance in lieu of a pension provision in line with the Policy table.
- participation in the performance-related annual bonus pro-rated for the year of recruitment to reflect the proportion of the year for which the new recruit is in post.
- participation in the performance-conditioned Long-Term Incentive Plan, which may be pro-rated depending on the time of appointment through the year; and
- costs and outgoings relating, but not limited, to: relocation assistance; legal, financial, tax and visa advice; and pre-employment medical checks.

The Committee's policy is for all Executive Directors to have rolling service contracts with notice periods for the Company of between 6 and 12 months. The only exception is where, in exceptional circumstances, it is necessary to offer a longer notice period initially, reducing down to 12 months, in order to secure the appointment of a new external recruit.

The Committee may also make awards on the appointment of an Executive Director to 'buy out' remuneration arrangements being forfeited by the individual on leaving a previous employer. The Committee would take into account both market practice and any relevant commercial factors in considering whether any enhanced and/or one-off annual incentive or long-term incentive award is appropriate.

Awards made by way of compensation for forfeited awards would be made on a comparable basis, taking account of performance conditions and achievements (or likely achievements), the proportion of the performance period remaining, the expected vesting/ payment date and the form of the award. Compensation could be in the form of cash and/or shares. The Committee will not offer any non-performance-related incentive payments (for example, a 'guaranteed signing-on bonus' or 'golden hello'). Leaver provisions will be determined in line with this Policy when 'buy-out' awards are made.

Directors' Remuneration policy continued

5. Remuneration Policy for Non-Executive Directors

5.1. Summary of the individual elements of the Policy for Non-Executive Directors (including the Board Chair)

Element	Purpose	Operation	Maximum potential value
Fees	<p>To attract, retain and motivate high performing individuals of suitable calibre for a business the size and complexity of the Company's business.</p> <p>To pay fees which are reflective of responsibilities and time commitments, and competitive with peer companies, without paying more than is necessary.</p>	<p>The single fee paid to the Chair for all Board and Board Committee duties is set by the Committee and the fees paid to Non-Executive Directors are set by the Board.</p> <p>Fees are normally reviewed annually and the review takes into account fees paid for similar positions in the market, the time commitment required from the Chair and Non-Executive Directors and, in the case of the latter, additional responsibilities and time commitments involved. Fees are subject to any maximum set in the Company's Articles.</p>	While there is no prescribed formulaic maximum, fees will reflect those matters taken into account in the annual fee review.
Expenses	Non-Executive Directors are also entitled to travel, subsistence and accommodation for business purposes including any tax due thereon.	These expenses are either paid directly by the Company on behalf of Non-Executive Directors or reimbursed by the Company to Non-Executive Directors in line with the Company's expenses policy.	The cost to the Company depends on the relevant expenses.

5.2 Appointments

The Chair and the other Non-Executive Directors are not employed and do not have service contracts with the Company. They also are not entitled to participate in the Group's pension, annual bonus or long-term incentive arrangements. Instead, they are appointed under individual letters of appointment and only receive a fee for their services and payment or reimbursement of business expenses. On appointment, the fee arrangements for a new Non-Executive Director will be determined in accordance with the approved remuneration policy in force at that time.

The Chair and other Non-Executive Directors are normally appointed for an initial three-year term but with an expectancy that they will serve for at least two three-year terms, and their appointment can be terminated at any time without compensation by either party serving the relevant notice on the other party. In accordance with the Company's Articles of Association, each of the Chair and other Non-Executive Directors (and each of the Executive Directors) is required to stand for election or re-election by shareholders at each AGM and they may be removed from office in the circumstances prescribed by the Company's Articles of Association and/or applicable legislation.

5.3 Non-Executive Directors' dates of appointment and notice periods

The current Chair and other Non-Executive Directors' dates of appointment and current notice periods which may be up to 6 months for the Board Chair and 3 months for the other Non-Executive Directors are shown in the table below:

Director	Date of appointment	Notice period from either party (months)
Ana de Pro Gonzalo	01/10/2019	1
Carolyn Flowers	01/06/2021	1
Enrique Dupuy de Lome Chavarri	01/11/2023	1
Helen Weir	01/10/2022	3
Jorge Cosmen	01/12/2005	1
Karen Geary	01/10/2019	1
Mike McKeon	03/07/2015	1
Nigel Pocklington	01/08/2023	1

The letters of appointment for the Chair and the other Non-Executive Directors, together with the service agreements for the Executive Directors, are available for inspection at the Company's registered office.

The current Directors' Remuneration Policy (current Policy) was approved by shareholders at the Company's AGM on 12 May 2021 and came into effect from that date. The current Policy was intended to apply for three years until the Company's AGM in 2024. The current Policy can be found on pages 104 to 113 of the Company's 2020 Annual Report and on its website at: www.mobicogroup.com/about-us/corporate-governance/remuneration.

The Company is proposing that shareholders approve a new Directors' Remuneration Policy (new Policy) at its AGM on 11 June 2024. If so approved, the new Policy will come into force from that date and is intended to apply for three years until the Company's AGM in 2027.

The new Policy can be found on pages 127 to 136 of this Annual Report.

Directors'

report

The information set out on pages 137 to 140 (inclusive), together with the information referred to below which is incorporated by reference, comprises the Directors' Report for the Company's financial year ended 31 December 2023.

The Company has chosen, in accordance with Section 414(C)(11) of the Companies Act 2006 (as amended), to set out certain information required to be included in this Directors' Report in the Strategic Report. The Company has also set out certain other information required to be included in this Directors' Report in the Corporate Governance Report and the Consolidated Financial Statements. The location of such information is shown in the table below:

Information	Annual Report section	Annual Report page no(s)
Business model and future business developments	Strategic Report	Pages 12 and 13
Principal risks and uncertainties	Strategic Report	Pages 42 to 47
Fostering relationships with suppliers, customers and others	Strategic Report	Pages 50 and 51
	Corporate Governance Report	Pages 88 and 89 Pages 93 to 97
Engagement with and other matters relating to employees	Strategic Report	Pages 59 to 63
	Corporate Governance Report	Pages 94 to 96
Financial instruments	Consolidated Financial Statements	Pages 213 to 217
Governance matters, including Corporate Governance Statement and a description of the composition and operation of the company's administrative, management and supervisory bodies and their committees	Corporate Governance Report	Pages 81 to 136
Description of diversity policies, objectives, implementation, and results	Nominations Committee Report	Pages 100 and 101
Internal control and risk management arrangements for financial reporting	Audit Committee Report	Pages 102 to 108
Streamlined Energy and Carbon Reporting (SECR)	Additional Information	Page 248

This Directors' Report and the Strategic Report together form the Management Report for the purposes of Rule 4.1.8 of the Disclosure Guidance and Transparency Rules.

The relevant information required to be disclosed under Rule 9.8.4 of the Listing Rules is as follows:

Listing Rule	Nature of information	Section and page(s) of Annual Report
LR 9.8.4(12)	Dividend waivers by shareholders	Directors' Report, page 138

Company status and branches

Mobico Group PLC ("Mobico" or the "Company") is the holding company of the Mobico group of companies (the "Group").

The Company is a public limited company incorporated under the laws of England and Wales. It has a premium listing on the London Stock Exchange main market for listed securities (LON:MCG) and is a constituent member of the FTSE 250 Index.

One of the Company's Spanish subsidiaries, NEX Continental Holdings, S.L.U., has a branch in Portugal, NEX Continental Holdings S.L. Sucursal Em Portugal. Other than that branch, neither the Company nor any member of its Group has any branches.

Results and dividends

The Company's and the Group's results for the year ended 31 December 2023 are set out, respectively, in the Company Financial Statements and the Consolidated Financial Statements on pages 153 to 245.

Important events since the end of the financial year

There have been no important events which have affected the Company or the Group since 31 December 2023, save for those disclosed in note 40 to the Consolidated Financial Statements.

Dividends

As announced on 12 October 2023, the Board has determined not to recommend a final dividend in respect of its financial year ended 31 December 2023 (2022: 5.0p). The Company paid an interim dividend on 1 September 2023 in respect of its financial year ended 31 December 2023 which means the total dividend for the 2023 year is 1.7p per share (2022: 5.0p).

Share capital

The Company has a single class of shares in issue in its capital comprising ordinary shares of nominal value 5 pence each, all ranking pari passu. As at 31 December 2023, there were 614,086,377 ordinary shares in issue and fully paid. The rights attached to the ordinary shares of the Company are defined in the Company's Articles of Association (the "Articles"). Further details about the Company's share capital can be found in note 32 to the Consolidated Financial Statements.

Share rights, obligations and restrictions on transfer of shares

Shareholders are entitled to participate in dividends paid or declared by the Company and any return of capital made by the Company in proportion to their holdings of ordinary shares in the Company. Shareholders are also entitled to attend and vote at all general meetings of the Company. Every shareholder has one vote on a show of hands and one vote for each ordinary share held on a poll on each resolution put before a general meeting. Electronic and paper proxy appointments, and voting instructions, must be received by the Company's registrar not less than 48 hours before a general meeting.

Shareholders are subject to the obligations set out in the Articles, including the principal obligation to pay up any unpaid amount on their ordinary shares.

There are no limitations on the holding of the Company's shares. There are also no restrictions on the transfer of the Company's shares other than: (i) the typical restrictions set out in the Articles (for example, in respect of non-fully paid shares. For further detail see the Articles which are available for download here: <https://www.mobicogroup.com/about-us/corporate-governance/governance-framework/>); (ii) restrictions imposed by law (such as insider trading laws); and (iii) restrictions imposed on the Directors and certain other employees of the Company and members of its Group pursuant to the Company's share dealing code.

The Company is not aware of any agreements between existing shareholders that may result in restrictions on the voting rights attaching to, or the transfer of, the Company's ordinary shares.

Special control rights over shares

There are no special control rights attaching to the Company's shares, save that the Company can direct the Company's Employee Benefit Trust to release the shares that it holds in the Company to satisfy the vesting of outstanding awards under the Company's various share incentive plans (see Employee Benefit Trust).

Authority to issue shares

The Directors were granted the authority at the Company's 2023 Annual General Meeting to allot new shares in the Company subject to the limits set out in the notice to that AGM (which is available to download here: <https://www.mobicogroup.com/investors/shareholder-centre/agm/2023/>). No new shares were issued by Directors under the authorities granted to them at the Company's 2023 Annual General Meeting during the period up to 21 April 2024¹. Such authorities remain valid until the Company's 2024 Annual General Meeting or 30 June 2024, whichever is earlier. The Directors propose to renew the Directors' authorities to issue and allot new shares and to disapply pre-emption rights

on such issue and allotment at the Company's 2024 Annual General Meeting to give the Company flexibility to respond to circumstances and opportunities as they arise.

Authority to purchase own shares

The Company was granted authority at its 2023 Annual General Meeting to make market purchases of up to 61,408,637 of its own shares, representing approximately 10% of its issued share capital. No shares were purchased under this authority during the period up to 21 April 2024¹. Such authority remains valid until the Company's 2024 Annual General Meeting or 30 June 2024, whichever is earlier. The Directors propose to renew this authority at the 2024 Annual General Meeting to give the Company the ability to return value to shareholders in this way in appropriate circumstances.

Employee Benefit Trust

IQ EQ Corporate Services (Jersey) Ltd is a shareholder in the Company and acts as the trustee (the "Trustee") of the National Express Group Employee Benefit Trust (the "EBT"). It is used to purchase Company shares in the market from time to time and hold them for the benefit of employees, including for satisfying awards that vest under the Company's various share incentive plans. The EBT also holds Company shares in particular ringfenced accounts for specific employees who have had options over such shares vest to them under the Company's share incentive plans but have not yet exercised those options.

The EBT purchased a total of 2,420 shares in the market during the year ended 31 December 2023 for an aggregate consideration of £3,033.78 (including dealing costs) and released 162,262 shares to satisfy vested share plan awards. As at 31 December 2023, the EBT held 1,108,461 Company shares in trust (representing 0.18% of the Company's issued share capital). The Trustee may vote the shares it holds in the Company at its discretion, but where it holds any shares in a ringfenced account for particular employees it will seek their instructions on how it exercises the votes attached to those shares. A dividend waiver is in place from the Trustee in respect of dividends payable by the Company on the shares in the Company held in the EBT, except the shares it holds in ringfenced accounts for particular employees where it receives the dividends on such shares and passes them through to such employees subject to any terms applicable to those shareholdings.

Major shareholdings

As at 31 December 2023, the Company had been notified under DTR 5 of the following interests in its shares representing 3% or more of the voting rights in its issued share capital

Shareholder	Number of ordinary shares	Percentage of total voting rights ²
European Express Enterprises Limited	106,669,337	17.37%
Liontrust Investment Partners PLC	39,306,348	6.40%
M&G plc	30,663,661	4.99%
Newton Investment Management Limited	29,583,062	4.82%
J O Hambro Capital Management Limited	25,165,433	4.10%
Azvalor Asset Management SGIC SA	18,463,215	3.01%
Northern Express Enterprises Limited	18,430,795	3.00%

¹ being the date this Directors' Report was approved

Shareholder	Number of ordinary shares	Percentage of total voting rights ²
Lancaster Investment Management LLP	18,429,994	3.00%

² The total number of voting rights attaching to the issued share capital of the Company on 31 December 2023 was 614,086,377.

It should be noted that these holdings may have changed since the Company was notified of them as notification of any change is not required until the next notifiable threshold (up or down) is crossed.

Between 31 December 2023 and 21 April 2024, being the period from the end of the Company's last financial year to the date on which this Directors' Report was approved, the Company was notified under DTR 5 of the following relating to interests in its shares:

Shareholder	Number of ordinary shares	Percentage of total voting rights ¹
European Express Enterprises Limited	117,328,700	19.11%
Lancaster Investment Management LLP	18,407,924	2.9976%

¹ The total number of voting rights attaching to the issued share capital of the Company on 21 April 2024 was 614,086,377.

Directors

The names of the persons who were Directors of the Company at any time during the Company's financial year ended 31 December 2023, together with the periods during which they served as Directors, are:

Director	Period served during 2023
Helen Weir	01/01/2023 – 31/12/2023
Jorge Cosmen	01/01/2023 – 31/12/2023
Ignacio Garat	01/01/2023 – 31/12/2023
James Stamp	01/01/2023 – 31/12/2023
Enrique Dupuy de Lome Chávarri	01/11/2023 – 31/12/2023
Carolyn Flowers	01/01/2023 – 31/12/2023
Karen Geary	01/01/2023 – 31/12/2023
Mike McKeon	01/01/2023 – 31/12/2023
Nigel Pocklington	01/08/2023 – 31/12/2023
Ana de Pro Gonzalo	01/01/2023 – 31/12/2023
Matthew Crummack	01/01/2023 – 31/07/2023

Directors' interests

Save as disclosed:

- a. none of the Directors, nor any person closely associated with them, has any interest in the Company's shares, debt instruments, derivatives or other linked financial instruments

and there has been no change in the information in the Directors' Remuneration Report regarding such interests between 31 December 2023 and 21 April 2024, being the date this Directors' Report was approved (and also being a date which is not more than one month before the date of the Notice of the Company's 2024 AGM); and

- b. in note 36 to the Consolidated Financial Statements, none of the Directors has or had at any time during the year ended 31 December 2023 a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiary undertakings (other than the Executive Directors in relation to their Service Agreements).

Directors' service agreements and letters of appointment

The Executive Directors are party to service agreements with the Company which contain a rolling term subject to the giving by the Company or relevant Executive Director of relevant notice to terminate. All the Non-Executive Directors are party to letters of appointment with the Company which contain a fixed term appointment of between three and six years, extendable by agreement, subject to the giving by the Company or the Non-Executive Director of relevant notice to terminate. All Directors' continued appointments are subject to annual election or re-election by shareholders and the powers of shareholders to remove Directors.

These Directors' service agreements and letters of appointment are available for inspection at the Company's registered office. Further details of these agreements and letters are included in the current Directors' Remuneration Policy.

Directors' powers

Subject to the Companies Act 2006 (the Act), the Articles and any directions given by special resolution of the shareholders, the business of the Company is managed by the Board which may exercise all the powers of the Company. The Articles may be amended by a special resolution of the shareholders.

The Directors may pay interim dividends where, in their opinion, the financial position of the Company justifies such payment and the Directors may recommend that shareholders declare final dividends and, if so declared by ordinary resolution of shareholders, arrange for payment of such dividends. The Directors have the power to allot shares as described under the "Authority to Issue Shares" section above. The Directors may also appoint other Directors in the circumstances described below.

Appointment and replacement of Directors

The rules for the appointment and replacement of Directors are set out in the Act and related legislation and the Articles.

The Board may appoint a Director either to fill a casual vacancy or as an additional Director provided that the total number of Directors does not exceed any maximum number of Directors prescribed in the Articles. Each incumbent Director must retire and seek election or re-election to office at each Annual General Meeting of the Company.

In addition to the powers of removal conferred by the Act the Company may, by ordinary resolution of which special notice is given, remove any Director before the expiry of their period of office. The Company may also by ordinary resolution appoint a Director either to fill a casual vacancy or as an additional Director.

In accordance with the Articles and the provisions of the UK Corporate Governance Code, all the current Directors will retire at the Company's 2024 Annual General Meeting and offer themselves for election or re-election, save for Mike McKeon who will stand down from the Board from the conclusion of the 2024 AGM. The Board is satisfied that each of the Directors is qualified for election or re-election to office by their contribution and commitment to the Board, their key strengths in support of the Company's strategy and for the reasons given in the Nominations Committee Report.

Directors' indemnities and insurance

The Company has granted qualifying third party indemnities to each Director and the Company Secretary (as defined by section 234 of the Companies Act 2006) in relation to losses or liabilities incurred by the Company's Directors and Company Secretary to third parties in the actual or purported execution or discharge of their duties as officers of the Company and of its associated companies which indemnities remain in force as at 21 April 2024¹. The Company also maintains Directors' and Officers' liability insurance which provides appropriate cover in respect of legal action brought against its Directors and Company Secretary.

Significant agreements affected by a change of control

The Company is party to the following significant agreements that could be altered or terminate on a change of control of the Company following a takeover bid.

Under the terms of the Company's revolving credit facilities, the Company would upon a change of control have five days to notify the lenders of such change of control and if, following 10 days of negotiations to either confirm or alter the terms of such facilities, no agreement has been reached, outstanding balances under such facilities could become repayable.

Under the terms of the Company's: (i) EMTN programme (as last updated on 12 September 2023), (ii) the Note Purchase Agreement dated 29 October 2019 and (iii) the Company's hybrid bond issued on 24 November 2020, a change of control following a takeover bid could result in the notes issued thereunder being redeemed, repaid or purchased in accordance with their specific terms. See the Company's website here for further information: <https://www.mobicogroup.com/investors/debt-investors/>

Under the terms of some of the Group's vehicle leasing facilities, where the Company is a guarantor of such facilities, a change of control of the Company may amount to an event of default which could result in outstanding balances under such leasing facilities becoming repayable.

Under the rules of each of the Group's active share schemes, following a change of control of the Company the vesting of awards made under such schemes will be accelerated and, where performance targets are attached to the awards, the number of awards to vest will be determined according to the extent to which performance targets have been met. Each of the share schemes also allows, under certain circumstances and where the acquiring company has agreed, new awards to be granted in the acquiring company in place of the original awards to give substantially equivalent value to the awardees.

Due to the size of certain of the Company's credit facilities, note purchase agreements and leasing facilities, absent consent from the relevant lenders, noteholders and lessors to a change of control following a takeover bid or the bidder being able to refinance such facilities and borrowings upon its takeover bid being accepted and taking effect, their repayment, termination or default upon such change of control could create significant liquidity issues for the Company and could also trigger cross-defaults into other of the Company's and the Group's credit and leasing facilities.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, save that the provisions of the Group's active share incentive schemes may cause awards made under them to Directors and employees in the form of share options to vest on a takeover bid being accepted and taking effect, or, under certain circumstances and

where the acquiring company agrees, new awards to be made in the acquiring company in place of the original awards to give substantially equivalent value to the awardees.

Employee matters

Pages 50, 51, 59 to 63 and 94 to 96 of this Annual Report set out how the Company: engages with its workforce and takes their views into account; involves employees in Company performance; promotes common awareness among employees of financial and economic factors affecting the Company performance; and summarises how the Company is an equal opportunities employer.

Political donations, contributions and expenditure

The Company did not make any political donations or contributions or incur any political expenditure during the year ended 31 December 2023 (2022: nil political donations, contributions and political expenditure). The Company's policy is that neither it nor its subsidiaries make what are commonly regarded as donations or contributions to political parties. However, the Act's definition of political donations includes expenditure that could capture other business activities which would not normally be thought of as political donations or contributions, such as subscriptions, payment of expenses and support for bodies representing either the transport industry specifically or the business community in general in policy review or reform. The resolution being proposed at the Company's 2024 Annual General Meeting to authorise political donations, contributions and expenditure is to ensure that these normal business activities are permitted and that neither the Company nor its UK subsidiaries commit any technical breach of the Act.

Audit information

Each of the persons who are Directors as at 21 April 2024¹ confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor, Deloitte LLP, is unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Company's 2024 Annual General Meeting ('AGM' or 'Meeting') will be held at BMA House, British Medical Association, Tavistock Square, London WC1H 9JP at 1:30pm on Tuesday 11 June 2024. A separate circular, comprising a letter from the Chair, Notice of the Meeting and explanatory notes on the resolutions proposed, accompanies this Annual Report. Both documents can also be found on the Company's website at: www.mobicogroup.com.

Approval

This Directors' Report was approved by the Board on 21 April 2024.

By Order of the Board



Simon Callander
Group General Counsel and Company Secretary

Mobico Group PLC

Company number 2590560

¹ being the date this Directors' Report was approved

Directors'

responsibilities

Legal and regulatory framework

The Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Group financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. The Directors have chosen to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for the period in question.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare such financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with applicable law and regulations.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.


Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

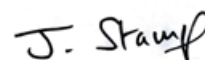
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole;
- the Strategic Report and Directors' Report, taken together, include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:



Ignacio Garat
Group Chief Executive Officer

21 April 2024



James Stamp
Group Chief Financial Officer

21 April 2024

Financial Report

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Independent Auditor's Report

to the members of Mobico Group PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Mobico 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 2023 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) 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 company balance sheets;
- the group and company statements of changes in equity;
- the group statement of cash flows;
- the notes to the consolidated accounts 1 to 40 for the Group financial statements; and
- the notes to the company accounts 1 to 15 for the 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" (United Kingdom Generally Accepted Accounting Practice).

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 and parent company 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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> Valuation of the RRX 2&3 Onerous Contract Provision Valuation of the RME German rail contract asset Going concern, and Accounting for and recoverability of deferred tax assets in North America and the UK <p>Within this report, key audit matters are identified as follows:</p> <p> N Newly identified ▲ Increased level of risk ▬ Similar level of risk ▼ Decreased level of risk </p>
Materiality	<p>The materiality that we used for the Group financial statements was £10.3m, which was determined based on adjusted EBITDA. In determining materiality, we also considered revenue and net assets.</p>
Scoping	<p>The Group is organised into four operating divisions, from which we identified six components, including the head office function. Five components (including the head office function), were subject to full scope audits.</p> <p>We also performed audit procedures on specified balances in relation to Germany, including but not limited to the RRX onerous contract provision and the RME contract asset detailed below. As a result of the issues identified in Germany, rather than this work be performed by the German component team, the Group audit team increased its direct involvement. We also increased the extent of our procedures on specified balances based on the risk identified.</p> <p>These components account for 95% of the Group's revenue, 88% of adjusted operating profit and 92% of net assets.</p>
Significant changes in our approach	<p>We identified two new key audit matters in the current year relating to the valuation of the RRX 2&3 onerous contract provision and the valuation of the RME contract asset, both in relation to the Group's German rail business, following adverse industry developments in the year which have led to increased costs and reduced subsidies as set out in note 2.</p> <p>Revenue and profits earned have been adverse compared to the budget in the United Kingdom, North American and German markets. We therefore determined that going concern as a new key audit matter in the current year, pinpointed to gearing covenant compliance, given the significant cash flow judgements made and adverse performance to budget, and this has significantly increased the level of audit effort.</p> <p>Based on our risk assessment, we have determined that the impairment of Spanish and North American Goodwill is no longer a key audit matter in the current year. While there remains judgement associated with the discount rate, long-term growth rate, and operating margin assumptions, the sensitivity associated with those assumptions has reduced as a result of the increased headroom.</p>

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 is discussed in section 5.3. 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. Valuation of the RRX 2&3 Onerous Contract Provision N

Key audit matter description	<p>In 2021, the Group identified an onerous contract provision of £21.1m relating to its Rhine-Ruhr Lots 2&3 (“RRX 2&3”) rail contract in Germany. This increased to £21.9m in 2022 (as previously reported).</p> <p>The Group has increased its onerous contract provision to £118.3m during 2023, reflecting the latest estimate of losses to be incurred over the remaining life of the contract. Further details are including in note 26 of the Annual Report.</p> <p>As reported in note 2 on page 161 of the Annual Report, prior year errors were identified relating to the RRX 2&3 contract as information that was or should have been available within the Group at the time of signing the 2021 and 2022 Annual Report had not been factored into the onerous provision calculation. This has subsequently been corrected in 2021 and 2022, resulting in an increase to the 2021 provision of £8.6m (to £29.7m) and an increase to the 2022 provision of £25m (to £46.9m).</p> <p>RRX 2&3 are contracts where revenues are contractual with the Passenger Transport Authority (“PTA”), with the Group bearing no passenger risk. Costs include energy costs and labour costs. Cost inflation is mitigated within the terms of the contracts through receipt of subsidies from the relevant PTA linked to published indices. This contract became onerous in 2021 due to increases in forecast energy and labour costs. As management set out in note 26, the provision has increased in the current year due to continuing volatility in energy prices not matched by subsidy income, industry-wide driver shortages in Germany, and persisting levels of cost inflation. Consequently, key estimates included in the assessment of the onerous provision include future energy costs (and the level of energy compensation to be received from the PTA) and the impact and duration of labour shortages given uncertainties in forecasting future unavoidable cashflows.</p> <p>The underlying issues and impact on the onerous contract provision were not escalated internally on a timely basis and there was a lack of robust documentation regarding the assumptions made and evidence provided to support those assumptions.</p> <p>A key audit matter and a potential fraud risk has been identified in relation to the valuation of this onerous contract provision and specifically the estimation uncertainty in the key estimates noted above, which, together with the control deficiencies identified, have resulted in increased audit effort.</p> <p>Given the level of estimation uncertainty, the Directors have included further information in the critical accounting judgements and key sources of estimation uncertainty note on pages 163 to 165 of the Annual Report and in the key accounting matters section of the Audit Committee report on pages 106 and 107 of the Annual Report.</p>
How the scope of our audit responded to the key audit matter	<p>We have challenged the Directors’ assessment of the RRX 2&3 onerous contract provision by performing the following audit procedures:</p> <ul style="list-style-type: none"> • obtained an understanding of the relevant controls in respect of the significant inputs and assumptions in the model; • inspected the contract to challenge the completeness of matters included within the onerous contract provision model; • tested the arithmetical accuracy and integrity of the model by involving modelling specialists; • challenged management’s forecast cost assumptions, including any changes since the previous year-end. This involved challenging the basis for future driver and energy cost assumptions by obtaining explanations and external supporting evidence; • challenged management’s forecast subsidy, including any changes since the previous year-end, by agreeing key assumptions to relevant external market indices. We also met directly with the PTA to challenge management’s energy subsidy and driver shortage assumptions; • challenged the appropriateness of the discount rate applied in the onerous provision model; • considered the consistency of assumptions, where relevant, with other German rail franchises operated by the Group; • challenged whether movements in the onerous contract provision related to changes in estimate or prior period errors (in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); and • assessed the adequacy of the financial statement disclosures, including the prior period adjustment, key source of estimation uncertainty and sensitivity disclosures on pages 159 to 239.
Key observations	<p>We are satisfied that the estimates made by the Directors in determining the onerous contract provision of £118.3m recognised on RRX 2&3 are reasonable, and in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. We note that the provision increased materially in the current year as a consequence of the Group’s review of accounting judgements and our audit challenge.</p> <p>Given the uncertainties in forecasting future unavoidable cashflows, the disclosure sensitivities in Note 2 provide important information to assess the impact of a reasonably possible change in key assumptions.</p> <p>The prior period adjustments detailed in note 2 of the Annual Report combined with corrected audit adjustments have highlighted significant deficiencies in controls as referred to in section 7.2 below and the Audit Committee report on pages 102 to 108. As well as the lack of robust documentation regarding the assumptions made and evidence provided to support those assumptions, we noted a lack of effective commercial and financial controls at a local, divisional and Group level. Whilst Group/divisional management performed a level of challenge and review, this was not timely and did not identify all the issues and adjustments which were identified through the audit process.</p>

5.2. Valuation of the RME German rail contract asset N

Key audit matter description	<p>The Group has operated the Rhine-Münster Express ("RME") rail contract in Germany since late 2015 and the contract runs until 2030. The Group receives both passenger revenue and subsidy revenue for operating the contract. Passenger revenue is recognised when passengers travel, and the subsidy revenue is recognised over the life of the contract. The amount of subsidy revenue recognised in each period is based on a percentage of completion, applying net costs (passenger revenue less costs) incurred as a proportion of total expected net costs. This results in a contract asset recognised on the balance sheet representing the cumulative impact of the phasing of subsidy revenue.</p> <p>At each balance sheet date the Group reforecasts the contract outturn and reassesses the recognition of the subsidy revenue with reference to the stage of completion and actual performance to date. This reassessment during the current year resulted in a decrease in the contract asset recognised to £48.6m at 31 December 2023 (2022: £53.8m).</p> <p>The recognition of this contract asset is sensitive to estimates relating to the future profitability of the RME rail contract, particularly relating to the estimate of future passenger revenues over the remainder of the contract and, to a lesser extent, the level of energy compensation and labour cost inflation, including the number of drivers required to run the contract.</p> <p>We have identified the valuation of this contract asset as a key audit matter and a potential fraud risk for the 31 December 2023 audit, due to the inherent uncertainty in estimating the future profitability of the contract together with control deficiencies identified in relation to the timeliness and robustness of management review and documentation of key assumptions.</p> <p>This represents a change from the prior year due to the continuation of government subsidised ticket arrangements (which has distorted the market), and the industry issues identified in the RRX 2/3 contract noted above (energy and labour). Given the level of estimation uncertainty, the Directors have included further information in the critical accounting judgements and key sources of estimation uncertainty note on pages 163 to 165 of the Annual Report and in the key accounting matters section of the Audit Committee report on pages 106 and 107 of the Annual Report.</p>
How the scope of our audit responded to the key audit matter	<p>We have challenged the Directors' assessment of the valuation of the RME German rail contract asset by performing the following audit procedures:</p> <ul style="list-style-type: none"> • obtained an understanding of the relevant controls in respect of the significant inputs and assumptions in the model; • inspected the contract to challenge the completeness of matters included within the forecast model; • tested the arithmetical accuracy and integrity of the model by involving modelling specialists; • challenged management's forecast passenger revenue, including any changes since the previous year-end, by agreeing key assumptions to relevant external market evidence; • challenged management's forecast cost assumptions, including any changes since the previous year-end. This involved challenging the basis for future driver and energy cost assumptions by obtaining explanations and external supporting evidence; • considered the consistency of assumptions, where relevant, with other German rail franchise operations operated by the Group; • compared the overall forecast margin for the contract to the original bid model and phasing of the contract asset; and • assessed the adequacy of the financial statement disclosures, key source of estimation uncertainty and sensitivity disclosures on pages 159 to 239.
Key observations	<p>Through our testing of the RME contract, we consider the estimates made by the Group in the valuation of the contract asset to be reasonable and that the disclosures in the key sources of estimation uncertainty and sensitivity disclosures on pages 163 to 165 are appropriate. We note that the contract asset reduced in the current year as a consequence of the Group's review of accounting judgements and our audit challenge.</p> <p>We identified misstatements which were individually and collectively immaterial which had the impact of reducing revenue and the related contract asset, and remain uncorrected.</p> <p>Our controls observations noted above in section 5.1 in relation to the RRX 2&3 onerous contract provision are also relevant to the RME contract asset.</p>

5.3. Going concern N

Key audit matter description	<p>In assessing whether the financial statements should have been prepared on the going concern basis, the Directors were required to consider all available information about the future for a period of 12 months from the date of approval of the financial statements.</p> <p>At 31 December 2023 the Group had cash and undrawn committed facilities available of £900m which included a revolving credit facility expiring July 2028 of £600m. This facility contains covenants which require the Group to maintain specific financial ratios. In addition, at 31 December the Group held £356.3m in cash and cash equivalents. As described in note 2 (b) the Group has continued to recover operationally, growing revenue but has fallen behind its expected profit recovery trend due to higher driver and energy costs as well as inflationary pressure on the cost base.</p> <p>As part of the assessment, the Group prepared a base case projection taking into account the challenging trading performance, and a reasonable worst case ('RWC') scenario. The scenarios include a number of cash flow related assumptions. The key assumptions applied by management, which form part of our key audit matter, impact gearing covenant compliance, whereby the net debt must be no more than 3.5 times adjusted EBITDA and maintain sufficient levels of headroom. The judgments made in relation to the 'RWC' scenario include the adequacy of contingency in the forecast and the required mitigating actions such as cost cutting measures, delays and reduction of capital expenditure in the event that trading is in line with or below the RWC.</p> <p>The Group has taken into account the impact of challenging trading performances across the Group following the 12 October 2023 trading update. The base case comprises a detailed earnings before interest and tax ('EBIT') forecast, which takes into account the additional costs incurred in the North American business due to higher driver pay settlements, lower passenger recovery in UK Bus, slower recovery of the UK transport solution business and additional energy costs in Germany Rail. The Group's RWC EBIT forecast assumes reduced demand due to lower disposable incomes, fewer new contract wins, and increased competition from other operators and modes of transport, as well as higher inflation on the cost base. The Group have included the potential impact of higher labour and general costs, lower than anticipated price rises from customers, and a material delay in realising cost savings in the new productivity improvement and cost reduction program.</p> <p>As explained above, there are many factors included within the forecasting model, and a significant level of judgement is involved in determining these factors. As such, we have identified going concern as a key audit matter due to the high level of judgement required in forecasting future cash flows, challenging trading performance, and the increased level of audit effort.</p>
How the scope of our audit responded to the key audit matter	<p>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:</p> <ul style="list-style-type: none"> • understanding the underlying process used to determine the going concern cash flow forecast and obtaining an understanding of relevant controls around cash flow forecasting and review; • assessing the underlying assumptions by obtaining evidence which support management's analysis of the EBIT forecasts, 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, contingency assumptions and the Group's ability to increase its prices; • challenging 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; • 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 gearing and liquidity covenants; • obtaining copies of financial facilities and evaluating forecast liquidity and performance against these facilities; • challenging management's mitigating actions assumptions and the degree of judgement associated with them; and • assessing the disclosures made by the Group around its going concern assumptions.
Key observations	<p>We have identified risks to management's reasonable worst case forecast which in aggregate exceed the contingency assumed within the forecast. If these were to materialise, management would need to exercise further mitigating actions beyond those already assumed within their forecasts in order to avoid a covenant breach. We have concluded that whilst there is a significant degree of judgement and uncertainty inherent in the forecast assumptions, we have not identified any material uncertainties that may cast significant doubt on the Group's and parent company's ability to continue as a going concern for at least twelve months from the authorisation of the financial statements.</p>

5.4. Accounting for recoverability of deferred tax assets in North America and the UK 

<p>Key audit matter description</p>	<p>At 31 December 2023 the Group has £80.3m (31 December 2022: £86.3m) of net deferred tax assets in relation to North America relating to past losses and other tax credits offset by deferred tax liabilities in relation to fixed assets. The Group also has £84.1m (31 December 2022: £88.4m) of net deferred tax assets, predominantly in relation to past losses in the UK. As outlined in Note 2 (i) the recoverability of the deferred tax assets in the UK and US have been identified as a critical accounting judgement, due to the recent history of losses that exists in both territories combined with underperformance against Group's forecast.</p> <p>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 recognition and recoverability of the deferred tax assets and the compliance with <i>IAS 12 Income taxes</i>. This also includes the assumptions around the new transfer pricing policy introduced in the period that will result in additional income into the UK and impact on future profitability and the capitalisation of inter-company debt in the US which will improve the future profitability of the US business but also impacts the profitability of the UK. As a result of the Group's continued losses, the level of audit effort required, and the judgement involved in this area, this has remained a key audit matter. The Directors have included further information in the critical accounting judgements note pages 163 to 165 of the Annual Report and in the key accounting matters section of the Audit Committee report on page 106 and 107 of the Annual Report.</p>
<p>How the scope of our audit responded to the key audit matter</p>	<p>Our procedures for challenging the accounting judgements and assumptions included the following procedures:</p> <p>In conjunction with our tax specialists, we performed the following procedures:</p> <ul style="list-style-type: none"> • confirmed the existence of the US and UK losses and other tax attributes and considered any restrictions associated with their usage which would impact the assessment; • challenged the appropriateness of the US and UK forecasts against <i>IAS 12 Income taxes</i>, including the application of the relevant US and UK tax law on any potential restrictions on utilisation and the scheduling of the unwind of the US deferred tax assets against the deferred tax liabilities; • challenged management's historical analysis of the history of losses in the UK and the US and that these occur because of a one-time event, this being Covid-19, from which the business is recovering slowly; • considered the future taxable profit forecasts for the UK and US to assess whether the assumptions being applied were consistent with other estimates; • agreed the analyses prepared by management to underlying accounting records and supporting documentation; • considered the UK and US debt capitalisation that was undertaken in the period to improve the profitability of the US business, firstly from the perspective of UK, US and Dutch tax law (due to the holding company structure of the entities concerned) to ascertain that this was tax neutral and secondly to consider the impact of this on the forecasted US and UK future taxable profit position going forward; • considered the new Group transfer pricing policy which was implemented in the period to confirm its appropriateness and the associated impact on the future taxable profits for the UK and US including confirming consistency across forecasts; and • assessed the associated disclosures provided in the financial statements about the critical accounting judgement and the basis of recoverability of the deferred tax assets.
<p>Key observations</p>	<p>We observe that continued recognition of the deferred tax assets in North America and the UK, whilst optimistic, is supportable based on management's forecasts. We are therefore satisfied that the basis for concluding that the deferred tax assets are recoverable is reasonable and probable, and that appropriate disclosures have been provided within the critical accounting judgements section of Note 2.</p>

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	£10.3 million (2022: £11.5 million)	£8.3 million (2022: £8.3 million)
Basis for determining materiality	In determining materiality, we used adjusted EBITDA (see note 5) and materiality represents 2.7% (2022: 0.9%) of adjusted EBITDA. We also had regard to net assets and revenue. This materiality level equates to 0.9% (2022: 0.9%) of net assets, and 0.3% (2022: 0.4%) of revenue.	The parent company materiality has been set at 0.4% (2022: 0.4%) of the parent company's net assets and represents 80.6% (2022: 72.6%) 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	68% (2022: 68%) of Group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, this included our professional judgement and consideration of: <ul style="list-style-type: none"> the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit; and relevant factors surrounding the Group's control environment, specifically the control deficiencies identified as outlined in Section 7.2. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.52 million (2022: £0.58 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. We determined that five components (located in UK, Spain and Morocco (ALSA), the USA and head-office) were subject to full scope audits, and performed audit procedures on specified balances in relation to Germany, including but not limited to the RRX onerous contract provision and the RME contract asset. As a result of the issues identified in Germany, rather than this work be performed by the German component team, the Group audit team increased its direct involvement. We also increased the extent of our procedures on specified balances based on the risk identified. The Group audit team or Deloitte member firms audit to materiality levels between £3.2 million and £5.0 million (2022: between £3.9 million and £8.3 million), except for the parent company. We also tested the consolidation process and carried out analytical procedures to reassess our conclusion that there were no significant risks of material misstatement to the Group from the remaining components not subject to audit. The five components subject to audit procedures account for 95% of Group's revenue (2022: 96%), 88% of adjusted operating profit (2022: 82%) and 90% of net assets (2022: 96%).

7.2. Our consideration of the control environment

Given the relatively immature nature of the Group's control environment, our audit approach does not generally place reliance

on controls, but we seek to obtain an understanding of the relevant controls in relation to significant audit risks and areas of audit focus. This includes consideration of entity level controls at a Group level, and an understanding of general IT controls across the Group. The Directors have included further information in the key accounting matters section of the Audit Committee report on pages 102 to 108 of the Annual Report.

We obtained an understanding of the relevant controls, where we observed a number of areas where there is a lack of formal documentation of the operation of the control, and there is no formalised controls framework against which management assess the financial controls in operation around the Group.

The Group operates a range of IT systems which underpin the financial reporting process. These vary by business and/or by geography, and are typically the principal enterprise resource management systems for each business that govern the general ledger, 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 infrastructure security, privileged user access controls and also with reliance on third party service providers, who manage the associated IT applications, and hence we did not rely on those controls in line with our planned approach except for certain balances in the Spanish component.

Significant control deficiencies were identified in relation to the German rail division, where we noted a lack of effective commercial and financial controls at a local, divisional and Group level as set out in our key audit matters above. 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 2023 the company Directors have undertaken a number of steps to further 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, pages 40 to 47. As stated on page 43 of the Strategic Report, the 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. As disclosed in note 14 of the financial statements there are assumptions relating to climate risks that have an impact to the cashflow forecast, 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, including assumptions made in relation to hydrogen infrastructure. The Directors have included further information in the annual report on pages 65 to 78. 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 German component where the audit of specified account balances in Germany has been directly performed 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;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- 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 such as tax, information technology, valuation, climate, actuarial, financial instruments and forensics 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 across the group, including certain revenue streams in the ALSA component. As our audit evolved we identified the valuation of the RRX 2&3 Onerous Contract Provision, and valuation of the RME German rail contract asset as potential risks of fraud. 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 and 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 include various vehicle transport and environmental regulations.

11.2. Audit response to risks identified

The valuation of the RRX 2&3 Onerous Contract Provision and the valuation of the RME German rail contract assets were identified as key audit matters related to the potential risk of fraud and the specific procedures we performed in response are set out in the key audit matters section of our report.

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 entity operates;
- involving specialists, including our forensic team to assist in designing and executing our procedures;
- tested certain revenue streams in ALSA 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 39;
- 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 pages 48 to 49;
- the directors' statement on fair, balanced and understandable set out on page 141;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 40 to 41;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 103 and 104; and
- the section describing the work of the audit committee set out on page 102.

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 respect of these matters.

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 respect of these matters.

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 ending 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 13 years, covering the years ending 31 December 2011 to 31 December 2023.

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) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Jane Whitlock (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

21 April 2024

Group Income Statement

For the year ended 31 December 2023

	Note	Adjusted result 2023 £m	Adjusting items (note 5) 2023 £m	Total 2023 £m	Adjusted result 2022 £m	(Restated) Adjusting items (note 5) 2022 ¹ £m	(Restated) Total 2022 ¹ £m
Revenue	4	3,150.9	-	3,150.9	2,807.5	-	2,807.5
Operating costs	6	(2,982.3)	(190.0)	(3,172.3)	(2,610.2)	(370.8)	(2,981.0)
Group operating profit/(loss)		168.6	(190.0)	(21.4)	197.3	(370.8)	(173.5)
Share of results from associates and joint ventures	18	(0.5)	-	(0.5)	(0.4)	-	(0.4)
Finance income	10	4.0	-	4.0	2.2	-	2.2
Finance costs	10	(79.2)	(1.2)	(80.4)	(53.2)	(0.4)	(53.6)
Profit/(loss) before tax		92.9	(191.2)	(98.3)	145.9	(371.2)	(225.3)
Tax (charge)/credit	11	(42.5)	(21.9)	(64.4)	(30.3)	24.4	(5.9)
Profit/(loss) for the year		50.4	(213.1)	(162.7)	115.6	(346.8)	(231.2)
Profit/(loss) attributable to equity shareholders		49.1	(212.9)	(163.8)	113.4	(345.7)	(232.3)
Profit/(loss) attributable to non- controlling interests		1.3	(0.2)	1.1	2.2	(1.1)	1.1
		50.4	(213.1)	(162.7)	115.6	(346.8)	(231.2)
Earnings per share:	13						
- basic earnings per share				(30.2)p			(41.4)p
- diluted earnings per share				(30.2)p			(41.4)p

¹ Restated for correction to deferred tax assets and liabilities, see note 2 for further information.

Details relating to separately disclosed items are provided in note 5.

Group Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £m	(Restated) 2022' £m
Loss for the year		(162.7)	(231.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension plans	33	2.6	53.0
Deferred tax charge on actuarial movements	11	(0.8)	(12.7)
(Losses)/gains on financial assets at fair value through Other Comprehensive Income	17	(1.4)	1.7
		0.4	42.0
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of foreign operations	32	(74.3)	146.3
Exchange differences on retranslation of non-controlling interests		(0.9)	3.1
Gain/(losses) on net investment hedges	32	30.1	(57.6)
(Losses)/gains on cash flow hedges	32	(14.4)	78.6
Cost of hedging	32	0.6	(0.7)
Hedging gains reclassified to Income Statement	32	(26.9)	(77.7)
Deferred tax (charge)/credit on foreign exchange differences	11	(0.8)	1.3
Deferred tax credit on cash flow hedges	11	3.6	5.2
		(83.0)	98.5
Other comprehensive (expense)/income for the year		(82.6)	140.5
Total comprehensive expense for the year		(245.3)	(90.7)
Total comprehensive (expense)/income attributable to:			
Equity shareholders		(245.5)	(94.9)
Non-controlling interests		0.2	4.2
		(245.3)	(90.7)

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

Group Balance Sheet

At 31 December 2023

	Note	2023 £m	(Restated) 2022 ¹ £m	(Restated) 2021 ¹ £m
Non-current assets				
Intangible assets	14	1,551.8	1,620.9	1,778.5
Property, plant and equipment	15	1,164.5	1,175.3	1,129.6
Non-current financial assets	17	15.3	26.9	32.6
Investments accounted for using the equity method	18	11.1	13.9	13.7
Trade and other receivables	20	153.8	173.5	147.1
Finance lease receivable	34	6.5	9.7	12.7
Deferred tax assets	27	164.4	193.6	162.2
Defined benefit pension assets	33	0.2	0.4	3.8
Total non-current assets		3,067.6	3,214.2	3,280.2
Current assets				
Inventories	21	33.7	32.4	28.8
Trade and other receivables	22	573.1	560.7	428.3
Finance lease receivable	34	2.7	4.3	4.1
Derivative financial instruments	17	11.1	37.7	31.0
Current tax assets		12.4	2.3	3.3
Cash and cash equivalents	23	356.3	291.8	508.4
		989.3	929.2	1,003.9
Assets classified as held for sale	19	18.2	18.6	18.6
Total current assets		1,007.5	947.8	1,022.5
Total assets		4,075.1	4,162.0	4,302.7
Non-current liabilities				
Borrowings	28	(1,290.6)	(886.3)	(1,294.3)
Derivative financial instruments	28	(15.3)	(22.4)	(11.1)
Deferred tax liability	27	(47.1)	(26.9)	(14.5)
Other non-current liabilities	25	(115.2)	(121.2)	(123.8)
Defined benefit pension liabilities	33	(32.8)	(42.5)	(99.2)
Provisions	26	(146.4)	(79.3)	(76.8)
Total non-current liabilities		(1,647.4)	(1,178.6)	(1,619.7)
Current liabilities				
Trade and other payables	24	(960.6)	(874.5)	(787.7)
Borrowings	28	(271.2)	(602.0)	(302.3)
Derivative financial instruments	28	(31.6)	(41.9)	(24.5)
Current tax liabilities		-	(4.2)	(3.0)
Provisions	26	(98.3)	(87.0)	(89.6)
Total current liabilities		(1,361.7)	(1,609.6)	(1,207.1)
Total liabilities		(3,009.1)	(2,788.2)	(2,826.8)
Net assets		1,066.0	1,373.8	1,475.9
Shareholders' equity				
Share capital	32	30.7	30.7	30.7
Share premium		533.6	533.6	533.6
Own shares		(3.6)	(3.9)	(4.5)
Hybrid reserve		513.0	513.0	513.0
Other reserves	32	397.6	481.1	384.0
Retained earnings		(435.5)	(223.7)	(22.0)
Total shareholders' equity		1,035.8	1,330.8	1,434.8
Non-controlling interests in equity		30.2	43.0	41.1
Total equity		1,066.0	1,373.8	1,475.9

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



I Garat
Group Chief Executive Officer



J Stamp
Group Chief Financial Officer

21 April 2024

Group Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital (note 32) £m	Share premium (note 32) £m	Own shares (note 32) £m	Hybrid reserve (note 32) £m	Other reserves (note 32) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2023 (Restated) ¹	30.7	533.6	(3.9)	513.0	481.1	(223.7)	1,330.8	43.0	1,373.8
(Loss)/profit for the year	-	-	-	-	-	(163.8)	(163.8)	1.1	(162.7)
Other comprehensive (expense)/income for the year	-	-	-	-	(83.5)	1.8	(81.7)	(0.9)	(82.6)
Total comprehensive (expense)/income	-	-	-	-	(83.5)	(162.0)	(245.5)	0.2	(245.3)
Own shares released to satisfy employee share schemes	-	-	0.3	-	-	(0.3)	-	-	-
Share-based payments	-	-	-	-	-	1.6	1.6	-	1.6
Deferred tax on share-based payments	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
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
Dividends paid to shareholders of Company	-	-	-	-	-	(41.1)	(41.1)	-	(41.1)
Recognition of put liabilities to non-controlling interests	-	-	-	-	-	(8.6)	(8.6)	-	(8.6)
Purchase of subsidiary shares from non-controlling interest	-	-	-	-	-	15.0	15.0	(15.0)	-
Non-controlling interest arising from business combinations	-	-	-	-	-	-	-	0.9	0.9
Disposal of subsidiary shares to non-controlling interest	-	-	-	-	-	(0.2)	(0.2)	0.6	0.4
Contributions from non-controlling interests	-	-	-	-	-	-	-	0.5	0.5
At 31 December 2023	30.7	533.6	(3.6)	513.0	397.6	(435.5)	1,035.8	30.2	1,066.0

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

	Share capital (note 32) £m	Share premium (note 32) £m	Own shares (note 32) £m	Hybrid reserve (note 32) £m	(Restated) Other reserves (note 32) ¹ £m	(Restated) Retained earnings ¹ £m	(Restated) Total ¹ £m	Non-controlling interests £m	(Restated) Total equity ¹ £m
At 1 January 2022 (Restated) ¹	30.7	533.6	(4.5)	513.0	384.0	(22.0)	1,434.8	41.1	1,475.9
(Loss)/profit for the year	-	-	-	-	-	(232.3)	(232.3)	1.1	(231.2)
Other comprehensive income for the year	-	-	-	-	97.1	40.3	137.4	3.1	140.5
Total comprehensive income/(expense)	-	-	-	-	97.1	(192.0)	(94.9)	4.2	(90.7)
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)
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	481.1	(223.7)	1,330.8	43.0	1,373.8

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

Group Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash generated from operations	38	315.7	284.9
Tax paid		(27.3)	(17.6)
Interest paid		(62.9)	(48.6)
Interest received		4.5	2.5
Net cash flow from operating activities		230.0	221.2
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired	19	(9.4)	(4.8)
Deferred consideration for businesses acquired	19	(3.6)	(3.7)
Purchase of property, plant and equipment		(128.2)	(169.0)
Proceeds from disposal of property, plant and equipment		33.8	9.3
Payments to acquire intangible assets		(12.9)	(10.7)
Proceeds from disposal of intangible assets		4.9	5.2
Payments to settle net investment hedge derivative contracts		(5.0)	(10.5)
Receipts on settlement of net investment hedge derivative contracts		15.8	3.1
Receipts relating to joint ventures and associates		1.5	0.7
Net cash flow from investing activities		(103.1)	(180.4)
Cash flows from financing activities			
Dividends paid to holders of hybrid instrument		(21.3)	(21.3)
Net principal lease payments	34	(57.4)	(85.9)
Increase in borrowings		668.9	128.8
Repayment of borrowings		(576.6)	(169.5)
Transaction costs relating to new borrowings		(4.1)	-
Payments to settle foreign exchange forward contracts		(30.3)	(61.7)
Receipts on settlement of foreign exchange forward contracts		44.6	22.3
Purchase of own shares		-	(0.3)
Acquisition of non-controlling interests ¹		(46.1)	(19.1)
Contributions from non-controlling interest		0.5	3.2
Disposals of non-controlling interests		0.4	0.6
Dividends paid to shareholders of the Company	12	(41.1)	-
Net cash flow from financing activities		(62.5)	(202.9)
Increase/(decrease) in net cash and cash equivalents		64.4	(162.1)
Opening net cash and cash equivalents		233.1	376.2
Increase/(decrease) in net cash and cash equivalents		64.4	(162.1)
Foreign exchange		(3.8)	19.0
Closing net cash and cash equivalents	23	293.7	233.1

¹ Amounts in 2023 include £46.1m (2022: £19.1m) paid on exercise of the final 20% (2022: 10%) of the WeDriveU put liability

Notes to the Consolidated Accounts

For the year ended 31 December 2023

1 Corporate information

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

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

2 Accounting policies

Basis of preparation

a) Consolidated Financial Statements

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

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

b) Parent Company Financial Statements

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

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

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

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

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

Going concern

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

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

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

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

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

2 Accounting policies continued

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

- In the UK, the Bus business will focus on improving adjusted profitability, benefitting from price increases (some of which were already implemented in 2023) and operational cost efficiencies to combat increases in the cost base. The Coach business will continue to grow patronage and yields, targeting new areas (such as festivals and events) whilst also controlling the cost base through further efficiencies. There is assumed to be some benefit from ongoing rail strikes in 2024, but to a much lesser extent than in 2023. Additionally there is a strong focus on the turnaround of the NXTS private hire business in 2024, for which work is already underway with positive early results. The current funding package for UK Bus is expected not to extend past December 2024; the base case includes a number of initiatives to replace this shortfall through further cost efficiencies and commercial revenue growth.
- In ALSA, revenue and profit in Long Haul is expected to reduce marginally in 2024 as we lap the benefit of the ‘Young Summer’ government initiative seen in 2023 and see increased competition from High Speed Rail as new corridors are launched across Spain. Elsewhere in the business, we will see increases in demand for Regional, Urban and Discretionary services as well as ongoing growth in recently expanded areas such as Portugal and Healthcare transport. We remain protected from significant inflation by CPI-linked indexation clauses in most of our contracted revenue streams.
- The North American School Bus business has substantially recovered the cumulative impact of wage inflation, achieving a 13% pricing uplift on contracts up for renewal in 2023 (creating a significant tailwind into 2024), with further rate increases anticipated, in the remainder of the portfolio which has yet to be addressed. Significant progress on route recovery has been made throughout 2023, with around 97% of contractual maximum route numbers currently being operated and an expectation that the remaining 3% of routes will be recovered in 2024.
- The North American Shuttle and Transit business will continue to be impacted by weakness in the Technology sector but will deliver expansion into new sectors, with many such contracts already secured in 2023. There will be a continued focus on growth, with active bidding on a large pipeline of opportunities in strategic target markets. Rate increases and operational turnarounds have been secured across a number of key locations, providing a pathway to improved profitability in 2024.
- In Germany, expectations are that 2024 will continue to suffer from industry-wide driver scarcity and lower levels of energy subsidy than previously anticipated. A reduced level of adjusted operating profit and additional cash flows reflecting unwind of the onerous contract provision are therefore expected in 2024.
- 2024 will benefit from cost reduction programmes that were launched in 2023, with £15m of savings already delivered in 2023, which will annualise into 2024; in addition we have launched a new productivity improvement and cost reduction programme, where we are targeting at least £20m of annualised savings.

- There is no Covid-related funding assumed in the base case plan from 2024 onwards. The Group continues to partner with governments and local authorities in order to encourage the shift to public transport.
- Given the uncertainty on timing of disposal, the base case assumes that the North America School Bus business remains part of the Group throughout the going concern assessment period. A disposal of this business would be highly favourable to covenant gearing and liquidity headroom.

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

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

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

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

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

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

In addition to the base case and RWC scenarios, the Directors have reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach any of the covenant tests.

2 Accounting policies continued

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

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

In conclusion, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2023.

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

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

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

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

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

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

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

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

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

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

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

Prior year restatement of the German Rail onerous contract provision

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

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

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

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

Notes to the Consolidated Accounts continued

2 Accounting policies continued

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

Group Income Statement

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

Group Statement of Comprehensive Income

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

Group Balance Sheet

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

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

2 Accounting policies continued**Group Statement of Changes in Equity**

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

(i) Critical accounting judgements**Recognition of deferred tax assets**

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

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

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

i) North America

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

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

2 Accounting policies continued

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

ii) UK

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

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

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

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

Adjusting items

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

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

(ii) Key sources of estimation uncertainty

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

ALSA and North America goodwill impairment

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

Insurance and other claims

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

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

RRX rail contracts

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

2 Accounting policies continued

Lots 2&3

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

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

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

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

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

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

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

Lot 1

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

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

RME rail contract

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

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

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

Pensions

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

2 Accounting policies continued

Consideration of climate change

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

Basis of consolidation

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

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

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

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

Summary of significant accounting policies

Subsidiaries

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

Interests in joint ventures

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

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

Interests in associates

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

Foreign currencies

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

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

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

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

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

Revenue recognition

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

Contract revenues

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

2 Accounting policies continued

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

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

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

Passenger revenues

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

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

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

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

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

Private hire

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

Other revenues

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

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

Contract costs

Costs to obtain a contract

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

Costs to fulfil a contract

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

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

Contract assets and liabilities

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

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

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

Government grants

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

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

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

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

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

Service concession arrangements

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

2 Accounting policies continued

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

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

Financial asset model

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

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

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

Intangible asset model

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

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

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

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

Taxes

Current tax

Current tax is provided on taxable profits earned according to the local tax rates applicable where the profits are earned. Income

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

Deferred tax

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

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

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

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

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

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

Business combinations

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

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

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

2 Accounting policies continued

Non-current assets held for sale and discontinued operations

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

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

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

Intangible assets

Goodwill

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

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

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

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

Other intangible assets

Customer contracts

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

Service concession intangibles

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

Contract costs

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

Software

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

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

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

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

Property, plant and equipment

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

Repairs and maintenance costs are expensed as incurred.

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

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

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

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

Impairment

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

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

Impairment losses relating to goodwill cannot be subsequently reversed.

Parent company investments

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

Financial instruments

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

2 Accounting policies continued

Financial assets

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

(i) Financial assets subsequently measured at amortised cost

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit and loss

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

Loans and borrowings

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

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

Put liabilities

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

Equity instruments

Hybrid instruments

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

Derivative financial instruments and hedge accounting

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

2 Accounting policies continued

The Group designates certain derivatives as either:

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

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

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

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

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

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

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

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

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

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

Inventories

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

Trade and other receivables

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

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

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

Cash and cash equivalents

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

Trade and other payables

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

Provisions

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

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

Onerous contracts

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

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

2 Accounting policies continued

Insurance claims

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

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

Leases

Group as a lessee

Lease identification

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

Right-of-use asset

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

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

Lease liability

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

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

Short-term leases and leases of low-value assets

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

Group as a lessor

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

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

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

Retirement benefits

Defined contribution schemes

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

Defined benefit schemes

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

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

2 Accounting policies continued

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

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

Share-based payments

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

3 Exchange rates

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

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

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

Share capital, share premium and dividends

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

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

New standards and interpretations not applied

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

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

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

Notes to the Consolidated Accounts continued

4 Revenue and segmental analysis

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

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

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

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

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

(a) Revenue

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

Analysis by class and reportable segment:	2023					
	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	36.6	479.0	40.8	23.3	30.4	610.1
German Rail	-	43.3	216.0	-	0.5	259.8
ALSA	233.7	607.8	188.8	68.0	67.1	1,165.4
North America	1,050.3	-	-	60.0	5.3	1,115.6
Total revenue	1,320.6	1,130.1	445.6	151.3	103.3	3,150.9
Analysis by major service type:						
Passenger transport	1,320.6	1,130.1	445.6	151.3	19.1	3,066.7
Other products and services	-	-	-	-	84.2	84.2
Total revenue	1,320.6	1,130.1	445.6	151.3	103.3	3,150.9

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

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

Covid funding included in revenue

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

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

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

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

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

4 Revenue and segmental analysis continued**Other UK funding**

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

4 Revenue and segmental analysis continued

(b) Operating profit/(loss)

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

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

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

(c) Depreciation

Depreciation is analysed by reportable segment as follows:

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

(d) Non-current assets

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

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

4 Revenue and segmental analysis continued**(e) Geographical information**

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

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

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

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

5 Adjusting items

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

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

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

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

5 Adjusting items continued

(a) Intangible amortisation for acquired businesses

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

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

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

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

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

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

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

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

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

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

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

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

Movement in onerous contract provisions

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

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

5 Adjusting items *continued***Total charge to the Income Statement**

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

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

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

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

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

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

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

(g) Restructuring and other costs

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

(h) Adjusting tax charge/credit

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

Notes to the Consolidated Accounts continued

6 Operating costs

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

¹ Gain on disposal of property, plant and equipment includes £2.6m in respect of a UK depot sale and leaseback, further information is provided in note 15

² Excludes amortisation from intangibles from acquired businesses which is included within intangible asset amortisation above

³ Other charges includes fuel charges, third party transport costs, access charges, insurance, repairs and maintenance and other costs

⁴ Restated for a correction to the German Rail onerous contract provision, see note 2 for further information

Covid funding recognised within operating costs

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

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

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

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

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

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

Other UK Bus funding

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

7 Auditor's remuneration

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

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

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

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

8 Employee benefit costs

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

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

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

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

9 Share-based payments

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

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

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

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

9 Share-based payments continued

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

(i) Long-Term Incentive Plan (LTIP)

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

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

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

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

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

(ii) Executive Deferred Bonus Plan (EDBP)

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

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

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

(iv) Restricted Share Plan (RSP)

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

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

9 Share-based payments *continued*

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

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

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

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

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

Notes to the Consolidated Accounts continued

9 Share-based payments continued

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

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

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

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

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

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

10 Net finance costs

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

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

11 Taxation

(a) Analysis of taxation charge in the year

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

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

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

The tax relief relating to intangible amortisation is determined by reference to the tax rates in the jurisdiction to which the intangible amortisation relates. The effective tax rate relating to intangible amortisation is significantly higher than the UK tax rate of 23.5% due to the weighting of intangibles in jurisdictions with higher tax rates than the UK, specifically the US (26%) and Spain (25%).

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

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

Notes to the Consolidated Accounts continued

11 Taxation continued

(c) Reconciliation of the total tax charge

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

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

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

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

(d) Tax provisions

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

(e) Temporary differences associated with Group investments

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

11 Taxation *continued***(f) Unrecognised deferred tax assets**

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

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

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

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

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

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

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

(g) Deferred tax included in the Income Statement

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

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

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

12 Dividends paid and proposed

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

Notes to the Consolidated Accounts continued

13 Earnings per share

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

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

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

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

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

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

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

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

The adjusted basic and adjusted diluted earnings per share have been calculated in addition to the basic and diluted earnings per share required by IAS 33 since, in the opinion of the Directors, they reflect a key measure of performance of the business' operations. The reconciliation of the earnings and earnings per share to their adjusted equivalent is as follows:

	2023			(Restated) 2022 ¹		
	£m	Basic EPS p	Diluted EPS p	£m	Basic EPS p	Diluted EPS p
Earnings attributable to equity shareholders inclusive of hybrid instrument	(185.1)	(30.2)	(30.2)	(253.6)	(41.4)	(41.4)
Adjusting items	191.2	31.2	31.2	371.2	60.6	60.6
Adjusting items tax	21.9	3.5	3.5	(24.4)	(4.0)	(4.0)
Adjusting items non-controlling interests	(0.2)	-	-	(1.1)	(0.2)	(0.2)
Adjusted earnings attributable to equity shareholders²	27.8	4.5	4.5	92.1	15.0	15.0
Amounts accruing to the holders of the hybrid instrument	21.3			21.3		
Adjusted profit attributable to equity shareholders	49.1			113.4		

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

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

14 Intangible assets

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

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

14 Intangible assets continued

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

	Pre-tax discount rate applied to cash flow projections		Growth rate used to extrapolate cash flows into perpetuity	
	2023	2022	2023	2022
UK	10.8%	11.2%	2.7%	2.7%
North America	10.0%	10.3%	3.7%	3.4%
ALSA	13.4%	13.9%	3.2%	3.0%

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

The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. Forecast revenue and operating margins are based on past performance and management's expectations for the future. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on respective long-term country-specific GDP growth rates. The cash flows are discounted using pre-tax rates that are calculated from country-specific WACC, principally derived from external sources. Capital expenditure is projected over the first five years using a detailed forecast of the capital requirements of the Group for new and replacement vehicles and other assets. In the extrapolation of cash flows into perpetuity (the "terminal value"), capital expenditure is assumed to be a 1:1 ratio to depreciation. In line with the requirements of IAS 36, only the cost reductions associated with restructuring programmes already significantly progressed are included within the cash flow projections. The benefits, and cost to achieve relating to our newer productivity and cost improvement programmes have been excluded from the cash flows used in the value in use calculation on the basis that, at the time of assessment, these programmes were still in their early planning phase and were not yet sufficiently advanced. Inclusion of the cost reduction benefits from these programmes would increase the available headroom for all divisions; as the plans become more advanced we expect these savings to be incorporated in future assessments.

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

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

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

- Whilst the global temperature rise above pre-industrial levels increases the likelihood of extreme weather events, the geographical diversity of the Group means that the risk to the Group as a whole is unlikely to be material. We have, nonetheless, factored in an assumption of financial impact from extreme weather disruption, albeit not to the extent of the extreme scenario disclosed in the TCFD section of the Strategic Report.
- The Group's planning assumption is that input costs will not rise significantly above inflation on the basis that, for electric vehicles for example, supply will increase to match demand, and technological advances will also help decrease manufacture costs. Furthermore the Group assumes, based on its detailed modelling of electric versus diesel buses in the UK, that the total cost of ownership of zero emission vehicles will be no worse than their diesel equivalents. This assessment is inclusive of the cost of new electric vehicle infrastructure and assumes no government funding. The Group expects to utilise hydrogen vehicles in the transition to zero emission fleet in long haul coach services and, whilst hydrogen vehicle technology is not currently as well developed as electric, the Group assumes that total cost of ownership for these vehicles will also be no worse than at parity with their diesel equivalents, albeit may require some level of government subsidies on the capital cost and/or the hydrogen fuel.
- The Group already has ambitious targets for the transition to zero emission fleets. These targets are expected to result in the Group having a zero emission fleet before any potential ban on diesel vehicles is imposed by governments. The Group has assessed as very low the risk of the current fleet having a net book value higher than their residual value at the Group's targeted transition dates and has therefore concluded that no changes to the useful economic lives of the Group's current fleet are required.
- The opportunity from modal shift from private cars to public transport is potentially significantly more material than that assumed in the Group's long-term cash flow projections as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions.

14 Intangible assets *continued***Sensitivities to key assumptions**

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

14 Intangible assets continued

The Directors have concluded that there is no risk of impairment for the UK given the significant level of available headroom, and have not provided sensitivity disclosure required by IAS 36.

The Directors consider the assumptions used to be consistent with the historical performance of each cash-generating unit and to be realistically achievable in light of economic and industry measures and forecasts.

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

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

15 Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

15 Property, plant and equipment continued

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

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

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

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

16 Subsidiaries

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

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

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

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

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

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

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

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

¹ The main holding companies of the ALSA Group

Notes to the Consolidated Accounts continued

17 Non-current financial assets and derivative financial assets

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

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

Financial assets at fair value through Other Comprehensive Income

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

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

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

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

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

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

18 Investments accounted for using the equity method

Investments accounted for using the equity method are as follows:

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

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

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

(a) Investments in joint ventures

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

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

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

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

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

(b) Investments in associates

The Group's interests in associates are as follows:

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

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

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

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

19 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA

During the period, the ALSA division acquired control of:

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

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

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

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

As permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets acquired.

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

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

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

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

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

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

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

19 Business combinations, disposals and assets held for sale *continued***(b) Acquisitions – further information**

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

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

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

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

(c) Disposals

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

(d) Assets held for sale

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

20 Non-current assets – trade and other receivables

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

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

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

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

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

Passenger income growth sensitivities

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

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

20 Non-current assets – trade and other receivables continued

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

Energy cost and energy subsidy sensitivity

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

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

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

Labour costs sensitivity

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

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

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

21 Inventories

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

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

22 Current assets – trade and other receivables

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

22 Current assets – trade and other receivables *continued*

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

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

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

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

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

23 Cash and cash equivalents

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

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group, and if repatriated would result in £2.6m of withholding tax (2022: £0.6m).

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

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

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

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

24 Current liabilities – trade and other payables

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

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

Notes to the Consolidated Accounts continued

24 Current liabilities – trade and other payables continued

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

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

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

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

25 Other non-current liabilities

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

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

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

26 Provisions

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

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

26 Provisions *continued***Claims provision**

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

Onerous contracts

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

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

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

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

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

Energy cost and energy subsidy sensitivity

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

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

Driver scarcity and penalties sensitivity

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

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

Discount rate

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

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

Notes to the Consolidated Accounts continued

26 Provisions continued

Other

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

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

27 Deferred tax

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

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

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

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

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

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

27 Deferred tax continued

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

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

28 Borrowings and derivative financial liabilities

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

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

Notes to the Consolidated Accounts continued

29 Interest-bearing borrowings

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

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

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

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

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

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

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

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

29 Interest-bearing borrowings *continued*

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

As at 31 December 2023	< 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	> 5 years £m	Total £m
Fixed rate							
Bank loans	(132.1)	(27.9)	(24.4)	(22.4)	(17.5)	(4.3)	(228.6)
Bonds	-	-	-	-	-	(427.6)	(427.6)
Finance lease receivables	2.7	1.4	0.5	0.6	0.4	3.6	9.2
Lease liabilities	(50.6)	(30.5)	(23.2)	(14.5)	(11.7)	(50.3)	(180.8)
Private placements	-	-	-	(233.9)	-	(170.8)	(404.7)
Floating rate							
Cash assets	356.3	-	-	-	-	-	356.3
Other debt receivables	2.9	-	-	-	-	-	2.9
Bank overdrafts	(62.6)	-	-	-	-	-	(62.6)
Bank loans	(18.6)	-	-	-	-	-	(18.6)
Bonds	-	-	-	-	(231.6)	-	(231.6)
Lease liabilities	(0.3)	-	-	-	-	-	(0.3)
As at 31 December 2022							
Fixed rate							
Bank loans	(81.5)	(24.5)	(27.4)	(23.1)	(21.0)	(16.5)	(194.0)
Bonds	(400.1)	-	-	-	-	-	(400.1)
Finance lease receivables	4.3	3.1	1.5	0.5	0.6	4.0	14.0
Lease liabilities	(57.2)	(34.8)	(22.9)	(17.3)	(8.2)	(55.5)	(195.9)
Private placements	-	-	-	-	(239.0)	(172.9)	(411.9)
Floating rate							
Cash assets	291.8	-	-	-	-	-	291.8
Other debt receivables	2.6	0.2	-	-	-	-	2.8
Bank overdrafts	(58.7)	-	-	-	-	-	(58.7)
Bank loans	(0.9)	(0.9)	-	-	-	-	(1.8)
Bonds	-	-	-	-	-	(221.3)	(221.3)
Lease liabilities	(0.8)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(1.8)

30 Financial risk management objectives and policies**Financial risk factors and management**

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

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

Foreign currency

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

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

Notes to the Consolidated Accounts continued

30 Financial risk management objectives and policies continued

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

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

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

Interest rate risk

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

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

The sensitivity analysis covers all floating rate financial instruments, including the interest rate swaps. If the interest rates applicable to floating rate instruments were increased by 100 basis points, it is estimated that the Group's profit before taxation would decrease by approximately £2.5m (2022: £2.2m) relating to Sterling. The analysis assumes that the amount and mix of floating rate debt, including finance leases, remains unchanged from that in place at 31 December 2023.

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

30 Financial risk management objectives and policies *continued***Commodity prices**

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

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

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

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

Credit risk**(i) Risk management**

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

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

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

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

(ii) Impairment of financial assets

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

Notes to the Consolidated Accounts continued

30 Financial risk management objectives and policies continued

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

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

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

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

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

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

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

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

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

30 Financial risk management objectives and policies *continued***Liquidity risk**

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

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

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

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions, or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group and total £2.6m (2022: £0.6m).

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

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

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

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

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

Notes to the Consolidated Accounts continued

30 Financial risk management objectives and policies continued

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

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

Capital risk management

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

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

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

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

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

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

Fair values

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

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

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

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

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

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

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

Embedded derivatives

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

Hedging activities

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

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

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

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

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

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

¹ Represents the carrying value of the €240.0m Euro-denominated private placements and the €500m Euro bond² Inclusive of cash settlements for the period

Notes to the Consolidated Accounts continued

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

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

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

² Inclusive of cash settlements for the period

Hedge of net investments in foreign entities

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

Fuel derivatives

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

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

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

Fuel derivatives can be analysed as follows:

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

Fair value hedges

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

Cash flow hedges

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

32 Share capital and reserves

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

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

Own shares

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

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

Hybrid reserves

The Group has in issue a Sterling denominated hybrid instrument of £500m, with an annual coupon rate of 4.25%. The contractual terms of the instrument allow the Group to defer coupon payments and the repayment of the principal indefinitely. However, any deferred payments must be made in the event of a dividend distribution. The instrument was issued in November 2020 and the terms also allow for the instrument to be redeemed at the option of the Group at five years after issue (first call date) and 10 years (second call date), and subsequently at each coupon date or in the event of highly specific circumstances (such as a change in IFRS or change of control). As the Group has the unconditional right to avoid transferring cash or another financial asset in relation to this instrument, it is classified within equity. The annual coupon rate is fixed for the first five years, and thereafter reset according to the specific terms of the issuance.

Notes to the Consolidated Accounts continued

32 Share capital and reserves continued

Other reserves

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

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

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

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

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

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

33 Pensions and other post-employment benefits

(a) Summary of pension benefits and assumptions

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

The Company has in the past operated a defined benefit scheme. On 23 September 2021, a full buy-out of the defined benefit section was completed, following which Rothesay Life has become fully and directly responsible for the pension obligations. On completion of the buy-out, the defined benefit assets (comprising the Rothesay Life insurance policy) and matching defined benefit liabilities were derecognised from the Group's Balance Sheet. The buy-out transaction also triggered the return of surplus assets to the Company totalling £7.5m, with the remaining assets retained in the scheme to cover final expenses in completing its wind-up.

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

In 2020, the UK division agreed a new six-year annual deficit plan with the trustees of the West Midlands Integrated Transport Authority Pension Fund, which continues until March 2026 with an average contribution of £7.6m per annum. The plan remains open to accrual for existing members only.

The assets of the defined benefit schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries.

The Group expects to contribute £10.1m into its defined benefit pension plans in 2024.

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

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

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

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

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

Investment risk

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

Interest risk

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

Inflation risk

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

Longevity risk

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

33 Pensions and other post-employment benefits continued

Legislative risk

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

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

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

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

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

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

The Directors regard the assumptions around pensions in payment, discount rate, inflation and mortality to be the key assumptions in the IAS 19 valuation. The following table provides an approximate sensitivity analysis of a reasonably possible change to these assumptions:

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

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

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

33 Pensions and other post-employment benefits *continued***(b) Financial results for pension benefits**

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

33 Pensions and other post-employment benefits continued

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

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

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

The movement in the defined benefit obligations is as follows:

	UK £m	Company £m	Other £m	Total £m
Defined benefit obligation at 1 January 2023	(386.8)	-	(5.6)	(392.4)
Current service cost	(1.6)	-	-	(1.6)
Benefits paid	26.8	-	0.3	27.1
Contributions by employees	(0.5)	-	-	(0.5)
Finance charge	(17.9)	-	(0.4)	(18.3)
Actuarial loss from changes in financial assumptions	(10.9)	-	(0.1)	(11.0)
Actuarial gain arising from changes in demographics	17.8	-	-	17.8
Actuarial (loss)/gain arising from experience adjustments	(10.8)	-	0.2	(10.6)
Defined benefit obligation at 31 December 2023	(383.9)	-	(5.6)	(389.5)
	UK £m	Company £m	Other £m	Total £m
Defined benefit obligation at 1 January 2022	(575.8)	-	(6.7)	(582.5)
Current service cost	(3.5)	-	-	(3.5)
Benefits paid	26.6	-	0.1	26.7
Contributions by employees	(0.6)	-	(0.4)	(1.0)
Finance charge	(10.2)	-	(0.4)	(10.6)
Actuarial gain from changes in financial assumptions	208.9	-	2.2	211.1
Actuarial gain arising from changes in demographics	4.2	-	-	4.2
Actuarial loss arising from experience adjustments	(36.4)	-	(0.4)	(36.8)
Defined benefit obligation at 31 December 2022	(386.8)	-	(5.6)	(392.4)

33 Pensions and other post-employment benefits *continued*

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

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

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

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

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

Notes to the Consolidated Accounts continued

34 Leases

Group as a lessee

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

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

(a) Amounts recognised in the Balance Sheet

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

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

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

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

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

(b) Charges recognised in the Income Statement

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

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

(c) Amounts recognised in the Cash Flow Statement

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

34 Leases continued**(d) Extension and termination options**

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

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

(e) Variable lease payments

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

(f) Residual value guarantees

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

(g) Future lease commitments

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

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

Group as a lessor

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

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

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

(a) Amounts recognised in the Balance Sheet

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

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

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

Notes to the Consolidated Accounts continued

34 Leases continued

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

(b) Credits recognised in the Income Statement

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

(c) Amounts recognised in the Cash Flow Statement

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

35 Commitments, contingencies and insurance contracts

(a) Capital commitments

	2023 £m	2022 £m
Contracted	164.5	164.5

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

(b) Contingent liabilities

Legal

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

(c) Insurance contracts

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

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

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

36 Related party transactions

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

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

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

Compensation of key management personnel of the Group

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

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

Notes to the Consolidated Accounts continued

37 Service concession arrangements

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

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

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

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

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

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

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

Notes to the Consolidated Accounts continued

38 Cash flow statement continued

(b) Analysis of changes in net debt

Net debt is an alternative performance measure which is not defined or specified under the requirements of International Financial Reporting Standards. Please refer to the glossary on page 251 for further information.

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

¹ Net of arrangement fees totalling £3.3m (2022: £1.1m) on bank and other loans

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

³ Excludes accrued interest on long-term borrowings

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

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

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

38 Cash flow statement continued

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

¹ Net of arrangement fees totalling £1.1m (2021:£2.4m) on bank and other loans

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

³ Excludes accrued interest on long-term borrowings

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

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

Notes to the Consolidated Accounts continued

39 Subsidiary undertakings and other significant holdings

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

Name and country of Incorporation	% equity interest	Name and country of Incorporation	% equity interest
United Kingdom & Ireland		National Express Rail Replacement Limited (a)	100
Airlinks The Airport Coach Company Limited (a)	100	National Express Services Limited (a)	100
Airside Transport Services Limited (b)	100	National Express Spanish Holdings Limited (a)	100
Altram L.R.T. Limited (a)	100	National Express Trains Limited (a)	100
Brooke Management Limited (a)	100	National Express Transport Holdings Limited (04338163)* (a)	100
Central Trains Limited (a)	100	National Express UK Limited (a)	100
Clarkes Holdco Limited (a)	100	National Express UK Central Services Limited (a)	100
Coachman Limited (a)	100	N E Canada Limited (08596333)* (a)	100
Coliseum Coaches Limited (a)	100	NE Durham UK Limited (08270480)* (a)	100
E. Clarke & Son (Coaches) Limited (a)	100	NE Europe Finance Limited (07876047)* (a)	100
Eurolines (U.K) Limited (a)	100	NE No.1 Ltd (a)	100
H. Lockett & Co. Limited (a)	100	NE No.2 Ltd (a)	100
London Eastern Railway Limited (a)	100	NE No. 3 Limited (a)	100
Locketts Holdings Limited (a)	100	NE Trains South Limited (a)	100
Locketts Services Limited (a)	100	NXEC Trains Limited (a)	100
Maintrain Limited (a)	100	Scotrail Railways Limited (a)	100
Midland Main Line Limited (a)	100	Silverlink Train Services Limited (a)	100
National Express Group Limited (a)	100	Solent Coaches Limited (a)	100
Mortons Travel Limited (a)	100	Speedlink Airport Services Limited (a)	100
National Express Bus & Coach Services Limited (b)	100	Stewarts Coach Group Limited (a)	100
National Express European Holdings Limited (05652775)* (a)	100	Stewarts Coaches Limited (a)	100
National Express Finance Company Limited (a)	100	The Kings Ferry Limited (a)	100
National Express Financing LP** (a)	100	Travel Coventry Limited (previously WM Card Systems Limited) (a)	100
National Express Group Holdings Limited (04339932) (a)	100	Travel Merryhill Limited (a)	100
National Express Holdings Limited (02156473)* (a)	100	Travel West Midlands Limited (a)	100
National Express Intermediate Holdings Limited (a)	100	Travel WM Limited (a)	100
National Express International Limited (a)	100	Travel Yourbus Limited (a)	100
National Express Jersey Limited	100	West Anglia Great Northern Railway Limited (a)	100
National Express Leisure Limited (previously Locketts Travel Limited) (a)	100	West Midlands Accessible Transport Limited (previously Travel Coventry Limited) (a)	100
National Express Limited (a)	100	West Midlands Travel Limited (a)	100
National Express Liverpool Limited	100	W M Property Holdings Limited (a)	100
National Express Manchester Limited (a)	100	WM Travel Limited (a)	100
National Express Manchester (South) Limited	100	W M Ventures Limited (a)	100
National Express Middle East Plc (a)	100	Wood's Coaches Limited (a)	100
National Express North America Holdings Limited (07855182)* (a)	100	Woods Reisen Limited (a)	100
National Express Operations (Stansted) Limited (a)	100	Worthing Coaches Limited (a)	100
National Express Operations Limited (02609812) (a)	100		

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest	Name and country of Incorporation	% equity interest
Bahrain		Portugal	
Bahrain Public Transport Company W.L.L. (c)	50	BC Tours Portugal S.L (v)	100
Germany		Tiac Viagens e Turismo Lda (u)	100
National Express Germany GmbH (d)	95	Alsa Todi Metropolitana de Lisboa (v)	65
National Express Holding GmbH (d)	100	Alsa Portugal – Aluguer de veiculos, Unipessoal, Lda. (v)	100
National Express Rail GmbH (e)	100	Spain	
Süddeutsche Regionalbahn GmbH (d)	100	Aerobús – Zaragoza S.L (x)	100
Czech Republic		Agreda Bus, S.L (x)	70
National Express Cz s.r.o. (f)	100	Alianza Bus, S.L.U. (y)	100
Netherlands		Alsa Atlántica, S.L.U. (z)	100
National Express Holdings LLC BV (g)	100	Alsa Ferrocarril, S.A.U. (z)	100
Andorra		Alsa Granada Airport S.L. (aa)	100
Estació 2017, S.A. (h)	11	Alsa Grupo, S.L.U. (z)	100
Transports Dels Pirineus (h)	100	Alsa Innovación y Proyectos de Movilidad, S.L. (ab)	100
France		Alsa Internacional, S.L.U. (z)	100
(ABG) Alsa Bustours Gex (i)	100	Alsa Metropolitana, S.A.U. (y)	100
Alsa Puerto Rico, LLC (j)	100	Alsa Buses Extremadura, S.L. (ac)	100
Iberolines (k)	50	Alsa Micromobility, S.L.U. (z)	100
SARL Chamexpress.com (l)	100	Alsa Rail, S.L.U. (z)	100
Morocco		Alsa Internacional, S.L.U. y Otros U.T.E. (y)	100
Alsa al Baida (m)	100	Alsa Transporte Sanitario, S.L. (ad)	60
Alsa City Agadir S.A. (n)	100	Alsa Servicios Logísticos Ferroviarios, S.L. (ad)	100
Alsa City Sightseeing Maroc (o)	100	Aplic. Y Sist. Integrales Para el Transporte, S.A. (ae)	100
Alsa City Tour S.A.R.L. (o)	95	Aragonesa de Estación de Autobuses, S.A. (af)	52
Alsa Citybus Rabat-Salé-Temara, S.A. (p)	51	Argabus, S.A. (ag)	100
Alsa Education a la Sécurité Routière S.A.R.L. (o)	99	Artazo Servicios Integrales, S.L. (ah)	100
Alsa Intercity Services, S.A. (q)	100	Asturies Berlinas de Luxu, S.L. (ai)	50
Alsa Khouribga S.A. (r)	100	Autobuses Urbanos de Bilbao, S.A. (aj)	75
Alsa Tanger S.A. (s)	100	Autobuses Urbanos de León, S.A.U. (ak)	100
Centre de Formation Techn. Profes. Transport S.A.R.L. (o)	99	Autocares Castilla-Leon, S.A.U. (al)	100
Groupe Alsa Transport S.A. (o)	100	Autocares de Badajoz, S.L. (am)	100
Immeubles Véhicules Accessoires Maroc S.A.R.L. (o)	80	Autocares Discrecionales del Norte, S.L.U. (an)	100
Interprovincial Maroc S.A.R.L. (o)	100	Automóviles Luarca, S.A.U. (ao)	100
Transport de Voyageurs en Autocar Maroc S.A. (o)	100	Automóviles Sigras Carral, S.A. (ap)	100
		Autos Cal Pita, S.A. (ap)	100
		Autos Pelayo, S.A.U. (z)	100
		Autos Rodríguez Eocar, S.L. (aq)	85
		Bahía Zero, S.L. (ci)	75
		Baleares Business Cars, S.L. (ai)	100
		Baleares Consignatarios, S.L.U. (ar)	100

Notes to the Consolidated Accounts continued

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest	Name and country of Incorporation	% equity interest
Baleares Consignatarios Tours, S.L.U. (ar)	100	Gorbea Representaciones, S.L. (an)	100
Berlinas de Asturias, S.L. (ai)	100	Guaguas Gumidafe, S.L. (ah)	100
Berlinas Calecar, S.L.U. (al)	100	Grupo Enatcar, S.A. (y)	100
Berlinas de Canarias, S.L. (ai)	100	Intercambiadores Europeos, S.L. (z)	60
Berlinas de Toledo, S.L. (ai)	100	Intercar Business Cars, S.L. (bo)	100
Berlinas Menorca S.L. (t)	25	International Business Limousines, S.A.U. (bp)	100
Berlinas VTC de Cantabria, S.L.U. (as)	100	Interurbana de Autocares, S.A.U. (z)	100
Bilboko Hiribus Jasangarría, S.L. (aj)	78	Irubus, S.A.U. (y)	100
Buses de Palencia, S.L. (at)	75	Jimenez Lopera, S.A.U. (bp)	100
Bus Metropolitano de Granada, S.L. (aa)	100	La Unión Alavesa, S.L. (bj)	50
Busturialdea Lea Artibai Bus, S.A. (au)	65	La Unión de Benisa, S.A. (bq)	98
Bus Urbano de Castro Urdiales, S.L. (as)	60	Los Abades de la Gineta, S.L.U. (y)	100
Canary Business Cars, S.L. (ai)	100	Mybustest, S.L. (z)	50
Cataluña Business Cars, S.L. (ai)	100	Mai Tours, S.L.U. (bs)	100
Cetralsa Formación, S.L.U. (z)	100	Manuel Vázquez, S.L. (bt)	60
Cía. Del Tranvía Eléctrico de Avilés, S.A. (av)	100	Marason Bus, S.L. (t)	50
Compañía Navarra de Autobuses, S.A. (aw)	50	Mobility On Time, S.L. (t)	45
Compostelana, S.A.U. (ax)	100	Movelía Tecnologías, S.L. (bu)	77
Concesionario Estación Autobuses Logroño, S.A. (ay)	23	Movilidad Balear, S.L.U. (bv)	100
Ebrobus, S.L.U. (z)	100	Movilidad Multimodal, S.L. (ad)	100
Estación Autobuses de Cartagena, S.A. (az)	54	Movilidad Peninsular, S.L. (ad)	100
Estación Autobuses de Ponferrada, S.A. (ba)	49	Mundaka Consultoria, S.L.U. (an)	100
Estación Central de Autobuses de Zaragoza, S.A. (bb)	85	NEX Continental Holdings, S.L.U. (z)	100
Estación de Autobuses Aguilar de Campoo, S.L. (bd)	67	NX Middle East, S.L.U. (bw)	100
Estación de Autobuses de Aranda de Duero, S.L. (be)	43	Proyectos Unificados, S.A.U. (z)	100
Estación de Autobuses de Astorga, S.L. (bf)	93	Publi Imagen Granada, S.L.U. (aa)	100
Estación de Autobuses de Aviles S.L. (bg)	100	Representaciones Mecánica, S.A.U. (an)	100
Estación de Autobuses de León, S.A. (al)	89	Return Viajes, S.L. (bx)	50
Estación de Autobuses de Plasencia, S.A. (bh)	69	Rutas a Cataluña, S.A. (by)	28
Estación de Autobuses de San Lorenzo del Escorial, S.A.U. (y)	100	Rutas del Cantábrico, S.L. (an)	95
Estación de Autobuses de Ribadeo, S.L. (bi)	50	Semarvi (z)	34
Estación de Líneas Regulares, S.L. (bk)	49	Serviareas 2000, S.L.U. (z)	100
Estaciones Terminales de Autobuses, S.A. (bl)	80	Servicios Auxiliares del Transporte C.B. (bz)	100
Euska Alsa, S.L.U. (an)	100	Servicios del Principado, S.A.U. (z)	100
Explotación Gasoleo Estación de Autobuses A Coruña, S.L. (bm)	40	Servicios El Temple, S.L. (ap)	100
Ezkerraldea-Meatzaldea Bus, S.A. (au)	65	Servicios Empresariales Especiales, S.L.U. (an)	100
Gal Bus. S.L. (ap)	51	Setra Ventas y Servicios, S.A.U. (bp)	100
G.S. Carretera (bn)	25	Sevirama, S.L. (ca)	30
General Técnica Industrial, S.L.U. (z)	100	Shore and Landtours SLU (ap)	70
Gestión de Movilidad Intermodal, S.L. (ad)	100	Sociedad Anónima Unipersonal Alsina Graells de A.T. (cb)	100

39 Subsidiary undertakings and other significant holdings *continued*

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

Notes to the Consolidated Accounts continued

39 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest	Name and country of Incorporation	% equity interest
Monroe School Transportation, Inc. (dm)	100	WeDriveU Canada, Inc. (co)	100
MV Student Transportation, Inc. (dn)	100	WeDriveU Holdings, Inc. (co)	100
National Express Acquisition Corporation (de)	100	WeDriveU Leasing, Inc (co)	100
National Express Durham Holding Corporation (de)	100	White Plains Bus Co., Inc. (dm)	100
National Express LLC (de)	100	Whitetail Bid Co., LLC (de)	100
National Express Leasing Company LLC (de)	100	Wise Coaches, Inc. (ce)	100
National Express Transit Corporation (de)	100		
National Express Transit Services Corporation (de)	100	Canada	
New Dawn Transit LLC (dm)	100	National Express Canada (Holdings) Limited (bc)	100
Petermann Acquisition Co., LLC (de)	100	National Express Canada Transit Ltd (bc)	100
Petermann Acquisition Corporation (de)	100	Stock Transportation Ltd (bc)	100
Petermann Holding Co., LLC (de)	100		
Petermann Ltd. (di)	100	* These subsidiaries are exempt from the requirements of the UK companies Act 2006 relating to the audit of individual accounts by virtue of S479A of the Act. Outstanding liabilities of the exempt companies at the Balance Sheet date are guaranteed pursuant to Sections 479A-C of the Act.	
Petermann Northeast, LLC (di)	100	** National Express Financing LP is exempt from preparing accounts in accordance with Part 2, Regulation 7 of The Partnerships (Accounts) Regulations 2008, as it is included within the Group consolidated financial statements for the year ending 31 December 2023.	
Petermann Northwest, LLC (de)	100		
Petermann Partners, Inc. (de)	100		
Petermann Southwest, LLC (de)	100		
Petermann STS, LLC (de)	100		
Petermann STSA, LLC (de)	100		
PM2 Co. LLC (de)	100		
Quality Bus Service, LLC (dm)	100		
Queen City Transportation, LLC (di)	100		
Rainbow Management Service, Inc. (dm)	100		
Safeway Training and Transportation Services, Inc. (cv)	100		
Septran, Inc. (cz)	100		
Smith Bus Service, Inc. (do)	100		
Suburban Paratransit Services, Inc. (dm)	100		
Total Transit Enterprises, LLC (dp)	100		
Trans Express, Inc. (dm)	100		
Transit Express, Inc. (dl)	100		
Transit Express Services, Inc. (dl)	100		
Trinity, Inc. (dj)	100		
Trinity Cars, Inc. (dj)	100		
Trinity Coach LLC (dj)	100		
Trinity Management Services Co. LLC (dq)	100		
Trinity Student Delivery LLC (dj)	100		
TWB Transport, LLC (da)	100		
WeDriveU, Inc. (co)	100		
WeDriveU America LLC (cz)	100		

39 Subsidiary undertakings and other significant holdings continued

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

Notes to the Consolidated Accounts continued

39 Subsidiary undertakings and other significant holdings continued

Key	Address	Key	Address
(bt)	C/ Jacques Cousteau, 2 – Arteijo (A Coruña)	(de)	1209 Orange Street, Corporation Trust Center, New Castle County, Wilmington, DE 19801-1120
(bu)	C/ Santa Leonor, 65 –Avalón Parque Empresarial, Edificio A, Madrid	(df)	4701 Cox Road, Glen Allen, County of Henrico, VA 23060
(bv)	C/ Porto Pi, 8 – Palma de Mallorca	(dg)	3800 North Central Avenue, Ste. 460 Phoenix, AZ 85012
(bw)	C/ Inglaterra, 20-22, Palencia (34004)	(dh)	155 Federal Street, Suite 700, Boston, MA 02110
(bx)	Madrid (Las Rozas), Avda de Marsil 33	(di)	4400 Easton Commons Way, Suite 125, Columbus, County of Franklin, OH 43219
(by)	C/ Musico Gustavo Freire, 1 -1º Dcha, Lugo (27001)	(dj)	40600 Ann Arbor Road E., Suite 201, Plymouth, MI 48170-4675
(bz)	C/ Mendez Álvaro (Estación de Autobuses), Madrid	(dk)	820 Bear Tavern Road, West Trenton, NJ 08628
(ca)	Paseo Colón, 18, Bajo Dcha. Sevilla	(dl)	301 S. Bedford St., Suite 1, Madison, WI 53703
(cb)	C/ Ali Bei, 80 (Estación de Autobuses), Barcelona (08013)	(dm)	28 Liberty Street, New York, NY 10005
(cc)	Barrio Ubilluts, Andoáin – Guipuzcoa	(dn)	40 West Lawrence, Suite A, Helena, Montana 59601
(cd)	c/ Santander, 71 – Barcelona	(do)	2405 York Road, Ste. 201, Lutherville Timonium, MD 21093-2264
(ce)	300 Montvue Road, Knoxville, TN 37919	(dp)	3800 North Central Avenue, Suite 460, Phoenix, AZ 85012
(cf)	Gran Vía de D. Ingacio de Haro, 81, Bilbao	(dq)	4624 13th St., Wyandotte, MI 48192
(cg)	C/Pepe Cosmen, (Estación de Autobuses), Oviedo (33001)	(dr)	333 North Brand Blvd., Suite 700, Glendale, CA 91203
(ch)	Plaza Coca Piñera, s/n (Estación de Autobuses), Jaén		
(ci)	Avda Candina, 35-37, Santander (39011)		
(cj)	C/ Investigación. Nº 2 – Getafe (Madrid)		
(ck)	Pol. Ind. Espirtiu Santo, Oviedo (33010)		
(cl)	Paraje de la Asomada, Cartagena (Murcia)		
(cm)	Avda Juan Carlos I, s/n. Ronda del Ingeniero, Vélez Málaga (Málaga)		
(cn)	Polígono Industrial del Henares, Calle Livorno, 55, Marchamalo, Guadalajara (19180)		
(co)	333 North Brand Blvd., Suite 700, Glendale, CA 9120339		
(cp)	C/ Eduardo Torroja, 57 – Madrid		
(cq)	S' den Serral (San Agustín) Sant Josep de sa Talaia, Illes Balears		
(cr)	8 Chemin de Morglas, 1214, Genève		
(cs)	Rue du Mont Blanc 14, 1201, Genève		
(ct)	Chemin de Morglas, 8 – Vernier		
(cu)	Chemin Des Aulx 9 – Plan Les Ouates – Switzerland		
(cv)	9 Capitol Street, Concord, NH 03301		
(cw)	1200 Pine Island Road, Plantation, FL 33324		
(cx)	289 Culver Street, Lawrenceville, GA 30046		
(cy)	3867 Plaza Tower Drive, Baton Rouge, LA 70816		
(cz)	334 North Senate Avenue, Indianapolis, IN 46204		
(da)	208 S. LaSalle Street, Chicago, County of Cook, IL 60604		
(db)	8020 Excelsior Drive, Suite 200, Madison, WI 53717		
(dc)	600 N. 2nd Street, Suite 401, Harrisburg, PA 17101-1071		

40 Post balance sheet events

Put liabilities to Non-controlling interests

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

Acquisition of Canary Bus

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

Potential disposal of North America School Bus business

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

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

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

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

Company Balance Sheet

At 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets		0.5	0.6
Property, plant and equipment		0.1	0.1
Investments in subsidiaries	3	2,824.0	2,329.8
Debtors: amounts falling due after more than one year	6	254.4	735.0
Derivative financial instruments	4	-	2.7
Deferred tax assets	10	6.0	25.5
Total non-current assets		3,085.0	3,093.7
Current assets			
Debtors: amounts falling due within one year	5	50.1	39.2
Derivative financial instruments	4	6.4	25.2
Cash at bank and in hand	7	173.0	114.2
Total current assets		229.5	178.6
Current liabilities			
Creditors: amounts falling due within one year	8	(322.8)	(687.6)
Derivative financial instruments	4	(21.5)	(29.3)
Provisions for liabilities and charges		(0.4)	-
Current tax liability		(0.3)	-
Total current liabilities		(345.0)	(716.9)
Net current liabilities		(115.5)	(538.3)
Total assets less current liabilities		2,969.5	2,555.4
Non-current liabilities			
Creditors: amounts falling due after more than one year	9	(1,063.9)	(633.2)
Derivative financial instruments	4	(8.6)	(17.6)
Provisions for liabilities and charges		(0.5)	(0.9)
Total non-current liabilities		(1,073.0)	(651.7)
Net assets		1,896.5	1,903.7
Shareholders' equity			
Share capital	12	30.7	30.7
Share premium		533.6	533.6
Own shares		(3.6)	(3.9)
Hybrid reserve		513.0	513.0
Other reserves	13	225.3	226.2
Retained earnings		597.5	604.1
Shareholders' equity		1,896.5	1,903.7

The Company reported a profit for the financial year ended 31 December 2023 of £49.2m (2022: £4.0m profit).

Ignacio Garat

I Garat
Group Chief Executive Officer

21 April 2024

Company Number 02590560

J. Stamp

J Stamp
Group Chief Financial Officer

Company Statement of changes in Equity

For the year ended 31 December 2023

	Share capital £m	Share premium £m	Own shares (note 16) £m	Hybrid reserve £m	Other reserves (note 17) £m	Retained earnings £m	Total £m
At 1 January 2023	30.7	533.6	(3.9)	513.0	226.2	604.1	1,903.7
Profit for the year	-	-	-	-	-	49.2	49.2
Revaluation through Other Comprehensive Income	-	-	-	-	(4.7)	-	(4.7)
Transfers to the Income Statement on cash flow hedges	-	-	-	-	3.8	-	3.8
Total comprehensive income	-	-	-	-	(0.9)	49.2	48.3
Own shares released to satisfy employee share schemes	-	-	0.3	-	-	(0.3)	-
Share-based payments	-	-	-	-	-	1.6	1.6
Accrued payments on hybrid instrument	-	-	-	21.3	-	(21.3)	-
Payments on hybrid instrument	-	-	-	(21.3)	-	-	(21.3)
Dividends paid to shareholders of Company	-	-	-	-	-	(41.1)	(41.1)
Deferred tax on hybrid bond payments	-	-	-	-	-	5.3	5.3
At 31 December 2023	30.7	533.6	(3.6)	513.0	225.3	597.5	1,896.5

The Company's retained earnings include £396.2m (2022: £361.4m) that is available for distribution. Own shares have been purchased out of distributable profits and therefore reduce the reserves available for distribution. Share premium, the capital redemption reserve and the hybrid reserve are also not distributable. Within other reserves, the merger reserve is fully distributable, and the capital redemption, hedging and cost of hedging reserves are not distributable.

Details of dividends paid, declared and proposed during the year are given in note 12 to the Group Consolidated Financial Statements.

	Share capital £m	Share premium £m	Own shares (note 16) £m	Hybrid reserve £m	Other reserves (note 17) £m	Retained earnings £m	Total £m
At 1 January 2022	30.7	533.6	(4.5)	513.0	225.4	615.6	1,913.8
Profit for the year	-	-	-	-	-	4.0	4.0
Revaluation through Other Comprehensive Income	-	-	-	-	8.6	-	8.6
Transfers to the Income Statement on cash flow hedges	-	-	-	-	(7.8)	-	(7.8)
Total comprehensive income	-	-	-	-	0.8	4.0	4.8
Shares purchased	-	-	(0.3)	-	-	-	(0.3)
Own shares released to satisfy employee share schemes	-	-	0.9	-	-	(0.7)	0.2
Share-based payments	-	-	-	-	-	1.2	1.2
Accrued payments on hybrid instrument	-	-	-	21.3	-	(21.3)	-
Payments on hybrid instrument	-	-	-	(21.3)	-	-	(21.3)
Deferred tax on hybrid bond payments	-	-	-	-	-	5.3	5.3
At 31 December 2022	30.7	533.6	(3.9)	513.0	226.2	604.1	1,903.7

Notes to the Company Accounts

For the year ended 31 December 2023

1 Employee numbers

The average number of employees during the year was 73 (2022: 78).

2 Directors' emoluments

Detailed information concerning Directors' emoluments, shareholdings and options is shown in the Directors' Remuneration Report.

3 Investments in subsidiaries

	£m
Cost or valuation:	
At 1 January 2023	2,863.3
Additions	752.3
At 31 December 2023	3,615.6
Provisions:	
At 1 January 2023	533.5
Charge in the year	258.1
At 31 December 2023	791.6
Net carrying amount:	
At 31 December 2023	2,824.0
At 1 January 2023	2,329.8

The addition in the year represents an additional investment in National Express Intermediate Holdings Limited of £752.3m.

The Company assesses its investments in subsidiaries annually for indicators of impairment. The Company has performed a detailed assessment in the current year given that the Group's market capitalisation value remains below the net carrying amount of investments in subsidiaries, which is seen as an indicator of potential impairment.

This assessment for National Express Intermediate Holdings Limited, the principal holding company for the Group's trading subsidiaries, showed that the value in use significantly exceeded the net carrying value of the investment in subsidiaries, and, as a result, no impairment was required. The recoverable amount has been determined with reference to the value in use of each of the underlying trading companies, calculated on the same basis as detailed in note 14 to the Group Consolidated Financial Statements.

The assessment for National Express Financing LP, a standalone entity, showed that the recoverable amount was lower than the value of the investment and therefore has been impaired by the full investment value.

A full list of principal subsidiaries of the Company can be found in note 16 to the Group Consolidated Financial Statements.

4 Derivative financial instruments

	2023 £m	2022 £m
Cross currency swaps	-	2.7
Non-current derivative financial assets	-	2.7
Cross currency swaps	0.4	8.0
Foreign exchange forward contracts	6.0	17.2
Current derivative financial assets	6.4	25.2
Interest rate derivatives	(7.0)	(17.6)
Cross currency swaps	(1.6)	-
Non-current derivative financial liabilities	(8.6)	(17.6)
Interest rate derivatives	(10.8)	(9.2)
Cross currency swaps	-	(15.6)
Foreign exchange forward contracts	(10.7)	(4.5)
Current derivative financial liabilities	(21.5)	(29.3)

Full details of the Group's financial risk management objectives and policies can be found in note 30 to the Group Consolidated Financial Statements. As the holding company for the Group, the Company faces similar risks over foreign currency and interest rate movements.

5 Debtors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	43.3	31.8
Corporation tax recoverable	-	1.7
Prepayments and other debtors	6.8	5.7
	50.1	39.2

Expected credit losses in respect of amounts owed by subsidiary undertakings due within one year were £nil (2022: £nil) at the reporting date. Amounts owed by subsidiary undertakings due within one year are short term in nature and settlement is expected within 30 days.

6 Debtors: amounts falling due after more than one year

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	251.1	733.5
Prepayments and other debtors	3.3	1.5
	254.4	735.0

Expected credit losses in respect of amounts owed by subsidiary undertakings due after more than one year were £nil (2022: £nil) at the reporting date. For the purpose of the impairment assessment, amounts owed by subsidiary undertakings are considered low credit risk and therefore, the Company measures the provision at an amount equal to 12-month expected credit losses. The subsidiary undertakings with amounts owing to the Company are all solvent and hence the probability of default is considered to be insignificant.

7 Cash at bank and in hand

	2023 £m	2022 £m
Cash at bank	3.0	0.8
Short-term deposits	170.0	113.4
	173.0	114.2

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash equals the carrying value.

8 Creditors: amounts falling due within one year

	2023 £m	2022 £m
Trade creditors	9.3	9.0
Amounts owed to subsidiary undertakings	277.9	235.8
Accruals and deferred income	8.0	14.1
Accrued interest on borrowings	7.0	2.8
Bank overdrafts	20.6	25.8
Bonds	-	400.1
	322.8	687.6

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

9 Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
Bonds	659.2	221.3
Private placements	404.7	411.9
	1,063.9	633.2

Notes to the Company Accounts continued

10 Deferred tax

Deferred tax included in the Balance Sheet is as follows:

	2023 £m	2022 £m
Deferred tax assets	6.0	25.5
Deferred tax liability	-	-
Net deferred tax asset	6.0	25.5

The major components of the provision for deferred taxation are as follows:

	2023 £m	2022 £m
Accelerated capital allowances	0.1	0.1
Other timing differences	0.1	0.1
Losses carried forward	5.8	25.3
Net deferred tax asset	6.0	25.5

A reconciliation of the deferred tax balances is as follows:

	Deferred tax assets £m
Deferred tax at 1 January 2023	25.5
Tax charge to Income Statement	(24.8)
Tax credit to Other Comprehensive Income	5.3
Deferred tax at 31 December 2023	6.0

Timing differences associated with investments

£nil deferred tax (2022: £nil) is recognised on the unremitted earnings of subsidiaries and associates, as no dividends have been accrued as receivable and no binding agreement to distribute the past earnings in the future has been entered into by the subsidiaries.

Unrecognised tax losses

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit against future taxable profits is probable. Deferred tax assets that the Company has not recognised in the accounts amount to £20.9m (2022: £nil).

11 Interest-bearing loans and borrowings

The effective interest rates at the balance sheet date were as follows:

	2023 £m	Maturity	Effective interest rate	2022 £m	Maturity	Effective interest rate
Current						
Bank overdrafts	20.6	-	-	25.8	-	-
7-year Sterling bond	-	-	-	400.1	November 2023	2.54%
Accrued interest on borrowings	7.0	-	-	2.8	-	-
Total current	27.6			428.7		
Non-current						
9-year Sterling bond	231.6	November 2028	GBP SONIA + 1.98% ¹	221.3	November 2028	GBP SONIA + 1.98% ¹
8-year Euro bond	427.6	September 2031	4.875%	-	-	-
Private placements	404.7	2027-2032	1.92%	411.9	2027-2032	1.92%
Total non-current	1,063.9			633.2		

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

The Company currently has £600.0m of unsecured committed revolving credit facilities which mature in 2028 and contain two annual extension options to extend the maturity to 2030. At 31 December 2023, there was £nil (2022: £nil) drawn down on the facilities, with £3.3m (2022: £1.2m) of capitalised deal fees remaining, which are classified within prepayments.

Details of the Company's interest rate management strategy and interest rate swaps are included in notes 30 and 31 to the Group Consolidated Financial Statements.

12 Share capital

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

The total number of share options exercised in the year by employees of the Company was 162,261 (2022: 251,605) of which all (2022: all) exercises were satisfied by transferring shares from the National Express Employee Benefit Trust.

Own shares

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

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

13 Other reserves

	Capital redemption reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Merger reserve £m	Total £m
At 1 January 2023	0.2	2.4	(0.5)	224.1	226.2
(Losses)/Gains on hedging	-	(5.0)	0.3	-	(4.7)
Hedging losses reclassified to Income Statement	-	3.8	-	-	3.8
At 31 December 2023	0.2	1.2	(0.2)	224.1	225.3

	Capital redemption reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Merger reserve £m	Total £m
At 1 January 2022	0.2	1.7	(0.6)	224.1	225.4
Gains on hedging	-	8.5	0.1	-	8.6
Hedging gains reclassified to Income Statement	-	(7.8)	-	-	(7.8)
At 31 December 2022	0.2	2.4	(0.5)	224.1	226.2

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

- The cash flow hedge reserve records the movements on designated hedging instruments.
- The cost of hedging reserve records the movements in the currency basis, which are excluded from the hedging instrument on the designated hedging instruments in the cash flow hedge reserves.
- The merger reserve included the premium on the share issue in May 2020.

14 Share-based payments

During the year ended 31 December 2023, the Company had a number of share-based payment arrangements, which are described in note 9 to the Consolidated Accounts, along with all required disclosures.

15 Commitments and contingencies

Contingent liabilities

Guarantees

The Company has guaranteed credit facilities totalling £nil (2022: £nil) of certain joint ventures. The Company has also guaranteed certain liabilities of a number of its subsidiaries under Section 479C of the Companies Act 2006. These subsidiaries are highlighted in the full subsidiaries listing in note 39 to the Consolidated Accounts.

Bonds and letters of credit

In the ordinary course of business, the Company is required to issue counter-indemnities in support of its operations. As at 31 December 2023, the Company had performance bonds in respect of businesses in the USA of £197.0m (2022: £132.7m), in Spain of £114.4m (2022: £89.9m), in Germany of £29.6m (2022: £25.8m), and in the Middle East of £6.3m (2022: £10.3m). Letters of credit have been issued to support insurance retentions of £181.3m (2022: £179.8m).

Five Year Summary

	2023	2022	2021	2020	2019
Group Adjusted					
Revenue	3,150.9	2,807.5	2,170.3	1,955.9	2,744.4
Adjusted operating profit/(loss)	168.6	197.3	87.0	(50.8)	295.3
Return on capital	7.0%	7.6% ¹	3.4%	(2.0)%	12.4%
Basic EPS	4.5	15.0	0.2	(14.6)	34.5%
IFRS					
Revenue	3,150.9	2,807.5	2,170.3	1,955.9	2,744.4
Operating (loss)/profit	(21.4)	(173.5) ¹	(36.2)	(381.4)	242.3
PBT	(98.3)	(225.3) ¹	(84.9)	(447.7)	187.0
Basic EPS	(30.2)	(41.4) ¹	(16.6)	(57.9)	27.6
Dividends per share	1.7	5.0	Nil	Nil	16.4
Net (debt)/funds					
Cash	356.3	291.8	508.4	629.8	715.8
Bank overdrafts	(62.6)	(58.7)	(132.2)	(109.3)	(237.5)
Other debt receivable	2.9	2.7	1.0	1.2	2.4
Bonds	(659.2)	(621.4)	(640.9)	(647.0)	(1,081.9)
Bank loans	(243.9) ²	(194.7)	(189.6)	(101.8)	(242.6)
Fair value of derivatives included in net debt	(18.6)	(32.0)	(3.7)	(4.7)	15.0
Lease liabilities ³	(171.9)	(183.7)	(218.9)	(311.3)	(385.0)
Private placements	(404.7)	(411.9)	(393.9)	(476.8)	(68.3)
Net debt	(1,201.7)	(1,207.9)	(1,069.8)	(1,019.9)	(1,282.1)

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

² Net of arrangement fees totalling £3.3m on bank and other loans

³ Lease liabilities are reported net of finance lease receivables that are reported separately from borrowings on the face of the Group's Balance Sheet

Environmental performance

Absolute emissions

Commentary on the year on year movements in absolute emissions can be found within the Taskforce for Climate Related Disclosures (TCFD) on pages 65 to 78.

tCO ₂ e emissions by scope	2020	2021	2022	2023	Change (2022 vs. 2023)
Scope 1	514,106	657,239	830,287	834,815	0.5%
Scope 2	67,879	73,649	83,577	79,122	-5.3%
Scope 3	8,641	5,762	600,400 ¹	497,280	-17.2%
Total	590,626	736,650	1,514,264	1,411,217	-6.8%

¹ The Group completed a full baseline assessment of Group-wide Scope 3 emissions for the first time during the prior year and included all relevant categories in the 2022 and 2023 numbers. Prior to 2022, scope 3 included only business travel, waste, water and certain other upstream emissions.

tCO ₂ e emissions by division	2020	2021	2022 ¹	2023	Change (2022 vs. 2023)
ALSA	234,477	368,714	712,900	696,851	-2.3%
Bahrain	20,214	17,810	23,946	29,898	24.9%
Germany	52,347	58,939	122,486	105,651	-13.7%
United Kingdom	142,769	147,789	288,524	256,900	-11.0%
USA and Canada	140,168	142,800	362,514	318,590	-12.1%
Central Functions	569	598	3,894	3,327	-14.6%
Group total	590,544	736,650	1,514,264	1,411,217	-6.8%

¹ The Group completed a full baseline assessment of Group-wide Scope 3 emissions for the first time during the prior year and included all relevant categories in the 2022 and 2023 numbers. Prior to 2022, scope 3 included only business travel, waste, water and certain other upstream emissions.

Scope 3 by category

Category	2022 Absolute emissions (tCO ₂ e)	2023 Absolute emissions (tCO ₂ e)	2023 % of total scope 3	% change from 2022
1. Purchased goods & services	221,783	138,835	27.9%	-37.4%
2. Capital goods	92,680	92,435	18.6%	-0.3%
3. Upstream fuel and energy production and distribution	214,893	201,723	40.6%	-6.1%
4. Upstream transportation & distribution	N/A	N/A	N/A	N/A
5. Waste and water	1,967	683	0.1%	-65.3%
6. Business travel	2,349	2,390	0.5%	1.7%
7. Employee commuting	41,819	43,062	8.7%	3.0%
8. Upstream leased assets	10,543	15,533	3.1%	47.3%
9. Downstream transportation & distribution	N/A	N/A	N/A	N/A
10. Processing of sold products	N/A	N/A	N/A	N/A
11. Use of sold products	N/A	N/A	N/A	N/A
12. End-of-life treatment of sold products	N/A	N/A	N/A	N/A
13. Downstream leased assets	1,118	1,194	0.2%	6.8%
14. Franchises	N/A	N/A	N/A	N/A
15. Investments	13,248	1,425	0.3%	-89.2%
Total	600,400	497,280	100.0%	-17.2%

Environmental performance continued

Intensity metrics

	2020	2021	2022	2023 (2022 vs. 2023)	
Group totals (million pass.km)	24,656	28,932	37,804	38,776	2.6%
Traction Carbon Emissions (Scope 1 & 2) tCO ₂ e/mpkm	22.28	24.15	23.38	22.84	-2.3%
Total tCO ₂ e per million pass.km (Scope 1, 2 & 3)	23.93	25.34	40.06	36.39	-9.2%

Emissions reporting methodology

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with appropriate emission factors taken from recognised public sources including, but not limited to, the Department for Business, Energy & Industrial Strategy (BEIS), Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental Panel on Climate Change.

The Group has an operational control boundary covering 100% of its business activities, and we have used a materiality threshold of 5%, have accounted for all material sources of GHG emissions and have reported emissions for the period 1 January 2023 to 31 December 2023 in line with our Financial Statements.

We are committed to ensuring that our GHG accounting system, results and accompanying reports remain robust, continue to enhance our Group-level emission performance year-on-year and are in compliance with the mandatory requirements of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (which Regulations implement the Government's policy on Streamlined Energy and Carbon Reporting (SECR)).

Streamlined Energy and Carbon Reporting

SECR regulations require the reporting (in MWh rather than tCO₂ in line with existing standards) of the aggregate of:

- the annual quantity of energy consumed from activities for which the Company is responsible, including the combustion of fuel and the operation of any facility; and
- the annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use.

MWh by division	2022	2023
ALSA	1,566,970	1,707,075
USA and Canada	815,442	782,395
United Kingdom	622,607	681,416
Germany	196,221	199,759
Bahrain	56,081	66,061
All	3,257,321	3,436,706
Energy consumed from the activities for which the Company is responsible, including the combustion of fuel and the operation of any facility	3,012,927	3,181,141
Energy consumed resulting from the purchase of electricity, heat, steam or cooling	244,394	255,565
All	3,257,321	3,436,706

Proportion of figure that relates to energy consumed in the UK and offshore area	2022	2023
Offshore	2,634,714	2,775,289
United Kingdom	622,606	681,416
UK proportion	19%	20%

Shareholder information

Ordinary shares

The Company's ordinary shares, each of nominal value 5 pence, are traded on the main market for listed securities on the London Stock Exchange (LON:MCG).

Dividends

Having your dividends paid directly into your bank or building society account is a more secure way than receiving your dividend by cheque. If you would prefer your dividends to be paid directly into your bank or building society account, further information is available from Equiniti (address and telephone number below). You will still receive an annual dividend confirmation detailing each dividend you receive.

ShareGift

ShareGift is an independent charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Shareholders who hold only a small number of shares, the value of which makes it uneconomic to sell them, can donate their shares to ShareGift who will sell them and donate the proceeds to a range of charities. Further information may be obtained on 020 7930 3737 or by visiting: www.sharegift.org.

Shareholder security

You should always check that any firm contacting you about potential investment opportunities is properly authorised by the FCA. If you deal with an unauthorised firm, you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website at www.fca.org.uk/consumers, or by calling the FCA's consumer helpline on 0800 111 6768 (overseas callers dial +44 207 066 1000). If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040, whose website is: www.actionfraud.police.uk.

Company website

The Company website (www.mobicogroup.com) contains information about the Company's operations. Copies of the Company's annual reports, results announcements, notices and other corporate communications, together with information about the Company share price and dividends, can be found there.

e-Communication

We encourage shareholders to receive communications from the Company electronically as this will enable you to receive them more quickly and securely. It also allows the Company to communicate in a more environmentally friendly and cost effective manner. To register for this service, you should go to www.shareview.co.uk.

Registrar

The Company's Registrar is Equiniti Limited ("Equiniti").

Equiniti's registered address is: Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

For assistance and enquiries relating to the administration of shareholdings in Mobicogroup PLC, such as lost share certificates, dividend payments or a change of address, please see the Registrar's website for further information and contact details: <https://www.shareview.co.uk/4/Info/Portfolio/default/en/home/help/Pages/Help.aspx>

Personal data

The Company processes personal data about its shareholders in compliance with applicable laws. A copy of the Shareholder Privacy Notice explaining how the Company processes your personal data and your rights in respect of that processing can be found at: <https://www.mobicogroup.com/privacy-centre/>.

Definitions and supporting information

AGM	Annual General Meeting	KPIs	Key performance indicators
AI	Artificial intelligence	LIBOR	London Interbank Offered Rate
APMs	Alternative performance measures	Listing Rules	The Listing Rules of the FCA
Board	The Board of Directors of the Company	LTIP	Long-Term Incentive Plan
Code	The UK Corporate Governance Code published by the FRC in 2018	MaaS	Mobility as a service
Company	Mobico Group PLC	Net interest expense	Finance costs less finance income
Consolidated Financial Statements	The Financial Statements for the Group for the year ended 31 December 2023	Non-Executive Directors	The Non-Executive Directors of the Company
Constant Currency	Compares current period's results with the prior period's results translated at the current period's exchange rates	Operating margin or 'margin'	Ratio of adjusted operating profit to revenue
CPI	Consumer Price Index	Ordinary shares	Ordinary shares of nominal value 5 pence each in the Company
DE&I	Diversity, Ethnicity and Inclusion	PBT	Profit before tax
CRM	Customer relationship management	RCF	Revolving credit facility
Directors	The Directors of the Company	RCP	Representative Concentration Pathway
Dividend	Dividend amount payable per ordinary share	RME	Rhine-Münster Express
DTRs	Disclosure, Guidance and Transparency Rules	RMS	Revenue Management System
EDBP	Executive Deferred Bonus Plan	RPI	Retail Prices Index
EURIBOR	Euro Interbank Offered Rate	RRX	Rhine-Ruhr Express
EV	Electric vehicle	SDA	Sectoral Decarbonisation Approach
Executive Directors	The Executive Directors of the Company	TfL	Transport for London
FCA	The Financial Conduct Authority	TfWM	Transport for West Midlands
FRC	The Financial Reporting Council	TSR	Total shareholder return – the growth in value of a shareholding over a specified period assuming that dividends are reinvested to purchase additional shares
FWI	Fatalities and Weighted Injuries	ZEV	Zero Emission Vehicle
GDP	Gross Domestic Product – used to determine the economic performance of a whole country or region		
GHG	Greenhouse gas emissions		
Group	The Company and its subsidiaries and associates		
HMRC	Her Majesty's Revenue and Customs		
IAS	International Accounting Standards		
IFRIC	International Financial Reporting Interpretations Committee		
IFRS	International Financial Reporting Standards		

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 Adjusted 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
Adjusted EBITDA	Operating profit ¹	Adjusted Earnings Before Interest and Tax plus Depreciation and Amortisation. It is calculated by taking Adjusted 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 37.	Adjusted 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 Adjusted EBITDA over the last 12 months, after making the following amendments to Adjusted EBITDA: including any pre-acquisition Adjusted 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 Adjusted Profit After Tax. A reconciliation of Adjusted 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). The components of Net Debt as they reconcile to the primary financial statements and notes to the accounts is disclosed in note 38.	Net Debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.

Alternative performance measures continued

Measure	Closest IFRS measure	Definition and reconciliation	Purpose
Covenant Net Debt	Borrowings less cash and related hedges	Net Debt adjusted for certain items agreed with the Group's lenders which have been 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.
Adjusted earnings	Profit after tax	Adjusted earnings is Profit attributable to equity shareholders for the period, excluding Adjusting items (as described below) and can be found on the face of the Group Income Statement in the first column.	Adjusted earnings is a key measure used in the calculation of Adjusted earnings per share.
Adjusted earnings per share	Basic earnings per share	Adjusted earnings 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 Adjusted profit for the purpose of this calculation is provided within note 13 of the financial statements.	Adjusted earnings per share is widely used by external stakeholders, particularly in the investment community.
Adjusted Operating Profit	Operating profit ¹	Statutory operating profit excluding Adjusting items (as described below), and can be found on the face of the Group Income Statement in the first column.	Adjusted 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.
Adjusting Items	No direct equivalent	Adjusting items are items that are considered significant in nature and value, not in the normal course of business, or are consistent with items that were treated as Adjusting items in prior periods.	Treatment as an Adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group.
Adjusted Operating Margin	Operating profit ¹ divided by revenue	Adjusted Operating Profit/(Loss) divided by revenue.	Adjusted 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.
Adjusted Profit Before Tax	Profit before tax	Statutory profit before tax excluding Adjusting Items can be found on the face of the Group Income Statement in the first column.	Adjusted Profit before tax allows a view of the profit before tax after taking account of the Adjusting items.
Return on capital employed (ROCE)	Operating profit ¹ and net assets	Adjusted 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

	2023 £m	2022 £m
Reconciliation of net cash flow from operating activities to free cash flow		
Net cash flow from operating activities	230.0	221.1
Remove: Cash (receipts)/payments in respect of IFRIC 12 asset purchases treated as working capital for statutory cash flow*	(12.0)	59.7
Remove: Cash expenditure in respect of separately disclosed items	71.0	49.3
Add: Net maintenance capital expenditure	(135.7)	(184.5)
Add: Other non-cash movements	(2.7)	(0.8)
Profit on disposal of fixed assets	13.1	15.7
Free cash flow	163.7	160.5

* During the year the Group received cash in respect of a capital grant receivable for assets (principally vehicles) acquired in previous years to fulfil a contract in Morocco that is accounted for under the IFRIC12 financial asset model and where the statutory cash flow for these purchases and grants receivable are accordingly presented as a movement in working capital, with the assets being recorded as contract assets on the balance sheet rather than 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 grant receipt has been included as growth capital expenditure, consistent with the original asset purchases for new business and consistent with previous years.

	2023 £m	2022 £m
Reconciliation of capital expenditure in statutory cash flow to funds flow		
Purchase of property, plant and equipment	(128.2)	(169.0)
Proceeds from disposal of property, plant and equipment	33.8	9.3
Payments to acquire intangible assets	(12.9)	(10.7)
Proceeds from disposal of intangible assets	4.9	5.2
Net capital expenditure in statutory cash flow statement	(102.4)	(165.2)
Add: Profit on disposal of fixed assets	(13.1)	(15.7)
Add: capitalisation of leases initiated in the year, less disposals	(50.1)	(37.0)
Add: cash receipts/(payments) in respect of IFRIC 12 asset purchases*	12.0	(59.7)
Net capital expenditure in the funds flow (presented in the Group Chief Financial Officer's Report)	(153.6)	(277.6)
Split as:		
Net maintenance capital expenditure**	(135.7)	(184.5)
Growth capital expenditure**	(17.9)	(93.1)

* See explanation above

** These terms are defined in the glossary of APMs

	2023 £m	Restated 2022 ¹ £m
Reconciliation of ROCE		
Statutory operating loss	(21.4)	(173.5)
Add back: separately disclosed items	190.0	370.8
Return – Underlying Operating Profit	168.6	197.3
Average net assets	1,220.0	1,424.9
Remove: Average Net Debt	1,204.8	1,138.8
Remove: Average derivatives, excluding amounts within Net Debt	0.7	(16.8)
Foreign exchange adjustment	(11.7)	37.6
Average capital employed	2,413.8	2,584.5
Return on capital employed	7.0%	7.6%

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

	2023 £m	2022 £m
Depreciation and other non-cash items		
Depreciation charge	199.3	203.5
Underlying amortisation charge	18.5	18.3
Share-based payments	1.6	1.2
Amortisation of fixed asset grants	(2.0)	(2.1)
Depreciation and other non-cash items (as disclosed in the "funds flow" in the CFO report)	217.4	220.8

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Cautionary statement

Certain statements included in this Annual Report are, or may be deemed to be, forward-looking. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.



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