Audit Committee report

ENRIQUE DUPUY DE LOME CHÁVARRI
Audit Committee Chair

Activity highlights

- Reviewed and satisfied itself as to the integrity and fairness of the Group's half and full year financial statements and the appropriateness of their being prepared on a going concern basis
- Assessed and challenged the appropriateness of the Company's viability statement
- Assessed and challenged management's approach to critical accounting judgements and key sources of estimation uncertainty including the impairment of goodwill in respect of the School Bus division and the recognition criteria applied to deferred tax assets
- Assessed and challenged (i) the significant increase in the onerous contract provisions related to the German Rail division's RRX contracts as at 31 December 2024 and the underlying issues relating to driver recruitment and cost inflation; and (ii) the key accounting estimates as at 31 December 2023 in the context of the information available at that time
- Assessed and challenged the assumptions and key accounting estimates relating to the IFRS 15 contract asset 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
Enrique Dupuy de Lome Chávarri (Chair)[1,2]	01/11/2023	5/5
Ana de Pro Gonzalo[1]	01/10/2019	5/5
Carolyn Flowers[1]	04/12/2021	5/5
Mike McKeon (Chair)[1, 2]	03/07/2015	3/3

1 Independent Non-Executive Director

2 Mike McKeon stood down as Chair of the Audit Committee on 11 June 2024, having attended all meetings of the Audit Committee held during the year prior to this date. Enrique Dupuy de Lome Chávarri succeeded him as Chair of the Audit Committee from the same date.

Other attendees: Company Secretary and, by invitation, Company Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group Deputy CFO, Group Director of Internal Audit, Group Legal Counsel, Group Head of Compliance & Risk and representatives of the external auditor, Deloitte LLP.

There were five Audit Committee meetings scheduled for 2024, which includes the Committee meeting in January 2024 that had previously been scheduled for December 2023 to fit better with the audit schedule (as previously reported in the 2023 Annual Report). In addition to the five 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 99.

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 2024 and for the financial year ended 31 December 2024 should be prepared on a going concern basis. Management developed both base case and reasonable worst case financial scenarios over an 18-month look forward period using assumptions about trading drawn from the Group's strategic plan, budget and latest financial projections. They then applied stress tests to both those scenarios to determine whether the Company would be able to meet its liabilities as they fell due, having regard to the Group's liquidity and covenant tests. The Committee satisfied itself that, in both the base case and the reasonable worst case scenarios, the Group would have sufficient liquidity and be able to comply with its debt covenants and there were no instances of a covenant breach identified even after the application of the further stress tests. This included a detailed review of the mitigating actions management had been identified as being available if they were required. Accordingly, the Committee recommended to the Board that the Company's, and its Group's, financial statements 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 2027, 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 52 and 53 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 42 to 51 of the Strategic Report. The Group's climate-related risks and opportunities are considered in more detail in the TCFD disclosures on pages 68 to 80.

Divisional risk reviews

During 2024, the Committee reviewed the Group's divisions' principal and emerging risks and their management of such risks. These were undertaken during meetings of the Committee at which risk and senior managers from the division present 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 pleasing to note that certain matters identified as risks were also viewed as opportunities. Using insights gained from the Board's work on overseeing Group-wide risks 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. 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 2024, with the Group's ongoing cyber security programme, and the progress being made against the specific deliverables comprised in such programme, assessed at each of the regularly scheduled Committee meetings.

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

Compliance risk

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

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 programme kicked off in 2023 and has continued during 2024. The Group Head of Compliance and Risk, working with the Group Director of Internal Audit, 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.

A significant weakness was identified in the current year with respect to the future cash flow forecasts prepared by management, which is a critical input to both the goodwill impairment assessment and the determination as to the recognition of deferred tax assets. During 2024, a significant adverse variance to forecast was observed in both the UK and North America School Bus businesses. Notwithstanding that both businesses are mid-turnaround, which can make future forecasting more challenging, management ought to have revaluated its forecasts more critically in this context. Whilst the strategic plan forecasts prepared in 2024 include profit improvement actions that aim to improve the future financial performance of both businesses, these have not been included in the forecasts used for the goodwill impairment assessment as they cannot currently be objectively evidenced at this stage in the turnaround, which has resulted in highly material income statement charges relating to goodwill impairment and derecognition of deferred tax assets. A review of the Group's controls over this area will be performed in 2025, with enhanced controls implemented and operating before the assessments pertaining to the year ended 31 December 2025 are determined.

During the prior year end (2023) 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. These weaknesses were predominantly addressed during the course of 2024, with a detailed and comprehensive model rebuild being undertaken during the year and further work performed by management to improve visibility and control of performance across the contracts. During the course of this work, further errors were identified in the prior year onerous contract provision assessment, which were collectively material and have been corrected as a prior year restatement. Please refer to note 2 to the financial statements for further detail.

However, during the current year, management also became aware that penalties associated with cleaning related performance obligations, which under the contracts the Group is partially responsible for administering and carrying out, were not being identified, and therefore were being recorded incorrectly. An assessment of the potential liability has been made and recorded within the onerous contract provision calculation at 31 December 2024. In addition, management has performed detailed work around completeness, to gain comfort that all items pertinent to the inputs to the long-term contract accounting models have been appropriately captured and recorded. Management has also assessed, and the Committee concurs, that this is both contained to this matter and relates to the German business only. As such, while progress was made during 2024, management is implementing additional controls to further strengthen the process around the management of the German rail contracts during the course of 2025.

The Group Head of Compliance and Risk, Group Director of Internal Audit, 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, which was published by the Financial Reporting Council on 22 January 2024. Management is 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. Whilst currently there is no formalised control framework in place, management intend to develop and implement such a framework, which will be used in order to assess the quality and operation of the financial controls across the Group, as part of the wider plan to strengthen our internal controls.

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 2024 audit plan included: audits of core financial process controls across the divisions, reviews of Group and principal divisional risk controls, review of safety arrangements across the divisions and a review of the internal audit function to assess ways to allow for an effective and efficient audit delivery in the second half of 2024, following the appointment of a new Group Director of Internal Audit in early 2024.

Internal audit effectiveness

The Committee is responsible for monitoring the effectiveness of the internal audit function. In respect of its work in 2024, the Committee monitored this effectiveness by reviewing the scores that colleagues, whose work or controls were subject to internal audit, awarded to the function on a 'value scorecard' and by making its own assessment of the quality of that work. The Committee is satisfied that the Company's internal audit function is effective.

Significant weaknesses or control failures

Following its review of and conclusions from all elements of assurance, the Committee is satisfied that there are no significant weaknesses or control failures to report in respect of the Company's financial year ended 31 December 2024, other than in respect of (i) forecasted future cash flows used within the assessment of goodwill impairment and recognition of deferred tax assets, and (ii) certain issues relating to the German Rail business; both 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 2024 AGM, was re-appointed in 2024. 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.

Deloitte LLP has indicated its intention to resign as auditor of the Company after the publication of the consolidated financial statements of the Group for the six-month period to 30 June 2025. The Company has commenced an audit services tender process to identify a new auditor of the Company.

During the year the Committee also received updates from Deloitte regarding the FRC's Audit Quality Review (AQR), who had reviewed Deloitte's audit of the Group's 2023 Financial Statements as part of its annual inspection of audit firms. The Committee received and reviewed the final report from the AQR team which identified key findings, and also noted several areas of good practice.

External audit plan and fee

The 2024 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 2024 audit, of £3.4m (2023: £2.6m), was also approved by the Committee. The increase in fee in 2024 related to the increased level of work required to be undertaken by Deloitte in the areas of goodwill impairment, deferred tax assets and German Rail long-term contract accounting.

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 2024 for which its fees totalled £0.1m, representing 3% of the total audit fee. Services outside the statutory audit during 2024 related to the audit of carve-out financial statements in relation to the sale of the North America School Bus business; the fee for which amounted to £1.7m. Having regard to the operation of the non-audit services policy during 2024, together with Deloitte's reports to the Committee confirming its independence at the 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 where covered elsewhere in this report.

Fair, balanced and understandable

Having carefully reviewed the Company's 2024 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.

Enrique Dupuy de Lome Chávarri
Audit Committee Chair

28 April 2025

Appendix 1 – Key accounting matters

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

Impairment of goodwill (see note 14 to the Consolidated Financial Statements)	**Key accounting matter** 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. **Committee action and conclusion** The Committee carefully considered management's work on the impairment analysis and testing of the value of the Group's goodwill balances, applying particular focus to the value of the impairment of the School Bus division goodwill. 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). The Committee noted that due to the separation of the School Bus and WeDriveU businesses, the two businesses had been treated as individual cash-generating units (CGUs) in the current year. 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 a full impairment of £547.7m of the School Bus goodwill was required whereas no impairment was required on goodwill recognised in other cash generating units. The Committee noted that the impairment in School Bus arose as a result of reduced future cash flow generation in the forecasts used for the impairment assessment; as whilst the strategic plan forecasts prepared in 2024 include profit improvement actions that aim to improve the future financial performance of School Bus, these have not been included in the forecasts used for the goodwill impairment assessment as they cannot currently be objectively evidenced at this stage in the turnaround. The separation of the two North America businesses into two CGUs in the year was also a contributing factor to the resulting impairment charge as School Bus generates lower cash flows relative to its asset base, compared to WeDriveU. A full explanation for the rationale behind impairment of School Bus goodwill is set out in note 14.
Insurance and other claims provisions (see note 26 to the Consolidated Financial Statements)	**Key accounting matter** The adequacy of the provisions associated with claims arising predominantly from traffic accidents and employee incidents in North America is subject to estimation based on an assessment of the expected settlement value of known claims together with an estimate of settlement values that could be made in respect of incidents that have occurred but not yet given rise to a claim at the balance sheet date. Given the level of uncertainty, complexity and judgement involved in making these estimations, there is a risk that the eventual outcome could be materially different from that estimated and provided for. **Committee action and conclusion** The Committee considered the information provided by management on the status of the North America and other material open claims made against members of the Group together with advice from external actuaries, legal counsel and insurance brokers, on the likely outcome of such claims, as well as management's explanation of the methodology used to determine the value of provisions for such claims. After challenging whether management had considered all material open claims and incidents that could give rise to claims and the external advice given in connection with them, the Committee concluded that management's estimation of the value of such claims was within an acceptable range of the potential outcomes and accordingly was fairly stated.

Adjusting items (see note 5 to the Consolidated Financial Statements)	**Key accounting matter** The Group presents profits and earnings per share measures before adjusting items to provide users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. The classification of adjusting items requires management judgement having regard to the nature and intention of the transactions to which they relate. **Committee action and conclusion** The Committee considered the nature and extent of the adjusting items identified by management and its rationale for why they did not form part of the Group's Adjusted Operating Profit (a key APM). The Committee noted that the impairment of goodwill with respect to the School Bus division (as described above) had been treated as an adjusting item; this was consistent with the treatment of an impairment of goodwill relating to ALSA in FY22. The Committee also noted that onerous contract provision movements in respect of contracts that became onerous due to Covid-19 or 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. An explanation for the increase in the onerous contract provision in respect of the RRX rail contracts is shown below. After discussion with management, the Committee concurred with the approach management had taken.
Onerous contract provisions (see note 26 to the Consolidated Financial Statements)	**Key accounting matter** The Committee reviewed the approach taken by management in respect of contracts classified as onerous contracts, and particularly the provision in respect of the RRX contracts in German rail. **Committee action and conclusion** The Committee reviewed the approach taken by management to identify and measure the impact of any onerous contracts, including the continuing relevance of contracts previously identified as onerous. In respect of the existing provision relating to the RRX rail contracts, the Committee reviewed the approach taken by management, which led to a closing provision of £176.1m at 31 December 2024 (31 December 2023 restated: £140.1m). The Committee noted the increase in provision was primarily driven by both the continuation of industry-wide issues, primarily related to driver shortages, and the worsening of these factors compared to our prior expectations. The issues relating to driver shortages have resulted in higher operational penalties as well as the need for increased investment in driver recruitment and training (and overhead to support the business). Cancellations (and therefore higher penalties) have also been adversely affected by network disruption arising from high levels of track maintenance and repair work. The Committee noted that errors had been identified in respect of the onerous contract provision calculation as at 31 December 2023 (as detailed in note 2 to the Financial Statements), which were collectively material and as such were corrected as a prior year adjustment. This had the effect that the RRX 1 contract was now considered onerous as of prior year end. 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. The Committee also challenged the appropriateness of the related disclosures and sensitivities. After discussion with management and the external auditor, the Committee concurred with the approach taken.
Valuation of contract assets (see note 20 to the Consolidated Financial Statements)	**Key accounting matter** The Committee reviewed the approach taken by management in determining the value of the IFRS15 Contract Asset in relation to the RME German rail concession. **Committee action and conclusion** The Committee reviewed the approach taken by management which led to a reassessment in the value of the contract asset (under the long-term RME rail contract) at 31 December 2024 to £51.2m (31 December 2023: £48.6m). The Committee challenged management on the revenue and cost assumptions in the model and challenged the appropriateness of the related disclosures and sensitivities. Following discussion with management and the external auditor, the Committee concurred with the approach taken.

Recoverability of deferred tax assets (see note 27 to the Consolidated Financial Statements)	**Key accounting matter** 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. 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, such that the utilisation of losses is considered 'probable'. **Committee action and conclusion** The Committee considered management's assessment as to the recognition of deferred tax assets as at 31 December 2024. Whilst a significant improvement in profitability in North America and the UK had been expected in 2024, after a recent history of losses due to the impact of the pandemic and the subsequent recovery, actual performance in the year for these two businesses was significantly below management's previous forecasts. Given this adverse performance to forecast in 2024, and given the current stage in the turnaround of both businesses, the future profitability within the financial forecasts for both the UK and North America School Bus as at 31 December 2024 used for the deferred tax asset recognition (and also consistently applied to the goodwill impairment assessment) have significantly reduced compared to the prior year. Whilst management's strategic plan forecasts prepared in 2024 include profit improvement actions that aim to improve the future financial performance of both businesses, these have not been included in the forecasts used for this exercise as they cannot currently be objectively evidenced at this stage in the turnaround. The result of this is that the expected period of utilisation of losses according to the prepared forecasts has significantly increased in FY24 compared to the prior year. The Committee noted that there had been a significant impairment of goodwill in the School Bus cash generating unit within North America, whereas in the UK, the headroom has been significantly reduced; all of which is considered by management to be 'negative evidence' as to deferred tax asset recognition. After considering the above and hearing from the external auditor, the Committee concurred with management's view that given the above factors which arose in the current year, continued full recognition of these deferred tax assets no longer remained appropriate; and the Committee agreed with management's approach of derecognising previously recognised deferred tax assets of £215.1m.
Pension liabilities (see note 32 to the Consolidated Financial Statements)	**Key accounting matter** The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions. In particular, a key area of estimation uncertainty is in respect of the discount rate. **Committee action and conclusion** The Committee reviewed the assumptions made by management in determining the defined benefit obligation, including considering the advice from independent qualified actuaries, and concluded that they were appropriate.