Stagecoach Group Annual Report and Financial Statements 2022

Stagecoach

Strategic and operational highlights

- Continuing recovery in demand in UK regional bus
  - Passenger journeys and commercial sales now at around 81%[1] and around 91%[1] respectively of equivalent 2019 levels
  - Transition out of pandemic financially supported by government COVID-19 support schemes
- Working collaboratively with national and local government to deliver and improve essential bus services
  - Partnered with transport authorities to help shape Bus Service Improvement Plans submitted to the Department for Transport as part of the National Bus Strategy for England
- Good operational and financial performance at London bus
  - Strong revenue and operating profit growth includes impact of new contracts
  - Acquisition of Kelsian Group's east London bus operations and depot at Lea Interchange in June 2022 provides good strategic fit
- Progress made on delivering new sustainability strategy
  - New sustainability strategy and targets launched in summer 2021
  - Further investment in zero emission vehicles
- Positive outlook as part of the portfolio of DWS Infrastructure, a leading asset management investor that shares our vision for a more sustainable future
  - Supportive government policy and investment in public transport, which is key to decarbonisation, levelling up and economic recovery

Financial highlights

- Profit growth reflecting encouraging recovery in passenger volumes and payments from governments to ensure continuation of public transport services
- Further positive underlying cash generation and reduction in net debt from £312.6m to £224.3m
- Net debt plus net train operating company liabilities[2] down £136.5m from £401.0m to £264.5m
- Substantial reduction in net pre-deferred tax pension liabilities from £263.8m to £29.8m

Notes
1 Week ended 18 June 2022.
2 See definitions in note 33 to the consolidated financial statements.

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Financial summary

	"Adjusted" results Results excluding separately disclosed items*		"Statutory" results	
	2022	2021	**2022**	2021 (restated)
Revenue (£m)	**1,176.5**	928.2	**1,176.5**	928.2
Total operating profit (£m)	**72.7**	48.1	**66.9**	28.2
Net finance costs (£m)	**(28.6)**	(31.1)	**(27.6)**	(33.7)
Profit/(loss) before taxation (£m)	**44.1**	17.0	**39.3**	(5.5)
Earnings per share (pence)	**7.0p**	2.7p	**3.2p**	0.6p

* See definitions in note 33 to the consolidated financial statements.

Signposts

We are a public transport business, and we'd like to get you to where you want to go.

We recognise that as our annual report has grown over the years, it might have become less easy to now get to where you want. So we've provided some signposts to help you find what you're looking for.

1. Strategic report

1.1 Introduction

Stagecoach Group plc ("the Company") is the parent company of a group of companies ("the Group") principally involved in the sale and operation of passenger transport. The directors of Stagecoach Group plc ("the Directors") are pleased to present their report on the Group for the year ended 30 April 2022.

This section contains the Strategic report, which includes the information that the Group is required to produce to meet the need for a strategic report in accordance with the Companies Act 2006. Biographies of each director are contained in section 2 of this Annual Report and the Directors' report is set out in section 3.

This Strategic report is a consolidated report relating to the Group as a whole. It includes matters relating to the Company and its subsidiary undertakings.

1.2 Cautionary statement

The Strategic report has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to inform shareholders of the Company and to help them assess how the Directors have performed their duty to promote the success of the Company. This Strategic report contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory, policy and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this Strategic report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

1.3 Overview

This has been a pivotal year for the Group as we enter a new and exciting chapter for the business. The Group is now part of the portfolio of DWS Infrastructure, a leading asset management business that manages a range of transport and infrastructure interests. It shares our vision for a more sustainable future and, while our ownership is changing, the values which have driven our business over the past four decades remain.

We are proud to have served communities across the UK for more than 40 years. We remain firmly focused on delivering positive outcomes both now, and in the long-term, for all our key stakeholders: the customers and the communities we serve, the people who deliver our transport services, our partners in national and local government, and the investors who have supported our continued success.

During the year ended 30 April 2022, we have delivered increased profit before tax and made further progress on delivering our objectives. Our continuing focus remains on providing safe, sustainable, high quality and good value connections for our customers. We remain grateful for the huge commitment and professionalism of our people who are delivering services safely in our communities every day.

We are reassured by the continuing recovery in demand for public transport at our regional bus companies as the country looks to transition out of the pandemic, and we welcome the extension in recovery funding provided by the UK and Scottish Governments. We are also pleased with the financial performance of our London bus business, where we have seen further growth in revenue and profit.

During the year, we published our new sustainability strategy, which sets out our roadmap to becoming a carbon neutral business by 2050 and helping create a greener, smarter, safer, healthier and fairer country. We are progressing a package of initiatives and investments in our people, fleets and technology to grow our business sustainably. We were pleased to play a key part in the delivery of logistics around the COP26 climate change summit, and we are working hard to build on the momentum towards net zero to deliver real and lasting change in our business and communities.

We are continuing to work collaboratively with national and local government to deliver and improve vital bus services in our local communities. We have partnered with transport authorities to help shape Bus Service Improvement Plans submitted to the Department for Transport as part of the National Bus Strategy for England. A number of counties, city regions and unitary authorities where we operate bus services are amongst those receiving funding. We look forward to working with them to further transform services for customers.

In recent months, we have seen a sustained increase in fuel prices linked to the tragic events in Ukraine and our thoughts are with those affected by the continuing situation. Our fuel hedging policy has minimised the immediate impact of this cost pressure. In addition, we believe that the increased cost of motoring can help encourage a shift by consumers to more sustainable public transport.

As part of our business strategy, we are continuing to seek new opportunities to diversify and grow our business both in the UK and overseas. We are proud to have won contracts linked to major events, including the forthcoming 2022 Commonwealth Games in Birmingham, and to have retained existing rail replacement contracts.

Financial results

For the year ended 30 April 2022, revenue grew to £1,176.5m (2021: £928.2m) and adjusted total operating profit grew to £72.7m (2021: £48.1m). Revenue excludes COVID-19 grant income from government, which is reported as other operating income. The growth in revenue principally reflects recovering passenger demand across our regional bus and tram services as COVID-related restrictions have eased. The growth in adjusted operating profit reflects that revenue growth and payments from governments for continuing public transport services. Unadjusted operating profit was £66.9m (2021: restated £28.2m). Adjusted earnings per share were 7.0p (2021: 2.7p). Basic, unadjusted earnings per share were 3.2p (2021: restated 0.6p), with the increase principally reflecting the higher adjusted operating profit partly offset by changes in separately disclosed items, including a charge for the change in deferred tax balances arising from the increase in the UK corporation tax rate.

Over the year, our net debt reduced from £312.6m to £224.3m and our net pension liabilities (net of withholding tax but before related deferred tax) reduced from £263.8m to £29.8m.

Dividend

We are pleased at the progress of the business as the country recovers from the pandemic and remain positive on the longer-term prospects for the business. Nevertheless, the Board did not believe it was appropriate to resume dividend payments in respect of the year ended 30 April 2022. We will keep our dividend policy under review, taking account of the recent change in ownership of the Company and a continuing commitment to seek to maintain an investment grade credit rating.

1. Strategic report (continued)

Outlook
We remain positive on the long-term outlook for the Group and we look forward with confidence under our new ownership. DWS Infrastructure is a patient, long-term investor with a strong track record of unlocking value for all stakeholders.

Public transport delivers the sustainable connectivity people need to access work, education, healthcare, shopping, leisure, and meeting family and friends. As we transition towards a post-pandemic world, we are focused on further rebuilding profitability and adapting our services to meet new and emerging travel patterns. We look forward to playing a central role in delivering government ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens.

We have made a good start to the year ending 29 April 2023, and while there remains some uncertainty around the pace of recovery, we continue to see positive long-term prospects for the business. Strong partnership working between bus operators, national government and local transport authorities is critical if we are to maximise the opportunities ahead and we are pleased that this is reflected in the direction of public policy across the country.

Summary of financial results
Revenue, split by segment, is summarised below and excludes COVID-19 grant income from government. COVID-19 grant income is reported within other operating income:

Revenue

	2022 £m	2021 £m	Growth %
UK Bus (regional operations)	**892.2**	662.0	34.8%
UK Bus (London)	**272.6**	261.7	4.2%
UK Rail	**11.7**	4.7	
Intra-Group revenue	**–**	(0.2)	
	1,176.5	928.2	

Operating profit, split by segment, is summarised below:

Operating profit

	2022 £m	**2022 % margin**	2021 (restated) £m	2021 % margin
UK Bus (regional operations)	**57.9**	**6.5%**	24.5	3.7%
UK Bus (London)	**20.7**	**7.6%**	18.7	7.1%
UK Rail	**0.2**		10.1	
Group overheads	**(9.3)**		(8.7)	
Restructuring costs	**(0.2)**		(0.3)	
Operating profit before joint ventures and separately disclosed items	**69.3**		44.3	
Joint ventures – share of profit/(loss) after tax				
WCT Group (formerly Virgin Rail Group)	**2.9**		4.1	
Citylink	**0.4**		(0.3)	
Crown Sightseeing	**0.1**		–	
Total operating profit before separately disclosed items	**72.7**		48.1	
Non-software intangible asset amortisation	**–**		(0.3)	
Other separately disclosed items	**(5.8)**		(19.6)	
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**66.9**		28.2	

More details on the financial results for the year are provided in section 1.6 of this Annual Report.

1.4 The Stagecoach Group

1.4.1 Overview of the Stagecoach Group and its business model

Stagecoach Group's purpose

What we do
We operate bus, coach and tram services covering locations across the UK.

Why we do it
Our purpose is to connect people – to jobs, to shops, to leisure activities, to education, to healthcare, and to each other – helping people, business and the economy to thrive. We aim to connect people in a sustainable way, which is better for the environment. To achieve that, we seek to provide safe, high quality, sustainable and reliable transport at good value for money for customers.

We support, directly and indirectly, many businesses and thousands of sustainable jobs.

How we create stakeholder value
By applying our commitment to operational and commercial excellence, we aim to provide a great experience to our customers and our people. Through our sustainable transport services, we do our bit to help the environment and wider society. We believe that in these ways, we can create long-term sustainable value for shareholders and other stakeholders.

1. Strategic report (continued)

Stagecoach Group is a leading public transport group. The Group employs around 23,000 people and operates bus, coach and tram services. The Group has three main segments – UK Bus (regional operations), UK Bus (London) and UK Rail.

We offer greener, smarter travel in the UK and our principal business is providing passenger transport services, primarily by transporting people by bus, coach or tram.

This section 1.4.1 summarises the Group's business model. The remaining parts of section 1.4 are also important to an understanding of our business model and we cross-reference them where appropriate.

Stagecoach Group plc is a public limited company that is incorporated, domiciled and has its registered office in Scotland. Until 28 June 2022, the Company's ordinary shares traded on the London Stock Exchange. The Company remains a public limited company, but is now majority-owned by Inframobility UK Bidco Limited, which is indirectly owned by an international infrastructure fund managed and advised by DWS Infrastructure.

Throughout this Annual Report, Stagecoach Group plc is referred to as "the Company" and the group headed by it is referred to as "Stagecoach" and/or "the Group".

Section 1.4.2 summarises our strategy and section 1.4.3 explains what we do and provides a description of each of our key business segments, markets and where appropriate, market share.

Business culture

We are committed to conducting business in a socially responsible way and we believe this to be consistent with our business objectives and strategy. Indeed, by taking a responsible approach towards the environment and the wider community, we believe we will enhance our objective to deliver organic growth.

The Group began life as a family business in 1980 and the entrepreneurism and expertise of the founding family has played a significant part in its growth. We aim to maintain an entrepreneurial culture, reflecting that family heritage. That involves encouraging sensible risk taking while managing risks appropriately and responding to risks that do crystallise. It is inevitable and appropriate for a group of its size that the Group has a number of policies and procedures to ensure appropriate behaviours but these are designed to avoid stifling entrepreneurism. More information on the Group's core values and policies is provided in section 1.8 of this Annual Report.

We operate a relatively devolved management structure. That reflects our view that in operating local transport services, day-to-day decision making should be made by local managers who understand the dynamics of their particular markets. We aim to have relatively short chains of command that facilitate the effective exchange of information and enable timely decision making. Delegated authorities and other policies and procedures are in place to achieve an appropriate balance between the benefits we perceive of devolved management and the need for proportionate management of overall risk.

Sources of revenue

We have a number of revenue streams, principally arising from:
- amounts we receive from individuals or groups of individuals to travel on our transport services;
- amounts we receive from government bodies in respect of travel by individuals on our transport services – for example, in the UK, older people, people with disabilities and younger people in some parts of the country, are legally entitled to travel on our bus services at certain times free of charge but we receive revenue from government bodies in respect of that travel;
- amounts we receive from government bodies as payment to us for operating transport services under contract – for example, Transport for London pays us to run specified bus services. Any amount payable by individual passengers flows to Transport for London and our revenue would be from that authority;
- amounts we receive from corporations or others for operating transport services under contract – for example, a university might pay us to operate a bus service to shuttle students around its campus;
- subsidy we receive from government bodies to financially support the operation of transport services they consider to be socially or economically desirable;
- commissions for selling travel on other operators' transport services;
- undertaking maintenance work on other operators' vehicles;
- selling fuel to other transport operators.

We also receive other income, which may include income from:
- property rental;
- selling advertising space on vehicles and premises we operate;
- government grant income to support transport networks affected by the COVID-19 situation.

Key costs and inputs

Our main tangible fixed assets are property, buses, coaches and technology. Some of the property, buses and coaches we operate are leased.

Our people are key to providing our services. Notwithstanding developments in technology, our business remains relatively labour intensive. Over half of our consolidated operating costs are staff costs. Relationships with our people and their trade unions are important to the success of the business.

Our other major operating costs are:
- diesel and electricity to fuel or power our buses, coaches and trams;
- insurance costs and claims costs;
- materials and consumables, including replacement parts for vehicles;
- depreciation charges for the vehicles, properties and technology that we operate.

Cash conversion

For the most part, our revenues and operating costs (excluding depreciation) are converted to cash within a short timescale. Indeed, payment for travel by individuals tends to occur prior to or at the time of travel whereas costs tend to be settled in arrears. The exceptions to this are most significant in the UK Rail segment where the complex, contractual arrangements can result in greater timing differences between the recognition of items in income and the effect of those items on cash. Indeed, while all of the major rail franchises we were involved in have now expired, there remain various assets and liabilities to be settled in relation to such franchised operations.

1. Strategic report (continued)

Competitive advantages

We see our key sources of competitive advantage as being:
- Our operational excellence – providing safe, reliable, good quality, value for money, customer-focused transport services;
- Innovation – we have a long record of innovation, including being the first private company to secure a rail franchise in the UK in the 1990s and also, in disrupting the market for inter-city coach travel by introducing megabus.com in the 2000s as a low-cost, internet-only coach travel retailer;
- Our commercial expertise in designing transport networks, pricing our services and marketing our services;
- Our brands – our operational excellence and commercial expertise is reflected in our generally high customer satisfaction scores meaning that our key brands are well regarded in their respective markets;
- Our relationships – we view our relationships with employees, trade unions and government bodies, in particular, as key advantages to our business;
- The economies of scale of being a relatively large transport provider.

Value for other stakeholders

As well as the financial value we generate for our investors, lenders and people, we provide value to a wider group of stakeholders, including:
- Public transport offers environmental benefits versus wide-scale car usage and can contribute to efforts to reduce pollution and improve air quality, benefiting the public in general;
- Our services connect people to jobs, to education, to training, to healthcare, to leisure and to each other. We contribute to social inclusion and our services can be critical for people without access to a car;
- Our business generates significant tax contributions to public finances across employee, sales, corporation, property and other taxes;
- We contribute to charities as well as providing non-financial support to charities and the communities in which we operate.

Risks

We do face a number of risks. Section 1.4.5 sets out the principal risks to the achievement of our strategy and objectives.

As part of that, we comment on the effect of COVID-19 on those risks and developments in the year ended 30 April 2022 and since in relation to the principal risks. Our overall risk management approach has not changed as a result of COVID-19.

Key performance indicators

Section 1.4.6 describes how we measure and monitor progress against our objectives and strategy, and how we are performing.

Impact of COVID-19

We believe our business model remains appropriate for a post COVID-19 world. Our business model adjusted during the pandemic, with more of our income being from COVID-19 grants from government. We expect our business model will continue to evolve to reflect the opportunities presented from changes in government policy and climate change, and to respond to an evolving relationship with government.

1.4.2 What we look to achieve (business objectives and long-term strategy)

Group strategy

Our strategy remains focused on three objectives:
- Maximise our core business' potential in a changing market
- Manage change through our people and technology to make it simpler and better
- Grow by diversifying to balance the portfolio and open up new markets

We have made progress across these areas, and section 1.5 provides further detail on our initiatives.

1.4.3 What we do (description and strategy of each business segment)

UK Bus (regional operations)

Description	The UK Bus (regional operations) business connects communities in more than 100 towns and cities across the UK on bus networks stretching from the Highlands of Scotland to south west England. The business operates a fleet of around 7,000 buses and coaches across a number of regional operating units. Each regional operating unit is led by a managing director. In addition to local bus services in towns and cities, Stagecoach operates inter-urban services linking major towns within its regional operating company areas. The Group also runs the budget inter-city coach service, megabus.com. In Scotland, Stagecoach has a joint venture (Scottish Citylink Coaches Limited) with international transport group, ComfortDelGro. The joint venture is responsible for the Scottish Citylink express coach network and megabus.com branded services to, from and within Scotland. Stagecoach owns 35% of the share capital of Scottish Citylink Coaches Limited and ComfortDelGro owns the remaining 65%. The joint venture is the leading retailer of scheduled, inter-city coach services in Scotland. Stagecoach is responsible for the day-to-day operational management of the business, which is overseen by a joint board.

1. Strategic report (continued)

UK Bus (regional operations)

Regulatory environment	The current structure of the bus market in Great Britain (outside London) was established by the Transport Act 1985 and since varied by the Bus Services Act 2017 (see below). This is essentially a deregulated structure: any holder of a Public Service Vehicle operator's licence may operate bus services, having first registered various details with the relevant traffic commissioner. The traffic commissioners are responsible for enforcing compliance with these registered details, including standards of maintenance, reliability and punctuality. The UK Bus (regional operations) bus and coach services are operated on a commercial basis in a largely deregulated market. Most of the revenue is ordinarily from customers paying for their own travel by bus. The business also operates tendered services, including schools contracts, on behalf of local authorities. Pre-COVID, around 10% of the UK Bus (regional operations) revenue was receivable from local authorities in respect of such tendered and school services. For some services, the Group receives revenue from passengers as well as tendered revenue from a local authority. Pre-COVID, around 24% of the UK Bus (regional operations) revenue was earned from statutory concessionary fare schemes, whereby the Group is reimbursed by public authorities for carrying older people and people with disabilities, at no charge to the passenger, on the same bus services that are also available to the wider public. The Group would typically receive both revenue from passengers and also, concessionary revenue from a local authority in respect of a single bus service and in some cases, may also receive tendered revenue for the same service. Responsibility for buses in the UK is devolved. The devolved governments in Scotland and Wales have responsibility for buses in their areas. In England, outside London, the Department for Transport oversees buses but with local authorities playing an important role. The Bus Services Act 2017 provides a legislative framework to help bus operators and local authorities in England to improve local bus services. It includes several possible models for bus services: Advanced Quality Partnerships, Enhanced Partnerships and franchising. Franchising is an established model for providing bus services and is used in London and in many cities and regions across Europe. In a franchising scheme, local authorities will determine the details of the services to be provided – where they run, when they run and the standards of the services. Typically bus operators provide their services under contract to the local authority who can let whatever sort of contract it feels is appropriate. No other local bus services can operate in the franchised area without the agreement of the franchising authority.
Strategy	The strategy of the UK Bus (regional operations) business is to deliver value over time driven by organic growth in revenue and passenger volumes as a result of providing safe, reliable, good quality, customer-focused bus services at a reasonable price to customers. This may be supplemented by winning new tendered or contract work and/or acquiring businesses where appropriate opportunities arise.
Market opportunity	The Group has around 26% of the UK bus market excluding London. The UK Department for Transport's National Travel Survey ("NTS") is a household survey of personal travel within Great Britain by residents of England. The NTS found that in 2020, there was an average of 739 trips per person per year, down from 953 in 2019, principally reflecting the COVID-19 pandemic. Trips by car or van accounted for 79% of distance travelled, bus trips accounted for 3%, rail trips accounted for 5% and walking, cycling and other modes accounted for 13%. There therefore remains significant market opportunity to stimulate modal shift from car to bus. According to the NTS, around 22% of bus journeys outside of London were for commuting and business, 23% for shopping, 22% for education, 21% for leisure, 12% were for personal business (e.g. visits to services such as banks, medical consultations etc.) and for other purposes.
Macroeconomic factors	Although the UK Bus (regional operations) revenue is not immune to macroeconomic changes, it is less exposed than many other types of business. In addition, the Group can adjust the pricing and frequency of the majority of its services and is therefore well placed to respond to any changes in demand for particular services. We estimate that around 70% of the costs vary with operating miles.
Competition	The UK Bus (regional operations) face competition for customers not only from other operators of buses and coaches but also from other modes of transport. The Group regards its primary competitor as the private car and aims to encourage modal shift from car to public transport. The other major groups that operate buses in the UK outside of London are three groups publicly quoted on the London Stock Exchange (FirstGroup, National Express Group, and Go-Ahead Group) and Arriva, which is owned by Deutsche Bahn. New, potential, sources of competition are emerging, often enabled by digital developments. Newer competitors include ride-sharing websites, digitally-driven taxi services and aggregators of travel services.
Future market developments	We expect government funding arrangements to continue for at least part of the year ending 29 April 2023, enabling bus services to be maintained as customer demand continues to recover. With continuing forecasting uncertainty in relation to passenger demand, payments from government to support the continuation of services during that recovery phase, and cost inflation, it remains difficult to reliably predict financial performance for the new financial year ending 29 April 2023. While that could cause expectations for this year to change, it does not diminish our positive view of the long-term prospects for the business. Looking further ahead, we expect a lasting effect of the COVID-19 pandemic on travel patterns with an acceleration in trends of increased working from home, shopping from home, telemedicine and home education. We anticipate that it will be some time before demand for our regional bus services returns to pre-COVID levels and we are planning for a number of scenarios. At the same time, we see positive drivers for the business from a renewed societal focus on health, wellbeing and the environment. Buses across the UK can play a major role in a cleaner, greener and more resilient economy and society, tackling climate change with strong government action to reduce car use. The business does continue to face risks related to regulatory changes and availability of public funding as noted in section 1.4.5. Technological developments present both opportunities and threats to growing passenger volumes. While people's reducing propensity to travel is a risk to the business, there are positive long-term conditions for further growth in demand for UK bus services created by population growth, increasing urbanisation, rising road congestion, supportive government policy and public concerns for the environment. As Britain's biggest bus and coach operator, we have clear opportunities to grow our regional bus business and contribute to thriving communities. We continue to believe that by working together, the private sector and our local authority partners can deliver the bus services our customers want.

UK Bus (London)

Description	The Group is the fourth largest operator in the London bus market, operating from 11 depots with a fleet of over 1,300 buses serving routes in and around east and south-east London.
Regulatory environment	The UK Bus (London) business operates bus services under contract to Transport for London, receiving a fixed fee (subject to adjustment for inflation) and generally taking the cost and capital risk. Bus operators bid to win contracts and each contract is typically for a five to seven year period and some have the potential to be extended by two years. The UK Bus (London) business currently has over 90 separate contracts to provide bus services on behalf of Transport for London – this spreads the risk of financial performance being adversely affected when a contract expires and the business is unsuccessful in winning the replacement contract.
Strategy	Our strategic focus in the London bus market is on maintaining good operational performance and tight control of costs while seeking to bid competitively for new contracts.
Market opportunity	The Group operates approximately 16% of the bus operating mileage contracted by Transport for London. The Group does not seek to gain market share for its own sake and remains disciplined in ensuring that its bids for new contracts offer an acceptable trade-off of risk and reward.
Macroeconomic factors	The UK Bus (London) operations are not especially exposed to short-term changes in macroeconomic conditions because the business receives a fee from Transport for London for operating services irrespective of the passenger volumes on those services. Its costs and in particular, labour costs, can vary due to macroeconomic changes and also, in the longer term, the level of services that Transport for London offers for tender might be affected by the macroeconomy.
Competition	UK Bus (London) faces competition to win Transport for London contracts from other bus operators, the largest of which are Go-Ahead Group, Arriva, Metroline, RATP and Abellio.
Future market developments	The contractual nature of the London bus business means its profitability has been much less affected by the COVID-19 situation than the profitability of the regional bus business. While financial pressure on Transport for London does present risks for the business, we have not significantly changed our London bus strategy. In the short-term, revenue growth could come from inflationary contract price increases, retaining work on tender but at higher rates and/or winning contracts from other operators. While bus mileage reductions by Transport for London present a risk to the business, positive government policy on public transport can contribute to a positive long-term outlook for the business. On 25 June 2022, the Group completed the acquisition of Kelsian Group's east London bus operations and depot at Lea Interchange for cash consideration of up to £20m. £10m was paid on completion, with a further £1m per annum payable for ten years commencing on the first anniversary following completion, subject to certain conditions. That acquisition expands the Group's London bus operations.

Rail

Description	The Group continues to evaluate and bid for overseas rail (and bus) opportunities and is progressing with the unwinding of the affairs of its former UK franchised rail businesses. The Group's rail operations are now limited to the Sheffield Supertram operation of a 28km light rail network incorporating three routes in the city of Sheffield, on a concession running until 2024.
Strategy	In rail, we seek to grow the business by bidding for selected new contracts and franchises where the risk/return trade-off is acceptable.
Market opportunity	The market opportunity arises from the potential to win new contracts and franchises in the UK or overseas.
Competition	The main competitors that bid against the Group for contracts and franchises are FirstGroup, Go-Ahead Group, Arriva, MTR, Keolis, RATP, Transdev, Trenitalia, SNCF, Eurostar, Serco, Abellio, East Japan Railway Company and Mitsui.
Future market developments	The Group will assess each opportunity to bid for a new contract on a case-by-case basis, evaluating the risk/reward profile and considering the extent to which it is commensurate with the Group's risk appetite.

1.4.4 What we need, to do what we do (resources and relationships)

Stagecoach Group has a range of resources and relationships, including contractual relationships that underpin its business and support its strategy.

These assist in giving the Group a competitive advantage in the markets in which it operates.

Customers
Our relationship with our customers is important to us. To deliver organic growth, we need to provide services that people want to use.

We conduct customer research to monitor our performance and to determine how we can improve the quality, delivery and accessibility of our services.

We are passionate about providing good customer service and our businesses have regular and ongoing discussions with bus user groups. This includes presentations from managers on aspects of our service as well as consultation and information sharing on particular issues.

An important element of the Group's success in growing its customer base lies in its record of product innovation and new ideas on developing effective public transport systems.

Employees
Human resources are key to the Group's business and the Group's relationship with its employees is therefore fundamental to achieving its objectives. We aim to recruit and retain the best employees in our sector, offering an excellent package of benefits, which allows us to deliver good customer service. The Group invests significantly in the training and development of people. We have established strong working relationships with trade unions and work in partnership with them on a range of issues, including training and development, occupational health matters, pensions and other employee benefits. We also communicate with our people face to face and through a number of internal publications.

1. Strategic report (continued)

The financial community
Our investors and lenders are critical to our business success. We provide updates to them on our performance.

We have contractual arrangements with banks and other finance providers for the provision of funds and financial products to the Group.

Government and regulatory bodies
Our managers have ongoing relationships with national and local government to ensure the effective delivery of government transport policy and to assist in meeting wider objectives. We work with local authorities, including passenger transport executives, in the delivery and planning of bus and rail services. Many of our businesses have partnership agreements in place to improve the delivery of public transport in their areas. We work closely with the Department for Transport, the Scottish Government, Transport Scotland, the Welsh Government and Transport for London.

We contract with local authorities, government bodies and other parties for the supply of bus services on a contracted or tendered basis.

We have constructive dialogue with organisations such as the Campaign for Better Transport.

Suppliers
We rely on a range of suppliers to provide goods and services linked to our bus, coach and tram operations. Our businesses have contractual relationships with suppliers, including purchase contracts with fuel suppliers, vehicle suppliers, IT companies and spare part suppliers.

Information technology is increasingly important to effectively operate our services and to meet our customers' expectations. Significant investment, internal management resource and external supplier input support the development and operation of IT systems.

Corporate reputation, brand strength and market position
Stagecoach is one of the best known public transport operators in the UK and is consistently rated highly for the quality of its services in research by independent organisations. We value our reputation, both as a public transport provider and as a key part of the communities in which we operate. The Group has a strong set of brands that support our strategy of organic growth in our business and that help maintain our leading market position.

Natural resources and manufacturing technology
Operating our bus, coach and tram services requires considerable use of natural resources, including diesel and electricity. We have arrangements in place to ensure that these resources are sourced efficiently and that our supplies are maintained to ensure the smooth functioning of our business. A number of experienced manufacturers supply our buses, coaches and trams, which are produced to detailed specifications relevant to the individual markets in which they are required.

Licences
We hold various licences giving authority to operate our public transport services and these are maintained up to date as required.

Transport and industry representation groups
We are active members of industry groups, such as the Confederation of Passenger Transport UK and UKTram.

1.4.5 The challenges we face (principal risks and uncertainties)

Like most businesses, there is a range of risks and uncertainties facing the Group and the matters described below are not intended to be an exhaustive list of all possible risks and uncertainties.

Generally, the Group is subject to risk factors both internal and external to its businesses. External risks include global political and economic conditions, competitive developments, supply interruption, regulatory changes, materials and consumables (including fuel) prices, pensions funding, climate change and environmental risks, industrial action, litigation and the risk of terrorism. Internal risks include risks related to capital expenditure, acquisitions of businesses, regulatory compliance and failure of internal controls.

The Board of Directors determines the nature and extent of the principal risks that it is willing for the Group to take in achieving its strategic objectives. Information on the risk management process is provided in section 4.12 of this Annual Report. The focus below is on those specific risks and uncertainties that the Directors believe are the most significant to the Group, taking account of the likelihood of occurrence of each risk and the potential effect on the Group. Where appropriate, the principal risks and uncertainties below include emerging risks.

The Group's principal risks and uncertainties remain consistent with the prior year.

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Major event such as a serious accident			
There is a risk that the Group is involved (directly or indirectly) in a major operational incident resulting in significant human injuries or damage to property. This could have a significant impact on claims against the Group, the reputation of the Group and its chances of winning and retaining contracts or franchises. In extreme cases, services could be suspended or structural changes imposed on the Group as a result of regulatory or other action. A series of less severe incidents could have similar consequences.	While it is not possible to fully eliminate these risks, the Group has a proactive culture that puts health and safety at the top of its agenda in order to mitigate the potential for major incidents. In the event that a major incident did occur, the Group has procedures in place to respond. The Group periodically rehearses its response to a hypothetical major incident. The Group has insurance arrangements in place to reduce the financial effect on the Group of certain claims against it.	• We have continued our roll-out of new bridge alert technology across our bus fleet. This strengthens existing measures in place to prevent bridge strikes and builds on our industry-leading use of the GreenRoad driver safety and fuel efficiency system. • We have piloted a new driver risk management system at several of our operating companies to enhance our monitoring and support of driver performance.	

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Economy			
The economic environment in the geographic areas in which the Group operates affects the demand for the Group's services. The revenue and profit of the Group could therefore be positively or negatively affected by changes in the economy. The COVID-19 situation had a substantial, adverse effect on the UK economy, though we currently have limited visibility over its longer term economic effect, which may lead to a prolonged period of economic, consumer and political uncertainty. That may in turn affect asset values and foreign exchange rates, which have a bearing on the amounts of our pensions, financial instruments and other balances. Ongoing geopolitical risk may prolong high levels of inflation, on both pay and other costs, impacting profit margins while also potentially suppressing passenger demand due to reduced disposable income.	Management monitors actual and projected economic trends in order to match capacity to demand and where possible, minimise the impact of adverse economic trends on the Group. External forecasts of economic trends form part of the Group's assessment and management of economic risk. Further information on the relevance of macroeconomic factors to each business segment is provided in section 1.4.3. Hedging arrangements are in place to manage volatility in fuel and electricity costs. Inflation and other economic factors are considered when pricing our services.	• The ongoing effects of the COVID-19 pandemic have led to a fall in passenger demand for our services. The extent and the speed of the recovery from the pandemic remains uncertain. • Current higher inflation presents both opportunities and risks to the Group. Our fuel hedging programme provides our cost base with short to medium-term protection from higher fuel prices. Our past experience is that higher fuel prices drive incremental demand for bus and tram services over other modes of transportation. Combined with a wider cost of living crisis, in many cases, bus and tram travel presents a cheaper mode of travel than car use, and we are positioning our marketing to focus on our good value fares. The principal risk from higher inflation is around the availability and cost of staff, which is discussed further under "People and culture".	1.3, 1.6.1 and 1.7
Terrorism			
There have been multiple acts of terrorism on public transport systems and other terrorist attacks that, whilst not directly targeting public transport, have discouraged travel. There is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident. Such a fall in demand would have a negative effect on the Group's revenue and financial performance.	The Group has plans in place designed to reduce the operational and financial impact of a terrorist incident. It also has checks in place such as vehicle inspections to reduce the risk.	• No significant matters to report.	
Changing customer habits			
There are opportunities for the Group to shape its services and its interaction with its customers in response to changes in customer habits such as their working patterns and shopping. People travel on the Group's bus and tram services for a variety of reasons, including in some cases, to get to and from work and/or to get to and from shopping locations. Changes in people's working patterns, shopping habits and/or other preferences could affect demand for the Group's transport services, which could in turn affect the Group's financial performance and/or financial position. For example, increases in the proportion of working time that people spend at home, or in the level of shopping undertaken online, could affect demand for travel. A sustained reduction in international travel may boost the appeal of "staycations", and increase demand for our services. It is likely that COVID-19 will accelerate trends of increased home working, home shopping, telemedicine and home schooling. To the extent the effects of that on travel patterns are not offset by modal shift to bus/tram, there will be a longer term adverse effect on the Group's revenue and potentially its financial performance and/or financial position.	The Group monitors trends in revenue and journey numbers across its businesses. In forecasting future revenue and journey numbers, including in respect of bids for new contracts, the Group considers research and evidence on changing customer behaviour. The Group will, from time to time, vary its timetables, pricing, range of ticket types and transport networks in response to actual or anticipated changes in demand.	• We continue to adjust the timetables for certain of our UK regional bus services to adapt to changes in demand from customers. As a response to these changes in demand, we have introduced new Flexi tickets to our fares offering, and are implementing Pay As You Go ticketing across our regional bus businesses over the medium-term. • Accurately forecasting future revenue and financial performance remains challenging, given the scale of service changes enacted in response to COVID-19 and uncertainty on the timing and extent of a recovery in demand for our services. • We are rolling out a major investment in new Optibus software, which will help plan the bus networks of the future to match the changes in how people travel coming out of the COVID-19 pandemic. It will help deliver more efficient timetables and rosters that offer passengers both attractive frequencies and reliability.	1.6.1 and 1.7

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Pension scheme funding			
The Group participates in a number of defined benefit pension schemes. There is a risk that the reported net pension asset/liability and/or the cash contributions required to these schemes increases or decreases due to changes in factors such as investment performance, the rates used to discount liabilities and life expectancies. Intervention by regulators could also affect the contributions required. Any increase in contributions will reduce the Group's cash flows. Any significant increase in pension liabilities could affect the Group's credit ratings.	Decisions on pension scheme funding, asset allocation and benefit promises are taken by management and/or pension scheme trustees in consultation with trade unions and suitably qualified advisors. The Board oversees the Group's overall pensions strategy and participates in major decisions on the funding and design of pension schemes.	• During the year ended 30 April 2022, we have seen a significant improvement in the funding position of the pension schemes we participate in, as well as in our net pension liabilities reported in the consolidated balance sheet. • Given the scale of our main defined benefit scheme, its significance relative to the scale of the Group, and its approach to investment and funding, the Scheme Trustees have engagement with The Pensions Regulator from time to time. The Scheme follows a bespoke approach to investment and funding that does not necessarily conform to "standard" or "benchmark" approaches considered by the Regulator. The Scheme's latest formal valuation was at September 2021 and showed a funding surplus of £49m. The Trustees are, as expected, discussing that valuation with the Regulator. Following the recent change of ownership of the Company, and based on a legally binding agreement entered into between the Company and the Trustees, additional employer funding contributions, in excess of salary related contributions, will increase to £12.5m per annum, increasing at 3% per annum compound, for ten years or until the Scheme's long-term funding objective is met, whichever is earlier. • During the year, we de-risked our exposure to Local Government Pension Schemes further by agreeing an exit (at no additional cost to the Group) from another Local Government Scheme. • The heightened uncertainty around the economic outlook has contributed to continued volatility in asset values and interest rates. However, pension scheme net liabilities reported in our consolidated balance sheet have reduced during the year, reflecting higher discount rates.	1.3, 1.6.11.2

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Insurance and claims environment			
The Group receives claims in respect of traffic incidents and employee claims. The Group protects itself against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of deductibles ("excess") and loss corridors on insurance policies. There is a risk that the number or magnitude of claims are not as expected and that the cost to the Group of settling these claims is significantly higher or lower than expected. There is also a risk of fines and other regulatory action in relation to incidents.	The Group has a proactive culture that puts health and safety at the top of its agenda and this helps mitigate the potential for claims arising. Where claims do arise, they are managed by dedicated insurance and claims specialists in order to minimise the cost to the Group. Where appropriate, legal advice is obtained from appropriately qualified advisors. The balance between insured and retained risks is re-evaluated at least once a year and insurance and claims activity is monitored closely.	• The Group continues to retain some of the risks associated with the US insurance and claims arrangements that were in place prior to the disposal of its US business in April 2019 through its exposure to letters of credit and guarantees being left in place in respect of current insurance policies for up to five years post-disposal. The quantum of the risk continues to reduce as the US business settles claims.	
Climate change			
We see public transport as a critical part of the battle against climate change. At the same time, we recognise that climate change presents a number of risks to the Group. Section 1.8.2.4.1 of this Annual Report sets out in more detail our assessment of climate change risks.	Section 1.8.2.5.2 of this Annual Report sets out how we are managing climate change risks.	• During the year, we published our new sustainability strategy, which sets out our roadmap to becoming a carbon neutral business by 2050. Section 1.8.2 more broadly sets out the impact of the Group's business on the environment, our environmental policy, actions we are taking to reduce our impact on the environment and the effectiveness of our environmental policies. • In February 2022, the Scottish Government awarded £62m through the first phase of the Zero Emission Bus Challenge Fund ("ScotZEB") to support operators to introduce zero emission buses. Around £24m of the £62m was awarded to the Group. • In March 2022, the Department for Transport announced £198.3m of investment from the Zero Emission Buses Regional Area ("ZEBRA") scheme to help fund 943 zero emission buses, of which 252 buses will be introduced on Stagecoach services in Greater Manchester, South Yorkshire and Oxfordshire. The grants will deliver electric or hydrogen powered buses, as well as charging or fuelling infrastructure.	1.8.2

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Regulatory changes and availability of public funding			
Public transport is subject to varying degrees of regulation across the locations in which the Group operates. There is a risk that changes to the regulatory environment could impact the Group's prospects. There remains a possibility that some bus services in the UK outside London become subject to franchising (whereby a government body specifies the bus services and puts them out to tender) compared to the current model where commercial bus operators are free to design and operate their own services. Similarly, many of the Group's businesses benefit from Government investment in bus and tram services, including grants, tax rebates, the provision of equipment, contracted services and concessionary travel schemes for passengers. There is a risk that the availability of government finances changes due to political, regulatory or other reasons. In the year ended 30 April 2022, the UK Bus (regional operations) earned £63.1m of bus operating grants. Those operations also earned £110.7m in tender/school revenue and £248.5m in concessionary revenue from local government bodies. Also, the vast majority of the reported revenue of the UK Bus (London operations) is earned from contracts with Transport for London. The Group is also receiving significant payments from government to ensure the continuation of public transport services in light of the COVID-19 situation. That includes continuing payments to some extent of concessionary revenue, tender revenue and bus operating grants. The Group is also receiving grants under the COVID-19 Bus Services Support Grant ("CBSSG") and Bus Recovery Grant ("BSG") scheme in England, the Network Support Grant ("NSG") scheme in Scotland and the Bus Emergency Scheme 2 ("BES2") in Wales. There is a risk that the extent of the payments available to the Group reduces faster than improvements in the underlying financial performance of its businesses. That could adversely affect the Group's financial performance and financial position. There is a risk that government COVID-19 related public messaging or requirements, such as in respect of face coverings and physical distancing, suppress demand for our services and/or our capacity to transport passengers. There is a risk that government policy decisions to improve air quality and/or lessen road congestion result in increased capital expenditure and/or operating costs for the Group and that such additional costs are not fully offset by increased revenue. There is also a risk that the Group suffers financial or reputational damage as a result of non-compliance with laws or regulations or as a result of the Group having a different interpretation of laws or regulations from others. In addition, in the case of tax, there is a risk the Group suffers reputational damage because of how others perceive the Group's approach to a tax matter even where the Group has complied with the applicable laws and regulations.	Management, including at a senior level, has been closely engaged with government and industry colleagues throughout the COVID-19 pandemic. Engagement has focused on ensuring the health and wellbeing of our people and customers, determining the appropriate level of services to operate, and discussing the level of payments from government for those services. Management closely monitors relevant proposals for changes in the regulatory environment and communicates the Group's views to key decision makers and bodies. The Group actively participates in trade bodies and government forums. The Group seeks to maintain good, cooperative relationships with all levels of government, by developing and promoting ideas that offer cost effective ways of improving public transport. Where regulatory changes are known or reasonably likely, the Group develops plans to seek to mitigate any adverse effects on it. The Group uses internal and/or external experts to advise it on compliance and management in specialist areas such as tax and transport law.	• The Group has received COVID-19 related payments from government for periods since mid-March 2020, which has enabled the continuation of transport services as customer demand has continued to recover. As anticipated, the COVID-19 Bus Services Support Grant Restart ("CBSSG") for local bus services in England, excluding London, came to an end on 31 August 2021. For the period from 1 September 2021 to 5 April 2022, we have received Bus Recovery Grant ("BRG") support, whereby funding was allocated to operators with reference to revenue and mileage operated. The Department for Transport has announced that recovery funding will be available for bus and light rail services in England for a period of six months from 6 April 2022 to October 2022. • The COVID-19 Support Grant Restart ("CSG") payments for continuing bus services in Scotland ended on 31 March 2022, with an additional £94m bus grant scheme for the period from 1 April 2022 announced, which includes £40m to support the recovery of demand for bus services in Scotland. • In Wales, a voluntary partnership arrangement, Bus Emergency Scheme 2 ("BES 2"), runs from April 2021 until July 2022. Under BES 2, there is scope for bus operators to earn a modest profit under a form of "cost plus" arrangement. Discussions are ongoing regarding BES3, to run from August 2022. • We have worked closely with local transport authorities to help shape Bus Service Improvement Plans ("BSIPs") submitted to the Department for Transport in October 2021 as part of the National Bus Strategy for England. The BSIPs include initiatives to deliver better services and grow bus use, and envisage local transport authorities either entering into enhanced partnerships with operators or pursuing franchising schemes. While this additional funding has the potential to reverse the long-term decline in passenger volumes, there is a risk that franchising of bus services or new partnership working could adversely affect the revenue and profit of the Group's bus businesses in England (outside London). • The Mayor of Greater Manchester decided in March 2021 to proceed with plans for a bus franchising scheme in the region. The proposed scheme would result in all bus services in Greater Manchester being franchised by May 2024. We have secured passports to bid for Manchester bus franchises and the tenders for the first tranche of Manchester bus franchises are underway. Other parts of the country that are actively considering proposals for bus franchising, include North East England, Yorkshire, Merseyside and Wales. As noted above for the National Bus Strategy for England, the implementation of franchising may adversely affect the revenue and profit of the Group.	

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
People and culture			
There is a risk that the Group is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision making.	As explained in section 1.8.6 of this Annual Report, we have clear, established corporate values, which are set out in our Code of Conduct. We value an open, transparent and safe working environment where our people feel able to speak up and can raise serious concerns constructively without fear of victimisation, subsequent discrimination or disadvantage. Our whistleblowing policy and guide helps employees understand their rights and responsibilities. It sets out how the Group will investigate any concerns raised and the action it may take. We have employment policies in place as described in section 1.8.3.2 of this Annual Report. Employees' roles and responsibilities are defined and we aim to reward employee contributions through fair pay and benefits. We recognise the value and benefit of having an inclusive and diverse workforce, as further explained in section 1.8.4 of this Annual Report. Training, development and succession planning arrangements are in place, which take account of the potential future skills that the business may require. The Board monitors the Group's culture, including through the Stagecoach Colleague Forums (see section 1.8.3.5), the results of staff surveys, reports from the Risk Assurance function, reports of any employee fraud and reports from the whistleblowing process.	• During the year ended 30 April 2022, we have observed a marked increase in driver turnover, reflecting ongoing challenges affecting the wider UK labour market. While our recruitment of staff has been strong, the lag effect of replacing staff who have left has resulted in shortages at a number of locations, resulting in continued higher than usual lost mileage. • Employee engagement forums, attended by non-executive directors, have taken place during the year. Topics covered at the forums include the continuing impact of the pandemic on employees and their families and the offers from DWS Infrastructure and National Express to acquire the Company. • Our sustainability strategy includes goals and targets around workforce diversity, training and development, internal succession, employee wellbeing and recruitment.	1.4.1, 1.8.3, 1.8.4, 1.8.6, and 6.6
Disease			
There is a risk that demand for the Group's services could be adversely affected by a significant outbreak of disease. Such a fall in demand would have a negative impact on the Group's revenue and financial performance. This was identified by the Board as a principal risk some years ago but the COVID-19 situation is a clear and substantial crystallisation of the risk. To the extent any further waves of the current pandemic materialised, that could stall the recovery in passenger demand.	The Group has plans in place to respond to any significant outbreak of disease. As a result, it was able to respond swiftly and decisively to the COVID-19 situation.	• The COVID-19 pandemic continues to have a significant adverse effect on the Group's financial performance. In spite of additional sector-specific government funding, the Group's current financial performance is nevertheless significantly below pre-COVID expectations.	1.3
Information security			
There is a risk that confidential and/or commercially sensitive information relating to and/or held by the Group is subject to unauthorised access, use, disclosure, modification, perusal, recording or destruction. There is also a risk that the Group's information and/or systems are subject to disruption, corruption or failure due to security breaches.	An Information Security Board oversees the management of information security risks, and takes appropriate advice from suitably experienced third party consultants and internal experts. Investment is made in appropriate policies, people and technology to reduce the severity and likelihood of information security risks crystallising.	• We have assessed our information security maturity against the NIST Cyber Security Framework, and increased the number of security domains assessed, as we make continued improvements in this area.	

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 30 April 2022 and since	Section in Annual Report
Information technology			
The Group is reliant on information technology for sales, operations and back office functions. Information technology failures or interruptions could adversely affect the Group. An increasing proportion of the Group's sales are made digitally. There is a risk that the Group's capability to make sales digitally either fails or cannot meet levels of demand and the time taken to implement restorative actions is unacceptably long due to insufficient resource being available and/or over reliance on a small number of service providers. This risk could result in significant levels of lost revenue.	The Group is continually investing in its information technology systems, people and suppliers to ensure the robustness of its information technology. It is developing new digital platforms and continues to look to ensure that it secures reliable service provision.	• We continue to make targeted investment in fleet and technology enhancements, and were pleased to introduce a new cloud-based solution for our people processes, payroll, recruitment, and performance and talent management, during the year.	1.5.3
Competition			
Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business. We face competition for customers not only from other operators of trams, coaches and buses but also from other modes of transport. The Group regards its primary competitor as the private car and aims to encourage modal shift from car to public transport. Developments in new technology and/or new business models could affect the competitive environment in which the Group operates. Technological developments could enable new competitors and/or business models to be developed that disrupt or compete with the Group's business. Section 1.4.3 of this Annual Report includes comments on competition in the context of each of the Group's key segments.	We monitor competitive developments in each of our markets and respond as appropriate. That includes monitoring developments in technology and business models that could affect the competitive landscape. We work with local authorities, including passenger transport executives and regional transport committees, in the delivery and planning of bus and tram services.	• Private car usage has recovered more quickly than public transport as the country recovers from the pandemic. We believe this is partly attributable to the messaging during the pandemic to discourage use of public transport. Over the longer term, we believe there is an opportunity to stimulate modal shift from car to public transport over time, through public policy initiatives, like the National Bus Strategy for England.	

Details of the Group's treasury risks are discussed in note 24 to the consolidated financial statements, and include the risk to operating costs arising from movements in fuel prices.

1.4.6 How we measure our performance (key performance indicators)

The Group uses a wide range of key performance indicators ("KPIs") across its various businesses and at a Group level to measure the Group's progress in achieving its objectives. The most important of these KPIs at a Group level focus on five key areas

- Profitability
- Organic growth
- Safety
- Service delivery
- Carbon saved by modal shift

KPI 1 – profitability

The overall strategy of the Group is intended to promote the success of the Group and create long-term value to shareholders. In the shorter term, we measure progress towards this overall aspiration by monitoring growth in adjusted earnings per share. Given the change in the Company's ownership, we plan to review and will likely change our principal measure of profitability.

KPI 2 – organic growth

To create long-term value, we aim to deliver organic growth in revenue. We measure progress on this by segment, looking at like-for-like growth in passenger volumes and/or revenue as we consider most appropriate for the particular business.

KPIs 3 and 4 – safety and service delivery

To deliver organic growth in revenue, we aim to provide safe and reliable transport services that people want to use. We measure safety and service delivery using a range of measures appropriate for each business.

Further details on how we calculate these key performance indicators, our targets and our recent performance is summarised below.

KPI 5 – carbon saved by modal shift

The Board uses a number of metrics in respect of climate change matters. We view carbon saved by modal shift as a key metric because it captures not only the direct emissions from our operations, but also the emissions saved from replacing car journeys with public transport. Details of the metrics we use to manage relevant climate-related risks and opportunities are set out in section 1.8.2.6 of this Annual Report.

Profitability

Adjusted earnings per share is earnings per share before separately disclosed items ("Adjusted EPS"). Adjusted EPS is calculated based on the profit attributable to equity shareholders (adjusted to exclude separately disclosed items) divided by the weighted average number of ordinary shares ranking for dividend during the relevant period.

Adjusted EPS was as follows:

		Year ended		
	Target	**30 April 2022 pence**	1 May 2021 pence	2 May 2020 pence
Adjusted EPS	To increase in excess of the UK Consumer Prices Index	**7.0p**	2.7p	13.5p

Sections 1.3 and 1.6 of this Annual Report include comments on the development of the Group's profitability.

Organic growth

The following measures of organic growth are monitored:

- UK Bus (regional operations) – growth in passenger journeys measured as the percentage increase in the number of passenger journeys relative to the equivalent period in the previous year.
- UK Bus (London) – growth in revenue measured as the percentage increase in revenue relative to the equivalent period in the previous year.

The measures vary by business reflecting differences in the underlying businesses – for example, almost all of the revenue in UK Bus (London) is not determined on a "per passenger" basis.

Throughout this Annual Report, references to passenger volume growth mean growth determined on the basis set out here. Passenger journey metrics reported involve a degree of estimation. All of the organic growth KPIs are normalised to exclude businesses that have not been held by the Group for the whole of the relevant year and the preceding year. The growth figures are also normalised for differences in the number of days in each year.

	Target	**Year ended 30 April 2022 Growth %**	Year ended 1 May 2021 Growth %	Year ended 2 May 2020 Growth %
UK Bus (regional operations) like-for-like passenger journeys growth	Positive growth each year	**79.9%**	(58.0)%	(10.0)%
UK Bus (London) like-for-like revenue growth		**4.2%**	8.3%	(4.4)%

The fall in UK Bus (regional operations) passenger journeys in the years ended 1 May 2021 and 2 May 2020 principally reflects the effect of the COVID-19 situation on customer demand from mid-March 2020. During the year ended 30 April 2022, we have seen a recovery in passenger demand, which reflected the easing of COVID-19 restrictions across the UK.

The significant increase in UK Bus (London) revenue in the years ended 30 April 2022 and 1 May 2021 principally reflects the commencement of new contracts won in the prior years. In addition, the revenue growth in the year ended 1 May 2021 is boosted from operating a full service from the early part of the year, having made temporary reductions in collaboration with Transport for London at the outset of the pandemic, which partly suppressed revenue in the year ended 2 May 2020. The fall in revenue in the year ended 2 May 2020 reflects the effects of contracts lost when tendered the previous year and the cost savings passed to Transport for London from COVID-related service reductions.

Safety

Safety is monitored in various ways, including through a range of KPIs. Businesses acquired or disposed of in the year are excluded from the safety KPIs. Two of the more important safety KPIs are reported below:

	Target	**Year ended 30 April 2022**	Year ended 1 May 2021	Year ended 2 May 2020
UK Bus (regional operations) – number of avoidable accidents per 1 million miles travelled	To decrease each year – ultimate target is zero	**26.5**	16.7	23.3
UK Bus (London) – number of avoidable accidents per 1 million miles travelled		**42.5**	34.1	41.8

We believe the marked reduction in avoidable accidents across both our UK Bus (regional operations) and UK Bus (London) businesses in the year ended 1 May 2021 principally reflects the impact of COVID-19, due to a decrease in private road vehicle usage, reflecting government restrictions around non-essential travel. Accordingly, we had expected an increase in the number of avoidable accidents across all our businesses in the year ended 30 April 2022, as traffic levels and passenger journeys on our services increased as we recover from the pandemic. The number of avoidable accidents per million miles travelled in the year ended 30 April 2022 is, however, higher than we generally experienced prior to the pandemic. Our analysis suggests that was principally due to:

- five consecutive winter weather storms during the year, which increased the number of minor collisions with property and objects. Roads were affected by fallen or damaged trees and, with foliage encroaching into roads, road closures and heavy winds. Operating procedures to mitigate this risk at a local level were introduced with reduced service levels, diversions to re-route services away from roads with high cross winds and full service withdrawals where conditions were deemed unsafe to operate in. However, the road conditions after the storms, and indeed in parts of the country where the storms were not predicted to hit but did, contributed to the increased accident rate.
- over the summer period, an increase in the number of incidents reported with stationary vehicles in areas of the country where "staycations" boomed with COVID-19 related travel restrictions. This was a short-term factor that impacted the number of incidents during that period.

1. Strategic report (continued)

Service delivery

Our measures of service delivery include reliability measured as the percentage of planned vehicle miles to be operated that were operated.

Service delivery KPIs are not reported for businesses acquired or disposed of in the year.

The service delivery KPIs were as follows:

	Target	Year ended 30 April 2022 %	Year ended 1 May 2021 %	Year ended 2 May 2020 %
UK Bus (regional operations) reliability	>99.0%	97.5%	99.7%	99.4%
UK Bus (London) reliability	>99.0%	98.5%	99.2%	98.8%

During the year ended 30 April 2022, operational reliability across the business has been adversely impacted by staff shortages, resulting in higher lost mileage than we would typically expect in our business. The improved operational reliability in the year ended 1 May 2021 reflects the reduced disruption to bus services due to less traffic congestion during the COVID-19 pandemic and increased vehicle availability whilst lower levels of vehicle mileage were being operated.

1.5 Strategic and operating review

1.5.1 Strategic objectives and initiatives

During the year ended 30 April 2022, we made good progress on the previously agreed strategy for the business, which is focused on three objectives:
- Maximise our core business potential in a changing market
- Manage change through our people and technology to make it simpler and better
- Grow by diversifying to balance the portfolio and open up new markets

We launched our new sustainability strategy in August 2021, which forms part of our overall strategy.

1.5.2 Maximise our core business potential in a changing market

We have seen a recovery in regional bus passenger journeys and sales during the year, particularly with the easing of COVID-19 restrictions. Passenger volumes remain below pre-pandemic levels and recovery has been punctuated by the impact of bad weather and the emergence of COVID-19 variants. However, we are pleased to see that passenger volumes and commercial sales at our regional bus businesses are now at around 81% and around 91% of pre-COVID levels for the week ended 18 June 2022.

We welcome the commitments made by governments across the UK to support the continuity of bus and light rail services while passenger volumes remain suppressed. This also supports the planning of future transport networks in partnership with local authorities to take account of emerging travel patterns. The Department for Transport has confirmed recovery funding will be available for bus and light rail services in England for a period of six months from 6 April 2022 to October 2022. We also welcome the Scottish Government's announcement of a £94m bus grant scheme for the period from 1 April 2022, which includes £40m to support the recovery of demand for bus services in Scotland. The Welsh Government has indicated that a further funding arrangement will be put in place for beyond the end of the existing arrangements in July 2022.

World events and changes in the UK economy have resulted in cost and labour supply challenges across many sectors, including public transport. In recent months, we have seen a sustained increase in fuel prices, and the wider cost of living challenges are also reflected in recent pay agreements. We have sought to manage these issues proactively to ensure we are as efficient as possible, and we protect the long-term sustainability of our bus networks and the employment they support. We believe that the increased cost of motoring can help encourage a shift by consumers to more sustainable public transport. In addition, we are pleased that we have also made good progress in delivering a strong pipeline of employees across the country through our training academies, with more than 2,200 new drivers starting since May 2021.

Supply chain challenges have not to date caused significant disruption to our operations. A dedicated procurement team is actively monitoring the supply chain and taking action to protect the continuity of our business. We increased stock levels of both fuel and parts to provide some cushion from any supply chain disruption. The additional working capital absorbed by higher stock levels is reflected in our financial statements, though it is not substantial. We worked closely with fuel suppliers during fuel protests to ensure none of our depots ran dry of fuel. Deliveries were re-directed to the depots where fuel stocks were lowest and stock levels were closely tracked. Lead times for new buses and coaches have extended, and we are taking account of extended lead times in managing the transition of our UK fleet to zero emission buses.

Looking ahead, there is a substantial opportunity to grow our passenger base, supported by governments' commitments to reduce car use and increase active travel and use of public transport. Governments have allocated significant funding to support the achievement of their objectives across a range of policy areas. In England, our services stand to benefit from the National Bus Strategy and Levelling Up White Paper, both of which recognise the importance of public transport in transforming regional economies. The Scottish and Welsh Governments have set specific targets around reduced car use and a shift to walking, cycling and public transport.

We have worked closely with local transport authorities to help shape Bus Service Improvement Plans ("BSIPs") submitted to the Department for Transport as part of the National Bus Strategy for England. The BSIPs include initiatives to deliver better services and grow bus use, including through infrastructure and other measures to give greater priority to bus passengers. These measures are an important part of delivering more reliable journeys and better value fares to attract more customers to bus travel. A number of areas where we deliver bus services are among the 31 local transport authorities to be allocated over £1 billion of funding.

Across the country, we are ready to help transport authorities deliver better bus services in their regions, including through either Enhanced Partnerships or a franchised model. The way in which local transport authorities are seeking to deliver transport networks is evolving. In Scotland, under the Transport (Scotland) Act, local authorities will have powers to run their own bus services by July 2022, while secondary legislation to enable bus franchising and partnership options will also be introduced before the end of 2023. The Welsh Government has also published a Bus White Paper proposing a new franchising model for services in the country. We have successfully operated in both commercial and franchised bus markets over many years and we believe our track record of delivering high quality services means we are well placed to benefit from the opportunities ahead under either model.

1.5.3 Manage change through our people and technology to make it simpler and better

We are continuing to adapt our customer offer to meet the changes in how people work, live and travel. While travel may reduce for some markets, such as commuting, we see opportunities for growth in leisure travel and for other purposes.

As part of our retail and customer strategy, we have launched contactless pay as you go capped fares in the Leicester area in partnership with Leicester City Council. Customers benefit from a daily price cap on the journeys they make, ensuring they receive the best value travel. We are also working with other bus operators in the area to develop multi-operator contactless fare capping for launch later in 2022. In addition, we are introducing fares simplification initiatives in a number of areas around the UK. More widely, we are working with our bus operator partners and engaging with the Department for Transport on proposals to deliver a transformational multi-operator fare capping system for customers across England, including ensuring the appropriate back-office and reconciliation systems are in place.

We have now opened our new customer contact centre in Perth, Scotland, delivering a one-stop phone and digital contact point. The new multi-skilled team will operate an improved seven day a week service following our investment in the facility and the creation of around 80 new jobs. Investment is being made in a new customer relationship management system to help provide tailored support, better understand customers' end-to-end journeys, and quickly address any emerging common issues. We are pleased that this investment and strong commitment to our customers is already being recognised, with high NPS levels among users since the opening of the new facility.

In recent months, we started on the road testing in Scotland of the UK's first full-sized autonomous bus in preparation for the launch of the CAVForth pilot service in late summer. The pilot will see five single-deck autonomous buses operating between Ferrytoll Park and Ride in Fife and the Edinburgh Park Train and Tram interchange. Fitted with 360-degree sensor and control technology, the buses can run on pre-selected roads without the safety driver having to intervene or take control. The buses will provide capacity for over 10,000 passenger journeys a week. As well as further enhancing safety, the technology is also expected to deliver fuel and energy efficiency savings from more optimised braking and acceleration, as well as a better overall customer experience.

We are rolling out the deployment of the Optibus software platform across our regional operating companies which will help to deliver networks which match the continually evolving demand for travel. This includes producing the most efficient timetables and rosters that offer customers both attractive frequencies and reliability. As well as delivering significant cost savings, it will also reduce carbon emissions as buses can be planned more effectively. The roll-out is expected to be completed around December 2022. In addition, we are investing in new asset management software to deliver a step-change in our engineering maintenance processes, moving to a more predictive and automated approach.

Our digital transformation programme also involves investment in a new cloud-based solution for our people processes, payroll, recruitment, and performance and talent management. The introduction of the Workday system is helping make our processes simpler and providing greater insights through the easy access to a range of data to help drive improvements. As part of our investment in our people, we marked National Apprenticeship Week in February 2022 by reaching the milestone of employing 1,000 apprentices, our highest ever number and a 25% increase on the previous year. Apprentices are being trained in a variety of roles, from driving and engineering to HR and learning and development.

1.5.4 Grow by diversifying to balance the portfolio and open up new markets

We are continuing to seek new opportunities to diversify and grow the business both in the UK and overseas. We have a successful track record in running contracts linked to major events, and we are proud to have been selected to provide transport for spectators, the "Games family" and the police at the Commonwealth Games in Birmingham in 2022.

We are also pleased to have delivered electric bus transport for world leaders at the COP26 climate change conference in Glasgow in late 2021, as well as an associated transport contract on behalf of Police Scotland. In addition, we have successfully retained the rail replacement contract for London North Eastern Railway following a competitive tender, and continue to actively pursue other UK rail replacement opportunities.

We await the decision on the award of the two Dubai contracts we bid for, and continue to evaluate other contract opportunities outside of the UK.

1.5.5 Helping deliver a more sustainable world

We launched our new long-term sustainability strategy in August 2021. The plan envisages investment in new zero emission vehicles and other green technologies over the next 15 years, as well as initiatives to cut waste, boost recycling and conserve water. We are aiming to decarbonise our business by around 70% by 2035 (based on scope 1 and 2 emissions versus a baseline of 2018/19, excluding expired rail franchises and the disposed North America Division) as well as targeting having a zero emission UK bus fleet by that date. We have submitted science-based targets for ratification by the Science Based Targets initiative, consistent with the 2015 Paris Agreement to limit global warming to 1.5°C by 2050.

We are set to deliver the first all-electric city bus networks in the UK following the Scottish Government's announcement in February 2022 of support from the Scottish Zero Emission Bus Challenge Fund ("ScotZEB"). We plan to make our city bus networks in Inverness and Perth all electric from the end of 2022 and early 2023 respectively. We will be introducing a £39.4m fleet of 109 new electric buses in Scotland after confirmation of £24.3m of ScotZEB vehicle and infrastructure funding. The new zero emission buses will be introduced on networks in Aberdeen, Ayr, Dunfermline, Glenrothes, Inverness, Kilmarnock, and Perth. The first of the buses will be on the road from later this year, with all 109 vehicles expected to be fully operational by early 2023.

In March 2022, the Department for Transport announced £198.3m of investment from the Zero Emission Buses Regional Area ("ZEBRA") scheme to help fund 943 zero emission buses. The grants will deliver electric or hydrogen powered buses, as well as charging or fuelling infrastructure, to 12 regions. In our business, we will see 252 buses introduced in Greater Manchester, South Yorkshire and Oxfordshire, as we work together to transition to a zero emission bus fleet.

We received one of the highest ratings in the UK public transport sector in the latest Carbon Disclosure Project assessment of company performance on addressing climate change. We achieved a "B" rating, which is significantly above the average for the road transport sector, which was classed as "D". It was also above the global average of "B-".

Section 1.8.2 of this Annual Report provides more information on environmental matters and climate change.

Our new sustainability strategy also includes a package of investment in our employees and communities. This includes helping transform diversity in the transport sector by targeting that women make up at least 40% of the Group's leaders, and 25% of the wider workforce are from ethnic minorities, by 2026.

We have also pledged to give back to our communities by allocating 0.5% of profit before tax to charity and other good causes. Initiatives are also being progressed to promote health and wellbeing; support young people, skills and employment; address loneliness and social isolation; and increase accessibility and opportunity.

1. Strategic report (continued)

1.6 Financial review

1.6.1 UK Bus (regional operations)

Summary

- Strong growth in revenue reflecting recovering customer demand
- Increased profit from higher revenue as well as payments from governments for continuing bus services
- Submission of Bus Service Improvement Plans as part of the National Bus Strategy for England to maximise the potential of bus services
- Positive long-term outlook for the business

Financial performance

The financial performance of the UK Bus (regional operations) for the year ended 30 April 2022 is summarised below:

	2022 £m	2021 £m	Change
Revenue and like-for-like revenue*	**892.2**	662.0	34.8%
Operating profit*	**57.9**	24.5	136.3%
Operating margin*	**6.5%**	3.7%	280bp

* See definitions in note 33 to the consolidated financial statements – segment operating profit and operating margin excludes separately disclosed items.

Our UK Bus (regional operations) business continues to be affected by the fall in passenger demand for public transport in response to the COVID-19 pandemic but we have been encouraged by the recovery in demand we are now seeing. Although still below our historic levels of profitability, the business reported an increased operating profit for the year ended 30 April 2022.

The increased operating profit reflects:

- Positive operating profit in the period from May to August 2021, because the payments from governments for the period to 31 August 2021, which cover the majority of our regional bus operations, include amounts in respect of an allocation of finance costs and overheads. The positive regional bus operating profit should therefore be considered in conjunction with Group overheads and net finance costs, which are separately included in the consolidated income statement.
- £10.0m of bus support income recognised in the year ended 30 April 2022, which relates to the prior year, where we now have greater certainty over recognising this income following progress on the schemes' reconciliation processes.
- Continued profitability since August 2021 with improving customer demand for our services and recovery funding from governments.

We have sought to maintain control of operating costs, in spite of industry-wide driver shortages, adjusting our services, where appropriate, to seek to maintain operational reliability. We have increased our sales prices to reflect inflationary cost pressures. In doing so, we have taken account of local market conditions in each area and sought to avoid price changes that would undermine the recovery in customer demand.

The recovery in like-for-like revenue has fluctuated over the course of the year, with passenger demand following the changing pattern of COVID-19 restrictions across the UK. Passenger journey numbers are now (week ended 18 June 2022) at around 81% of pre-COVID levels, with fare-paying journeys at around 87% and concessionary journeys at around 67%. Commercial sales are at around 91%, while vehicle mileage is at around 84%.

Like-for-like vehicle miles operated in the year were 10.5% higher than the prior year, with service levels increased as COVID-19 restrictions eased. Like-for-like revenue per vehicle mile increased 21.9% and like-for-like revenue per journey reduced 25.1%. The increase in revenue per mile reflects that the COVID-related increase in year-on-year revenue exceeds the year-on-year increase in vehicle mileage. The reduction in revenue per journey is largely attributable to the rise in concessionary journey numbers not being matched by an equivalent increase in concessionary revenue, recognising that prior year concessionary revenue payments were maintained at close to pre-COVID revenue rates despite the substantially lower concessionary journey numbers in the prior year.

Like-for-like revenue was built up as follows:

	2022 £m	2021 £m	Change
Commercial on and off bus revenue			
– Megabus	**13.5**	3.9	264.2%
– other	**474.3**	264.1	79.6%
Concessionary revenue	**248.5**	243.0	2.3%
Commercial & concessionary revenue	**736.3**	511.0	44.1%
Tendered and school revenue	**110.7**	114.0	(2.9)%
Contract and other revenue	**45.2**	37.0	22.2%
Like-for-like revenue	**892.2**	662.0	34.8%

Commercial revenue has varied in line with passenger demand over the course of the year. As restrictions were relaxed, we have seen an increase in demand.

The substantial increase year-on-year in Megabus revenue largely reflects our decision to suspend Megabus services in England and Wales for much of the prior year, due to low demand and inter-city coach operations being excluded from the Department for Transport COVID-related payments for bus services.

Due to public authorities generally maintaining concessionary revenue payments at closer to pre-COVID levels throughout the pandemic, despite the increase in concessionary patronage, the increase in concessionary revenue is more modest.

The decrease in tendered and school revenue reflects the impact of running additional services in the prior year to support social distancing.

Similar to the commercial revenue trends, the easing of COVID-19 restrictions has contributed to an increase in contract and other revenue, compared to the prior year.

Outlook

We expect further recovery in demand for our services, although we also see continuing forecasting uncertainty in relation to passenger demand, payments from government to support the continuation of regional bus services during that recovery phase and cost inflation. We anticipate that it will take some time for demand for our regional bus services to return to pre-COVID levels, and are therefore planning for a number of scenarios.

We continue to see good long-term prospects for the business. While youth demographics have been a drag to bus demand in recent years, they should boost demand in the coming years as the number of 18 year-olds increases. Initiatives such as the free bus travel scheme for those aged under 22 in Scotland should further boost demand from young people and research suggests that can increase those individuals' propensity to travel by bus across their lifetimes.

We are pleased to have worked in partnership with local transport authorities to help shape Bus Service Improvement Plans submitted to the Department for Transport as part of the National Bus Strategy for England. We are excited by the transformative potential of many of the proposed initiatives to deliver better services and grow bus use. Strong partnership working between bus operators, national government and local transport authorities is fundamental to transforming the country's bus networks, making bus services faster and more affordable, and reducing unnecessary car journeys. Measures to charge motorists and fund public transport should further support modal shift to bus. Our services are central to delivering government ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens.

1.6.2 UK Bus (London)

Summary

- Continuation of strong operational and financial performance
- Growth in revenue and operating profit reflecting new contracts
- Acquisition of Kelsian Group's east London bus operations and depot at Lea Interchange in June 2022

Financial performance

The financial performance of UK Bus (London) for the year ended 30 April 2022 is summarised below:

	2022 £m	2021 £m	Change
Revenue and like-for-like revenue	**272.6**	261.7	4.2%
Operating profit	**20.7**	18.7	10.7%
Operating margin	**7.6%**	7.1%	50bp

We are pleased with the financial performance of our London business, and the revenue and operating profit growth during the year.

The increase in revenue reflects the impact of new contacts and the full service run in the current year, whereas the prior year had reductions in vehicle mileage we agreed with Transport for London in response to the COVID-19 situation at the start of that year.

The movement in operating margin was built up as follows:

Operating margin – 2020/21	**7.1%**
Change in:	
Other operating income	**(1.2)%**
Quality Incentive Contract income	**(0.4)%**
Materials and consumables	**(0.4)%**
Insurance and claims costs	**(0.2)%**
Staff costs	**2.0%**
Depreciation and leasing costs	**0.5%**
Other	**0.2%**
Operating margin – 2021/22	**7.6%**

The main changes in the operating margin shown above are:
- Other operating income has reduced as expected, principally due to the prior year having significantly higher grant income recognised under the Coronavirus Job Retention Scheme for employees furloughed, as we reduced contract mileage at the request of Transport for London and to protect the wellbeing of more vulnerable employees. The overall fall in other operating income has been partially mitigated by increased advertising revenue and grant income from Transport for London to support an enhanced cleaning regime.
- Quality Incentive Contract income has decreased £0.6m year-on-year reflecting a temporary change in the payment mechanism in the prior year with a consequential one-off benefit relating to the timing of settlement recognition.
- Materials and consumables costs have increased due to higher parts costs, including battery costs, and the enhanced cleaning regime on the full services operated this year, albeit this is largely offset by the additional grant income received from Transport for London that is noted above.
- Insurance and claims costs have increased reflecting our latest assessment of the self-insured portion of claims.
- Staff costs have reduced as a proportion of revenue, partly reflecting the significant prior year impact of furloughing employees, as we protected the wellbeing of more vulnerable employees. In addition, lower staff sickness levels and driver shortages have also contributed to the proportionate reduction in staff costs.
- Depreciation and leasing costs have reduced as a proportion of revenue, principally due to the fixed nature of these costs related to operating our fleet when mileage was reduced in the prior year.

Outlook

Our London Bus revenue is principally contract revenue receivable from Transport for London. Part of that revenue is contractually adjusted for changes in inflation. That, together with our continued focus on cost control and our fuel hedging programme, should help offset inflationary costs pressures in the year ending 29 April 2023.

1. Strategic report (continued)

We are pleased to have completed the acquisition of Kelsian Group's east London bus operations and depot at Lea Interchange in June 2022 for total cash consideration of up to £20m. The business operates eleven contracts on behalf of Transport for London, using a fleet of around 150 buses, with annual revenue of around £38m, and is a good strategic fit with our existing London operations.

1.6.3 UK Rail

Summary

- Continuing positive progress on unwinding our former train operating companies
- Sheffield Supertram supported by further government payments for essential services

Financial performance

The financial performance of UK Rail for the year ended 30 April 2022 is summarised below:

	2022 £m	2021 £m
Revenue	**11.7**	4.7
Like-for-like revenue	**11.3**	5.9
Operating profit	**0.2**	10.1

The like-for-like revenue is in respect of the ongoing Sheffield Supertram business, with the year-on-year increase principally reflecting the recovery in passenger demand as COVID-related restrictions have been eased.

Any profit from Sheffield Supertram has been presented as a separately disclosed item (see section 1.6.6 of this Annual Report) and so is not included in the £0.2m (2021: £10.1m) segment operating profit shown above.

The small operating profit for the year principally reflects positive progress in concluding matters in relation to our former involvement in the UK train operating market. The reported profit also includes the costs of our commercial and business development team, the majority of whose work is focused on unwinding our former rail franchises, and evaluating and bidding for future bus and rail contract opportunities.

Outlook

Our Sheffield Supertram business is receiving government payments for continuing the essential tram services it provides. Recovery funding is expected to cover to October 2022, supporting the continuation of these services as passenger demand continues to recover.

We continue to hold an onerous contract provision, albeit at a reduced amount, for the estimated net costs of fulfilling our contractual obligations at Sheffield Supertram. Taking account of the anticipated end of COVID-19 related grant funding in October 2022, the business is anticipated to incur losses in fulfilling its contractual obligations over the remaining period of its concession to March 2024.

Our commercial and business development team continues to explore, and bid for, new opportunities. We will continue to balance the costs of those business development activities with our assessment of the prospective risk-reward of the available opportunities.

1.6.4 WCT Group (formerly Virgin Rail Group)

Summary

- Further progress in setting residual contractual positions, assets and liabilities at West Coast Trains

Financial performance

The financial performance of the WCT Group joint venture for the year ended 30 April 2022 is summarised below:

49% share	**2022 £m**	2021 £m
Revenue	**0.2**	4.9
Operating profit	**3.2**	5.4
Net finance income	**–**	0.1
Taxation	**(0.3)**	(1.4)
Profit after tax	**2.9**	4.1

WCT Group's West Coast rail franchise ran until 8 December 2019. Our joint venture partner, Virgin, and we remain focused on concluding contractual matters associated with that franchise. The profit recognised during the year reflects the continued positive progress in that regard.

1.6.5 Adjusted EBITDA, depreciation and intangible asset amortisation

Earnings before interest, taxation, depreciation, software amortisation and separately disclosed items ("adjusted EBITDA") amounted to £182.6m (2021: £166.7m). Adjusted EBITDA can be reconciled to the consolidated financial statements as follows:

	2022 £m	2021 (restated) £m
Total operating profit	**66.9**	28.2
Separately disclosed items	**5.8**	19.9
Software amortisation	**1.4**	2.9
Depreciation	**103.7**	107.7
Impairment losses	**4.4**	6.8
Add back joint venture finance income & tax	**0.4**	1.2
Adjusted EBITDA	**182.6**	166.7

1. **Strategic report** (continued)

The year-on-year increase in adjusted EBITDA principally reflects the recovery in passenger demand for public transport in response to the easing of COVID-19 restrictions.

Depreciation and software amortisation of £105.1m is lower than the £110.6m for the prior year, and principally reflects our constrained capital expenditure since early in the COVID-19 pandemic.

1.6.6 Separately disclosed items

The Directors believe that there are certain items that we should separately disclose to help explain the consolidated results. We summarise those "separately disclosed items" in note 4 to the consolidated financial statements and further explain them below.

Reassessment of onerous contract provision
As at 1 May 2021, an onerous contract provision of £13.3m was held in respect of the Sheffield Supertram concession. Since 1 May 2021, the Department for Transport and South Yorkshire Mayoral Combined Authority confirmed their intention to make further COVID-related payments to our Sheffield Supertram business to allow us to continue running essential services. We have recalculated the onerous contract provision, reflecting the benefit of these payments in a revised forecast for the business, and recorded a separately disclosed profit for Sheffield Supertram of £6.9m (2021: £2.5m) in the year ended 30 April 2022.

Expired rail franchises
As part of concluding matters in relation to our former involvement in the UK train operating market, we have recorded a gain of £7.0m in the year ended 30 April 2022. We have separately disclosed the gain for consistency, as it relates to costs that were previously recorded as separately disclosed items.

Transaction costs
We have recorded expenses of £8.6m, predominantly professional fees, in relation to the offer from DWS Infrastructure and the lapsed all-share combination with National Express Group plc. We expect further costs of £7.8m relating to the DWS transaction in the year ending 29 April 2023.

Pensions settlement
On 16 March 2021, the Group ceased to participate in the Tyne & Wear Local Government Pension scheme. The Group recognised an estimated settlement receivable of £3.5m as at 1 May 2021, based on the most recent actuarial valuations and estimates by an independent professionally qualified actuary.

The final settlement received by the Group in the year ended 30 April 2022 was £8.2m, an increase of £4.7m above the £3.5m receivable previously recognised at 1 May 2021. The increase in the exit settlement of £4.7m arose due to final actuarial assumptions on settlement differing from previous estimates. Due to the size and nature of this change in estimate, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the increased settlement received by the Group.

Loss on pensions settlement
A separately disclosed loss of £30.2m on the pensions settlement of Tyne & Wear is now reported for the year ended 1 May 2021, following a re-statement of the financial statements for that year. This is explained further in note 1(b)(ii) to the consolidated financial statements and the re-statement has no effect on the Group's overall consolidated net assets, consolidated net debt or cash flows.

A similar loss, of £15.8m, is reported in respect of the Group's exit from the Teesside Local Government Pension Scheme in the year ended 30 April 2022. That loss has also been presented as a separately disclosed item.

Although applying the applicable accounting requirements results in the above income statement losses in relation to the Tyne & Wear and Teesside schemes, the exits resulted in cash payments from the schemes to the Group and an improvement versus the net pension balance for each scheme reflected in the Group's consolidated balance sheet at the start of each year in which an exit occurred. Gains arose in the consolidated statement of comprehensive income in relation to those.

Changes in the fair value of Deferred Payment Instrument
We received a Deferred Payment Instrument as deferred consideration for the sale of the North American business. The instrument, which is accounted for at fair value through profit or loss, has a maturity date of October 2024 and due to the credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind the secured lenders. The carrying value of the instrument was £1.9m as at 1 May 2021. We estimated the carrying value of the instrument to be £2.9m as at 30 April 2022, resulting in a gain of £1.0m recognised in finance income in the year ended 30 April 2022 (2021: loss of £2.6m recognised in finance costs).

Tax
The separately disclosed taxation charge of £16.0m (2021: credit of £10.8m) comprises a charge of £15.5m (2021: £Nil) in relation to the effect of the change in the UK corporation tax rate described below and a charge of £0.5m (2021: credit of £10.8m) in relation to the taxation effect of the pre-tax separately disclosed items.

Under legislation substantively enacted on 24 May 2021, the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The effect of that change being substantively enacted on the results for the year ended 30 April 2022 is an increase in the deferred tax liability of £11.2m, a charge to the consolidated income statement of £15.5m and a credit to the consolidated statement of comprehensive income of £4.3m, with the £4.3m being the change in the deferred tax balance in relation to net retirement benefit obligations. The £15.5m charge to the consolidated income statement has been presented as a separately disclosed item in the year ended 30 April 2022 because the Directors consider that the amount needs to be separately disclosed by virtue of its size and nature in order to allow a proper understanding of the underlying financial performance of the Group.

1. Strategic report (continued)

1.6.7 Net finance costs

Net finance costs, excluding separately disclosed items, for the year ended 30 April 2022 were £28.6m (2021: £31.1m) and can be further analysed as follows:

	2022 £m	2021 £m
Finance costs		
Interest payable and other facility costs on bank loans, loan notes, overdrafts and trade finance	**1.4**	2.7
Lease interest payable	**2.5**	2.5
Interest payable and other finance costs on bonds	**16.9**	16.7
Interest payable on Covid Corporate Financing Facility commercial paper	**1.6**	1.8
Effect of interest rate swaps	**0.3**	0.1
Unwinding of discount on provisions	**1.2**	1.0
Interest charge on defined benefit pension schemes	**5.4**	6.8
	29.3	31.6
Finance income		
Interest receivable on cash and money market deposits	**(0.7)**	(0.5)
Net finance costs, excluding separately disclosed items ("adjusted net finance costs")	**28.6**	31.1

The decrease in adjusted net finance costs is principally due to the lower pensions finance charges arising from the prior year reduction in net pension liabilities.

1.6.8 Taxation

Our share of profit from joint ventures is reported after tax in arriving at the profit before tax in the consolidated income statement. To better understand the Group's effective tax rate, we show below the Group's tax charge, including our share of joint ventures' tax, relative to the Group's profit before tax excluding joint ventures' tax. On that basis, the effective tax rate for the year ended 30 April 2022, excluding separately disclosed items, was 13.3% (2021: 18.0%).

The tax charge on profit can be analysed as follows:

Year to 30 April 2022	Pre-tax profit £m	Tax £m	Rate %
Excluding separately disclosed items	**44.5**	**(5.9)**	**13.3%**
Separately disclosed items	**(4.8)**	**(16.0)**	
With joint venture taxation gross	**39.7**	**(21.9)**	
Reclassify joint venture taxation for reporting purposes	**(0.4)**	**0.4**	
Reported in income statement	**39.3**	**(21.5)**	

The effective tax rate on profit, excluding separately disclosed items, of 13.3% is lower than the 19.0% rate of UK corporation tax for the year, principally due to a reduction in a liability for uncertain tax positions and the effect of claiming for super deduction enhanced capital allowances.

The cash tax paid in the year of £6.4m (2021: £2.6m) compares to the tax charge for Group companies of £21.5m (2021: credit of £8.8m). The difference of £15.1m principally reflects that the charge for the year includes £15.5m in relation to the re-measurement of deferred tax balances for the change in the UK corporation tax rate but that £15.5m does not have an immediate effect on cash tax.

The separately disclosed tax charge of £16.0m (2021: credit of £10.8m) is explained in section 1.6.6.

Taking account of the increase in the rate of UK corporation tax to 25%, which will be effective from 1 April 2023, assuming there are no changes to tax laws in the UK and assuming that the composition of the Group remains broadly unchanged, we expect the Group's effective tax rate (excluding separately disclosed items) to be around 15% in the year ending 29 April 2023, rising to 24% to 26% thereafter. The expected effective tax rate for the year ending 29 April 2023 is below the applicable UK standard corporation tax rate of 19% due to the continued impact of claiming super deduction enhanced capital allowances.

1.6.9 Cash flows and net debt

Consolidated net debt (as analysed in note 28(c) to the consolidated financial statements) has reduced from 1 May 2021, reflecting the actions we have taken during the COVID-19 situation to deliver positive underlying cash flow and maintain strong available liquidity. During the year ended 30 April 2022, net debt reduced by £88.3m from £312.6m to £224.3m and net debt plus net train operating company liabilities reduced by £136.5m from £401.0m to £264.5m. We recognise that the positive underlying cash flow partly reflects that dividend payments have been paused and capital expenditure constrained. We anticipate increasing capital expenditure in the year ending 29 April 2023, partly reflecting further investment in the transition to zero emission vehicles, and expect to resume dividend payments when appropriate.

As at 30 April 2022, all of the major rail franchises previously operated by Group subsidiaries had ended. However, the settlement of the train operating company assets, liabilities and contractual positions continues for some time following the end of the relevant franchises. As at 30 April 2022, the consolidated net assets included net liabilities (excluding cash) of £40.2m (2021: £88.4m) in respect of such items. Accordingly, if all items were to be settled at their 30 April 2022 carrying values, consolidated net debt would increase by £40.2m (2021: £88.4m). Consolidated net debt plus those outstanding train operating company net liabilities as at 30 April 2022 was £264.5m (2021: £401.0m).

1. Strategic report (continued)

Net cash from operating activities before tax for the year ended 30 April 2022 was £138.7m (2021: £117.7m) and can be further analysed as follows:

	2022 £m	2021 £m
EBITDA of Group companies before separately disclosed items	**178.8**	161.7
Cash effect of current year separately disclosed items	**(0.1)**	(7.3)
Loss on disposal of property, plant and equipment	**1.6**	1.5
Capital grant amortisation	**(1.5)**	(0.9)
Share based payment movements	**3.5**	1.6
Working capital movements	**(27.2)**	(20.4)
Net interest paid	**(19.3)**	(20.9)
Dividends from joint ventures	**2.9**	2.4
Net cash flows from operating activities before taxation	**138.7**	117.7

The movement in net debt was:

Year to 30 April 2022	£m
Net cash flows from operating activities before taxation	**138.7**
Tax paid	**(6.4)**
Investing activities	**(41.4)**
Other	**(2.6)**
Movement in net debt	**88.3**
Opening net debt	**(312.6)**
Closing net debt	**(224.3)**

Net cash flows from operating activities were higher than the prior year principally due to increased adjusted EBITDA from Group companies.

The £27.2m working capital outflow in the year ended 30 April 2022 is principally in relation to a £48.2m reduction in net train operating company liabilities (see above), partly offset by inflows of approximately £25.2m in relation to COVID-19 related payments from governments.

The net impact on net debt of purchases and disposals of property, plant and equipment ("net capital expenditure"), split by segment, was:

	2022 £m	2021 £m
UK Bus (regional operations)	**24.3**	48.4
UK Bus (London)	**14.1**	18.4
Net capital expenditure	**38.4**	66.8

Net capital expenditure reconciles to the consolidated financial statements as follows:

	2022 £m	2021 £m
Cash flow from:		
– Purchase of property, plant and equipment	**38.7**	56.6
– Disposal of property, plant and equipment	**(1.5)**	(1.8)
– Capital grants received	**(15.4)**	(5.5)
Decrease in net debt from sale and leaseback of property	**–**	(0.8)
Decrease in net debt from partial disposal of a lease	**(2.4)**	–
Increase in net debt from other new leases in year	**19.0**	18.3
Net capital expenditure	**38.4**	66.8

In addition to the amounts shown in the table above, the impact of purchases of intangible assets was £3.1m (2021: £6.0m).

As we transition our bus fleet to zero emission vehicles, in line with our ambition of having a 100% zero emission bus fleet in the UK by 2035, we are mindful of the additional up-front capital cost of zero emission buses (versus their diesel equivalents) as well as the potentially higher total cost of ownership. We comment on this further in section 1.8.2.4.1.3 of this Annual Report.

1.6.10 Financial position and liquidity

The Group is in a good financial position, as evidenced by:

- We have available liquidity of over £480m, even after the repayment of the £300m Covid Corporate Financing Facility in February and March 2022 and the expiry of £140m of committed bank facilities in October 2021.
- We secured change of control waivers from banks and lessors for the change of control of the Company, enabling bank facilities and leases to continue.
- We secured waivers of the net debt to EBITDA and EBITDA to interest covenant tests in our core bank facilities. Those waivers cover the years ending 31 October 2020, 1 May 2021, 30 October 2021 and 30 April 2022. As things stand, the next testing of those covenants will be in respect of the year ending 29 October 2022. In the meantime, the Group has agreed with the banks to maintain a minimum level of available liquidity.
- Notwithstanding the covenant waivers, we would nevertheless have comfortably complied with the covenants for the year ended 30 April 2022.
- The ratio of net debt at 30 April 2022 to adjusted EBITDA for the year ended 30 April 2022 was 1.2 times (2021: 1.9 times).
- Adjusted EBITDA for the year ended 30 April 2022 was 6.4 times (2021: 5.4 times) adjusted net finance charges (including our share of joint venture net finance income).
- Two major credit rating agencies – S&P and Moody's – continue to assign investment grade credit ratings to the Group's £400m bonds.

1. Strategic report (continued

1.6.11 Year-end financial position of the Group

1.6.11.1 Net assets

Net assets at 30 April 2022 were £391.5m (2021: £61.0m).

The improvement in the net assets reflects the actuarial gains on defined benefit pension schemes, gains on cash flow hedges and the profit for the year ended 30 April 2022.

1.6.11.2 Retirement benefits

The reported net assets of £391.5m (2021: £61.0m) that are shown on the consolidated balance sheet are after taking account of net retirement benefit liabilities, net of withholding tax payable on surpluses, of £29.8m (2021: £263.8m), and associated deferred tax assets of £21.6m (2021: £50.1m).

The Group recognised pre-tax actuarial gains of £261.6m in the year (2021 restated: £185.1m), net of withholding tax. The discount rate used to determine pension scheme liabilities as at 30 April 2022 was 3.2%, which was an increase on the discount rate of 2.0% applied as at 1 May 2021.

The Stagecoach Group Pension Scheme is the Group's largest defined benefit pension scheme exposure. Given the scale of our main defined benefit scheme, its significance relative to the scale of the Group, and its approach to investment and funding, the Scheme Trustees have engagement with The Pensions Regulator from time to time. The Scheme follows a bespoke approach to investment and funding that does not necessarily conform to "standard" or "benchmark" approaches considered by the Regulator. The Scheme's latest formal valuation was at September 2021 and showed a funding surplus of £48.7m. The Trustees are, as expected, discussing that valuation with the Regulator. Following the change of ownership of the Company to a company managed by DWS Infrastructure, and based on a legally binding agreement entered into between the Company and the Trustees, we expect employer funding contributions, in excess of salary related contributions, to increase to £12.5m per annum, increasing at 3% per annum compound, for ten years or until the Scheme's long-term funding objective is met, whichever is earlier.

On 15 November 2021, the Group ceased to have any employees who were active members of the Teesside Local Government Pension Scheme. As a result, the Group's participation in the Scheme ended, and in June 2022, the Group received a refund of £11.1m from the Scheme.

1.6.11.3 Capital

The Group regards its capital as comprising its equity, cash, cash equivalents, gross debt and any similar items. As at 30 April 2022, the Group's capital comprised:

	2022 £m	2021 £m
Market value of ordinary shares in issue (excluding shares held in treasury)	**579.6**	496.3
Cash and cash equivalents	**248.9**	483.2
Gross debt	**(473.2)**	(795.8)
Net debt (see section 1.6.9)	**(224.3)**	(312.6)

The Group manages its capital centrally. Its objective in managing capital is to optimise the returns to its investors whilst safeguarding the Group's ability to continue as a going concern and as such its ability to continue to generate returns for its investors. The Group takes account of the interests of other stakeholders when making decisions on its capital structure.

The capital structure of the Group is kept under regular review and will be adjusted from time to time to take account of changes in the size or structure of the Group, economic developments and other changes in the Group's risk profile. The Group will adjust its capital structure from time to time by any of the following: issue of new shares, dividends, return of value to shareholders and borrowing/repayment of debt. There are a number of factors that the Group considers in evaluating capital structure. The Directors' principal focus is on maintaining an investment grade credit rating. As well as considering the measures applied by credit rating agencies, the other principal ratios that the Directors consider are (1) Net Debt to EBITDA and (2) EBITDA to interest. It is a matter of judgement as to what the optimal levels are for these ratios.

The Group will continue to regularly review its financial strategy and capital structure.

1.6.12 Dividend policy

The Board has proposed no dividends in respect of the year ended 30 April 2022.

The Group takes account of its performance, financial position and prospects when setting dividends. It does not have a prescribed formula for determining each year's dividends and has not set specific targets for dividend growth or dividend cover ratios. Following the recent change in the Company's ownership, dividend policy will be kept under review in the context of the ongoing commitment to seek to maintain an investment grade credit rating.

As at 30 April 2022, the Company's distributable reserves totalled £251.3m (2021: £185.4m), which compares to dividends paid in cash in the year ended 30 April 2022 of £Nil (2021: £Nil).

The Group continues to have substantial available liquidity and it is our ambition to resume dividend payments in due course. We anticipate that being when our profit and cash flow generation have returned to a level, which relative to our net debt and pension liabilities, supports the resumption of dividend payments.

1.6.13 Treasury policies and objectives

Treasury risk management is carried out by a treasury committee and a central treasury department (together, "Group Treasury") under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The Board provides written principles for overall treasury risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The funding policy is to finance the Group through a mixture of bank and lease debt, capital markets issues and cash generated by the business.

See note 24 to the consolidated financial statements, for details of
- the Group’s exposure to financial risks;
- the Group’s treasury risk management;
- the Group’s management of interest rate risk;
- the Group’s fuel hedging;
- the Group’s management of foreign currency risk; and
- the Group’s management of credit risk.

1.6.14 Use of non-GAAP measures

Our consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures, and include measures such as like-for-like revenue, adjusted EBITDA and net debt. We believe this information, along with comparable GAAP measurements, is useful in providing a basis for measuring our financial performance. Note 33 to the consolidated financial statements provides further information on these non-GAAP financial measures.

1.6.15 Qualified audit opinion

Ernst & Young, our auditor, has qualified its audit opinion on the Group’s consolidated financial statements for the year ended 30 April 2022. The qualification is limited to a difference of interpretation on how the Group’s participation in Local Government Pension Schemes should be accounted for.

Applying the alternative accounting approach advocated by Ernst & Young would have no effect on consolidated adjusted earnings per share, cash flow or net debt. It would increase the reported consolidated profit before tax for each of the years ended 1 May 2021 and 30 April 2022, and it would increase the consolidated net assets as at each of 1 May 2021 and 30 April 2022.

The Group has consistently accounted for its participation in Local Government Pension Schemes for some years, including in the consolidated financial statements of recent years in respect of which Ernst & Young gave unqualified audit opinions. We understand that our accounting is consistent with others, including other UK public transport operators, with similar pension arrangements.

We have taken independent, professional advice from a leading firm, which concludes that the accounting applied by the Group is acceptable under International Financial Reporting Standards. Our view is that International Financial Reporting Standards do not provide a single clear and explicit answer as to how the arrangements should be accounted for, but that the approach we have taken is a reasonable interpretation of the standards. Ernst & Young, however, has concluded there is only one possible interpretation, which is not the interpretation applied by the Group. Further detail on Ernst & Young’s position is provided in section 10 of this Annual Report.

Our Board, Audit Committee and management team has spent significant time on this matter and remains satisfied with the approach reflected in the consolidated financial statements. Further details on the accounting judgement, including quantification of the effect of applying Ernst & Young’s proposed accounting, are provided in note 1(e)(i) to the consolidated financial statements.

1.7 Outlook

We remain positive on the long-term outlook for the Group. The Company is now controlled by a company managed by DWS Infrastructure. DWS Infrastructure is a patient, long-term investor with a strong track record of unlocking value for all stakeholders.

Public transport delivers the sustainable connectivity people need to access work, education, healthcare, shopping, leisure, and meeting family and friends. As we transition towards a post-pandemic world, we are focused on further rebuilding profitability and adapting our services to meet new and emerging travel patterns. We look forward to playing a central role in delivering government ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens.

While there remains some uncertainty around the pace of recovery, there is no change to our expected outlook for the year ending 29 April 2023. Strong partnership working between bus operators, national government and local transport authorities is critical if we are to maximise the opportunities ahead and we are pleased that this is reflected in the direction of public policy across the country.

1.8 Non-financial information statement

The non-financial information statement provided in this section 1.8 is a consolidated report relating to the Group as a whole.

Section 1.4.1 of this Annual Report contains a description of the Group’s business model, while section 1.4.5 contains a description of the Group’s principal risks and uncertainties.

1.8.1 Corporate social responsibility

We are one of Britain’s leading public transport businesses, helping to connect communities for over 40 years. Our team of around 23,000 people and our c.8,300 buses, coaches and trams are part of the fabric of daily life in the UK. We connect people sustainably with jobs, skills and training, bring customers to our high streets, connect tourists with visitor attractions and draw, families, friends and communities together.

Sustainability is at the heart of our core business strategy and our Environmental, Social and Governance (“ESG”) roadmap is aligned with UN Sustainable Development Goals.

As well as improving the sustainability of our own business, we are also focused on bringing wider benefits to our planet, our communities, our customers and our employees.

We want to play our part in building sustainable communities. Our aim is to generate long-term value through employment and wealth generation, paying our way in taxes which fund vital public services, contribution towards a fairer society, challenging convention and championing new ideas. Our purpose is set out in section 1.4.1 of this Annual Report.

1. Strategic report (continued)

This section 1.8 of our report includes an overview, and selected examples of our work, to demonstrate the steps we are taking to meet our responsibilities.

Further information on our approach to corporate social responsibility can be found on our website at the following link:
https://www.stagecoachgroup.com/sustainability.aspx

1.8.2 Environmental matters and climate change

1.8.2.1 Introduction

Climate change, air quality and a green recovery from the COVID-19 pandemic continue to be national and international priorities for governments. The UK Government and the Welsh Government are targeting to achieve net zero greenhouse gas emissions by 2050, while the Scottish Government is targeting that by 2045. In the post-pandemic world, we see huge opportunity, as these targets cannot be met without modal shift from the car to mass transit. Continued positive political action, such as the commitment from the UK Government to support the purchase of at least 4,000 new zero emission buses over this Parliament across England, is a positive for the future development, performance, and position of the Group.

Buses are the most efficient use of road space, with every full double-decker bus taking up to 75 cars off the road. A modern diesel bus produces nearly half as many carbon emissions as an average car per passenger kilometre, with lower emissions per passenger kilometre the fuller the bus is.

The Department for Business, Energy and Industrial Strategy, 2021 UK provisional greenhouse gas emissions summary, shows that emissions in the UK were 4.7% higher in 2021 than 2020, but 5.2% lower than 2019. This highlights the impact that the pandemic restrictions had on emissions. Of the increase, the transport sector was the largest at 10%. The transport sector remains the UK's largest contributor to carbon emissions, at about 25%. This highlights the important role zero emission buses and modal shift from private vehicle use to public and active travel, must play in helping the UK achieve its net zero ambition. The CEBR report for Stagecoach, published in early 2020 and based on data from 2017, estimates the benefit of modal shift to our UK bus services: "Without Stagecoach bus services, there would be an annual increase of 190,000 tonnes of CO_2 through passengers using alternative transport, mainly cars." These factors mean that the forecast for the rate of CO_2 reduction from transport is too slow to meet the UK Government's net zero target for 2050. There needs to be a switch to electric vehicles and a reduction in car mileage to achieve this.

Bus operators and governments across the UK are taking action to support the shift to net zero through the decarbonisation of the bus network. We believe a successful transition to zero emission buses in the UK, as part of a wider programme to boost bus use, has the potential to reduce the carbon impact of the transport network. It will help: achieve national emissions and clean air targets; the environment in local communities; modal shift from cars to buses; grow active travel for the right journeys, and drive up bus passenger numbers as part of a thriving public transport system.

We launched our refreshed sustainability strategy in 2021 and have been implementing actions to deliver against a realistic plan with tangible positive environmental, social and governance outcomes.

Our disclosures in this section 1.8.2 are consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). The disclosures are consistent with the four recommendations and the eleven recommended disclosures set out in Figure 4 of Section 3 of the document entitled "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD.

1.8.2.2 Policy

1.8.2.2.1 Environmental policy

We are committed to making continuing progress in improving the environmental management of our operations. It is our policy to help reduce the impact of transport on the environment by transitioning to a zero emission UK bus fleet, and by improving energy efficiency in our estate. Increasing public transport use could result in increased public transport miles and higher emissions, but we would regard that as positive to the extent those higher emissions are more than offset by lower emissions from cars and the carbon intensity of individual journeys is reduced.

1.8.2.2.2 Actions we are taking to reduce our impact on the environment

We see the transition of our bus fleet to zero emission vehicles, and the related activities, as the principal measures we are taking to improve our energy efficiency. We have made progress with that in the year ended 30 April 2022 but there is still much to do.

Around 95% of our carbon emissions are from the operation of vehicles. Over the past 11 years to 30 April 2022, we have acquired new vehicles that emit fewer emissions for the UK with a value of over £1 billion. New Euro 6 buses emit fewer emissions overall than a Euro 6 car, as well as having up to 20 times the carrying capacity. Almost all of our vehicles are Euro 3 or above, and around 49% are Euro 6, ultra-low emission or zero emission, up from 43% as at 1 May 2021. The first National Bus Strategy for England was published by the UK Government in March 2021 and sets out a vision of less journeys by car, more journeys by bus, and a reduction in greenhouse gas emissions. Through the development of Bus Services Improvement Plans and ongoing engagement, we are working with local and national Government to put in place policies and measures to support a modal shift away from high-impact transport modes such as private car use, to lower impact modes of bus and tram services. The strategy also sets out a vision for a future of zero emission buses, and a UK Government consultation has recently concluded to set a date for the end of the sale of new diesel buses. An announcement on the outcome of this is expected in the Autumn. We continue to work towards purchasing zero emission buses with the target of having a fully zero emission UK bus fleet by 2035. The Scottish Government is targeting a reduction in car use by 20% by 2030, investing £500m to improve bus infrastructure and tackle road congestion, and government investment in zero emission buses.

In March 2022 we released a thought leadership report "Road map to zero; the transition to 100% zero emission buses, what it means for people, and the journey to get there". The report highlights that zero emission buses can be a powerful tool to drive bus patronage and that, based on people's stated intentions, between 1.03m and 1.70m people who never or seldom use the bus would increase their use of buses if zero emission buses replaced diesel, and assuming fares as well as service frequency remained the same.

For our property estate, we invest in energy from renewable sources. In April 2022, we achieved purchases of 100% renewable electricity across our estate. We are continuing to invest in upgrading our heating, lighting and energy management systems to reduce energy use. For example, a new lighting system across all Supertram stops in Sheffield is now 99% complete. The new LED replacements at 50 stops on the network are brighter and it is estimated that over 800,000 kWh will be saved each year, equating to an energy saving of around 80%. In 2022, we began a refresh of our print management contract. We are targeting a reduction in the number of printers across our estate by about 50%. This rationalisation will help us reduce resources use, primarily paper and energy.

In line with our commitment to set a Science Based Target ("SBT"), we became a Business Ambition for 1.5ºC campaign member and joined the Race to Zero. In March 2022, we submitted our SBT to the Science Based Targets Initiative ("SBTi"). We are waiting on the validation process to conclude and are hopeful this will happen by the end of 2022.

1.8.2.2.3 Effectiveness of environmental policies

Our most recent environmental targets were set to reduce carbon emissions, cut resource use, mainly from water consumption, and increase the proportion of waste diverted from landfill. Our targets covered our wholly owned bus and tram operations in the UK. The COVID-19 pandemic continued to impact environmental performance. Our total carbon emissions have risen throughout 2021 and early 2022 in line with increased demand from passengers following the easing of pandemic induced restrictions.

We work with a trusted partner to understand better our water use and identify opportunities to save. In 2021/22 we identified three leaks, saving an estimated 41,539m^3. Waste from the disposal of personal protective equipment and cleaning materials remained higher than pre-pandemic levels as COVID-19 cleaning regimes remained in place and wearing face covers was mandated in many situations.

1.8.2.3 Governance

This section 1.8.2.3 summarises our governance around climate-related risks and opportunities.

1.8.2.3.1 The Board's oversight of climate-related risks and opportunities

The Board of Directors of the Company has oversight of climate-related and other environmental matters across the Group. For many years, we have had a Health, Safety and Environmental Committee. That Committee typically meets four times each year and reports to the Board after each meeting. The Committee has delegated responsibility from the Board for overseeing environmental matters, allowing it to consider such matters in more detail. In recognition of the importance of environmental matters, including climate change, the Committee's responsibilities include:

- considering the environmental aspects of the Group's strategy and making recommendations to the Board on those;
- considering environmental (including climate change) risks and opportunities affecting the Group;
- reviewing the implementation of the environmental aspects of the Group's strategy and reporting to the Board on this implementation;
- providing support and encouragement to those executives implementing the environmental aspects of the Group's strategy and providing a forum for those executives to test ideas;
- reviewing the Group's performance against its environmental targets and ambitions, including in respect of the composition of its bus fleet;
- considering the Group's public reporting on environmental matters prior to its release (including in the Group's Annual Report and in any separate Sustainability Report);
- monitoring and considering any regulatory changes in relation to environmental matters that affect the business and/or strategy of the Group;
- reviewing the suitability of, and making recommendations to the Remuneration Committee in relation to, any environmental metrics forming part of determining the variable remuneration of the Directors and senior management.

Further information on the work of the Health, Safety and Environmental Committee is set out in section 7 of this Annual Report.

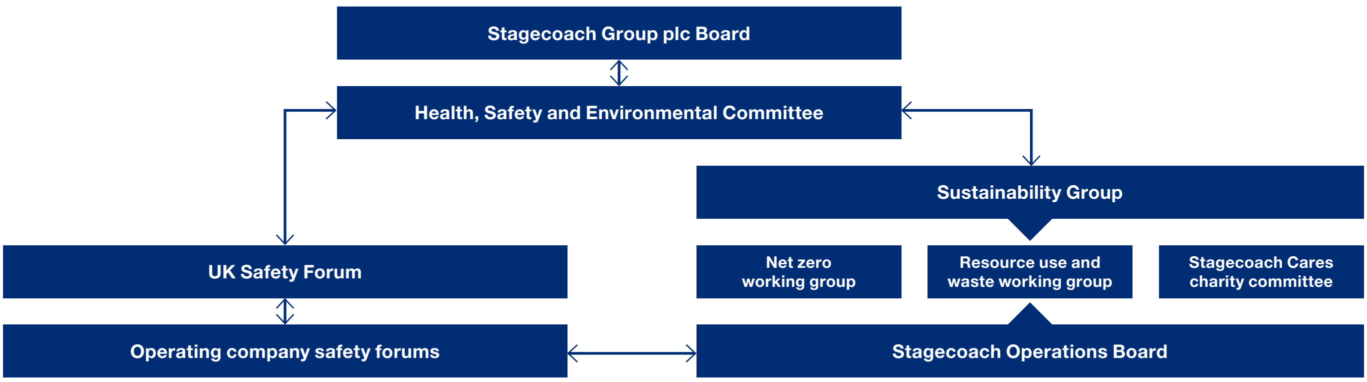
The Audit Committee also considers climate-related issues to the extent they might affect considerations on financial reporting and disclosure. The Directors have considered the relevance of material climate-related matters, including the risks of climate change and transition risks associated with the goals of the Paris Agreement, when preparing and signing the consolidated financial statements. For example, as explained in note 1(e)(ii) to the consolidated financial statements, the Directors noted estimation uncertainty arising from climate change considerations in estimating the useful lives of passenger service vehicles. As further examples, the Directors considered how climate change might affect forecast amounts used in: determining the valuation of the Deferred Payment Instrument, assessing the existence and valuation of onerous contracts, and assessing non-current assets for impairment.

The Board and its committees consider climate-related issues when reviewing and guiding strategy. The Board also considers climate-related issues when considering: major plans of action; risk management; annual budgets; business plans; setting performance objectives; monitoring performance; overseeing major capital expenditure; acquisitions and disposals.

1.8.2.3.2 Management's role in assessing and managing climate-related risks and opportunities

The Chief Executive is responsible for the day-to-day running of the Group, including managing climate change responsibilities. He is supported by the UK Managing Director in managing the UK business, and she is supported by a dedicated Health, Safety & Environment Director. Each of those senior executives regularly attends meetings of the Health, Safety and Environmental Committee. The executive monitor performance against climate-related goals and targets. Furthermore, in 2021, we appointed a Finance Business Partner for sustainability, and, in 2022, we appointed a Group Head of Sustainability, who is driving forward the delivery of the Group's sustainability strategy.

The Chief Executive chairs a Sustainability Group, which brings together a number of our executives with a wide range of expertise and insights. The Sustainability Group includes individuals with expertise in environmental matters, operations, risk management, communications, and financial disclosures. The focus of the Sustainability Group is the implementation of the Sustainability Strategy. Launched in 2021, it covers environmental, social and governance matters. The plan forms part of our overall corporate strategy. The governance structure is presented below:



1. Strategic report (continued)

1.8.2.4 Strategy

This section 1.8.2.4 summarises what we see as the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning.

1.8.2.4.1 Climate-related risks and opportunities

We have identified a range of climate-related risks and opportunities, which we summarise in this section 1.8.2.4, and which are taken account of in the development of our corporate strategy.

1.8.2.4.1.1 Planning horizons

Our most valuable physical assets are our vehicles. Our vehicles generally have useful economic lives from new of up to 16 years, although we do operate some vehicles beyond their sixteenth anniversary. Our next most valuable physical assets are our land and buildings, particularly our portfolio of operating depots (garages). Our buildings generally have useful economic lives of up to 50 years, although again we do operate some buildings beyond that.

Taking into account the useful economic lives of our assets and infrastructure, we view our short-term planning horizon as up to three years, our medium-term as three to 10 years, and our long-term as 10 to 30 years. While it is difficult to forecast with certainty even over the short-term, particularly taking account of the uncertainties stemming from the COVID-19 pandemic, we recognise that climate-related issues often manifest themselves over the medium and longer term. In addition, some of our own climate-related goals are long-term goals such as our target to have a zero emission UK bus fleet by 2035, but that target is also supported by short-term and medium-term targets that work towards the long-term target.

1.8.2.4.1.2 Climate-related opportunities

In June 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming by 2050. As a result, the UK is committed to a legally binding target of net zero emissions by 2050. As noted in section 1.8.2.1, that commitment cannot be achieved without a reduction in car journeys and an increased use of public transport. The UK government strengthened further its commitment in April 2021, announcing it would reduce emissions by 78% by 2035, compared to 1990 levels.

The opportunity to grow passenger usage of bus services is central to the National Bus Strategy for England; the Wales 2021 Transport Strategy; and the Scottish National Transport Strategy. We agree that driving up patronage should be a primary objective of the transition to 100% Zero Emission Buses. Our recent zero emissions bus report, “Road map to zero; the transition to 100% zero emission buses, what it means for people, and the journey to get there”, highlights that between 1.03m and 1.70m people who never or seldom use the bus would increase their use of buses if zero emission buses replaced diesel buses, and assuming fares plus service frequency remained the same.

We support the Government’s ambitions for increased bus use, and less car journeys. By working in partnership with government, we see a significant opportunity for growing demand for public transport services.

As the public becomes increasingly concerned about the climate emergency and the need to protect our environment, we expect individuals to make choices based on those concerns. We see a significant climate-related opportunity for more individuals to choose bus/tram travel and align with our brands, as we contribute to a reduction in overall emissions from transport. To help ensure transparency, we are committed to reporting to CDP (formerly the Carbon Disclosure Project) about our climate-related impact and actions. We have most recently achieved a “B” rating from CDP, which was significantly above the road transport sector average. We are targeting a future “A” rating to demonstrate our climate-related leadership. In February 2022, we completed our first EcoVadis assessment.

We see the climate-related opportunity to grow bus use as a short to medium-term opportunity. In England, for example, which accounts for approximately 79% of our regional bus business, the UK Government has set out an ambitious National Bus Strategy. The strategy includes plans to support the recovery in bus journeys from the COVID-19 pandemic. It then includes ambitions to continue to grow bus use, replacing car journeys and reducing greenhouse gas emissions through partnerships between bus operators and government. The strategy is backed by significant government investment, and we are optimistic on the short to medium-term opportunity it presents to grow bus use. In Scotland, the devolved Government has set ambitious short to medium-term climate-related targets, including to cut car use by 20% by 2030. To support this, we engage with local and national governments to encourage and implement policies and measures that support a modal shift away from higher emission impact modes, such as that from private car use, to lower emissions impact modes of transport, such as bus and tram services.

There have been several aspirational air quality and low carbon improvement objectives proposed by a number of local authorities in areas where we provide bus services. In line with our net zero objective, we will continue to engage with local authorities on the development and delivery of enhanced partnerships under the National Bus Strategy for England with a view to supporting our transition to zero emissions.

1.8.2.4.1.3 Climate-related risks

Public transport can play a major role in addressing climate change, poor air quality and crippling road congestion. Positive political action in tackling these threats should also be positive for the Group’s future development, performance and position.

At the same time, climate change presents a number of risks to the Group, including:

Transitional impacts

- **Changing customer habits.** The risk of changing customer habits is also explained in the summary of the Group’s principal risks and uncertainties in section 1.4.5 of this Annual Report. Demand for public transport could change in response to climate change concerns. Actions by environmentally conscious corporations and other organisations could add to a trend of increased working from home. As demand for our services continues to recover from the effects of COVID-19, we may see a lasting effect on travel patterns accelerating a trend of increased working from home, shopping from home or more locally, telemedicine and home learning. We continue to see the risk of changing customer habits as highest in the short-term as we await to see how customer habits settle post-COVID. While we do see changing customer habits over the medium-term and long-term as being a risk, we expect those changes to be more gradual.
- **Technology.** We anticipate that future zero emission vehicles deployed by the Group will be mostly battery electric. We have previously operated hydrogen-powered buses, and some local transport authorities in areas that we serve are considering further deployment of hydrogen power buses. Electric vehicle technology and related infrastructure technology is still developing, and there remains some uncertainty about the full life costs and expected useful lives of the vehicles. Policy interventions might continue to be needed to address higher costs. The current capital cost of new zero emission vehicles is significantly greater than the equivalent diesel vehicles. An electric bus is broadly twice the cost of the comparative diesel vehicle, while a hydrogen bus is even more expensive. Furthermore, investment in new infrastructure is often required to enable the introduction of zero emission vehicles.

While the electricity cost of powering electric vehicles is currently less than the equivalent fuel cost for powering diesel vehicles, the saving does not fully offset the additional capital cost. There is a risk that the transition to zero emission vehicles increases our costs. There is a risk that we will be unable to fully offset these additional costs through increased revenue, which may result in an adverse effect on profitability. There are, however, a number of factors that reduce the likelihood and severity of those risks. Reflecting the ambition of governments in the UK to grow bus journeys, reduce car journeys and lower emissions, financial support has been available from governments towards the cost of zero emission buses. While there is no certainty of the extent to which such support will continue, the UK governments continue to consider how best to incentivise the transition to zero emission vehicles. In addition, the cost of electric cars also exceeds their diesel and petrol equivalents and so the competitive position of bus versus car might be less affected. The bus can offer a convenient, cost-effective alternative to electric cars for some individuals and journeys. We see this as a short-term, medium-term and long-term risk as we transition from a largely diesel bus fleet to a fully zero emission UK bus fleet over our target timeframe to 2035. How government policy, the relative cost of cars, the capital and operational costs of new buses each evolve over that period will have a bearing on the Group's financial performance.

- **Public policy and legislative changes.** The broader risk of regulatory changes is explained in the summary of our principal risks and uncertainties in section 1.4.5 of this Annual Report. We know that the Government's legally binding and ambitious carbon commitments cannot be met without significant modal shift to mass transit. Conversely, requirements restricting the use of certain vehicle types or adding to the cost of operating certain vehicle types (for example, requiring payments for diesel buses to operate in city centres) could result in increased costs for us. The UK Government is consulting on a date after which the sale of new diesel buses will be prohibited in the UK. Indications are that the date will likely be between 2025 and 2032. We consider this to be manageable. There are no currently disclosed intentions to stipulate a date from when diesel vehicles may not be operated on the roads, and the Government is currently considering whether to stipulate a date after which the sale of new diesel coaches (as opposed to buses) will be prohibited. There is an opportunity and a risk that the Group's competitiveness for new UK contract opportunities is affected by the requirement introduced by the UK Government. From September 2021, bidders for public sector contracts over £5m per annum need to commit to net zero by 2050 and to have published a carbon reduction plan. There is a risk that public policies intended to tackle climate change (or be seen to tackle climate change or have other motives with the justification being climate change) have an adverse effect on the Group. For example, requiring payment for certain types of buses to enter a city centre while not requiring payment for any types of private car, is unlikely to materially mitigate climate change but could adversely affect public transport operators. We see the risk of public policy and regulatory changes as highest in the short-term as we await clarity on: how the new National Bus Strategy in England is implemented; which local authorities in England seek to develop bus franchising; and government policy on the transition to zero emission vehicles. It is also an enduring risk over the medium-term and long-term as government policy can change at any time.
- **Operational risks.** The transition from diesel vehicles to zero emission vehicles presents several operational considerations and risks. There is a risk that accommodating new infrastructure to support zero emission vehicles adversely affects the operating costs, capacity and/or efficiency of bus depots (garages). There is a risk that the efficiency of our bus services and/or the number of buses required is affected by the re-scheduling of bus services to take account of the capabilities of zero emission vehicles. That could include adjustments to allow for the mileage that an electric vehicle is capable of on a single charge, being less than the mileage an equivalent diesel vehicle is capable of on a single tank of diesel. There is a risk that the availability of power from the electricity grid could adversely affect operating costs and the practicalities of operating sufficient electric vehicles.
- **Accounting risks.** As explained in note 1(e)(ii) to the consolidated financial statements, the Directors noted estimation uncertainty arising from climate change considerations in estimating the useful lives of passenger service vehicles. Changes in regulation around the use of vehicles could result in impairment losses or increased depreciation charges.

Physical impacts – acute and chronic physical risks

- **Weather patterns.** We have clear evidence that demand for our bus and tram services is influenced by weather. Demand drops during periods of particularly poor weather such as heavy rainfall, snow and strong winds. Extreme weather can also impair our ability to reliably operate all of our services. Accordingly, there is a risk that both our revenue and operating costs are adversely affected by climate change causing an increased frequency of more extreme, bad weather. There is also a risk that we incur additional costs or experience disruption to our services from such factors, for example, as a result of bus depots flooding. There is also the risk of low or no water availability, for example drought conditions or failing infrastructure.

  Our experience shows that bus and coach services are less impacted by severe weather events than other transport modes, such as rail services that operate on a fixed infrastructure. We see this as a long-term risk and see less risk of changing weather patterns materially affecting our financial performance or financial position over the short to medium-term.

1.8.2.4.2 The impact on Stagecoach businesses, strategy and financial planning

Our corporate strategy takes account of climate-related risks and opportunities. Our strategy is designed to grow demand for our bus and tram services over time by replacing car journeys with more carbon-efficient bus and tram journeys. Government policy currently supports that strategy. Our strategy also recognises a need to adopt new technology as we migrate our bus fleet to zero emission buses and our plans reflect that.

We generally prepare financial forecasts for the short-term (up to three years). We take account of medium to long-term risks in financial planning through scenario modelling. For example, we model the implications on financial performance and financial position for differing levels of government financial support for the introduction of zero emission vehicles over the medium-term.

1.8.2.4.3 Climate change scenarios

In 2021, we undertook a scenario planning exercise in accordance with the requirements of the TCFD. Our initial work on scenario planning was led by an external consultant, with input from colleagues with responsibility for strategy, business development, external affairs, corporate communications, finance, health, safety and environment.

The question we chose is "How could climate change plausibly impact Stagecoach's UK bus and coach operations by 2050?" We chose 2050 to align with the UK Government's legally binding net zero carbon target. Our tram operations were excluded from our considerations as they represent a small (c.1%) proportion of our Group and the current concession has less than two years to run.

We see the principal climate-related risks we face being primarily transition risks related to public policy, regulatory change, technology, and customer habits. While we are exposed to physical risks, such as those related to weather, we see the potential financial impact on us to be greater from transition risks than physical risks. In light of that, we have not yet undertaken quantified climate-related scenario analysis and we have not quantitatively considered a 2°C or lower scenario, or other scenarios consistent with increased physical climate-related risks.

We reviewed publicly available scenarios and proprietary models but concluded these were not particularly helpful for our scenario analysis and so we decided to develop our own exploratory scenarios. However, to help with future scenario analysis development, we will leverage the outcomes from our recently commissioned zero emissions bus report.

1. Strategic report (continued)

The key drivers initially identified for consideration, and still relevant today, are shown below.

Social	Technology	Economic
Shift in working patterns	Cost differential between zero emission vehicles and diesel equivalents	Decoupling of GDP and growth in transport
Rebirth or repurposing of the High Street	Automated vehicle technology	Changing cost of car ownership
Changing leisure and business travel	Digital technology for customer experience	Rise in economic inequality
Rise of sharing economy and retail platforms	**Environmental**	**Political**
Change in car use	Adaptation to changing weather	Declining revenue for fuel/car tax
	Concern about quality of local environment	Devolved power to the regions
		Focus on technology, infrastructure, behaviour change or levelling up

From this work, we derived the two major themes to create the scenarios based on their potential impact and uncertainty. These themes were: 1. Net zero policy quickly and centrally driven or slowly and inconsistently implemented; and 2. Higher overall travel demand or lower overall travel demand. For each scenario, we considered the implications for our business and prepared a narrative description of the key features and implications of the scenario, including in respect of: public policy, travel demand, transport infrastructure, transport modes, technology and customer experiences.

The results of our scenario planning are used to inform our strategy, our ongoing assessment of risks and opportunities, and our action plans. We have reasonable confidence that we can adapt our strategy for any of the four core scenarios considered, while recognising that our strategy would not be resilient to more extreme public policy or demand outcomes.

1.8.2.5 Risk Management

1.8.2.5.1 Processes for identifying and assessing climate-related risks

We identify climate-related risks in a number of ways, including:
- We held a climate-related risk workshop in 2021 with executives from a range of areas, and an external expert, to idea generate climate-related risks;
- We have set up an ongoing Sustainability Group, chaired by the Chief Executive, which considers climate related risks as part of its remit, as well as actions to reduce greenhouse gas emissions.
- We consider regional and functional risk trackers (see section 1.8.2.5.3) for climate-related risks identified by colleagues across the business;
- Our Health, Safety and Environmental Committee reviews and considers climate-related risks, with non-executive directors bringing insight from their experience with other businesses;
- We review reports from other transport operators and consider the extent to which climate-related risks they identify are also applicable to us;
- We review reports from selected businesses in other sectors and consider the extent to which climate-related risks they identify are also applicable to us;
- We monitor and consider existing and emerging regulatory requirements related to climate change, including sector-specific requirements such as those related to vehicle types;
- We maintain relationships with government bodies to understand, anticipate and help shape future policy and regulatory changes related to climate change.

For each risk identified, we assess the nature, potential severity and likelihood of its impact by involving appropriate executives and/or external experts.

1.8.2.5.2 Processes for managing climate-related risks

Consistent with other risks, we determine the potential severity and likelihood of each climate-related risk occurring, and prioritise risks based on that. We consider if and how to mitigate, transfer, accept or control each risk. Section 1.8.2.4.1.3 summarises the principal climate-related risks we have identified, and we seek to manage these risks by:
- Seeking to work in partnership with government bodies to achieve shared objectives to grow bus journeys, reduce car journeys, tackle climate change, improve air quality and reduce road congestion;
- Monitoring public policy proposals, seeking to influence decision makers to avoid tokenistic policies and implement transport policies that can meaningfully and affordably help reduce emissions;
- Lobbying Government and others to promote public transport as part of the solution to climate change with an objective to reduce car journeys by promoting the alternative of public transport;
- Encouraging positive public policies that discourage car use such as funding to improve public transport, car congestion charging etc. Given the significance we see of this, we appointed a new Policy & External Affairs Director in 2021;
- Promoting the environmental benefits of public transport versus car to the general public;
- Developing our corporate sales offering, leveraging the environmental benefits of bus and tram travel versus car travel;
- Reducing the emissions per vehicle mile of our vehicle fleet over time by increasing the percentage of Euro 6, ultra-low emission and zero emission vehicles in the fleet, working towards our target of a fully zero emission bus fleet in the UK by 2035;
- Continuing our broader programme to reduce our own carbon emissions; in light of this, when new service vehicles or vans are requested an assessment on mileage and frequency of use is conducted, where no good reason for an internal combustion engine is given, the request is rejected and an electric vehicle option must be taken;
- Considering climate change factors (e.g. flood risk) in decision making on our property portfolio.

1.8.2.5.3 Integration with the Group's overall risk management

Climate-related risks and opportunities are considered as part of our risk management process and in conjunction with our consideration of strategy. Our strategy is set by the Board. The Board considers the key risks to achieving the Group's strategic objectives. Risk discussions are embedded in strategic planning and decision making. Twice yearly, the Board will review and consider the principal risks, being those risks that present the greatest threats to achieving our strategic objectives. The report of principal risks is supported by more detailed risk trackers for each region and for certain "functional" areas. A climate change risk assessment has been undertaken as part of that wider risk assessment. The Director of Risk & Assurance, who co-ordinates the risk management process, reviews the regional and functional risk trackers and ensures that overall principal risks reflect those where appropriate. Input is obtained from a range of executives, as well as the Board, with the breadth of functional representation assisting in identifying and assessing not only current risks but also emerging risks.

1.8.2.6 Metrics and Targets

In this section 1.8.2.6, we consider the metrics and targets that we use to assess and manage relevant climate-related risks and opportunities where such information is material.

Not all of the climate-related risks and opportunities that we have identified can be easily assessed and managed by quantified metrics. For example, the climate-related risks and opportunities arising from changes in government policy are difficult to reduce to quantified metrics. However, we do use a number of metrics to assess climate-related risks and opportunities.

Each of the main metrics we use to assess climate-related risks and opportunities are described below. For each metric, we also describe any targets we use to manage climate-related risks and opportunities, and performance against those targets.

We have already taken steps over a number of years to reduce our environmental impact, meaning that our baseline position already reflects more progress than some other organisations. That is relevant in comparing targets for future percentage changes between organisations.

The metrics and targets reported in this section 1.8.2.6 have not been independently audited.

1.8.2.6.1 Greenhouse gas ("GHG") emissions

We measure our Scope 1, 2 and 3 greenhouse gas ("GHG") emissions. We explain later in this section the emissions that are included within our reported Scope 3 GHG emissions. We seek to reduce our GHG emissions over time as we believe that the lower our emissions are, the less our business will be exposed to the risks of public policy and regulatory change and changing customer habits. Furthermore, as we lower our own emissions, we see public policy and changing customer habits becoming greater opportunities for us as we promote the environmental benefits of bus travel.

Certain of the values shown in this section 1.8.2.6 for the prior year ended 1 May 2021 have been restated from the values presented in the 2021 Annual Report. The restatement relates to corrections of the conversion factor used from kilograms to litres and the proportion of electricity from solar sources. The restatement equates to a 0.7% revision in total 2020/21 energy use from 1,806.54 GWh to 1,819.31 GWh and a 0.5% revision in 2020/21 GHG emissions from 515,644 tCO_2e to 518,352 tCO_2e.

For the year ended 30 April 2022, our total energy consumption was 2,056,686,363 kWh (2021: 1,819,314,653 kWh) and the total carbon emissions associated with our reported energy use were 608,429 tonnes of CO_2e (2021: 518,352 tCO_2e).

During the COVID-19 pandemic, demand for our bus services has reduced and we reduced our vehicle mileage. As a result our GHG emissions reduced. In the year ended 30 April 2022, our GHG emissions increased again as customer demand and vehicle mileage also increased. A comparison of the Group's total energy consumption and location-based GHG emissions for 2021/22 and 2020/21 is summarised as follows:

Total energy use in GWh	**2021/22 (52 weeks)**	2020/21 (52 weeks)	% change
Fuel			
– Gas	**52.51**	38.85	35%
– Liquid fuel	**1,953.60**	1,740.15	12%
Electricity	**50.58**	40.31	25%
Total energy use	**2,056.69**	1,819.31	13%

Resource consumption	**2021/22 (52 weeks)**	2020/21 (52 weeks)	% change
Liquid fuel (litres)	**190,125,496**	171,436,735	11%
Refrigerants (kg)	**1,378**	1,472	(6)%

The data below shows our greenhouse gas emissions for the year ended 30 April 2022 with comparative data for the year ended 1 May 2021.

Total Greenhouse Gas emission by scope in tCO_2e	**2021/22 (52 weeks)**	2020/21 (52 weeks)	% change
Scope 1	**477,870**	407,457	17%
Scope 2	**10,625**	9,300	14%
Scope 1 & 2 emissions	**488,495**	416,757	17%
Scope 3	**119,934**	101,595	18%
Total emissions	**608,429**	518,352	17%

Scope 1 & 2 Greenhouse Gas emissions breakdown in tCO_2e	**2021/22 (52 weeks)**	2020/21 (52 weeks)	% change
Scope 1			
– Fuel (Gas)	**9,617**	7,144	35%
– Fuel (Liquid)	**466,116**	398,177	17%
Refrigerants	**2,137**	2,136	–
Scope 1 total emissions	**477,870**	407,457	17%
Scope 2 purchased electricity (Location-based)	**10,625**	9,300	14%

1. Strategic report (continued)

This table below further breaks down our reported scope 3 GHG Emissions:

Scope 3 Greenhouse Gas emissions breakdown in tCO_2e	**2021/22 (52 weeks)**	2020/21 (52 weeks)	% change
Upstream emissions (Well to Tank)	**114,777**	99,859	15%
Electricity transmission and distribution losses	**3,011**	1,394	116%
Business travel & grey fleet (air, sea and land transport)	**555**	193	188%
Business travel (hotel nights)	**212**	n/a	n/a
Company leased vehicles	**1,379**	149	826%
	119,934	101,595	18%

We are reporting against the Streamlined Energy and Carbon Reporting ("SECR") framework. The 2021/22 reporting period is 2 May 2021 to 30 April 2022.

The methodology used is the WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard revised edition in conjunction with UK Government environmental reporting guidelines including SECR guidance. A financial control approach has been taken. Stagecoach has a 35% shareholding in Scottish Citylink Coaches Limited. Under the financial control approach, Scottish Citylink Coaches Limited is excluded from Stagecoach's organisational boundary because the joint venture is categorised as an Associated/Affiliated Company as per the definition in the GHG Protocol. We have used the UK Government greenhouse gas conversion factors for company reporting 2021. Scope 2 emissions from purchased electricity have been measured using a location-based approach.

We define our organisational boundary using the financial control approach as outlined above. Materiality was set at 1% of the organisation's GHG emissions for each emissions source and we use a materiality threshold for the Group of 5%. We are not aware of any emissions that have been excluded on the grounds of materiality. Our reported emissions do not include emissions by any of the Group's joint ventures. We have reported on all the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. All these sources fall within businesses that are included in our consolidated financial statements.

The Group uses biodiesel fuel blend for some of its bus fleet and a biofuel blend for some of its support vehicles. As recommended in the UK Government Environmental Reporting Guidelines, biogenic CO_2 from this was reported separately, whereas biogenic CH_4 and N_2O emissions were accounted for in Scope 1 fuel combustion. Out of scope emissions factors from BEIS (2021) were used to calculate out of scope emissions from petrol and diesel. To estimate energy use for Scope 1 and 2 emissions from fuel, the fuel volumes used were converted to kWh. We used BEIS GHG emissions conversion factors for 2021 to convert the 2021/22 fuel volumes to energy use.

Scope 3 emissions are indirect emissions which take place outside of the Group's direct operations. The Scope 3 emissions that we have reported above include emissions from:
- Business travel by means not owned or controlled by us, including for the first time this year, hotel stays.
- Fuel and energy related activities. For us, this is "well to tank" for all scope 1 energy, and "transmission and distribution" for scope 2.

The Scope 3 emissions reported above do not include emissions in respect of:
- Our wider supply chain, including purchased goods and services.
- Waste disposal (although we do have a plan to include emissions from waste disposal in our reported Scope 3 emissions, starting in 2023).
- Employee commuting.
- Investments.

Scope 1 emissions increased in 2021/22 by 17%. This can be explained with reference to:
- A partial recovery in customer demand and vehicle miles from the COVID-19 pandemic, and associated increase in gas, diesel and CNG consumption.
- In previous years, we have used higher than average biodiesel blends. Our engineers reported a correlation between premature parts failure and higher bioblend fuels. As a result, we have reduced to a standard blend in 2021/22, which has contributed to an increase in fleet emissions.
- Emissions factors for mineral and biodiesel blends have worsened compared to last year. This has comparatively adversely affected us by 3,014 tonnes of CO_2e.
- We have also seen an increase in gas emissions due to paint shops returning after they were furloughed during the pandemic. Gas kWh quantity has increased by 35% compared to the previous year.

Scope 2 emissions have increased by 14%. This can be explained with reference to:
- Electricity consumption has increased in line with our new electric buses brought into service this year (13% consumption increase relating to new electric buses).
- We have also included new data in the form of landlord recharges for electricity, which relates to 3% of our total electricity consumption this year.

Scope 3 emissions have increased by 18%. This can be explained with reference to:
- We have seen an increase by 15% for scope 1 related fuels, and by 116% for scope 2 (an increase due to a methodology change in the electricity transmission and loss conversion factor). These fuel and energy-related emissions are driven by the same activities as Scope 1 and 2 emissions.
- Other scope 3 emissions have increased due to a rise in car hire, train and air travel, as well as new data on spend related to hotel night stays. Business travel increased as the COVID-19 restrictions on travel eased, and data was more granular, allowing for more accurate calculation of emissions.

We have not set specific targets for our Scope 1, 2 and 3 GHG emissions but we have set targets for our GHG emissions normalised for revenue, vehicle miles and passenger journeys (see sections 1.8.2.6.3 to 1.8.2.6.5 below).

1.8.2.6.2 Carbon saved by modal shift

Ordinarily, our services reduce overall carbon emissions by replacing car journeys with more carbon-efficient bus and tram services. While that was not the case in 2020/21 due to reduced use of public transport during the pandemic, in 2021/22 as bus use rebounded, so too did emissions saved. We track our "Carbon saved by modal shift", being the estimated direct greenhouse gas emissions of our operations less the estimated greenhouse gas emissions saved by reducing car journeys and other modes of transport. While that does involve some estimation, we consider it to better reflect the environmental impact of our business than a consideration of our direct emissions alone.

We see climate-related opportunities from changes in public policy and customer habits resulting in bus and tram journeys replacing car journeys. Our Carbon saved by modal shift metric helps us assess and manage that by focusing not just on our own GHG emissions but on the net position.

	2021/22 (52 weeks) Emissions (tCO_2e)	2020/21 (52 weeks) Emissions (tCO_2e)
Total Scope 1 & 2 emissions (see table in section 1.8.2.6.1 above)	**(488,495)**	(416,757)
Estimated emissions saved by replacing journeys by other modes	**508,026**	291,600
Net carbon saved by modal shift/(emissions)	**19,531**	(125,157)

We are targeting to improve our Carbon saved by modal shift, principally by:
- Reducing the emissions of our fleet by moving more of our fleet to cleaner diesel, ultra-low emission and zero emission vehicles, and ultimately to having a fully zero emission UK bus fleet by 2035;
- Growing bus journeys, replacing car journeys and increasing our load factors.

Our short, medium and long-term targets for Carbon saved by modal shift are as follows:

	2022/23	2023/24	2024/25	2031/32	2050/51
Carbon saved by modal shift (tCO_2e)	57,814	62,004	65,977	87,852	67,993

Over the coming years, we are targeting an increase in our carbon saved by modal shift, driven by an increasing portion of our UK bus fleet becoming zero emission buses and modal shift from other modes of transport to bus. Our targets also take account of an increasing proportion of zero emission private cars – while that sees our target carbon saved by modal shift reducing between 2031/32 and 2050/51, we still envisage a significant carbon saving in 2050/51 even with a high proliferation of zero emission cars.

1.8.2.6.3 Emissions per £ of revenue

We have chosen to use a revenue intensity metric and as such, report emissions as kilograms of carbon dioxide equivalent per total revenue ($kgCO_2e$/£ of revenue). Our emissions per £ of revenue are summarised below:

	2021/22	2020/21
Revenue (£m)	**1,176.1**	929.4
Total Scope 1 & 2 emissions tonnes (tCO_2e)	**488,495**	416,757
Intensity ratio		
Total Scope 1 & 2 emissions ($kgCO_2e$/£ of revenue)	**0.42**	0.45
– Target disclosed in 2021 Annual Report	**0.39**	

Our intensity ratio for $kgCO_2e$/£ of revenue has decreased compared to last year as a result of recovery after the pandemic. This is slightly short of target due to factors which have increased our carbon emissions above what was expected. This has been discussed in section 1.8.2.6.1.

The revenue figures shown in the consolidated income statement reconcile to the revenue figures in the table above as follows:

	2021/22 £m	2020/21 £m
Revenue shown in consolidated income statement	**1,176.5**	928.2
Exclude revenue items relating to expired rail franchises, for which there are no associated emissions in the year	**(0.4)**	1.2
Revenue shown in preceding table	**1,176.1**	929.4

Our short, medium and long-term targets for emissions per £ of revenue are as follows:

	2022/23	2023/24	2024/25	2031/32	2050/51
Total Scope 1 & 2 emissions ($kgCO_2e$/£ of revenue)	0.34	0.31	0.28	0.12	Net zero

1. Strategic report (continued)

1.8.2.6.4 Emissions per vehicle mile

We also report emissions per vehicle mile as:

Group metrics	**2021/22**	2020/21
Vehicle miles (m)	**346.9**	315.9
Total Scope 1 & 2 emissions tonnes (tCO_2e)	**488,495**	416,757
Intensity ratio		
Total Scope 1 & 2 emissions ($kgCO_2e$/vehicle mile)	**1.41**	1.32
– Target disclosed in 2021 Annual Report	**1.27**	

Our intensity ratio for $kgCO_2e$/vehicle mile has increased compared to last year due to the disparity between our carbon emissions and miles ran. We have increased our mileage by 10% compared to the previous year, however comparatively our scope 1 and 2 emissions have increased by 17%. This factor also resulted in us falling short of our target. The reasons for this have been discussed in section 1.8.2.6.1.

Our short, medium and long-term targets for emissions per vehicle mile are as follows:

	2022/23	2023/24	2024/25	2031/32	2050/51
Total Scope 1 & 2 emissions ($kgCO_2e$/vehicle mile)	1.21	1.13	1.06	0.54	Net zero

1.8.2.6.5 Emissions per passenger journey

We also report emissions per passenger journey. This provides data to compare our emissions per journey with other modes of transport, as we seek to manage the risks and opportunities associated with changing customer habits.

Emissions per passenger journey in 2020/21 and 2021/22 were as follows:

	2021/22	2020/21
Passenger journeys (m)	**635.8**	365.4
Total Scope 1 & 2 emissions tonnes (tCO_2e)	**488,495**	416,757
Intensity ratio		
Total Scope 1 & 2 emissions ($kgCO_2e$/passenger journey)	**0.77**	1.14
– Target disclosed in 2021 Annual Report	**0.71**	

Our intensity ratio for $kgCO_2e$/passenger journey has decreased compared to last year as a result of recovery after the pandemic. This is short of target due to factors which have increased our carbon emissions above what was expected. This has been discussed in section 1.8.2.6.1.

Our short, medium and long-term targets for emissions per passenger journey are as follows:

	2022/23	2023/24	2024/25	2031/32	2050/51
Total Scope 1 & 2 emissions ($kgCO_2e$/passenger journey)	0.56	0.49	0.46	0.24	Net zero

1.8.2.6.6 Fleet composition

We also track our bus and coach fleet composition as we assess and manage risks associated with the cost of new vehicles and regulatory changes. The below table details our progress in reducing the emissions impact of our bus and coach fleet. Although we are still early in our journey towards a 100% zero emissions UK Bus fleet, we are pleased to have achieved the 2021/22 target that we set out in the 2021 Annual Report for the percentage of our total fleet which is zero emission.

	30 April 2022 % of fleet	1 May 2021 % of fleet
Percentage of fleet which is Euro 3 or above, ultra-low emission or zero emission	99.7%	99.6%
Percentage of fleet which is Euro 6 or above, ultra-low emission or zero emission	49.1%	43.1%
Percentage of fleet which is ultra-low emission or zero emission	12.6%	11.9%
Percentage of fleet which is zero emission	2.2%	1.8%
– Target disclosed in 2021 Annual Report	2.2%	

Our short, medium and long-term targets for the percentage of the UK bus and coach fleet which is zero emission are as follows:

	2022/23	2023/24	2024/25	2031/32	2034/35
Percentage of fleet which is zero emission	9.5%	17.4%	25.2%	76.5%	100.0%

1.8.2.6.7 Government net promoter score

Given the importance of our relationship with government in the context of growing public transport use and public policy, we measure our government net promoter score through an independently conducted survey of key government stakeholders. Key government stakeholders for this purpose include passenger transport executives, local transport authorities, combined authorities, the UK Government and devolved governments.

	2021/22	**2020/21**
Government net promoter score	**+39**	+23

Our short, medium and long-term targets for the government promoter score are to continue to maintain a score in excess of our UK public transport peers. We are pleased that we have achieved that for each of 2020/21 and 2021/22. We have seen an improvement in the score year-on-year.

1.8.2.6.8 Carbon prices

We do not use any internal carbon prices.

1.8.2.6.9 Other metrics and goals

In addition to the metrics described in the preceding sections, we monitor a number of other metrics in relation to environmental matters:

- levels of public transport use by mode based on available government data;
- our independently determined risk rating (currently low) from Sustainalytics;
- our independently determined rating (currently A) from MSCI;
- our independently determined rating from EcoVadis;
- the percentage of electricity purchased for our buildings and our electric vehicles, which is from renewable sources;
- the percentage of our waste diverted from landfill;
- water consumption.

In addition to the targets set out in the preceding sections, our environment-related goals include:

- use only Forest Stewardship Council certified paper for customer communications from 2022;
- start reporting waste in scope 3 emissions by 2023;
- implement an energy management system and achieve ISO50001 alignment by 2027;
- implement a climate adaption programme to assess our sites on a risk basis to enable us to plan how to protect them.

1.8.3 Social – Employees

1.8.3.1 Our employees

We are passionate about putting our people at the front and centre of what we do. Our employees are fundamental to the successful development and performance of the business. We aim to recruit and retain the best employees in our sector, offering a competitive package of benefits, which enables us to deliver good customer service.

We are building a strong and trusting culture integrated with our values, where our people are empowered to do the right thing and be themselves at work. We are supporting our people to realise their full potential through delivering our three-year people plan:

- **INVOLVE**

Continuing to build a strong and trusting culture in which we celebrate our differences. Our colleagues are empowered to do the right thing and feel that they are part of an inclusive business where everyone is supported and can flourish.

- **INSPIRE**

Providing opportunities for our people to thrive both personally and professionally.

- **INNOVATE**

Investing in technology to transform and modernise our ways of working to create a future-focused approach to our people offering.

1.8.3.2 Employment policies

Being an inclusive and diverse employer is key to our success. It is our policy that all people should be treated fairly and with respect. Each of our businesses has detailed employment policies in place that are appropriate to the relevant business and its employees. Across the Group, we aim to have a motivated team of people that will meet the expectations of our customers, improve our business and be rewarded for their commitment.

We value, and have a policy of, equality of opportunity, regardless of disability, gender, sexual orientation, religion, belief, age, nationality, race or ethnic origin. We also provide training, career development and equal consideration for promotion.

It is our policy to give full and fair consideration to applications for employment made by all individuals, including those with disabilities, having regard to their particular aptitudes and abilities.

Where an employee becomes disabled during the time employed by the Group, we seek to enable continuing employment where possible, and arrange training as appropriate.

The Group is committed to employee participation and we use a variety of methods to inform, consult and involve employees. Employees participate directly in the success of the business through the Group's bonus and other remuneration schemes.

1.8.3.3 Effectiveness of employment policies

Our employment policies give our people and managers the guidance they need to support a positive culture. We measure the effectiveness of our employment policies in a number of ways. The results of our annual employee engagement survey help us understand how our people feel about key areas such as diversity, reward, training and development, health and safety and speaking up. Our individual businesses have worked with their teams to create action plans that will drive improvements that will have the biggest impact for our people, for example improving the workplace environment, communications, training and development, and rewards and benefits. We monitor employee attrition rates and investigate the reasons for any unusual trends.

1.8.3.4 Employee training and development

Our training priority remains essential Driver Certificate of Professional Competence ("CPC") and apprenticeship training to ensure we equip our drivers and engineers with the skills they need to perform their roles effectively.

We were awarded Silver membership with the 5% Club for our commitment to 'earn and learn' programmes as a result of our continued commitment to our apprenticeship programmes. The 5% Club is a UK-wide charity that aims to contribute to the alleviation of poverty through increased levels of employment. We're committed to increasing the number of apprenticeships and providing further development for our managers and leaders of the future to grow our talent pipelines across the business.

To support the upskilling of our managers and supervisors, we launched a suite of Development on Demand modules, delivered remotely, on a range of key leadership topics such as Managing Change and Engaging & Motivating. We also cascade weekly #Training Tuesday development sessions to further upskill our managers and supervisors to encourage continuous learning to fit around their schedules.

1. Strategic report (continued)

1.8.3.5 Employee engagement

Our engagement strategy is built around gaining meaningful insights so we can continually improve and help people feel part of our business.

We held a group-wide employee survey in November 2020 with a view to holding the next annual survey in November 2021. However, due to the exceptional external challenges faced by the business due to both COVID-19 and driver recruitment, we felt that it was important to allow our leaders to focus their efforts on managing the challenging environment at that time, to ensure we were doing the best for our people and our customers. We therefore postponed the November 2021 survey, but have now recently undertaken our latest survey. We recognise that the employee survey plays an important part in our engagement strategy, helping us to understand how people feel about key aspects of working for Stagecoach so we can measure progress and make improvements.

We have continued to gather more qualitative insights into how our people feel. As part of doing that, “Stagecoach Colleague Forum” acts as a workforce advisory panel. Twice a year, a group of employees from across the business meet with certain non-executive directors. We held two ‘virtual’ forums in May 2021 and February 2022. The purpose of the forums is to:

- Enable members of the Board to hear, and report to the Board, the views of our people so that the Board can consider them in discussions and decision making.
- Facilitate discussion around the results of our employee engagement survey.
- Acknowledge that forum attendees will want to ask questions and comment on issues that are close to their heart and make time to do this in the meetings.
- Facilitate networking by employees from across the business.

At the Colleague Forum meeting, 15 and 17 colleagues in May 2021 and February 2022 respectively met with two non-executive directors. Some of our executive team also attended to provide colleagues with a business update. The colleagues attending both meetings were from a variety of geographical locations and covered a wide range of business roles. There was good level engagement from those who attended. The May 2021 meeting included discussion around how we could build back customer confidence in public transport as well as building back employee confidence in feeling safe in the workplace in a world where we’re learning to live with COVID-19; looking at more technology-driven approaches such as demand-responsive transport; promoting the benefits of our services to the public by getting out and meeting people in local areas; and making our cleaning services more visible. The May 2021 forum also included discussion around remuneration – senior pay and benefits, how we approach that in Stagecoach and the role of the Remuneration committee. In February 2022, the key topics discussed were how can we continue to make Stagecoach a company that people want to stay with and what different approaches could we take to recruiting more women and people from diverse backgrounds to join us to help us better represent the communities we operate in; commitment to supporting everyone to be their true selves at work and to be a place where people feel they belong; using mentoring as a way to help people develop their careers; and making sure our application process is more accessible. All participants received copies of notes and information on follow up actions.

We have continued to evolve and improve our communications approach to ensure we are able to reach our diverse and mobile workforce. COVID-19 restrictions have made it more challenging for our local leaders to meet and share messages in person, however they have continued to do so as much as possible in a safe and compliant way and, as restrictions ease, our leaders have begun to conduct more visits to our different locations in line with the current guidance. Our employee communications app, Blink, helps increase our employee voice and reach a wider audience through a modern digital platform. It has become a vital tool in reaching a wide audience quickly with important updates alongside more traditional ways of keeping in contact. We have also enhanced our senior leader communications with more regular updates and videos from our Chief Executive and other members of our senior management team. We’ve introduced more than 300 digital screens across our sites as another more modern, timely, engaging, and accessible way of reaching our people with key updates, allowing us to share both national and local messages with our colleagues. Our employee magazine, Focus, enables us to share our people’s stories and help everyone understand how they contribute towards the success of our business. It especially helps us celebrate and thank our employees who go above and beyond, as well as showcasing good news stories about ‘what the business is doing’ to ensure we are sustainable for the future.

We continued with our successful Stagecoach Star of the Month recognition scheme, which recognises and rewards our people for their outstanding performance and behaviours. We had also evolved our approach to our annual awards, with our Stagecoach Stars annual ceremony which we held in February 2020 celebrating the outstanding efforts of our people. While we have not been able to hold a similar event this year due to restrictions, we have held ‘virtual’ awards where we invited people to nominate their colleagues in 12 different categories, including our Stagecoach Heroes category designed specially to recognise people who made outstanding efforts throughout the pandemic. Winners and highly commended people will each be recognised through local celebrations with senior leaders and rewarded with some fantastic prizes, and we aim to continue with awards ceremonies in the future.

We continue to focus on strengthening our relationships with the recognised trade unions to ensure that they develop a shared understanding of the challenges that we face as a business. There have been a number of disputes over pay during the last year due to the rising cost of living and increased competitiveness in front line workers pay. However, these have been settled amicably and we will continue to build on creating a positive culture where our people feel fairly rewarded and recognised.

Section 1.9 of this Annual Report summarises, amongst other matters, how the Directors have regard to employee interests, and the effect of that regard, including on decisions taken during the year ended 30 April 2022.

1.8.3.6 Employee health and wellbeing

The health and wellbeing of our people continues to be a focus for us, particularly on physical, financial and mental wellbeing. During 2021/22, we launched a Health and Wellbeing Working Group, comprising employees from varying roles and locations, and a Wellbeing Assistant joined the People Team, to drive forward the wellbeing activity.

This year there has been an increased focus on Mental Health First Aid training and since November 2021, there have been wellbeing champions and managers trained in Mental Health First Aid across the business. We also have a fully qualified in-house Mental Health First Aid Instructor.

Our benefits platform provides our employees with easy access to a whole host of wellbeing resources, such as the Employee Assistance Programme, alongside offering discounts for shopping and entertainment. Now more than ever, we are aware of the growing need to improve the support we provide around financial wellbeing. Our partnership with Salary Finance helps our people to take practical steps to adopt good money habits and use tools and education to make them more financially resilient.

1.8.4 Social – Workforce diversity and inclusion

1.8.4.1 Workforce diversity policy

We continue to build on our inclusive culture where differences are celebrated and we attract, retain and develop more diverse talent throughout the organisation. We have introduced and embedded six employee-led networks. Our Networks are: Veterans; Parents; Women@Stagecoach; LGBTQ+ community; Carers; and members of multi-faith/multi-ethnic communities, which have all grown in awareness and popularity. We now have over 400 members of the networks helping to shape the agenda and bring about lasting change. We recognise the importance of employee networks to support diversity and inclusion in our business, and to enable us to better represent the customers and communities we serve.

1.8.4.2 Gender diversity and pay

The table below shows the gender split at different levels within the organisation, as at 30 April 2022. The Group's workforce is around 86% male and this high proportion is common in the ground transportation industry.

Population	Male	Female	Total	% Male	% Female
Board	6	2	8	75.0%	25.0%
Executive Committee members & their direct reports (excluding personal assistants)	32	17	49	65.3%	34.7%
Senior management*	44	10	54	81.5%	18.5%
Whole workforce	19,921	3,145	23,066	86.4%	13.6%

* Senior management is defined as those employees who received awards under the Group's Executive Participation Plan and individuals who are statutory directors of the corporate entities whose financial information is included in the Group's 2022 consolidated financial statements in the Annual Report. This satisfies the definition set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The equivalent figures as at 1 May 2021 were:

Population	Male	Female	Total	% Male	% Female
Board	6	2	8	75.0%	25.0%
Executive Committee members & their direct reports (excluding personal assistants)	26	16	42	61.9%	38.1%
Senior management*	42	10	52	80.8%	19.2%
Whole workforce	21,057	3,078	24,135	87.2%	12.8%

We have recently submitted our 2021 Gender Pay Gap Report, which shows a mean gender pay gap of 2.21%, substantially lower than the UK average of 15.4%. For further detail on the 2021 Gender Pay Gap report, please go to:
https://www.stagecoachgroup.com/about/managing-the-business/governance/gender-pay-gap-reporting.aspx

1.8.4.3 Actions to strengthen diversity and inclusion

We continue to seek to improve the gender balance throughout the Group. Diversity and Inclusion ("D&I") remains a key focus for our businesses and our approach to strengthening D&I further is focused on three key areas:

Improved support for our female colleagues
In August 2021, we launched our 'Women@Stagecoach' network, to raise the profile of women in our business, provide an amplified voice for female issues and support career progression. Marking events such as International Women's Day and awareness campaigns throughout the year, helps to educate our managers and leaders to better support women in the workforce. We have also enhanced our mentoring programme to allow female supervisors and managers to be matched with a more senior leader to offer advice and guidance and we have opened up external mentoring options too.

Better awareness of career opportunities for current and future employees
We have an increased focus on female talent being identified and developed through our Shine Pool, our internal talent pipeline. Inclusion in our Shine Pool means that our talent is able to take on new development opportunities and have greater visibility of their career pathways.

We are also focused on utilising our Workday people system to encourage disclosure of diversity data to increase accuracy and allow us to track and measure the impact of our initiatives specifically around career progression and development.

Development and training
We continue to review content and materials to ensure there is no gender bias in any of our training and development initiatives, and access to development is fair and transparent. We have developed and launched an internal package of inclusive leadership training focused on minimising implicit bias, engaging in challenging conversations and making impartial decisions. These sessions have been designed with operational and recruiting managers in mind to help ensure our people are trained in how to minimise and mitigate bias.

In addition, we have strengthened the development opportunities for our supervisors and managers with a suite of Development on Demand sessions, where individuals can enhance their skills on a range of key leadership topics. We continue to encourage our female drivers, engineers and supervisors to develop their careers further through recognition in our Shine Pool, enhancing the diversity within this vital future leader population.

1. Strategic report (continued)

1.8.5 Social – Community matters

1.8.5.1 Social and community policies

We seek to work with a wide range of stakeholders to help shape our services and support our drive to get a better deal for sustainable public transport.

We are focused on working with national and local governments to deliver a broad network of high quality, accessible and sustainable transport services. We have worked closely with local authorities across our network in England to develop ambitious bus service improvement plans ("BSIPs") as part of the government's national bus strategy. These BSIPs include initiatives to lower fares, speed up bus journeys, boost accessibility and connections, and improve customer information. We are looking forward to working with successful local authorities to deliver the joint plans for improvement in bus services as quickly as possible. We are also working closely with the devolved governments to develop future bus service plans for Scotland and Wales.

1.8.5.2 Effectiveness of social and community policies

Our annual independent stakeholder survey helps us to track our performance with stakeholders at a national and regional level and identify any improvements needed. The recent survey in 2021/22 by Savanta ComRes shows that we continue to have the highest net promoter score of our peer group, with a marked year on year improvement. Overall satisfaction with Stagecoach is high, with stakeholders viewing us as a reliable contractor who provides high quality services. Findings from the survey are used by Stagecoach's Stakeholder Board, led by the UK Managing Director, to develop our Policy Engagement Strategy.

1.8.5.3 Promote social inclusion through our services and operations

Our customer transformation programme continues to build on our leading investment in contactless technology with a focus on developing simplified products and pricing which offer a simple and affordable experience for customers. We are also continuing to work with local authorities and other operators to develop multi-operator ticketing, such as in Oxford where we have recently launched multi-operator QR ticketing with Oxford Bus.

Our new customer contact centre will make it easier for customers to reach us from anywhere in the UK, with a one-stop phone and digital contact point that people can use to speak to a member of our team on any queries they have, including questions about timetables, feedback on services, help with smartcards and lost property.

Making our services more accessible and delivering better value travel is central to our strategy to encourage people to switch from single use car trips to more sustainable public transport.

We continue to take steps to deliver fare simplification to improve customer perception of value for money and help drive more use of our buses, coaches and trams.

Contactless payment facilities cover all of our regional bus fleet following the biggest roll-out of the technology by any bus operator in Britain, making it easier for people to use our services and providing a platform for further ticket simplification. Our on bus contactless technology enables customers to use electronic tickets stored on their mobile phone instead of requiring a printed ticket.

All of our local bus fleets in the UK are fully accessible as a result of significant investment over many years. Our new vehicles feature CCTV and USB charging points, and "talking bus" audio visual systems are fitted as standard, providing next-stop information. This is designed to improve accessibility for blind and partially sighted people and we have worked with sight loss organisations, including the Royal National Institute of Blind People and Guide Dogs, to raise awareness of potential barriers to travel among excluded groups.
Automatic vehicle location technology is fully deployed across our UK regional bus fleet, providing real time service information to customers via our smartphone app and online.

Efficient connectivity is vital to ensure people in our local communities have access to jobs, the services they need and can play a full part in society. We have taken a leading role in the development of demand responsive transport services, helping to serve people in rural areas or those employed in specialist sectors. This includes the UK's first dedicated app-based demand response bus service for NHS workers at Hull University Teaching Hospitals. We have also introduced Tees Flex, an on-demand bus service for residents in more isolated communities across the Tees Valley, and are working with Cambridgeshire and Peterborough Combined Authority on Ting, a six-month demand response travel pilot in West Huntingdonshire.

We have a number of ticketing initiatives in place to support the local communities we serve, including our national jobseekers discounted travel initiative, the only scheme of its kind in the UK and offering discounted bus travel for Scottish NHS workers. Our Stagecoach Solutions service also offers a range of service for businesses and corporates to work with us to develop personalised transport solutions.

For further information on our initiatives, please go to: https://www.stagecoachgroup.com/sustainability/accessibility-affordability.aspx

1.8.5.4 Foster community development through our charitable activities

Since we were founded in 1980, we have played a huge role in supporting the communities we serve and sharing our success with local people and communities by funding the work of local, national and international charities. We continue to make a significant contribution towards the communities we serve through time, resource, money and sponsorship, and have committed to donating 0.5% of pre-tax profits to charitable and community causes each year.

Through our new charity committee, 'Stagecoach – Giving for Good', a cross-functional team which includes representation from our front line people, we have identified four key themes that closely align with our purpose and values, which are:
- Promoting health and wellbeing
- Supporting young people, skills and employment
- Addressing loneliness and social isolation
- Increasing accessibility and opportunity

To match these themes, we have chosen four charities who we are supporting and working with over the coming year:
- Missing People; a national organisation that offers assistance to people who run away/go missing and their families
- Trussell Trust; who support a nationwide network of food banks
- Roald Dahl's Marvellous Children's Charity; providing specialist nurses and support for seriously ill children
- Happy Days; helping terminally ill, sick, disabled and abused children and young carers with respite breaks, holidays and day trips.

We also think it is important to continue supporting local charities in the communities we serve and have a monthly fund dedicated to providing one-off support to smaller, local charities, and we support individual projects by providing direct support and extending the fundraising efforts of our own people for a variety of causes.

We have continued to leverage our position as the UK's largest bus and coach operator by supporting the country's humanitarian efforts to provide safe and free passage for Ukrainians fleeing the war by providing free travel on our bus, tram and coach services.

Our employees play a huge role in the communities they serve and we are proud that our Manchester driver, Junior Grant, was awarded a British Empire Medal in the Queen's New Year Honours list for his extensive work in his local community. Our own internal Stagecoach Star awards have also recognised the efforts of a number of our employees across the country for their community work.

We are continuing to show our support for the armed forces with poppy themed buses running across the UK, and we have committed to offer free travel every year for military and ex-military personnel on 11 and 14 November.

More information on our community support and programmes is available at: https://www.stagecoachgroup.com/sustainability/community.aspx

1.8.6 Governance – Our corporate values

1.8.6.1 Corporate values and Code of Conduct

We have a set of core values and policies, which are detailed in our Group Code of Conduct. Our five shared values to drive our people and the brands they represent across our business are: We're go getting; We do the right thing; We're in it together; We keep it simple and We care. We promote a culture of openness across all our businesses and our objective is to ensure the highest standards of probity and accountability.

The Code of Conduct sets out key principles and provides practical examples and guidance to help shape employees' behaviour across all levels of the business. The Board of Directors remains committed to ensuring appropriate processes, controls, governance and culture exists to support the maintenance of these values and behaviours. The Code of Conduct is subject to periodic review and can be found at the following link:
https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/pdf/code-of-conduct-may-2021.pdf

1.8.6.2 Whistleblowing

The Board ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice. Our "Speak Up" whistleblowing platform is now well established in the business, and this provides a channel for employees to anonymously report concerns they have, while enabling us to ensure that all reported concerns are systematically investigated and tracked.

The "Speak Up" whistleblowing policy sets out how the Group will investigate any concerns raised and the action it may take. We value an open, transparent and safe working environment where our people feel able to speak up and can raise serious concerns constructively without fear of victimisation, subsequent discrimination or disadvantage. A copy of the document is available at:
https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/pdf/whistleblowing-policy-may-2021.pdf

The Board reviews summaries of matters raised through the "Speak Up" platform and through other whistleblowing reporting channels.

1.8.7 Governance – Health and safety

We have a clear vision to consistently strive for excellence in health and safety in all our operating companies.

Our approach to safety management is articulated through the Stagecoach Strategic Safety Framework. Understanding safety risk and being compliant with, or exceeding, the health and safety regulations for the different modes of transport our business delivers is core to this Framework. In 2021, the Health, Safety and Environmental Committee, chaired by a non-executive director, approved a new five-year Safety Plan. The Plan has five pillars containing initiatives designed to work together to continue to develop safety culture and outcomes for our people and our customers. We have made good progress in the first year of our Plan. This has included continuing to invest in new technology, most notably a bridge collision warning system and a Driver Support system. We believe that these systems will enable us to continue to reduce catastrophic risk. We have also made progress against our goal of achieving the internal standard for excellence in health and safety, ISO45001, accreditation across all our businesses. We have now gained our first accreditation, for our Rail Replacement business, and have a plan in place to do the same for the rest of Stagecoach. We have continued to invest in our people and enable our management teams to attain a safety qualification via our externally delivered, IOSH Managing Safety training. Our operating companies have continued to work hard to engage with their people to improve safety through company Safety Forums.

Our approach, outlined in our Safety Plan, is to use leading indicators, as well as the traditional safety lagging indicators to measure our safety performance. We have implemented a revised assurance system to ensure that we can measure and monitor safety maturity in addition to compliance across our businesses. We will continue to develop the maturity model in the second year of our Safety Plan. In addition to this, we will undertake Safety Culture Surveys of our operating companies through our established Safety Forums to enable us to understand whether the actions that we are taking are working.

The Health, Safety and Environmental Committee monitors performance and reports to the Board on health and safety matters. Our operating companies have safety management systems in place which are appropriate for their respective risk profile and regulatory requirements for the industry in which they operate. This includes policies, risk assessments and safe working procedures to make sure that safety risks are managed and controlled. Performance is measured and reviewed at operating company and Group level. This is supported by analysis of audit results and review of civil liabilities claims to address any issues around policies and working procedures.

Our approach to safety across Stagecoach is collaborative. Our local leadership teams have clear accountability for the delivery and continuing improvement of safety in their business. To support them in doing this we have a team of safety professionals. There are multiple channels through which our people can report safety concerns, confidentially should they chose to do so. These include near miss reporting systems and externally, via CIRAS, an independent organisation.

As we entered the second year of the COVID-19 global pandemic over the past year we have continued to focus on protecting our employees and customers. The pandemic response by the UK Government and the governments in Scotland and Wales, has led to varying levels of restrictions imposed at different times throughout the past year. We have adapted to respond to this, and actively worked collaboratively through the Confederation of Passenger Transport and UKTram to ensure that our response continues to align in the sectors in which we operate. As the UK has lifted all restrictions, we have continued to ensure that we have in place appropriate levels of controls for close contact risk within our locations.

1. Strategic report (continued)

1.8.8 Governance – Human rights

The Group does not see human rights matters as presenting material issues or risks for the Group and therefore the Group does not have specific, detailed policies in respect of human rights. However, in the Group's Code of Conduct (see section 1.8.6), the Group recognises the fundamental civil, political, economic and social human rights and freedoms of every individual and strives to reflect this in its business. A respect for human rights is reflected in our wider policies and in how we do business with customers, suppliers, employees and other stakeholders.

It is our policy to respect the rights of individuals to hold personal political views, to undertake political activity and to personally support or be members of particular organisations. We support the objectives of the Modern Slavery Act 2015 of eliminating slavery and human trafficking. We have provided a statement on these matters at: https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/modern-slavery-act-transparency-statements/modern-slavery-act-transparency-statement-2021.pdf

1.8.9 Governance – Anti-corruption and anti-bribery

1.8.9.1 Anti-corruption and anti-bribery policy

The Group has an anti-bribery and anti-corruption framework in place. The Group's attitude to bribery and corruption is set by the Board of Directors and is reflected in the Group Code of Conduct (see section 1.8.6). It is our policy:

- not to tolerate any form of bribery or inducements for any purpose whether directly or through a third party;
- to prohibit the giving of "facilitation payments" or "grease payments" even in jurisdictions where these might be legally permitted or expected by local custom;
- that officers, employees and representatives of the Group shall not seek, accept, offer or provide gifts from/to any other party that has, could have or might be perceived to have a business relationship or potential business relationship with the Group unless the value of the gift(s) is clearly insignificant;
- that officers, employees and representatives of the Group shall not accept, offer or provide hospitality from/to any other party that has, could have or might be perceived to have a business relationship or potential business relationship with the Group unless the hospitality is reasonable in terms of its frequency, nature and cost;
- that officers, employees and representatives of the Group should seek to avoid actual, perceived or potential conflicts of interest, as these may jeopardise their reputation as well as the Group's;
- that share price-sensitive information must be properly safeguarded and no individual should profit from undisclosed price-sensitive information;
- that we do not make political contributions and, therefore, no company within the Group is permitted to make political contributions; and
- that all officers, employees and representatives of Stagecoach must use the Group's property and information technology appropriately and responsibly.

1.8.9.2 Effectiveness of anti-corruption and anti-bribery polices

Any known instance of fraud, bribery or attempted bribery that was designed to give an advantage to the Group is reported to the Audit Committee for consideration and appropriate follow up. There were no such matters arising during the year ended 30 April 2022 that were material. The whistleblowing policy (see section 1.8.6.2) provides a channel for the reporting of fraud, bribery or attempted bribery where reporting through other channels is not appropriate.

1.8.9.3 Anti-corruption and anti-bribery procedures

A Group Compliance Committee is in place to monitor compliance with laws and regulations and to monitor the effectiveness of the anti-corruption framework, policies and procedures. The Group Compliance Committee assesses the nature and extent of the risks relating to bribery and corruption to which the Group is exposed. The Committee considers not only bribery and corruption risks within the Group itself but also within the Group's supply chain. Our procurement group considers anti-corruption and anti-bribery risks in the supply chain and what steps should be taken to reduce those risks. We generally consider such risks to be low given the countries in which we operate and the countries in which the majority of our suppliers are based. Supplier due diligence is undertaken as considered appropriate. All centrally contracted suppliers are requested to complete a questionnaire as part of the Group's supplier due diligence. Further follow up may be undertaken based on the responses to questionnaires, such as requesting further evidence on specific matters. For suppliers that are considered to be of particularly high inherent risk (for example, suppliers of clothing manufactured overseas), we make reference to third party audits of the suppliers and countries involved.

The Group's independent internal auditors periodically review the Group's anti-corruption framework and report their findings to the Group's Audit Committee. A list of "Relevant Employees" is maintained, which comprises employees in those groups of staff that are considered to be most likely to have the opportunity to participate in or have knowledge of material corruption. Specific anti-bribery and anti-corruption training is provided to these Relevant Employees, including case studies. These employees are required to certify annually their continuing compliance with the Group's Code of Conduct that contains the Group's anti-corruption policy.

1.8.10 Non-financial key performance indicators

Section 1.4.6 describes key performance indicators relevant to the Group's business, including non-financial key performance indicators.

Section 1.8.2.6 describes key metrics and targets that we use to assess and manage relevant climate-related risks and opportunities.

1. Strategic report (continued)

1.9 Section 172 statement

The Directors believe that in the decisions taken during the year ended 30 April 2022, they have acted, both individually and together, in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors have had regard to, amongst other things, the matters set out in section 172(1)(a–f) of the Companies Act 2006.

This Board's general approach to decision making and stakeholder engagement is set out below.

Our approach to decision making

Strategy

- The Group's strategy is set out in section 1.4.2.
- The Board's decision making is undertaken in the context of that strategy.

Culture and values

- We have a business culture reflecting a commitment to conduct business in a socially responsible way – this is described further in section 1.4.1.
- Our culture is supported by our corporate values – more information is provided in section 1.8.6.
- Our culture and values are supported by our Code of Conduct and whistleblowing arrangements – see section 1.8.6.
- The Board's decision making reflects our culture and values.
- The Board monitors the Group's culture through the results of staff surveys, reports from the Risk Assurance function, reports from the whistleblowing process and activity outside of "the Boardroom" such as meetings with various staff from across the Group and visits to operational locations.

Delegated authorities

- Clear delegated authorities are in place to provide clarity as to where in the Group decision making responsibility lies.
- The Group Authorisation Policy, which sets out delegated authorities, includes a reminder of directors' duties, including under section 172. That serves as a reminder not only to directors of the Company but to directors of all of the Company's direct and indirect subsidiaries, and to other decision makers.
- As explained in section 4.6, certain matters are reserved for decision making by the Board. A copy of the latest matters reserved for the Board is available on our website at https://www.stagecoachgroup.com/about/managing-the-business/governance/matters-reserved.aspx
- Each committee of the Board has clear, written terms of reference and those are available on our website as indicated in the report from each Committee in this Annual Report.

Recognising the Directors' duty to have regard to stakeholders, the Board engages with, and receives updates from various stakeholders as explained elsewhere in this annual report, including:

Stakeholder Engagement

Stakeholder Group	Example sources of information and engagement	Section(s) in this Annual Report
Employees	• Staff survey • Whistleblowing process • Stagecoach Colleague forums • Other meetings and events outside "the Boardroom" with staff from across the Group	1.4.4, 1.8.3, 1.8.4
Suppliers	• Reports from management on its engagement with suppliers • Reserved responsibility on major expenditure such as vehicle purchases • Board attendance at events where suppliers are represented	1.4.4
Customers	• Customer satisfaction surveys • Other bespoke customer surveys • Regular summaries of media reports	1.4.4
Government and regulatory bodies	• Reports from management on its engagement with various governmental and regulatory bodies • Regular summaries of media reports • A survey of government stakeholders by an independent party to determine a net promoter score ("NPS"), which in 2021 estimated an NPS of +39, ahead of five other major UK bus operators	1.4.4
The financial community (including shareholders, analysts, lenders and credit rating agencies)	• Annual presentation from broker • Reports from brokers on investor feedback • Reports from financial PR advisors on analyst feedback • Reports from management on lender and rating agency feedback • Regular summaries of media reports • Copies of analyst reports and feedback from management on meetings with analysts	1.4.4, 4.11
Pension scheme members	• Presentation to Board from Pensions Director • Presentation to Board from independent actuaries	4.16
The community	• Regular summaries of media reports	1.8.5

1. Strategic report (continued)

Our engagement with the financial community is now evolving to reflect the recent change of ownership of the Company.

The Board considers the impact of the Group's operation on the environment through reports from its Health, Safety and Environmental Committee. Section 1.8.2 of this Annual Report provides more detail on environmental matters and climate change.

Section 4.6 of this Annual Report includes a list of notable matters that the Board considered during the year ended 30 April 2022. In the 2020 and 2021 Annual Reports, we set out the Group's response to the COVID-19 pandemic as an example of how the Directors discharge their duties under section 172. The dominant theme during the year ended 30 April 2022 has been the Board's consideration of the separate proposals from DWS and National Express Group plc to acquire the Group. Accordingly, we outline below how discharging their duties under section 172 influenced the Board's decision making in that regard:

- The services provided by the Group are central to delivering government ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens. Accordingly, the Board considers the Group's underlying business to have good long-term prospects. While the Board was positive on the outlook for the Group as a standalone business, the separate proposals from DWS and National Express Group plc offered options to enhance the long-term success of the Company. In reaching that conclusion, the Board sought and obtained advice from its financial advisors, Deutsche Bank and RBC.
- From a shareholder perspective, the proposed combination with National Express Group plc offered an opportunity to create value for both sets of shareholders, principally arising from the significant growth and cost synergies available. However, this proposed combination would have taken some time to complete, while navigating the short-term uncertainties relating to the extent and pace of recovery in customer demand, the direction of future government policy and funding, and ongoing challenges relating to cost inflation. In that context, the Board considered the subsequent DWS cash offer price of 105p to represent a material premium to the look-through value of the National Express Group plc proposal, in addition to providing the Group's shareholders with increased certainty through the opportunity to crystallise in cash the value of their holdings earlier.
- The Board was mindful of the impact on employees from the two proposals, noting that the vast majority of roles would be unaffected by either proposal. While the National Express Group plc combination would not have resulted in any frontline operational job losses or depot closures, it was recognised that in order to realise the expected financial benefit of the combination of the businesses, some role restructuring was envisaged, with around 50 corporate, head office and senior management roles identified between the two businesses where there was duplication. In contrast, the DWS proposal provides continuity, with the senior management team remaining in place, and the retention of the Group's existing headquarter functions and related roles in Perth, London and Stockport. While the DWS proposal would not open up the wider range of opportunities for Stagecoach employees that the National Express Group plc combination would, as part of a larger, more diverse, international business, DWS did see opportunities to diversify and grow the business overseas.
- Due to the scale of the Stagecoach Group Pension Scheme ("the scheme"), its significance relative to the size of the Group, and its approach to investment and funding, this was a key consideration by the Board in assessing the DWS and National Express Group plc proposals. The Board sought and obtained legal and actuarial advice around various pensions matters, including understanding the work performed by advisors to the Stagecoach Group Pension Scheme trustees on the anticipated effect of the proposals on the employer covenant to the scheme. Noting that both proposals envisaged an increase in the level of contributions to the scheme, and undertaking a process to de-risk the scheme over time, advisors considered there to be no anticipated deterioration in the employer covenant; on the contrary, the advisor expected some strengthening in the employer covenant under either proposal.
- The Board considered the DWS proposal would have limited impact on the Group's suppliers. Under the National Express Group plc proposal, the Board did note that some suppliers may be adversely affected by the planned synergies. Less work might be available to current suppliers of UK coach services to National Express Group plc, for example, given plans to bring a proportion of that work in-house. On the other hand, some suppliers would have access to, and may benefit from, the purchasing requirements of a larger group.
- The Group's customer relationships were assessed by the Board in forming a view on the respective proposals. The Board considered that it would initially be "business as usual" for the Group's customers if the DWS proposal proceeded, albeit there would be scope to expand services to customers, depending on the scale of the DWS investment plans. Under the National Express Group plc proposal, customers of both Stagecoach and National Express could expect to benefit from a combination that accelerated growth in new services and increased levels of investment.
- In respect of wider stakeholder engagement, the Group has good relationships with government and the Board expected this to continue under either proposal, recognising that strong partnership working between bus operators, national government and local transport authorities is fundamental to transforming the country's bus networks.
- The Board also remained mindful of the Group's impact on the community, underpinned by our clear purpose of connecting people and communities. The Group generally has good relations with the communities it serves, and we see scope for these to improve further, as the transition to zero emission vehicles should help improve air quality and emissions in local communities. Some of the climate-related risks and opportunities we face are long-term in nature and in developing the Group's sustainability strategy, the Board has considered the consequences of its decisions on the long-term. DWS has expressed a desire to invest in the Group's sustainability strategy, including supporting the transition to zero emission vehicles. The significant capital DWS has to invest should benefit the environment. Under the National Express Group plc proposal, the combination was expected to unlock increased levels of investment, which should also have supported the increased investment in zero emission vehicles.
- The Group has a set of core values and policies, and the Board considered whether either proposal would impact the Group's reputation for high standards of business conduct. National Express Group plc has a similarly good reputation for high standards of business conduct and, accordingly, the proposed combination was not expected to impact on that. In assessing DWS, the Board noted from past practice that DWS Infrastructure takes a longer-term perspective than some other investors of private capital. DWS has indicated its intention to invest in the business and maintain the Group's investment grade status. DWS is a patient long-term infrastructure investor with a proven track record and extensive expertise in unlocking the value of its portfolio companies using its experience, network and ability to deploy further capital in return enhancing investments.
- In considering the need to act fairly between members of the Company, the Board carefully considered conflicts of interest – potential and perceived – taking advice from legal advisors over the course of the process. The Board was content it had satisfied this requirement in considering both proposals, culminating in the ultimate recommendation to support the DWS proposal.

This Strategic report was approved by the Board of Directors and signed on its behalf by:

Mike Vaux
Company Secretary
29 June 2022

2. Board of Directors

Executive Directors

(a) Directors continuing on the Board from 30 June 2022

Martin Griffiths
Chief Executive

Appointment to the Board: 2000

Committee membership: Health, Safety and Environmental.

Executive responsibilities: Martin Griffiths was appointed Chief Executive from 1 May 2013. Martin Griffiths is responsible for Group health, safety and environmental matters, overall strategy and management of all of the Group's operations.

Skills, previous experience and contribution to Group's long-term success: A Chartered Accountant, Martin Griffiths joined Stagecoach in 1997 as Group Business Development Manager, before being appointed to the Board as Finance Director in April 2000. He has also served as the Senior Independent Non-Executive Director and Chair of the Audit Committee at each of A.G. Barr plc and Robert Walters plc, and as a non-executive director of Troy Income & Growth Trust plc. He was young Scottish Finance Director of the year in 2004. His significant experience and expertise of business, public transport, public companies and finance position him well to lead the executive team and to contribute to the Group's long-term success.

External appointments: WCT Group Holdings Limited, formerly Virgin Rail Group Holdings Limited (Co-Chairman).

Ross Paterson
Finance Director

Appointment to the Board: 2013

Committee membership: None.

Executive responsibilities: Ross Paterson is responsible for the Group's overall financial policy, taxation, treasury, corporate finance, City relations, financial reporting, business development, procurement and employee benefits. He supports the Chief Executive in the management of the Group's operations.

Skills, previous experience and contribution to Group's long-term success: A Chartered Accountant, Ross Paterson joined Stagecoach in 1999. He became Director of Finance & Company Secretary in 2007, with responsibility for treasury, corporate finance, City relations, financial reporting, internal audit and the company secretariat. He succeeded Martin Griffiths as Finance Director in 2013. He is former Deputy Convenor of the Audit and Assurance Panel of the Institute of Chartered Accountants of Scotland.

Ross Paterson's breadth and depth of finance experience is a key strength and enables the Board to understand well the overall financial position of the Group's businesses and to evaluate and challenge prospective business developments. Ross' broader business experience helps the Board to communicate its strategic vision to the investment community and other stakeholders.

External appointments: WCT Group Holdings Limited, formerly Virgin Rail Group Holdings Limited (Director), The Unite Group plc (Non-Executive Director and Audit Committee Chair), Member of the Business Policy Panel of the Institute of Chartered Accountants of Scotland.

Non-Executive Directors

Ray O'Toole
Chairman

Appointment to the Board: 2016

Committee membership: Health Safety and Environmental (Chair).

Skills, previous experience and contribution to Group's long-term success: Ray O'Toole served as the Chief Operating Officer of National Express Group until May 2010. In November 2013, Ray joined Kier Group, Fleet and Passenger Services as Managing Director. In July 2015, he led a management buy-out team with private equity investor, Endless LLP, to create Essential Fleet Services Limited, a company which provides 3,500 vehicles with contract hire and leasing to the local authority and corporate markets nationally. Ray continued to serve as Chief Executive of Essential Fleet Services Limited until February 2017.

Ray O'Toole's considerable commercial experience in the transport sector and particularly in both rail and bus passenger services provides him with an ideal background to chair the Board. In this role, he ensures that the agenda for Board meetings is appropriate, that all Board members are properly briefed and are able to fully contribute to the governance of the Group, making the most of the skills and experience available to the Board.

External appointments: Yorkshire Water Services Limited (Non-Executive Director, Senior Independent Director and Chair of Remuneration Committee).

2. Board of Directors (continued)

Hamish Mackenzie
Non-Executive Director

Appointment to the Board: 2022

Committee membership: None.

Skills, previous experience and contribution to Group's long-term success: Hamish Mackenzie is Managing Partner and Global Head of DWS Infrastructure. He is responsible for overseeing DWS' private investment activity in infrastructure debt and equity globally. He was responsible for establishing the European Infrastructure equity business in 2005 as well as directing the investment activity from its inception. This includes the flagship funds, Pan European Infrastructure Fund (2007), PEIF II (2015) and PEIF III (2021) together representing in excess of €7 billion. The funds have successfully invested in a wide variety of transportation, energy and utility companies across Europe. Hamish Mackenzie has represented DWS on the boards of Peel Ports, Yorkshire Water, Tank & Rast, Autovia del Camino and SAVE (the operator of Venice and Treviso airports). Prior to joining DWS, Hamish Mackenzie was a specialist in the transport and infrastructure sector in Deutsche Bank's investment banking division having previously worked in a similar role at HSBC.

External appointments: DWS (Head of Infrastructure)

Scott Auty
Non-Executive Director

Appointment to the Board: 2022

Committee membership: None.

Skills, previous experience and contribution to Group's long-term success: Scott Auty is a Partner in DWS' infrastructure investment business, Europe, and is responsible for the origination and execution of infrastructure investment opportunities as well as the ongoing management of the acquired assets. He is a member of the investment committee for the three European infrastructure funds managed by DWS. Prior to joining DWS' infrastructure business in 2005, Scott Auty started his career at N M Rothschild & Sons' investment banking division where he was a specialist in the utilities and natural resources sectors.

External appointments: DWS (Infrastructure Partner), Yorkshire Water Services Limited (Non-Executive Director), Attero Holdings BV (Supervisory Board member), Vertex Bioenergy SL (Non-Executive Director).

Miguel Costa
Non-Executive Director

Appointment to the Board: 2022

Committee membership: None.

Skills, previous experience and contribution to Group's long-term success: Miguel Costa is a Senior Principal of DWS Infrastructure and has significant experience analysing infrastructure investment opportunities, executing transactions and the ongoing management of portfolio companies. He joined DWS Infrastructure in December 2011 after four years in the London Project Finance team of Espirito Santo Investment Bank, where he was responsible for the origination and structuring of projects in the EMEA region with a particular focus on the PFI / PPP transport sector. Miguel Costa is also a Non-Executive Director of Hansea NV and its parent Inframobility NV, the leading private bus operator in Belgium.

External appointments: DWS (Senior Principal), Hansea NV (Non-Executive Director), Ermewa Holding SAS (Supervisory Board member).

2. Board of Directors (continued)

Florian Hubel
Non-Executive Director

Appointment to the Board: 2022

Committee membership: None.

Skills, previous experience and contribution to Group's long-term success: Florian Hubel is an Investment Manager of DWS Infrastructure and has significant experience analysing infrastructure investment opportunities, executing transactions and the ongoing management of portfolio companies. Prior to joining DWS Infrastructure, Mr Hubel worked at OMERS Infrastructure, an infrastructure investor, and J.P.Morgan's investment banking division where he was a specialist in the Natural Resources sector, advising clients on mergers, acquisitions and corporate finance matters. He started his career at The Boston Consulting Group in management consulting.

External appointments: DWS (Infrastructure Investment Manager), BPE Holdings SAS (Supervisory Committee member), Vertex Bioenergy SL (Non-Executive Director)

Lynne Weedall
Non-Executive Director

Appointment to the Board: 2020

Committee membership: Remuneration (Chair), Health, Safety and Environmental, Nomination.

Skills, previous experience and contribution to Group's long-term success: Lynne Weedall is an experienced director who has worked in a number of major organisations in the retail sector and elsewhere, bringing key expertise in business strategy, organisation design, strategic change management and employee engagement. Up until October 2019, Lynne was a Non-Executive Director and Remuneration Committee Chair of Greene King plc. She is the former HR Director of Selfridges Group, and prior to that Dixons Carphone, where she led a major merger integration.

External appointments: Treatt plc (Non-Executive Director), Truepoint (Director), Dr. Martens plc (Senior Independent Non-Executive Director), Lovecrafts Group Limited (Advisor), Softcat plc (Non-Executive Director), Greggs plc (Non-Executive Director).

(b) Directors stepping down from the Board from 30 June 2022

Gregor Alexander
Non-Executive Director and Senior Independent Director

Appointment to the Board: 2013

Committee membership: Audit (Chair), Nomination (Chair) and Remuneration.

Skills, previous experience and contribution to Group's long-term success: A Chartered Accountant, Gregor Alexander has significant recent and relevant financial experience. He is the Finance Director of SSE plc, a FTSE 100 company. He has worked in the energy industry since 1990, when he joined Scottish Hydro Electric. He was appointed Finance Director and joined the Board of SSE in 2002, having previously been its Group Treasurer and Tax Manager.

Gregor Alexander's current role as Finance Director of a FTSE 100 company gives an ideal skillset to ensure the Audit Committee properly challenges the finance team and the Group's auditors to ensure that matters of judgement are rigorously reviewed and to produce financial reports that appropriately reflect the Group's position.

External appointments: Finance Director of SSE plc.

2. Board of Directors (continued)

James Bilefield
Non-Executive Director

Appointment to the Board: 2016

Committee membership: Audit and Remuneration.

Skills, previous experience and contribution to Group's long-term success: James Bilefield has an international track record of successfully leading growing digital businesses. He managed the digital transformation of media group, Condé Nast, across 27 countries, scaled Skype's global operations as part of its founding management team and held senior commercial and management roles at Yahoo!. Formerly CEO of global advertising technology company, OpenX, he also co-founded the local information business, UpMyStreet, following an investment banking career at JP Morgan Chase. James Bilefield's experience in the digital sector helps the Executive Directors to ensure that the Group's investment in digital and technology projects is appropriate and that the management team are challenged to ensure a strong return on that investment.

External appointments: McKinsey & Company (Senior Advisor), Advent International (Industry Advisor), Teach First (Trustee), SThree plc (Chairman), Anyvan Limited (Chairman).

Sir Brian Souter
Non-Executive Director

Appointment to the Board: n/a (co-founder)

Committee membership: Nomination

Skills, previous experience and contribution to Group's long-term success: A Chartered Accountant, Sir Brian Souter co-founded Stagecoach. Sir Brian was named UK Master Entrepreneur of the Year at the 2010 Ernst & Young Entrepreneur of the Year Awards and, in 2012, became the first public transport entrepreneur to be inducted into the British Travel and Hospitality Industry Hall of Fame. Sir Brian is the architect of the Group's strategy and philosophy and was the Group's Chief Executive until 1 May 2013 and Chairman until 31 December 2019. He was President of the Institute of Chartered Accountants of Scotland in 2017. He has extensive knowledge of the ground transportation industry around the world.

External appointments: Chairman, Souter Investments.

Karen Thomson
Non-Executive Director

Appointment to the Board: 2016

Committee membership: Health, Safety and Environmental, Audit, Remuneration and Nomination.

Skills, previous experience and contribution to Group's long-term success: Karen Thomson served as Chief Executive of AOL UK and President of AOL Europe, developing both the telecoms and advertising lines of the business. As a member of the Vodafone UK Board, Karen had responsibility for developing online strategy, customer experience and online sales performance. Karen was a non-executive director of UBM plc from 2006 to 2014 and served on its Audit, Nomination and Remuneration committees.

Karen Thomson particularly draws on her experience of digital and consumer brands to help the Group to develop its digital and technology strategy and challenges management in the areas of health, safety and environment, executive remuneration and Board composition and succession planning through her Board committee memberships.

External appointments: Outplay Entertainment Limited (Chairman).

3. Directors' report

3.1 Group results and dividends

The results for the year are set out in the consolidated income statement on page 101.

For the reasons explained in section 1.3 of this Annual Report, the Directors do not recommend any dividends in respect of the year ended 30 April 2022.

3.2 Directors and their interests

The names, responsibilities and biographical details of the current members of the Board of Directors appear in section 2 of this Annual Report.

Table A shows the Directors' interests in the Company's shares. The interests of each director shown include those of their "connected persons".

TABLE A	Number of ordinary shares (including those held under BAYE scheme)			
DIRECTORS' INTERESTS IN THE COMPANY'S SHARES	**28 June 2022**	30 April 2022	29 June 2021	1 May 2021
Ray O'Toole	–	18,000	18,000	18,000
Martin Griffiths	–	693,429	693,429	693,429
Ross Paterson	–	459,597	396,426	396,426
Gregor Alexander	–	10,406	10,406	10,406
Scott Auty (appointed 26 May 2022)	–	n/a	n/a	n/a
James Bilefield	–	–	–	–
Miguel Costa (appointed 26 May 2022)	–	n/a	n/a	n/a
Florian Hubel (appointed 26 May 2022)	–	n/a	n/a	n/a
Hamish Mackenzie (appointed 26 May 2022)	–	n/a	n/a	n/a
Sir Brian Souter	–	80,167,713	80,167,713	80,167,713
Karen Thomson	–	11,071	11,071	11,071
Lynne Weedall	–	12,000	12,000	12,000

The Listing Rules of the Financial Conduct Authority (LR 9.8.6 R(1)) require premium listed companies to disclose in their annual reports the interests of each director. The Directors' interests set out in Table A have been determined on the same basis as in previous years and are intended to comply with the requirements of LR 9.8.6 R(1), which is not the basis used to determine voting rights for the purposes of notifying major interests in shares in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The voting rights of Sir Brian Souter determined in accordance with the Disclosure Guidance and Transparency Rules as at 30 April 2022 were 80,167,713 ordinary shares (2021: 80,167,713) of which 80,167,309 (2021: 80,167,309) were held via HGT Finance B Limited.

Details of share based awards held by the Directors are contained in the Directors' remuneration report in section 8 of this Annual Report. No non-executive director had an interest in share based awards at 1 May 2021, 29 June 2021, 30 April 2022 or 28 June 2022.

No director had a material interest in the loan stock or share capital of any subsidiary company.

3.3 Indemnification of directors and officers

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its directors and officers. In accordance with the Company's Articles of Association, and to the fullest extent permitted by law, the Company has indemnified each of its directors and other officers of the Group against certain liabilities that may be incurred as a result of their positions with the Group.

3.4 Substantial shareholdings

As at 30 April 2022, the Company had been notified of the following major interests in voting rights in the Company (other than certain Directors' shareholdings, details of which are set out in section 3.2 of this report):

	30 April 2022
Pan-European Infrastructure III, SCSp	**17.0%**
Dame Ann Gloag and HGT Finance A Limited	**10.5%**
J P Morgan Chase & Co	**7.1%**

On 9 March 2022, the boards of Inframobility UK Bidco Limited and the Company announced that they had reached agreement on the terms of a recommended all-cash offer from Inframobility UK Bidco Limited for the entire issued and to be issued share capital of the Company. That offer became unconditional on 20 May 2022. Accordingly, with effect from 20 May 2022, Inframobility UK Bidco Limited controls the Company. As at 27 June 2022 (being the latest practical date prior to the date of this report), Inframobility UK Bidco Limited controls 91.7% of the Company's issued ordinary shares (excluding shares held in treasury) and voting rights. The parent entities of Inframobility UK Bidco Limited (i.e. Inframobility UK Midco Limited, Inframobility UK Holdco Limited, Inframobility UK Topco Limited, PEIF III LUXCO Two S.a.r.l, PEIF III LUXCO One S.a.r.l and Pan-European Infrastructure III SCSp) indirectly control the same percentage of the Company's issued ordinary shares (excluding shares held in treasury) and voting rights.

Inframobility UK Bidco Limited intends to shortly give notice to the holders of any shares that it has not so acquired, or contracted to acquire, that it desires to acquire their shares. It is expected that Inframobility UK Bidco Limited will have acquired 100% of the Company's shares (excluding shares held in treasury) by mid-August 2022.

3. Directors' report (continued)

3.5 Statement of Directors' responsibilities in respect of the Annual Report, the Directors' remuneration report and the financial statements

The Directors are responsible for preparing the Annual Report, including the Strategic report, the Directors' report, the Directors' remuneration report and the consolidated and parent company financial statements, in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the consolidated financial statements in accordance with UK-adopted International Accounting Standards, and elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101, Reduced Disclosure Framework, ("FRS 101"). 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 Company and the Group and of the profit or loss of the Group for the relevant period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 UK-adopted International Accounting Standards (or in respect of the parent company financial statements,
  FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the consolidated financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated and parent company financial statements respectively;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group or as the case may be, the Company, will continue in business.

The Directors also confirm that they consider the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The approach taken in reaching this conclusion is explained in the Audit Committee report in section 5.4.8 of this Annual Report.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of financial information on the Company's corporate website, www.stagecoachgroup.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

3.6 Conflicts of interest

Under the Companies Act 2006, a director has a statutory duty to avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the relevant company's interests. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the relevant company's articles of association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve conflict situations including other directorships held by a director of the Company.

There are safeguards in place that apply when the Directors decide whether to authorise a conflict or potential conflict. Firstly, only the Directors who have no interest in the matter being considered are able to take the relevant decision and secondly, in taking any decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think that is appropriate.

For the period from 2 May 2021 until the date of this report, the Board considers that the Directors' powers of authorisation of conflicts have operated effectively and those procedures set out above have been properly followed.

3.7 Financial risk management

Information regarding the Group's use of financial instruments, its financial risk management objectives and policies, and its exposure to price, credit, liquidity and cash flow risks can be found in note 24 to the consolidated financial statements.

3.8 Political donations

It is the Group's policy not to make political contributions and accordingly there were no material contributions for political purposes during the year or in the prior year.

3.9 Shareholder and control structure

As at 30 April 2022, there were 576,099,960 ordinary shares (2021: 576,099,960) in issue with a nominal value of 125/228th pence each. Until 28 June 2022, the ordinary shares were admitted to trading on the London Stock Exchange.

On a show of hands at a general meeting of the Company, every holder (and proxy) of ordinary shares present in person and entitled to vote shall have one vote (except that in certain circumstances a proxy may have one vote “for” and one vote “against”). On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. It is the Group’s current policy to hold a poll on each resolution proposed at an annual general meeting. The notice of a general meeting will specify any deadlines for exercising voting rights in respect of the meeting concerned. As at 30 April 2022, 24,581,369 (2021: 25,221,213) ordinary shares representing 4.5% (2021: 4.6%) of the Company’s called-up share capital (excluding treasury shares) were held in treasury and carried no voting rights.

The holders of ordinary shares are entitled to be paid the profits of the Company available for distribution and determined to be distributed pro rata to the number of ordinary shares held.

There are no restrictions on the transfer of ordinary shares other than:
- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- in accordance with the Group’s policy and applicable regulations, certain employees of the Group require the approval of the Company to deal in the Company’s securities.

Section 3.4 of this Directors’ report gives details of any shareholders (other than the Directors and their connected persons) that hold major interests in the voting rights in the Company.

Details of each director’s interests in the share capital of the Company are given in section 3.2 of this Directors’ report. Sir Brian Souter was interested in 14.5% of the ordinary shares in issue as at 30 April 2022, excluding shares held by the Company in treasury (2021: 14.6%). The other directors of the Company held 0.2% of the ordinary shares in issue as at 30 April 2022 (2021: 0.2%). Sir Brian Souter’s sister, Dame Ann Gloag, was interested in 10.5% of the ordinary shares in issue as at 30 April 2022, excluding shares held by the Company in treasury (2021: 10.5%).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Directors are elected by ordinary resolution at a general meeting of holders of ordinary shares. The Directors have the power to appoint a director but any person so appointed by the Directors shall hold office only until the next annual general meeting and shall then be eligible for election by ordinary resolution at that meeting.

The Company’s Articles of Association may only be amended by special resolution at a general meeting of holders of ordinary shares.

The powers of the Directors to issue or repurchase ordinary shares are set by a resolution at a general meeting of holders of ordinary shares. The current authority for the Company to purchase its own shares is explained in section 3.10 of this Annual Report.

There are a number of agreements that take effect, alter or terminate on a change of control of the Company such as commercial contracts and bank loan agreements. The most significant of these are:
- Certain of the Group’s bank facilities (including asset finance) contain provisions that would require repayment of outstanding borrowings and other drawings under the facilities following a change of control of the Group. Waivers of those provisions were obtained for the continuing bank facilities in relation to the change of control of the Company to Inframobility UK Bidco Limited in May 2022.
- The Company’s £400m 4.00% Bonds due 2025 contain provisions that would require repayment of the outstanding bonds following a change of control of the Group that was accompanied by a specified downgrade of certain of the Company’s credit ratings.
- Contracts under which Group companies operate bus services on behalf of Transport for London contain provisions that might allow Transport for London to terminate those contracts on a change of control of the Company. Transport for London has consented to the change of control of the Company to Inframobility UK Bidco Limited.

3.10 Authority for Company to purchase its own shares

The movements in the Company’s issued share capital, shares held in treasury and authorities to purchase its own shares can be summarised as follows:

	Issued share capital	Shares held in treasury	Issued share capital, excluding treasury shares	Authorised for Company to purchase its own shares
As at 2 May 2020	576,099,960	25,912,949	550,187,011	39,920,647
Transfer of treasury shares	–	(591,540)	591,540	–
Prior to 2020 Annual General Meeting	576,099,960	25,321,409	550,778,551	39,920,647
Renewal of buy-back authority	–	–	–	79,353
Transfer of treasury shares	–	(100,196)	100,196	–
As at 1 May 2021 & prior to 2021 Annual General Meeting	576,099,960	25,221,213	550,878,747	40,000,000
Renewal of buy-back authority	–	–	–	10,000,000
Transfer of treasury shares	–	(639,844)	639,844	–
As at 30 April 2022	**576,099,960**	**24,581,369**	**551,518,591**	**50,000,000**

At the 2021 Annual General Meeting, the Company was granted authority by its shareholders to repurchase up to 50,000,000 of its ordinary shares. No shares have been acquired under this authority. Under the existing authority, the Company may therefore repurchase up to a further 50,000,000 ordinary shares. This authority will expire at the conclusion of the 2022 Annual General Meeting unless revoked, varied or renewed prior to this date.

3. Directors' report (continued)

3.11 Going concern and longer term viability

The UK Corporate Governance Code requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The financial statements for the year ended 30 April 2022 were approved by the Board on 29 June 2022. Section 3.11.1 explains our assessment of going concern.

We also have responsibilities in relation to going concern under UK legislation, the Financial Conduct Authority's Listing Rules and International Accounting Standard 1, Presentation of Financial Statements.

The Code further suggests that the Board should state whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a longer period of assessment, drawing attention to any qualifications or assumptions as necessary. It suggests that taking account of the Company's current position and principal risks, the Board should explain how it has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate. Section 3.11.2 explains our assessment of longer term viability.

As the future performance of the Group as a whole will significantly influence the Company's ability to continue as a going concern and remain viable, we consider going concern and viability for the Group, including the Company.

3.11.1 Going concern

3.11.1.1 Going concern assessment

During the year ended 30 April 2022, we have made further progress on delivering our key objectives, and been reassured by the continuing recovery in demand for public transport across our operations. We are pleased with the financial performance of our business, where we have seen further growth in revenue and profit, with a substantial fall in the Group's consolidated net debt and pension deficit.

The Board considered the liquidity position in the Group's financial forecasts, which cover the period from 29 June 2022 to 30 June 2023 ("the going concern period"), recognising the challenges around reliably estimating and forecasting the effects of COVID-19 on our regional bus business.

The key areas of forecasting uncertainty include:
- The timing and extent of the recovery in demand for regional bus journeys;
- Increased and uncertain cost inflation; and
- The nature and extent of payments from government for continuing regional bus services.

References below to pre-COVID levels refer to the amounts for the 52 weeks ended 1 February 2020, representing the relevant periods just prior to the COVID-19 situation emerging in the UK in early 2020.

In reaching its conclusion on the going concern assessment, the Board also considered the findings of the work performed to support the statement on the longer term viability of the Company and the Group. As noted in section 3.11.2, this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand is less favourable than assumed in our base case forecast.

Our base case forecast assumes that regional bus vehicle mileage for the going concern period is 91% of pre-COVID levels. It also assumes that regional bus commercial revenue returns to 92% of pre-COVID levels for the year ending 29 April 2023, reflecting the assumed return in patronage as the country emerges from the pandemic, and for the remainder of the going concern period is 101%. Concessionary revenue for the year ending 29 April 2023 is forecast at 91% of pre-COVID levels, and for the remainder of the going concern period at 98%. During the pandemic, governments have confirmed additional COVID-related measures to support the continuity of regional bus services. Our base case forecasts assume that regional bus support measures continue through to October 2022 in England and Scotland, and through to April 2023 in Wales.

Our severe and plausible downside scenarios contemplate lower regional bus commercial revenue over the forecast period, in addition to more cautious assumptions around our levels of cost increases and government funding support. The range of downside scenarios considered cover:
- passenger numbers at between 74% and 84% of pre-COVID levels in the year ending 29 April 2023 and for the remainder of the going concern period;
- commercial revenue at between 84% and 92% of pre-COVID levels in the year ending 29 April 2023;
- commercial revenue at between 92% and 101% of pre-COVID levels for the remainder of the going concern period;
- concessionary revenue at 91% of pre-COVID levels in the year ending 29 April 2023;
- concessionary revenue at 98% of pre-COVID levels for the remainder of the going concern period;
- vehicle mileage at 91% of pre-COVID levels for the duration of the going concern period;
- no additional government funding of zero emission buses, beyond awards already made;
- increase in Group's pre-tax pension deficit to £250m; and
- certain contingent liabilities, including in respect of our former North America business, crystallising as actual liabilities.

3.11.1.2 Mitigating actions

To the extent any severe downside scenarios materialised, we consider that the Group would have sufficient controllable, mitigating actions to avoid a breach of the covenant tests in our committed bank facilities entered into in March 2020.

Having constrained the Group's capital expenditure over the past two years, our base case forecast assumes we return to more "normal" levels of investment, as we progress our plans to transition to a zero emission bus fleet. Accordingly, reducing or deferring this capital expenditure would be the key mitigation available. In addition, we would be able to further reduce the Group's cost base, in particular reducing vehicle mileage to better match customer demand, which would result in variable cost savings. These mitigations are within the Group's control and do not have any associated penalties.

In addition, the following non-controllable mitigations could be available to the Group, the benefits of which have not been reflected in our going concern assessment: asset sale and leasebacks; and obtaining further covenant waivers or amendments.

3.11.1.3 Covenant headroom

Under all the modelled scenarios, the Group remains in compliance with the covenant tests in our committed core bank facilities entered into in March 2020. In most severe of the downside scenarios modelled (the reverse stress test scenario), headroom against the covenant tests exists throughout the going concern period, after taking account of controllable, mitigating actions.

3.11.1.4 Change of control provisions

The DWS offer to acquire the Group became unconditional on 20 May 2022, which triggered the change of control provisions in some of the Group's contractual arrangements, including its core bank facilities. Under these change of control provisions, our lenders would have a right to withdraw the facilities, which would increase the uncertainty around the Group's financing arrangements. Notwithstanding the fact that the Group's substantial liquidity means the bank facilities are not currently drawn for loans, we negotiated waivers of the change of control provisions with all but one of our banks, which has resulted in a reduction of our core bank facilities from £325m to £275m. These smaller facilities are more appropriate for the Group, given its substantial liquidity, and have been reflected in all of the financial forecasts underpinning the assessment of going concern and viability. Where applicable, change of control waivers were also obtained from all lessors and certain other significant counterparties. We are continuing to seek certain non-debt change of control consents, but are not anticipating any significant issues in respect of those.

3.11.1.5 Public policy context

During the COVID-19 pandemic to date, the governments in England, Scotland and Wales have demonstrated a concern to ensure the continuity of bus and tram services. Neither we nor the respective governments want to see cuts in bus or tram services that hinder people connecting with work, shops, education, healthcare or leisure. As we emerge from the pandemic, the governments want to get bus usage back to what it was pre-pandemic and then increase patronage and grow public transport's mode share. Public transport is key to various components of the current public policy agenda in the UK: post-COVID economic recovery, building back better, decarbonisation, levelling up. In light of all of that, we are confident that governments will continue to take action, including providing financial support, to avoid significant cuts in regional bus services. While that does not guarantee significant profits for regional bus operators, it means that significant losses appear unlikely over the next year. Against that context, we have confidence in the Group's ability to continue as a going concern for the going concern period.

3.11.1.6 Going concern conclusion

Taking account of the recent change in the Company's ownership, recovery from the COVID-19 situation, and other relevant factors, the Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements. The Board has a reasonable expectation that the Company and the Group will each continue to operate as a going concern for the period to 30 June 2023.

3.11.2 Longer term viability

3.11.2.1 Longer term outlook

As Britain's biggest bus and coach operator, we have clear opportunities to grow our business and contribute to thriving communities. We continue to believe that by working together, the private sector and our local authority partners can deliver the public transport services our customers want.

We expect a lasting effect of the COVID-19 pandemic on travel patterns with an acceleration in trends of increased working from home, shopping from home, telemedicine and home education. We anticipate that it will be some time before demand for our public transport services returns to pre-COVID levels and we are planning for a number of scenarios. However, we continue to see positive long-term prospects for public transport. There is a large market opportunity to lock in the reduced volume of car traffic and lower carbon emissions seen during the COVID-19 pandemic and secure long-term economic, social, health and environmental benefits for the country. The Government has set ambitious targets to achieve bus patronage in England well above the levels seen pre-COVID and we share the Government's ambition for growth in bus patronage. We foresee an opportunity for modal shift from private cars to active travel and more sustainable public transport, which in time can see pre-COVID levels of demand surpassed. Taking account of those factors, our base case forecast assumes that our regional bus commercial revenue recovers to 107% of pre-COVID levels in the year ending 3 May 2025.

We are continuing to review our cost base, to reduce overheads and plan for adjustments to direct and semi-direct costs across a range of scenarios. At the same time, we see positive drivers for our business. Public transport can play a major role in a cleaner, greener and more resilient economy and society, tackling climate change with strong government action to reduce car use.

3.11.2.2 Longer term viability assessment process

The Board has developed the Group's strategy to support the long-term success of the Group. We have a portfolio of good quality transport businesses that we see as having a successful, long-term future. We encourage sensible risk taking but we also seek to manage risks appropriately and respond to the risks that crystallise.

We updated our financial forecasts and capital expenditure plans to take account of any changes in risks, opportunities and market conditions. We have recently updated our financial forecasts for the three-year period to 3 May 2025. In considering the "viability statement" that the Board is expected to make under the UK Corporate Governance Code, the Board has formally considered the three-year period to 3 May 2025 but has also less formally considered risks that would threaten the Group's business model, future performance, solvency and/or liquidity beyond 3 May 2025. The first year of the financial forecasts represents the Group's budget for the year ending 29 April 2023, adjusted for any known, material changes since the budget was approved. The period to 3 May 2025 was chosen because the Board considers this to be a reasonable period over which to assess the financial position and performance of the Group, although it recognises the increased challenge in forecasting accuracy when developing financial forecasts while the country continues to emerge from the pandemic. Beyond three years, forecasts may be affected by factors such as changes in government transport policy and/or major contract wins and losses.

The key assumptions in the financial forecasts, reflecting our strategy, include the intention to remain focused on the public transport sector and goods and services related to that. The Group does not currently have plans to expand into businesses unrelated to public transport. The base financial forecasts assume we are a UK-focused operator of bus, coach and tram services.

The Group faces a number of risks and those risks that the Board has currently assessed as being the principal risks are set out in section 1.4.5 of this Annual Report.

3. Directors' report (continued)

The Group currently has significant availability liquidity, as explained in section 1.6.10 of this Annual Report. The Group has committed bank facilities in place for the period to March 2025. As also explained in section 3.11.1.3, following the change of control of the Company in May 2022, we sought waivers on the change of control provisions underpinning those facilities. As a result of that process, and reassessing the Group's future liquidity requirements, given the sustained reduction in net debt, the Group's committed bank facilities reduced from £325m to £275m. The majority of our debt is represented by the £275m of above bank facilities and the £400m of bonds that are not due to mature until 2025. We expect to refinance those bank facilities in advance of their expiry in 2025 and anticipate maintaining adequate available liquidity. We engaged with the credit rating agencies on the effect of the DWS transaction on our business, and both S&P and Moody's have confirmed that the £400m bonds remain investment grade rated.

Stress testing of the financial forecasts has been undertaken with reference to a number of severe but plausible scenarios involving our principal risks, where we have adopted more cautious assumptions around the recovery in passenger demand and levels of government support. The scenario analysis undertaken included reverse stress testing that involved constructing scenarios that would threaten the Group's viability, in the form of a breach of the covenant tests underpinning the Group's banking facilities, then assessing the likelihood of those scenarios occurring. Having reviewed the reverse stress test, we have concluded that the set of assumptions required to cause a breach of covenants is unlikely to occur.

The stress testing also considered the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In assessing the likely effectiveness of such actions, the conclusions of the Board's monitoring and review of risk management and internal control systems, as described in sections 4.12 and 4.13, were taken into account. The financial forecasts and the scenario analysis considered profitability, cash flows, financial covenant compliance, rating agency metrics, debt facility headroom, and other key financial ratios. The Group's exposures to external factors such as changing travel patterns, levels of government support, GDP, population, climate change, fuel prices, inflation, consumer confidence, competition and terrorism risks were considered. While the Board concluded, based on its assessment of viability, that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, the result of this stress testing illustrated that although the Group faces little short-term risk to its liquidity, it is conceivable that severe scenarios could result in breaches of bank covenants and threaten the viability of the Group over the three-year period, in the absence of mitigating actions to adjust our operating plans. Of course, in common with other businesses, it is not possible to guarantee the viability of the Group; any such assessment is subject to a degree of uncertainty that can be expected to increase the longer the time horizon. Indeed, the Financial Reporting Council has stressed that boards are required to have a "reasonable expectation" of a company's viability over the period of assessment. The Financial Reporting Council recognises that during the COVID-19 emergency and the unprecedented pace of change, any reasonable level of expectation would naturally carry a much lower level of confidence.

3.11.2.3 Viability statement

Based on its assessment of the Group's prospects and viability above, the Board confirms that it has a reasonable expectation that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due over the period to 3 May 2025.

3.12 Auditors

In the case of each of the persons who were directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Ernst & Young LLP as auditors of the Company will be proposed at the next Annual General Meeting. A resolution will also be proposed that the Audit Committee be authorised to fix the remuneration of the auditors.

3.13 Material included in the Strategic report

The Strategic report in section 1 includes information on the following matters that would otherwise be required to be presented in the Directors' report:

- Employment policies – see section 1.8.3.2;
- Employee engagement – see section 1.8.3.5;
- Fostering relationships with suppliers, customers and others – see sections 1.4.4 and 1.9;
- Future developments in the business – see, amongst others, sections 1.3 and 1.7; and
- Greenhouse gas emissions – see section 1.8.2.6.1.

3.14 Table of cross references required for Listing Rule 9.8.4 of the UK Listing Rules

Listing Rule 9.8.4 of the Financial Conduct Authority's Listing Rules required us to make certain disclosures. The table below summarises where each of the disclosures can be found in this Annual Report.

Listing Rule 9.8.4	Required disclosure	Location in Annual Report
(1)	A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any tax relief.	Not applicable
(2)	Any information required by Listing Rule 9.2.18R relating to any unaudited financial information in a class 1 circular or a prospectus; or any profit forecast or profit estimate.	Not applicable
(3)	Listing Rule deleted.	Not applicable
(4)	Details of long-term incentive schemes as required by Listing Rule 9.4.3R, being any arrangement where the only participant is a director of the Company (or an individual whose appointment as a director of the Company is being contemplated) and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual.	Not applicable
(5)	Details of any arrangements under which a director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.	Section 8.5.3 of this Annual Report explains arrangements under which all of the then directors waived certain emoluments in the year ended 1 May 2021. Section 8.5.10 of this Annual Report explains arrangements under which Sir Brian Souter waived emoluments in a prior financial year, when he was Chief Executive.
(6)	Details of any agreements by a director to waive future emoluments.	Not applicable
(7)	Details of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders.	Not applicable
(8)	The information required in item (7) above for any unlisted major subsidiary undertaking of the Company.	Not applicable
(9)	Details of any share placing where the Company is a subsidiary undertaking of another Company.	Not applicable
(10)	Details of any contract of significance subsisting during the period under review: a) to which the Company, or one of its subsidiary undertakings, is a party and in which a director of the Company is or was materially interested; and b) between the Company or one of its subsidiary undertakings, and a controlling shareholder;	Not applicable The Company had no controlling shareholder in the years ended 1 May 2021 and 30 April 2022.
(11)	Details of any contract for the provision of services to the Company or any of its subsidiary undertakings by a controlling shareholder.	Not applicable
(12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Shares held in treasury do not qualify for dividends.
(13)	Details of agreements by shareholders to waive future dividends.	Not applicable
(14)	A statement made by the Board in respect of matters relating to a controlling shareholder.	The Company had no controlling shareholder in the years ended 1 May 2021 and 30 April 2022.

By order of the Board

Mike Vaux
Company Secretary
29 June 2022

4. Corporate governance report

4.1 Introduction from Ray O'Toole, Chairman

The Stagecoach Group is committed to operating with the high standards of corporate governance. Until recently, the Company's shares had been listed on the London Stock Exchange since 1993 and we aimed to maintain corporate governance arrangements consistent with that status. On 20 May 2022, Inframobility UK Bidco Limited ("Bidco"), a company managed by DWS Infrastructure, took control of the Company and, on 28 June 2022, the Company's shares were de-listed. We are therefore in the process of transitioning to governance arrangements that reflect the new ownership status of the Company.

As the Chairman, it is my responsibility to promote the highest standards of corporate governance throughout the Group and particularly at Board level. In doing so, I look to promote a culture of openness and debate.

Gregor Alexander, our Senior Independent Director and Audit Committee Chairman, reached nine years' service on the Board in April 2022. As a result, he is no longer considered to meet the definition of independent in the Financial Reporting Council's Corporate Governance Code 2018. A process was commenced in 2021 to identify a suitable candidate to succeed Gregor as Chair of the Audit Committee. This process had identified a suitable candidate when the offer was made by National Express Group plc for the Company's shares. In light of that offer, we paused that appointment process pending the outcome of that offer process. On 9 March 2022, the Board announced its recommendation of an all cash offer by Bidco for the Company's shares. On 20 May 2022, the Bidco Offer was declared unconditional, and that prior appointment process was cancelled. In light of the range of outcomes that could have resulted from the National Express Group plc offer, the Bidco Offer, or no successful offer, the Board considered that it was appropriate for Gregor Alexander to continue to Chair the Company's Audit Committee notwithstanding that his length of tenure exceeded that for an independent non-executive according to the Code. The Board considers that Gregor Alexander in fact remains independent in judgement and that a short extension of his tenure beyond nine years was appropriate in the circumstances. Gregor will now leave the Board on 30 June 2022. The Board has now appointed an individual to Chair the Audit Committee thereafter, although that individual will not join the Board.

Our Board structure comprises experienced executive directors managing the business, with non-executive directors with the skills and experience both to bring new ideas to the Board and to challenge the Executive Directors. Martin Griffiths and Ross Paterson continue in their roles as Chief Executive and Finance Director respectively. As Chairman, I am responsible for the conduct of the Board as a whole. This structure allows the Board to develop the strategic direction of the Group to meet future challenges while ensuring the sound management of the Group's current business. I am satisfied that our current governance structure and our corporate governance procedures are appropriate for the Group, recognising that those are evolving to reflect the Company's new status and ownership.

The Board focuses on the Group's strategy and seeks to understand the risks to the Group and the markets that it operates in. We aim to achieve appropriate financial returns, balanced against an appropriate level of risk. We look ahead to where we believe opportunities are going to arise and to anticipate and address the challenges that the business faces. I believe that good governance is central to achieving these aims for the business as a whole and to ensure that our management team is properly challenged to meet the Group's objectives.

The past year has seen the continuation of the COVID-19 pandemic, with the beginning of a return to normality but with reverses caused by new COVID variants. Returning to normal service levels has been complicated by significant challenges arising from a shortage of drivers in the sector and competition from the HGV sector, high sickness absence levels and supply chain difficulties. As our focus has continued on the recovery from the pandemic, the Board has also considered two offers for the Company. The Board has worked well together in responding to the challenges during the year and adapted quickly to the changing conditions and decisions that were needed. After holding our 2020 Annual General Meeting behind closed doors, we were able to hold our 2021 Annual General Meeting in person, although we were still required to limit attendance at the venue. We responded to shareholder questions online and shareholders were, as always, encouraged to vote by proxy.

I am confident that the corporate governance structure of the Board provides an appropriate forum to develop and adapt the Group's strategy to address the challenges and opportunities as the country continues to recover from the effects of the COVID-19 pandemic.

Ray O'Toole
Chairman
29 June 2022

4.2 Corporate governance and compliance with the Code

The Stagecoach Board is accountable to shareholders for the Group's activities and is responsible for the effectiveness of corporate governance practices within the Group. This section 4 of the Annual Report sets out Stagecoach Group's corporate governance arrangements. Taken together with the Directors' report, it includes the disclosures recommended by the Financial Reporting Council ("FRC") UK Corporate Governance Code (the "Code") to which the Group was subject. This section 4 also describes how the principles of good corporate governance that are set out in the Code have been applied. In line with the recommendations of the Code and best practice, separate reports are provided from each of the Audit, Nomination, Health, Safety and Environmental and Remuneration Committees. The Code issued in July 2018 applied to the Company's financial year from 2 May 2021 to 30 April 2022. The Directors believe that throughout the year ended 30 April 2022, the Group complied with all of the provisions of the Code other than in the following respects:

- Provision 10 of the Code suggests that circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include whether a director has served on the board for more than nine years from the date of their first appointment. Gregor Alexander joined the Board in April 2013 and on that basis would no longer be considered independent from April 2022. In light of the Bidco offer, the offer from National Express Group, and the potential changes to the Company's Board that might occur as a result, the Board considered that retaining Gregor's expertise and knowledge of the Group would be valuable in the Board's consideration of both offers and in maintaining continuity while the Company was under offer. Now that the Bidco offer has been declared unconditional, Gregor will leave the Board on 30 June 2022. The Board is satisfied that Gregor continues to act with independence despite serving slightly over nine years on the Board. As a result of these matters, for the final month of the year ended 30 April 2022, the Group did not comply with the following parts of the Code:

4. Corporate governance report (continued)

- Provision 11, which states that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. Excluding the Chairman, from 1 April 2022, three of the seven directors were independent non-executive directors based on the criteria suggested by the Code for independence.
- Provision 12, which states that the board should appoint one of the independent non-executive directors to be the senior independent director. Gregor Alexander was the senior independent director for the year.
- Provision 17, which states that a majority of members of the nomination committee should be independent non-executive directors. From 1 April 2022, two of the four directors were independent non-executive directors based on the criteria suggested by the Code for independence.
- Provision 24, which states that the board should establish an audit committee of independent non-executive directors. Gregor Alexander is the Chairman of the Audit Committee and from 1 April 2022, is not independent based on the criteria suggested by the Code for independence.
- Provision 32, which states that the board should establish a remuneration committee of independent non-executive directors. Gregor Alexander is a member of the Remuneration Committee and from 1 April 2022, is not independent based on the criteria suggested by the Code for independence.

The Code consists of principles and provisions. Further information on how we have applied the principles of the Code during the year ended 30 April 2022 is provided in this Annual Report as follows:

The Principles of the Code	
Principle	How we apply the principle
Board leadership and Company purpose	The Company is headed by a Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has established the Group's purpose (see section 1.4.1), values (see section 1.8.6.1) and strategy (see section 1.4.2). The Board looks to ensure those are aligned with the Group's culture (see section 1.4.1). The Chairman explains in section 4.1 how our non-executive directors constructively challenge and help develop proposals on strategy. In order to ensure we meet our responsibilities to shareholders and other stakeholders, we engage with, and encourage participation from, stakeholders. Section 4.11 discusses our engagement with shareholders and other stakeholders, including the use of general meetings to communicate with investors and encourage their participation. The section 172 statement in section 1.9 provides further information on how the Board engages with, and receives updates from shareholders and other stakeholders. The Board seeks to ensure that workforce policies and practices are consistent with the Company values and support its long-term sustainable success. Section 1.8.3 provides information on our workforce policies and practices. The workforce is able to raise any matters of concern, including using the whistleblowing process explained in section 1.8.6.2.
Division of responsibilities	Section 4.4 explains the division of responsibilities between the leadership of the Board and the executive leadership of the Company's business. Section 4.5 explains how we maintain Board independence and balance, ensuring that no one individual or group of individuals dominates the Board's decision making. Section 6.6 explains the appropriate balance of skills and experience that the Board and its Committees have to enable them to discharge their respective duties and responsibilities effectively. The Nomination Committee report in section 6 explains our procedure for the appointment of new directors to the Board, which includes considering whether candidates will allocate sufficient time to the Company to effectively discharge their responsibilities as a director. The Board appoints the Company Secretary, who helps the Board ensure it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. Section 4.6 notes that each director receives induction training on appointment and subsequently such training, briefings and site visits as are considered necessary to keep abreast of matters affecting their roles as directors. Section 4.6 also explains that the Directors have full and timely access to information with Board papers distributed in advance of meetings. Section 4.8 provides information on how we assess the Board's performance as part of ensuring we have an effective Board.
Composition, succession and evaluation	The Nomination Committee report in section 6 explains our formal, rigorous and transparent procedure for the appointment of new directors to the Board. Section 6.6 explains the succession planning arrangements for the Board and senior management. Section 4.8 provides information on how we assess the Board's performance annually, as well as that of its Committees and individual directors. As explained in section 4.5, all of the Directors who intend to continue on the Board stand for election or re-election at each annual general meeting of the Company. Section 6.5 considers the Board diversity policy and section 1.8.4 considers diversity at all levels of the organisation.
Audit, risk and internal control	The Audit Committee report in section 5 explains how that Committee ensures the independence and effectiveness of internal and external audit functions, and satisfies itself on the integrity of financial and narrative statements. The Board presents a fair, balanced and understandable assessment of the Company's position and prospects in each Annual Report. Further information on that is provided in sections 4.11 and 5.4.8. Sections 4.12 and 4.13 explain how the Board determines the nature and extent of the principal risks it is willing to take in achieving its strategic objectives, and how it maintains sound risk management and internal control systems. The Board's assessment of the Group's ability to continue as a going concern and its longer term viability is discussed in section 3.11.

4. Corporate governance report (continued)

The Principles of the Code	
Principle	How we apply the principle
Remuneration	The Board has established a Remuneration Committee, whose report is included in section 8 and explains how remuneration policies and practices are designed and applied. Performance-related elements of remuneration are designed to be transparent, stretching and rigorously applied. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director is involved in deciding his or her own remuneration, with the Remuneration Committee determining the remuneration of the Chairman and the Executive Directors, and the Board determining the remuneration of other directors.

A copy of the Code is available at:
https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf
The 2018 Code places a greater emphasis on employee engagement than prior editions of the Code did. As part of its focus on the relationships between companies, shareholders and stakeholders, the Code has placed a stronger emphasis on engagement, culture, diversity and inclusion. Details of our engagement with employees, including the "Stagecoach Colleague Forums" that act as a workforce advisory panel, are provided in section 1.8.3.5 of this Annual Report.

During the year ended 30 April 2022, the Group also complied with the corporate governance requirements of the Financial Conduct Authority's Listing Rules, and Disclosure Guidance and Transparency Rules ("DTRs").

DTR 7.2.6 requires the corporate governance statement to contain certain information required by Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). This information relates to significant interests in the securities of the Company, securities carrying special rights with regard to the control of the Company, restrictions on voting rights, rules regarding the appointment and replacement of directors, rules regarding changes to the Company's Articles of Association and the Directors' powers in relation to the issuing or buying back by the Company of its shares. The relevant information can be found in sections 3.4, 3.9 and 3.10 of this Annual Report.

4.3 Composition of the Board

The composition of the Board is changing as shown below:

	Chairman	Independent Non-Executive Director	Other Director
(1) Directors who served on the Board during the year ended 30 April 2022 and who will remain on the Board for the time being.			
Ray O'Toole Chairman	✓		
Lynne Weedall Non-Executive Director		✓	
Martin Griffiths Chief Executive			✓
Ross Paterson Finance Director			✓
(2) Directors who served on the Board during the year ended 30 April 2022 and who are leaving the Board on 30 June 2022.			
Gregor Alexander Non-Executive Director and Senior Independent Director			✓
James Bilefield Non-Executive Director		✓	
Karen Thomson Non-Executive Director		✓	
Sir Brian Souter Non-Executive Director			✓
(3) Directors who joined the Board on 26 May 2022 and will remain on the Board for the time being.			
Scott Auty Non-Executive Director			✓
Miguel Costa Non-Executive Director			✓
Florian Hubel Non-Executive Director			✓
Hamish Mackenzie Non-Executive Director			✓

During the year ended 30 April 2022, the Board comprised the Chairman and seven other directors. For 11 of the 12 months, four of the seven other directors meet the criteria suggested by the Code for determining director independence. As explained in section 4.2, Gregor Alexander has served on the Board for more than nine years and (for that reason only) did not meet the criteria suggested by the Code for determining director independence from April 2022. The Board considers that notwithstanding the brief extension of Gregor's tenure beyond nine years, he continues to act with independence.

4.4 Division of responsibilities

Ray O'Toole was independent on his appointment to the Board and on his appointment as Chairman.

The Chairman is responsible for the running of the Board and for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive is responsible for proposing and developing that strategy with support and guidance from the Chairman. The Chief Executive is responsible for the running of the Group's business and reports to the Chairman and to the Board directly. All other members of the executive management team report either directly or indirectly to the Chief Executive.

Gregor Alexander is the Group's Senior Independent Director and is available to shareholders if they have concerns which contact through the Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

The responsibilities of the Chairman, the Chief Executive, the Senior Independent Director and the Board are set out in writing, agreed by the Board and publicly available at https://www.stagecoachgroup.com/about/managing-the-business/governance/division-of-responsibilities.aspx and https://www.stagecoachgroup.com/about/managing-the-business/governance/senior-independent-director.aspx. The terms of reference of each Committee are also set out in writing and agreed by the Board – they are publicly available as set out in the report from each Committee in this Annual Report.

4.5 Board independence and balance

The Directors' biographies appear in section 2 of this Annual Report and illustrate the Directors' range of experience, which ensures an effective Board to lead and control the Group. The Board delegates the operational management of the Group to the Chief Executive and Finance Director ("Executive Directors"). The Non-Executive Directors bring an independent viewpoint and create an overall balance. The Directors have a complementary range of experience that ensures no one director or viewpoint is dominant in the decision making process.

The Code recommends that independent non-executive directors should make up at least half of the Board (excluding the Chairman). Throughout the majority of the year from 2 May 2021 to 30 April 2022, the Board considers that it complied with this Code requirement, but as explained in section 4.2 of this Annual Report, the Board did not comply for the final month of the year.

All of the Directors who intend to continue on the Board stand for election or re-election at each annual general meeting of the Company.

A director may only take on additional external appointments with the prior approval of the Board. Where the Board permits a significant new appointment, the reasons for permitting significant appointments are explained in the annual report. An executive director is not permitted to take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

During the year ended 30 April 2022 and since, the Board through its Conflicts Review Panel permitted:
- James Bilefield's appointment on 21 July 2021 to the Board of MPB Group Limited. The Board considered that in combination with James' other time commitments, this additional role would leave James with sufficient time to dedicate to the Group's business.
- James Bilefield's appointment as chair of Anyvan with effect from March 2022. It was noted that Anyvan is in the transport sector but that its operations do not in any way overlap with the Group's business and that the time commitment expected from the role would not be detrimental to James' ability to discharge his duties to the Board.
- Lynne Weedall's appointment on 3 May 2022 to the Board of Softcat plc, a company listed on the main market of the London Stock Exchange. It was considered that in combination with Lynne's other roles, this did not have a significant effect on the time that Lynne had available for the Company's business and would not give rise to a conflict of interest.
- Lynne Weedall's appointment on 17 May 2022 to the Board of Greggs PLC, a company listed on the main market of the London Stock Exchange. It was considered that in combination with Lynne's other roles, this did not have a significant effect on the time that Lynne had available for the Company's business and would not give rise to a conflict of interest.
- James Bilefield's appointment on 1 June 2022 as a trustee of the Science Museum Group. Noting that James had stepped down on 31 May 2022 as a director of Moneysupermarket.com Group PLC, it was considered that the two changes together did not have a significant effect on the time that James had available for the Company's business. It was further considered that the appointment would not give rise to a conflict of interest.

4.6 Operation of the Board

The Board generally schedules six full Board meetings each year. In light of offers for the Company, during the past year the Board and its committees have met more regularly than usual through video and hybrid meetings where appropriate. Additional meetings of the Board are held, or resolutions are circulated in writing, as appropriate, to consider matters where a decision of the Board is required prior to the next scheduled meeting. In addition to the formal meetings of the Board and its Committees, the Directors are in more frequent but less formal contact with each other and with the Group's management on a range of matters.

The Chairman and the Non-Executive Directors periodically meet without the Executive Directors being present. In addition, the Non-Executive Directors meet without the Chairman at least annually. All the Directors meet regularly with other senior management and staff of the Group, have access to confidential advice from the Company Secretary and may take independent legal or other professional advice at the Group's expense where it is considered necessary for the proper discharge of their duties as directors. The Company Secretary, whose appointment and removal is a matter for the Board as a whole, is responsible to the Board for ensuring the Board procedures are complied with.

Each director receives induction training on appointment and subsequently such training, briefings and site visits as are considered necessary to keep abreast of matters affecting their roles as directors. The Chairman reviews the Directors' training and development needs in conjunction with the Company Secretary. Training can encompass health, safety, environmental, social and governance matters.

The number of scheduled full Board meetings during the year was six. In addition, the Board met in June 2021 for a full day of strategy discussion and to approve the Group's Sustainability Strategy. Regular meetings were held to discuss the offer by National Express Group plc and, later, the offer by Bidco. Regular communication is maintained by the Chairman with other directors between meetings to ensure all directors are well informed on strategic and operational issues.

The Board has a number of matters reserved for its consideration, with principal responsibilities being to agree the overall strategy and investment policy, to approve major capital expenditure, to monitor performance and risk management procedures of senior management, to ensure that there are proper internal controls in place and to consider major acquisitions or disposals. The Directors have full and timely access to information with Board papers distributed in advance of meetings. Notable matters that the Board considered during the year ended 30 April 2022 included:

- Development and approval of the Group's Sustainability Strategy. See: https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/pdf/stagecoach-group-sustainability-strategy-2021.pdf
- Government COVID-19 support packages
- Submission of Bus Service Improvement Plans
- Zero Emission Bus Regional Area ("ZEBRA") and Scottish Zero Emission Bus ("SCOTZEB") funding bids
- Consideration of post-pandemic growth strategy
- Industrial relations and recruitment challenges
- Approval of submission of bid to operate buses in Dubai
- Review of funding strategy for Stagecoach Group Pension Scheme
- Consideration and recommendation of offer from National Express Group plc

4. Corporate governance report (continued)

- Approval of submission of bid to operate rail services in Oslo
- Trial simplification of bus fares in Scotland
- Consideration and recommendation of offer from Bidco (and withdrawal of recommendation of offer from National Express Group)
- Review of safety of Cambridge Guided Busway
- Consideration of outcome of judicial review of Greater Manchester bus franchising proposals
- Decision not to propose dividends for the year 2021/22
- Review of candidates with recent and relevant financial experience to appoint as an additional non-executive director

The Board keeps the roles and contribution made by each director under review and changes in responsibilities are made where necessary to improve the Board's effectiveness. To provide a more manageable process and better control, certain of the Board's powers have been delegated to committees.

Minutes are taken of each meeting of the Board and its Committees. Where any director has significant concerns that cannot be resolved about the running of the Group or a proposed action, these concerns are recorded in the minutes. It is also the Group's policy that if a director had any concerns that led to his or her resignation, the director should provide a written statement to the Chairman of those concerns for circulation to the Board.

4.7 Operational management of the Group

The Executive Directors maintain day-to-day contact and meet regularly face-to-face or in video conferences with non-Board senior management. Each operating company managing director reports to one of four regional directors and is supported by his or her own management teams. The regional directors report to the UK Managing Director, who in turn reports to the Chief Executive.

Scottish Citylink Coaches Limited, a trading joint venture in which the Group has an interest, has a joint board. The Group is responsible for the day-to-day management of that business.

4.8 Performance evaluation

The Board assesses its own performance and the performance of each individual Board member; this assessment is co-ordinated and directed by the Chairman with the support of the Company Secretary. The Board's assessment of the performance of the Chairman is co-ordinated by the Senior Independent Director. As part of the assessment process, the Non-Executive Directors meet without the Executive Directors being present. The Non-Executive Directors also meet without the Chairman being present. The Chairman obtains feedback from each individual director on the performance of the Board and other Board members. The Senior Independent Director obtains feedback from each individual director on the performance of the Chairman. A questionnaire-based process is undertaken to assess the performance of each of the Board's committees.

The Code recommends that the board performance evaluation should be externally facilitated at least every three years. The Board appointed Independent Audit Limited to facilitate its evaluation in the year ended 2 May 2020 and that evaluation was completed in the year ended 1 May 2021. In the year ended 30 April 2022, the Board used a questionnaire-based evaluation process facilitated by the Company Secretary for the evaluation of the Board, its committees and the Internal and External Audit functions.

The Board has considered the results of these assessments and has concluded that, overall, the Board and its committees continue to operate in an effective and constructive manner.

4.9 Composition of Committees

The current composition of the various Board Committees is summarised below.

Audit Committee

Number of members of Committee: 3

All members were independent non-executive directors until 1 April 2022, from when Gregor Alexander was no longer independent based on the criteria suggested by the Code (see section 4.2 of this Annual Report).

Chairman and designated member with recent and relevant financial experience
Gregor Alexander

Other members
James Bilefield
Karen Thomson

Remuneration Committee

Number of members of Committee: 4

All members were independent non-executive directors until 1 April 2022, from when Gregor Alexander was no longer independent based on the criteria suggested by the Code (see section 4.2 of this Annual Report).

Chair
Lynne Weedall

Other members
Gregor Alexander
James Bilefield
Karen Thomson

Nomination Committee

Number of members of Committee: 4

Chairman
Gregor Alexander

Other members
Sir Brian Souter
Karen Thomson
Lynne Weedall

Health, Safety and Environmental Committee

Number of members of Committee: 4

Chairman
Ray O'Toole

Other members
Martin Griffiths
Karen Thomson
Lynne Weedall

The roles, structures and compositions of the various committees are under review following the change of ownership of the Company and changes to the Board.

4. Corporate governance report (continued)

4.10 Individual director participation at meetings

The following is a table of participation in full Board meetings, meetings of the Board's standing committees and the Annual General Meeting by directors during the year ended 30 April 2022 compared with the total number of meetings that each director was eligible to attend during the year:

	Full Board meetings		Audit Committee		Remuneration Committee	
PARTICIPATION IN MEETINGS	Actual	Possible	Actual	Possible	Actual	Possible
Ray O'Toole	22	23	n/a	n/a	n/a	n/a
Martin Griffiths	22	23	n/a	n/a	n/a	n/a
Ross Paterson	21	23	n/a	n/a	n/a	n/a
Gregor Alexander	23	23	3	3	6	6
James Bilefield	22	23	3	3	6	6
Sir Brian Souter	22	23	n/a	n/a	n/a	n/a
Karen Thomson	22	23	3	3	6	6
Lynne Weedall	23	23	n/a	n/a	6	6

	Health, Safety and Environmental Committee		Nomination Committee		Annual General Meeting	
PARTICIPATION IN MEETINGS	Actual	Possible	Actual	Possible	Actual	Possible
Ray O'Toole	4	4	n/a	n/a	1	1
Martin Griffiths	4	4	n/a	n/a	1	1
Ross Paterson	n/a	n/a	n/a	n/a	1	1
Gregor Alexander	n/a	n/a	1	1	1	1
James Bilefield	n/a	n/a	n/a	n/a	1	1
Sir Brian Souter	n/a	n/a	1	1	-	1
Karen Thomson	4	4	1	1	1	1
Lynne Weedall	4	4	1	1	1	1

4.11 Engagement with stakeholders

Section 1.9 of this Annual Report includes information on how the Board has engaged with the Group's stakeholders, with cross-references to detail elsewhere in this Annual Report. Information on our engagement with shareholders is provided below.

The Board endeavours to present a fair, balanced and understandable assessment of the Group's position and prospects in communications with shareholders. While the Company's shares were listed on the London Stock Exchange, the Group had periodic meetings and/or telephone calls with representatives of major institutional shareholders, other fund managers and representatives of the financial media.

The programme of investor relations included presentations of the full year and interim results and meetings/calls with institutional investors. Investor and analyst feedback was sought after presentations to ensure key strategies, market trends and actions being taken were effectively communicated and shareholder objectives were known. Written responses were given to letters or e-mails received from shareholders. The Annual Report is published in hard copy and on the Group's website.

The Board received regular updates on the views of shareholders through briefings from the Chairman and the Executive Directors, reports from the Company's brokers and reports from the Company's Financial PR consultants.

All shareholders are generally welcome to attend and participate at the Annual General Meeting and any other general meetings. Due to the COVID-19 restrictions, it was necessary to hold the 2020 Annual General Meeting as a closed meeting with only two directors in attendance. We were able to admit shareholders to the 2021 Annual General Meeting but with constraints on numbers due to COVID-19 restrictions. Shareholders were encouraged to submit questions online and these were answered on the Group's website. The Group aims to ensure that all the Directors are available at the Annual General Meeting to answer questions. The Annual General Meeting provides an opportunity for shareholders to question the Chairman and other directors on a variety of topics and further information is provided at the Annual General Meeting on the Group's principal business activities. It is the Company's policy to propose a separate resolution at the Annual General Meeting for each substantially separate issue. All resolutions proposed to the 2021 Annual General Meeting were decided on a poll and details of all votes lodged for and against, or withheld, in respect of each resolution of the 2021 Annual General Meeting were published on the Group's website at https://www.stagecoachgroup.com/financial/agm.aspx

The Company and its registrars have established procedures to ensure that votes cast are properly received and recorded.

4. Corporate governance report (continued)

4.12 Risk management

The Board recognises the importance of maintaining a sound risk culture throughout the Group such that risks are identified, evaluated and managed appropriately. Further details are provided in the sections that follow about the Board's appetite for risk and the Group's risk management process.

4.12.1 Risk appetite

The Board considers that it is in the interests of the Group's stakeholders for the Group to evaluate and accept risk. Delivering the Group's strategy and objectives necessitates some risk taking.

It is the Group's objective that the risk of it not remaining viable for the foreseeable future should be low. Its appetite for risk reflects that overall objective, although as explained in section 3.11.2 of this Annual Report, the COVID-19 pandemic has increased the level of uncertainty facing the Group. Consistent with that risk appetite:

- Safety is at the heart of the Group's business as explained in section 1.8.7 of this Annual Report. Health and safety risks are carefully assessed and the Group avoids activities where health and safety risks cannot be managed to an acceptable level.
- It is the Group's intention to remain focused on the public transport sector and goods and services related to that. The Group does not currently have plans to expand into businesses unrelated to public transport. Before entering a new country, the Group carefully evaluates the risks of doing so.
- The Group seeks to minimise as far as practical the risk of breaches of laws and regulations and applies a zero tolerance approach to employee breaches of legal and regulatory requirements, its own Code of Conduct (see section 1.8.6 of this Annual Report), its delegated authority levels and its other internal policies including in respect of health and safety, anti-corruption and share dealing.
- It is the Group's objective to maintain an investment grade credit rating as explained in section 1.6.11.3 of this Annual Report.
- The Board has set a minimum level of, committed available liquidity that the Group should aim to maintain at all times.
- Stress testing and reverse stress testing are undertaken in respect of major investment proposals, major contract bids and generally as part of the Board's assessment of the Group's viability.

The Group's risk appetite and related objectives are reflected in the objectives that the Remuneration Committee sets for the Executive Directors.

4.12.2 Risk management process

The Group has an ongoing process for identifying, evaluating and managing the principal risks that it faces, including any environmental, social and governance risks.

The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or reduced and, in some cases, transferred to third parties. Internal controls are used to identify and manage risk. The Directors acknowledge their responsibility for establishing and maintaining the Group's system of internal control, and for reviewing its effectiveness. The Group's system cannot provide absolute assurance but is designed to provide the Directors with reasonable assurance that any significant risks or problems are identified on a timely basis and dealt with appropriately. The Group has established an ongoing process of risk review and certification by the business heads of each operating unit.

Each identified business risk is assessed for its probability of occurrence and its potential severity of occurrence. Where necessary, the Board considers whether it is appropriate to accept certain risks that cannot be fully controlled or mitigated by the Group.

For those businesses that have been part of the Group for the whole of the financial year ended 30 April 2022, the Group's risk management process was embedded throughout the businesses for that year and up to the date of the approval of this report.

The Board has carried out a review of the effectiveness of the Group's risk management and internal control environment and such reviews are supported on an ongoing basis by the work of the Audit Committee. The Board is satisfied that processes are in place to ensure that risks are appropriately managed.

The Board has designated specific individuals to oversee the internal control and risk management processes, while recognising that it retains ultimate responsibility for these. The Board believes that it is important that these processes remain rooted throughout the business and the managing director of each operating unit is responsible for the internal control framework within that unit.

The Group's Director of Risk & Assurance reports to the Audit Committee. Certain internal audit work is outsourced to and managed by PricewaterhouseCoopers, which also reports to the Audit Committee and is utilised in monitoring risk management processes to determine whether internal controls are effectively designed and properly implemented.

A risk-based approach is applied to the implementation and monitoring of controls. The monitoring process also forms the basis for maintaining the integrity and improving, where possible, the Group's risk management process in the context of the Group's overall goals.

The Audit Committee reviews Group Risk Assurance plans, as well as external audit plans and any business improvement opportunities that are recommended by the external auditors.

The Group's risk management process does not specifically cover joint ventures, but the Group maintains an overview of joint ventures' business risk management processes through representation on the boards.

4.12.3 Principal risks and uncertainties

The Board has undertaken a robust assessment of the Group's emerging and principal risks, including those risks that would threaten the Group's business model, future performance, solvency and liquidity. In making that assessment, the Board considered the likelihood of each risk materialising in the short-term and the longer term. In assessing the longer term viability of the Group (see sections 3.11.2 and 5.5 of this Annual Report for further information on the Group's viability), the Board has considered the principal risks.

The Group's principal risks and uncertainties, including emerging risks, are summarised in section 1.4.5 of this Annual Report and that section includes an explanation of how we aim to appropriately manage and mitigate those risks.

4. Corporate governance report (continued)

4.13 Internal control

The wider process described above and the key procedures noted below, enable the Directors to confirm that they have reviewed the effectiveness of the system of risk management and internal control of the Group during the year. The key procedures, which the Directors have established, are as follows:

- an annual budgeting process with periodic re-forecasting of out-turn, identifying key risks and opportunities.
- reporting of financial information to the Board. Group management monitors the results throughout each financial year.
- a Risk Assurance function which reviews key business processes and business controls, reporting to the Audit Committee.
- third party reviews commissioned periodically by the Group of areas where significant inherent risks have been identified, such as health and safety, treasury management, claims provisioning, pensions strategy and competition policy.
- a decentralised organisational structure with clearly defined limits of responsibility and authority to promote effective and efficient operations.
- joint control over the activities of joint ventures through Stagecoach representation on the boards of the entities together with regular contact between Stagecoach management and the management of the relevant entities.
- a performance management appraisal system, which covers the Group's senior management based on agreed financial and other performance objectives, many of which incorporate managing risk.
- significant emphasis on cash flow management. Bank balances and available liquidity are reviewed on a regular basis and cash flows are compared to forecast.
- reporting to the Board and/or its Committees on specific matters including updated key risks, taxation, pensions, insurance, treasury management, interest and commodity exposures. The Board regulates treasury management policies and procedures.
- defined capital expenditure and other investment approval procedures, including due diligence requirements where material businesses are being acquired or divested.
- each operating unit maintains internal controls and procedures appropriate to the business. A written certificate is provided at least annually by the management of each business confirming that they have reviewed the effectiveness of the system of internal control during the year.
- a competition compliance programme, which the Board has approved and which is subject to regular monitoring.
- an anti-bribery and anti-corruption policy with training and compliance monitoring.

Any control weaknesses that these procedures identify are monitored and addressed in the normal course of business. No control failings or weaknesses that are significant to the Group as a whole have been identified in the year to 30 April 2022.

4.14 Process for preparing consolidated financial statements

- The Group has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these internal control and risk management systems are:
- The Risk Assurance function and management conduct various checks on internal financial controls periodically.
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the consolidated financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting. The Audit Committee is also kept appraised of such developments.
- Any recommendations from the auditors, the Financial Reporting Council and others in respect of financial reporting are assessed with a view to continuous improvement in the quality of the Group's financial statements.
- A written certificate is provided annually by the management of each business unit confirming that the internal financial controls have been reviewed and highlighting any departures from the controls system that the Group has determined to be appropriate practice.
- The financial statements of each business unit are subject to review by a local finance manager prior to being submitted to the Group Finance function.
- The financial statements of each business unit are subject to review by the Group Finance function for unusual items, unexplained trends and completeness. Any unexplained items are referred back to local management to explain.
- The Group Finance function compares the financial statements of each business unit to the management accounts received during the year and obtains explanations for any material differences.
- The Group's consolidation, which consolidates the results of each business unit and makes appropriate adjustments, is subject to various levels of review by the Group Finance function.
- The draft consolidated financial statements are reviewed by an individual independent from those individuals who were responsible for preparing the financial statements. The review includes checking internal consistency, consistency with other statements and arithmetical accuracy.
- The Audit Committee and the Board review the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.
- The financial statements of all material business units are subject to external audit.
- The Group uses the same firm of auditors to audit all Group companies.

4.15 Diversity policies

Information on the diversity policy applied to the Group's Board of Directors is provided in section 6.5 of this Annual Report, while information on the workforce diversity policy is provided in section 1.8.4.1.

4.16 Pension schemes

The assets of the pension schemes in which the Group participates are generally held under trust, separate from the assets of the Group and are invested with a number of independent fund managers. The Board periodically considers matters affecting the Group's pension schemes from the perspective of the Group's stakeholders. The Board and/or its Committees reviews pension scheme funding, investment strategy, risk management and internal controls surrounding pension matters.

By order of the Board

Mike Vaux
Company Secretary
29 June 2022

5. Audit Committee report

5.1 Introduction from Gregor Alexander, Chairman of the Audit Committee

As Chairman of the Audit Committee, I am pleased to present our Audit Committee report for the financial year ended 30 April 2022 in accordance with the UK Corporate Governance Code. The report describes how we have discharged our responsibilities under the Code and monitored the effectiveness of the Group's financial reporting, internal control systems and risk management.

Amongst the matters set out in this Audit Committee report are the significant issues and judgements considered by the Committee, where we have challenged management and the external auditors as appropriate.

There were no changes to the membership of the Committee during the year and the experience and skills of the members allow the Committee to continue to perform effectively.

I will be stepping down from the Board on 30 June 2022, after just over nine years. As this is my last report as chairman of the Committee, I wish to thank my colleagues on the Committee, as well as management and advisors, for the constructive and challenging nature of discussions we have conducted during my tenure.

Gregor Alexander
Chairman of the Audit Committee
29 June 2022

5.2 Composition of the Audit Committee

The membership of the Audit Committee is summarised in section 4.9 of this Annual Report and this section 5.2 explains how we have addressed the audit committee composition requirements of the UK Corporate Governance Code. Gregor Alexander is the current Chair of the Audit Committee and is a Chartered Accountant. Gregor is the Finance Director of SSE plc, a FTSE 100 company, and is the designated Committee member with recent and relevant financial experience.

The Committee as a whole has an appropriate and experienced blend of audit, financial and commercial expertise to assess the issues it is required to address.

Section 4.2 of this Annual Report highlights a temporary departure from the Code's requirement for an audit committee of independent non-executive directors.

5.3 Operation of the Audit Committee

The Audit Committee met three times during the year. The Committee retains discretion as to who from outside the Committee should attend its meetings but generally invites the following to attend:

- The Group Finance Director;
- The Group Financial Controller;
- The Director of Risk and Assurance;
- The Company Secretary, who is Secretary to the Committee;
- Representatives from the external auditors;
- Representatives from the Risk Assurance (internal audit) Function.

The Chairman of the Company and the Chief Executive each attend meetings of the Committee from time to time.

In addition, the Group Tax Director and a representative of the Group Treasury team are expected to present to the Committee at least annually. The Committee may also invite other directors of the Company to attend meetings of the Committee and does so from time to time.

5.4 Activities of the Audit Committee

The Committee receives reports from major business functions including the Risk Assurance Function (internal audit). It also receives reports from the external auditors. It considers the scope and results of the audit, the half-year and annual financial statements and the accounting and internal control systems in place throughout the Group.

The Audit Committee reviews the cost effectiveness, independence and objectivity of the internal and external auditors.

The terms of reference of the Audit Committee are available on the Group's website at:
https://www.stagecoachgroup.com/terms-of-reference-audit-committee.pdf

The sections that follow set out the areas that the Committee focused on during, and in respect of, the year ended 30 April 2022.

5.4.1 Financial Reporting

The Group's interim and preliminary financial results, as well as its Annual Report, were reviewed and revised by the Audit Committee before recommending their publication to the Board. At each meeting, the Committee discussed with management how they had applied critical accounting policies and judgements to these documents, having considered reports from both the Group's management and the external auditors. The external auditors attended all meetings of the Committee and presented audit plans and findings, amongst other matters.

The Committee notes Ernst & Young, our auditor, has qualified its audit opinion on the Group's consolidated financial statements for the year ended 30 April 2022. The qualification is limited to a difference of interpretation on how the Group's participation in Local Government Pension Schemes should be accounted for, both in relation to the measurement of the defined benefit obligation and the application of IFRIC 14 in relation to a net pension surplus. The Committee has spent significant time on this matter and remains satisfied with the approach reflected in the consolidated financial statements. Further details on the accounting judgement are provided in section 1.6.15 of this Annual Report, in the table on the following pages and in note 1(e)(i) to the consolidated financial statements.

The Committee also considered a number of other issues and accounting judgements in respect of the financial statements for the year ended 30 April 2022, of which it considered the most significant to be those set out in the table that follows.

In addition to the significant issues and judgements set out in the table that follows, the Committee also considered other accounting and reporting matters in respect of the year ended 30 April 2022, including the following: the presentation and disclosure of the change in UK corporation tax rate and uncertain tax positions.

The Audit Committee also reviewed the evidence that supported the conclusion that the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 3 May 2025, noting it was consistent with the disclosure given in section 3.11 of this Annual Report. The Committee reviewed and challenged management on its financial modelling and scenario analysis, reflecting the disruption to the Group's operation caused by the COVID-19 pandemic.

Significant issues or judgements considered by Audit Committee	Work and conclusion of Audit Committee	Quantification	Relevant notes to the consolidated financial statements
CURRENT YEAR ISSUES			
Going concern			
The continued uncertainty caused by the COVID-19 pandemic and the change of control of the Group required a higher level of judgement in assessing whether the Group is a going concern.	The Committee considered the work performed by management in assessing the Group's ability to continue as a going concern. In particular, the Committee reviewed the impact of COVID-19 on the Group and the steps taken to manage liquidity risks. The Committee also considered the effect of the change of control of the Group. The Committee considered financial forecasts for a range of scenarios, including severe but plausible downside scenarios. The Committee also considered the adequacy and accuracy of the disclosures in the Annual Report in respect of the Group's ability to continue as a going concern. The Committee concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements, and that the disclosure in the Annual Report was appropriate.	Not applicable.	1
COVID-19 related grant income			
The COVID-19 pandemic has had a significant impact on the operations and financial performance of the Group. Passenger revenue decreased significantly from March 2020 as the public followed UK Government advice to avoid all but essential travel. Throughout the pandemic, the Group has had access to various forms of government support for organisations affected by COVID-19, some specific to the sectors in which the Group operates and some available more broadly. In particular, the respective governments in England, Scotland and Wales have put in place measures to protect the continuity of local bus and tram services. Determining the amount of grant income that the Group is entitled to involves some judgement. The grants are generally subject to conditions, and the extent to which the Group has complied with those conditions requires judgement. The calculation of the amounts due involve interpreting the guidance provided by government and making some assumptions. Sector-specific COVID-19 related grant income, is a key source of estimation uncertainty described in note 1(e)(ii) to the consolidated financial statements.	The Committee considered and challenged the judgements made by management in determining the amount of grant income recognised for the year ended 30 April 2022. The Committee challenged management's assessment of the likelihood of grant claims being successful. The Committee agreed that the amount of grant income recognised by the Group was reasonable. The Committee considered the adequacy and accuracy of the disclosures in the financial statements in respect of grant income.	In the year ended 30 April 2022, grant income of £115.8m (2021: £194.9m) was recognised in respect of sector-specific COVID-19 schemes. As at 30 April 2022, receivables of £31.2m (2021: £25.6m) and deferred income of £42.8m (2021: £12.0m) were included in the consolidated balance sheet in respect of sector-specific COVID-19 schemes.	1, 3

5. Audit Committee report (continued)

Significant issues or judgements considered by Audit Committee	Work and conclusion of Audit Committee	Quantification	Relevant notes to the consolidated financial statements
CURRENT YEAR ISSUES (continued)			
Onerous contract review			
In assessing its assets for impairment and considering the appropriateness of onerous contract provisions, the Group took account of the effects of the COVID-19 situation. Reflecting the continued uncertainty, that assessment involved an increased level of judgement in forecasting the future profitability of the relevant businesses. Onerous contract provisions are a key source of estimation uncertainty described in note 1(e)(ii) to the consolidated financial statements.	The Committee considered and challenged the judgements made in assessing onerous contract provisions. The Committee challenged and concurred with the decision to present the current year credit in respect of the reassessment of the onerous contract provision for Sheffield Supertram as a separately disclosed item, consistent with the treatment in prior years. The Committee concluded that the onerous contract provisions had been appropriately determined. It was satisfied with the presentation and disclosure of such items in the consolidated financial statements.	A credit of £6.9m (2021: £2.5m) was separately disclosed for the year ended 30 April 2022 in respect of the Sheffield Supertram concession, including in relation to changes in the onerous contract provision. As at 30 April 2022, the Group's consolidated onerous contract provisions were £8.3m (2021: £13.6m), of which £8.1m (2021: £13.3m) related to the Sheffield Supertram concession.	1, 4, 22
Local Government Pension Scheme ("LGPS") accounting			
The Group's critical accounting judgements described in note 1(e)(i) to the consolidated financial statements includes an explanation of the accounting judgement made for the Group's participation in LGPSs. The Group exited certain Local Government Pension obligations during the years ended 1 May 2021 and 30 April 2022. In light of the restatement described in note 1(b) to the consolidated financial statements in respect of the Tyne & Wear Local Government Pension Scheme ("LGPS") settlement, the Group undertook a detailed reassessment of the accounting more generally in respect of its participation in LGPSs.	The Committee considered the continuing appropriateness of the judgement made on accounting for the Group's participation in LGPSs. The Committee considered the independent expert accounting advice on this matter, and also discussed with the auditors. The Committee noted and considered alternative approaches that might be appropriate to accounting for the Group's participation in LGPSs. The Committee noted that the accounting policy applied by the Group is consistent with other major groups with UK public transport operations that have LGPS participations. The Committee concluded that the judgement made remained appropriate.	The net retirement benefit liability in respect of LGPSs as at 30 April 2022 was £Nil (2021: £0.7m). Applying the alternative basis of accounting described in note 1(e)(i) to the consolidated financial statements would result in an increase in the Group's consolidated net assets and accordingly result in a less prudent outcome.	1, 4, 23
Separately disclosed items			
The Group has presented a number of separately disclosed items in the consolidated financial statements. Separately disclosed items have been highlighted by the Financial Reporting Council as an area for challenge and the Group's auditors have also explained that they will scrutinise any items presented as such to ensure their agreement with the presentation.	The Committee reviewed the accounting treatment of each of the individual separately disclosed items and also considered the treatment of the pre-separately disclosed items to assess whether any further items should be disclosed separately. The Committee confirmed their agreement with the treatment of the separately disclosed items as set out in the consolidated financial statements.	A pre-tax loss of £4.8m (2021: restated £22.5m), has been presented for separately disclosed items.	1, 4

5. Audit Committee report (continued)

Significant issues or judgements considered by Audit Committee	Work and conclusion of Audit Committee	Quantification	Relevant notes to the consolidated financial statements
RECURRING AGENDA ISSUES			
Valuation of Deferred Payment Instrument			
The Group holds a Deferred Payment Instrument as the outstanding consideration for the sale of its North American business in the year ended 27 April 2019. The Instrument is accounted for as fair value through profit or loss ("FVTPL"). Determining its fair value at any given time involves significant judgement. The COVID-19 situation presents particular challenges to estimating the Instrument's fair value.	The Committee reviewed and challenged management's fair value estimate of the Deferred Payment Instrument. The Committee considered the work undertaken by management in assessing the carrying value of the Deferred Payment Instrument, including the assumptions made by management and the range of possible values. The Committee reviewed the auditors' assessment of the valuation and agreed with the auditors' conclusion that the instrument had been recorded at an appropriate value. The Committee challenged and concurred with the presentation of the movement in the fair value of the Deferred Payment Instrument as a separately disclosed item. The Committee also considered the appropriateness of the accounting and disclosures of other credit risks that the Group has in respect of its former North American business. The Committee concluded that the accounting and disclosure of such items was appropriate.	As at 30 April 2022, the Deferred Payment Instrument has been recorded with a carrying value of £2.9m (2021: £1.9m). The gain of £1.0m (2021: loss of £2.6m) recognised in the year to 30 April 2022 has been presented as a separately disclosed item.	4, 24(b)
Pensions assumptions			
The determination of the Group's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, annual rate of increase in future salary levels and life expectancies. Pensions assumptions are a key source of estimation uncertainty described in note 1(e)(ii) to the consolidated financial statements.	The Committee considered the appropriateness of pension assumptions by receiving reports from management outlining the basis of the assumptions used, considering advice from external actuaries and considering analysis undertaken by the external auditors. The Committee noted that there was a range of acceptable assumptions but concluded that the assumptions applied were appropriate.	The total pensions expense recognised in the consolidated income statement for the year ended 30 April 2022 was £78.1m (2021: restated £90.4m) and the net retirement benefit liability as at 30 April 2022 was £29.8m (2021: £263.8m), net of withholding tax. In note 23 to the consolidated financial statements, analysis is provided that shows the sensitivity of pension amounts to changes in key assumptions.	1, 6, 23

5. Audit Committee report (continued)

Significant issues or judgements considered by Audit Committee	Work and conclusion of Audit Committee	Quantification	Relevant notes to the consolidated financial statements
RECURRING AGENDA ISSUES (continued)			
Claims provisions			
The estimation of the claims provisions in respect of traffic accidents and employee incidents is based on an assessment of the expected settlement on known claims together with an estimate of payments 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. Claims provisions assumptions are a key source of estimation uncertainty described in note 1(e)(ii) to the consolidated financial statements.	The Committee discussed with management the key judgements made in determining the claims provisions, challenging the methodology used, and understanding the extent to which estimates are supported by third party actuarial advice and analysis provided by the external auditors. The Committee noted that there was a range of acceptable estimates for the year-end claims provisions and after challenge, concluded that the amount of the claims provisions was at an appropriate point within that range.	The claims provisions in the consolidated balance sheet as at 30 April 2022 were £97.9m (2021: £106.7m). This provision contains £14.0m (2021: £16.0m) which is recoverable from insurance companies and is included within trade and other receivables.	1, 22
Rail contractual positions			
The Group's former train operating companies are party to various contractual and regulatory arrangements typical of the UK rail sector. These include arrangements with the Department for Transport, Network Rail Transport for London, rolling stock lessors and other train operators. These arrangements give rise to estimation uncertainty in determining the carrying value of receivables and payables in respect of these arrangements. The Group's key sources of estimation uncertainty described in note 1(e)(ii) to the consolidated financial statements include rail contractual positions.	The Committee considered the work undertaken by the auditors in relation to rail contractual positions, including the extent to which balances had been validated with the relevant counterparties. The Committee noted the profit recognised in the year ended 30 April 2022 as a result of the release to profit of some liabilities previously held in respect of rail contractual positions. The Committee agreed that management's estimates of contractual receivables and payables in relation to former train operating companies were appropriate.	As at 30 April 2022, the UK Rail net liabilities shown in note 2(d) to the consolidated financial statements were £52.3m (2021: £110.2m). The Directors estimate that these could require adjustment by up to £10.0m in the year ending 29 April 2023, as a result of the reassessment of rail contractual positions.	1

5.4.2 Climate change considerations

Like many organisations, our focus on climate change matters has increased in recent years. Section 1.8.2 of this Annual Report provides more information on climate change matters. Having early implemented the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") in the prior year, the Audit Committee has focused on further enhancing the Group's reporting on climate change risk, recognising this is an area of evolving practice.

As a Group, we aim to connect people in a sustainable way, which is better for the environment. We make a positive contribution to the environment by providing an alternative to single-person car travel, and as a result, reducing overall harmful emissions per journey. Analysis by the Centre for Economics and Business Research ("CEBR") in 2019 showed that without Stagecoach Group's bus services, there would be an annual increase of 190,000 tonnes of CO_2 through people using alternative modes of transport, principally the car.

The Board and the Health, Safety & Environmental Committee each consider climate change matters. In addition, the Audit Committee considered the extent to which the current and future effects of climate change are appropriately reflected in the consolidated financial statements. In particular, the Committee considered the potential effect on estimates of onerous contract provisions, the valuation of the Deferred Payment Instrument, impairment of assets and the assumed useful lives and residual values of property, plant and equipment. Although no significant adjustments were required to the amounts reported in the financial statements as a result of that review, the Committee did concur with management's view that potential consequences of climate change did result in increased estimation uncertainty with respect to the useful lives of passenger service vehicles. Further information on climate change and the estimated useful lives of passenger service vehicles is provided in note 1(e)(ii) to the consolidated financial statements.

5.4.3 External auditors

Ernst & Young was appointed as the Group's external auditor at the Annual General Meeting in August 2016. Julie Cavin is the current audit engagement partner, and under partner rotation rules, a new lead audit partner will be required in 2027. In accordance with the Code, the Group would be expected to tender the external audit by 2026.

The external auditors presented a detailed audit plan to the Committee, setting out their analysis of significant audit risks and key judgemental accounting matters, which would inform their planned scope and approach to the current year audit. For the year ended 30 April 2022, the most significant risks identified were in relation to the impact of the potential change of ownership on the Group's going concern assessment, accounting for Local Government Pension Schemes, provisioning for claims, valuation of pension liabilities, and management override of controls in relation to revenue recognition. The Committee challenged the work done by the auditors to test management's assumptions and estimates on these issues.

Private meetings were held with the external auditors at each Committee meeting without the presence of management. The Committee Chairman also holds discussions with the external auditors between Committee meetings.

The Audit Committee is responsible for agreeing the audit engagement letter, agreeing the scope of the audit, appointing the audit partner and making recommendations on the appointment, reappointment and remuneration of the external auditors. There have been no instances of disagreements between the Board and the Audit Committee relating to the external auditors.

Subject to the annual appointment of auditors by the shareholders, the Audit Committee conducts a continuous review of the relationship between the Group and the auditors. This review includes:

- the consideration of audit fees that should be paid and approval, as appropriate, of any other fees which are payable to auditors or affiliated firms in respect of non-audit activities;
- the consideration of the auditors' independence and objectivity;
- the nature and scope of the external audit and the arrangements which have been made to ensure co-ordination where more than one audit firm or offices of the same firm are involved; and
- discussions on such issues as compliance with accounting standards.

The Committee formally assesses the effectiveness of the external audit process and the quality of the audit on an annual basis. As well as undertaking its own assessment of the audit effectiveness, the Committee also considers the views of a number of finance managers from various parts of the Group. The Audit Committee met with management, without the auditors present, to consider audit effectiveness and quality. The auditor assessment questionnaire is completed on an annual basis and examines three main performance criteria – robustness of the audit process, quality of delivery and quality of people and service. The Committee is particularly focused on understanding how the auditor has demonstrated professional scepticism and challenged management's assumptions where necessary. The Committee has seen good evidence of the auditors' professional scepticism and management challenge, with some changes being made to the draft financial statements as a result. Of course, the Committee also directly challenges management's assumptions when appropriate, and the table in section 5.4.1 of this report explains where the Committee challenged management's assumptions in respect of significant issues and judgements. The auditor assessment also includes consideration of the auditors' independence and objectivity, taking into account relevant laws, regulations and professional requirements. The assessment involves considering all relationships between the Group and the auditors, including the nature and quantum of non-audit services. Assurances are obtained from the auditors that they and their staff have no financial, business, employment, family or other personal relationship with the Group that could affect the auditors' independence and objectivity, taking account of relevant ethical standards. The auditors explain to the Audit Committee their policies and processes for maintaining independence and monitoring compliance with relevant requirements. Having completed the assessment of both the external audit process and the external auditor for the year ended 30 April 2022, a resolution to reappoint Ernst & Young as the Group's auditor will be put to the forthcoming Annual General Meeting.

5.4.4 Non-Audit services

Procedures in respect of other services provided by the auditors are in place to safeguard audit objectivity and independence. The Group's policies on non-audit services are set by the Audit Committee and are currently:

- General – The auditors are not permitted to provide any non-audit services that they would be prohibited by law or regulation from providing due to either the nature of the services or the level of the fee for the services.
- Audit related services – These are services that the auditors must undertake or are best placed to undertake by virtue of their role as auditors. Such services include formalities relating to bank financing, regulatory reports, and certain shareholder circulars. The auditors would generally provide all such services, subject to any legal or regulatory restrictions.
- Tax consulting – It is the Group's policy not to use the auditors for tax consulting work.
- General consulting – For other consulting work, the Group will select an advisor after taking account of the skills and experience required and the expected cost of the work. The Group uses a range of advisors for general consulting.
- The auditors are only permitted to provide non-audit services to the Group when the Audit Committee and the auditors are satisfied that there are no circumstances that would lead to a threat to the audit team's independence or a conflict of interest that could not be effectively safeguarded.

The external auditor received no material non-audit related fees (2021: no material non-audit related fees) in the year ended 30 April 2022.

The Committee ensures that the level and scope of any non-audit services does not impair the objectivity of the auditors. Other accounting or consulting firms have been used where the Group recognises them as having particular areas of expertise or where potential conflicts of interest for the auditors are identified. The Committee will review its policy on non-audit services from time to time, to ensure continued compliance with laws and regulations.

5.4.5 Internal auditors

During the year ended 30 April 2022, the Group employed an experienced Director of Risk & Assurance to co-ordinate the Group's risk management and risk assurance activities. The Director of Risk & Assurance is also leading work to prepare the Group for new UK requirements in relation to internal controls attestation. PricewaterhouseCoopers has managed the outsourced Risk Assurance Function (internal audit) since September 2016 and certain internal audit work continues to be outsourced to and managed by PricewaterhouseCoopers, with oversight from the Director of Risk & Assurance. Both the Director of Risk & Assurance and PricewaterhouseCoopers report to the Audit Committee. The Committee has received several reports from PricewaterhouseCoopers during the year ended 30 April 2022 and since, detailing the planned schedule of audits as well as tracking key findings and any related material actions.

PricewaterhouseCoopers attended all meetings of the Committee, in addition to meeting privately with the Committee without the presence of management. The Audit Committee reviews the internal audit plan at least annually and considers whether it is aligned to the key risks of the Group. The Committee also has the responsibility for making recommendations on the appointment, reappointment, removal and remuneration of the Group Risk Assurance Function. There have been no instances of disagreements between the Board and the Audit Committee relating to the Risk Assurance Function.

The Committee has worked closely with the internal auditors in developing the scope of work. The internal auditors have returned to physically attending audits at operating sites during the year, utilising a blended approach of remote and on-site engagement to deliver the audit programme, which has worked well. Over the past year, the internal auditors' work has involved reviews of several operating companies as well as assignments in respect of cyber maturity security; technology resilience and mobile device management; IT governance; IT disaster recovery; health and safety; culture; diversity & inclusiveness; anti-bribery and corruption controls; contract management; accounts payable.

The Committee formally assesses the effectiveness of the Risk Assurance Function on an annual basis and seeks to satisfy itself that the quality, expertise and experience of the function is appropriate for the Group. This assessment involves both Audit Committee members and members of the management team completing a questionnaire with the results of that exercise then considered by the Committee. This assessment includes a consideration of independence and objectivity, the overall level of fees, the quality of the risk assurance process, and the role of the function in the context of the broader sources of risk assurance.

5. Audit Committee report (continued)

5.4.6 Code of Conduct and Whistleblowing Policy

The Audit Committee reviews compliance with the Group's Code of Conduct and the Board oversees use of the Group's "Speak Up" Whistleblowing policy, which provides a mechanism for employees with serious concerns about the conduct of the Group, or its employees, to report those concerns. The Board ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice.

All known instances of fraud, theft or similar irregularities affecting the Group were reported to and considered by the Committee, although there were no such matters that were material.

5.4.7 Other activities

The Committee has considered a range of other matters at its meetings over the last year and received various reports and presentations as follows:

- As part of an assessment of the Group's readiness for any future implications from the consultation on reforming UK Corporate Governance, audit and reporting, the Committee received a presentation from the Director of Risk and Assurance around the Group's internal controls.
- A presentation was received on the Group's tax affairs and related accounting judgements and risks. The Group Head of Treasury gave a presentation on the Group's treasury affairs and management of treasury risks.
- As part of the Committee's ongoing training and development, both management and the external auditors updated the Committee on developments in accounting standards, auditing standards, the Financial Reporting Council UK Corporate Governance Code, legislation affecting the Group more generally and other relevant regulatory developments and guidance.

5.4.8 Fair, Balanced and Understandable

The Audit Committee advised the Board on whether it considers the Annual Report and financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee assessed the controls and processes in place in respect of the production of the Annual Report and financial statements as operating effectively during the year, and was able to provide positive assurance to the Board on the fair, balanced and understandable conclusion.

In advising the Board, the Audit Committee noted that:

- The Board considers the key risks facing the Group and the Audit Committee considered how these link to the description of principal risks and uncertainties in the Annual Report;
- The Board considers the strategy of the Group and its short and long-term objectives;
- The Board receives regular updates on the actual financial performance of the Group and significant developments affecting the Group;
- The Board receives summaries of significant media coverage relevant to the Group;
- The Board ordinarily reviews and approves the Group's budget each year and is updated at least twice a year on an updated forecast of financial performance for the year;
- The Audit Committee receives updates on developments in accounting standards and other relevant laws and regulations;
- The Audit Committee receives updates on key areas such as treasury, taxation and audit;
- The Audit Committee and the Board generally have the opportunity to consider, comment and request changes to the Annual Report prior to publication;
- The preparation of the "front end" of the Annual Report includes the Corporate Communications team, the Company Secretariat, and Group Finance as well as business unit management validating the appropriateness of the material relating to the relevant business unit. The involvement of these various groups helps ensure the balance, completeness and accuracy of the "front end";
- The Audit Committee receives reports from the external auditors, the Risk Assurance function and management in respect of various matters including the financial statements;
- The external auditors report on whether the "fair, balanced and understandable" statement is materially consistent with their knowledge of the Group acquired in the course of performing their audit.

The Audit Committee's assessment considered whether:

- Appropriate weight had been given to "bad news" as well as "good news" in the Annual Report;
- The description of the business, principal risks and uncertainties, strategy and objectives in the Annual Report was consistent with the Board's understanding;
- The principal risks and uncertainties were consistent with the Group risk register;
- The Annual Report was presented in an "understandable" way.

The Audit Committee also noted the established internal control and risk management systems in relation to the process for preparing consolidated financial statements, including those matters detailed in section 4.14 of this Annual Report.

5.5 Viability statement

The Audit Committee advised the Board on the statement on the Group's viability included in section 3.11 of this Annual Report, which was underpinned by the consideration of the following points:

- The Audit Committee assessed the reasonableness of the assumptions made about the Group's prospects, with reference to the strategy and risk appetite set by the Board;
- The Audit Committee identified which risks, including those described as principal risks and uncertainties in the Annual Report, could potentially impact the Board's assessment of the Group's viability;
- The Audit Committee reviewed the length of the assessment period;
- The Audit Committee examined the stress testing of financial forecasts, the potential effectiveness of mitigating actions, and consideration of the Group's ability to withstand the severe but plausible downside scenarios modelled.

A draft of the viability statement was presented to the Audit Committee and Board in June 2022 for review and finalisation.

5.6 Committee evaluation

Audit Committee members completed a separate questionnaire on the effectiveness of the Committee and the results of that exercise were considered by the Committee. Overall, the Committee considers that it has continued to operate effectively during the year.

6. Nomination Committee report

6.1 Introduction from Gregor Alexander, Chairman of the Nomination Committee

I am pleased to present the Nomination Committee's report for the year ended 30 April 2022.

Since the end of our financial year on 30 April 2022, Inframobility UK Bidco Limited ("Bidco"), a company managed by DWS Infrastructure, took control of the Company. Following the change of control to Bidco, four representatives of DWS Infrastructure joined the Board of the Company on 26 May 2022. The four new directors joining the Board of the Company are in addition to the existing directors. Ray O'Toole (Chairman), Martin Griffiths (Chief Executive) and Ross Paterson (Finance Director), together with non-executive director, Lynne Weedall, are expected to continue on the Board. The remaining non-executive directors (Sir Brian Souter, James Bilefield, Karen Thomson and I) will step down from the Board on 30 June 2022.

Thereafter, the Board is expected to comprise of eight directors: the Chairman, the Chief Executive, the Finance Director, four representatives of DWS Infrastructure, and one other non-executive director. All of the eight continuing directors will be recommended for election or re-election at the 2022 Annual General Meeting. The structure and composition of the Board's committees is under review.

On 28 June 2022, the listing of the Company's shares on the premium listing segment of the Official List, and the trading of the Company's shares on the London Stock Exchange's main market for listed securities, were cancelled.

In light of all of those changes, we recognise that the structure and role of the Committee might change. We have explained below our work over the year ended 30 April 2022, and since, whilst recognising that the future composition of the Board and its Committees will reflect the new ownership of the Company and the de-listing of its shares.

During the year, the Nomination Committee retained its important place in the governance structure of the Group. An effective board needs to maintain balance over time, taking account of planned and unplanned changes to membership and the changing needs of the business. As Chairman of the Committee, I ensured that we regularly reviewed our Board composition and ensured that the mix of skills and experience available was appropriate. We are aware that talented individuals can come from diverse backgrounds and we aimed to promote diversity in the recommendations that we made to the Board.

During the year, the Board discussed the ongoing process of succession planning, including development of the internal talent pool, recruitment and selection processes and performance management. A key aspect of succession planning is to ensure a diverse talent background and the Board was briefed on development of key female and minority ethnic background successors. The executive team has noted the lack of ethnic diversity in the more senior leadership positions, which does not match the diversity in more junior roles and has challenged itself to increase diversity in these more senior positions.

The Board remained unchanged through the year ended 30 April 2022, with two female Board members – 25% of the total Board. That was in line with our minimum aspiration. We commenced a process to appoint a new non-executive Board member to join the Board by April 2022, as I have now served on the Board for over nine years. Having identified a preferred candidate, in light of the offer from National Express Group plc and the subsequent recommended all cash offer from Bidco, the Board took the decision to pause the appointment process. The Company has since appointed Graeme Charnock to become the independent Chairman of the Audit Committee, and therefore that prior appointment process has been cancelled. Graeme is not joining the Board.

As I will shortly be leaving the Board, I would like to record my thanks to my fellow Committee members for their commitment and support to the work of the Committee, as well as to the executive team, for its support with the business of the Committee.

Gregor Alexander
Chairman of the Nomination Committee
29 June 2022

6.2 Composition of the Nomination Committee

The current composition of the Nomination Committee is summarised in section 4.9. The Committee also invites other directors to attend its meetings from time to time.

6.3 Operation of the Nomination Committee

The Nomination Committee keeps under review the overall structure, size and composition of the Board, and is responsible for evaluating the balance of skills, knowledge and experience of the Board and its committees. Where appropriate, the Committee will suggest adjustments to achieve that balance. For a proposed appointment, the Committee will prepare a description of the role and the attributes required of the candidates, which will include a job specification and the estimate of the time commitment expected. In making any appointment, the Group's policy on directors having other significant commitments will be taken into account and potential candidates will be asked to disclose their other commitments and confirm that they will have sufficient time to meet what is expected of them. The Directors are also required to report any significant changes in their other commitments as they arise. The Committee identifies and evaluates suitable candidates and makes proposals for each appointment, although final appointments are the responsibility of the Board as a whole. The appointments process takes account of the benefits of diversity of the Board, including gender and ethnic diversity, and in identifying suitable candidates, the Committee considers candidates from a range of backgrounds. Recruitment consultants are selected based, amongst other factors, on their ability to access a diverse pipeline of talent.

During the year ended 30 April 2022, when seeking to appoint a new non-executive director, the Nomination Committee compiled a shortlist of potential new non-executive directors by taking account of known candidates and candidates suggested by the Group's advisors and/or appointed recruitment consultants. The Company engaged the services of the executive search firm, Sam Allen Associates, to assist with the search for a candidate with recent and relevant financial experience for appointment to the Board. That appointment process has since been cancelled as noted above. There is no other connection between Sam Allen Associates and the Group. The search for candidates for non-executive directors was undertaken on the basis of search specifications that set out the key experience, skills and attributes that had been identified by the Company.

Non-executive directors, other than the representatives of DWS Infrastructure, receive a letter of appointment. For any new appointments, the expected time commitment is agreed with the director and included in the letter of appointment. No director of the Company is currently a chairman of a FTSE 100 company.

The terms of reference of the Nomination Committee are available on the Group's website at:
https://www.stagecoachgroup.com/terms-of-reference-nomination-committee.pdf

6. Nomination Committee report (continued)

6.4 Appointments of Chairman and Chief Executive

The Chairman of the Company is responsible for leading any appointment for the post of Chief Executive.

The Chairman of the Committee, who is currently also the Senior Independent Director, is responsible for the succession planning process for the Chairman.

6.5 Board diversity and inclusion policy

The Company believes strongly that its Board benefits from being comprised of talented people with a range of perspectives and from differing backgrounds. It is our policy to maintain diversity on the Board with regards to aspects such as age, social and ethnic backgrounds, cognitive and personal strengths. The objective of this diversity policy is to maintain a Board with directors that collectively have a broad range of skills appropriate to pursuing the Group's strategy and objectives, to ensure that the Board benefits from a range of perspectives and viewpoints and to ensure that no one director or viewpoint is dominant in the decision making process.

The diversity policy has been implemented by ensuring that the terms of reference of the Committee reflect diversity in the criteria for identifying suitable candidates for nomination to the Board. The policy is also reflected in any discussions the Committee has with external search consultancies in relation to any search process for a new director.

We consider that our policy in respect of Board diversity has remained effective during the financial year ended 30 April 2022.

In addition to board diversity, the Company believes in promoting diversity and inclusion at all levels of the organisation, further details of which are provided in section 1.8.4 of the Strategic report.

6.6 Succession planning arrangements

The Board and the Nomination Committee recognise the importance of succession planning to ensure that the Group continues to prosper in the longer term. The Group operates a decentralised organisational structure with clearly defined limits of responsibility and authority, and oversight from head office. This structure provides the opportunity for managers to develop in some of the Group's smaller business units before progressing to wider and more responsible roles. The Group has a history of developing good managers who have progressed to take on senior positions within the Group. The Group operates a graduate recruitment programme, and some of the graduates recruited have gone on to become managing directors of individual business units.

The Chief Executive has established a centralised People Team to lead on further enhancing the recruitment, retention and development of talented employees throughout the Group. The Group has developed a "Shine Pool" of rising and top talent to develop into successors to the senior team. Targeted selection for the Shine Pool, and the development tools provided to members of that pool, is providing a strong and diverse talent pipeline for the future.

Working with recruitment consultants and the People Team, the Committee supports the recruitment and development of a diverse pipeline of talent. A programme of diversity and inclusion is in place, which includes employee networks to encourage people from under represented communities to engage with each other, to feel supported by our leaders and to develop their confidence to progress further in their careers with the Group. We provide bite size training sessions to hiring managers to ensure they are recruiting from a wide talent pool. We have also partnered with a recruitment expert, who specialises in diversity and inclusion to help us recruit into senior leadership roles.

The Nomination Committee aims to ensure that appropriate succession arrangements are in place for the Directors. The Nomination Committee and the Board seek to identify new directors and senior managers to ensure succession of directors is conducted in a managed way, without significant disruption to the ongoing business of the Group. The Committee believes that it is important to develop and promote existing talent from within the organisation.

The Group's Directors bring a broad range of skills to the Board, including general management skills. In its succession planning, the Committee considers the need to maintain and enhance this wide range of skills. During the year ended 30 April 2022, the Committee considered there to be a good balance of skills and experience on the Board with particular emphasis on the following:

- Health and safety – As is explained in section 1.8.7, safety is at the heart of our business. The Group has a separate Health, Safety and Environmental Committee and the Nomination Committee considers it appropriate that the Non-Executive Directors collectively have an understanding of health and safety matters. During the year, a number of the Directors contributed skills in these areas.
- Transport sector – The Committee considers it beneficial for the Non-Executive Directors to collectively have experience of transport businesses to bring a sector-specific perspective on matters such as health and safety, transport operations, sector regulation and accounting. During the year, Ray O'Toole and Sir Brian Souter provided considerable experience of bus, rail and the broader transport sector to the Board.
- Financial – The Committee considers it essential that the Non-Executive Directors collectively have recent and relevant financial experience, in order for the Audit Committee to function effectively but also to bring broader financial insights to the Board. As Chairman of the Audit Committee and as a serving FTSE 100 finance director, during the year, Gregor Alexander brought substantial recent and relevant financial expertise. Sir Brian Souter is a qualified accountant, while James Bilefield has investment banking experience, and both provided further financial insight to the Board.
- Digital and technology – The Committee has identified the increasing importance of digital and technological opportunities and risks to the Group's strategy. James Bilefield and Karen Thomson have enhanced the Board's skills in these areas.
- Listed company – While the Company's shares were listed, the Committee believed it beneficial for the Non-Executive Directors to have collective experience of other publicly listed companies to contribute in the areas of corporate governance, management of potential conflicts, investor relations and regulatory compliance. Each of Gregor Alexander, James Bilefield, Ray O'Toole, Karen Thomson and Lynne Weedall serve or have served on the boards of other publicly listed companies.
- People and remuneration – During the year, Lynne Weedall brought considerable experience in human resources strategy and has significant experience on remuneration committees. James Bilefield brought experience in people development, mentoring and recruitment.
- Regulatory – The Group operates in regulated markets and the risk of regulatory change is a principal risk. The Committee therefore values the Non-Executive Directors' insight on regulatory matters. A number of the Directors brought significant skills on regulatory matters during the year, including Ray O'Toole (from the transport sector and the regulated water business), Sir Brian Souter (from the transport sector) and Gregor Alexander (from the regulated energy business).

Given the importance of succession planning, the views of all directors are considered and not just the views of the members of the Committee.

6. Nomination Committee report (continued)

6.7 Board evaluation

Section 4.8 of this Annual Report sets out how the Board's evaluation has been conducted. In the year ended 30 April 2022, the evaluation was carried out by means of a questionnaire process.

The Chairman held one-to-one appraisal meetings with each of the other directors and the Senior Independent Director co-ordinated the evaluation of the Chairman.

7. Health, Safety and Environmental Committee report

7.1 Introduction from Ray O'Toole, Stagecoach Group Chairman and Chairman of the Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee assists the Board to fulfil its responsibilities by recommending Group policy in these areas and monitoring compliance with the Group policy. As the Chairman of the Committee, I ensure that the Committee challenges the Group management team to continue to strengthen its proactive safety culture and management processes to address identified risks and to respond to events.

While the importance we place on health and safety is undiminished, we are also increasingly focused on the environmental part of our remit. During the year, the Board approved the Group's Sustainability Strategy, 2021: "Driving Net Zero: Better Places to Live and Work". https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/pdf/stagecoach-group-sustainability-strategy-2021.pdf This is our long-term vision to make a difference for our planet, the people we employ, the communities we serve, and the health and wellbeing of us all. The Committee has oversight of the strategy and its implementation.

We involve a range of contributors from the Group's businesses in the work of the Committee and the Committee actively engages with those businesses to help the Group to evolve its health, safety and environmental strategy and culture. Members of the Committee are encouraged to be visible to the Group's managers and staff through regular site visits. I was pleased that we were able to resume site visits during 2021. We were able to visit the Group's operations in Sharston, Greater Manchester, where the management team has recently introduced a new fleet of electric vehicles, which are now successfully operating local routes. The visit gave the Committee members valuable insight into the opportunities and challenges of introducing electric vehicles at significant scale and the experience gained will help develop the Group's strategy for future roll-outs. We strongly believe that electric vehicles will be a key part of the path to a net zero future and it was clear that the members of the Stagecoach team working with the new vehicles share that vision and have pride in that operation.

Managers are invited to attend meetings of the Committee and are encouraged to bring more junior members of their teams to engage with the Committee. By bringing contributors together at its meetings, the Committee aims to share knowledge between the Group's businesses and to challenge its business managers and safety advisers to promote sustained improvement over time.

The safety and security of our customers, our people and others is fundamental to our business. Public transport is the safest way to travel and health and safety is at the top of our agenda.

Ray O'Toole
Chairman of the Health, Safety and Environmental Committee
29 June 2022

7.2 Composition of the Health, Safety and Environmental Committee

The membership of the Health, Safety and Environmental Committee is summarised in section 4.9.

The terms of reference of the Health, Safety and Environmental Committee are available on the Group's website at: https://www.stagecoachgroup.com/terms-of-reference-hse.pdf

7.3 Operation of the Health, Safety and Environmental Committee

The Committee considers health, safety and environmental risks, mitigations and issues across the Group and reports to the Board on these matters. The Committee approves the Group's overall strategic safety framework. It has access to internal safety executives and also external consultants, where required.

Executive management is responsible for ensuring that local health and safety policies and procedures are consistent with the overall framework. Senior managers attend meetings of the Committee, providing the Committee with an opportunity to question and challenge management on health, safety and environmental matters and to share best practice across the Group. As incidents occur, the Committee, aided by the safety management teams, is able to analyse those incidents and learn lessons to further improve the Group's safety processes.

The Committee and its members visit operational locations to observe health, safety and environmental management in practice. As COVID-19 restrictions were relaxed in November 2021, we took the opportunity to visit the Group's operations in Sharston, Greater Manchester. As well as seeing how a large depot could integrate vehicle charging into its operations, we were able to see how those processes were managed from a safety perspective and see how safety processes had been enhanced to take account of the operation of vehicles using significant battery power. We were also able to discuss safety culture with local employees and see how they promoted a safe working environment.

Members of the Committee have also attended meetings of the employee engagement forum, which have provided useful insights into matters of concern to employees, particularly arising from the COVID-19 pandemic and from the driver shortage that has affected operators of buses and HGVs across the UK.

The Committee allocates time in its agendas to detailed briefings and deep dive discussions on areas of specific interest or concern to it. During the year, additional briefings, presentations and deep dive discussions covered a range of topics, including:

- Risk analysis and mitigation in the operation of the Cambridge guided busway
- Review of roll-out of electric vehicle fleet at Sharston depot
- Discussion of low bridge collisions and mitigation
- Implementation of low bridge avoidance system
- Review of causes of recent vehicle fires and mitigating actions

The Committee receives reports on trends in health and safety indicators across the Group as well as information on significant incidents involving the Group. Management has continued to develop appropriate leading indicators in areas covered by the Committee's remit. The Safety Team has developed a five-year Safety Plan and has developed a safety dashboard to provide the Committee with regular updates on progress against that plan. Key performance indicators are provided and reviewed. Training, where relevant, is provided to the Committee on health, safety and environmental matters. The Committee liaises with the Remuneration Committee in determining any health, safety and environmental objectives to form part of the Executive Directors' personal objectives. Management has continued to develop appropriate leading indicators in areas covered by the Committee's remit. Key performance indicators are provided and reviewed. Training, where relevant, is provided to the Committee on health, safety and environmental matters. The Committee liaises with the Remuneration Committee in determining any health, safety and environmental objectives to form part of the Executive Directors' personal objectives.

8. Directors' remuneration report

In this section of the Annual Report, there are three separate sections dealing with the Directors' remuneration report as follows:
- the annual statement from the Chair of the Remuneration Committee;
- a summary of the 2020 directors' remuneration policy (the "2020 Policy"); and
- the annual report on remuneration (implementation).

8.1 Statement from Lynne Weedall, Chair of the Remuneration Committee

Context to remuneration decisions and changes

I am pleased to present the Directors' remuneration report for the year ended 30 April 2022. Many of the challenges of the previous year, driven by the external environment, continued to impact our industry in 2022. Throughout the year, and especially over the second half, we played a key role in supporting the recovery in demand for public transport as the country continues with its transition out of the pandemic, and we ensured a continuing focus on providing safe, sustainable, high-quality and good value connections for our customers. Our approach was, and remains, on protecting the health and wellbeing of our colleagues and customers; working in partnership with government and local authorities to deliver the critical public transport the country and our communities need.

The Group's response to these challenges, which contributed to robust performance outcomes against the core objectives set at the start of the year, was a clear reflection of the significant contribution of all our colleagues, and the leadership of the Executive Directors and the wider leadership team. The Committee was aware of the leadership shown by the Executive Directors in responding to competing offers for the Company during the period and which culminated in the successful offer from DWS, and the Committee is satisfied that the Executive Directors have done all that could have been reasonably expected of them in leading the Group and our staff through this demanding period, whilst protecting the long-term sustainability of our business. This context framed the Committee's activities and decision making in the year, which is summarised further below.

Remuneration policy and any substantial changes to directors' remuneration

Our remuneration policies remained unchanged during the year ended 30 April 2022.

Since the end of our financial year on 30 April 2022, Inframobility UK Bidco Limited ("Bidco"), a company managed by DWS Infrastructure, took control of the Company. On 28 June 2022, the listing of the Company's shares on the premium listing segment of the Official List, and the trading of the Company's shares on the London Stock Exchange's main market for listed securities, were cancelled. The decisions and recommendations of the Committee were governed by the 2020 Remuneration Policy up to the date of de-listing. The applicable regulations apply only to companies whose shares are on the Financial Conduct Authority's Official List, listed in the European Economic Area, admitted to dealing on the New York Stock Exchange or Nasdaq, and/or are traded on a regulated market in the UK or the European Economic Area. Accordingly, the Company is now no longer required to adhere to the 2020 Remuneration Policy, following the de-listing of its shares. Nevertheless, we intend to maintain a Remuneration Committee, as part of the Group's ongoing governance arrangements, and we will adapt our remuneration policies to reflect the change in ownership and status of the Company.

Our remuneration policies and approach to executive pay have the long-term success of the Company in mind and our remuneration arrangements provide a clear alignment between the long-term shareholder interests and the corporate strategy to be implemented by the executive management.

Major decisions on directors' remuneration

The start of the pandemic coincided with the end of our 2019/20 financial year and so this is the third Directors' Remuneration Report impacted by COVID-19. The Committee has reflected carefully on the impact of COVID-19 on the business and its stakeholders, and has exercised clear pay restraint throughout and again has applied a pay freeze for all Directors in 2022, the fifth successive year of no increases in basic pay for Executive Directors.

The Committee also took actions to apply our Remuneration Policy appropriately in the context of the offer to acquire the Company by National Express, and also, the subsequent offer by Bidco, which was declared unconditional in May 2022. The Committee engaged with each of National Express and Bidco to agree the remuneration arrangements that would apply in the event of a successful offer, including in relation to the vesting of share based awards, the preservation of employee terms and conditions for at least 12 months, and otherwise seeking to ensure that due regard was given to the interests of the Group's employees.

In addition to the above, since our last Directors' remuneration report in June 2021, we made the following major decisions on Directors' remuneration:
- We confirmed that the bonus objectives and performance targets that we set for the Executive Directors around the start of the financial year 2021/22, which took into account the COVID-19 context, remained appropriate and would not be changed.
- We approved the awards under the Restricted Share Plan and, consistent with the 2020 Policy, an award of restricted shares equivalent to 75% of annual basic pay was made to each of the Executive Directors in July 2021.
- We reviewed the Executive Directors' performance against the objectives set for 2021/22 and our assessment is that the Executive Directors performed strongly and met in full the demanding financial and non-financial objectives. Accordingly, we recommended the award of performance-related awards of 130% of basic salary.
- For the fifth consecutive year, we decided that there would be no increases in the basic pay of the Executive Directors for 2022/23. It was also decided that there would be no increases in pay for the Chairman and the Non-Executive Directors.
- We reviewed the performance targets of the December 2018 awards under the Long Term Incentive Plan ("LTIP") in December 2021, determining that no amounts were payable on vesting. We also concluded in May 2022 that the performance targets in relation to all of the remaining LTIP awards would not be met and determined that all of those awards lapsed on the change of control of the Company with no amounts payable to the holders.
- We reviewed and approved the vesting of Deferred Share awards under the EPP in December 2021 and March 2022.
- We reviewed and approved the vesting of Deferred Share awards under the EPP, and Restricted Share awards under the RSP, in May 2022, resulting from the change of control of the Company.
- We reviewed and decided on the remuneration arrangements for senior non-Board managers in respect of the year ended 30 April 2022.

8. Directors' remuneration report (continued)

Conclusion

Now that the Company's shares have de-listed, this report will not be subject to a shareholder vote at the Annual General Meeting. Nevertheless, I am grateful for the support we have received from our major shareholders and investor representative bodies over recent years. We have welcomed and valued shareholders' views on our remuneration arrangements.

I would like to thank my colleagues on the Committee, all of who will shortly be stepping down from the Board and the Committee, for their strong contributions to our work.

I would also like to thank the executive management team and our remuneration advisers, for the support they provide to the Committee.

I look forward to continuing on the Group's journey and to help shape its remuneration policies to support its future success.

Lynne Weedall
Chair of the Remuneration Committee
29 June 2022

8.2 Compliance statement

This Directors' remuneration report covers the year from 2 May 2021 to 30 April 2022 and provides details of the Remuneration Committee's role and the remuneration policy we apply in decisions on executive remuneration.

The Company's shares have been delisted and we are therefore no longer legally required to comply with 2020 remuneration policy. Some aspects of executive remuneration for 2022/23 will be decided following discussions with DWS Infrastructure, who manage Bidco's investment in the Company. Accordingly, the information provided in section 8.5.14 of this report on the implementation of the policy in 2022/23 should be view in that context. This report has been prepared in accordance with the principles of Large & Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the 2013 Regulations").

Remuneration payments and payments for loss of office can only be made to directors if they are consistent with the approved Directors' remuneration policy or otherwise approved by ordinary resolution of the shareholders.

Those sections in the remuneration report that have been audited have been highlighted as such. The other sections of the remuneration report are not subject to audit.

8.3 Remuneration Committee

During the year ended 30 April 2022, the Committee's principal function was to determine Stagecoach Group's policy on executive remuneration and to approve specific remuneration packages and service contracts for the Group's Chairman, Executive Directors and other senior management.

The terms of reference of the Committee are available on our website at: https://www.stagecoachgroup.com/terms-of-reference-remuneration-committee.pdf

We intend to review and update the Committee's terms of reference to take account of the change of ownership of the Company and our latest objectives.

8.4 Directors' remuneration policy

This section of the report sets out the tabular summary of the remuneration policy for executive directors and non-executive directors. The full policy was approved by a binding shareholder vote at the Company's Annual General Meeting on 25 September 2020 and took effect from that date. A complete copy of the approved remuneration policy is available on the Company's website at:
https://www.stagecoachgroup.com/who-we-are/managing-the-business/governance/remuneration.aspx

8.4.1 Key principles of the remuneration policy

In determining appropriate levels of remuneration for the Executive Directors, the Remuneration Committee aims to provide overall packages of terms and conditions that are competitive and will attract, retain and motivate high quality executives capable of achieving the Group's objectives. The Committee also aims to ensure that the Executive Directors are fairly rewarded for their individual responsibilities and contributions to the Group's overall performance.

The Committee believes that remuneration packages for the Executive Directors should contain meaningful and effective performance-related elements, and that the performance-related elements should be designed to align the interests of the Executive Directors with the interests of shareholders.

The Remuneration Committee is able to consider all relevant factors when setting the Executive Directors' remuneration, including environmental, social and governance matters. Performance targets are established to achieve consistency with the interests of shareholders, with an appropriate balance between short-term and long-term targets. Performance targets can include financial measures as well as non-financial targets, such as environmental and safety objectives. The incentive arrangements for the Executive Directors are structured so as not to unduly increase environmental, social and governance risks by inadvertently motivating irresponsible behaviour.

The Remuneration Committee regularly reviews the existing remuneration of the Executive Directors, making comparisons with peer companies of similar size and complexity and with other companies in the public transport industry. Proposals are then discussed in the light of the prospects for the Group as a whole. The Remuneration Committee also reviews and sets the remuneration arrangements of other senior executives employed by the Group. The approach is consistent with that applied for the workforce in that we look to pay competitively with reference to the market rate for a job. With regard to pensions, the Remuneration Committee has access to reports from pension scheme trustees and scheme actuaries regarding the cost of pension obligations. As set out in the 2020 Policy, the defined benefit pension arrangements for the Executive Directors will be phased out by the end of the term of the 2020 Policy in 2023.

8. Directors' remuneration report (continued)

8.4.2 Remuneration policy table for the Executive Directors

This section of our report sets out in tabular form the key components of the 2020 Policy and the elements of the remuneration package for the Executive Directors. We were legally required to apply the policies set out in this section until the de-listing of the Company's shares on 28 June 2022. We are now reviewing our remuneration policies to take account of the Company's change of ownership and our latest objectives.

8.4.2.1 Fixed elements of pay

Basic salary

Purpose and link to strategy objectives
To attract, retain and motivate executives, ensuring basic salaries are competitive in the market.

Operation
Basic salaries are generally reviewed as at 1 May each year but the Remuneration Committee also has discretion to adjust them at other times of the year. Account is taken of changes in individual responsibilities that may have occurred and the salaries for similar roles in comparable companies. Account is also taken of pay conditions throughout the Group.

Maximum value
Basic salary increases are applied in line with the outcome of the annual review.

An executive director's annual basic salary may not exceed £850,000.

Performance metrics
Basic salary levels are predicated on continued good performance by the director.

Salary levels are generally set effective from 1 May each year and as set out in the Annual Report on Remuneration.

Pensions and life assurance arrangements

Purpose and link to strategy objectives
To provide relevant life assurance and pension benefits that are competitive in the market.

Operation
The legacy pension arrangements for executive directors are designed to provide pension benefits on retirement of up to two-thirds of final pensionable pay and may be met through a combination of defined benefit pension arrangements, money purchase or cash allowances. Her Majesty's Revenue and Customs ("HMRC") and pension scheme rules provide that a defined benefit pension may not be drawn before age 55.

Freedom and Choice regulations introduced by the United Kingdom Government in 2015 impacted the flexibility and rights for pension scheme members in transferring benefits out of pension schemes. Consistent with the type of arrangements and rights for other members of relevant pension schemes, accrued defined benefits pensions may be transferred out to the beneficiary in accordance with the transfer arrangements established by the trustees, and in the case of the employer funded retirement benefits scheme ("EFURBS"), members are entitled to receive a transfer in settlement of all obligations at the amount accrued in the consolidated financial statements in respect of such benefits at the point of transfer.

Defined benefit accrual under legacy pension arrangements will cease by the end of the term of 2020 Policy in 2023 and will be replaced by a choice of cash allowance or defined contribution arrangements. The objective of delivering two-thirds pensionable pay on retirement will also cease by the end of the term of the 2020 Policy. The legacy defined benefit arrangements are accrued under an HMRC approved pension scheme (closed to future accrual since 2017), and for ongoing accrual through the EFURBS since 2012. Following cessation of ongoing accrual, accrued benefits will be frozen, subject only to increases for inflation as provided under the relevant scheme rules. On cessation of accrual under the EFURBS, the employer may wind up and eliminate its ongoing exposure to the arrangements by procuring for the accrued obligations to be provided by an insurer, or failing that, if requested, by payment of an equivalent amount to a member to settle and extinguish all obligations. Where the Company chooses to wind up the EFURBS, it would also be liable for any related expenses and national insurance costs resulting from the transfer or settlement of the EFURBS obligations. The employees are responsible for settling any income taxes due. There are no arrangements for any gross-up of employee income taxes.

For any new executive director that joins the Group after 1 August 2020, the pension entitlement will be consistent with the majority of the Group's workforce. For any existing executive director as at 1 August 2020, the pension entitlement will be changed to be consistent with the majority of the Group's workforce by the end of the period covered by the 2020 Policy.

Maximum value
Final salary elements are related to basic salary and length of service, and any payment to a money-purchase arrangement or an alternative employer cash allowance is limited to a third of basic salary.

For any new executive director that joins the Group after 1 August 2020, the pension entitlement will be consistent with the majority of the Group's workforce. For any existing executive director as at 1 August 2020, the pension entitlement will be changed to be consistent with the majority of the Group's workforce by the end of the period covered by the 2020 Policy. That will entitle the director to participate in defined contribution pension arrangements whereby the employer would match the employee's pension contributions up to a maximum of 10% of basic salary (or such other amount as is available to the majority of the Group's workforce). Alternatively, any director or employee who is subject to annual or lifetime savings limits may receive a cash allowance in lieu of pension up to a maximum of 10% of basic salary (or such other amount as is available to the majority of the Group's workforce).

For existing executive directors, the defined benefit arrangements will be phased out over the term of the 2020 Policy, and the defined contributions or cash allowance elements will be reduced in steps from the current rate of a third of basic salary down to 10% of basic salary by the end of the term of the 2020 Policy as follows:
- reduced to 23% on approval of the Policy in September 2020,
- reduced to 18% from September 2021,
- reduced to 13% from September 2022,
- reduced to 10% by September 2023, or such amount in line with the general workforce entitlements as at the end of the term of the 2020 Policy.

Life assurance arrangements provide a lump sum of four times salary on death in service, and pension benefits are provided under the defined benefit arrangements.

Performance metrics
Pensions and life assurance arrangements are predicated on continued good performance by the director.

8. Directors' remuneration report (continued)

Benefits in kind and other allowances

Purpose and link to strategy objectives
Designed to be competitive in the market.

Operation
Benefits in kind and other allowances can include:

- Healthcare benefits, life assurance cover, company car allowance, and telephone and communications costs.
- Opportunities to join the Buy As You Earn ("BAYE") scheme.
- Relocation assistance upon appointment if/when applicable.

Business related travel and subsistence costs will be met or reimbursed including directors' partners attending corporate events or management conferences. Where the Committee considers it appropriate, other benefits may be provided, such as paying reasonable legal fees or other costs related to recruitment, relocation or any proposed changes to terms and conditions of employment.

Executive Directors are entitled to participate in any all-employee HMRC approved share incentive plans on the same terms as all other employees, consistent with requirements of HMRC approved schemes.

Maximum value
Benefits vary by role, and are reviewed periodically to ensure they are reasonable relative to market.

Participation in the BAYE scheme is subject to HMRC limits.

Other than one-off relocation allowances and excluding any pension benefits or allowances set out elsewhere in this Policy, the value of an executive director's benefits in kind and other allowances may not exceed £50,000 per annum.

Performance metrics
Benefits in kind and other allowances are predicated on continued good performance by the director.

8.4.2.2 Variable pay

Performance-related annual bonuses

Purpose and link to strategy objectives
Aims to focus the Executive Directors on achieving demanding annual targets relating to Group performance.

The part deferral in shares is designed to align managers' and shareholders' interests, and incentivise managers to remain with the Group.

Operation
Around the start of each financial year, the Committee agrees specific objectives for each executive director. Following the end of each financial year, the Remuneration Committee determines the performance-related annual bonus for each executive director for the year just ended. This is based on each director's performance in achieving the set objectives, and affordability for the Group.

In accordance with the rules of the Executive Participation Plan ("the EPP"), at least 50% of any actual bonus award will be satisfied in Deferred Bonus Shares subject to a three-year deferral. Deferred Bonus Shares are subject to the malus and claw-back provisions (see section 8.4.3), and to post-employment holding obligations (see section 8.4.4).

It is an important part of this Policy that the level of bonuses paid, including for any personal or non-financial elements, are considered and are subject to the overall discretion of the Committee after taking into account the financial performance and standing of the Group and the overall individual performance of the relevant executive director. The Committee will also retain the flexibility to change the number and the nature of the financial performance measures in the annual performance and bonus plan at the start of each financial year, or over the course of a year, depending on the financial priorities of the Group and other relevant economic or business factors.

The Deferred Bonus Shares awarded under the EPP may be issued as either a conditional award or a nil-cost option, with an initial market value approximately equal to the amount of the actual cash bonus forgone.

The value of the Deferred Bonus Shares at vesting will reflect the market value of the shares on vesting and additional shares allocated in respect of dividends payable by the Company during the relevant period.

There are no further specific performance conditions attaching to the release of Deferred Bonus Shares because the annual bonus under which shares are earned is already subject to performance conditions.

Maximum value
The potential annual bonus that can be earned by an executive director in respect of any financial year will be capped at 130% of basic salary, of which no more than half of any actual bonus award in the year will be settled in cash, with the balance of any award satisfied in Deferred Bonus Shares under the EPP (further three year deferral).

Performance metrics
The performance conditions for the annual bonus awards are subject to a combination of financial objectives, and personal and/or strategic business related objectives.

Around the start of each financial year, the Committee will set one or more financial measures that will apply for bonus purposes for that year along with a range of personal and/or strategic objectives which may include objectives linked to safety, environmental and governance matters. The Committee will also determine the maximum potential bonus amount (expressed as a percentage of basic salary) that an executive director will have the ability to earn in respect of each measure.

The maximum potential bonus amount across the personal and/or strategic objectives will be up to 40% of the total potential annual bonus, with the remainder being allocated to the financial objectives.

For each financial measure, the Committee will determine the performance levels that will trigger "Threshold", "Target" and "Maximum" payout. The Threshold amount for a given financial measure will be triggered on the minimum satisfactory performance that needs to be achieved to earn any bonus in respect of that measure. The payout for only achieving the threshold amount shall not be more than 20% of the maximum potential bonus attributable to the relevant measure. The Maximum amount is the maximum potential bonus in respect of that measure.

A number of personal and/or strategic objectives may be set and to the extent the Committee is satisfied that a particular objective is satisfied then there would be a payout in respect of that objective in whole or in part as appropriate.

In assessing the level of bonuses that will be paid, including in respect of personal and/or strategic objectives, the Committee has the discretion to reduce the level of any payouts after taking into account the financial performance and standing of the Group and the overall individual performance of the relevant director. So, even where one or more of the specified objectives have been achieved, the Committee has the discretion to pay no or a reduced bonus.

Restricted share plan

Purpose and link to strategy objectives
Aims to create a strong and less volatile alignment of the interests of shareholders and management in focusing on the long-term prospects of the Group through the use of restricted share awards.

Operation
Participants are granted RSP awards, each in the form of ordinary shares in the Company, which will be held in trust or as treasury shares to be released to participants on vesting. Additional shares are allocated in respect of dividends payable during the relevant period.

Awards plus related dividend equivalent shares will vest:

- one-third of the award at the end of year four;
- one-third of the award at the end of year five;
- one-third of the award at the end of year six, so that the average vesting period of the award is five years, and furthermore, the shares that vest at year four (net of taxes) must additionally be held until five years from date of grant, ensuring that all RSP awards provide at least a five year lock-in and alignment.

Restricted share awards are subject to the malus and claw-back provisions (see section 8.4.3), and to post-employment holding obligations (see section 8.4.4).

The RSP will provide an effective alignment and promote a long-term perspective in that participants would lose part or all of their entitlement to the Restricted Shares if they left of their own volition during the six-year vesting period. This will be subject to provisions for standard ‘good leaver’ categories, but these will not trigger an early vesting.

Maximum value
The maximum awards granted in relation to any financial year for an individual is limited to RSP awards with an aggregate face value at the time of award of 75% of basic salary. The actual value of the awards on vesting or release will reflect the market value of the award released plus any additional shares representing dividend equivalents paid by the Company over the vesting period.

Performance metrics
All RSP awards are subject to underpins under which the Committee retains discretion to reduce an award in whole or in part if it is not satisfied with the management of the business considering factors such as:

- financial performance and status of the Group;
- further enhancing environmental credentials and innovation;
- employee engagement, welfare and working culture, including overall safety performance.

The Committee was satisfied that the remuneration policy was in the best interests of shareholders and did not promote excessive risk taking. As part of the Directors’ remuneration policy, the Committee reserved the right to make minor amendments to the policies set out for regulatory, exchange control, administrative or tax purposes. Looking forward, now that the Company shares have been de-listed, we will be reviewing the remuneration policies and adjusting them, as appropriate, to reflect the Company’s new ownership and its latest objectives.

8.4.3 Malus and claw-back

The 2020 remuneration policy contains fuller details of the circumstances under which malus or clawback arrangements may be applied to the remuneration of executive directors. For the purposes of the Policy, malus refers to the withholding, cancellation or reduction of amounts of remuneration otherwise payable to a director. Malus may apply to unvested awards where stated in the policy table shown above. Claw-back arrangements apply to share awards granted after 28 August 2020 and under claw-back arrangements, the Remuneration Committee may require a participant to repay the elements of variable pay for a period of two years following payment.

8.4.4 Share ownership guidelines and post-employment holding periods for share incentive awards

The guidelines noted below were in place until the change of control of the company on 20 May 2022, following which all directors accepted the offer from Bidco to sell their shares to Bidco.

As such, the guidelines in operation during the year, and until 20 May 2022, were as follows:

The share ownership guidelines encourage executive directors to build or maintain (as appropriate) a shareholding in the Company equal to 200% of annual basic salary.

If any executive director does not meet the guidelines, they will be expected to retain up to the net of tax number of shares vesting under any of the Company’s discretionary share incentive arrangements (including any Deferred Bonus Shares) until the guideline is met, after which they are expected to retain these levels as a minimum.

An executive director will be required to retain shares in the Company for a period of at least two years from the date he/she steps down as a director of the Company. The minimum number of shares to be retained will be the number equivalent in market value, at the date of stepping down, to 200% of the director’s annual basic salary, or if lower, the director’s relevant shareholding. A director’s relevant shareholding will be valued at the date of stepping down, and will comprise the number of actual shares held from any of the Company’s discretionary share incentive arrangements from awards granted after 2 May 2020, and for awards granted after 2 May 2020 that have not vested as at the date of stepping down, the number of shares that vest, net of taxes.

The Remuneration Committee has ensured that structures and processes are in place to ensure the continued enforcement of the post-employment shareholding requirements, particularly after a director has left the Company. Any individual who serves as an executive director from 2 May 2020 is required to contractually commit to abide by the post-employment shareholding requirements set out above. In addition, for shares that have yet to vest, the Company will not permit those to vest in respect of a former, or soon to be former, director until such time as it is satisfied that such vesting would not lead to the breach of a post-employment shareholding requirement.

8. Directors' remuneration report (continued)

8.4.5 Payments from outstanding awards

The Executive Directors remain eligible to receive payment under any contractual arrangement agreed under the 2017, or earlier, remuneration policy, including the vesting of awards granted prior to the 2020 Policy taking effect on 25 September 2020. However, all such awards granted either vested or lapsed following the change of control of the Company on 20 May 2022.

8.4.6 Remuneration policy table for the Chairman and the Non-Executive Directors

The table below summarises our policy on the remuneration paid to the Chairman and the other Non-Executive Directors.

Basic salary/fees

Purpose and link to strategy objectives
To attract and retain non-executive directors with an appropriate degree of skills, experience, independence and knowledge of the Company and its business.

To attract and retain a Chairman to provide effective leadership for the Board.

Operation
Fee levels for non-executive directors are generally reviewed annually with any adjustments effective 1 May in the year following review, although there is discretion to adjust them at other times of the year. Account is taken of individual responsibilities, involvement in Board committees and fees for similar roles in comparable companies. Remuneration comprises an annual fee for acting as a non-executive director and a director may be entitled to an additional fee if required to perform any specific and additional services.

Remuneration for the Chairman is determined by the Remuneration Committee and comprises an annual fee for acting as Chairman. Other non-executives' remuneration is determined by the Board.

Non-executive directors do not participate in pensions or incentive benefits, or receive other remuneration in addition to their fees. Business related expenses and travel and accommodation expenses will be met or reimbursed including for partners to attend corporate events or management conferences. Home telephone and communications costs may be met or reimbursed.

Maximum value
Any fee increases are applied in line with the outcome of the annual review.

A non-executive director's annual fees for acting as a director of the Company may not exceed £300,000.

Non-Executive Directors' fees are subject to an aggregate maximum cap which is stated in the Company's Articles of Association. Following shareholder approval at the 2017 Annual General Meeting, that cap was set at £1,200,000 and may subsequently be further adjusted by an ordinary resolution of the Company.

Performance metrics
Continued good performance.

8.4.7 Employment conditions across the Group

The Committee is kept regularly updated on pay and conditions across the Group, although when setting the Directors' remuneration policy, the wider employee group is not formally consulted. In determining any adjustments to the pay of the Executive Directors and other senior executives' salaries, the Committee considers the increases to pay levels across the broader employee population.

The Group engages with its workforce to explain how executive remuneration aligns with wider pay policy. As explained in section 1.8.3.5 of this Annual Report, the Group and the Board engages with employees in a number of ways, including through Colleague Forums. At the Colleague Forum meeting in May 2021, Non-Executive Directors from the Remuneration Committee and the Group's People Director, discussed how executive remuneration aligns with corporate strategy and wider pay policy with elements of variable pay awarded for displaying behaviours that are consistent and supportive of the Company purpose, values and strategy. Colleagues expressed a range of views, suggesting variable pay could be extended more widely across the workforce. There were differing views between those supporting more differentiation in rates for knowledge and performance, while others considered differentiation created other issues and did not favour different pay rates within a depot. It was also noted that terms and conditions were dealt with locally responding to local service requirements and conditions.

The Committee did not consider that any significant changes to remuneration policy were required following the engagement with the workforce.

8.4.8 Details of directors' service contracts

The Executive Directors are employed under contracts of employment. It is the Group's policy that executive directors should have 12-month rolling service contracts providing for a maximum of one year's notice. Due to the nature of the Group's businesses, the service contracts contain restrictive covenants.

The principal terms of the Executive Directors' service contracts (which have no fixed term) effective during the year were as follows:

Executive Directors' service contracts

Name of director	Date of contract	Notice period
Martin Griffiths	22 February 2013*	12 months
Ross Paterson	11 February 2013*	12 months

* as amended on 12 and 20 October 2020 respectively for Ross Paterson and Martin Griffiths to reflect changes introduced by the shareholder approval of the 2020 remuneration policy

The contract for the Chairman provides for a six months' notice period. Other non-executive directors are appointed by a letter, which provide for one month's notice. The letters of appointment do not contain any contractual entitlement to a termination payment and a non-executive director can be removed in accordance with the Company's Articles of Association.

All notice periods apply to both the director and the Company.

8. Directors' remuneration report (continued)

8.4.9 Consideration of shareholder views

The Committee considers shareholder feedback received in relation to the Annual General Meeting each year at its first meeting following the Annual General Meeting. This feedback, as well as any additional feedback received during other meetings with shareholders and representative bodies, is then considered when reviewing remuneration policy. When any material changes are proposed by the Group to the remuneration policy, the Committee will consult major shareholders.

8.4.10 External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other unconnected companies, and to retain any related remuneration, so long as the time commitments do not have any detrimental impact on the ability of the director to fulfil his duties. It is considered this will broaden and enrich the business skills of directors. Any such directorships must be formally approved by the Board.

8.5 Annual Remuneration Report

This section of the remuneration report provides details of how the remuneration policy was implemented during the year ended 30 April 2022. The Remuneration Committee considers that the remuneration policy operated as intended in terms of the Company's performance and the quantum of remuneration.

8.5.1 Committee members and main activities of the Committee

The Remuneration Committee is currently composed of three independent non-executive directors and a fourth member, Gregor Alexander, who was independent until 1 April 2022 (see section 4.2 of this Annual Report). The Committee met six times during the year.

The members who served on the Committee during the year ended 30 April 2022 were:
- Lynne Weedall
- Gregor Alexander
- James Bilefield
- Karen Thomson

The Group Taxation and Pensions Director attended meetings of the Remuneration Committee as Secretary to the Committee. The Chief Executive was invited to attend meetings to provide information on performance and strategy, and the Group Chairman attended to provide oversight. A representative from the Committee's independent external remuneration advisor attended all meetings during the year. Attendance at meetings by individual members is detailed in section 4.10 of this Annual Report. No director was involved in decisions as to their own remuneration.

The main activities of the Committee during the year ended 30 April 2022 were as noted in Lynne Weedall's introductory statement to the report.

The remuneration of executive directors was not considered by any other Committee or group of directors during the year.

8.5.2 Advisers

FIT Remuneration Consultants LLP ("FIT") is the remuneration consultant to the Committee. FIT provides independent research and advice to the Committee, as well as support on shareholder engagement. FIT is a signatory to the Remuneration Consultants Group's Code of Conduct. FIT has no other connection to the Company nor to any of the Company's individual directors and during the year, FIT provided no other services to the Group. Accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. During the year ended 30 April 2022, fees of £32,784 (2021: £38,635) were payable to FIT in respect of work it carried out. The Company's legal advisers, Herbert Smith Freehills, provided legal support during the period in relation to the two offers for the sale of the Company and this included input on the remuneration related matters covered in the cooperation agreements pertaining to each offer.

8. Directors' remuneration report (continued)

8.5.3 Remuneration of the Executive Directors and Non-Executive Directors

The remuneration of the Executive Directors and Non-Executive Directors may comprise a number of elements, as described in the Directors' remuneration policy. Although the Company's financial year was the 52 weeks from 2 May 2021 to 30 April 2022, certain amounts are shown in this section 8.5 for the years ended 30 April 2021 and 30 April 2022 to improve year-on-year comparability.

Directors' remuneration and the single figure total for the year ended 30 April 2022 are shown in Table 1 below. Each of the elements of remuneration is discussed further below.

TABLE 1 – DIRECTORS' REMUNERATION

		Executive Directors		Non-Executive Directors							
	Year ended 30 April:	Martin Griffiths £000	Ross Paterson £000	Gregor Alexander £000	James Bilefield £000	Ray O'Toole £000	Sir Brian Souter £000	Karen Thomson £000	Lynne Weedall[1] £000	Will Whitehorn[2] £000	Total £000
Basic salary/fees	**2022**	**652**	**435**	**61**	**61**	**195**	**61**	**61**	**61**	**–**	**1,587**
	2021	565	377	53	53	169	53	53	44	13	1,380
Benefits in kind &	**2022**	**25**	**24**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49**
other allowances	2021	24	23	–	–	–	–	–	–	–	47
Short-term incentives	**2022**	**848**	**565**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,413**
(performance bonus)	2021	–	–	–	–	–	–	–	–	–	–
Long-term incentives	**2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
vested (LTIP or RSP)	2021	–	–	–	–	–	–	–	–	–	–
Pension related	**2022**	**226**	**166**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**392**
benefits	2021	321	216	–	–	–	–	–	–	–	537
Total	**2022**	**1,751**	**1,190**	**61**	**61**	**195**	**61**	**61**	**61**	**–**	**3,441**
	2021	910	616	53	53	169	53	53	44	13	1,964

The split between fixed and variable remuneration was:

	Year ended 30 April:	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total fixed	**2022**	**903**	**625**	**61**	**61**	**195**	**61**	**61**	**61**	**–**	**2,028**
remuneration	2021	910	616	53	53	169	53	53	44	13	1,964
Total variable	**2022**	**848**	**565**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,413**
remuneration	2021	–	–	–	–	–	–	–	–	–	–

1 Appointed 1 August 2020
2 Resigned 30 June 2020

Notes to Table 1:

i. Basic Salary/fees

Salary is paid monthly and the basic salary/fees in Table 1 correspond to the amounts payable in respect of the years ended 30 April. Both Executive Directors participated in pension salary sacrifice arrangements during the year and the basic salary amounts are shown gross before any salary sacrifice arrangements.

In the context of the COVID-19 situation, all of the Directors agreed to waive 50% of their basic pay for the three months of April to June 2020, and to further waive 20% of their basic pay for the three months of July to September 2020. The amounts shown in the basic salary/fees column in Table 1 for the comparator year are the reduced amounts, after taking account of the effect of those waivers for the months of May through to September 2020. The amounts of the waivers for the months falling within the comparator year ended 30 April 2021 were, rounded to the nearest thousand: £87,000 for Martin Griffiths, £58,000 for Ross Paterson, £26,000 for Ray O'Toole, £2,000 for Lynne Weedall, £13,000 for Will Whitehorn, and £8,000 for each of Gregor Alexander, James Bilefield, Sir Brian Souter and Karen Thomson.

ii. Benefits in kind and other allowances

TABLE 2 – BENEFITS IN KIND AND OTHER ALLOWANCES – YEAR ENDED 30 APRIL:

	Cash allowance in lieu of company car		Healthcare benefits		Reimbursement of home telephone expenses		Total	
	2022 £	2021 £	**2022 £**	2021 £	**2022 £**	2021 £	**2022 £**	2021 £
Martin Griffiths	**22,000**	22,000	**1,996**	1,155	**604**	349	**24,600**	23,504
Ross Paterson	**22,000**	22,000	**1,996**	1,155	**–**	–	**23,996**	23,155

iii. Performance-related bonus

Around the start of each financial year, the Committee agrees specific objectives comprising both key financial and individual business related objectives for each director. For 2021/22, each executive director had a maximum potential bonus of up to 130% of basic salary, with up to 78% of basic salary being based on achieving demanding financial objectives relating to earnings and the liquidity and financial stability of the Group over the course of the year, and up to 52% of basic salary based on achieving specified personal objectives.

TABLE 3 – EXECUTIVE DIRECTORS' POTENTIAL ANNUAL BONUSES FOR THE YEAR ENDED 30 APRIL 2022

	At Threshold performance	At Target performance	At Maximum performance
Potential bonus as a percentage of basic salary			
Potential bonus in respect of financial objectives	15.6%	46.8%	78.0%
A set of five personal objectives were also set for each director supporting the strategic objectives of the company, for which a range of payout is available depending on the assessment of progress. The maximum payout across the personal objectives for each director is 52% of basic salary and the minimum payout is nil.			

Table 3 summarises the 2021/22 bonus potential for the Executive Directors that the Remuneration Committee set around the start of the financial year.

The Remuneration Committee assessed the performance of the Executive Directors for the year, and details of the objectives and the Committee's assessment of the performance against the objectives are provided in Tables 4, 5 and 6. The Committee is satisfied that both directors fully met the financial and personal objectives that were set around the beginning of the year. The financial objectives reflected the Committee's view of the need to protect the Group's financial position during the pandemic and encompassed targets on debt levels and available liquidity, and with an increased forward looking perspective from an earnings target. The targets set for the year were met in full and the Group has responded well to new challenges presented over the year, meriting the maximum performance-related bonus award of 130% of basic pay for each director.

The performance assessment and awards made in respect of the year ended 30 April are summarised in Table 4:

TABLE 4 – EXECUTIVE DIRECTORS' ANNUAL BONUS AWARDS FOR THE YEAR ENDED 30 APRIL 2022

	Chief Executive		Finance Director	
	Maximum bonus (% of basic salary)	Performance Achievement Award	Maximum bonus (% of basic salary)	Performance Based Award (% of basic salary)
Annual bonus in respect of financial objectives (Table 5)	78.0%	78.0%	78.0%	78.0%
Annual bonus in respect of personal objectives (Table 6)	52.0%	52.0%	52.0%	52.0%
Performance-related assessment	**130.0%**	**130.0%**	**130.0%**	**130.0%**

The financial targets set at the start of the year and the achievement in respect of those were as follows:

TABLE 5 – DIRECTORS' FINANCIAL OBJECTIVES FOR THE YEAR ENDED 30 APRIL 2022

Proportion of maximum potential achievable	Threshold 20%	Target 60%	Maximum 100%	Achievement (actual)	Maximum Potential Bonus (% of basic salary)	Performance Based Award (% of basic salary)
a) Consolidated adjusted earnings per share (pence)	2.3	3.8	5.3	7.0	26%	26%
	£m	£m	£m	£m		
b) Consolidated Net Debt as at end of year*	371.8	351.8	331.8	264.5	26%	26%
c) Consolidated available liquidity at end of year**	332.5	352.5	372.5	528.3	26%	26%
Element of bonus related to Group financial objectives					78%	78%

* Consolidated net debt plus train operating company liabilities

** Cash, money market deposits and undrawn, committed bank facilities adjusted to exclude (i) foreign currency cash balances (ii) petty cash balances (iii) cash in transit and (iv) cash placed as collateral in respect of liabilities for loan notes

8. Directors' remuneration report (continued)

A range of individual business-related objectives for each executive director, accounting for a bonus potential of up to 52% of basic salary, were set around the start of the year. The objectives, and the Committee's assessment of the extent to which each executive director achieved the objectives, in respect of the year ended 30 April 2022 were as follows:

TABLE 6 – DIRECTORS' PERSONAL OBJECTIVES FOR THE YEAR ENDED 30 APRIL 2022

Personal Objectives	Achievements	Award merited (% of basic salary)
Martin Griffiths		
To provide clear indicators of leadership in respect of health, safety and the environment, promoting a strong, health, safety and environmentally friendly culture aiming to deliver continuous improvement in health, safety and environmental performance.	Martin continued to provide strong support and leadership over the critical health, safety and environment aspects of our business. Year one of the five-year Safety Plan is on course for delivery, with some initiatives having adjusted timescales as a result of continuing COVID impact and challenging operating environments. There has been significant, first in class investment in the year in improving technology to mitigate against catastrophic risk with the Greenroad bridge warning system The Health, Safety & Environmental Committee reviewed progress against plan and performance against key performance indicators. The Chairs of the Health, Safety and Environmental Committee, and the Remuneration Committees, met on 21 April 2022 to assess performance against this objective.	10.4%
Ensure constructive engagement with government, including local authorities, as we manage the transition to new frameworks for regional bus services in England (excluding London), Scotland and Wales, seeking to ensure the success of the Group while considering the interests of government, customers and employees.	Martin has had ultimate responsibility directing the work with local transport authorities across England to develop ambitious plans to improve bus services and get more passengers to swap their cars for greener public transport, including ensuring sufficient skilled resource was focused on this important area through the appointment of the new role of Director of Strategic Operations. The Group has played a leading role in these proposals supporting local authorities with the development of 60 of the 84 Bus Service Improvement Plans ("BSIPs") submitted by local authorities to the UK Government as part of its National Bus Strategy for England. Improvement initiatives in each of the BSIPs reflected discussions between ourselves, local authorities, other bus operators and consultation with the public to ensure they reflect the needs of local communities. They included initiatives to lower fares, speed up bus journeys, boost accessibility and connections, and improve customer information.	10.4%
Oversee the implementation of the Group's new Sustainability Strategy, including delivery of the related goals, targets and actions planned for 2021/22.	In August 2021, the Group launched its new strategy "Driving Net Zero – Better places to live and work" with core pillars around People, Planet, Prosperity and Governance. The strategy was created under the leadership of the Chief Executive. Overall good progress has been made against the key initiatives and carbon metrics which are now reported in the Annual Report.	10.4%
Strategic oversight and direction over the progression of the Group's people plan.	We have made substantial progress on the people plan over the course of the year. That has been against a backdrop of a more challenging labour market. We have made significant progress over the course of the year in the further development of a detailed and robust succession plan, which will be key in supporting retention and talent development. We continue to make good progress in broadening the talent base and further aligning the workforce and our management team to be more reflective of the communities we service.	10.4%
Ensure that the elements of the technology-based change projects which are planned to "go live" during 2021/22 do successfully "go live" in 2021/22. That includes the Workday people system and the Greenroad low bridge functionality.	Material progress has been achieved during the year on key technology based projects including Workday (payroll/people system) which went live for monthly pay groups in early 2022, pro-driver (road safety system) that also went live in early 2022, Greenroad (low bridge and inhibitors) that is live in certain operations, and the Perth based contact centre commencing operation in April 2022.	10.4%
Total		**52.0%**

8. Directors' remuneration report (continued)

Personal Objectives	Achievements	Award merited (% of basic salary)
Ross Paterson		
Review the organisational structure of the finance, procurement, business development and company secretarial teams. Make changes as appropriate, including to take account of: • Increasing external audit and financial reporting requirements; • An anticipated continuing need for a greater level of financial forecasting and analyses as we navigate the recovery from COVID-19 and changes to the regulatory frameworks for UK regional bus operations; • The expected demands from the Government's proposed audit and corporate governance reforms.	During the year, Ross reviewed and made changes to the organisational structure in his areas of responsibility. That included changes to the balance between in-house and outsourced risk assurance activities, and a re-focusing of risk assurance work for 2022/23. 2021/22 saw the emergence of two potential offers to acquire the entire issued and to be issued shares of the Company. That placed significant additional demands on a small number of key people, particularly in the finance, business development and company secretarial teams. Ross successfully re-prioritised and re-allocated responsibilities to give the offers appropriate attention without distracting the management team from running the business. As a result, two firm offers for the Company were made, both of which were considered by the Board to be recommendable.	10.4%
Continue to actively manage the Group's costs and cash flows as we recover from the COVID-19 situation.	We have successfully managed the Group's costs and cash flows over 2021/22. Our proactive and systematic programme of fuel and electricity hedging has ensured we have had a time to adjust to the steep rises in fuel and energy costs. We have remained cognisant of the Group's people plan and the interests of the Group's employees. The strong cost and cash flow management has been achieved whilst supporting service and employment levels during 2021/22 and accommodating appropriate pay awards.	10.4%
Oversee the financial framework for discussions with local authorities on new Enhanced Partnerships for regional bus services, seeking to ensure that there is an appropriate balance of risk and prospective financial returns for the Group.	Ross oversaw work with local transport authorities across England to develop ambitious plans to improve bus services and get more passengers to swap their cars for greener public transport, where we supported the development of 60 of the 84 Bus Service Improvement Plans ("BSIPs") submitted by local authorities to the UK Government as part of its National Bus Strategy for England.	10.4%
Oversee the financial parameters for new contract bids, including bids for Manchester bus franchises, seeking to ensure that there is an appropriate balance of risk and prospective financial returns for the Group.	Ross remained involved in our approach to bidding for bus franchises in Greater Manchester, where we secured the passports we applied for and pre-qualified to bid for the first tranche of franchises, where we are now working towards the point when franchise bids will be due for submission. During 2021/22, Ross provided financial oversight in approving bids for other major contracts, including the larger London bus bids, our bids for two bus contracts in Dubai, bids for rail replacement work, our successful bids for a package of tendered services in Skye, and our successful bid for a demand responsive transport contract in Aberdeenshire.	10.4%
Provide the Board with an evaluation of the Group's capital structure taking account of the Group's objective to retain an investment grade credit rating, customer demand as we emerge from the COVID-19 situation and how the regulatory frameworks develop for UK regional bus operations.	Throughout 2021/22, Ross continued to actively monitor the Group's capital structure and we have retained investment grade credit ratings. The Board evaluated and approved the Group's capital structure taking account of the Group's objective to retain an investment grade credit rating, the latest position on recovering customer and the regulatory frameworks for UK regional bus operations.	10.4%
Total		**52.0%**

The Committee is therefore satisfied that both directors met their personal objectives in full, which would merit an award of 52% of basic salary in respect of the objectives set.

8. Directors' remuneration report (continued)

iv. LTIP

The LTIP Incentive Units awarded to the Executive Directors in 2018 had the potential to vest during 2021/22. However, none of the performance conditions for vesting were met and so none of those Incentive Units vested during 2021/22. Accordingly, no amount is shown in Table 1 in respect of LTIP vestings.

TABLE 7 – LTIP AWARDS VESTING OR LAPSED

Grant date	As at 1 May 2021 (Incentive Units)	Lapsed during year (Incentive Units)	Price per incentive unit achieved on vesting (£)	As at 30 April 2022 (Incentive Units)	Amounts included in Table 1, including dividend amounts (£)	Vesting date
Martin Griffiths						
7 Dec 18	649,693	(649,693)	N/A	–	–	7 Dec 21
Ross Paterson						
7 Dec 18	433,161	(433,161)	N/A	–	–	7 Dec 21

v. Pension related benefits

The pension amounts shown in Table 1 are calculated in accordance with the provisions of 2013 Regulations and so represent 20 times the increase (excluding inflation) in the accrued annual pension entitlement plus the increase (excluding inflation) in the accrued cash lump sum entitlement, less any director's contributions.

vi. External Appointments

Ross Paterson is a non-executive director of The Unite Group plc and was permitted to retain the £60,335 fees received from that position in the year ended 30 April 2022 (2021: £55,259).

8.5.4 Pensions (audited)

Under the legacy terms of their service agreements, the Executive Directors accrued benefits under defined benefit pension arrangements. Historic benefits previously accrued under an HMRC approved pension scheme for Ross Paterson and included in Table 8 below were revalued in 2020/21 and 2021/22 only for inflation. Other than adjustments for inflation, no further benefits accrued under the HMRC approved Group defined benefit pension scheme during the year. The Directors only accrued benefits in the year ended 30 April 2022 under Group funded pension arrangements. Pension benefits are targeted with a normal retirement age of 60 and in accordance with HMRC rules, accrued defined benefits may not be drawn before age 55. Pension benefits drawn before normal retirement age are discounted for early payment to the extent required under the rules of the relevant scheme and as determined by the trustees of the schemes.

Table 8 below provides the pensions information required by the 2013 Regulations and gives details of benefits accruing during the year under the Group's pension arrangements.

TABLE 8 – DIRECTORS' PENSION BENEFITS

Director name	Normal Retirement Date	Contributions paid by the director for the year ended 30 April 2022 £000	Accrued cash entitlement at 1 May 2021 £000	Accrued annual pension entitlement at 1 May 2021 £000	Accrued cash entitlement at 30 April 2022 £000	Accrued annual pension entitlement at 30 April 2022 £000
Martin Griffiths	31 March 2026	59	–	178	–	198
Ross Paterson	29 July 2031	39	149	144	153	159

The totals in Table 8 for Ross Paterson include pension benefits accrued for service prior to appointment as a director of the Company.

The directors' contributions to pension schemes are made by way of salary sacrifice arrangements.

No non-executive directors accrued benefits in the year under money purchase schemes or defined benefit schemes in connection with their roles with the Group.

8.5.5 Share based awards during the financial year (audited)

Table 9 and 10 sets out the awards made to the Executive Directors under the Company's share schemes during the year ended 30 April 2022.

TABLE 9 – EPP AWARDS IN YEAR

Award date	Type of interest awarded	Share price at time of award £	Basis of award (% of annual award deferred) %	Awards granted in year (Deferred Shares)	Maximum and expected total value of award at time of grant £	Vesting date	Performance period
Martin Griffiths							
1 Jul 21	Deferred shares	0.8210	100%	516,199	423,799	1 Jul 24	3 years
Ross Paterson							
1 Jul 21	Deferred shares	0.8210	100%	344,159	282,555	1 Jul 24	3 years

Each Deferred Share shown in Table 9 represents an entitlement to one of the Company's ordinary shares and was granted to be a share-settled award. The 2021 EPP awards granted were subject to additional performance conditions such that the awards would only vest to the extent the Committee is satisfied with the good management and financial management and health of the Company on vesting.

TABLE 10 – RSP AWARDS IN YEAR

Award date	Type of interest awarded	Share price at time of award £	Basis of award (% of basic salary)	Awards granted in year (Restricted Shares)	Maximum and expected total value of award at time of grant £	Release schedule – proportion of award 33.33%	33.33%	33.33%
Martin Griffiths								
1 Jul 2021	Restricted shares	0.8210	75%	595,615	489,000	1 Jul 2025	1 Jul 2026	1 Jul 2027
Ross Paterson								
1 Jul 2021	Restricted shares	0.8210	75%	397,107	326,025	1 Jul 2025	1 Jul 2026	1 Jul 2027

Each Restricted Share shown in Table 10 represents a conditional entitlement to one of the Company's ordinary shares and was granted to be a share-settled award. No amount is shown in Table 1 in respect of the RSP awards as they are subject to underpins under which the Committee retains discretion to reduce an award in whole or in part if it is not satisfied with the management of the business considering factors such as the financial performance and status of the Group, environmental credentials and innovation, employee engagement, welfare and working culture, and overall safety performance. The full value, if any, realised by an executive director from the Restricted Shares will be recognised in the equivalent of Table 1 in the period the shares are released to the director.

In awarding Restricted Shares, the Committee considers the prevailing share price and the number of Restricted Shares that should be awarded. The closing price on the preceding dealing day was used to determine the number of Restricted Shares awarded and the Committee was satisfied that the level of awards granted in 2021/22 was appropriate.

8.5.6 Payments to past directors (audited)

Other than in respect of pension entitlements accrued during employment with the Group, there have been no payments (2021: £Nil) in excess of the de minimis threshold to former directors during the year ended 30 April 2022 in respect of their former roles as directors. The Company has set a de minimis threshold of £10,000 under which it would not report such payments.

8.5.7 Payments for loss of office (audited)

There have been no payments for loss of office to directors during the year ended 30 April 2022 (2021: £Nil).

8.5.8 Statement of directors' shareholdings and share interests (audited)

The Executive Directors and certain other senior executives were expected to accumulate significant shareholdings in the Company. The effective interests of the Directors (including those of connected persons) in the shares of the Company as at 30 April 2022 were:

TABLE 11 – DIRECTORS' INTERESTS IN SHARES OF THE GROUP AT 30 APRIL 2022

	Interests at 30 April 2022					Vested during the year ended 30 April 2022
	Shares held outright	RSP Restricted Shares (subject to underpins)	LTIP Incentive Units (subject to performance conditions)	EPP Deferred Bonus Shares (not subject to performance conditions*)	BAYE Shares (not subject to performance conditions)	EPP Deferred Bonus Shares (not subject to performance conditions)
Executive Directors						
Martin Griffiths	684,387	1,217,356	798,297	888,425	9,042	–
Ross Paterson	450,555	811,633	532,238	592,328	9,042	121,766
Non-Executive Directors						
Gregor Alexander	10,406	–	–	–	–	–
James Bilefield	–	–	–	–	–	–
Ray O'Toole	18,000	–	–	–	–	–
Sir Brian Souter	80,167,713	–	–	–	–	–
Karen Thomson	11,071	–	–	–	–	–
Lynne Weedall	12,000	–	–	–	–	–

* Certain of the EPP Deferred Bonus Shares are subject to underpins.

8. Directors' remuneration report (continued)

Further details of directors' interests in the RSP, LTIP, EPP and BAYE schemes are shown in Table 12 below.

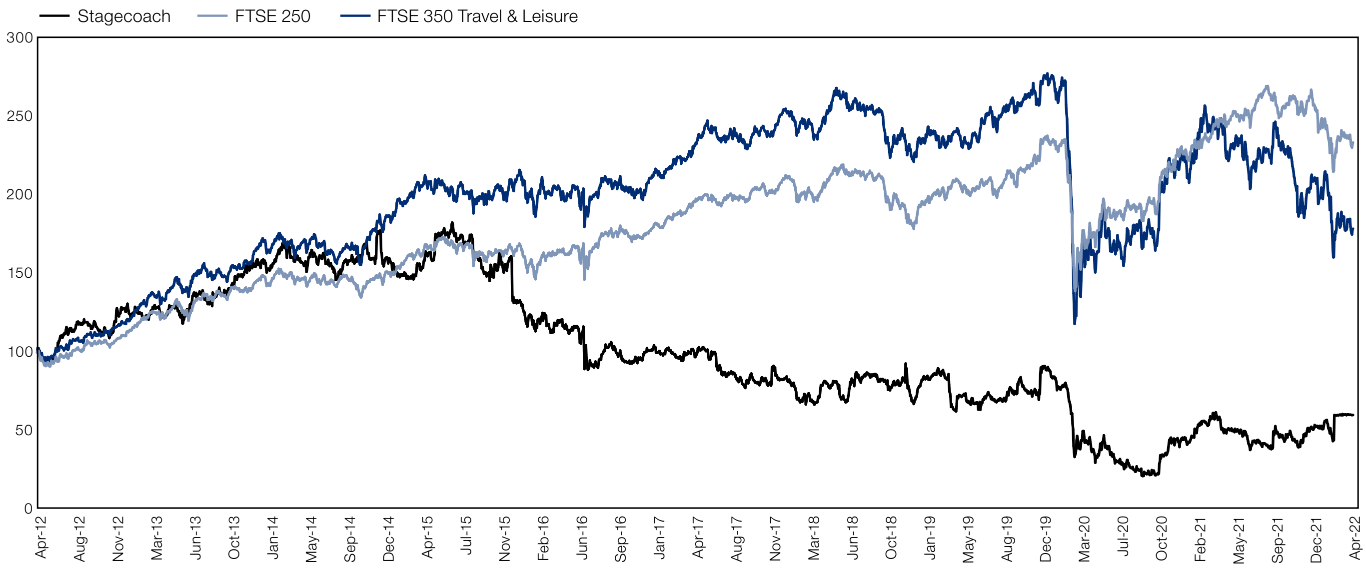
TABLE 12 – SUMMARY OF INTERESTS IN THE LTIP, EPP, RSP AND BAYE SCHEMES

	As at 1 May 2021	Granted in year	Lapsed during year	Vested during year	As at 30 April 2022	Vesting Date
Long Term Investment Plan						
Martin Griffiths	649,693	–	(649,693)	–	–	7 Dec 21
	429,408	–	–	–	429,408	27 Jun 22
	368,889	–	–	–	368,889	12 Dec 22
	1,447,990	**–**	**(649,693)**	**–**	**798,297**	
Ross Paterson	433,161	–	(433,161)	–	–	7 Dec 21
	286,293	–	–	–	286,293	27 Jun 22
	245,945	–	–	–	245,945	12 Dec 22
	965,399	**–**	**(433,161)**	**–**	**532,238**	
Executive Participation Plan						
Martin Griffiths	372,226	–	–	–	372,226	27 Jun 22
	–	516,199	–	–	516,199	1 Jul 24
	372,226	**516,199**	**–**	**–**	**888,425**	
Ross Paterson	121,766	–	–	(121,766)	–	9 Mar 22 (delayed from 8 Dec 21)
	248,169	–	–	–	248,169	27 Jun 22
	–	344,159	–	–	344,159	1 Jul 24
	369,935	**344,159**	**–**	**(121,766)**	**592,328**	
Restricted Share Plan						
Martin Griffiths	621,741	–	–	–	621,741	2024-2026
	–	595,615	–	–	595,615	2025-2027
	621,741	**595,615**	**–**	**–**	**1,217,356**	
Ross Paterson	414,526	–	–	–	414,526	2024-2026
	–	397,107	–	–	397,107	2025-2027
	414,526	**397,107**	**–**	**–**	**811,633**	
Buy As You Earn Plan						
Martin Griffiths	9,042	–	–	–	9,042	n/a
Ross Paterson	9,042	–	–	–	9,042	n/a

8.5.9 Performance graph

The graph below charts the performance of the total shareholder return ("TSR") (share value movement plus reinvested dividends) from the Company's ordinary shares over the ten years to the end of April 2022 compared with that of the FTSE 350 Travel and Leisure Index, and the FTSE 250 Index. The FTSE 250 Index has been selected for this comparison because it is the index currently used by the Company for the TSR based performance criterion for the LTIP Scheme, while the FTSE 350 Travel and Leisure Index is shown as the Company and a number of its peers made up a significant element of that index when the LTIP awards were granted.

Stagecoach 10-Year TSR Comparative Performance to the end of April 2022:



Source: Datastream

Note: TSR shows a theoretical growth in value of a shareholding over a specified period, assuming that dividends are re-invested to purchase additional units of an equity or unit trust at the closing price applicable on the ex-dividend date. For unit trusts, the closing bid price is used.

8. Directors' remuneration report (continued)

8.5.10 Chief Executive remuneration and pay ratio

For comparative purposes, the pay for the role of Chief Executive over time is shown in Table 13 below.

TABLE 13 – PAY FOR THE ROLE OF CHIEF EXECUTIVE – YEAR ENDED 30 APRIL

	Sir Brian Souter*	Martin Griffiths								
Year ended 30 April:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bonus (percentage of maximum)*	64%	100%	65%	53%	47%	0%	100%	0%	0%	100%
LTIP vesting rates against maximum opportunity	61%	56%	10%	0%	0%	0%	0%	0%	0%	0%
Single figure of total remuneration (£000)	3,443	2,212	1,451	1,316	1,313	987	1,803	949	910	1,751

* Sir Brian Souter waived entitlement to part of his cash bonus, with the amounts waived being used to support funding of medical screening in the UK Bus businesses. Therefore the bonus percentage shown in Table 13 above reflect the amount awarded to Sir Brian net of the waiver. For information, the full bonus percentage entitlement based on performance, and before the waiver, is shown in Table 14 below.

TABLE 14 – BONUS AWARDED TO CHIEF EXECUTIVE (BEFORE WAIVERS)

	Sir Brian Souter Year ended 30 April
(before waivers)	2013
Bonus (percentage of maximum)	90%

The remuneration figures in Table 13 are calculated on the same basis as the single total figure of remuneration for directors shown in Table 1 in section 8.5.3.

Table 15 below shows the ratio of the Chief Executive's pay to the 25th ("P25"), median ("P50") and 75th ("P75") percentile total remuneration of full time equivalent UK employees in accordance with legislation which came into effect for financial years starting on or after 1 January 2019.

The Company has used its most recent quarterly salary data for all employees to select the employees who sit at the lower, median and upper quartile positions in that data across the UK workforce – Option C. In previous years, the most recent gender pay gap information has been used (Option B) but that now gives a less current and less representative results than Option C. The total annual remuneration relating to each of these employees is then calculated on the same basis as the Chief Executive's total remuneration in Table 1 to produce the ratios below:

TABLE 15 – PAY RATIO TABLE

Financial year	Method	Measure	Chief Executive	25th percentile	50th percentile	75th percentile
2021/22	Option C	Pay ratio		63:1	60:1	55:1
		Total pay	£1,751,000	£27,821	£29,172	£31,861
		Base salary	£652,000	£25,156	£26,641	£29,561
2020/21	Option B	Pay ratio		35:1	32:1	30:1
2019/20	Option B	Pay ratio		40:1	39:1	38:1

Notes to Table 15:

i. Total pay for the percentile employees selected include the following pay elements: base salary including adjustments for furlough pay, overtime payments, bonus and employer pension contributions. No other benefits or long-term incentive awards were payable to the employees at the above percentiles.

ii. The Remuneration Committee is satisfied that using this approach delivers a representative Chief Executive pay ratio relative to the general employee workforce.

Staff costs are a substantial proportion of the Group's costs. To ensure we continue to support the success of the Group and remain competitive in the transport markets in which we operate, the Group endeavours to offer remuneration that attracts and retains high quality employees but does not result in the Group's cost base being uncompetitive in the relevant markets. Remuneration for the vast majority of the Group's employees is therefore driven by the particular markets in which we operate. In attracting and retaining directors and senior managers, we compete with organisations from a range of sectors and for those employees, remuneration is less affected by the particular transport markets we operate in and more by pay rates for the relevant roles more generally.

The pay ratio has increased in 2021/22 because it is the first year of the three years shown in respect of which the Chief Executive was awarded a bonus that is reported in Table 1. As explained earlier in this report, that reflects the Remuneration Committee's assessment of the Chief Executive's strong performance for the year relative to the objectives the Committee set at around the start of the year.

8.5.11 Change in directors' remuneration compared to average employee remuneration (audited)

In accordance with the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, we report in Table 16 the percentage change in each of the Directors' remuneration compared with the average change for employees.

8. Directors' remuneration report (continued)

The parent company, Stagecoach Group plc, has no employees. Accordingly, information in Table 16 is presented for a comparator group of the Group's employees. The comparator group used comprises around 270 employees including the senior management team, the corporate head office employees and their administrative support staff. This comparator group was used because the Committee believes it provides a sufficiently large and relative comparator group to give a reasonable understanding of underlying increases, based on similar annual bonus performance measures utilised by Group management and support functions. The Group seeks to ensure that the basis for pay increases for Group management support functions are generally consistent with the pay rises for the broader workforce.

TABLE 16 – PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION COMPARED TO AVERAGE EMPLOYEE REMUNERATION

	Percentage change from 2019/20 to 2020/21			Percentage change from 2020/21 to 2021/22		
	Fees/Salary	Benefits[10]	Bonus	Fees/Salary	Benefits[10]	Bonus
Executive Directors						
Martin Griffiths	(9.6)%[1]	(0.1)%	n/a[2]	15.4%[1]	4.2%	n/a[11]
Ross Paterson	(9.6)%[1]	(1.0)%	n/a[2]	15.4%[1]	4.3%	n/a[11]
Non-Executive Directors						
Gregor Alexander	(8.6)%[1]	n/a[9]	n/a[9]	15.1%[1]	n/a[9]	n/a[9]
Sir Ewan Brown	(100.0)%[3]	n/a[9]	n/a[9]	n/a[3]	n/a[9]	n/a[9]
James Bilefield	(8.6)%[1]	n/a[9]	n/a[9]	15.1%[1]	n/a[9]	n/a[9]
Dame Jayne-Anne Gadhia	(100.0)%[4]	n/a[9]	n/a[9]	n/a[4]	n/a[9]	n/a[9]
Ray O'Toole	70.7%[5]	n/a[9]	n/a[9]	15.4%[1]	n/a[9]	n/a[9]
Sir Brian Souter	(67.5)%[6]	(100.0%)[6]	n/a[9]	15.1%[1]	n/a[6]	n/a[9]
Karen Thomson	(8.6)%[1]	n/a[9]	n/a[9]	15.1%[1]	n/a[9]	n/a[9]
Lynne Weedall	n/a[7]	n/a[9]	n/a[9]	38.7%[7]	n/a[9]	n/a[9]
Will Whitehorn	(91.2)%[8]	n/a[9]	n/a[9]	n/a[8]	n/a[9]	n/a[9]
Average employee						
Employee comparator group	0.9%	2.5%	n/a[2]	2.9%	5.6%	364.2%

1 2021/22 increases in the fees/salary of each of Martin Griffiths, Ross Paterson, Gregor Alexander, James Bilefield, Ray O'Toole, Sir Brian Souter and Karen Thomson reflect the effect of the waivers of pay explained in note i to Table 1 in section 8.5.3. The 2020/21 changes also include the effect of the waivers.
2 No bonuses were awarded to the Executive Directors or employees in respect of 2019/20.
3 Sir Ewan Brown left the Board on 31 December 2019 and so received no remuneration in respect of 2020/21 or 2021/22.
4 Dame Jayne-Anne Gadhia left the Board on 31 July 2019 and so received no remuneration in respect of 2020/21 or 2021/22.
5 The significant increase in Ray O'Toole's fees in 2020/21 reflect his appointment as Chairman from 1 January 2020. Prior to 1 January 2020, he was a non-executive director.
6 The significant decrease in Sir Brian Souter's fees and benefits in 2020/21 reflect that he served as Chairman until 31 December 2019 and from 1 January 2020, he has been a non-executive director. For 2019/20, he received a modest amount of benefits in addition to his fees, but he received no such benefits for 2020/21 or 2021/22.
7 Lynne Weedall joined the Board in 2020/21 and so has no comparative remuneration for 2019/20.
8 Will Whitehorn left the Board on 30 June 2020 and so received remuneration in respect of only the first two months of 2020/21, which was reduced by the effect of waivers of pay.
9 The Non-Executive Directors do not receive bonuses and do not generally receive significant benefits other than their fees.
10 Benefits shown here exclude pensions.
11 No bonuses for Executive Directors are reflected in Table 1 in respect of 2020/21. The 2020/21 bonus targets for the Executive Directors were achieved in full but reduced by 50% at the discretion of the Remuneration Committee in recognition of the extraordinary circumstances. The awards were also made wholly in the form of deferred shares subject to performance underpins and were therefore not recognised within remuneration for the year. Bonus awards made to certain senior managers in 2020/21 were also similarly subject to performance underpins and made wholly in the form of deferred shares.

8.5.12 Relative importance of spend on pay (audited)

The table below shows the expenditure of the Group on employee remuneration costs in the year ended 30 April 2022 and the year ended 1 May 2021. In addition, it details the disbursements from profit made by way of dividend payments during the same periods.

TABLE 17 – SPEND ON PAY RELATIVE TO DIVIDENDS

	2022 £m	2021 (restated) £m	Percentage change
Profit distributed by way of dividends to shareholders	–	–	–
Overall spend on pay for employees	781.0	783.6	(0.3)%

8.5.13 Shareholder voting at general meetings

The following table shows the results of the vote on the 2021 remuneration report at the 2021 Annual General Meeting, along with the last vote on the policy from the 2020 Annual General Meeting.

TABLE 18 – SHAREHOLDER VOTES

	Directors' 2021 Remuneration Report		Directors' 2020 Remuneration Policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For +	340,056,671	96.15%	392,300,406	98.45%
Against	13,628,773	3.85%	6,174,765	1.55%
Total votes cast (excluding withheld votes)	353,685,444	100.00%	398,475,171	100.00%
Votes withheld*	37,793,483		100,587	
Total votes cast (including withheld votes)	391,478,927		398,575,758	

+ The number of votes "for" the resolution includes those cast at the Chairman's discretion.
* A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

8.5.14 Implementation of remuneration policy in the financial year ending 29 April 2023

The Company's shares were de-listed with effect from 28 June 2022, following which we are not legally required to comply with the 2020 remuneration policy. The Board of Stagecoach, under the ownership of Bidco, shall continue to set remuneration policies and arrangements for executive pay considering the interest of all our stakeholder groups and aimed at promoting the long-term success of the Company. We are reviewing our remuneration policies to take account of the Company's change of ownership and our latest objectives. The comments below should therefore be read in that context.

8.5.14.1 Implementation of Executive Directors' remuneration policy

8.5.14.1.1 Fixed elements – basic salary

The Remuneration Committee decided that there will be no increase in basic salary for the Executive Directors for 2022/23. This represents the fifth consecutive year of a freeze in basic pay for the Executive Directors.

TABLE 19 – CHANGE IN BASIC SALARY – YEAR ENDING/ENDED 30 APRIL

	2022/23 Salary £	2021/22 Salary £	Percentage Change
Martin Griffiths	652,000	652,000	0.0%
Ross Paterson	434,700	434,700	0.0%

Salaries are effective from 1 May each year. The Committee has considered the broader employee context in determining salaries.

8.5.14.1.2 Other elements

No decisions have yet been made in relation to Executive Directors' performance-related remuneration arrangements for 2022/23, pending further discussions with DWS Infrastructure, which manages Bidco's investment in the Company. The Remuneration Committee has, however, set specified personal objectives and demanding financial objectives for the Executive Directors for 2022/23.

The bonus targets and objectives in respect of 2021/22, and the Committee's assessment of performance against those targets and objectives, are set out in section 8.5.3. The Committee is of the view that the 2022/23 targets and objectives are commercially sensitive for the time being and that it would be detrimental to the interests of the Company to disclose these before the end of the financial year.

Other elements of Executive Directors' remuneration, including pensions and benefits in kind, remain in accordance with the 2020 Policy for the time being.

8.5.14.2 Implementation of Non-Executive Directors' remuneration policy

The implementation of policy in relation to the Non-Executive Directors is in line with the 2020 Policy for the time being. The Chairman's fee is set by the Remuneration Committee and each other non-executive director's fee is set by the Board, taking account of the views of each director, the specific responsibilities of each director and the fees for equivalent roles in similar companies. No fees have been committed in relation to the DWS Infrastructure representatives who joined the Board in May 2022.

TABLE 20 – NON-EXECUTIVE DIRECTOR FEES

	2022/23 Annual fee levels £	2021/22 Annual fee levels £
Fees for role of Chairman	195,000	195,000
Other non-executive directors	60,900	60,900

9. Responsibility statement

The Directors confirm that to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and the undertakings included in the consolidation taken as a whole; and
- The Annual Report, including the Strategic report and the Directors' report include a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors also confirm that they consider the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The approach taken in reaching this conclusion is explained in the Audit Committee report in section 5.4.8 of this Annual Report.

Signed on 29 June 2022 on behalf of the Board by:

Martin A Griffiths
Chief Executive

Ross Paterson
Finance Director

10. Independent auditor's report to the members of Stagecoach Group plc (Company No. SC100764)

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section:

- Stagecoach Group plc's consolidated financial statements (the "consolidated financial statements") and separate financial statements of the parent (the "Company financial statements") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2022 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Stagecoach Group plc (the "parent Company") and its subsidiaries (together, the "Group") for the year ended 30 April 2022 which comprise:

Group	Parent company
Consolidated income statement for the year the ended 30 April 2022	Company balance sheet as at 30 April 2022
Consolidated statement of comprehensive income for the year ended 30 April 2022	Company statement of changes in equity
Consolidated balance sheet (statement of financial position) as at 30 April 2022	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity	
Consolidated statement of cash flows for the year the ended 30 April 2022	
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law, and UK-adopted International Accounting Standards. 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).

Basis for qualified opinion

Certain of the Company's subsidiaries participate in Local Government Pension Schemes ("LGPSs"), which are all closed to new members from the Group. Where a private sector employer ceases to have any employees who are active members in an LGPS, that automatically triggers the employer's exit from the LGPS except where the employer agrees alternative arrangements with the relevant LGPS. Where an exit from an LGPS is triggered, an amount may be payable or receivable by the employer to or from the scheme.

At 30 April 2022, the Group recognised an LGPS liability of £160.3m (2021: £233.2m), a pension asset of £185.3m (2021: £262.9m) and restricted the net asset by £25.0m (2021: £30.4m). The accounting policy adopted by the Group is set out in note 1(e)(i) to the consolidated financial statements. At each balance sheet date, the Group measures the relevant pension scheme assets in respect of LGPS participation at market value, measures the pension scheme obligations to pay pensions through to the deaths of the relevant members / their dependents at discounted present value and where applicable, restricts the net asset recognised (i.e. the gross assets less the gross obligations) to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

In our view, management's valuation of the Group's LGPS net asset/liability represents a departure from IAS 19 – Employee Benefits and IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Where a section of the LGPS scheme is closed to new members, we believe that the defined benefit obligation should be calculated taking into consideration the specific rules set out in The Local Government Pension Scheme Regulations 2013 ("the Regulations") and reflect the estimated cash flows required to eliminate the Company's obligations from these schemes, including the estimated cash flows arising on an exit. Furthermore, there should be no additional IFRIC 14 restriction to the LGPS net asset, given the right of the Group to receive a refund from the scheme is limited only to the extent of the actuarially determined surplus at the point of exit or any discretion applied by the administering authority.

The Company obtained independent accounting advice from another accountancy firm, which we read and considered together with EY IFRS specialists. Following discussion with the independent accountancy firm and the Company, including the Audit Committee, we reached a different independent conclusion. The Company has determined the impact of the different accounting treatment in note 1(e)(i) of the consolidated financial statements based on calculations prepared by an independent actuary.

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 auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group and 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 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 prohibited by the Financial Reporting Council's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting the audit.

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 and parent Company's ability to continue to adopt the going concern basis of accounting included:

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Risk assessment procedures

- We confirmed our understanding of the going concern process and engaged with management early to ensure all key matters were considered in its assessment;
- We performed our own assessment of the going concern risks at the planning and execution stages of the audit;
- We reviewed regulatory news service reports and press releases from the Group in relation to the cash offer from Inframobility UK Bidco Limited as set out in note 32 of the consolidated financial statements;
- We reviewed the offer document from Inframobility UK Bidco Limited, a company indirectly wholly owned by Pan-European Infrastructure III SCSp, an infrastructure fund managed and advised by DWS Infrastructure, in order to consider the impact of the acquisition on the Group's and the parent Company's going concern assessment.

Management's method

- We obtained management's board approved forecast cash flows, going concern assessment and covenant calculations covering the review period from the date of signing to 30 June 2023, being the going concern assessment period.

Assumptions

- We assessed management's future passenger assumptions by comparing these to historical data trends and through considering actual passenger data trends from May 2021 through to May 2022;
- We reviewed industry reports and market data for indicators in relation to passenger volumes, and consulted with EY transport sector specialists, for contradictory evidence to challenge the going concern assessment;
- We reviewed existing government assistance, Bus Recovery Grant, Network Support Grant Plus and Bus Emergency Scheme, that continue to support the Group, assessing the impact of the assistance on future cash flows;
- We reviewed management's COVID-19 recovery impact assessment on the forecasts, considering the accuracy of management's forecasting against the actual impact experienced by the Group; and
- We challenged the impact of increasing inflation and performed sensitivity analysis on potential cost increases including payroll and fuel.

Stress testing and management's plans for future actions

- We performed reverse stress testing on management's forecasts, assuming the receipt of no government support beyond the currently announced period, together with a crystallisation of contingent liabilities and a further significant deterioration in operating profit, to understand how severe the downside scenarios would have to be to result in the elimination of liquidity headroom or a covenant breach;
- We reviewed management's assessment of controllable mitigations available to the Group to reduce cash flow spend in the going concern period, including the reduction in variable costs such as fuel, and payroll costs as a result of reduced mileage, in order to determine whether such actions could be affected and would be within the Group's control.

Debt facilities, liquidity and banking covenants

- Through the support of our debt advisory specialists, we performed a review of the Group's principal committed debt facilities to understand the terms and conditions in relation to covenants;
- We reviewed the accuracy of management's covenant forecast model, verifying inputs to board approved forecasts and facility agreement terms;
- We agreed cash balances as at 30 April 2022 to externally received bank confirmations;
- We involved our debt advisory specialists in challenging management and DWS Infrastructure as to the future funding plans for the Group and to consider the impact of the acquisition transaction on existing financing arrangements. In addition, we have reviewed the draft terms of the debt proposed to be put in place above the Group in the DWS ownership structure to understand its impact on the terms and conditions of the Group's existing financing arrangements;
- We reviewed the change of control clauses within the Group's debt facilities and directly obtained the change of control waivers from the Group's lenders in respect of £275m of committed Revolving Credit Facilities ("RCF") and relevant leases used in the going concern assessment;
- We read management's presentations to rating agencies and reviewed clauses in the Group's existing bond agreement in respect of the requirement to maintain the Group's investment grade credit rating on a change of control and discussed with DWS their future plans to ensure that the investment grade credit ratings are maintained. We confirmed the Group's investment grade credit rating by S&P and Moody's which is a requirement of the Group's existing bond agreement on a change of control;
- We understood management's process for obtaining other non-debt change of control waivers to consider the impact on the going concern assessment.

Disclosures

- We considered whether management's disclosures, in the Annual Report and financial statements, were appropriate and sufficiently capture the impacts of the change in ownership on the going concern assessment and the ongoing recovery from COVID-19.

The audit procedures performed in evaluating the Directors' assessment were performed by the Group engagement team.

Key observations

As reported to the Audit Committee, we noted that the Group is forecast to maintain both liquidity and covenant headroom in the base case and downside scenarios. The reverse stress test scenario indicated that the Group would need to be exposed to a material downturn in trading, profitability and cash flows, including receiving no further government support beyond periods announced, in order to firstly breach covenants and then exhaust available liquidity. The Directors do not consider this scenario to be plausible and are satisfied that the impact can be mitigated by further cash and cost saving measures which are within their control during the going concern period.

Post year end the Group was acquired by Inframobility UK Bidco Limited. We verified the change of control waivers obtained in respect of the Group's committed bank facilities. We noted that S&P and Moody's maintained the Group's investment grade credit rating which prevents any redemption of the Group's £400m bonds by bondholders following the change of control.

Conclusion

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 from when the financial statements are authorised for issue to 30 June 2023. Going concern has also been determined to be a key audit matter.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

In relation to the Group and parent Company's reporting on how they have 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or parent Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 25 components and audit procedures on specific balances for a further 20 components. • The components where we performed full or specific audit procedures accounted for 97% of adjusted profit before tax, 99% of revenue and 99% of total assets.
Key audit matters	• Accounting for Local Government Pension Schemes • Impact of change of ownership on the Group's going concern assessment • Valuation of provision for claims • Valuation of Stagecoach Group Pension Scheme ("SPS") pension liabilities • Management override of controls in relation to revenue recognition
Materiality	• Overall Group materiality of £4.1m which represents 0.35% of revenue.

An overview of the scope of the Group and parent Company audits

	Components		Percentage of adjusted profit before tax		Percentage of revenue		Percentage of total assets	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Full scope	**25**	14	**41%**	69%	**74%**	58%	**77%**	68%
Specific scope	**20**	23	**37%**	33%	**25%**	41%	**22%**	30%
	45	37	**78%**	102%	**99%**	99%	**99%**	98%
Parent and consolidation adjustments			**19%**	(5)%	**0%**	0%	**0%**	0%
Overall coverage			**97%**	97%	**99%**	99%	**99%**	98%

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 55 (2021: 55) reporting components of the Group, we selected 45 components (2021:37) covering entities within the UK Bus (regional operations), UK Bus (London) and UK Rail segments, which represent the principal business units within the Group.

Of the 45 reporting components selected, we performed an audit of the complete financial information of 25 components ("full scope components") that were selected based on their size or risk characteristics. For the 20 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the consolidated financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2021: 99%) of the revenue measure used to calculate materiality. In the prior year, revenue was also used to calculate materiality and the selected full and specific scope components accounted for 99% of this in 2021. In summary, reporting components accounted for 99% (2021: 99%) of the revenue, 97% (2021: 97%) of adjusted profit before tax and 99% (2021: 98%) of total assets. For the current year, the full scope components contributed 74% of revenue. In the prior year, the full scope components contributed 58% of revenue used to calculate materiality. In summary, full scope components accounted for 74% (2021: 58%) of revenue, 41% (2021: 69%) of adjusted profit before tax and 77% (2021: 68%) of total assets. The specific scope components contributed 25% of revenue. In the prior year, the specific scope components contributed 41% of revenue to calculate materiality. In summary, specific scope components accounted for 25% (2021:41%) of revenue, 37% (2021: 33%) of adjusted profit before tax and 22% (2021: 30%) of total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining components none is individually greater than 1% of revenue. For these components, we performed other procedures, including analytical review to respond to any potential risks of material misstatement to the consolidated financial statements.

Changes from the prior year

In the prior year, we issued group audit instructions to a firm out with the EY network of firms with respect to the specific scope audit of the WCT Group joint venture. As a result of the wind-down of the WCT Group joint venture, we did not engage the services of a firm out with the EY network, and instead the EY Group engagement team performed audit procedures on the WCT Group joint venture.

Involvement with component teams

The audit work on all in scope reporting units, was performed directly by the Group engagement team. We moved to a centrally delivered Group audit, removing the need for component auditors from other EY global network firms, as well as those outside of the EY network of firms.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

During the current year's audit cycle, a visit was undertaken by the audit team to the key locations across the Group. These visits involved meeting with local management to discuss their areas of the business. The remainder of the audit work was delivered remotely, whilst maintaining regular dialogue with local finance management via videoconference and through involvement of senior members of the Group engagement team and partners. The performance of the audit was supported through remote access to the financial systems and the use of EY software collaboration platforms to facilitate information sharing.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts on the consolidated financial statements from climate change on their operations will be from the estimation uncertainty arising from climate change considerations in estimating the useful lives of passenger service vehicles. Change in regulation around the use of passenger service vehicles could result in impairment losses or increased depreciation charges.

Climate-related risks are explained in section 1.8.2.4.1.3 of the Annual Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Group's Taskforce for Climate Related Financial Disclosures, and the basis of preparation in, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and timing of future cash flows under the requirements of IFRS.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed in section 1.8.2.4.1.3 of the Annual Report have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being the carrying value of goodwill, carrying value of the parent Company's investments in subsidiaries and the recoverability of fixed assets. We also challenged the Board's considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050 and targeting to have a zero emission UK bus fleet by 2035, the Group is currently unable to determine the full future economic impact on their medium to long term business model, operational plans and customers to achieve this and therefore, as set out above, the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 that 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 our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Basis for qualified opinion section, and change of ownership on the Group's going concern assessment, which we consider to be a key audit matter, we have determined the matters described below to be the key audit matters to be communicated in our report:

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of provision for claims The bus insurance claims provision is a key source of estimation uncertainty that includes a forecast-based element that relies on actuarial assessments and management judgement. The key audit matter is unchanged compared to 2021. Refer to the Audit Committee report (section 5.4.1), accounting policies in note 1, and note 22 to the consolidated financial statements. As at 30 April 2022, the Group recognised total claims provisions amounting to £97.9m (2021: £106.7m), of which £87.0m (2021: £96.0m) relates to amounts payable on individual claims in relation to the bus businesses. The Group protects against the cost of bus claims through third party insurance policies. The Group has exposure primarily relating to an "excess" it is responsible for paying per claim and this is provided for on a discounted basis. The estimate is based on an assessment of the expected settlement of known claims and claims not yet reported but related to incidents prior to the balance sheet date. The provisions are based on an independent actuarial computation, with adjustment by management to reflect its view of volatility in actuarial estimates from year to year. The significant risk arises due to the inherent uncertainty in actuarial assessments and the level of management judgement exercised in determining the appropriate level of volatility adjustment.	We gained an understanding of management's key controls and processes in place to assess claims and related provisions. We evaluated the appropriateness of the processes, methodologies and assumptions used by management through performance of our process walkthrough tests. We assessed the terms and conditions within the insurance policy documents to ensure all relevant terms have appropriately been considered in the provision calculation. Through the involvement of our insurance actuarial specialists, we evaluated the independence, competence, capabilities and objectivity of management's external actuarial specialists, and the appropriateness of the processes, methodologies and assumptions used by them. We challenged management's assumptions and methodology in relation to the volatility adjustment, by using EY insurance actuarial specialists, corroborating to comparable benchmarks and considering contra indicators. We also considered a number of other client specific risk factors (e.g. claims experience and claims development trends) in assessing the appropriateness of the amount of the claims provisions recorded. We corroborated a sample of both open and closed claims, and reserve movements to source documentation. We recalculated the arithmetical accuracy of the model used by management. We assessed the appropriateness of disclosures. All audit work in relation to this key audit matter was undertaken by the Group engagement team, with the assistance of EY insurance actuarial specialists.	Based on our consideration of management's actuarial experts' report and testing of source claims data, we concluded that the methodology, assumptions and approach used by management's specialists was appropriate. We have also confirmed that management's adjustments to the actuarial central estimate are appropriate and we did not note any material exceptions based on our testing of the claims and settlement information. We concluded management's external actuarial specialists are competent and objective. We concluded that the valuation of the bus insurance claims provision is appropriate and are satisfied with the appropriateness of the related disclosures within the financial statements.
Valuation of Stagecoach Group Pension Scheme ("SPS") pension liabilities The valuation of pension liabilities is a key source of estimation uncertainty that includes a forecast-based element that relies on actuarial assessments and management judgement. The key audit matter has been revised to be specific to SPS pension scheme compared to 2021. Refer to the Audit Committee report (section 5.4.1), accounting policies in note 1, and notes 6 and 23 to the consolidated financial statements. At 30 April 2022, the Group recognised a net SPS pension deficit of £29.5m (2021: £258.9m). The significant risk relates to the potential misstatement of the gross SPS pension liabilities of £1,502.8m (2021: £1,721.2m) due to the significant judgements being exercised by management in determining the appropriate underlying actuarial assumptions.	We understood and walked through management's process and methodology for calculating the pension liability for the pension scheme. We evaluated the competence and objectivity of management's external actuarial specialists. Through the involvement of our EY pension actuarial specialists, we corroborated key assumptions (including discount rate, life expectancies of scheme members and inflation rate) using external third party data and independently assessed the assumptions to allow us to determine whether the Group's assumptions are within an acceptable range. We tested a sample of the membership data used by the actuaries to source documentation. We assessed the appropriateness of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the Group engagement team, with the assistance of EY pension actuarial specialists.	We concluded that management's judgements in relation to the underlying actuarial assumptions are appropriate and that the recorded balances lie within our acceptable range. We concluded management's external actuarial specialists are competent and objective. We are satisfied with the appropriateness of the related disclosures within the financial statements.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override of controls in relation to revenue recognition This is a risk of error in revenue due to the non-routine nature of the timing and valuation of certain revenue and manual revenue journals. The key audit matter is unchanged compared to 2021. Refer to the accounting policies in note 1, and notes 2 and 3 to the consolidated financial statements. For the year ended 30 April 2022, the Group recognised revenue of £1,176.5m (2021: £928.2m). Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud, arising from management override of controls. Revenue arrangements for customer travel are generally routine. However, in some instances, manual adjustments are required to reflect appropriately the timing and valuation of revenue recognised, for example cash received for the sale of season tickets or travel cards. The relevant government bodies have continued to make concession and tender payments as a percentage of pre-COVID levels in order to help provide support to operators in order to maintain a level of service required. Additionally, Transport for London has paid contractual revenue amounts. The accuracy of recording any such material adjustments to revenue related transactions may represent a fraud risk of material misstatement to revenue. This includes material manual adjustments to accrued or deferred income balance sheet items that impact revenue in the income statement.	We obtained an understanding of the key controls and processes in place over revenue recognition and the recording of manual revenue journal entries. We assessed whether the Group's accounting policy is in compliance with IFRS 15 Revenue from Contracts with Customers. On full and specific scope components, we employed data analytic techniques to correlate sales journals to cash journals and then vouched a sample of those journals to supporting evidence. We tested non-correlating entries to third party evidence to ensure that revenue had been appropriately recognised. On full and specific scope components, we used risk-based filters to test material manual journal entries to revenue through to supporting evidence to confirm that the revenue recognised was appropriate and was in line with the Group's accounting policy. In relation to Transport for London revenues and UK Bus regional concession and tender revenues, we reviewed correspondence with Transport for London, the Department for Transport and local authorities as appropriate to confirm the terms and conditions of amounts received and receivable, ensuring that revenue was recognised appropriately and in accordance with IFRS 15. We assessed the appropriateness of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the Group engagement team.	On the basis of the procedures performed, we have concluded that revenue has been recognised and disclosed appropriately in the financial statements.

In the prior year we had one key audit matter to cover pension liability risks (valuation of pension liabilities). In the current year, we have split the pension key audit matter into two separate key audit matters – Valuation of the Stagecoach Group Pension Scheme ("SPS") pension liabilities and Accounting for Local Government Pension Schemes to account for the challenges raised in respect of the accounting treatment for Local Government Pension Schemes.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

This is defined as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Using professional judgement, we determined materiality for the Group to be £4.1m (2021: £3.8m), which is 0.35% (2021: 0.4%) of revenue. We believe that revenue provides us with a key indication of the Group's performance in the current environment. In determining our benchmark for materiality, we considered a number of different metrics used by investors and other users of the financial statements. We consider that analysts are focused on the speed at which underlying operations and revenue are returning to normal. Setting materiality when the businesses of the Group have been impacted by COVID-19 requires greater auditor judgment. We continue to believe that ordinarily materiality based on adjusted profit before tax would be appropriate given the long-term users of the financial statements key measure of performance, but 2022 results were impacted by a number of COVID-19 factors including social distancing, travel restrictions and the benefit of government assistance without which the Group would have been loss-making. In selecting revenue as the basis of materiality, we have chosen 0.35% of revenue, which is below our normal materiality range of 0.5% – 2%. This reflects the 2021/22 risks associated with COVID-19 and the change in ownership of the Group.

We determined materiality for the parent Company to be £4.1m (2021: £3.8m), which is 0.3% (2021: 0.2%) of total assets. The materiality determined for the Company financial statements is consistent with the materiality determined for the consolidated financial statements. For the purposes of the audit of the consolidated financial statements, our procedures, including those on balances in the parent Company, are undertaken with reference to the Group materiality and performance materiality set out in this report.

During the course of our audit, we reassessed initial materiality and there was no reason to change it.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Performance materiality

This relates to the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £3.1m (2021: £2.8m). We have set performance materiality at this percentage due to the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the Group and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.6m to £2.0m (2021: £0.6m to £1.9m).

Reporting threshold

This is defined as an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2021: £0.2m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' 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 this 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 there is 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 the other information, we are required to report that fact.

As described in the Basis for qualified opinion section of our report, our audit opinion is qualified for the valuation of the LGPS liability and net LGPS pension asset. Information on the valuation of LGPS included in the Strategic report also omits this information and accordingly we have concluded that the other information is materially misstated for the same reason.

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.

Except for the matter described in the Basis for qualified opinion section of our report, 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 those reports have been prepared in accordance with applicable legal requirements.

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

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

Except for the matter described in the Basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:
- the strategic report or the Directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- 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 Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review by ISAs (UK).

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 or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out in section 3.11.1;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out in section 3.11.2;
- Directors' statement on fair, balanced and understandable set out in section 9;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out in section 4.12.3;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out in section 4.12.2 and;
- The section describing the work of the Audit Committee set out in section 5.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out in section 3.5, 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 and 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.

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 auditors' 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with those charged with governance of the Group and parent Company, and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant include compliance with applicable health & safety, environmental and data protection regulations, competition and consumer protection laws, labour regulations and employee rights laws.
- We understood how the Group is complying with those frameworks to the extent that could materially impact the financial statements by making enquiries of management, internal audit, those responsible for legal and compliance procedures, and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- Through the involvement of EY forensic professionals, we assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations and enquiries of senior management.
- We identified any relevant instances of non-compliance with laws and regulations at Group components through the direction and oversight of our component audit teams. We discussed any findings with senior management.

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

Other matters we are required to address

Following the recommendation of the Audit Committee, our appointment to audit the financial statements for the year ending 30 April 2022 and subsequent financial periods was updated on 9 February 2022.

The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ended 29 April 2017 to 30 April 2022.

The audit opinion is consistent with our additional report to the Audit Committee.

10. Independent auditors' report to the members of Stagecoach Group plc (Company No. SC100764) (continued)

Use of our report

This report is made solely to the parent 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 parent Company's members those matters we are required to state to them in an auditors' 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 parent Company and the parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Julie Cavin
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
29 June 2022

11. Consolidated financial statements

Consolidated income statement
For the year ended 30 April 2022

	Notes	**2022** Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m	2021 Performance excluding separately disclosed items £m	Separately disclosed items (note 4 / restated – see note 1(b)) £m	Results for the year (restated – see note 1(b)) £m
CONTINUING OPERATIONS							
Revenue	*2(a)*	**1,176.5**	**–**	**1,176.5**	928.2	–	928.2
Operating costs and other operating income	*3*	**(1,107.2)**	**(5.8)**	**(1,113.0)**	(883.9)	(19.9)	(903.8)
Operating profit of Group companies	*2(b)*	**69.3**	**(5.8)**	**63.5**	44.3	(19.9)	24.4
Share of profit of joint ventures after finance income and taxation	*2(c)*	**3.4**	**–**	**3.4**	3.8	–	3.8
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	*2(b)*	**72.7**	**(5.8)**	**66.9**	48.1	(19.9)	28.2
Finance income	*5*	**0.7**	**1.0**	**1.7**	0.5	–	0.5
Finance costs	*5*	**(29.3)**	**–**	**(29.3)**	(31.6)	(2.6)	(34.2)
Profit/(loss) before taxation		**44.1**	**(4.8)**	**39.3**	17.0	(22.5)	(5.5)
Taxation	*7*	**(5.5)**	**(16.0)**	**(21.5)**	(2.0)	10.8	8.8
Total profit for the year		**38.6**	**(20.8)**	**17.8**	15.0	(11.7)	3.3
Attributable to:							
Equity holders of the parent		**38.6**	**(21.0)**	**17.6**	15.0	(11.8)	3.2
Non-controlling interest		**–**	**0.2**	**0.2**	–	0.1	0.1
		38.6	**(20.8)**	**17.8**	15.0	(11.7)	3.3
Earnings per share (all of which relates to continuing operations)							
Adjusted basic/Basic	*9*	**7.0p**		**3.2p**	2.7p		0.6p
Adjusted diluted/Diluted	*9*	**6.9p**		**3.2p**	2.7p		0.6p

The accompanying notes form an integral part of this consolidated income statement.

11. Consolidated financial statements (continued)

Consolidated statement of comprehensive income
For the year ended 30 April 2022

	2022 £m	2021 (restated – see note 1(b)) £m
Profit for the year	**17.8**	3.3
Items that may be reclassified to profit or loss		
Cash flow hedges:		
– Net fair value gains on cash flow hedges	**111.0**	25.8
– Reclassified and reported in profit for the year	**(12.0)**	11.4
– Tax effect of cash flow hedges	**(18.8)**	(7.1)
Total items that may be reclassified to profit or loss	**80.2**	30.1
Items that will not be reclassified to profit or loss		
Actuarial gains on Group defined benefit pension schemes	**261.6**	185.1
Tax effect of actuarial gains on Group defined benefit pension schemes	**(32.5)**	(28.8)
Total items that will not be reclassified to profit or loss	**229.1**	156.3
Other comprehensive income for the year	**309.3**	186.4
Total comprehensive income for the year	**327.1**	189.7
Attributable to:		
Equity holders of the parent	**326.9**	189.6
Non-controlling interest	**0.2**	0.1
	327.1	189.7

11. Consolidated financial statements (continued)

Consolidated balance sheet (statement of financial position)
As at 30 April 2022

	Notes	2022 £m	2021 £m
ASSETS			
Non-current assets			
Goodwill	*10*	**51.9**	51.9
Other intangible assets	*11*	**4.3**	12.3
Property, plant and equipment:			
– Owned assets	*12(a)*	**732.1**	760.4
– Right-of-use assets	*12(b)*	**68.6**	90.6
Interests in joint ventures	*13*	**7.2**	6.7
Derivative instruments at fair value	*24(g)*	**36.2**	4.1
Retirement benefit assets – net of withholding tax payable	*23*	**45.3**	1.1
Other receivables	*16*	**20.4**	18.1
		966.0	945.2
Current assets			
Inventories	*15*	**12.3**	9.5
Trade and other receivables	*16*	**133.5**	117.3
Derivative instruments at fair value	*24(g)*	**61.2**	0.8
Cash and cash equivalents	*18*	**248.9**	602.3
Assets classed as held for sale	*12(c)*	**2.4**	0.8
		458.3	730.7
Total assets	*2(d)*	**1,424.3**	1,675.9
LIABILITIES			
Current liabilities			
Trade and other payables	*19*	**268.5**	271.5
Current tax liabilities		**18.2**	1.1
Borrowings:			
– Lease liabilities	*20*	**22.1**	22.7
– Other borrowings	*20*	**–**	434.9
Derivative instruments at fair value	*24(g)*	**2.2**	7.8
Provisions	*22*	**36.7**	41.0
		347.7	779.0
Non-current liabilities			
Other payables	*19*	**27.9**	15.5
Borrowings:			
– Lease liabilities	*20*	**52.3**	59.4
– Other borrowings	*20*	**404.7**	406.6
Derivative instruments at fair value	*24(g)*	**1.6**	4.3
Deferred tax liabilities	*21*	**48.4**	0.8
Provisions	*22*	**75.1**	84.4
Retirement benefit obligations	*23*	**75.1**	264.9
		685.1	835.9
Total liabilities	*2(d)*	**1,032.8**	1,614.9
Net assets	*2(d)*	**391.5**	61.0
EQUITY			
Ordinary share capital	*25*	**3.2**	3.2
Share premium account	*27*	**8.4**	8.4
Retained earnings	*27*	**(48.8)**	(299.0)
Capital redemption reserve	*27*	**422.8**	422.8
Own shares	*27*	**(69.6)**	(69.6)
Cash flow hedging reserve	*27*	**75.4**	(4.8)
Total equity attributable to the parent		**391.4**	61.0
Non-controlling interest		**0.1**	–
Total equity		**391.5**	61.0

These financial statements have been approved for issue by the Board of Directors on 29 June 2022. The accompanying notes form an integral part of this consolidated balance sheet.

Martin A Griffiths
Martin A Griffiths
Chief Executive

Ross Paterson
Ross Paterson
Finance Director

Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Cash flow hedging reserve £m	**Total equity attributable to parent £m**	Non-controlling interest £m	**Total equity £m**
Balance at 2 May 2020	3.2	8.4	(460.1)	422.8	(69.6)	(34.9)	**(130.2)**	–	**(130.2)**
Profit for the year (restated – see note 1(b))	–	–	3.2	–	–	–	**3.2**	0.1	**3.3**
Other comprehensive income, net of tax (restated – see note 1(b))	–	–	156.3	–	–	30.1	**186.4**	–	**186.4**
Total comprehensive income	–	–	159.5	–	–	30.1	**189.6**	0.1	**189.7**
Shareholder transactions with non-controlling interest	–	–	–	–	–	–	**–**	(0.1)	**(0.1)**
Credit in relation to equity-settled share based payments	–	–	1.6	–	–	–	**1.6**	–	**1.6**
As at 1 May 2021	3.2	8.4	(299.0)	422.8	(69.6)	(4.8)	**61.0**	–	**61.0**
Profit for the year	–	–	17.6	–	–	–	**17.6**	0.2	**17.8**
Other comprehensive income, net of tax	–	–	229.1	–	–	80.2	**309.3**	–	**309.3**
Total comprehensive income	–	–	246.7	–	–	80.2	**326.9**	0.2	**327.1**
Credit in relation to equity-settled share based payments	–	–	3.5	–	–	–	**3.5**	–	**3.5**
Dividends paid to non-controlling interest	–	–	–	–	–	–	**–**	(0.1)	**(0.1)**
As at 30 April 2022	3.2	8.4	(48.8)	422.8	(69.6)	75.4	**391.4**	0.1	**391.5**

11. Consolidated financial statements (continued)

Consolidated statement of cash flows

For the year ended 30 April 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated by operations	*28*	**155.1**	136.2
Interest paid		**(20.0)**	(21.4)
Interest received		**0.7**	0.5
Dividends received from joint ventures		**2.9**	2.4
Net cash flows from operating activities before tax		**138.7**	117.7
Tax paid		**(6.4)**	(2.6)
Net cash from operating activities after tax		**132.3**	115.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(38.7)**	(56.6)
Cash proceeds from sale and leaseback of property		**–**	5.9
Disposal of other property, plant and equipment		**1.5**	1.8
Receipt of capital grants		**15.4**	5.5
Purchase of intangible assets		**(3.1)**	(6.0)
Loan repaid by/(paid to) joint venture		**0.1**	(0.2)
Net cash outflow from investing activities		**(24.8)**	(49.6)
Cash flows from financing activities			
Payments of principal portion of lease liabilities		**(24.3)**	(27.1)
Proceeds from Covid Corporate Financing Facility		**–**	596.6
Repayment of Covid Corporate Financing Facility		**(300.0)**	(300.0)
Repayment of other borrowings		**(17.4)**	(200.1)
Dividends paid to non-controlling interest		**(0.1)**	–
Net cash (outflow)/inflow from financing activities		**(341.8)**	69.4
Net (decrease)/increase in cash and cash equivalents		**(234.3)**	134.9
Cash and cash equivalents at the beginning of the year		**483.2**	348.3
Cash and cash equivalents at the end of year	*18*	**248.9**	483.2

Cash and cash equivalents shown in the above consolidated statement of cash flows include the cash and cash equivalents of £248.9m (2021: £602.3m) shown on the consolidated balance sheet, less bank overdrafts of £Nil (2021: £119.1m) included in other borrowings within current liabilities in the consolidated balance sheet.

International Accounting Standard 7, Statement of Cash Flows, states that investments will normally qualify as cash equivalents only if the maturity, at acquisition, is less than three months. The Group's cash equivalents can include deposits with well-rated financial institutions with a maturity, at acquisition, of up to twelve months but only where the Group considers that any "break cost" in converting the deposits to cash in advance of their maturity is insignificant.

Cash equivalents include investments in certain money market funds. The Group's investments in money market funds can generally be converted to cash with less than one days' notice and the risk of day-to-day changes in the value of the investments is considered to be insignificant.

The accompanying notes form an integral part of this consolidated statement of cash flows.

Notes to the consolidated financial statements

Note 1 IFRS accounting policies

(a) Introduction

These consolidated financial statements are presented in respect of the group of companies headed by Stagecoach Group plc. Stagecoach Group plc is a public limited liability company, limited by shares. It is incorporated, domiciled and has its registered office in Scotland. Its registered number is SC100764 and its registered address is 10 Dunkeld Road, Perth PH1 5TW.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the years presented, except for the change in the accounting policy for software as a service – see notes 1(s) and 11.

(b) Basis of preparation

(i) Overview

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention as except for:
(i) assets classified as fair value through other comprehensive income ("FVOCI"); and
(ii) financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one hundred thousand (£0.1m) except where otherwise indicated.

The Group reports its annual results based on a financial year ending on the Saturday nearest to 30 April. This report therefore sets out the Group's results for the 52-week period from 2 May 2021 to 30 April 2022. Prior year comparatives are for the 52-week period from 3 May 2020 to 1 May 2021.

These financial statements have been prepared on a going concern basis. Taking account of the change in ownership and recovery from COVID-19, and other relevant factors, the Directors concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements. The Directors have a reasonable expectation that the Group will continue to operate as a going concern for the duration of the going concern period, being the period to 30 June 2023.

The Strategic report in section 1 of this Annual Report includes information on the actions taken in response to the COVID-19 pandemic (including in section 1.3), the outlook for the Group (including in sections 1.3 and 1.7) and the Group's financial position and liquidity (including in section 1.6.10). Section 3.11 of this Annual Report provides additional information on the Directors' assessment of the Group's ability to continue as a going concern, and of its longer term viability. Section 5.4.1 of this Annual Report includes information on the Audit Committee's consideration of going concern, and the work and conclusions of the Audit Committee in respect of that.

(ii) Restatement of comparative amounts for the year ended 1 May 2021: Tyne & Wear Local Government Pension scheme settlement

During the year ended 1 May 2021, the Group's last remaining active members in the Tyne & Wear Local Government Pension scheme ("LGPS") left that scheme and transferred to the Stagecoach Group Pension Scheme. As a result of the Group having no remaining active members in the Tyne & Wear scheme, the Group's participation in that scheme automatically ceased. The exit from the scheme was accounted for as a settlement in the year ended 1 May 2021.

The Group's consolidated financial statements included an asset ceiling in respect of the scheme. During the year ended 1 May 2021, the asset ceiling was re-measured such that the net retirement benefit asset in relation to the scheme (after deducting the applicable asset ceiling) equalled the estimated amount receivable by the Group in relation to its exit from the scheme. The re-measurement of the asset ceiling was reflected in the consolidated statement of comprehensive income. On the trigger of the Group's exit from the scheme, the retirement benefit gross assets, gross liabilities and asset ceiling were de-recognised and the estimated amount receivable from the scheme was recognised in the consolidated balance sheet within other receivables. The amount of the asset ceiling de-recognised was £30.2m.

Paragraph 101A of International Accounting Standard 19 ("IAS 19"), Employee Benefits, requires that where a plan settlement has taken place, any asset ceiling hitherto applied in limiting the value of any surplus or deficit recognised in a scheme is disregarded and any underlying surplus is written off to the income statement down to its recoverable amount. Any asset ceiling provision is written back through the statement of other comprehensive income as a re-measurement adjustment. The treatment adopted at 1 May 2021 did not disregard the asset ceiling in measuring the gain or loss on settlement.

On a further review of the detailed requirements of IAS 19 since finalising the Group's consolidated financial statements for the year ended 1 May 2021, the Directors concluded that it would have been more appropriate to:

- compare (a) the estimated amount receivable from the scheme of £3.5m with (b) the net retirement asset, ignoring the asset ceiling, of £33.7m, and recognise the resulting loss of £30.2m in the consolidated income statement; and
- recognise the £30.2m re-measurement of the asset ceiling in the consolidated statement of comprehensive income.

This restatement has no impact on adjusted earnings per share for the year ended 1 May 2021 because the charge to the income statement is presented as a separately disclosed item. The restatement also has no impact on the consolidated balance sheet as at 1 May 2021 or the consolidated statement of cash flows for the year ended 1 May 2021.

The effect of the prior year restatement for the year ended 1 May 2021 is as follows:

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(b) Basis of preparation (continued)

(ii) Restatement of comparative amounts for the year ended 1 May 2021: Tyne & Wear Local Government Pension scheme settlement (continued)

	As previously reported £m	Effect of restatement £m	Restated £m
Profit/(loss) before taxation	24.7	(30.2)	(5.5)
Taxation	8.8	–	8.8
Profit for the year	33.5	(30.2)	3.3
Items that may be reclassified to profit or loss			
Total items that may be reclassified to profit or loss	30.1	–	30.1
Items that will not be reclassified to profit or loss			
Actuarial gains on Group defined benefit pension schemes	154.9	30.2	185.1
Tax effect of actuarial gains on Group defined benefit pension schemes	(28.8)	–	(28.8)
Total items that will not be reclassified to profit or loss	126.1	30.2	156.3
Other comprehensive income for the year	156.2	30.2	186.4
Total comprehensive income for the year	189.7	–	189.7
	pence	pence	pence
Basic earnings per share	6.1	(5.5)	0.6
Diluted earnings per share	6.0	(5.4)	0.6
Adjusted earnings per share	2.7	–	2.7

(c) New accounting standards adopted during the year

There have been no new accounting standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 2 May 2021 that have any significant effect on the consolidated financial statements.

Other new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 2 May 2021, do not have any significant effect on the consolidated financial statements and are listed below.

International Accounting Standards and Interpretations	*Effective for annual periods beginning on or after*
Amendment to IFRS 16, COVID-19 Related Rent Concessions (issued on 28 May 2020)	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 16, Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021

(d) New accounting standards not yet applied

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

International Accounting Standards and Interpretations	*Effective for annual periods beginning on or after*
Amendments issued on 14 May 2020 to: • IFRS 3, Business Combinations • IAS 16, Property, Plant and Equipment • IAS 37, Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	1 January 2022
IFRS 17, Insurance Contracts, issued on 18 May 2017, including amendments to IFRS 17 issued on 25 June 2020	1 January 2023
Amendments to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective date, issued on 23 January 2020 and 15 July 2020 respectively	1 January 2024*
Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023*
Amendments to IAS 8, Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023*
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	1 January 2023*
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023

* Not yet adopted by the UK Endorsement Board

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty

Preparation of the consolidated financial statements requires directors to make judgements and estimates that affect the reported amounts in the consolidated financial statements and accompanying notes. The Directors believe that the judgements and key sources of estimation uncertainty discussed below represent those that require the greatest exercise of judgement.

The discussion below should be read in conjunction with the full statement of accounting policies.

(i) Judgements

Paragraph 122 of International Accounting Standard 1 requires disclosure of significant judgements made in applying an entity's accounting policies. Apart from those involving estimations (see (ii) below), the Directors consider there to be the following significant judgements involved in the process of applying the Group's accounting policies.

Accounting for the Group's participation in Local Government Pension Schemes

Certain of the Company's subsidiaries participate in LGPSs, which are all closed to new members from the Group. In light of the restatement described in note 1(b)(ii) above in respect of the Tyne & Wear LGPS settlement, the Group undertook a detailed re-assessment of the accounting more generally for its participation in LGPSs.

Where a private sector employer ceases to have any employees who are active members in a LGPS, that automatically triggers the employer's exit from the LGPS except where the employer agrees alternative arrangements with the relevant LGPS. Where an exit from an LGPS is triggered, an amount may be payable or receivable by the employer to or from the scheme.

Aside from the restatement described in note 1(b)(ii) above, the Group concluded that its accounting for its participation in LGPSs remained appropriate. However, the Group also identified a potential alternative basis of accounting for its participation in LGPSs and sees the choice of basis as a significant judgement in applying the Group's accounting policies.

Since adopting International Financial Reporting Standards from 1 May 2005, the Group has accounted for its LGPS participations in a manner consistent with how a "common" defined benefit pension arrangement is accounted for in accordance with International Accounting Standard 19 ("IAS 19"), Employee Benefits. Since its issue in 2007, the Group has also applied IFRIC 14, IAS 19—*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, to its LGPS participations where applicable.

In summary, at each balance sheet date, the Group has in the past and continues to:
- Measure the relevant assets in respect of LGPS participations at market value;
- Measure the obligations to pay pensions through to the deaths of the relevant members / their dependents at discounted present value;
- Where applicable, restrict the net asset recognised (i.e. the gross assets less the gross obligations) to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

We noted the following alternative basis of accounting for the Group's participations in LGPSs:
- The defined benefit obligation is measured based on the discounted present value of the cash flows payable to members from now to expected exit (estimated based on facts and circumstances, at the latest it would be the retirement date of the last active member) plus the expected exit payment or credit at the point of exit (including the transfer of assets). That contrasts with our current approach whereby the defined benefit obligation is measured based on the discounted present value of all obligations to pay pensions through to the deaths of the relevant members / their dependents.
- The asset ceiling for LGPSs is zero given the right of the Group to receive a refund from the scheme is limited to the extent that the scheme actuary / authority determines a surplus at the point of exit.

The Directors took independent expert advice on the accounting, which supported their view that the Group's accounting remains appropriate. They also confirmed that the basis of the Group's accounting is consistent with other major groups with UK public transport operations that have LGPS participations. They also noted that the alternative basis of accounting would result in an increase in the Group's consolidated profit before tax and net assets and so result in a less prudent outcome. In light of all of those factors, the Directors concluded that the Group's accounting for its participation in LGPSs remained appropriate.

The Group's auditor, Ernst & Young, has a different interpretation from the Directors and believes that the alternative accounting approach should be applied and accordingly, has qualified its audit opinion in relation to that.

The Directors, having considered the independent professional advice, consider that the accounting treatment adopted is the most appropriate because:
- The Directors have been advised that it complies with the applicable accounting standards;
- It provides comparability over time;
- It is consistent with how the Group understands its sector peers account for similar arrangements, and so it provides comparability with peers;
- It is less likely than the alternative approach to result in the recognition of irrecoverable net pension assets.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(i) Judgements (continued)

The impact of applying the alternative basis of accounting on the Group's consolidated financial statements for the years ended 30 April 2022 and 1 May 2021 would have been as follows:

Year ended 1 May 2021	As reported and restated (see note 1(b)(ii)) £m	Effect of alternative basis of accounting £m	Alternative basis of accounting £m
Consolidated income statement			
Separately disclosed item: pensions expense	(30.2)	30.2	–
(Loss)/profit before taxation	(5.5)	30.2	24.7
Taxation	8.8	–	8.8
Profit for the year	3.3	30.2	33.5
	pence	pence	Pence
Basic earnings per share	0.6	5.5	6.1
Diluted earnings per share	0.6	5.4	6.0
Adjusted earnings per share	2.7	–	2.7

	As reported and restated (see note 1(b)(ii)) £m	Effect of alternative basis of accounting £m	Alternative basis of accounting £m
Consolidated statement of comprehensive income			
Items that may be reclassified to profit or loss			
Total items that may be reclassified to profit or loss	30.1	–	30.1
Items that will not be reclassified to profit or loss			
Actuarial gains on Group defined benefit pension schemes	185.1	(18.9)	166.2
Tax effect of actuarial gains on Group defined benefit pension schemes	(28.8)	(1.5)	(30.3)
Total items that will not be reclassified to profit or loss	156.3	(20.4)	135.9
Other comprehensive income for the year	186.4	(20.4)	166.0
Total comprehensive income for the year	189.7	9.8	199.5
Consolidated balance sheet			
Non-current assets: Retirement benefit assets	1.1	13.2	14.3
Non-current liabilities: Deferred tax liabilities	(0.8)	(0.1)	(0.9)
Non-current liabilities: Retirement benefit obligations	(264.9)	1.1	(263.8)
Net assets	61.0	14.2	75.2
Retained earnings	(299.0)	14.2	(284.8)
Total equity attributable to parent	61.0	14.2	75.2

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(i) Judgements (continued)

Year ended 30 April 2022	As reported £m	Effect of alternative basis of accounting £m	Alternative basis of accounting £m
Consolidated income statement			
Separately disclosed item: pensions expense	(15.8)	15.8	–
Finance costs: interest charge on defined benefit pension schemes	(5.4)	0.2	(5.2)
Profit before taxation	39.3	16.0	55.3
Taxation	(21.5)	(0.1)	(21.6)
Profit for the year	17.8	15.9	33.7
	pence	pence	pence
Basic earnings per share	3.2	2.9	6.1
Diluted earnings per share	3.2	2.8	6.0
Adjusted earnings per share	7.0	–	7.0
Consolidated statement of comprehensive income			
Items that may be reclassified to profit or loss			
Total items that may be reclassified to profit or loss	80.2	–	80.2
Items that will not be reclassified to profit or loss			
Actuarial gains on Group defined benefit pension schemes	261.6	(19.5)	242.1
Tax effect of actuarial gains on Group defined benefit pension schemes	(32.5)	0.2	(32.3)
Total items that will not be reclassified to profit or loss	229.1	(19.3)	209.8
Other comprehensive income for the year	309.3	(19.3)	290.0
Total comprehensive income for the year	327.1	(3.4)	323.7
Consolidated balance sheet			
Non-current assets: Retirement benefit assets	45.3	10.5	55.8
Non-current liabilities: Retirement benefit obligations	(75.1)	0.3	(74.8)
Net assets	391.5	10.8	402.3
Retained earnings	(48.8)	10.8	(38.0)
Total equity attributable to parent	391.4	10.8	402.2

The figures above assume no withholding or corporation taxes arise on the refund of LGPS surpluses.

There would be no impact on the consolidated statement of cash flows as a result of adopting the alternative basis of accounting.

Accounting for certain contracts for the provision of batteries

The Group leases electric buses. In some cases, the Group enters into separate agreements for the provision of batteries to power the buses (the "Battery Contracts"). Some judgement is involved in determining whether each Battery Contract is, or contains, a lease.

The Battery Contracts are separate legal agreements from any leases of buses, and contain separate terms and conditions. In the Directors' view, the Battery Contacts do not meet the IFRS definition of leases. The battery provider has control of the battery assets and has substantive rights of substitution for the batteries.

The consolidated income statement for the year ended 30 April 2022 includes an expense of £1.4m (2021: £0.3m) in respect of the Group's use of the batteries pursuant to the Battery Contracts. Had the Battery Contracts been assessed as meeting the requirement to be treated as leases, the Group would have recognised further right-of-use asset additions of £2.8m (2021: £5.0m) in the year ended 30 April 2022 with an additional depreciation charge of £1.2m (2021: £0.3m) and additional lease finance costs of £0.2m (2021: £0.1m) in place of the recognised expense of £1.4m (2021: £0.3m). At 30 April 2022, the Group would have reported additional right-of-use assets with a net book value of £6.3m (2021: £4.7m) and an associated closing lease liability of £6.5m (2021: £4.8m).

Contingent liabilities in respect of former North American business

The Directors consider that the Group has contingent liabilities in respect of its former North American business, Coach USA, as set out in note 29(iii). These contingent liabilities are only expected to crystallise in circumstances where Coach USA is unable or unwilling to settle certain of its own liabilities. There is judgement involved in determining the likelihood of that occurring and, accordingly, there is judgement involved in determining whether the items should be classified as provisions, or as contingent liabilities, in the Group's consolidated financial statements. The adverse effect of the COVID-19 situation on the financial performance and financial position of Coach USA, increases the degree of judgement involved in evaluating the likelihood of Coach USA settling the relevant liabilities.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(i) Judgements (continued)

The estimated amount of the contingent liabilities is stated in note 29(iii), and that is also the amount up to which provisions would increase as at 30 April 2022 if it were determined that the items should be classified as provisions rather than contingent liabilities.

(ii) Key sources of estimation uncertainty

Paragraph 125 of International Accounting Standard 1 requires disclosure of key sources of estimation uncertainty. The Directors consider the following to be the most significant sources of estimation uncertainty.

The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Group's reported financial performance and/or financial position.

Pensions

As in previous years, the determination of the Group's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. The Directors' assumptions are based on actual historical experience and external data. Whilst the Board believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

The pensions assumptions may vary due to actual changes in market conditions following the balance sheet date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the balance sheet date. The pensions assumptions are also affected by judgements the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, the valuation of harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined.

There is potential for material changes to pensions estimates in the year ending 29 April 2023 and note 23(f) provides information on the sensitivity of pension benefit obligations to changes in assumptions.

Taxation of receipts from Local Government Pension Schemes

Over the two years ended 30 April 2022, the Group ceased participating in two local government pension schemes. On exit from such schemes, the relevant local government regulations provided that the Group sponsoring employers were entitled to the payment of exit credits in relation to over-funding of the scheme as determined by the relevant scheme as at the point of exit. The total amount received or receivable by the Group in respect of the exit credits is £19.3m. The receipt of exit credits from long standing participations is still a relatively new event, and having considered the circumstances and applicable legislation, the Group's view is that the receipts are authorised surplus payments on which no tax is charged on the Group. The exit credits arise from the over-funding of pension schemes related to the Group's operating businesses, and so we do not consider the repayments to be capital in nature. Having considered applicable legislation on the matter, the Group considers that no tax liability would arise on the pension exit credits and it has neither paid any tax nor recognised any liabilities for tax in the consolidated balance sheet as at 30 April 2022 in respect of these items. If however, the receipts were to be assessed as capital sums then the Group estimates that it would be liable to pay tax of around £3.7m.

COVID-19 Bus Support Schemes

The respective governments in England, Scotland and Wales have put in place measures to protect the continuity of local bus services. These principal bus support schemes are: COVID-19 Bus Services Support Grant Restart ("CBSSG") and the Bus Recovery Grant ("BRG") for local bus services in England (excluding London); COVID-19 Support Grant Restart ("CSG") and Network Support Grant ("NSG") for bus services in Scotland; and Bus Emergency Scheme 2 ("BES 2") for bus services in Wales.

Estimating the amount of bus support grant income receivable for the year ended 30 April 2022 involves significant estimation uncertainty. The extent to which certain costs are eligible for inclusion in claiming bus support grant income and how certain costs should be determined for the purposes of the schemes remains subject to reconciliation processes. That creates estimation uncertainty in determining the Group's bus support grant income.

In the year ended 30 April 2022, the Group has recognised bus support scheme grant income of £108.3m (2021:£185.0m), being the amount in respect of which the Group considers there to be reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of the schemes' reconciliation processes. Ignoring any government budgetary caps, the Group estimates that it is entitled to £11.1m (2021: £17.6m) more bus support scheme income than the cumulative amount of income recognised in the consolidated financial statements through to 30 April 2022, and so the amount ultimately received could exceed the amount recognised by £11.1m (2021: £17.6m). Changes in estimates to that extent could occur in the year ending 29 April 2023.

Rail contractual positions

The Group's former train operating companies are party to various contractual and regulatory arrangements typical of the UK rail sector. Consistent with the sector, these contractual arrangements can be often complex and be open to legal interpretation. These include arrangements with the Department for Transport, Network Rail, Transport for London, rolling stock lessors and other train operators. These arrangements give rise to estimation uncertainty in determining the carrying value of receivables, payables and provisions in respect of these arrangements.

Given the nature of some of those items, there is judgement involved in determining whether items are classified as accruals, provisions or contingent liabilities.

The Directors estimate that the carrying value of the net payables in respect of rail contractual positions as at 30 April 2022 could require adjustment by up to £10.0m in the year ending 29 April 2023 (2021: £10.0m in the year ending 30 April 2022).

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(ii) Key sources of estimation uncertainty

Claims provisions

The Group receives claims in respect of traffic incidents and employee incidents. The Group protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the “excess” or “deductible”, and loss corridors, on insurance policies.

Provision is made for the estimated cost to the Group to settle claims, as well as for the estimated costs of any fines or regulatory action, in relation to incidents occurring prior to the balance sheet date. The estimation of the claims provisions is based on an assessment of the expected settlement on known claims together with an estimate of payments 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 eventual payments on such matters may differ from the amounts provided for at the balance sheet date.

Given the varying factors that ultimately determine the cost of a incident, it is difficult to provide precise sensitivity analysis on the amount of the claims provisions. However, based on analysis undertaken by independent actuaries and an analysis of the historic volatility of estimates of claims costs, the Group considers it unlikely that the estimated claims provisions as at 30 April 2022 will require adjustment in the year ending 29 April 2023 by more than £10.0m (2021: £10.0m in year ending 30 April 2022).

Climate change and the estimated useful lives of passenger service vehicles

Depreciation on passenger service vehicles is calculated on the straight-line method to write off the cost, fair value at acquisition or deemed cost of each asset to their residual values over their estimated useful lives (or lease term, if shorter). The estimated useful lives for passenger service vehicles range from seven to 16 years depending on the type of vehicle. The majority of the Group’s passenger service vehicles are diesel powered, although the Group expects that over time, an increasing proportion of its vehicle fleet will be electric or hydrogen powered. The actual useful lives of the diesel powered vehicles could be affected by measures taken by government to tackle climate change that restrict the use of such vehicles. Estimating the useful lives of passenger service vehicles therefore involves some estimation uncertainty.

The UK Government is consulting on a date after which the sale of new diesel powered buses would be prohibited in the UK. However, the UK Government has not proposed to set a date from which diesel buses are prohibited from being used on the UK roads. Taking account of the latest proposals from the UK Government, the Directors consider that the estimates of useful lives applied are appropriate. Had it been assumed, with effect from the start of the year ended 30 April 2022, that no diesel powered passenger service vehicle could be used after 31 December 2029, then the depreciation expense for the year would have been £7.5m (2021: £6.6m) higher than reported and the net book value of the vehicles as at 30 April 2022 would have been correspondingly reduced. Had it been assumed that no diesel powered passenger service vehicle could be used after 31 December 2034, then the depreciation expense for the year would have been £Nil (2021: £0.2m) higher than reported. Such changes are not expected to materially affect profit or net assets in the year ending 29 April 2023.

Provision for onerous contracts

As at 30 April 2022, provisions for onerous contracts amount to £8.3m (2021: £13.6m). The estimation of the provisions involve forecasting the unavoidable costs of meeting the obligations under the applicable contracts and the economic benefits expected to be received under the contracts. The forecast net unavoidable costs (benefits less costs) are discounted to present value. Judgements are required in forecasting unavoidable costs and economic benefits.

As at 30 April 2022, the majority of the provisions related to the Sheffield Supertram concession agreement pursuant to which the Group has an obligation to operate a tram system through to March 2024. The key area of estimation uncertainty is in respect of forecast passenger revenue. Forecasting the extent to which COVID-19 has a lasting effect on passenger revenue adds to the uncertainty. The forecasts assume that underlying passenger revenue from 1 May 2022, as a percentage of the underlying pre-COVID revenue, will be around 85% for the year ending 29 April 2023 and around 91% for the remaining period until the end of the Supertram concession in March 2024 (2021: 85% of underlying pre-COVID levels by May 2022). If the forecast revenue used in determining the provision was reduced by 10%, the provision as at 30 April 2022 would be £2.5m higher (2021: £3.6m higher). If the forecast revenue was increased by 10%, the provision would be £2.5m lower (2021: £3.6m lower). Changes in estimates to that extent could occur in the year ending 29 April 2023. There is some estimation uncertainty involved in estimating the recoverability of assets and any amounts payable in connection with the anticipated end of the concession in March 2024. There is potential for different views on how the applicable concession agreement applies. The estimate of the onerous contract provision includes what the Directors consider to be reasonable assumptions on these matters and it is not possible to provide quantified sensitivity analysis in relation to those.

(iii) Others

The Directors considered whether other judgements and estimates made in preparing the financial statements represent critical judgements or key sources of estimation uncertainty. In particular, the Directors considered the significant issues or judgements examined by the Audit Committee (see section 5.4.1 of this Annual Report), the areas of key audit focus (see section 5.4.3 of this Annual Report) and the risks of material misstatement that the auditors identified as having the greatest effect on their overall audit strategy (see section 10 of this Annual Report). While matters of audit and Audit Committee focus are not necessarily limited to critical judgements or key sources of estimation uncertainty, they do overlap.

(f) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and joint ventures made up to a period broadly one year in length that ends on the Saturday nearest to 30 April.

The consolidated income statement includes the results of businesses purchased from the effective date of acquisition and excludes the results of disposed operations and businesses sold from the effective date of disposal.

Non-controlling interest represents the portion of earnings and equity attributable to a third party shareholder of a subsidiary of the Group.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(g) Subsidiaries and joint ventures

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Where a business is acquired, the purchase method (also known as the acquisition method) of accounting is used to account for the acquisition of the subsidiaries and other businesses. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition.

The excess of the cost of acquisition over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Costs attributable to the acquisition are expensed to the consolidated income statement.

(ii) Joint ventures

Joint ventures are entities over which the Group has joint control with other investors.

Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's reported interest in joint ventures includes goodwill on acquisition.

(h) Presentation of income statement and separately disclosed items

Where applicable, income statement information has been presented in a columnar format, which separately highlights separately disclosed items. This is intended to enable users of the financial statements to determine more readily the impact of non-software intangible asset amortisation and other separately disclosed items on the results of the Group, improve comparability of the Group's results with those of peer companies and respond to analysts who have requested reporting on that basis.

Separately disclosed items are defined in note 33.

(i) Revenue

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the Group expects to be entitled in exchange for those goods or services. Performance obligations of the Group are generally clear and transaction prices are even over the period to which they relate and are time apportioned. Customer compensation is treated as a reduction in revenue.

The Group principally generates revenue from the provision of transport services to its customers.

The Group has a number of revenue streams, as set out below. In general, revenue presented in the income statement is recognised at the fair value of the consideration received or receivable. Where appropriate, amounts are shown net of discounts, rebates, VAT and other sales taxes. The revenue is recognised as performance obligations are satisfied as described below for each significant revenue stream.

Commercial passenger revenue

Commercial passenger revenue primarily relates to ticket sales for travel on the Group's transport services. Passenger revenue is recognised in the income statement in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets and travelcards, that entitle individuals to use certain of our services during a specified period of time, is deferred within liabilities and recognised in the income statement over the period covered. The recognition of season ticket and travelcard income is recorded on a straight-line basis over the applicable period.

In some cases, travel on a transport operating company's services can be sold by other operating companies as well as other travel retailers. Certain tickets for travel can be sold which provide the holder with a choice of operators to travel with. In light of those factors, the Group's revenue includes amounts receivable from individuals or groups of individuals to travel on services that is attributed to operating companies by an industry allocation system and allocates revenue to operators principally on agreed models of route usage. Procedures exist to allow operators to challenge the appropriateness of revenue allocation. Where the revenue allocated to the Group is subsequently adjusted, the effect of the adjustment is recognised in the income statement in the period in which the Group is made aware of it. Where an adjustment results in additional revenue being attributed to the Group, the additional revenue is recognised when the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Concessionary revenue

The Group receives concessionary revenue from public bodies, such as local authorities, for transporting certain qualifying individuals free of charge to the passenger. Although the revenue is received from a party other than the person receiving the service, the Group accounts for such revenue in accordance with IFRS 15, Revenue from Contracts with Customers, with the performance obligation being the provision of the free travel to those eligible.

Amounts that are receivable from government bodies in respect of travel by individuals on the Group's transport services is recognised in the income statement in the period in which the related travel occurs. Such amounts are included in revenue because they represent payments for transport services provided. This can involve some estimation – for example, revenue receivable in respect of UK concessionary travel schemes can involve some negotiation with relevant public authorities on the amount of revenue due and/or be subject to adjustment based on the levels of concessionary travel across a number of operators. Revenue is recognised based on the Group's best estimates of the amounts receivable in respect of travel prior to the balance sheet date and where it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Note 1 IFRS accounting policies (continued)

(i) Revenue (continued)

Tendered and school revenue

Other amounts that the Group receives from government bodies to pay for the operation of transport services they consider to be socially desirable are included in revenue and recognised in the income statement in the period that the relevant payment relates to. This includes tender and school revenue receivable to financially support certain bus services the Group operates in the UK.

Contract revenue

Contract revenues mainly relate to UK Bus (London) contracts with Transport for London. Revenue receivable from government bodies and others to the Group for operating transport services under contract is recognised in the income statement in the period that the contracted services relate to. In general, the revenue in respect of any particular period can be clearly determined from the contract. Where there is a contingent element to contract revenue (for example, where additional amounts are payable or receivable based on the punctuality of transport services and/or other operational measures), revenue is recognised based on the applicable operational measures when the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Other revenue and income

Revenue that is incidental to the Group's principal activity of providing transport services is reported as other revenue. Such revenue is recognised as the service is provided, the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. This may include income from:
- commissions for selling travel on other operators' transport services;
- undertaking maintenance work on other operators' vehicles; and
- selling fuel to other transport operators.

Income from other sources is reported as other operating income. These other sources include:
- COVID-related grant income;
- bus operating grants;
- selling advertising space on vehicles and premises that the Group operates;
- property rental.

Finance income

Finance income is recognised under the effective interest method as interest accrues and is shown separately in the consolidated income statement.

Contract liabilities

A contract liability is the obligation to provide services for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group provides the services, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Customers include individuals, corporations and public bodies who pay the Group for transport services. Contract liabilities include amounts in respect of unexpired season tickets and other tickets giving the holder a right to travel on the Group's services after the balance sheet date.

Contract assets

Contract assets include trade receivables, representing amounts that have been invoiced prior to the balance sheet date and which remain outstanding at the balance sheet date.

Rail franchise payments and subsidies

Franchise payments payable to or receivable from the UK Department for Transport under rail franchise agreements are recognised as operating costs or other operating income in the income statement.

Under the contractual terms of its franchise agreements to previously operate rail services, the Group has revenue sharing arrangements with the Department for Transport. As a result of these arrangements, the Group may be liable to make payments to the Department for Transport or receive amounts from the Department for Transport. The arrangements vary by franchise. The Group recognises revenue share amounts payable or receivable in the income statement in the same period in which it recognises the related revenue. Revenue share amounts payable or receivable (if any) are treated as operating costs or other operating income.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(j) Government grants

Grants from government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs (or net losses) are deferred and recognised in the income statement over the period necessary to match them with the costs (or net losses) they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recorded as liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Revenue grants receivable (and franchise premia amounts payable) in respect of the operation of rail franchises in the UK are recognised in the income statement in the period in which the related revenue or expenditure is recognised in the income statement or where they do not relate to any specific revenue or expenditure, in the period in respect of which the amount is receivable or payable. These premia payments and rail franchise grants are classified within operating costs and other operating income.

Government grants received in excess of the amounts recognised in the income statement are held as deferred grant income within trade and other payables.

COVID-19 related grants are government grants receivable in light of the ongoing COVID-19 situation. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"), the COVID-19 Bus Services Support Grant ("CBSSG") scheme, the Bus Recovery Grant ("BSG"), the COVID-19 Support Grant ("CSG") scheme and Network Support Grant ("NSG") for Scotland, the Bus Emergency Scheme ("BES") for Wales and the Light Rail Revenue Grant ("LRRRG") scheme.

Under the CJRS, grant income was claimed in respect of certain costs to the Group of furloughed employees. CJRS income is recognised in the income statement in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received.

Under certain of the grant schemes, grant income may be claimed by operators of local bus services to close the shortfall of revenue earned by them during the period affected by COVID-19 and the costs incurred by them in that period. The estimation of the grant income involves significant uncertainty, as explained in note 1(e)(ii). Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

(k) Share based payments

The Group issued equity-settled and cash-settled share based payments to certain employees.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. None of the Group's equity-settled transactions had any market based performance conditions.

Fair value for equity-settled share based payments is determinable from the Company's quoted share price at the time of the award. At each balance sheet date, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest taking into consideration the likelihood of achieving non-market based vesting conditions. The movement in this cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where an equity-settled award is cancelled by the Group or the holder, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Where an award is cancelled or settled in cash on vesting, any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value. At each balance sheet date, the liability recognised is based on the fair value of outstanding awards (ignoring non-market based vesting conditions) at the balance sheet date, the proportion of the vesting period that fell prior to the balance sheet date and management's estimate of the likelihood and extent of non-market based vesting conditions being achieved. Changes in the carrying amount of the liability are recognised in the income statement for the period.

Fair value for cash-settled share based payments relating to the Long Term Incentive Plan is estimated by use of a simulation model.

Choice of settlement

The Company could choose to settle awards under the Executive Participation Plan and the Restricted Share Plan in either cash or equity, although until its recent change of control, it generally expected to settle such outstanding awards in equity. Awards under the Executive Participation Plan and the Restricted Share Plan are accounted for as equity-settled transactions (see above).

Employment taxes

Liabilities are recognised for employment taxes (principally, employers' national insurance liabilities) payable by the Group on share based payments. The liability for employment taxes is calculated at the balance sheet date with reference to the fair value of the related share based payments at that date. In the case of cash-settled share based payments, the fair value is the pre-tax amount recorded in the balance sheet.

Movements in the liabilities for employment taxes on share based payments are charged or credited to the income statement.

(l) Operating profit

Consolidated operating profit is stated inclusive of restructuring costs and the share of after-tax results of joint ventures but before finance income, finance costs, non-operating separately disclosed items and taxation.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(m) Taxation

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profit at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item. Current tax assets and liabilities are included in the consolidated balance sheet on an undiscounted basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar matters, independent specialist advice and consideration of the progress on, and nature of, current discussions with the tax authorities. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach.

(n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, which for this purpose has been identified as the Board of Directors.

(o) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into the respective functional currencies of the Group entities at the rates of exchange ruling at the balance sheet date. Foreign currency transactions arising during the year are translated into the respective functional currencies of Group entities at the rate of exchange ruling on the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

The principal rates of exchange applied to the consolidated financial statements were:

	2022	2021
US Dollar:		
Year-end rate	**1.2555**	1.3845
Average rate	**1.3590**	1.3204

(p) Business combinations and goodwill

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill represents the excess of the fair value of the consideration given for a business over the fair value of such net assets. The fair value of intangible assets (other than goodwill) and acquired customer contract provisions on the acquisition of a business are amortised to the income statement.

Goodwill arising on acquisitions is capitalised and is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the combination. The non-current assets of cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the non-current assets is less than their carrying amount, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Any impairment of goodwill is recognised immediately in the income statement.

Where goodwill forms part of a cash generating unit and all or part of that unit is disposed of, the associated goodwill is included in the carrying amount of the disposed operation when determining the overall gain or loss on disposal.

(q) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the asset, excluding any finance costs and related income tax expense.

Property, plant, equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(r) Impairment of non-current assets

Property, plant, equipment, intangible assets (excluding goodwill) and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal at each reporting date.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognised immediately in the income statement.

Intangible assets acquired separately from a business combination are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The initial cost recognised is the aggregate amount paid plus the fair value of any other consideration given to acquire the asset. Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if (i) the asset is separable or arises from contractual or legal rights and (ii) its fair value can be measured reliably. Such assets are subsequently measured at fair value at acquisition less accumulated amortisation and accumulated impairment losses.

(s) Software

Software assets can be purchased, acquired or internally generated. Software that is not an integral part of related hardware is recognised as an intangible asset. Software is recognised as cost less accumulated amortisation. Amortisation is calculated to write-off the cost or fair value at acquisition (as the case may be) over the estimated useful life of the software, which can range from 2 to 7 years, and is recorded in operating costs in the income statement.

Software as a Service ("SaaS") arrangements provide the Group with the right to access cloud-based software applications over a contractual period. The software remains the intellectual property of the provider and accordingly, the Group does not recognise an intangible asset in relation to subscription fees and costs incurred to customise or configure the software. The related costs are recognised in the income statement when the service is received.

(t) Property, plant and equipment

Property, plant and equipment acquired as part of a business combination is stated at fair value at the date of acquisition and is subsequently measured at fair value on acquisition less accumulated depreciation and any provision for impairment. All other property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on the straight-line method to write off the cost, fair value at acquisition or deemed cost of each asset to their residual values over their estimated useful lives (or lease term, if shorter) as follows:

Heritable and freehold buildings and long leasehold properties	50 years
Short leasehold properties	period of lease
IT and other equipment, furniture and fittings	3 to 10 years
Passenger Service Vehicles and transportation equipment*	7 to 16 years
Motor cars and other vehicles	3 to 5 years

* Diesel powered buses have useful lives set that end no later than 2035.

Freehold land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed at least annually and, where applicable, adjustments are made on a prospective basis.

An item of property, plant or equipment is derecognised upon disposal. An item on which no future economic benefits are expected to arise from the continued use of the asset is impaired if it is continued to be used by the Group. Gains and losses on disposals are determined by comparing the net disposal proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(u) Leases

The Group leases many assets including properties, passenger service vehicles, company cars and office equipment. Rental contracts are typically made for a fixed period of 6 months to 100 years. Certain leases have extension options which the Group may choose to exercise.

For contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Group recognises lease liabilities to make lease payments, and right-of-use assets representing the right to use the underlying asset.

Effect of lease extensions and break clauses on lease terms

Options to extend leases and break clauses are included in a number of the Group's leases. These are used by the Group to maximise flexibility in managing its assets and operations to meet passenger demands. The Group considers all the circumstances that create an economic incentive to exercise an extension option or not utilise a break clause. An extension option or the periods after a break clause are only included in a lease term if the lease is reasonably certain to be extended or if the break clause is reasonably certain not to be utilised.

Note 1 IFRS accounting policies (continued)

(u) Leases (continued)

For leases of passenger service vehicles, the Group considers the duration of any tendered/contracted services or forecast plans for a depot when considering whether it is reasonably certain to extend a lease or not to utilise a break clause.

For leases of properties, the Group considers the likely value of future rentals and anticipated changes in services operated from the property when considering whether it is reasonably certain to extend a lease or not to utilise a break clause.

Measurement of lease liabilities

Liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:
- Fixed lease payments, less any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option;
- Payments to be made under reasonably certain extension options; and
- Variable lease payments that are based on an index or rate, initially measured using the index or rate at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the individual Group company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Incremental borrowing rates are determined for each internal reporting period and applied to the leases entered into during each such period.

To determine the incremental borrowing rate, the Group:
- uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received; and
- makes adjustments to the rate to reflect the terms and conditions specific to the lease. These will include adjustment for items such as the lease term and the right-of-use asset being leased.

The Group is exposed to potential future increases in variable lease payments for some properties based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. There are no leases with other forms of variable payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts can contain lease and non-lease components. For all property leases, the Group has separated lease and non-lease components. For all other leases, the Group has elected not to separate lease and non-lease components but instead accounts for these as a single lease component. Non-lease components for properties are excluded from the projection of future lease payments and are treated as a separate expense on a straight-line basis within operating costs.

Lease terms are negotiated lease by lease resulting in a wide range of terms and conditions. The lease agreements do not generally impose any financial covenants. The principal restriction on assets held under lease is a restriction on the right to dispose of the assets during the period of the agreement. Certain of the Group's vehicle leases contain change of control provisions.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- dilapidation provisions.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a capital value, when new, of less than £4,500 and comprise principally IT equipment and small items of office equipment.

Lease cash flows

Lease payments are presented in the consolidated statement of cash flows as follows:
- Payments in respect of short-term leases and leases of low-value assets are included within cash generated by operations as part of overall cash flows from operating activities.
- Payments in respect of the interest element of recognised lease liabilities are included within interest paid as part of overall cash flows from operating activities.
- Payments in respect of the principal portion of recognised lease liabilities are separately presented as a component of cash flows from financing activities.

(v) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. Cost is determined using the first-in, first-out or average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(w) Contract provisions

A provision is recognised in the consolidated balance sheet for any contract that is "onerous" or, when acquired as part of a business combination, that is unfavourable to market terms. A contract is considered onerous where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under that contract. Determining the amount of any contract provision (that is the lower of the net costs of fulfilling or terminating the contract) may involve forecasting future financial performance.

The recognition of a contract provision (other than a provision arising from a business combination) is charged to the consolidated income statement. Losses that subsequently arise on that contract are treated as the utilisation of the provision to the extent they have been provided for.

The amount of any contract provision (or potential contract provision) is re-assessed at each balance sheet date. Any increase or decrease required to the amount of the provision is charged or credited to the consolidated income statement.

(x) Claims provisions

The Group receives claims, and can incur fines, in respect of traffic incidents and employee claims. The Group protects against the cost of claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible", and loss corridors, in insurance policies. Provision is made on a discounted basis for the estimated cost to the Group to settle liabilities for incidents occurring prior to the balance sheet date. The estimate of the balance sheet claims provisions is based on an assessment of the expected settlement of known claims together with an estimate of payments that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group. The provisions are set after taking account of advice from third party actuaries. Provisions are determined on a gross basis, with a separate reimbursement asset identified for amounts recoverable from insurance policies.

(y) Retirement benefit obligations

The Group participates in a number of pension schemes. In respect of defined benefit schemes, obligations are measured at discounted present value whilst scheme assets are recorded at market value. In relation to each scheme, any recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

An economic benefit is available to the Group if it is realisable during the life of the scheme or on settlement of the scheme liabilities. The service costs of defined benefit schemes are spread systematically over the working lives of employees and included within operating profit. Scheme administration expenses are also included within operating profit. Net interest expense or income is calculated by applying the discount rate to the net defined benefit asset or liability and included within net finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Actuarial gains and losses include the difference between the actual return on assets (net of investment administration costs and taxes, such as amounts levied by the UK Pension Protection Fund) and the discount rates applied to the assets. Life expectancies are considered when retirement benefit obligations are calculated.

A full actuarial valuation is generally undertaken triennially for each scheme and updated annually for the purposes of the financial statements using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations. Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

For defined contribution schemes, the Group pays contributions to separately administered pension schemes. Once the contributions have been paid, the Group has no further payment obligations. The Group's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

(z) Financial instruments

Financial assets

On initial recognition, the Group classifies its financial assets as being subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). Financial assets which are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest on the principal outstanding are subsequently measured at amortised cost. Interest on these assets is calculated using the effective interest rate method and is recognised in the income statement as interest income.

The Group uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses. For trade receivables, accrued income and other receivables, the Group applies a simplified approach and determines expected credit losses for significant portfolios of receivables.

The Group recognises a provision for expected credit losses for all financial assets measured at amortised cost. Where there has not been a significant increase in credit risk since initial recognition, provision is made for defaults that are possible within the next 12 months. Where there has been a significant increase in credit risk since initial recognition, provision is made for credit losses expected over the remaining life of the asset.

The Group's financial assets that are categorised as FVTPL include a Deferred Payment Instrument in respect of the sale of the North America Division in April 2019, and certain financial derivatives.

Trade receivables

Trade receivables are recorded at their original amount less provision for expected credit losses. The lifetime expected credit losses are assessed for all balances. The Group has established a provision matrix that is based on its historical credit loss experience and is adjusted for specific forward-looking factors. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within operating costs and other income. When a previously provided trade receivable is uncollectable, it is written off against the provision. Balances which are more than 180 days past due are considered to be in default and are fully provided against but continue to be actively pursued. Adjustments to this policy may be made in specific circumstances. At each reporting date, the Group assesses whether trade receivables are credit-impaired. This includes a review of whether the customer is in significant financial difficulty, the probability that the customer will enter bankruptcy or financial reorganisation, and any default or delinquency in payments.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(z) Financial instruments (continued)

Financial liabilities

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Financial liabilities include trade payables; payables for property, plant and equipment; interest payable; accruals; loans from joint ventures; borrowings; and derivative financial instruments. Subsequent measurement depends on its classification as follows:

- Financial liabilities at fair value through profit or loss: Financial liabilities classified as held for trading and derivative liabilities that are not designated as hedging instruments are classified as financial liabilities at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses being recognised in the income statement.
- All other financial liabilities not classified as fair value through profit or loss are measured at amortised cost using the effective interest method.

Fair values

The fair value of quoted financial instruments is determined by reference to appropriate market prices at the close of business on the balance sheet date. Where there is no active market for a financial instrument, fair value is determined using valuation techniques. These techniques include using pricing models and discounted cash flow analysis.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value to the Group is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Net gains or losses arising from changes in the fair value of all other derivatives, which are classified as held for trading, are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are either not designated or not effective as hedging instruments from an accounting perspective.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges: For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both the derivative and the hedged item are taken to the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges: For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income, while the ineffective portion is recognised in the income statement. Amounts recorded in the statement of comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast purchase occurs. For cash flow hedges of forecast fuel purchases, the transfer is to operating costs within the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recorded in the statement of comprehensive income remain in equity until the forecast transaction occurs and are then transferred to the income statement. If a forecast transaction is no longer expected to occur, amounts previously recognised in the statement of comprehensive income are transferred to the income statement immediately.

Cash and cash equivalents

For the purposes of reporting "cash and cash equivalents" in the consolidated balance sheet, cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

International Accounting Standard 7, Statement of Cash Flows, states that investments will normally qualify as cash equivalents only if the maturity, at acquisition, is less than three months. The Group's cash equivalents can include deposits with well-rated financial institutions with a maturity, at acquisition, of up to twelve months but only where the Group considers that any "break cost" in converting the deposits to cash in advance of their maturity is insignificant.

Cash equivalents include investments in certain money market funds. The Group's investments in money market funds can generally be converted to cash with less than one days' notice and the risk of day-to-day changes in the value of the investments is considered to be insignificant.

Cash in transit largely comprises amounts receivable on credit and debit cards where the on-bus transaction has been authorised but the funds have yet to clear the bank. These balances are considered highly liquid with minimal risk of default, with funds typically received in less than three days.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(z) Financial instruments (continued)

Interest bearing loans and borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method subject to any adjustments in respect of fair value hedges. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest on borrowings to purchase property, plant and equipment is expensed in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer or rollover settlement for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are generally not interest bearing and are stated at amortised cost which approximates to nominal value due to creditors days being relatively low.

(aa) Share capital and dividends

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Company purchases its own ordinary shares, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from equity. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders, or in the case of interim dividends, in the period in which they are paid.

Note 2 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group is managed, and reports internally, on a basis consistent with its three continuing operating segments and the segmental information set out in this note is on the basis of those segments as follows:

Segment name	*Service operated*	*Country of operation*
UK Bus (regional operations)	Coach and bus operations	United Kingdom
UK Bus (London)	Bus operations	United Kingdom
UK Rail	Rail operations and business development activities	United Kingdom

The Group has interests in three joint ventures: WCT Group that operates in UK Rail, Citylink that operates in UK Bus (regional operations) and Crown Sightseeing that operates in UK Bus (London).

The results of these joint ventures are shown separately in notes 2(c) and 2(g).

The Group's accounting policies are applied consistently, where appropriate, to each segment.

(a) Revenue

Due to the nature of the Group's business, the origin and destination of revenue (the United Kingdom) is the same in almost all cases. As the Group predominantly sells bus and rail services to individuals, it has few customers that are individually "major". Its major customers are typically public bodies that subsidise or procure transport services – such customers include local authorities, transport authorities and the UK Department for Transport.

Almost all of the revenue of the UK Bus (London) segment is from Transport for London. As at 30 April 2022, the Group had receivables from Transport for London of £10.0m (1 May 2021: £10.2m). Notwithstanding reports of Transport for London's financial pressures, the Group does not consider those receivables impaired.

Revenue, split by class and segment, was as follows:

Year ended 30 April 2022	**Commercial passenger revenue £m**	**Concessionary revenue £m**	**Tendered & school revenue £m**	**Contract & other revenue £m**	**Total £m**
UK Bus (regional operations)	**487.8**	**248.5**	**110.7**	**45.2**	**892.2**
UK Bus (London)	**–**	**–**	**–**	**272.6**	**272.6**
Total bus operations	**487.8**	**248.5**	**110.7**	**317.8**	**1,164.8**
UK Rail	**11.5**	**–**	**–**	**0.2**	**11.7**
Reported Group revenue	**499.3**	**248.5**	**110.7**	**318.0**	**1,176.5**

Year ended 1 May 2021	Commercial passenger revenue £m	Concessionary revenue £m	Tendered & school revenue £m	Contract & other revenue £m	Total £m
UK Bus (regional operations)	268.0	243.0	114.0	37.0	662.0
UK Bus (London)	–	–	–	261.7	261.7
Total bus operations	268.0	243.0	114.0	298.7	923.7
UK Rail	4.7	–	–	–	4.7
Total Group revenue	272.7	243.0	114.0	298.7	928.4
Intra-Group revenue – UK Bus (regional operations)	–	–	–	(0.2)	(0.2)
Reported Group revenue	272.7	243.0	114.0	298.5	928.2

Notes to the consolidated financial statements (continued)

Note 2 Segmental information (continued)

(b) Operating profit

Operating profit, split by segment, was as follows:

	2022			2021		
	Performance excluding separately disclosed items £m	**Separately disclosed items (note 4) £m**	**Results for the year £m**	Performance excluding separately disclosed items £m	Separately disclosed items (note 4 / restated – see note 1(b)) £m	Results for the year (restated – see note 1(b)) £m
UK Bus (regional operations)	**57.9**	**(11.1)**	**46.8**	24.5	(22.1)	2.4
UK Bus (London)	**20.7**	**–**	**20.7**	18.7	–	18.7
Total bus operations	**78.6**	**(11.1)**	**67.5**	43.2	(22.1)	21.1
UK Rail	**0.2**	**13.9**	**14.1**	10.1	2.5	12.6
	78.8	**2.8**	**81.6**	53.3	(19.6)	33.7
Group overheads	**(9.3)**	**(8.6)**	**(17.9)**	(8.7)	(0.3)	(9.0)
Restructuring costs	**(0.2)**	**–**	**(0.2)**	(0.3)	–	(0.3)
Total operating profit of Group companies	**69.3**	**(5.8)**	**63.5**	44.3	(19.9)	24.4
Share of joint ventures' profit after finance income and taxation	**3.4**	**–**	**3.4**	3.8	–	3.8
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**72.7**	**(5.8)**	**66.9**	48.1	(19.9)	28.2

(c) Joint ventures

The share of profit from joint ventures was further split as follows:

	2022 £m	2021 £m
WCT Group (UK Rail)		
Operating profit	**3.2**	5.4
Finance income (net)	**–**	0.1
Taxation	**(0.3)**	(1.4)
	2.9	4.1
Citylink (UK Bus, regional operations)		
Operating profit/(loss)	**0.5**	(0.4)
Taxation	**(0.1)**	0.1
	0.4	(0.3)
Crown Sightseeing (UK Bus, London)		
Operating profit	**0.1**	–
Share of profit of joint ventures after finance income and taxation	**3.4**	3.8

(d) Gross assets and liabilities

Assets and liabilities, split by segment, were as follows:

	Non-current assets		**2022**			2021		
	2022 £m	2021 £m	**Gross assets £m**	**Gross liabilities £m**	**Net assets/ (liabilities) £m**	Gross assets £m	Gross liabilities £m	Net assets/ (liabilities) £m
UK Bus (regional operations)	**837.0**	803.7	**1,006.4**	**(283.3)**	**723.1**	908.3	(334.2)	574.1
UK Bus (London)	**110.7**	112.5	**133.4**	**(121.2)**	**12.2**	127.1	(199.9)	(72.8)
UK Rail	**0.7**	–	**2.7**	**(55.0)**	**(52.3)**	1.7	(111.9)	(110.2)
	948.4	916.2	**1,142.5**	**(459.5)**	**683.0**	1,037.1	(646.0)	391.1
Central functions	**10.4**	22.3	**25.7**	**(27.6)**	**(1.9)**	29.8	(43.4)	(13.6)
Joint ventures	**7.2**	6.7	**7.2**	**–**	**7.2**	6.7	–	6.7
Borrowings, cash and cash equivalents	**–**	–	**248.9**	**(479.1)**	**(230.2)**	602.3	(923.6)	(321.3)
Taxation	**–**	–	**–**	**(66.6)**	**(66.6)**	–	(1.9)	(1.9)
Total	**966.0**	945.2	**1,424.3**	**(1,032.8)**	**391.5**	1,675.9	(1,614.9)	61.0

The UK Rail net liabilities of £52.3m (2021: £110.2m) shown above include £40.2m (2021: £88.4m) of train operating company net liabilities in relation to major rail franchises previously operated by the Group.

Central assets and liabilities include interest payable and receivable and other net assets of the holding company and other head office companies. Segment assets and liabilities are determined by identifying the assets and liabilities that relate to the business of each segment but excluding intra–Group balances, cash, cash equivalents, borrowings, taxation, interest payable and interest receivable.

Notes to the consolidated financial statements (continued)

Note 2 Segmental information (continued)

(e) Additions to property, plant and equipment

The additions to property, plant and equipment are shown below and are on an accruals basis, not on a cash basis. They include additions to right-of-use assets.

	2022 £m	2021 £m
UK Bus (regional operations)	**48.6**	40.4
UK Bus (London)	**16.3**	18.2
	64.9	58.6

(f) Additions to intangible assets

The additions to intangible assets are shown below:

	2022 £m	2021 £m
UK Bus (regional operations)	**3.1**	6.0

(g) Earnings before interest, tax, depreciation and amortisation ("EBITDA")

The results of each continuing segment are further analysed below:

	Year ended 30 April 2022									
	EBITDA before separately disclosed items £m	Joint venture interest and tax £m	**EBITDA including joint venture interest and tax £m**	Depreciation and impairment expense £m	Software amortisation £m	**Operating profit before separately disclosed items £m**	Intangible asset (excl. software) amortisation £m	Other separately disclosed items £m	Allocation of restructuring costs £m	**Operating profit £m**
UK Bus (regional operations)	145.9	–	**145.9**	(86.6)	(1.4)	**57.9**	–	(11.1)	(0.2)	**46.6**
UK Bus (London)	42.2	–	**42.2**	(21.5)	–	**20.7**	–	–	–	**20.7**
UK Rail – subsidiaries	0.2	–	**0.2**	–	–	**0.2**	–	13.9	–	**14.1**
UK Rail – joint venture WCT Group	3.2	(0.3)	**2.9**	–	–	**2.9**	–	–	–	**2.9**
UK Bus – joint venture Citylink	0.5	(0.1)	**0.4**	–	–	**0.4**	–	–	–	**0.4**
UK Bus – joint venture Crown	0.1	–	**0.1**	–	–	**0.1**	–	–	–	**0.1**
Group overheads	(9.3)	–	**(9.3)**	–	–	**(9.3)**	–	(8.6)	–	**(17.9)**
Restructuring costs	(0.2)	–	**(0.2)**	–	–	**(0.2)**	–	–	0.2	**–**
	182.6	(0.4)	**182.2**	(108.1)	(1.4)	**72.7**	–	(5.8)	–	**66.9**

	Year ended 1 May 2021 (restated – see note 1(b))									
	EBITDA before separately disclosed items £m	Joint venture interest and tax £m	**EBITDA including joint venture interest and tax £m**	Depreciation and impairment expense £m	Software amortisation £m	**Operating profit before separately disclosed items £m**	Intangible asset (excl. software) amortisation £m	Other separately disclosed items £m	Allocation of restructuring costs £m	**Operating profit £m**
UK Bus (regional operations)	118.8	–	**118.8**	(91.4)	(2.9)	**24.5**	(0.3)	(21.8)	(0.2)	**2.2**
UK Bus (London)	41.8	–	**41.8**	(23.1)	–	**18.7**	–	–	–	**18.7**
UK Rail – subsidiaries	10.1	–	**10.1**	–	–	**10.1**	–	2.5	(0.1)	**12.5**
UK Rail – joint venture WCT Group	5.4	(1.3)	**4.1**	–	–	**4.1**	–	–	–	**4.1**
UK Bus – joint venture Citylink	(0.4)	0.1	**(0.3)**	–	–	**(0.3)**	–	–	–	**(0.3)**
Group overheads	(8.7)	–	**(8.7)**	–	–	**(8.7)**	–	(0.3)	–	**(9.0)**
Restructuring costs	(0.3)	–	**(0.3)**	–	–	**(0.3)**	–	–	0.3	**–**
	166.7	(1.2)	**165.5**	(114.5)	(2.9)	**48.1**	(0.3)	(19.6)	–	**28.2**

Notes to the consolidated financial statements (continued)

Note 3 Operating costs and other operating income

Operating costs and other operating income were as follows:

	2022 £m	2021 (restated – see note 1(b)) £m
Miscellaneous revenue (see explanation below)	**27.6**	9.5
COVID–19 related grants receivable (see explanation below)	**116.4**	255.2
Rail franchise premia (see explanation below)	**–**	8.5
Rail revenue share payable (see explanation below)	**0.2**	(0.5)
Materials and consumables	**(64.9)**	(54.1)
Bus operating grants (see explanation below)	**63.1**	67.9
Fuel charges including the effect of derivatives	**(189.7)**	(156.7)
Staff costs (note 6)	**(781.0)**	(783.6)
Depreciation on property, plant and equipment	**(103.7)**	(107.7)
Expenditure on property plant and equipment	**(11.0)**	(6.6)
Loss on disposal of property, plant and equipment	**(1.6)**	(1.5)
Impairment of property, plant and equipment	**(4.4)**	(6.8)
Amortisation of intangible assets	**(1.4)**	(3.2)
Impairment of inventories, and impairment reversals	**(0.3)**	(0.1)
Network Rail credits	**–**	0.4
Rentals payable on low-value and short-term leases	**(5.1)**	(2.8)
Other external charges	**(157.0)**	(121.4)
Restructuring costs	**(0.2)**	(0.3)
Total operating costs	**(1,113.0)**	(903.8)

Miscellaneous revenue comprises other operating income incidental to the Group's principal activities. It includes advertising income, railway station access income, railway depot access income and property income.

COVID-19 related grants receivable reflects the amounts receivable in respect of government grants provided to organisations in light of the ongoing COVID-19 situation. The amounts reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"), the Bus Support Grant ("BSG"), the COVID-19 Bus Services Support Grant ("CBSSG") scheme, the Bus Recovery Grant ("BSG"), the COVID-19 Support Grant ("CSG") scheme and the Network Support Grant ("NSG") for bus services in Scotland, the Bus Emergency Scheme 2 ("BES 2") in Wales and the Light Rail Revenue Grant ("LRRRG") scheme.

Under the CJRS, grant income may be claimed in respect of certain costs to the Group of furloughed employees. The CJRS income included above reflects the costs incurred on or prior to 30 April 2022 that are eligible to be included in CJRS grant claims to the extent the Group considers there to be reasonable certainty that the grant will be received.

Under certain of the grant schemes, grant income may be claimed by operators of certain bus services to close the shortfall of revenue earned by them during the period affected by COVID–19 and the costs incurred by them in that period. The estimation of the grant income involves significant uncertainty, as explained in note 1(e)(ii) to these consolidated financial statements. The amount of income recognised in the year ended 30 April 2022 reflects the amount in respect of which the Group considers there to be reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

The Group receives ongoing amounts from government bodies to support the operation of local bus services, principally Bus Services Operator Grant ("BSOG") in England and Scotland, and Bus Services Support Grant ("BSSG") in Wales. These amounts are typically related to vehicle miles operated or litres of fuel consumed, but additional amounts are also receivable dependent on vehicle types, the deployment of automatic vehicle location ("AVL") equipment, the deployment of operational smartcard systems and/or holding low carbon emission certificates. These types of operating grant were receivable by bus operators prior to the COVID-19 pandemic and the Group does not view them as COVID-19 related support. The income receivable recognised for the year ended 30 April 2022 was £63.1m (2021: £67.9m).

In addition to the COVID–19 related grants receivable shown above, some government bodies have agreed to continue certain levels of payments of concessionary revenue, tender revenue and BSOG to help support the continuing operation of bus services. The payment rates of these items during the period affected by COVID-19 are higher than they would ordinarily be for the relevant levels of patronage, mileage and fuel consumption. Consistent with previous years, all amounts of concessionary revenue and tender revenue are reported within revenue and an analysis of revenue for the year ended 30 April 2022 is provided in note 2(a) to these consolidated financial statements. Amounts of BSOG receivable are included within bus operating grants in the table above.

Had the average rate of concessionary revenue per journey for the year ended 30 April 2022 as a whole been consistent with the rate for the period from 28 April 2019 to 29 February 2020, the concessionary revenue for the year would have been £158.1m, £90.4m lower than £248.5m reported in note 2(a) (2021: £89.1m, £153.9m lower than £243.0m reported in note 2(a)). While not all concessionary revenue is ordinarily determined on a "per journey" basis, that illustrates the extent to which concessionary payments were maintained notwithstanding the COVID-19 related reductions in journey numbers.

Rail franchise premia is the amount of financial premia and profit share payable to the UK's Department for Transport in respect of the operation of UK passenger rail franchises.

Rail revenue share payable is the amount payable to the UK's Department for Transport in certain circumstances where a train operating company's revenue is above target or where defined macroeconomic indices are above target.

Note 3 Operating costs and other operating income (continued)

Fees payable to the Company's auditors were as follows:

	2022 £m	2021 £m
Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements and consolidated financial statements	**0.7**	0.7
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.4**	0.4
Total audit fees	**1.1**	1.1
Other assurance services	**–**	–
Total non-audit fees	**–**	–
Total fees payable by the Group to its auditors	**1.1**	1.1

A description of the work of the Audit Committee is set out in the Audit Committee Report in section 5 of this Annual Report, and includes an explanation of how auditor independence is safeguarded when non–audit services are provided by the auditors.

Note 4 Separately disclosed items

(a) Summary of separately disclosed items

The Group highlights amounts before certain "separately disclosed items" as well as clearly reporting the results in accordance with IFRS. Separately disclosed items are defined in note 33.

The items shown in the columns headed "separately disclosed items" on the face of the consolidated income statement for the year ended 30 April 2022 and for the prior year comparatives are further analysed in the table below.

	2022 £m	2021 (restated – see note 1(b)) £m
Operating costs and other operating income		
Non-software intangible assets amortisation	**–**	(0.3)
Re-organisation costs	**–**	(2.8)
Sheffield Supertram profit and release from onerous contract provision	**6.9**	2.5
Discontinuation of fuel hedge accounting	**–**	10.9
Expired rail franchises	**7.0**	–
Transaction costs	**(8.6)**	–
Re-measurement of pensions settlement	**4.7**	–
Loss on pensions settlement	**(15.8)**	(30.2)
	(5.8)	(19.9)
Finance income		
Change in fair value of Deferred Payment Instrument	**1.0**	–
Finance costs		
Change in fair value of Deferred Payment Instrument	**–**	(2.6)
Separately disclosed items before taxation	**(4.8)**	(22.5)
Taxation effect	**(16.0)**	10.8
Separately disclosed items after taxation	**(20.8)**	(11.7)

(b) Re-organisation costs

In light of the COVID-19 situation, the Group took a number of actions to reduce its ongoing costs. Those actions were designed to ensure that the Group remained appropriately efficient and well placed to manage through, and recover from, the effects of the COVID-19 situation on its operations and financial performance. The Group incurred re-organisation costs, net of related grant income, of £2.8m in the year ended 1 May 2021 as a result of the actions taken to reduce its ongoing costs.

Notes to the consolidated financial statements (continued)

Note 4 Separately disclosed items (continued)

(c) Sheffield Supertram profit and release from onerous contract provision

In the year ended 2 May 2020, and taking account of the effects of the COVID-19 situation, the Group assessed its assets for impairment and reviewed for onerous contracts. Based on that review, the Group recorded an onerous contract provision in respect of its Sheffield Supertram concession. The amount of that provision is re-assessed at each subsequent balance sheet date.

In estimating that onerous contract provision, COVID-related payments to the Group's Sheffield Supertram business from the Department for Transport and South Yorkshire Combined Mayoral Authority were only taken account of to the extent they were confirmed on or prior to the applicable balance sheet date. We have re-assessed the amount of the onerous contract provision as at 30 April 2022, taking account of the further COVID-related payments and other developments that affect the estimated net cost of fulfilling the contractual obligations. That re-assessment resulted in a £5.3m reduction (2021: £0.8m reduction) in the level of the provision, with the reduction, as well as the £1.6m (2021: £1.7m) of Sheffield Supertram's other operating profit in the year, credited to the consolidated income statement for the year ended 30 April 2022 and presented as a separately disclosed item.

The estimate of the Supertram onerous contract provision involves estimation uncertainty, particularly in relation to forecast passenger revenue. Forecasting the extent to which COVID-19 has a lasting effect on passenger revenue adds to the uncertainty. The forecasts used to estimate the provision as at 30 April 2022 assume that underlying passenger revenue from 1 May 2022, as a percentage of the underlying pre-COVID revenue, will be around 85% for the year ending 29 April 2023 and around 91% for the remaining period until the end of the Supertram concession in March 2024. Underlying passenger revenue has been normalised to take account of changes in the timing of infrastructure work on the tram system. If total forecast revenue from 1 May 2022 was increased by 10%, the onerous contract provision as at 30 April 2022 would be £2.5m lower (2021: £3.6m lower) and if it was decreased by 10%, the provision would be £2.5m higher (2021: £3.6m higher).

No specific assumptions have been made regarding climate change in estimating the Supertram onerous contract provision. Taking account of the remaining term of the Supertram concession being less than two years and that the trams are electrically (rather than diesel) powered, we do not consider that climate change considerations materially affect the estimate of the provision as at 30 April 2022.

(d) Discontinuation of fuel hedge accounting

The Group significantly reduced its vehicle mileage in light of reduced customer demand from March 2020 as the public followed government advice to avoid all but essential travel in light of the COVID–19 pandemic. As a result, the Group significantly reduced its forecast of the level of future fuel consumption that it considered highly probable and it discontinued hedge accounting in mid–March 2020 for certain of the fuel hedges covering the period from mid–March 2020 to April 2021.

Amounts previously recognised in the statement of comprehensive income in respect of those now discontinued hedges were transferred to the income statement with effect from March 2020 to the extent that the forecast fuel consumption was no longer expected to occur. The income statement effect of that, and for subsequent movements in the fair value of fuel derivatives that are no longer accounted for as hedges, has been presented as a separately disclosed item.

In the year ended 1 May 2021, the fair value of those discontinued hedges (net of related offsetting derivatives) moved in favour of the Group and accordingly, a credit of £4.0m was reported in the consolidated income statement for the year ended 1 May 2021 and presented as a separately disclosed item. As the discontinued hedges cover periods up until April 2021, there are no amounts to be reported as separately disclosed items in respect of those hedges beyond the year to 1 May 2021.

Grant income recognised in the year ended 1 May 2021 included amounts intended to compensate the Group for cash payments by the Group pursuant to fuel derivatives. To the extent that grant income relates to the fuel derivatives for which hedge accounting was discontinued and for which the related expenses on those derivatives is reported within separately disclosed items (either in the year ended 2 May 2020 or in the year ended 1 May 2021), the related grant income of £6.9m in the year ended 1 May 2021 was also reported within separately disclosed items.

Amounts retained in the cash flow hedging reserve for fuel consumption that was still expected to occur were transferred to profit in the usual manner and are not reported as separately disclosed items in the year ended 1 May 2021.

(e) Expired rail franchises

As part of concluding matters in relation to its former involvement in the UK train operating market, the Group has recorded a separately disclosed gain of £7.0m in the year ended 30 April 2022. The gain is presented as a separately disclosed item as it relates to costs that were previously recorded as separately disclosed items.

(f) Transaction costs

The Group has recorded expenses of £8.6m, predominantly professional fees, in relation to a lapsed all-share combination with National Express Group plc and the successful all-cash offer from Inframobility UK Bidco Limited. Due to the size and non-recurring nature of the expenses, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the expenses incurred in respect of these matters.

(g) Re-measurement of pensions settlement

On 16 March 2021, the Group ceased to participate in the Tyne & Wear Local Government Pension scheme. The Group recognised an estimated settlement receivable of £3.5m as at 1 May 2021, based on the most recent actuarial valuations and estimates by an independent professionally qualified actuary.

The final settlement received by the Group in the year ended 30 April 2022 was £8.2m, an increase of £4.7m above the £3.5m receivable previously recognised at 1 May 2021. The increase in the exit settlement of £4.7m arose due to final actuarial assumptions on settlement, as determined by the relevant authority, differing from previous estimates. Due to the size and nature of this change in estimate, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the increased settlement received by the Group.

Note 4 Separately disclosed items (continued)

(h) Loss on pensions settlement

A separately disclosed loss of £30.2m on the Tyne & Wear pensions settlement is reported for the year ended 1 May 2021 and explained further in note 1(b)(ii) to the consolidated financial statements.

A similar loss, of £15.8m, is reported in respect of the Group's exit from the Teesside Local Government Pension Scheme in the year ended 30 April 2022. That loss has also been presented as a separately disclosed item.

Although applying the applicable accounting requirements results in the above income statement losses in relation to the Tyne & Wear and Teesside schemes, the exits resulted in cash payments from the schemes to the Group and an improvement versus the net pension balance for each scheme reflected in the Group's consolidated balance sheet at the start of each year in which an exit occurred. Gains arose in the consolidated statement of comprehensive income in relation to those.

(i) Change in fair value of Deferred Payment Instrument

The Group received a Deferred Payment Instrument as deferred consideration for the sale of the North American business in April 2019. The instrument, which is accounted for as fair value through profit or loss, has a maturity date of October 2024 and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. The carrying value of the instrument was £1.9m as at 1 May 2021. At 30 April 2022, the carrying value of the instrument was estimated to be £2.9m, resulting in a gain of £1.0m being recognised as finance income in the year ended 30 April 2022, compared to a loss of £2.6m recognised as finance costs in the year ended 1 May 2021.

Changes in the fair value of the Deferred Payment Instrument may occur in several consecutive financial years until the issuer of the instrument discharges it in full. The Deferred Payment Instrument is part of the consideration received for the sale of a business and it does not relate to the ongoing operating activities of the Group. The Directors therefore consider that it is helpful for understanding the Group's financial performance to disclose separately changes in the fair value of the Deferred Payment Instrument.

(j) Taxation effect

The separately disclosed tax charge for the year ended 30 April 2022 comprises of the following items:

- £15.5m in relation to the effect of a change in the UK corporation tax rate. Under legislation substantively enacted on 24 May 2021, the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The effect of that change being substantively enacted on the results for the year ended 30 April 2022 is an increase in the deferred tax liability of £11.2m, a charge to the consolidated income statement of £15.5m and a credit to the consolidated statement of comprehensive income of £4.3m, with the £4.3m being the change in the deferred tax balance in relation to net retirement benefit obligations. The £15.5m charge to the consolidated income statement has been presented as a separately disclosed item in the year ended 30 April 2022. The Group's definition of separately disclosed items (see note 33 to the consolidated financial statements) includes "items which individually or, if of a similar type, in aggregate need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Group". Given the significance of the £15.5m charge in the context of the Group's profit for the year ended 30 April 2022 and that the Group does not regularly see tax rate changes that have a profit impact of that extent, the Directors consider that the amount needs to be separately disclosed by virtue of its size and nature in order to allow a proper understanding of the underlying financial performance of the Group. Whilst the effect of prior tax rate changes on profit have not necessarily been presented as separately disclosed items, that is because they have been smaller in size (e.g. a £5.7m charge in the year ended 2 May 2020 in the context of adjusted profit after tax for the year of £74.9m versus £15.5m in the year ended 30 April 2022 in the context of reported adjusted profit after tax of £38.6m)
- A charge of £0.5m for the tax effect of the pre-tax separately disclosed items.

Note 5 Finance costs and income

Net finance costs and items of income, expense, gains and losses in respect of financial instruments (excluding commodity hedges, trade and other payables, and trade and other receivables) have been recognised in the income statement as set out in the following table.

	2022 £m	2021 £m
Interest expense on financial asset at fair value through profit or loss		
– Separately disclosed finance costs (note 4)	–	(2.6)
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest payable and other facility costs on bank loans, loan notes, overdrafts and trade finance	**(1.4)**	(2.7)
– Interest payable on leases	**(2.5)**	(2.5)
– Interest payable and other finance costs on bonds	**(16.9)**	(16.7)
– Interest payable on Covid Corporate Financing Facility	**(1.6)**	(1.8)
– Interest payable on interest rate swaps qualifying as fair value hedges	**(0.3)**	(0.1)
Other finance costs		
– Unwinding of discounts on provisions	**(1.2)**	(1.0)
– Interest charge on defined benefit pension schemes	**(5.4)**	(6.8)
Finance costs	**(29.3)**	(34.2)
Interest income on financial asset at fair value through profit and loss		
– Separately disclosed finance income (note 4)	**1.0**	–
Interest income on financial assets not at fair value through profit or loss		
– Interest receivable on cash and cash equivalents	**0.7**	0.5
Finance income	**1.7**	0.5
Net finance costs	**(27.6)**	(33.7)

Notes to the consolidated financial statements (continued)

Note 6 Staff costs

Total staff costs were as follows:

	2022 £m	2021 (restated – see note 1(b)) £m
Staff costs		
Wages and salaries	**643.1**	640.9
Social security costs	**61.8**	58.2
Pension costs excluding interest on net liability (note 23)		
– Defined benefit pension costs	**22.3**	38.0
– Defined contribution pension costs	**49.6**	44.8
– Administration costs for pension schemes	**0.8**	0.8
Share based payment costs (excluding social security costs)		
– Equity-settled	**3.5**	1.6
– Cash-settled	**(0.1)**	(0.7)
Total staff costs	**781.0**	783.6

The total amount shown for staff costs above includes an amount of £0.9m (2021: £0.1m) in respect of share based payment costs for the Directors.

Key management personnel are considered to be the Directors and full information on their remuneration, waivers of remuneration, share based payments, incentive schemes and pensions is contained within the Directors' remuneration report in section 8 of this Annual Report.

The average monthly number of persons employed by the Group during the year (including executive directors) was as follows:

Average monthly staff numbers	2022 number	2021 number
UK operations	**21,013**	21,939
UK administration and supervisory	**1,799**	1,823
Total	**22,812**	23,762

Note 7 Taxation

(a) Analysis of charge in the year

	2022			2021		
	Performance excluding separately disclosed items £m	**Separately disclosed items (note 4) £m**	**Results for the year £m**	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m
Current tax:						
UK Corporation tax at 19.0% (2021: 19.0%)	**5.5**	**0.8**	**6.3**	(2.8)	1.5	(1.3)
Prior year under/(over) provision for corporation tax	**0.4**	**(0.3)**	**0.1**	(0.5)	(12.3)	(12.8)
Total current tax	**5.9**	**0.5**	**6.4**	(3.3)	(10.8)	(14.1)
Deferred tax:						
Origination and reversal of temporary differences	**1.5**	**–**	**1.5**	6.4	–	6.4
Adjustments in respect of prior years	**(1.9)**	**–**	**(1.9)**	(1.1)	–	(1.1)
Change in tax rates	–	**15.5**	**15.5**	–	–	–
Total deferred tax	**(0.4)**	**15.5**	**15.1**	5.3	–	5.3
Total tax on profit on continuing operations	**5.5**	**16.0**	**21.5**	2.0	(10.8)	(8.8)

Note 7 Taxation (continued)

(b) Factors affecting tax charge for the year

	2022 £m	2021 (restated – see note 1(b)) £m
Profit/(loss) before taxation – on continuing operations	**39.3**	(5.5)
Profit/(loss) multiplied by standard rate of corporation tax applying to the year in the UK of 19.0% (2021: 19.0%)	**7.5**	(1.0)
Effects of:		
Impact of initial recognition exemption on property, plant and equipment	**0.5**	0.6
Non-deductible element of share based payment expense	**(0.2)**	–
Other non-deductible expenditure	**0.5**	0.2
Other non-taxable income	**(0.5)**	(0.5)
Tax effect of share of results of joint ventures	**(0.6)**	(0.7)
Deferred tax not recognised	**0.3**	0.8
Super-deduction enhanced capital allowances	**(1.3)**	–
Non taxable/Non deductible separately disclosed items	**2.9**	5.7
Benefit of previously unrecognised tax losses	**(1.3)**	–
Adjustments to tax charge in respect of prior years		
– prior year adjustments	**(1.8)**	(1.6)
– separately disclosed credit arising from resolution of uncertain tax position	**–**	(7.3)
– separately disclosed credit arising from expired rail franchises	**–**	(5.0)
Impact on deferred tax from change in UK corporation tax rate from 19% to 25%	**15.5**	–
Total tax on profit (note 7a)	**21.5**	(8.8)

(c) Factors that may affect future tax charges

The tax amounts recognised as at 30 April 2022 continue to involve a degree of estimation uncertainty. Liabilities of £1.8m (2021: £3.6m) are held in respect of uncertain tax positions of which £1.8m (2021: £2.4m) relates to the financing and transactions with overseas operations. The liabilities held in respect of tax reflect the Group's assessment and measurement of the amounts payable, taking account of correspondence with the tax authorities and advice on the applicable regulations.

Details of an uncertainty on the taxation of receipts from Local Government Pension Schemes are included in note 1(e)(ii).

Gross deductible temporary differences of £6.0m (2021: £11.8m) relating to tax losses have not been recognised due to restrictions in the availability of their use. Those tax losses do not have any fixed expiry date.

The deferred tax balances have been calculated with reference to the enacted UK corporation tax rates as at the balance sheet date of 30 April 2022 of 19% to 31 March 2023 and thereafter, 25%. On 24 May 2021, an increase in the rate to 25% from 1 April 2023 was substantively enacted.

Taking account of the recently enacted increase in the rate of UK corporation tax, assuming no changes to tax laws in the UK and assuming that the composition of the Group remains broadly unchanged, we expect the Group's future effective tax rate (excluding separately disclosed items) to be around 15% in the year ending 29 April 2023 due to the continued impact of claiming super deduction enhanced capital allowances, rising to 24% to 26% thereafter.

(d) Tax on other comprehensive income

The components of tax on other comprehensive income are shown in the consolidated statement of comprehensive income.

The tax charge of £32.5m (2021: £28.8m) on actuarial gains of £261.6m (2021 restated: £185.1m) in respect of Group defined benefit pension schemes takes into account non-taxable elements of the actuarial gains and a tax credit of £4.3m (2021: £Nil) from the corporation tax rate change.

Note 8 Dividends

The Company paid no dividends to its shareholders during the years ended 1 May 2021 and 30 April 2022, and no dividends to its shareholders are proposed in respect of the year ended 30 April 2022 (2021: £Nil).

Notes to the consolidated financial statements (continued)

Note 9 Earnings per share

Basic earnings per share ("EPS") have been calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding any ordinary shares held in treasury.

The diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares in relation to executive share plans and long–term incentive plans.

For the purpose of calculating diluted earnings, International Accounting Standard 33 ("IAS 33"), *Earnings Per Share,* identifies two categories of share based incentive schemes and specifies the treatment for each in calculating diluted earnings per share. In calculating diluted earnings per share, the Group treats awards under its Executive Participation Plan and its Restricted Share Plan as being in the IAS 33 category of "employee share options with fixed or determinable terms and non-vested ordinary shares." As such, the fair value (as determined in accordance with International Financial Reporting Standard 2, (*Share-based Payment*) of any goods or services to be supplied to the Group in the future in respect of the outstanding units under those schemes is treated as future proceeds receivable by the Group for the units. A calculation was undertaken to determine the number of ordinary shares that could have been acquired with those future proceeds (determined based on the average market share price of the Company's ordinary shares during the period of each year that each tranche of awards was outstanding). The number of ordinary shares so calculated is deducted from the weighted average of the outstanding awards under the schemes during each year to determine the number of shares to be added to the weighted average number of shares for the purpose of calculating diluted earnings per share.

More details of share based payments are provided in note 26.

	2022 no. of shares million	2021 no. of shares million
Basic weighted average number of ordinary shares, excluding treasury shares	**551.1**	550.7
Dilutive ordinary shares		
– Executive Participation Plan	**4.6**	1.3
– Restricted Share Plan	**1.8**	1.5
Diluted weighted average number of ordinary shares	**557.5**	553.5

Adjusted EPS is calculated by adding back separately disclosed items (after taking account of taxation and the non–controlling interest) as shown on the consolidated income statement. This has been presented to allow shareholders to gain a further understanding of the underlying performance. The reconciliation of net profit for the basic EPS calculation to net profit for the adjusted EPS calculation is shown below.

	2022 £m	2021 (restated – see note 1(b)) £m
Profit attributable to equity holders of the parent for basic EPS calculation	**17.6**	3.2
Non-software intangible asset amortisation (note 4)	**–**	0.3
Other separately disclosed items before tax (note 4)	**4.8**	22.2
Tax effect of separately disclosed items (note 4)	**16.0**	(10.8)
Non-controlling interest in separately disclosed items	**0.2**	0.1
Profit for adjusted EPS calculation	**38.6**	15.0

Note 10 Goodwill

Goodwill was as follows:

	2022 £m	2021 £m
Cost and net book value		
At beginning and end of year	**51.9**	51.9

For the purpose of impairment testing, all goodwill that has been acquired in business combinations has been allocated to two individual cash generating units ("CGUs") on the basis of the Group's operations. The UK Bus (regional operations) and UK Bus (London) cash generating units operate coach and bus services in the United Kingdom. No goodwill has been allocated to the Group's UK rail operations.

The cash generating units are as follows:

	UK Bus (regional operations)		UK Bus (London)	
	2022	2021	**2022**	2021
Carrying amount of goodwill (£m)	**48.3**	48.3	**3.6**	3.6
Basis on which recoverable amount has been determined	**Value in use**	Value in use	**Value in use**	Value in use
Period covered by approved management plans used in value in use calculation	**5 years**	5 years	**5 years**	5 years
Pre–tax discount rate applied to cash flow projections	**9.1%**	9.1%	**9.1%**	9.1%
Growth rate used to extrapolate cash flows beyond period of management plan	**2.1%**	2.3%	**2.1%**	2.3%
Difference between above growth rate and long–term average growth rate for market in which unit operates	**Nil**	Nil	**Nil**	Nil

Note 10 Goodwill (continued)

The calculation of value in use for each cash generating unit shown above is most sensitive to the assumptions on discount rates and growth rates and, in the case of UK Bus (London), the number of new contracts won and the commercial terms of such contracts. The assumptions used are considered to be consistent with past experience and external sources of information and to be realistically achievable in light of economic and industry measures and forecasts.

The principal risks and uncertainties facing the Group are set out in section 1.4.5 of the Strategic report.

The cost base of the UK Bus (regional operations) can be flexed in response to changes in revenue and there is scope to reduce capital expenditure in the medium-term if other cash flows deteriorate. The cost base of UK Bus (London) is not as flexible because the business is contractually committed to operate the majority of its services.

The discount rates have been determined with reference to the estimated post–tax Weighted Average Cost of Capital ("WACC") of the Group. In determining the estimated WACC, lease debt has been included in calculating the cost of debt. The WACC has been estimated as at 30 April 2022 at 7.4% (2021: 7.3%).

The pre–tax discount rate for each CGU has been determined by adjusting the Group's WACC for the risk profile and effects of tax on each of the relevant CGUs.

The value in use as at 30 April 2022 has been estimated to exceed the carrying value of the business' non-current assets. However, there are alternative but still reasonably possible assumptions that when applied result in a value in use estimate below carrying value. The most critical estimates relate to the forecast growth in the business' earnings before interest, tax, depreciation and amortisation over the next few years, the discount rate and the rate of long-term growth in the business' net cash flows. The financial performance of the UK Bus (regional operations) business is influenced by various different factors, including changes in local economies, local competition, fuel prices, working patterns, shopping patterns, traffic conditions, cost pressures including the availability of sufficient staff, and regulatory change. The key areas of forecasting uncertainty include:
- The timing and extent of the recovery in demand for regional bus journeys;
- Increased and uncertain cost inflation; and
- The nature and extent of payments from government for continuing regional bus services.

The carrying value of UK Bus (regional operations) non-current assets as at 30 April 2022 was £837.0m (2021: £803.7m) and the estimated value in use was £971.8m (2021: £1,008.1m) but alternative assumptions could result in an impairment loss. As at 30 April 2022, the value in use of the UK Bus (regional operations) business exceeds its carrying amount by £134.8m (2021: £204.4m). Our sensitivity analysis indicates that this headroom would be eliminated if the assumed long-term growth rate fell by more than 139 basis points (2021: 210 basis points), or if the discount rate were to increase by more than 80 basis points (2021: 140 basis points). The assumptions described in section 3.11 of this Annual Report in respect of our base case forecast for assessing going concern and longer term viability are consistent with those applied in assessing goodwill as at 30 April 2022 for impairment. While climate change presents both opportunities and risks to our business, we do not consider that climate change considerations materially impact the assessment of the carrying value of the business' non-current assets, notwithstanding the climate-related estimation uncertainty arising in connection with estimating the useful lives of vehicles for accounting purposes, which we highlight in note 1.

The Directors believe that there is no impairment to any of the CGUs.

Note 11 Other intangible assets

Intangible assets include customer contracts on favourable terms to market purchased as part of business combinations and software costs.

The movements in other intangible assets, all of which are assumed to have finite useful lives, were as follows:

Year ended 30 April 2022	Customer contracts £m	Software costs £m	Total £m
Cost			
At beginning of year	**1.7**	**38.1**	**39.8**
Reclassification of items to prepayments (see below)	**–**	**(5.0)**	**(5.0)**
Additions	**–**	**3.1**	**3.1**
Disposals	**–**	**(4.7)**	**(4.7)**
At end of year	**1.7**	**31.5**	**33.2**
Accumulated amortisation			
At beginning of year	**(1.7)**	**(25.8)**	**(27.5)**
Amortisation charged to income statement	**–**	**(1.4)**	**(1.4)**
At end of year	**(1.7)**	**(27.2)**	**(28.9)**
Net book value at beginning of year	**–**	**12.3**	**12.3**
Net book value at end of year	**–**	**4.3**	**4.3**

Notes to the consolidated financial statements (continued)

Note 11 Other intangible assets (continued)

Year ended 1 May 2021	Customer contracts £m	Software costs £m	Total £m
Cost			
At beginning of year	1.7	32.1	33.8
Additions	–	6.0	6.0
At end of year	1.7	38.1	39.8
Accumulated amortisation			
At beginning of year	(1.4)	(22.9)	(24.3)
Amortisation charged to income statement	(0.3)	(2.9)	(3.2)
At end of year	(1.7)	(25.8)	(27.5)
Net book value at beginning of year	0.3	9.2	9.5
Net book value at end of year	–	12.3	12.3

Certain amounts, which were included within intangible assets as at 1 May 2021, have been reclassified to prepayments. Following that reclassification, certain balances within the overall reclassified amount were expensed to the consolidated income statement. The reclassification and expensing of the amounts reflects a change in the accounting policy for Software as a Service ("SaaS"), following a review of an agenda decision by the International Financial Reporting Interpretations Committee. Prior year amounts have not been re-stated as the impact would not be material.

Note 12 Property, plant and equipment

(a) Owned assets

The movements in owned property, plant and equipment were as follows:

Year ended 30 April 2022	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	**296.6**	**1,159.3**	**104.9**	**1,560.8**
Additions	**6.8**	**35.9**	**3.2**	**45.9**
Transfers from right-of-use assets	**–**	**22.0**	**–**	**22.0**
Transferred to assets held for sale	**(3.7)**	**–**	**–**	**(3.7)**
Disposals	**(0.6)**	**(35.2)**	**(6.6)**	**(42.4)**
At end of year	**299.1**	**1,182.0**	**101.5**	**1,582.6**
Depreciation				
At beginning of year	**(83.3)**	**(633.3)**	**(83.8)**	**(800.4)**
Depreciation charged to income statement	**(6.1)**	**(68.4)**	**(5.3)**	**(79.8)**
Impairment charged to income statement	**(0.1)**	**(4.3)**	**–**	**(4.4)**
Transfers from right-of-use assets	**–**	**(7.5)**	**–**	**(7.5)**
Transfer to assets held for sale	**1.3**	**–**	**–**	**1.3**
Disposals	**0.2**	**33.5**	**6.6**	**40.3**
At end of year	**(88.0)**	**(680.0)**	**(82.5)**	**(850.5)**
Net book value at beginning of year	**213.3**	**526.0**	**21.1**	**760.4**
Net book value at end of year	**211.1**	**502.0**	**19.0**	**732.1**

Year ended 1 May 2021	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	300.4	1,153.4	110.4	1,564.2
Additions	2.7	32.8	1.1	36.6
Transfer to assets held for sale	(1.9)	–	–	(1.9)
Disposals	(4.6)	(26.9)	(6.6)	(38.1)
At end of year	296.6	1,159.3	104.9	1,560.8
Depreciation				
At beginning of year	(75.9)	(584.5)	(84.5)	(744.9)
Depreciation charged to income statement	(6.0)	(70.0)	(5.8)	(81.8)
Impairment charged to income statement	(2.0)	(3.9)	–	(5.9)
Transfer to assets held for sale	0.5	–	–	0.5
Disposals	0.1	25.1	6.5	31.7
At end of year	(83.3)	(633.3)	(83.8)	(800.4)
Net book value at beginning of year	224.5	568.9	25.9	819.3
Net book value at end of year	213.3	526.0	21.1	760.4

Note 12 Property, plant and equipment (continued)

(b) Leases

Included with property, plant and equipment are leased assets where the Group is the lessee. Further information on the Group's accounting policy for leases can be found within note 1(u).

(i) Movements in right-of-use assets

The movements in right-of-use assets were as follows:

Year ended 30 April 2022	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	**45.1**	**88.2**	**6.8**	**140.1**
Additions	**3.1**	**14.0**	**1.9**	**19.0**
Transfers to owned property, plant and equipment*	**–**	**(22.0)**	**–**	**(22.0)**
Disposals	**(3.5)**	**(13.4)**	**(1.3)**	**(18.2)**
At end of year	**44.7**	**66.8**	**7.4**	**118.9**
Depreciation				
At beginning of year	**(9.9)**	**(36.6)**	**(3.0)**	**(49.5)**
Depreciation charged to income statement	**(3.6)**	**(18.4)**	**(1.9)**	**(23.9)**
Transfers to owned property, plant and equipment*	**–**	**7.5**	**–**	**7.5**
Disposals	**0.9**	**13.4**	**1.3**	**15.6**
At end of year	**(12.6)**	**(34.1)**	**(3.6)**	**(50.3)**
Net book value at beginning of year	**35.2**	**51.6**	**3.8**	**90.6**
Net book value at end of year	**32.1**	**32.7**	**3.8**	**68.6**

* During the year ended 30 April 2022, the Group paid the final amounts due on assets previously held under hire purchase arrangements. Those assets are therefore now owned by the Group.

The impairment losses of £4.4m (2021: £6.8m) include £0.1m (2021: £2.9m) in respect of land and buildings, and £4.3m (2021: £3.9m) in respect of coaches, that have become surplus to the Group's requirements. The carrying amounts of the relevant assets have been written down to their estimated recoverable amounts.

Notes to the consolidated financial statements (continued)

Note 12 Property, plant and equipment (continued)

(b) Leases (continued)

(i) Movements in right-of-use assets (continued)

Year ended 1 May 2021	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	37.5	80.5	6.1	124.1
Additions	7.9	12.4	1.7	22.0
Disposals	(0.3)	(4.7)	(1.0)	(6.0)
At end of year	45.1	88.2	6.8	140.1
Depreciation				
At beginning of year	(4.3)	(22.3)	(1.9)	(28.5)
Depreciation charged to income statement	(5.0)	(19.0)	(1.9)	(25.9)
Impairment charged to income statement	(0.9)	–	–	(0.9)
Disposals	0.3	4.7	0.8	5.8
At end of year	(9.9)	(36.6)	(3.0)	(49.5)
Net book value at beginning of year	33.2	58.2	4.2	95.6
Net book value at end of year	35.2	51.6	3.8	90.6

(ii) Lease liabilities

The lease liabilities were:

	2022 £m	2021 £m
Current	**22.1**	22.7
Non-current	**52.3**	59.4
	74.4	82.1

(iii) Amounts recognised in the consolidated income statement

The consolidated income statement includes the following depreciation charges and other costs in relation to leases:

	2022 £m	2021 £m
Depreciation charge for right-of-use assets		
Land and buildings	**3.6**	5.0
Passenger service vehicles	**18.4**	19.0
Other plant and equipment	**1.9**	1.9
Total depreciation charge for right-of use assets	**23.9**	25.9
Expenses relating to short-term leases	**4.6**	2.5
Expenses relating to leases of low-value assets	**0.5**	0.3
Lease costs included within operating profit	**29.0**	28.7
Interest expense included within finance costs	**2.5**	2.5
Lease costs included within profit before tax	**31.5**	31.2

The Group has commitments of £0.1m (2021: £0.7m) for short-term leases and £0.7m (2021: £0.4m) for leases of low-value assets as at 30 April 2022.

(iv) Amounts recognised in the consolidated statement of cash flows

The consolidated statement of cash flows includes an outflow of £31.9m (2021 £32.4m) in relation to leases and the related interest expense:

Payment of	**Payment included with cash flow heading**	**2022 £m**	2021 £m
Lease principal	Cash flows from financing activities	**24.3**	27.1
Interest payable on leases	Cash flows from operating activities	**2.5**	2.5
Payments for short-term leases	Cash flows from operating activities	**4.6**	2.5
Payments for low-value leases	Cash flows from operating activities	**0.5**	0.3
Total lease payments		**31.9**	32.4

Note 12 Property, plant and equipment (continued)

(b) Leases (continued)

(v) Future possible cashflows not included in lease liabilities

The Group is the lessee of certain properties where the applicable lease agreements provide the Group with the right to end the lease prior to the end of the full contractual term of the lease. Judgement was required in assessing whether and when the Group was likely to end each lease early. The Group expects to end one (2021: one) property lease(s) at the next rent-break dates and the Group has accounted for that lease accordingly. The Group expects all other leases to continue to the end of their contractual terms. If the Group did not end that property lease at the next rent break-date, the Group would have additional undiscounted property lease liabilities of £0.6m (2021: £0.6m) at 30 April 2022.

Future increases in rental payments linked to an index or rate are not included in the lease liabilities until the change in the cash flows takes effect. Property rental changes linked to inflation or rent reviews typically take place every five years. At 30 April 2022, approximately 8% (2021: 10%) of the Group's lease liabilities were subject to inflation-linked rentals and 32% (2021: 24%) were subject to rent reviews.

(vi) Sale and leaseback of depot

In April 2021, the Group completed the sale and leaseback of a depot in the UK Bus (regional operations) segment. Cash proceeds (net of costs to sell) of £5.9m were received in respect of the transaction and the Group recognised an immaterial loss on disposal. The depot is being leased back to the Group over a 25 year lease term and the lease liability as at 30 April 2022 was £5.1m (2021: £5.1m).

(c) Assets classified as held for sale

During the year to 1 May 2021, the Group decided to sell three of its sites. Two of these sites were sold during the year, for combined proceeds of £0.7m after the direct costs related to the disposal of the properties. These two disposals resulted in a net gain of £0.1m being recognised.

The third site was sold in the year to 30 April 2022 for proceeds of £0.5m, resulting in a net loss of £0.3m being recognised in the year to 30 April 2022.

During the year ended 30 April 2022, five sites (2021: one site) owned by the Group were marketed for sale and have been classified as held for sale at 30 April 2022, with a total carrying value of £2.4m (2021: £0.8m).

Note 13 Interests in joint ventures

The Group has three joint ventures as summarised below. Each joint venture is structured as a distinct legal entity and the Group accounts for its interests in all three joint ventures using the equity method of accounting. There are no quoted market prices for any of the Group's investments in joint ventures.

(a) WCT Group Holdings Limited

The Group holds 49% of the equity and voting rights in WCT Group Holdings Limited ("WCT Group"). The principal business of the group headed by WCT Group was the operation of inter-city train services under the West Coast rail franchise. It ceased operating train services in December 2019. WCT Group is incorporated in the UK.

The Group considers that it has joint control of WCT Group even though it controls less than half of the voting rights in WCT Group. That joint control results from contractual arrangements between the shareholders of WCT Group that require the agreement of both shareholders to make decisions on key matters.

WCT Group's dividend policy was revised during the year ended 30 April 2022, with the agreement of both of its shareholders. The revised policy is that WCT Group intends to pay dividends on a quarterly basis, but that any dividend paid will be subject to (a) the requirements of applicable laws and regulations, and (b) the directors' evaluation of the appropriateness of any distribution in the context of contingent liabilities, or other risks to the WCT Group's financial position.

(b) Scottish Citylink Coaches Limited

The Group holds 35% of the equity and voting rights in Scottish Citylink Coaches Limited ("Citylink"). The principal business of Citylink is the operation of inter-city coach services to, from and within Scotland. It is incorporated in the UK.

The Group considers that it has joint control of Citylink even although it controls less than half of the voting rights in Citylink but is responsible for the day-to-day management of the business. That joint control results from contractual arrangements between the shareholders of Citylink that require the agreement of both shareholders to make decisions on key matters.

The profit after tax of Citylink is distributed in full to its shareholders subject to retaining sufficient cash to meet the liquidity requirements of the business and subject to there being no outstanding amounts payable by Citylink in respect of loans from its shareholders and accrued interest on such loans. Both shareholders in Citylink need to agree to any changes to or deviations from that dividend policy.

(c) Crown Sightseeing Limited

The Group holds 33.3% of the equity and voting rights in Crown Sightseeing Limited ("Crown Sightseeing"). The principal business of Crown Sightseeing is the operation of open-top hop-on, hop-off bus services providing tours to some of London's major tourist attractions. The company was formed in September 2020 and began trading in May 2021. Crown Sightseeing is incorporated in the UK.

The Group considers that it has joint control of Crown Sightseeing even though it controls less than half of the voting rights in Crown Sightseeing. That joint control results from contractual arrangements between the shareholders of Crown Sightseeing that require the agreement of all shareholders to make decisions on key matters.

The profit after tax of Crown Sightseeing is distributed in full to its shareholders subject to retaining sufficient cash to meet the liquidity requirements of the business and subject to there being no outstanding amounts payable by Crown Sightseeing in respect of loans from its shareholders and accrued interest on such loans. All shareholders in Crown Sightseeing need to agree to any changes to, or deviations from, that dividend policy.

Notes to the consolidated financial statements (continued)

Note 13 Interests in joint ventures (continued)

(d) Movements in carrying values

The movements in the carrying values of interests in joint ventures were as follows:

	WCT Group £m	Citylink £m	Crown £m	Total 2022 £m	Total 2021 £m
Net book value					
At beginning of year	**2.0**	**4.7**	**–**	**6.7**	16.3
Share of recognised profit	**2.9**	**0.4**	**0.1**	**3.4**	3.8
Dividends received in cash	**(2.9)**	**–**	**–**	**(2.9)**	(2.4)
Dividends received in specie (see note 28(e))	**–**	**–**	**–**	**–**	(11.0)
At end of year	**2.0**	**5.1**	**0.1**	**7.2**	6.7

A loan payable to Citylink of £1.7m (2021: £1.7m) is included within current liabilities under the caption "Trade and other payables". A loan receivable from Crown Sightseeing of £0.1m (2021: £0.2m) and a provision against that receivable of £0.1m (2021: £0.2m) are included within current assets under the caption "Trade and other receivables".

(e) Summarised financial information of joint ventures

The summarised financial information shown below is in accordance with IFRS and the Group's accounting policies. Adjustments have been made, as appropriate, to reflect fair value adjustments made at the time of acquisition. Except where stated, the amounts shown are in respect of 100% of each joint venture and not just the Group's share of the joint venture.

Each of the Group's joint ventures has a statutory financial year-end that differs from that of the Group's, which is the Saturday nearest to 30 April. In applying the equity method of accounting to its interests in joint ventures, the Group refers to the edition of each joint venture's management accounts that has a balance sheet date closest to the Group's balance sheet date. In some cases, the balance sheet date differs from the Group's but the impact of that on the Group's consolidated financial statements is not material. Further information on the relevant dates in respect of joint ventures is below:

Joint venture	WCT Group	Citylink	Crown
Latest statutory balance sheet date closest to 30 April 2022	**31 December 2021**	**31 December 2021**	**31 December 2021**
Balance sheet date of management accounts	**30 April 2022**	**22 April 2022**	**30 April 2022**

The consolidated balance sheets of each of the Group's significant joint ventures are summarised below:

As at 30 April 2022	WCT Group £m	Citylink £m	Crown £m	Total 2022 £m
Non-current assets	**–**	**1.3**	**0.8**	
Cash and cash equivalents	**7.8**	**4.0**	**0.5**	
Other current assets	**–**	**13.1**	**0.4**	
Current liabilities	**(3.5)**	**(10.4)**	**(0.5)**	
Non-current liabilities	**–**	**(0.9)**	**(0.9)**	
Net assets	**4.3**	**7.1**	**0.3**	
Non-controlling interest	**(0.1)**	**–**	**–**	
Shareholders' funds	**4.2**	**7.1**	**0.3**	
Group share	**49%**	**35%**	**33.3%**	
Group share of net assets	**2.0**	**2.5**	**0.1**	**4.6**
Goodwill	**–**	**2.6**	**–**	**2.6**
Group interest in joint ventures	**2.0**	**5.1**	**0.1**	**7.2**

As at 1 May 2021	WCT Group £m	Citylink £m	Crown £m	Total 2021 £m
Non-current assets	–	1.3	–	
Cash and cash equivalents	17.6	6.8	–	
Other current assets	0.6	8.4	–	
Current liabilities	(14.0)	(10.5)	–	
Net assets	4.2	6.0	–	
Non-controlling interest	(0.1)	–	–	
Shareholders' funds	4.1	6.0	–	
Group share	49%	35%		
Group share of net assets	2.0	2.1	–	4.1
Goodwill	–	2.6	–	2.6
Group interest in joint ventures	2.0	4.7	–	6.7

Notes to the consolidated financial statements (continued)

Note 13 Interests in joint ventures (continued)

(e) Summarised financial information of joint ventures (continued)

The assets and liabilities shown above include the following financial assets and financial liabilities (excluding cash, cash equivalents, trade receivables, other receivables, trade payables and other payables):

	2022 £m	2021 £m
Citylink		
Current assets		
– loan to Stagecoach Group	**1.7**	1.7
– loan to Braddell Limited	**3.2**	3.2

The financial performance of each of the Group's joint ventures is summarised below:

	2022			2021		
Years ended 30 April 2022 and 1 May 2021	**WCT Group £m**	**Citylink £m**	**Crown Sightseeing £m**	WCT Group £m	Citylink £m	Crown Sightseeing £m
Revenue	**0.4**	**34.0**	**2.9**	10.1	25.9	–
Operating costs and other operating income	**6.2**	**(32.6)**	**(2.5)**	0.9	(27.1)	–
Operating profit/(loss)	**6.6**	**1.4**	**0.4**	11.0	(1.2)	–
Finance income	**–**	**–**	**–**	0.3	–	–
Taxation (charge)/credit	**(0.5)**	**(0.3)**	**(0.1)**	(2.8)	0.2	–
Profit/(loss) after tax	**6.1**	**1.1**	**0.3**	8.5	(1.0)	–

Note 14 Subsidiary and related undertakings

Inter City Railways Limited

Inter City Railways Limited is the one subsidiary in which a third party has a non-controlling interest. The Group holds 90% of the equity and voting rights in Inter City Railways Limited, which in turn holds 100% of the equity and voting rights in East Coast Main Line Company Limited, which traded as Virgin Trains East Coast. Both Inter City Railways Limited and East Coast Main Line Company Limited are incorporated in the UK. The Virgin Group of companies holds the other 10% of the equity and voting rights of Inter City Railways Limited. The Group has contractual arrangements with the Virgin Group in respect of the business. However, the Group may appoint a majority of the directors of Inter City Railways Limited and appoint the executive management of East Coast Main Line Company Limited. Also, the Group is responsible for the day-to-day management of the company, and has the power to direct its activities. The Group therefore accounts for Inter City Railways Limited and East Coast Main Line Company Limited as subsidiaries.

The profit for the year ended 30 April 2022 allocated to the non-controlling interest is shown on the consolidated income statement. The movement in the non-controlling interest is shown in the consolidated statement of changes in equity.

At least 75% of the distributable profit of Inter City Railways Limited should be distributed to its shareholders within four months of each financial year-end subject to retaining sufficient cash to meet any obligations under rail franchise agreements. Both shareholders in Inter City Railways Limited need to agree to any changes to or deviations from that dividend policy. Interim dividends of £1.1m were paid by Inter City Railways Limited in the year ended 30 April 2022 (2021: £Nil).

The consolidated balance sheet of Inter City Railways Limited as at 30 April 2022 and its financial performance for the year ended 30 April 2022 are summarised below. The amounts shown below are determined in accordance with the Group's accounting policies before inter-company eliminations.

	2022 £m	2021 £m
Current assets	**3.0**	37.5
Current liabilities	**(1.4)**	(37.5)
Net assets	**1.6**	–
Revenue	**0.2**	0.1
Expenses	**2.9**	(0.2)
Operating profit/(loss)	**3.1**	(0.1)
Finance income, (net)	**–**	0.1
Profit before tax	**3.1**	–
Tax	**(0.4)**	–
Profit after tax	**2.7**	–

Notes to the consolidated financial statements (continued)

Note 15 Inventories

Inventories were as follows:

	2022 £m	2021 £m
Parts and consumables	**12.3**	9.5

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. Changes in the provision for slow moving and obsolete inventories were as follows:

	2022 £m	2021 £m
At beginning of year	**(0.7)**	(0.6)
Charged to income statement	**(0.3)**	(0.1)
At end of year	**(1.0)**	(0.7)

Note 16 Trade and other receivables

Trade and other receivables were as follows:

	2022 £m	2021 £m
Non-current:		
Prepayments	**3.3**	–
Deferred Payment Instrument	**2.9**	1.9
Insurance claim receivables	**14.0**	16.0
Other receivables	**0.2**	0.2
	20.4	18.1
Current:		
Trade receivables	**29.7**	25.7
Less: provision for impairment	**(3.5)**	(2.8)
Trade receivables – net	**26.2**	22.9
Receivables from Local Government Pension Schemes	**11.1**	3.5
Other receivables	**0.8**	1.1
Prepayments for purchase of property, plant and equipment	**–**	7.0
Other prepayments	**16.0**	12.0
Accrued income	**26.0**	22.6
VAT and other government receivables	**53.4**	48.2
	133.5	117.3

Further information about the Deferred Payment Instrument, which formed part of the consideration for the sale of the North America business in April 2019 is included in notes 4 and 24.

The movements in the provision for impairment of current trade receivables were as follows:

	2022 £m	2021 £m
At beginning of year	**(2.8)**	(2.5)
Impairment losses in year charged to income statement	**(1.0)**	(0.6)
Reversal of impairment losses credited to income	**0.2**	0.3
Amounts utilised	**0.1**	–
At end of year	**(3.5)**	(2.8)

Of the above provision for impairment, £3.5m (2021: £2.8m) relates to receivables arising from contracts with customers. Further information on credit risk is provided in note 24.

Note 17 Contract balances

	2022 £m	2021 £m
Trade receivables (note 16)	**26.2**	22.9
Contract liabilities (note 19)	**22.9**	16.3

Trade receivables are non-interest bearing and are on terms of 30 to 90 days.

Contract liabilities represents amounts advanced by customers in respect of which the Group has not yet met the performance obligations to allow the recognition of the balance as revenue. These mainly relate to the season tickets held by passengers which cross over the year-end date and concessionary payments received by the Group in respect of services that had yet to be performed.

The contract liabilities as at 30 April 2022 are expected to be recognised as revenue in the year to 29 April 2023. The contract liabilities at the previous balance sheet date were predominately recognised within revenue in the subsequent year.

Changes in the contract liabilities relating to customer contracts at each year-end principally reflect changes in the volume of season tickets purchased in advance of the respective year-end dates. The increase in the liabilities from 1 May 2021 to 30 April 2022 reflects the reduction of the impact of COVID-19 on ticket purchasing.

Note 18 Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents on deposit and in hand	**243.5**	600.0
Cash in transit	**5.4**	2.3
Cash and cash equivalents shown in the consolidated balance sheet	**248.9**	602.3
Bank overdrafts included in other borrowings	**–**	(119.1)
Cash and cash equivalents shown in the consolidated statement of cash flows	**248.9**	483.2

Cash includes a balance of £Nil (2021: £17.4m) that has been pledged by the Group as collateral in respect of loan notes of £Nil (2021: £17.4m).

The cash and cash equivalents amounts as at 30 April 2022 include:
- £50.0m on 12 month deposit maturing by April 2023
- £20.0m on 6 month deposit maturing by October 2022
- £20.0m on 3 month deposit maturing by May 2022
- £20.0m on 2 week deposit maturing by May 2022
- £5.0m in a 35 day notice account

The cash and cash equivalents amounts as at 1 May 2021 include:
- £17.0m on 6 month deposit maturing by June 2021
- £20.0m on 3 month deposit maturing by June 2021
- £100.0m on 3 month deposit maturing by July 2021
- £70.0m on 2 month deposit maturing by May 2021
- £50.0m on 1 month deposit maturing by May 2021
- £30.0m on 2 week deposit maturing by May 2021

The deposits above can be accessed prior to the end of the deposit period without incurring material break costs. The remaining cash and cash equivalent amounts are accessible to the Group within one day (2021: one day).

Cash in transit represents outstanding cash receipts in respect of on-bus debit card and credit card payments made by customers. These are normally received into the Group's bank accounts within three days of the payment being made by the customer.

Notes to the consolidated financial statements (continued)

Note 19 Trade and other payables

Trade and other payables were as follows:

	2022 £m	2021 £m
Current		
Trade payables	**31.3**	28.3
Payables for purchase of property, plant and equipment	**3.6**	3.4
Interest payable	**0.2**	0.3
Accruals	**135.4**	180.4
Contract liabilities	**22.9**	16.3
Cash-settled share based payment liability	**–**	0.1
PAYE and NIC payable	**19.5**	17.8
Deferred capital grant income	**3.2**	1.4
Deferred revenue grant income	**–**	0.5
Other deferred income	**6.8**	8.4
Loans from joint ventures	**1.7**	1.7
VAT and other government payables	**43.9**	12.9
	268.5	271.5
Non-current		
Cash-settled share based payment liability	**–**	0.1
PAYE and NIC payable	**0.6**	0.2
Deferred capital grant income	**27.3**	15.2
	27.9	15.5

The Group agreed to accept delivery prior to 30 April 2022 of certain vehicles for which the supplier put in place supplier financing arrangements for these vehicles and the due date for payment by the Group fell after 30 April 2022. As at 30 April 2022, £0.4m (2021: £3.0m) in respect of vehicles acquired subject to supplier financing arrangements is included in payables for purchase of property, plant and equipment.

Note 20 Borrowings

(a) Repayment profile

Borrowings are repayable as follows:

As at 30 April 2022	**Sterling 4.00% Notes £m**	**Leases £m**	**Total borrowings £m**
On demand or within 1 year	**–**	**22.1**	**22.1**
Within 1-2 years	**–**	**14.1**	**14.1**
Within 2-5 years	**404.7**	**15.9**	**420.6**
Over 5 years	**–**	**22.3**	**22.3**
Total borrowings	**404.7**	**74.4**	**479.1**
Less current maturities	**–**	**(22.1)**	**(22.1)**
Non-current portion of borrowings	**404.7**	**52.3**	**457.0**

As at 1 May 2021	Bank overdrafts £m	Loan notes £m	Covid Corporate Financing Facility £m	Sterling 4.00% Notes £m	Borrowings excluding leases £m	Leases £m	Total borrowings £m
On demand or within 1 year	119.1	17.4	298.4	–	434.9	22.7	457.6
Within 1-2 years	–	–	–	–	–	15.8	15.8
Within 2-5 years	–	–	–	406.6	406.6	21.8	428.4
Over 5 years	–	–	–	–	–	21.8	21.8
Total borrowings	119.1	17.4	298.4	406.6	841.5	82.1	923.6
Less current maturities	(119.1)	(17.4)	(298.4)	–	(434.9)	(22.7)	(457.6)
Non-current portion of borrowings	–	–	–	406.6	406.6	59.4	466.0

Interest payable on hire purchase obligations as at 1 May 2021 was at an annual rate of 0.89% over equivalent LIBOR rates, subject to certain minimum rates.

The average effective interest rate on the outstanding commercial paper as at 1 May 2021 issued under the Covid Corporate Financing Facility was 0.64%.

Interest on loan notes was payable at three months LIBOR. Loan notes amounting to £Nil (2021: £17.4m) were backed by guarantees provided under Group banking facilities. The loan notes have been classified by reference to the earliest date on which the loan note holders can request redemptions and the remaining loan notes were repaid in full during the year ended 30 April 2022.

The Sterling 4.00% Notes are unsecured.

(b) Sterling 4.00% notes

On 29 September 2015, the Group issued £400m of 4.00% Notes. Interest is paid annually in arrears and the Notes are due to be redeemed at their principal amount on 29 September 2025.

The Notes were issued at 98.979% of their principal amount. The consolidated carrying value of the Notes at 30 April 2022 was £404.7m (2021: £406.6m) after taking account of accrued interest, the discount on issue, issue costs and the effect of fair value hedges.

Notes to the consolidated financial statements (continued)

Note 21 Deferred tax

The movement in deferred tax during the year was as follows:

	2022 £m	2021 £m
At beginning of year	**(0.8)**	33.3
Charged to income statement	**(15.1)**	(5.3)
Charged to equity	**(32.5)**	(28.8)
At end of year (all non-current)	**(48.4)**	(0.8)

Deferred taxation is analysed as follows:

	2022			2021		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Accelerated capital allowances	**–**	**(72.4)**	**(72.4)**	–	(54.5)	(54.5)
Pension temporary differences	**21.6**	**–**	**21.6**	50.1	–	50.1
Other temporary differences:						
– Employee remuneration and share based payments	**3.7**	**–**	**3.7**	4.6	–	4.6
– Accrued expenses deductible when paid	**–**	**–**	**–**	0.2	–	0.2
– Other temporary differences	**–**	**(1.3)**	**(1.3)**	–	(1.2)	(1.2)
	25.3	**(73.7)**	**(48.4)**	54.9	(55.7)	(0.8)

The amount of deferred tax recognised in the income statement by type of temporary difference was as follows:

	2022 £m	2021 £m
Accelerated capital allowances	**(17.9)**	2.9
Pension temporary differences	**4.0**	0.4
Losses carried forward	**–**	(7.9)
Other temporary differences	**(1.2)**	(0.7)
	(15.1)	(5.3)

Note 22 Provisions

The movements in provisions were as follows:

	Litigation provisions £m	Claims provisions £m	Environmental provisions £m	Dilapidations provision £m	Onerous contracts £m	Total £m
Year ended 30 April 2022						
At beginning of year	0.9	106.7	0.8	3.4	13.6	125.4
Provided during year (after discounting)	0.8	33.3	–	0.9	0.1	35.1
Unused amounts credited to income statement	(0.4)	(9.9)	–	–	(5.3)	(15.6)
Unwinding of discount	–	1.2	–	–	–	1.2
Utilised in the year	(0.3)	(33.4)	–	(0.5)	(0.1)	(34.3)
At end of year	1.0	97.9	0.8	3.8	8.3	111.8
As at 30 April 2022						
Current	**1.0**	**27.5**	**0.8**	**1.8**	**5.6**	**36.7**
Non-current	**–**	**70.4**	**–**	**2.0**	**2.7**	**75.1**
	1.0	**97.9**	**0.8**	**3.8**	**8.3**	**111.8**
As at 1 May 2021						
Current	0.9	31.5	0.8	2.2	5.6	41.0
Non-current	–	75.2	–	1.2	8.0	84.4
	0.9	106.7	0.8	3.4	13.6	125.4

The litigation provisions reflect the best estimate of the expenditure required to settle ongoing litigation, to the extent not covered by other liabilities such as the claims provisions. Any payments are expected to be made within one year (2021: one year). The amount and timing of payments may be affected by negotiations between the relevant parties and/or court decisions. The amount provided is based on legal advice.

The claims provisions relate to estimated liabilities on incurred incidents up to the year-end in each year. The obligating event is the incident (e.g. an accident involving one of the Group's vehicles) giving rise to an actual or possible liability of the Group. The estimates of the provisions are based on legal advice, actuarial reviews and prior claims history. Claims are typically settled within five years (2021: five years) of origination. Due to new obligating events arising each financial year, the overall claims provisions amount is not, however, necessarily expected to reduce over time. Information on estimation uncertainty regarding claims provisions is included in note 1(e)(ii). Related receivables from insurance companies of £14.0m (2021: £16.0m) are included within receivables.

The environmental provisions relate to legal or constructive obligations to undertake environmental work, such as an obligation to rectify land which has been contaminated by fuel or to eliminate the presence of asbestos. The provision is based on the estimated cost of undertaking the work required, and is expected to be utilised as the work is undertaken over the next one to four years (2021: one to four years).

The dilapidations provision is based on the future expected repair costs to restore certain of the Group's leased assets to their contractually required condition at the end of their respective lease terms. The provision is the Group's best estimate on a lease by lease basis of the likely committed cash flow. The provision is expected to be utilised within 5 years (2021: 5 years).

Provisions for onerous contracts relate to contracts where the unavoidable costs of fulfilling the contract outweigh the economic benefits to be received. The onerous contract provision as at 30 April 2022 and as at 1 May 2021 principally relates to the Sheffield Supertram concession agreement and is expected to be utilised over around two years (2021: three years) to 2024. See note 1(e)(ii) for details of estimation uncertainty in respect of the Sheffield Supertram onerous contract provision and note 4(c) for more details of the re-assessment of the provision.

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits

(a) Description of retirement benefit arrangements

Funded schemes

The Group participates in a number of pension schemes. The principal defined benefit schemes are as follows:

	Date as at which last relevant scheme valuation was prepared
• The Stagecoach Group Pension Scheme ("SPS");	30 September 2021
• A number of UK Local Government Pension Schemes ("LGPS").	31 March 2019

The Stagecoach Group Pension Scheme is comprised of three sections: the main section, a London section and a Sheffield Supertram section. The Sheffield Supertram section was established in the year ended 30 April 2022.

The Stagecoach Group Pension Scheme and the Local Government Pension Schemes are generally closed to new members from the Group. The main section of the Stagecoach Group Pension Scheme closed to future accrual in April 2017. The London section is closed to new entrants but is open to future accrual for the existing remaining members. On 16 March 2021, a small number of former members of the Tyne & Wear Local Government Pension Scheme ceased active participation in the Local Government Pension Scheme and commenced accrual in the main section of the Stagecoach Group Pension Scheme, as a limited exception to the no ongoing accrual in that section.

For the defined benefit schemes, benefits are related to length of service and pensionable salary. The weighted average duration as at 30 April 2022 of the discounted, expected benefit payments across all UK defined benefit schemes is estimated at 16 years (2021: 16 years).

The Group is a participating employer in a number of UK Local Government Pension Schemes, and has limited influence over the operations of these schemes. Active membership of these schemes is small and represents 1.0% (2021: 1.2%) of the pensions charge (excluding separately disclosed items) in the consolidated income statement, but historic liabilities mean that these schemes represent around 9.5% (2021: 11.8%) of the gross present value of pension obligations as at 30 April 2022 shown in the consolidated balance sheet. The Group liaises with the administering authorities to seek to set contributions at appropriate levels to fund the benefits and deficit recovery payments over a reasonable period of time. When the participating Group employer has no remaining active participating employees in a LGPS scheme, the applicable regulations provide that the employer ceases to have an active participation in that scheme unless a deferred participation arrangement has been agreed. In such cases, the scheme produces an exit valuation resulting in an exit payment by, or to, the employer. There is otherwise no right for the Group to receive any surplus in the schemes. To reflect this, the Group would only recognise existing surpluses relating to these schemes, to the extent that it estimated that these surpluses could be recouped on exit from the schemes.

The Group also contributes to a number of defined contribution schemes covering UK employees, for which the Group has no further payment obligation once the contributions are paid other than lump sum death in service benefits that are provided for certain UK employees.

Unfunded schemes

The Group provides benefits under an unapproved employer financed retirement benefit scheme ("EFURBS") in the UK. The liability of this scheme is unfunded, as no contributions are made to the scheme, but the Group has set aside assets to meet its obligations under the scheme. The scheme holds a guarantee over assets which the Group has set aside. The Group considers that the assets set aside are in substance pensions assets and so the amounts of those assets are included within the net pension amounts reported in the consolidated balance sheet. The carrying value of those assets as at 30 April 2022 was £16.5m (2021: £14.8m). The EFURBS scheme is included within the figures for "other" schemes in this note 23.

Other unfunded benefits are provided to a small number of former employees with the liabilities included within the "Unfunded schemes" reported in the tables that follow.

(b) Principal actuarial assumptions

The principal actuarial assumptions used in determining the pensions amounts as at 30 April 2022 and 1 May 2021 are shown below on a weighted average basis across the relevant schemes:

	2022	2021
Discount rate	**3.2%**	2.0%
Retail Prices inflation assumption	**3.5%**	3.2%
Consumer Prices inflation assumption	**2.8%**	2.4%
Rate of increase in pensionable salaries*	**3.3%**	2.9%
Rate of increase of pensions in payment	**2.9%**	2.7%
Life expectancies in years		
Current pensioners at 65 – male	**19.5**	19.5
Current pensioners at 65 – female	**22.7**	22.6
Future pensioners at 65 aged 45 now – male	**20.9**	20.9
Future pensioners at 65 aged 45 now – female	**24.1**	24.2

* Future accrual is limited to: (a) participation in the London section of SPS, where annual increases in pensionable salaries have been capped at 0.5% in any year until 5 April 2019. Whilst the cap will be retained for past service, basic pay at 6 April each year is used to define pensionable pay for all future service. (b) participation by former members of the Tyne & Wear Local Government Pension Scheme.

The Directors consider pension assumptions, such as those summarised above, to be a key source of estimation uncertainty as explained in note 1(e)(ii).

The assumptions shown above are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not be borne out in practice. The discount rate assumption is not determined using a cash-weighted method and is based on market yields on high quality corporate bonds at the balance sheet date, adjusted to reflect the duration of the schemes' liabilities. The life expectancy assumptions have been chosen with regard to the latest available published tables adjusted to reflect scheme specific experience, taking into account the Group and its sector, and allowing for expected increases in life expectancies.

Note 23 Retirement benefits (continued)

(c) Pension amounts recognised in the balance sheet

The consolidated balance sheet shows retirement benefit assets of £45.3m (2021: £1.1m) and retirement benefit obligations of £75.1m (2021: £ 264.9m), resulting in the net liability of £29.8m (2021: £263.8m) analysed below. The amounts recognised in the balance sheet were as follows:

	Funded schemes				
As at 30 April 2022	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
Equities – quoted	**1,045.6**	**44.3**	**16.4**	**–**	**1,106.3**
Bonds – quoted	**270.1**	**130.8**	**–**	**–**	**400.9**
Total quoted investments	**1,315.7**	**175.1**	**16.4**	**–**	**1,507.2**
Private Equity – unquoted	**19.5**	**–**	**–**	**–**	**19.5**
Cash – unquoted	**53.2**	**4.6**	**0.1**	**–**	**57.9**
Property – unquoted	**107.1**	**5.6**	**–**	**–**	**112.7**
Total unquoted investments	**179.8**	**10.2**	**0.1**	**–**	**190.1**
Fair value of scheme assets	**1,495.5**	**185.3**	**16.5**	**–**	**1,697.3**
Present value of obligations	**(1,502.8)**	**(160.3)**	**(12.8)**	**(4.0)**	**(1,679.9)**
(Deficit)/surplus in the schemes	**(7.3)**	**25.0**	**3.7**	**(4.0)**	**17.4**
Asset ceiling	**–**	**(25.0)**	**–**	**–**	**(25.0)**
Net (liability)/asset before withholding tax	**(7.3)**	**–**	**3.7**	**(4.0)**	**(7.6)**
Withholding tax payable on surplus	**(22.2)**	**–**	**–**	**–**	**(22.2)**
Net (liability)/asset	**(29.5)**	**–**	**3.7**	**(4.0)**	**(29.8)**

The net liability shown above is comprised of the following:

	Funded schemes				
As at 30 April 2022	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
Main section of SPS					
– Surplus before withholding tax	**63.3**	**–**	**–**	**–**	**63.3**
– Withholding tax payable on surplus	**(22.2)**	**–**	**–**	**–**	**(22.2)**
Sheffield Supertram section of SPS	**0.2**	**–**	**–**	**–**	**0.2**
Merseyside LGPS	**–**	**0.3**	**–**	**–**	**0.3**
Other scheme in surplus	**–**	**–**	**3.7**	**–**	**3.7**
Sections in surplus	**41.3**	**0.3**	**3.7**	**–**	**45.3**
London section of SPS	**(70.8)**	**–**	**–**	**–**	**(70.8)**
Manchester LGPS	**–**	**(0.3)**	**–**	**–**	**(0.3)**
Unfunded schemes	**–**	**–**	**–**	**(4.0)**	**(4.0)**
Sections in deficit	**(70.8)**	**(0.3)**	**–**	**(4.0)**	**(75.1)**
Net (liability)/asset	**(29.5)**	**–**	**3.7**	**(4.0)**	**(29.8)**

	Funded schemes				
As at 1 May 2021	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
Equities – quoted	1,049.6	95.5	18.8	–	1,163.9
Bonds – quoted	257.3	144.5	3.5	–	405.3
Total quoted investments	1,306.9	240.0	22.3	–	1,569.2
Private Equity – unquoted	22.6	–	–	–	22.6
Cash – unquoted	53.2	10.9	0.4	–	64.5
Property – unquoted	79.6	12.0	0.1	–	91.7
Total unquoted investments	155.4	22.9	0.5	–	178.8
Fair value of scheme assets	1,462.3	262.9	22.8	–	1,748.0
Present value of obligations	(1,721.2)	(233.2)	(22.2)	(4.5)	(1,981.1)
(Deficit)/surplus in the schemes	(258.9)	29.7	0.6	(4.5)	(233.1)
Asset ceiling	–	(30.4)	(0.3)	–	(30.7)
Net (liability)/asset before tax	(258.9)	(0.7)	0.3	(4.5)	(263.8)

At 30 April 2022, 92% (2021: 93%) of scheme assets were quoted on a recognised stock exchange or held in cash or assets readily convertible to cash and are therefore considered to be liquid.

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(c) Pension amounts recognised in the balance sheet (continued)

The LGPS assets are not sectionalised and so assets are effectively comingled with other participating employers. Therefore, the Group's asset value is a notional value based on a share of fund calculation which is undertaken by the LGPS Fund Actuary.

The vast majority of assets held by the LGPS arrangements are invested in pooled funds with a quoted market price. In the above tables, the Group's holdings are allocated between the various asset categories in proportion to that of the overall LGPS funds in which the Group participates.

(d) Funding arrangements and schemes

The schemes' investment approach, which aims to meet their liabilities as they fall due, is to invest the majority of the schemes' assets in a mix of equities and other return-seeking assets in order to strike a balance between:
- maximising the returns on the schemes' assets, and
- minimising the risks associated with lower than expected returns on the schemes' assets.

Trustees are required to regularly review investment strategy in light of the term and nature of the schemes' liabilities.

The regulatory framework in the UK requires the Trustees of the Stagecoach Group Pension Scheme and the Group to agree upon the assumptions underlying the funding target, and then to agree upon the contributions necessary to fund the benefits, including any deficit recovery amounts, over a reasonable period of time. The Board participates in major decisions on the funding and design of pension schemes.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to fund deficits.

The defined benefit pension schemes typically expose the Group to actuarial funding risks such as investment risk, interest rate risk, inflation risk, and life expectancy risk.

There are particular funding risks with the Local Government Pension Schemes to which the Group contributes. The Group has limited ability to influence the funding strategy of these schemes. Furthermore, the contributions that the Group is required to make to the schemes are determined by the schemes, which tend to take a cautious approach in setting contribution rates for non-government employers. This can result in the Group being required to make higher levels of contributions than it believes is necessary or desirable. Known future contribution levels are taken account of in determining the reported deficit or surplus in each scheme in these consolidated financial statements.

As explained in section 1.6.11.3 of this Annual Report, the Directors are focused on maintaining an investment grade credit rating. Each of the credit rating agencies consider pensions funding risks as part of their wider risk assessment.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The latest actuarial valuations of the then two sections of SPS were completed as at 30 September 2021. The combined surplus across the then two sections on the Trustees' technical provisions basis was £48.7m, comprising scheme assets of £1,482.3 m less benefit obligations of £1,433.6m. The weighted average discount rate applied in determining the value of those benefit obligations was 3.4%. The discount rate reflects the asset allocation of SPS and its strong track record of investment returns.

The latest actuarial valuations of the relevant LGPS schemes were completed as at 31 March 2019. The combined deficit across those schemes on the funding basis agreed by each of the Administering Authorities was £1.5m, comprising scheme assets of £360.8m less benefit obligations of £362.3m. The weighted average discount rate applied in determining the value of those benefit obligations was 2.0%. Between the date of those valuations and 30 April 2022, the Group exited two of the LGPS schemes.

Neither the valuations on the Trustees' technical provisions basis nor the net retirement benefits liabilities reflected in the financial statements reflect the amounts at which the Group could "buy out" its pension obligations. A "buy out" of the obligations would cost the Group substantially more than the figures reflected in the financial statements.

The Group forecasts to contribute £17.7m (forecast at 1 May 2021 for year ended 30 April 2022: £13.2m) to defined benefit schemes in the financial year ending 29 April 2023.

Note 23 Retirement benefits (continued)

(e) Changes in net retirement benefit obligations

The change in net liabilities (excluding withholding tax on surpluses) recognised in the balance sheet in respect of defined benefit schemes is comprised as follows:

	Funded schemes				
Year ended 30 April 2022	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
At beginning of year – (liability)/asset	**(258.9)**	**(0.7)**	**0.3**	**(4.5)**	**(263.8)**
Expense charged to consolidated income statement	**(10.8)**	**(16.4)**	**(1.2)**	**(0.1)**	**(28.5)**
Recognised in the consolidated statement of comprehensive income	**251.9**	**27.7**	**3.9**	**0.3**	**283.8**
Employers' contributions	**10.5**	**0.5**	**0.7**	**0.3**	**12.0**
Settlement	**–**	**(11.1)**	**–**	**–**	**(11.1)**
At end of year – (liability)/asset	**(7.3)**	**–**	**3.7**	**(4.0)**	**(7.6)**

	Funded schemes				
Year ended 1 May 2021	SPS £m	LGPS (restated – see note 1(b)) £m	Other £m	Unfunded schemes £m	Total (restated – see note 1(b)) £m
At beginning of year – liability	(404.1)	(2.3)	(3.9)	(2.8)	(413.1)
Expense charged to consolidated income statement	(12.8)	(30.9)	(1.5)	(0.4)	(45.6)
Recognised in the consolidated statement of comprehensive income	151.9	34.6	0.2	(1.6)	185.1
Employers' contributions and settlements	6.1	1.4	5.5	0.3	13.3
Settlement	–	(3.5)	–	–	(3.5)
At end of year – (liability)/asset	(258.9)	(0.7)	0.3	(4.5)	(263.8)

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(f) Sensitivity of retirement benefit obligations to changes in assumptions

The measurement of the defined benefit obligations is particularly sensitive to changes in key assumptions as summarised below:

As at 30 April 2022	Change in assumption	Impact on overall net pensions liabilities
Discount rate	Increase by 10 basis points/Decrease by 10 basis points	Decrease by £21.2m/Increase by £21.6m.
Rate of inflation	Increase by 10 basis points/Decrease by 10 basis points	Increase by £22.5m/Decrease by £22.2m.
Rate of increase in pensionable salaries	Increase by 10 basis points/Decrease by 10 basis points	Increase by £0.7m/Decrease by £0.7m.
Rate of increase in pension payments	Increase by 10 basis points/Decrease by 10 basis points	Increase by £17.0m/Decrease by £16.8m.
Life expectancy	Increase by 1 year/Decrease by 1 year	Increase by £61.3m/Decrease by £61.3m.
As at 1 May 2021		
Discount rate	Increase by 10 basis points/Decrease by 10 basis points	Decrease by £24.7m/Increase by £25.1m.
Rate of inflation	Increase by 10 basis points/Decrease by 10 basis points	Increase by £26.6m/Decrease by £26.2m.
Rate of increase in pensionable salaries	Increase by 10 basis points/Decrease by 10 basis points	Increase by £1.0m/Decrease by £1.0m.
Rate of increase in pension payments	Increase by 10 basis points/Decrease by 10 basis points	Increase by £18.7m/Decrease by £18.5m.
Life expectancy	Increase by 1 year/Decrease by 1 year	Increase by £71.5m/Decrease by £71.4m.

These sensitivities have been calculated to show the movement in the net liability in isolation, and assuming no other changes in market conditions at the balance sheet date. In practice, a change in discount rate is unlikely to occur without any movement in the value of the invested assets held by the schemes.

(g) Pension amounts recognised in income statement

The amounts recognised in the consolidated income statement are analysed as follows:

	Funded schemes				
Year ended 30 April 2022	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded and DC schemes £m**	**Total £m**
Current service cost	**(4.8)**	**(0.5)**	**(1.2)**	**–**	**(6.5)**
Administration costs	**(0.8)**	**–**	**–**	**–**	**(0.8)**
Loss on settlement	**–**	**(15.8)**	**–**	**–**	**(15.8)**
Defined contribution costs	**–**	**–**	**–**	**(49.6)**	**(49.6)**
Included in operating profit	**(5.6)**	**(16.3)**	**(1.2)**	**(49.6)**	**(72.7)**
Net interest (expense)/income	**(5.2)**	**0.4**	**–**	**(0.1)**	**(4.9)**
Interest expense on asset ceiling	**–**	**(0.5)**	**–**	**–**	**(0.5)**
	(10.8)	**(16.4)**	**(1.2)**	**(49.7)**	**(78.1)**

	Funded schemes				
Year ended 1 May 2021	SPS £m	LGPS (restated – see note 1(b)) £m	Other £m	Unfunded and DC schemes £m	Total (restated – see note 1(b)) £m
Current service cost	(4.8)	(0.8)	(1.5)	–	(7.1)
Past service (cost)/credit	(0.6)	0.1	0.2	(0.4)	(0.7)
Administration costs	(0.8)	–	–	–	(0.8)
Loss on settlement	–	(30.2)	–	–	(30.2)
Defined contribution costs	–	–	–	(44.8)	(44.8)
Included in operating profit	(6.2)	(30.9)	(1.3)	(45.2)	(83.6)
Net interest (expense)/income	(6.6)	0.5	(0.2)	–	(6.3)
Interest expense on asset ceiling	–	(0.5)	–	–	(0.5)
	(12.8)	(30.9)	(1.5)	(45.2)	(90.4)

Service costs, administration costs, loss on settlement and defined contribution costs are recognised in operating costs and net interest (expense)/income and interest expense on asset ceiling are recognised in net finance costs.

Note 23 Retirement benefits (continued)

(h) Pension amounts recognised in statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are analysed as follows:

Year ended 30 April 2022	Funded schemes SPS £m	Funded schemes LGPS £m	Funded schemes Other £m	Unfunded schemes £m	Total £m
Actual return on scheme assets higher/(lower) than the discount rate	**53.1**	**2.1**	**(0.6)**	**–**	**54.6**
Changes in financial assumptions	**234.8**	**17.9**	**3.1**	**0.1**	**255.9**
Changes in demographic assumptions	**4.7**	**0.3**	**–**	**0.1**	**5.1**
Experience on benefit obligations	**(40.7)**	**1.5**	**1.1**	**0.1**	**(38.0)**
Changes in asset ceiling (net of interest)	**–**	**5.9**	**0.3**	**–**	**6.2**
	251.9	**27.7**	**3.9**	**0.3**	**283.8**
Withholding tax on surplus from actuarial gains in year	**(22.2)**	**–**	**–**	**–**	**(22.2)**
	229.7	**27.7**	**3.9**	**0.3**	**261.6**

Year ended 1 May 2021	Funded schemes SPS £m	Funded schemes LGPS (restated – see note 1(b)) £m	Funded schemes Other £m	Unfunded schemes £m	Total (restated – see note 1(b)) £m
Actual return on scheme assets higher than the discount rate	214.7	44.8	1.9	–	261.4
Changes in financial assumptions	(3.1)	(14.6)	(1.5)	–	(19.2)
Changes in demographic assumptions	(8.8)	1.6	–	–	(7.2)
Experience on benefit obligations	(50.9)	(1.6)	(0.1)	(1.6)	(54.2)
Changes in asset ceiling (net of interest)	–	4.4	(0.1)	–	4.3
	151.9	34.6	0.2	(1.6)	185.1

(i) Benefit obligations

Changes in the present value of the defined benefit obligations are analysed as follows:

Year ended 30 April 2022	Funded schemes SPS £m	Funded schemes LGPS £m	Funded schemes Other £m	Unfunded schemes £m	Total £m
At beginning of year	**1,721.2**	**233.2**	**22.2**	**4.5**	**1,981.1**
Current service cost	**4.8**	**0.5**	**1.2**	**–**	**6.5**
Interest on benefit obligations	**33.1**	**4.0**	**0.4**	**0.1**	**37.6**
Benefits paid	**(64.4)**	**(8.8)**	**(0.2)**	**(0.3)**	**(73.7)**
Contributions by employees	**0.3**	**0.2**	**–**	**–**	**0.5**
Actuarial losses/(gains) due to:					
– Changes in demographic assumptions	**(4.7)**	**(0.3)**	**–**	**(0.1)**	**(5.1)**
– Changes in financial assumptions	**(234.8)**	**(17.9)**	**(3.1)**	**(0.1)**	**(255.9)**
– Experience on benefit obligations	**40.7**	**(1.5)**	**(1.1)**	**(0.1)**	**38.0**
Transfer	**6.6**	**–**	**(6.6)**	**–**	**–**
Settlement	**–**	**(49.1)**	**–**	**–**	**(49.1)**
At end of year	**1,502.8**	**160.3**	**12.8**	**4.0**	**1,679.9**

Year ended 1 May 2021	Funded schemes SPS £m	Funded schemes LGPS £m	Funded schemes Other £m	Unfunded schemes £m	Total £m
At beginning of year	1,688.5	313.3	21.5	2.8	2,026.1
Current service cost	4.8	0.8	1.5	–	7.1
Past service cost/(credit)	0.6	(0.1)	(0.2)	0.4	0.7
Interest on benefit obligations	26.6	4.7	0.3	–	31.6
Benefits paid	(62.5)	(16.6)	(2.6)	(0.3)	(82.0)
Contributions by employees	0.4	0.1	0.1	–	0.6
Actuarial losses/(gains) due to:					
– Changes in demographic assumptions	8.8	(1.6)	–	–	7.2
– Changes in financial assumptions	3.1	14.6	1.5	–	19.2
– Experience on benefit obligations	50.9	1.6	0.1	1.6	54.2
Settlement	–	(83.6)	–	–	(83.6)
At end of year	1,721.2	233.2	22.2	4.5	1,981.1

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(j) Scheme assets

The movement in the fair value of scheme assets was as follows:

	Funded schemes				
Year ended 30 April 2022	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
At beginning of year	**1,462.3**	**262.9**	**22.8**	**–**	**1,748.0**
Administration costs	**(0.8)**	–	–	–	**(0.8)**
Interest income	**27.9**	**4.4**	**0.4**	–	**32.7**
Employer contributions	**10.5**	**0.5**	**0.7**	**0.3**	**12.0**
Contributions by employees	**0.3**	**0.2**	–	–	**0.5**
Benefits paid	**(64.4)**	**(8.8)**	**(0.2)**	**(0.3)**	**(73.7)**
Remeasurements					
– Return on assets excluding amounts included in net interest	**53.1**	**2.1**	**(0.6)**	–	**54.6**
Transfer	**6.6**	–	**(6.6)**	–	–
Settlement	–	**(76.0)**	–	–	**(76.0)**
At end of year	**1,495.5**	**185.3**	**16.5**	–	**1,697.3**

	Funded schemes				
Year ended 1 May 2021	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
At beginning of year	1,284.4	345.3	17.8	–	1,647.5
Administration costs	(0.8)	–	–	–	(0.8)
Interest income	20.0	5.2	0.1	–	25.3
Employer contributions	6.1	1.4	5.5	0.3	13.3
Contributions by employees	0.4	0.1	0.1	–	0.6
Benefits paid	(62.5)	(16.6)	(2.6)	(0.3)	(82.0)
Remeasurements					
– Return on assets excluding amounts included in net interest	214.7	44.8	1.9	–	261.4
Settlement	–	(117.3)	–	–	(117.3)
At end of year	1,462.3	262.9	22.8	–	1,748.0

(k) Asset ceiling

The movement in the asset ceiling is shown below:

	2022 £m	2021 £m
At beginning of year	**(30.7)**	(34.5)
Interest expense	**(0.5)**	(0.5)
Remeasurements	**6.2**	4.3
At end of year	**(25.0)**	(30.7)

Note 24 Financial instruments

(a) Overview

This note provides details of the Group's financial instruments. Except where otherwise stated, the disclosures provided in this note exclude:

- Interests in subsidiaries and joint ventures accounted for in accordance with International Financial Reporting Standard 10 ("IFRS 10"), Consolidated Financial Statements and International Financial Reporting Standard 11 ("IFRS 11"), Joint Arrangements.
- Retirement benefit assets and obligations.
- Financial instruments, contracts and obligations under share based payment transactions.

Liabilities or assets that are not contractual (such as income taxes that are created as a result of statutory requirements imposed by governments, prepayments, provisions and deferred income) are not financial liabilities or financial assets. Accordingly, prepayments, provisions, deferred income and amounts payable or receivable in respect of corporation tax, sales tax (including UK Value Added Tax), payroll tax and other taxes are excluded from the disclosures provided in this note.

(b) Carrying values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities and their respective fair values were:

	Note	Carrying value 2022 £m	Carrying value 2021 £m	Fair value 2022 £m	Fair value 2021 £m
Financial assets					
Financial assets measured at fair value through profit or loss					
– Non-current assets					
– Deferred Payment Instrument	*16*	**2.9**	1.9	**2.9**	1.9
Financial assets measured at amortised cost					
– Non-current assets					
– Insurance claim receivables	*16*	**14.0**	16.0	**14.0**	16.0
– Other receivables	*16*	**0.2**	0.2	**0.2**	0.2
– Current assets					
– Accrued income	*16*	**26.0**	22.6	**26.0**	22.6
– Trade receivables, net of impairment	*16*	**26.2**	22.9	**26.2**	22.9
– Other receivables	*16*	**0.8**	1.1	**0.8**	1.1
– Cash and cash equivalents	*18*	**248.9**	602.3	**248.9**	602.3
Total financial assets		**319.0**	667.0	**319.0**	667.0
Financial liabilities					
Financial assets measured at amortised cost					
– Non-current liabilities					
– Borrowings	*20*	**(457.0)**	(466.0)	**(465.8)**	(461.7)
– Current liabilities					
– Trade payables	*19*	**(31.3)**	(28.3)	**(31.3)**	(28.3)
– Payables for purchase of property, plant and equipment	*19*	**(3.6)**	(3.4)	**(3.6)**	(3.4)
– Interest payable	*19*	**(0.2)**	(0.3)	**(0.2)**	(0.3)
– Accruals	*19*	**(135.4)**	(180.4)	**(135.4)**	(180.4)
– Loans from joint ventures	*19*	**(1.7)**	(1.7)	**(1.7)**	(1.7)
– Borrowings	*20*	**(22.1)**	(457.6)	**(22.1)**	(457.6)
Total financial liabilities		**(651.3)**	(1,137.7)	**(660.1)**	(1,133.4)
Net financial liabilities		**(332.3)**	(470.7)	**(341.1)**	(466.4)

Financial derivatives with bank counterparties are not shown in the above table. Information on the carrying value of such derivatives is provided in note 24(g).

The consideration for the sale of the North American business in April 2019 included a Deferred Payment Instrument of US$65m. The Deferred Payment Instrument carries a term of 66 months and a compounding payment in kind interest rate of 6% per annum. It falls due for payment only on (a) 16 October 2024 or (b) in part, after distributions of US$30m have been made to the purchaser and is secured by a pledge of shares held in the underlying investment vehicle. Early repayment provisions apply in the event that the purchaser sells all of its shareholding, albeit still subject to the US$30m shareholder distribution priority and in such circumstances, all or part of the Deferred Payment Instrument may never be repaid. If the purchaser sells down below 50% but retains some shares, the whole outstanding amount becomes immediately payable. The instrument is accounted for as fair value through profit or loss and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. As a result, the discount rate applied to the Group's exposure on this instrument is higher than the cost of the Group's secured funding. The cost of second lien/mezzanine debt has been considered a more approximate estimate for the credit risk of the instrument. This has led to the carrying value of the instrument being estimated to be £2.9m as at 30 April 2022 (2021: £1.9m).

The North America business continues to operate a variety of different types of transportation services over a wide area of North America. The Group has no control or significant influence over the North America business following its disposal on 16 April 2019.

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(b) Carrying values of financial assets and financial liabilities (continued)

The financial performance of the North America business is influenced by various different factors, many of which are specific to the individual markets and locations in which it operates. Factors that can affect financial performance include the extent and duration of COVID-19 related restrictions; the extent and timing of how demand recovers from the COVID-19 situation; changes in local economies, local competition, fuel prices, working patterns, shopping patterns, traffic conditions; cost pressures including the availability of sufficient staff; and regulatory change. The performance of the North America business has a direct impact on the purchaser's ability to settle the instrument. The initial contractual value of the instrument was US$65m and the range of values that the Group could recover over the 66 months of its term varies from US$Nil up to US$65m plus interest.

No specific assumptions have been made regarding climate change in valuing the Deferred Payment Instrument. While climate change does present both opportunities and risks to the North America business, we do not consider that climate change considerations materially affect the fair value of the instrument as at 30 April 2022, taking account of the approximate remaining 2.5-year term of the instrument.

The fair values of the other financial assets and financial liabilities shown above are determined as follows:

- The carrying value of cash and cash equivalents, accrued income, trade receivables, insurance claim receivables, and other receivables is considered to be a reasonable approximation of fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made. The effect of credit losses not already reflected in the carrying value as impairment losses is assumed to be immaterial.
- The carrying value of trade payables, payables for purchase of property, plant and equipment, interest payable, accruals and loans to/from joint ventures is considered to be a reasonable approximation of fair value. Given the relatively short average time to maturity, no specific assumptions on discount rates have been made.
- The fair value of fixed-rate notes (included in borrowings) that are quoted on a recognised stock exchange is determined with reference to the "bid" price as at the balance sheet date.
- The fair value of commercial paper (included in borrowings) that was issued under the Covid Corporate Financing Facility was not considered to be materially different from the carrying value, given the maximum duration of one year.
- The fair value of leases is presented above as being equal to its carrying value as International Financial Reporting Standard 7 ("IFRS 7"), Financial Instruments: Disclosures, does not require the disclosure of fair values for leases.
- The fair value of other borrowings on which interest was payable at floating rates is not considered to be materially different from the carrying value.

We do not consider that the fair value of financial instruments, other than the Deferred Payment Instrument, would change materially from that shown above as a result of any reasonable change to the assumptions made in determining the fair values shown above. The fair value of financial instruments, and in particular the fixed rate notes, would be affected by changes in market interest rates. We estimate that a 100 basis points reduction in market interest rates would increase the fair value of the fixed rate notes liability by around £12.6m (2021: £6.5m).

Fair value estimation

Financial instruments that are measured in the balance sheet at fair value are disclosed by level of the following fair value measurement hierarchy:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 30 April 2022.

	Note	Level 2 £m	Level 3 £m	Total £m
Assets				
Deferred Payment Instrument from disposal of subsidiaries		–	2.9	2.9
Financial derivatives	24(g)	97.4	–	97.4
Total assets		97.4	2.9	100.3
Liabilities				
Financial derivatives	24(g)	(3.8)	–	(3.8)

There were no transfers between levels during the year ended 30 April 2022.

The following table presents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 1 May 2021.

	Note	Level 2 £m	Level 3 £m	Total £m
Assets				
Deferred Payment Instrument from disposal of subsidiaries		–	1.9	1.9
Financial derivatives	24(g)	4.9	–	4.9
Total assets		4.9	1.9	6.8
Liabilities				
Financial derivatives	24(g)	(12.1)	–	(12.1)

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments

The Group's use of financial instruments exposes it to a variety of financial risks, principally:

- Market risk – including currency risk, interest rate risk and price risk;
- Credit risk; and
- Liquidity risk.

This note (c) presents qualitative information about the Group's exposure to each of the above risks, including the Group's objectives, policies and processes for measuring and managing risk: there have been no significant changes to these matters during the year ended 30 April 2022. This note (c) also provides summary quantitative data about the Group's exposure to each risk. In addition, information on the Group's management of capital is provided in section 1.6.11.3 of the Strategic report and forms part of these financial statements.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to reduce the likelihood and/or magnitude of adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments from time to time to reduce exposure to foreign exchange risk, commodity price risk and interest rate movements. The Group does not generally hold or issue derivative financial instruments for speculative purposes.

A Group Treasury Committee and central treasury department ("Group Treasury") oversee financial risk management in the context of policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. Group Treasury is responsible for the execution of derivative financial instruments to manage financial risks. Certain financial risk management activities (for example, the management of credit risk arising from trade and other receivables) are devolved to the management of individual business units. The Board provides written principles for overall treasury risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodity prices will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters.

The Group enters into derivative financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. Generally, the Group seeks to apply hedge accounting in order to reduce volatility in the consolidated income statement.

Foreign currency translation risk

Foreign currency translation risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's consolidated income statement is principally exposed to movements in foreign exchange rates in relation to the translation of the Deferred Payment Instrument from the disposal of the North America business.

The Group's consolidated balance sheet exposures to foreign currency translation risk (excluding immaterial exposure to Euros) were as follows:

	2022 £m	2021 £m
US dollars		
– Deferred Payment Instrument from disposal of subsidiaries	**2.9**	1.9

The amounts shown above are the carrying values of all US dollar items in the consolidated balance sheet that would have differed at the balance sheet date had a different foreign currency exchange rate been applied, except that financial derivatives are excluded.

The Directors do not consider the sensitivity of the above amounts to reasonably probable movements in foreign exchange rates to be material to the Group (2021: immaterial).

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

The effect of reasonably probable changes in foreign exchange rates on the Group's consolidated income statement is not material. That is based on the assumption that only those income statement items directly affected by changes in foreign exchange rates are included in the calculation. For example, changes in the sterling value of commodity prices that indirectly occur due to changes in foreign exchange rates are not included in the sensitivity calculation.

Foreign currency transactional risk

Foreign currency transactional risk is the risk that future cash flows (such as from sales and purchases of goods and services) will fluctuate because of changes in foreign exchange rates.

The Group is exposed to limited foreign currency transactional risk due to the low value of transactions entered into by subsidiaries in currencies other than their functional currency. Group Treasury carries out forward buying of currencies where appropriate.

The Group reviews and considers hedging of actual and forecast foreign exchange transactional exposures up to one year forward. At 30 April 2022, there were no material net transactional foreign currency exposures (2021: none).

The Group's exposure to commodity price risk includes a foreign currency element due to the impact of foreign exchange rate movements on the sterling cost of fuel for the Group's UK operations. The effect of foreign exchange rate movements on sterling-denominated fuel prices is managed through the use of fuel derivative financial instruments denominated in the functional currency in which the fuel is purchased. Further information on fuel hedging is given under the heading "Price risk" later in this note 24(c)(i).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk principally through its borrowings and interest rate derivatives. It has a mixture of fixed-rate borrowings (where the fair value is exposed to changes in market interest rates), cash, cash equivalents and floating-rate borrowings (where the future cash flows are exposed to changes in market interest rates).

The Group's objective with regards to interest rate risk is to reduce the risk of changes in interest rates significantly affecting future cash flows and/or profit. To provide some certainty as to the level of interest cost, it is the Group's policy to manage interest rate exposure through the use of fixed and floating rate debt. Derivative financial instruments are also used where appropriate to generate the desired interest rate profile.

The Group measures interest rate risk by quantifying the relative proportions of each of gross debt and net debt that are effectively subject to fixed interest rates and considers the duration for which the relevant interest rates are fixed.

At 30 April 2022, the interest rate profile of the Group's interest bearing financial liabilities was as follows, excluding lease liabilities:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	120.0	284.7	404.7	4.0	3.4

The above figures take account of the effect of interest rate derivatives which swap £120m of the £400m Notes maturing September 2025 for the period from September 2020 to September 2023.

At 1 May 2021, the interest rate profile of the Group's interest bearing financial liabilities was as follows, including floating rate hire purchase liabilities but excluding other lease liabilities:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	258.5	585.0	843.5	2.3	2.6

The floating rate financial liabilities bear interest at rates fixed in advance for periods ranging from one to six months based on market rates. The maturity profile of the Group's borrowings is shown in note 20(a).

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

The Group's financial assets on which floating interest is receivable include cash deposits, cash in hand and cash equivalents of £248.9m (2021: £602.3m) and a loan to a joint venture of £0.1m (2021: £0.2m). The Group's financial asset on which fixed interest is receivable is a Deferred Payment Instrument receivable of £2.9m (2021: £1.9m) arising from the sale of the North America business in April 2019. As at 30 April 2022, the Group had no other financial assets on which fixed interest is receivable (2021: £Nil).

With the exception of the Deferred Payment Instrument, the Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

The net impact of a change of 100 basis points on all relevant floating interest rates on annualised net interest payable on cash and borrowings balances outstanding at the balance sheet date was not material (2021: not material).

Price risk

The Group is exposed to commodity price risk. The Group's future profit and cash flows are exposed to movements in the underlying price of diesel fuel.

The Group's objective in managing commodity price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow. The Group has a policy of managing the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivatives are used to fix the variable unit cost of a percentage of anticipated fuel consumption. The Group's exposure to commodity price risk is measured by quantifying the element of projected future fuel costs, after taking account of derivatives in place, which varies due to movements in fuel prices. Group Treasury is responsible for the processes for measuring and managing commodity price risk.

The Group's overall fuel costs include the impact of delivery margins, fuel taxes and fuel tax rebates. These elements of fuel costs are not managed as part of Group Treasury's commodity price risk management and are managed directly by business unit management.

The Group uses a number of fuel derivatives to hedge against movements in the price of the fuel used. The fuel derivatives hedge the underlying commodity price risk (denominated in US$). They also hedge the currency risk due to the commodity being priced in US$ and the functional currency of the businesses being pounds sterling.

As at 30 April 2022, we had financial derivatives in place covering a net 176.6m litres of fuel consumption by our UK bus business in the year ending 29 April 2023. We are forecasting to consume 182.0m litres of fuel in the year ending 29 April 2023. The price of the underlying product as at 30 April 2022 was 80.9 pence per litre. Taking account of the financial derivatives in place, the table below shows the sensitivity of our fuel costs (amounts payable/receivable on derivatives and purchase cost of the underlying product, excluding taxes, delivery margins and bus operating grants) to different levels of consumption and fuel prices.

Year ending 29 April 2023

Volume of diesel consumed (millions of litres)		163.8	182.0	200.2
Fuel costs	**pence/litre**	**£m**	**£m**	**£m**
At 30 April 2022 price	80.9	(51.0)	(65.7)	(80.5)
At 10% higher than 30 April 2022 price	89.0	(50.0)	(66.2)	(82.4)
– decrease/(increase) versus 30 April price		1.0	(0.5)	(1.9)
At 10% lower than 30 April 2022 price	72.8	(52.0)	(65.2)	(78.6)
– (increase)/decrease versus 30 April price		(1.0)	0.5	1.9

Demand for the Group's services can also be affected by movements in fuel prices due to the impact on the cost of competing transport services, including private cars.

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

(ii) Credit risk

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 business unit management, and arises from cash and cash equivalents, derivative financial instruments and credit exposures to amounts due from outstanding receivables and committed transactions.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate revenue and profit. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings and the counterparty's geographical location. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be low.

In determining whether a financial asset is impaired, the Group takes account of:
- The fair value of the asset at the balance sheet date and where applicable, the historic fair value of the asset;
- In the case of receivables, the counterparty's typical payment patterns;
- In the case of receivables, the latest available information on the counterparty's creditworthiness such as available financial statements, credit ratings etc.

The movement in the provision for impairment of trade receivables is shown in note 16. In addition, a £0.1m (2021: £0.2m) provision for impairment of a loan to a joint venture was held as at 30 April 2022. There was no opening or closing loss allowance for any of the other financial assets measured at amortised cost.

The table below shows the financial assets that are exposed to credit risk at the balance sheet date:

	Gross 2022 £m	**Impairment 2022 £m**	**Net Exposure 2022 £m**	Gross 2021 £m	Impairment 2021 £m	Net Exposure 2021 £m
Deferred Payment Instrument	**2.9**	**–**	**2.9**	1.9	–	1.9
Trade receivables	**29.7**	**(3.5)**	**26.2**	25.7	(2.8)	22.9
Loans, other receivables and accrued income	**41.1**	**(0.1)**	**41.0**	40.1	(0.2)	39.9
Cash and cash equivalents – pledged as collateral	**–**	**–**	**–**	17.4	–	17.4
Cash and cash equivalents – other	**248.9**	**–**	**248.9**	584.9	–	584.9
Excluding derivative financial instruments	**322.6**	**(3.6)**	**319.0**	670.0	(3.0)	667.0
Financial derivatives	**97.4**	**–**	**97.4**	4.9	–	4.9
Total exposure to credit risk	**420.0**	**(3.6)**	**416.4**	674.9	(3.0)	671.9

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. The Group's largest credit exposures are generally to the UK's Department for Transport, Transport for London, and other government bodies and financial institutions with short-term credit ratings of A2 (or equivalent) or better, all of which the Group considers unlikely to default on their respective liabilities to the Group.

The Group's total net exposure to credit risk by geographic region is analysed below:

	2022 £m	2021 £m
United Kingdom & Europe	**413.5**	670.0
North America	**2.9**	1.9
	416.4	671.9

The Group's financial assets by currency are analysed below:

	2022 £m	2021 £m
Sterling & Euros	**413.5**	670.0
US dollars	**2.9**	1.9
	416.4	671.9

The Group does not hold any collateral in respect of its credit risk exposures set out above (2021: £Nil) and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 30 April 2022 (2021: £Nil).

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

Trade receivables, other receivables and accrued income

To measure the expected credit losses, trade receivables, other receivables measured at amortised cost and accrued income have been grouped based on shared credit risk characteristics and the days past due. The accrued income relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for other receivables measured at amortised cost and accrued income.

The expected loss rates are based on the payment profiles of sales over a period of 36 months to the balance sheet dates and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that UK GDP, the impact of COVID-19 and unemployment rates are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at 30 April 2022 and 1 May 2021 was determined for trade receivables, other receivables measured at amortised cost and accrued income as set out in the following tables:

As at 30 April 2022	**Trade receivables £m**	**Other receivables £m**	**Accrued income £m**	**Loss allowance £m**
Amounts not yet due	**24.3**	**15.1**	**26.0**	**(0.3)**
Amounts 1 to 90 days overdue	**2.5**	**–**	**–**	**(0.6)**
Amounts 91 to 180 days overdue	**1.1**	**–**	**–**	**(1.1)**
Amounts 181 to 365 days overdue	**0.4**	**–**	**–**	**(0.2)**
Amounts greater than 365 days overdue	**1.4**	**–**	**–**	**(1.4)**
Total	**29.7**	**15.1**	**26.0**	**(3.6)**

As at 1 May 2021	Trade receivables £m	Other receivables £m	Accrued income £m	Loss allowance £m
Amounts not yet due	21.1	17.5	22.6	(0.2)
Amounts 1 to 90 days overdue	2.4	–	–	(0.6)
Amounts 91 to 180 days overdue	0.2	–	–	(0.2)
Amounts 181 to 365 days overdue	0.3	–	–	(0.3)
Amounts greater than 365 days overdue	1.7	–	–	(1.7)
Total	25.7	17.5	22.6	(3.0)

(iii) Liquidity risk

The funding policy is to finance the Group through a mixture of bank, lease debt, capital markets issues and cash generated by the business.

In May 2020, the Group issued £300m of commercial paper as an eligible issuer under the UK Government and Bank of England's Covid Corporate Financing Facility. £300m was contractually payable by the Group during February and March 2021. This was repaid in February 2021 and March 2021 and the Group issued a further £300m under the facility for a duration of one year. The £300m facility was repaid in February 2022 and March 2022.

As at 30 April 2022 the Group's credit facilities were £500.4m (2021: £723.3m), £138.4m (2021: £155.9m) of which were utilised, including utilisation for the issuance of bank guarantees, and letters of credit.

The Group had the following undrawn committed bank facilities, and uncommitted bank and asset finance facilities:

	2022 £m	2021 £m
Expiring within one year	**77.1**	291.0
Expiring beyond two years	**284.9**	276.4
	362.0	567.4

Although there is an element of seasonality in the Group's operations, the overall impact of seasonality on working capital and liquidity is not considered significant.

The Board expects the Group to be able to meet current and future funding requirements through free cash flow and available committed facilities. In addition, the Group has an investment grade credit rating which should allow it access at short notice to additional bank and capital markets debt funding. The Group has bank lines of credit arranged on a bi-lateral basis with a group of relationship banks which provide bank facilities for general corporate purposes. These arranged lines of credit allow cash drawdowns to finance the Group and also include facilities which are dedicated to issuing performance bonds, guarantees and letters of credit.

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

The committed bank facilities and their utilisation, as at 30 April 2022, was:

As at 30 April 2022, facilities expiring in:	Facility £m	Performance bonds, guarantees etc. drawn £m	Available for non-cash utilisation only £m	Available for cash drawings £m
MAIN GROUP FACILITIES				
– 2022	89.6	(61.0)	(28.6)	–
– 2025	325.0	(40.1)	–	284.9
	414.6	(101.1)	(28.6)	284.9
SHORT-TERM FACILITIES				
– Various	2.3	–	–	2.3
	416.9	(101.1)	(28.6)	287.2

The Group manages its liquidity risk based on contracted cash flows. The following are the contractual maturities of financial liabilities, excluding lease liabilities, including interest payments.

As at 30 April 2022	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m
Non derivative financial liabilities:					
Unsecured bond issues	**(404.7)**	**(464.0)**	**(16.0)**	**(16.0)**	**(432.0)**
Trade and other payables	**(172.2)**	**(172.2)**	**(172.2)**	**–**	**–**
	(576.9)	**(636.2)**	**(188.2)**	**(16.0)**	**(432.0)**
Derivative financial liabilities:					
Financial derivatives	**(3.8)**	**(3.8)**	**(2.2)**	**(1.6)**	**–**
	(580.7)	**(640.0)**	**(190.4)**	**(17.6)**	**(432.0)**

As at 1 May 2021	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m
Non derivative financial liabilities:					
Bank overdrafts	(119.1)	(119.1)	(119.1)	–	–
Unsecured bond issues	(406.6)	(480.0)	(16.0)	(16.0)	(448.0)
Loan notes payable	(17.4)	(17.4)	(17.4)	–	–
Covid Corporate Financing Facility	(298.4)	(300.0)	(300.0)	–	–
Trade and other payables	(214.1)	(214.1)	(214.1)	–	–
	(1,055.6)	(1,130.6)	(666.6)	(16.0)	(448.0)
Derivative financial liabilities:					
Financial derivatives	(12.1)	(12.1)	(7.8)	(3.8)	(0.5)
	(1,067.7)	(1,142.7)	(674.4)	(19.8)	(448.5)

The "contractual cash flows" shown in the above tables are the contractual undiscounted cash flows under the relevant financial instruments. Where the contractual cash flows are variable based on an interest rate or credit rating in the future, the contractual cash flows in the above table have been determined with reference to the interest rate or credit rating as at the balance sheet date. In determining the interest element of contractual cash flows in cases where the Group has a choice as to the length of interest calculation periods and the interest rate that applies varies with the period selected, the contractual cash flows have been calculated assuming the Group selects the shortest available interest calculation periods. Where the holder of an instrument has a choice of when to redeem, the amounts in the above tables are on the assumption the holder redeems at the earliest opportunity.

The following are contractual maturities of lease liabilities:

As at 30 April 2022	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Lease liabilities	(74.4)	(96.0)	(24.1)	(15.6)	(18.9)	(37.4)

As at 1 May 2021	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Lease liabilities	(82.1)	(104.5)	(24.9)	(17.6)	(25.1)	(36.9)

Note 24 Financial instruments (continued)

(d) Accounting policies

The Group's significant accounting policies and measurement bases in respect of financial instruments are disclosed in note 1.

(e) Collateral and restricted cash

Included within the cash and cash equivalents balance of £248.9m (2021: £602.3m) are £Nil (2021: £17.4m) of cash balances that have been pledged by the Group as collateral for £Nil (2021: £17.4m) of loan notes that are classified within current liabilities: borrowings. The cash was held on deposit and a bank guaranteed the Group's obligations to the holders of the loan notes.

The fair value of the financial assets pledged as collateral is the same as their carrying value as at 30 April 2022 and 1 May 2021.

(f) Defaults and breaches

The Group has not defaulted on any loans payable during the years ended 30 April 2022 and 1 May 2021 and no loans payable were in default as at 30 April 2022 and 1 May 2021. The Group was in compliance with all bank covenants as at 30 April 2022 and 1 May 2021.

(g) Financial derivatives and hedge accounting

A summary of the Group's hedging arrangements that applied during the years ended 30 April 2022 and 1 May 2021 is provided in the table below.

Type of hedge	Risks hedged by the Group	Hedging instruments used
Cash flow hedges	– Commodity price risk	– Derivatives (commodity swaps)
Fair value hedges	– Interest rate risk	– Derivatives (interest rate swaps)

Carrying value and fair value of derivative financial instruments

Derivative financial instruments are classified on the balance sheet as follows:

	2022			2021		
	Interest derivatives £m	**Fuel derivatives £m**	**Total £m**	Interest derivatives £m	Fuel derivatives £m	Total £m
Non-current assets	**–**	**36.2**	**36.2**	–	4.1	4.1
Current assets	**–**	**61.2**	**61.2**	–	0.8	0.8
Current liabilities	**(2.2)**	**–**	**(2.2)**	(0.3)	(7.5)	(7.8)
Non-current liabilities	**(1.6)**	**–**	**(1.6)**	(0.6)	(3.7)	(4.3)
Total	**(3.8)**	**97.4**	**93.6**	(0.9)	(6.3)	(7.2)

The fair value of derivative financial instruments is equal to their carrying value, as shown in the above table.

Cash flow hedges – fuel

The movements in the fair value of fuel derivatives in the year were as follows:

	2022 £m	2021 £m
Fuel derivatives		
Fair value at start of year	**(6.3)**	(62.3)
Changes in fair value during year taken to cash flow hedging reserve	**111.0**	25.8
Changes in fair value during year taken immediately to income statement	**–**	5.2
Cash (received)/paid during the year	**(7.3)**	25.0
Fair value at end of year	**97.4**	(6.3)

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(g) Financial derivatives and hedge accounting (continued)

Commodity price risk

The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the fuel forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair value of the fuel derivatives, split by maturity, was as follows:

	Assets £m	Liabilities £m
As at 30 April 2022		
Within one year	**61.2**	**–**
1 to 2 years	**26.4**	**–**
2 to 3 years	**9.0**	**–**
More than 3 years	**0.8**	**–**
	97.4	**–**
As at 1 May 2021		
Within one year	0.8	(7.5)
1 to 2 years	2.7	(3.4)
2 to 3 years	1.4	(0.1)
More than 3 years	–	(0.2)
	4.9	(11.2)

The fair value of fuel derivatives is further analysed by currency and segment as follows:

	Fair value £m	Notional quantity of fuel covered by derivatives Millions of litres
As at 30 April 2022		
Sterling denominated – UK Bus (regional operations)	**81.4**	**341.5**
Sterling denominated – UK Bus (London)	**16.0**	**60.7**
	97.4	**402.2**
As at 1 May 2021		
Sterling denominated – UK Bus (regional operations)	(6.8)	323.0
Sterling denominated – UK Bus (London)	0.5	73.2
	(6.3)	396.2

The maturity profile of the above fuel derivative contracts is as follows:

	Up to 1 year	1 to 2 years	2+ years	Total
As at 30 April 2022				
Notional amount (in millions of litres)	**173.5**	**134.6**	**94.1**	**402.2**
Notional amount (in £m)	**60.4**	**47.1**	**36.7**	**144.2**
Average hedge rate (in £/litre)	**0.35**	**0.35**	**0.39**	**0.36**
As at 1 May 2021				
Notional amount (in millions of litres)	145.4	141.4	109.4	396.2
Notional amount (in £m)	54.7	48.1	34.7	137.5
Average hedge rate (in £/litre)	0.38	0.34	0.32	0.35

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(g) Financial derivatives and hedge accounting (continued)

Fair value hedges – interest

The Group entered into £120m (notional value) of interest rate derivatives as fair value hedges of the Group's exposure to fixed interest rates from September 2020 to September 2023. The movements in the fair value of these derivatives were as follows:

	Fair value hedges	
	2022 £m	2021 £m
Interest rate derivatives		
Fair value at start of year	**(0.9)**	–
Cash paid in year	**0.2**	–
Changes in fair value reflected in carrying value of hedged item	**(2.8)**	(0.8)
Interest expense on fair value hedges	**(0.3)**	(0.1)
Fair value at end of year	**(3.8)**	(0.9)

All of the interest rate derivatives were managed and held centrally.

The fair value of the interest rate derivatives split by maturity as at 30 April 2022 was as follows:

	2022 £m	2021 £m
Within one year	**(2.2)**	(0.3)
1 to 2 years	**(1.6)**	(0.4)
2 to 3 years	**–**	(0.2)
	(3.8)	(0.9)

Cash flow hedging reserve

The movements in the cash flow hedging reserve were as follows:

	2022 £m	2021 £m
Cash flow hedging reserve at start of year	**(4.8)**	(34.9)
Changes in fair value during the year taken to cash flow hedging reserve	**111.0**	25.8
Cash flow hedges reclassified and reported in profit for year	**(12.0)**	11.4
Tax effect of cash flow hedges	**(18.8)**	(7.1)
Cash flow hedging reserve at end of year	**75.4**	(4.8)
Cash flow hedging reserve before tax	**93.2**	(5.8)
Tax to be credited to income statement in future periods	**(17.8)**	1.0
Cash flow hedging reserve after tax	**75.4**	(4.8)

As at 30 April 2022 and 1 May 2021, all of the hedged forecast transactions (i.e. hedged future purchases of fuel) were assessed as highly probable.

Notes to the consolidated financial statements (continued)

Note 25 Share capital

The allotted, called-up and fully paid ordinary share capital was:

	2022		2021	
	No. of shares	**£m**	No. of shares	£m
Allotted, called-up and fully paid ordinary shares of 125/228 pence each				
At beginning and end of year	**576,099,960**	**3.2**	576,099,960	3.2

The balance on the share capital account shown above represents the aggregate nominal value of all ordinary shares in issue. This figure includes 24,581,369 (2021: 25,221,213) ordinary shares held in treasury, which are treated as a deduction from equity in the Group's financial statements.

Note 26 Share based payments

The Group operated a Buy as You Earn Scheme ("BAYE"), a Long Term Incentive Plan ("LTIP"), a Restricted Share Plan ("RSP") and an Executive Participation Plan ("EPP"). The Directors' remuneration report in section 8 of this Annual Report gives further details of each of these arrangements.

As disclosed in note 6, share based payment charges of £3.4m (2021: £0.9m) have been recognised in the income statement during the year in relation to the above schemes.

Long Term Incentive Plan

All of the awards under the LTIP scheme lapsed, with no amounts payable to the holders, on 23 May 2022, following the change of control of the Company.

The following assumptions were applied in accounting for awards under the LTIP scheme:

Grant date	**August 2017**	**December 2017**	**December 2018**	**June 2019**	**December 2019**
Share price at time of grant/award (£)	1.745	1.780	1.636	1.210	1.368
Vesting period (years)	3	3	3	3	3
Option/award life (years)	3	3	3	3	3
Expected life (years)	3	3	3	3	3
Expected dividends expressed as an average annual dividend yield	7.37%	7.22%	5.08%	6.87%	6.08%
Option pricing model	**Bespoke simulation**	**Bespoke simulation**	**Bespoke simulation**	**Bespoke simulation**	**Bespoke simulation**

LTIP awards were based on Incentive Units. One Incentive Unit had a value equal to one of the Company's ordinary shares but subject to the performance conditions explained in the Directors' remuneration report. LTIP awards were not share options and were valued using a separate simulation model and disclosures in respect of exercise prices, expected volatility and risk free rates are not applicable. Expectations of meeting market based performance criteria are reflected in the fair value of the LTIP awards.

The movements in the LTIP Incentive Units during the year to 30 April 2022 were as follows:

Award date	Outstanding at start of year (Incentive Units)	Lapsed in year (Incentive Units)	Outstanding at end of year (Incentive Units)	Fair value per LTIP unit at grant* £	Fair value per LTIP unit at 30 April 2022* £	TSR ranking at 30 April 2022**	Vesting date
7 Dec 2018	2,006,585	(2,006,585)	–	1.1194	n/a	n/a	7 Dec 2021
27 June 2019	1,455,767	–	1,455,767	0.8279	–	171	27 June 2022
12 Dec 2019	1,329,808	–	1,329,808	0.9360	–	182	12 Dec 2022
	4,792,160	(2,006,585)	2,785,575				

* The fair values of the LTIP Incentive Units shown above take account of both market based vesting conditions (total shareholder return performance versus a benchmark) and non-market based vesting conditions (earnings per share related targets for certain awards). The fair values have not been adjusted for service conditions and assume all holders of LTIP Incentive Units remain employed by the Group throughout the relevant vesting periods.

** TSR ranking is based on the Group's ranking of total shareholder return in the FTSE 250 whereby 1 is top of the comparator group. The TSR ranking is calculated by independent advisors.

Note 26 Share based payments (continued)

Restricted Share Plan

All of the awards under the RSP either vested or lapsed on 23 May 2022, following the change of control of the Company. The proportion of each tranche of awards that vested was equal to the proportion of the vesting period that had elapsed by the date of vesting.

A Restricted Share Plan commenced during the year ended 1 May 2021, as a successor to the Long Term Incentive Plan. All Restricted Share Awards under the plan were subject to performance underpins under which the Remuneration Committee could reduce an award in whole or in part if it was not satisfied with the management of the business. No adjustment has been made to the fair values of Restricted Share Awards shown below to take account of those performance underpins. Accordingly, the value of each Restricted Share is equivalent to the value of an ordinary share in the Company.

The movements in Restricted Share Awards in the year ended 30 April 2022 were as follows:

Award date	Outstanding at start of year	Awards granted in year	Outstanding at end of year	Vesting date	Expected total value of award at time of grant £	Closing share price on date of grant £
12 Oct 2020	171,316	–	171,316	12 Oct 2024	70,000	0.4086
12 Oct 2020	171,317	–	171,317	12 Oct 2025	70,000	0.4086
12 Oct 2020	171,317	–	171,317	12 Oct 2026	70,000	0.4086
10 Dec 2020	933,257	–	933,257	10 Dec 2024	734,007	0.7865
10 Dec 2020	933.257	–	933,257	10 Dec 2025	734,007	0.7865
10 Dec 2020	933,258	–	933,258	10 Dec 2026	734,007	0.7865
1 Jul 2021	–	937,610	937,610	1 Jul 2025	769,778	0.8210
1 Jul 2021	–	937,610	937,610	1 Jul 2026	769,778	0.8210
1 Jul 2021	–	937,624	937,624	1 Jul 2027	769,789	0.8210
	3,313,722	2,812,844	6,126,566			

Executive Participation Plan

All of the awards under the EPP vested in full, on 23 May 2022, following the change of control of the Company.

Under the EPP, executives and senior managers sacrificed part of their actual annual cash bonus and were awarded Deferred Bonus Shares with an initial market value approximately equal to the amount of bonus foregone. The movements in EPP Deferred Bonus Shares in the year ended 30 April 2022 were as follows:

Award date	Outstanding at start of year (Deferred Bonus Shares)	Awards granted in year (Deferred Bonus Shares)	Vested in year (Deferred Bonus Shares)	Lapsed in year (Deferred Bonus Shares)	Outstanding at end of year (Deferred Bonus Shares)	Vesting date	Expected total value of award at time of grant £	Closing share price on date of grant £
6 Dec 2018	639,844	–	(639,844)	–	–	8 Dec 2021/ 15 Dec 2021/ 9 Mar 2022*	2,164,076	1.7700
27 June 2019	1,752,868	–	–	–	1,752,868	27 June 2022	2,148,818	1.2100
10 Dec 2020	3,003,616	–	–	–	3,003,616	10 Dec 2023	2,423,424	0.7865
1 Jul 2021	–	4,194,197	–	(32,399)	4,161,798	1 Jul 2024	3,443,436	0.8210
	5,396,328	4,194,197	(639,844)	(32,399)	8,918,282			

* The vesting of some EPP awards was delayed from 8 December 2021 to 15 December 2021 and 9 March 2022.

Buy As You Earn Scheme

BAYE enabled eligible employees to purchase shares (“partnership shares”) from their gross income. The Company provided two matching shares for every share bought from the first £10 of each employee’s monthly investment, subject to a maximum Company contribution of shares to the value of £20 per employee per month. If the shares were held in trust for five years or more, no income tax and national insurance was payable. The matching shares were forfeited if the corresponding partnership shares were removed from trust within three years of award. In light of the COVID-19 situation, share investments under the BAYE Plan were suspended from 6 April 2020.

At 30 April 2022, there were 3,163 (2021: 3,541) participants in the BAYE scheme to which were attributed 4,927,979 (2021: 5,583,438) shares that they purchased, 1,750,606 (2021: 2,004,738) matching shares that the Company contributed and 1,247,772 shares (2021: 1,404,925) in respect of notional dividends. These amounts exclude unattributed shares and any shares to be withdrawn because the employee has left the Group or requested a withdrawal.

The shares held in the BAYE scheme are subject to the offer for the Company referred to in note 32(i).

Note 27 Reserves

A reconciliation of the movements in each reserve is shown in the consolidated statement of changes in equity on page 104.

The balance of the share premium account represents the amounts received in excess of the nominal value of the ordinary shares offset by issue costs, bonus issues of shares and any transfer between reserves.

The balance held in the retained earnings reserve is the accumulated retained profits and losses of the Group.

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled.

Details of own shares held are given in note 25. The own shares reserve represents the cumulative cost of shares in Stagecoach Group plc purchased in the market and held in treasury and/or by the Group’s two Employee Share Ownership Trusts, offset by cumulative sales proceeds.

Notes to the consolidated financial statements (continued)

Note 27 Reserves (continued)

The cash flow hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The cumulative gain or loss is recycled to the income statement to match the recognition of the hedged item through the income statement.

Note 28 Consolidated cash flows

Cash and cash equivalents of £248.9m (2021: £483.2m) shown in the consolidated statement of cash flows, and in this note 28, include the cash and cash equivalents of £248.9m (2021: £602.3m) shown on the consolidated balance sheet, less bank overdrafts of £Nil (2021: £119.1m) included in other borrowings within current liabilities in the consolidated balance sheet.

(a) Reconciliation of operating profit to cash generated by operations

The operating profit of Group companies reconciles to cash generated by operations as follows:

	2022 £m	2021 (restated – see note 1(b)) £m
Operating profit of Group companies	**63.5**	24.4
Separately disclosed items	**5.8**	19.9
Depreciation	**103.7**	107.7
Software amortisation	**1.4**	2.9
Impairment of property, plant and equipment	**4.4**	6.8
EBITDA of Group companies before separately disclosed items ("Adjusted EBITDA from Group Companies")	**178.8**	161.7
Cash effect of current year separately disclosed items	**(0.1)**	(7.3)
Loss on disposal of property, plant and equipment	**1.6**	1.5
Capital grant amortisation	**(1.5)**	(0.9)
Share based payment movements	**3.5**	1.6
Operating cashflows before working capital movements	**182.3**	156.6
Increase in inventories	**(2.8)**	(0.7)
Decrease in receivables	**2.6**	1.3
Decrease in payables	**(14.4)**	(8.9)
Decrease in provisions	**(7.9)**	(7.4)
Differences between employer contributions and pension expense in adjusted operating profit	**(4.7)**	(4.7)
Cash generated by operations	**155.1**	136.2

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

The (decrease)//increase in cash and cash equivalents reconciles to the movement in net debt as follows:

	2022 £m	2021 £m
(Decrease)/increase in cash and cash equivalents	**(234.3)**	134.9
Cash flow from movement in borrowings (excluding bank overdrafts)	**341.7**	(69.4)
	107.4	65.5
New leases in year		
– Sale and leaseback of property	**–**	(5.1)
– Other new leases	**(19.0)**	(18.3)
– Lease disposal	**2.4**	–
Other movements	**(2.5)**	(2.6)
Decrease in net debt	**88.3**	39.5
Opening net debt (as defined in note 33)	**(312.6)**	(352.1)
Closing net debt (as defined in note 33)	**(224.3)**	(312.6)

(c) Changes in net debt

Changes in net debt are summarised below:

Year to 30 April 2022	**Opening £m**	**Cashflows £m**	**New leases £m**	**Lease disposal £m**	**Charged to income statement £m**	**Closing £m**
Cash and cash equivalents – pledged as collateral	**17.4**	**(17.4)**	**–**	**–**	**–**	**–**
Cash and cash equivalents – other	**465.8**	**(216.9)**	**–**	**–**	**–**	**248.9**
Total cash and cash equivalents	**483.2**	**(234.3)**	**–**	**–**	**–**	**248.9**
Gross debt – see split in note 28(d) below	**(795.8)**	**341.7**	**(19.0)**	**2.4**	**(2.5)**	**(473.2)**
Net debt	**(312.6)**	**107.4**	**(19.0)**	**2.4**	**(2.5)**	**(224.3)**

Note 28 Consolidated cash flows (continued)

(c) Changes in net debt (continued)

Year to 1 May 2021	Opening £m	Cashflows £m	New leases £m	Charged to income statement £m	Closing £m
Cash and cash equivalents – pledged as collateral	17.5	(0.1)	–	–	17.4
Cash and cash equivalents – other	330.8	135.0	–	–	465.8
Total cash and cash equivalents	348.3	134.9	–	–	483.2
Gross debt – see split in note 28(d) below	(700.4)	(69.4)	(23.4)	(2.6)	(795.8)
Net debt	(352.1)	65.5	(23.4)	(2.6)	(312.6)

(d) Liabilities arising from financing activities

Liabilities arising from financing activities include all liabilities that give rise to cash flows that are classified as financing activities in the consolidated statement of cash flows. They include borrowings (except bank overdrafts) and loans from joint ventures. They also include certain interest rate derivatives that are hedging instruments of liabilities that give rise to financing cash flows.

The liabilities arising from financing activities are presented in the consolidated balance sheet as follows.

	2022 £m	2021 £m
Current liabilities: borrowings	**(22.1)**	(457.6)
– Less bank overdrafts shown in cash and cash equivalents in this note 28	**–**	119.1
Non-current liabilities: borrowings	**(457.0)**	(466.0)
Current liabilities: interest rate derivatives included in financial derivatives	**(2.2)**	(0.3)
Non-current liabilities: interest rate derivatives included in financial derivatives	**(1.6)**	(0.6)
Current liabilities: loans from joint ventures	**(1.7)**	(1.7)
Total liabilities arising from financing activities	**(484.6)**	(807.1)

Changes in liabilities from financing activities are presented in the tables below.

Year to 30 April 2022	**Opening £m**	**Cashflows £m**	**New leases £m**	**Lease disposal £m**	**Fair value movements on hedge £m**	**Charged to income statement £m**	**Closing £m**
Lease liabilities	(82.1)	24.3	(19.0)	2.4	–	–	(74.4)
Loan notes	(17.4)	17.4	–	–	–	–	–
Covid Corporate Financing Facility	(298.4)	300.0	–	–	–	(1.6)	–
Bonds							
– Principal	(400.0)	–	–	–	–	–	(400.0)
– Unamortised costs & discounts on issue	2.1	–	–	–	–	(0.9)	1.2
Gross debt	(795.8)	341.7	(19.0)	2.4	–	(2.5)	(473.2)
Loans from joint ventures	(1.7)	–	–	–	–	–	(1.7)
Accrued interest on bonds	(9.5)	16.0	–	–	–	(16.0)	(9.5)
Effect of fair value hedges on carrying value of borrowings	0.8	–	–	–	2.8	–	3.6
Interest rate derivatives that hedge liabilities from financing activities	(0.9)	0.2	–	–	(2.8)	(0.3)	(3.8)
Total liabilities arising from financing activities	(807.1)	357.9	(19.0)	2.4	–	(18.8)	(484.6)

Notes to the consolidated financial statements (continued)

Note 28 Consolidated cash flows (continued)

(d) Liabilities arising from financing activities (continued)

Year to 1 May 2021	Opening £m	Dividend in specie (note 28(e)) £m	Cashflows £m	New leases £m	Fair value movements on hedge £m	Charged to income statement £m	Closing £m
Lease liabilities	(85.8)	–	27.1	(23.4)	–	–	(82.1)
Bank loans	(200.0)	–	200.0	–	–	–	–
Loan notes	(17.5)	–	0.1	–	–	–	(17.4)
Covid Corporate Financing Facility	–	–	(296.6)	–	–	(1.8)	(298.4)
Bonds							
– Principal	(400.0)	–	–	–	–	–	(400.0)
– Unamortised costs & discounts on issue	2.9	–	–	–	–	(0.8)	2.1
Gross debt	(700.4)	–	(69.4)	(23.4)	–	(2.6)	(795.8)
Loans from joint ventures	(12.7)	11.0	–	–	–	–	(1.7)
Accrued interest on bonds	(9.6)	–	16.0	–	–	(15.9)	(9.5)
Effect of fair value hedges on carrying value of borrowings	–	–	–	–	0.8	–	0.8
Interest rate derivatives that hedge liabilities from financing activities	–	–	–	–	(0.8)	(0.1)	(0.9)
Total liabilities arising from financing activities	(722.7)	11.0	(53.4)	(23.4)	–	(18.6)	(807.1)

(e) Non-cash transactions

The effect of new leases on net debt are shown in note 28(b) to the consolidated financial statements. Note 12(b)(vi) provides details of a depot sale and leaseback in the year ended 1 May 2021.

During the year ended 1 May 2021, the Group's joint venture, WCT Group, made a dividend in specie by contributing loan receivables to its shareholders. As a result, the Group recognised a dividend of £11.0m from WCT Group and an associated reduction in the Group's loans from joint ventures of £11.0m.

Note 29 Contingencies

Contingent liabilities

(i) On 27 February 2019, class action proceedings were filed with the UK Competition Appeal Tribunal ("CAT") against Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise. Equivalent claims have been brought against First MTR South Western Trains Limited, which succeeded SSWT as the operator of the South Western franchised train services, and London & South Eastern Railway. It is alleged that SSWT and the other defendants breached their obligations under competition law, by (i) failing to make available, or (ii) restricting the practical availability of, boundary fares for Transport for London ("TfL") Travelcard holders wishing to travel outside TfL fare zones. The proposed claim seeks compensation for all those who have allegedly been affected by the train operating companies' allegedly anti-competitive behaviour. The total sought from SSWT is estimated at around £38m (excluding interest).

In October 2021, the CAT granted the collective proceedings order ("CPO") sought by the proposed class representative. In November 2021, SSWT sought permission to appeal against the CAT's decision to grant the CPO. Permission was refused and SSWT applied to the Court of Appeal for permission to bring the appeal, which was granted. The appeal was heard in June 2022 and a decision by the Court of Appeal is awaited.

The claim is disputed in respect of its technical merits. No provision is held as at 30 April 2022 (2021: £Nil) for any damages or settlement payable in respect of this matter.

(ii) The Group and the Company are from time to time party to other legal actions arising in the ordinary course of business. Liabilities have been recognised in the financial statements for the best estimate of the expenditure required to settle obligations arising under such legal actions. As at 30 April 2022, the liabilities in the consolidated financial statements for such matters total £1.0m (2021: £0.9m) in addition to those covered by the claims provisions.

(iii) The Group sold its North American business in April 2019. The North American business receives claims in respect of traffic incidents and employee incidents. It protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible" on insurance policies (the "Uninsured Element"). The North America business is liable for costs of settling the Uninsured Element of claims. In the event that the business was unable to meet its liabilities for claims then the insurers would be responsible for meeting those liabilities for the Uninsured Element of claims. To protect themselves against that risk (being, essentially the credit risk of the North America business), the insurers demand collateral typically in the form of letters of credit and guarantees. In connection with the sale of the North America business, the Group agreed to continue to provide the guarantees and arrange the letters of credit required by the insurers in respect of claims relating to periods ending on or before July 2019. The Group indemnifies the banks that issue those letters of credit against any losses suffered by the banks. The Group has also provided continuing guarantees to the insurers in respect of claims relating to those periods. As at 30 April 2022, the North America business had provided for an estimated £32.1m (2021: £44.5m) in respect of claims to which the letters of credit and Stagecoach Group guarantees would apply and for which no liability is reflected in the consolidated balance sheet (2021: £Nil).

Note 30 Financial commitments

Contractual commitments for the acquisition of property, plant and equipment were as follows:

	2022 £m	2021 £m
Contracted for but not provided:		
For delivery within one year	**19.3**	27.8

Notes to the consolidated financial statements (continued)

Note 31 Related party transactions

Details of major related party transactions during the year ended 30 April 2022 are provided below, except for those relating to the remuneration of the Directors and management.

(i) WCT Group Holdings Limited

Two of the Group's directors are non-executive directors of the Group's joint venture, WCT Group Holdings Limited. During the year ended 30 April 2022, the Group earned fees of £0.2m (2021: £0.2m) from WCT Group Holdings Limited in this regard. In addition, the Group had sales in the year ended 30 April 2022 to the group headed by WCT Group Holdings Limited of £1.1m (2021: £1.1m).

(ii) Pension schemes

Details of contributions made to pension schemes are contained in note 23.

(iii) Scottish Citylink Coaches Limited

A non-interest bearing loan of £1.7m (2021: £1.7m) was due to the Group's joint venture, Scottish Citylink Coaches Limited, as at 30 April 2022. The Group earned £18.0m in the year ended 30 April 2022 in respect of the operation of services subcontracted by Scottish Citylink Coaches Limited (2021: £13.7m). The Group also collected revenue of £16.2m on behalf of Scottish Citylink Coaches Limited in the year ended 30 April 2022 (2021: £5.5m). As at 30 April 2022, the Group had a net £2.1m receivable (2021: £1.9m) from Scottish Citylink Coaches Limited, excluding the loan referred to above.

(iv) East Coast Main Line Company Limited

The Group owns 90% and Virgin Holdings Limited owns 10% of the ordinary shares in Inter City Railways Limited. East Coast Main Line Company Limited is 100% owned by Inter City Railways Limited and entered into various arm's length transactions with other Group companies.

In the year ended 30 April 2022, other Group companies earned £0.3m (2021: £0.3m) from East Coast Main Line Company Limited in respect of the provision of certain services. In addition, East Coast Main Line Company Limited advanced the Company a loan in the year ended 2 May 2020, of which £30.0m (2021: £Nil) was repaid during the year ended 30 April 2022. As at 30 April 2022, £Nil (2021: £30.0m) was outstanding. During the year ended 30 April 2022, the interest paid on the loan was £Nil (2021: £0.1m).

Stagecoach Group plc paid £Nil (2021: £0.2m) to Virgin Holdings Limited in the year ended 30 April 2022 in relation to East Coast Main Line Company Limited and the end of its rail franchise.

(v) Crown Sightseeing Limited

The Group owns 33.3% of the ordinary shares of Crown Sightseeing Limited, a joint venture formed in the year ended 1 May 2021. As at 30 April 2022, an interest bearing loan of £0.1m (2021: £0.2m) advanced by the Group to Crown Sightseeing Limited was outstanding. The loan accrues interest at the Bank of England base rate plus 3%. In addition, the Group earned £1.2m in the year ended 30 April 2022 (2021: £Nil) in respect of the operation of bus services subcontracted by Crown Sightseeing. As at 30 April 2022, the Group had a £0.3m (2021: £Nil) receivable in this respect.

Note 32 Post balance sheet events

(i) Holding companies

During the year ended 30 April 2022, and as at the balance sheet date of 30 April 2022, the Company was not under the control of any single party or, parties acting in concert.

On 9 March 2022, the boards of Inframobility UK Bidco Limited and the Company announced that they had reached agreement on the terms of a recommended all-cash offer from Inframobility UK Bidco Limited for the entire issued share capital of the Company. That offer became unconditional on 20 May 2022.

Accordingly, with effect from 20 May 2022, Inframobility UK Bidco Limited controls the Company. As of 27 June 2022, Inframobility UK Bidco Limited controls 91.7% of the Company's issued ordinary shares (excluding shares held in treasury) and voting rights. DWS Infrastructure has management control of the Company from 20 May 2022, although its indirect ownership interest in the Company is less than 2%.

The Company's immediate holding Company is therefore Inframobility UK Bidco Limited (registered number 13957417), registered in England. Its ultimate holding company is Pan-European Infrastructure III, SCSp ("PEIF III"), an infrastructure fund managed and advised by DWS Infrastructure. PEIF III is not under the control of any single party or, parties acting in concert.

The parent undertaking of the smallest group and the largest group, of which the company is a member and for which consolidated financial statements are expected to be prepared, is Inframobility UK Midco Ltd, a company registered in England with registered number 13954049 and registered address at Solent Business Park, Forum 4 C/O Aztec Financial Services (UK) Limited, Parkway South, Whiteley, Fareham, United Kingdom, PO15 7AD. That company has yet to produce its first financial statements.

(ii) De-listing of shares

On 28 June 2022, the listing of the Company's shares on the premium listing segment of the Official List, and the trading of the Company's shares on the London Stock Exchange's main market for listed securities, were cancelled.

Note 32 Post balance sheet events (continued)

(iii) Compulsory purchase of shares from minority shareholders

Inframobility UK Bidco Limited (see note 32(i) above) has, by virtue of acceptances to its offer to acquire the entire share capital of the Company, acquired or contracted to acquire over 90% in value of the shares to which the offer relates. Accordingly, Inframobility UK Bidco Limited intends to shortly give notice to the holders of any shares that it has not so acquired, or contracted to acquire, that it desires to acquire their shares. It is expected that Inframobility UK Bidco Limited will have acquired 100% of the Company's shares (excluding shares held in treasury) by mid-August 2022.

(iv) London bus acquisition

On 25 June 2022, the Group completed the acquisition of Kelsian Group's east London bus operations and depot at Lea Interchange for cash consideration of up to £20m. £10m was paid on completion, with a further £1m per annum payable for ten years commencing on the first anniversary following completion, subject to certain conditions.

No further disclosures have been provided under IFRS 3, *Business Combinations*, in respect of the above business combination after the balance sheet date, on the basis that the initial accounting is not yet complete due to the short period of time between the completion of the acquisition on 25 June 2022 and the approval of these financial statements on 29 June 2022.

Note 33 Definitions

(a) Alternative performance measures

The Group uses a number of alternative performance measures in this document to help explain the financial performance and financial position of the Group. More information on the definition of these alternative performance measures and how they are calculated is provided below. All of the alternative performance measures explained below have been calculated consistently for the year ended 30 April 2022 and for comparative amounts shown in this document for prior years.

Adjusted earnings per share

Adjusted earnings per share is calculated by dividing profit attributable to equity holders of the parent, excluding separately disclosed items, by the basic weighted average number of shares in issue in the year.

For the year ended 30 April 2022 and the comparative prior year, the numerators for the calculations (i.e. the adjusted profit) are shown clearly on the face of the consolidated income statement in the columns headed "performance excluding separately disclosed items". The denominators for the calculations (i.e. the weighted average number of shares in issue) and further details of the calculations are shown in note 9 to the consolidated financial statements.

Like-for-like amounts

Like-for-like amounts are derived by comparing the relevant year-to-date amount with the equivalent prior year amount for those businesses and individual operating units that have been part of the Group throughout both years.

Like-for-like revenue growth for the year ended 30 April 2022 is calculated by comparing the revenue for the current and comparative years, each adjusted as described above. The revenue of each segment is shown in note 2(a) to the financial statements. The reconciliation to the adjusted revenue figures for the purposes of calculating like-for-like revenue growth is shown below:

Year ended 30 April 2022		Reported revenue	Exclude expired rail franchises	Like-for-like revenue
UK Bus (regional operations)	£m	892.2	–	892.2
UK Bus (London)	£m	272.6	–	272.6
UK Rail	£m	11.7	(0.4)	11.3

Year ended 1 May 2021		Reported revenue	Exclude expired rail franchises	Like-for-like revenue
UK Bus (regional operations)	£m	662.0	–	662.0
UK Bus (London)	£m	261.7	–	261.7
UK Rail	£m	4.7	1.2	5.9

The £1.2m shown above in respect of expired rail franchises relates to an increase in the liability for customer refunds recorded in the year ended 1 May 2021.

Liquidity

References to liquidity mean the aggregate amount of cash and cash equivalents (net of bank overdrafts in bank offset arrangements), money market deposits and undrawn committed headroom under bank facilities, adjusted to exclude: (i) foreign currency bank and cash balances, (ii) petty cash balances, (iii) cash in transit and (iv) cash pledged as collateral in respect of liabilities for loan notes.

Operating profit

Operating profit for the Group as a whole is profit before non-operating separately disclosed items, finance costs, finance income, taxation and non-controlling interests. Operating profit of Group companies is operating profit on that basis, excluding the Group's share of joint ventures' profit/loss after taxation. Both total operating profit and operating profit of Group companies are shown on the face of the consolidated income statement.

Operating profit (or loss) for a particular business unit or segment within the Group refers to profit (or loss) before net finance income/costs, taxation, non-controlling interests, separately disclosed items and restructuring costs. The operating profit (or loss) for each segment is directly identifiable from note 2(b).

Adjusted operating profit

Adjusted operating profit for the Group as a whole is operating profit before all separately disclosed items as shown on the face of the consolidated income statement.

Notes to the consolidated financial statements (continued)

Note 33 Definitions (continued)

(a) Alternative performance measures (continued)

Operating margin

Operating margin for a particular business unit or segment within the Group means operating profit (or loss) as a percentage of revenue. The revenue and operating profit (or loss) for each segment is directly identifiable from notes 2(a) and 2(b). Where relevant, the revenue, operating profit (or loss) and operating margin for each segment are also shown on page 4 of this Annual Report.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxation, depreciation, software amortisation and separately disclosed items.

A reconciliation of adjusted EBITDA for the year ended 30 April 2022, and the comparative prior year, to the financial statements is shown in section 1.6.5 of this Annual Report.

Adjusted EBITDA from Group companies

Adjusted EBITDA from Group companies is earnings before interest, taxation, depreciation, software amortisation and separately disclosed items from Group companies (i.e. the parent company and all of its subsidiaries consolidated but excluding share of profit from joint ventures).

Adjusted EBITDA from Group companies is directly identifiable from note 28(a) to the financial statements.

Net finance costs

Net finance costs are finance costs less finance income, each as shown on the face of the consolidated income statement.

Adjusted net finance costs

Adjusted net finance costs are net finance costs (see above) excluding separately disclosed items.

Gross debt

Gross debt is borrowings as reported on the consolidated balance sheet, adjusted to exclude bank overdrafts, accrued interest on bonds and the effect of fair value hedges on the carrying value of borrowings.

The components of gross debt are shown in note 28(d) to the financial statements.

Net debt

Net debt (or net funds) is the net of cash/cash equivalents, bank overdrafts and gross debt (see above).

The components of net debt are shown in note 28(c) to the financial statements.

Net capital expenditure

Net capital expenditure is the impact of purchases, new leases, lease disposals, and sales of property, plant and equipment on net debt. Its reconciliation to the consolidated financial statements is explained in section 1.6.9 of this Annual Report.

Net debt plus train operating company liabilities

Net debt plus train operating company liabilities is the aggregate of net debt (see above) and net liabilities (excluding cash) in relation to major rail franchises previously operated by the Group. The reconciliation to the consolidated financial statements is shown below:

	2022 £m	2021 £m
Net debt as shown in note 28(c)	**224.3**	312.6
Net train operating company liabilities as shown in note 2(d)	**40.2**	88.4
Net debt plus train operating company liabilities	**264.5**	401.0

(b) Other definition

The following other definition is also used in this document:

Separately disclosed items

Separately disclosed items means:
- Non-software intangible asset amortisation;
- Items which individually or, if of a similar type, in aggregate, need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Group; and
- Changes in the fair value of the Deferred Payment Instrument received in relation to the sale of the North America Division in April 2019.

Changes in the fair value of the Deferred Payment Instrument may occur in several consecutive financial years until the issuer of the instrument discharges it in full. The Deferred Payment Instrument is part of the consideration received for the sale of a business and it does not relate to the ongoing operating activities of the Group. The Directors therefore consider that it is helpful for understanding the Group's financial performance to disclose separately changes in the fair value of the Deferred Payment Instrument.

Separately disclosed items can include both pre-tax and tax-related items.

12. Separate financial statements of the parent company, Stagecoach Group plc

Company balance sheet

As at 30 April 2022

	Notes	2022 £m	2021 £m
ASSETS			
Non-current assets			
Property, plant and equipment			
– Owned assets	*2(a)*	**3.2**	3.2
– Right-of-use assets	*2(b)*	**3.7**	3.8
Investments	*3*	**1,045.5**	1,042.0
Deferred tax asset	*6*	**3.6**	2.8
Other receivables	*4*	**15.6**	19.1
Retirement benefit assets	*8*	**3.7**	0.6
Derivative instruments at fair value	*7*	**36.2**	4.1
		1,111.5	1,075.6
Current assets			
Other receivables	*4*	**11.2**	18.0
Current tax assets		**–**	1.5
Derivative instruments at fair value	*7*	**61.2**	0.8
Cash and cash equivalents		**196.0**	427.2
		268.4	447.5
Total assets		**1,379.9**	1,523.1
LIABILITIES			
Current liabilities			
Trade and other payables	*5*	**274.9**	480.3
Current tax liabilities		**6.4**	–
Derivative instruments at fair value	*7*	**2.2**	7.8
		283.5	488.1
Non-current liabilities			
Other payables	*5*	**406.8**	408.7
Derivative instruments at fair value	*7*	**1.6**	4.3
Retirement benefit obligations	*8*	**2.3**	2.2
		410.7	415.2
Total liabilities		**694.2**	903.3
Net assets		**685.7**	619.8
EQUITY			
Ordinary share capital	*9*	**3.2**	3.2
Share premium account	*10*	**8.4**	8.4
Retained earnings	*10*	**320.9**	255.0
Capital redemption reserve	*10*	**422.8**	422.8
Own shares	*10*	**(69.6)**	(69.6)
Total equity		**685.7**	619.8

In accordance with the concession granted under section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company have not been separately presented in these financial statements. The profit of the Company was £62.4m (2021: £19.0m).

These financial statements were approved for issue by the Board of Directors on 29 June 2022. The accompanying notes form an integral part of this balance sheet.

Martin A Griffiths
Chief Executive

Ross Paterson
Finance Director

12. Separate financial statements of the parent company, Stagecoach Group plc (continued)

Company statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Total equity £m
Balance at 2 May 2020	3.2	8.4	234.4	422.8	(69.6)	599.2
Profit for the year and total comprehensive expense	–	–	19.0	–	–	19.0
Credit in relation to equity-settled share based payments	–	–	1.6	–	–	1.6
Balance at 1 May 2021	3.2	8.4	255.0	422.8	(69.6)	619.8
Profit for the year and total comprehensive income	–	–	62.4	–	–	62.4
Credit in relation to equity-settled share based payments	–	–	3.5	–	–	3.5
Balance at 30 April 2022	**3.2**	**8.4**	**320.9**	**422.8**	**(69.6)**	**685.7**

Notes to the Company financial statements

Note 1 Parent company accounting policies

These financial statements are presented in respect of Stagecoach Group plc. Stagecoach Group plc is a public limited liability company limited by shares. It is incorporated, domiciled and has its registered office in Scotland. Its registered number is SC100764 and its registered address is 10 Dunkeld Road, Perth PH1 5TW.

The Company financial statements are prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework* ("FRS 101").

(a) Basis of preparation

These financial statements have been prepared on a going concern basis and under the historical cost accounting convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value, in accordance with the Companies Act 2006.

These financial statements have been prepared on a going concern basis. Taking account of the change in ownership of the Company, recovery from COVID-19, and other relevant factors, the Directors concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the Company financial statements. The Directors have a reasonable expectation that the Company will continue to operate as a going concern for the duration of the going concern period, being the period to 30 June 2023.

The Strategic report in section 1 of this Annual Report includes information on the actions taken in response to the COVID-19 pandemic (including in section 1.3), the outlook for the Group (including in sections 1.3 and 1.7) and the Group's financial position and liquidity (including in section 1.6.10). Section 3.11 of this Annual Report provides additional information on the Directors' assessment of the Group's ability to continue as a going concern, and of its longer term viability. Section 5.4.1 of this Annual Report includes information on the Audit Committee's consideration of going concern, and the work and conclusions of the Audit Committee in respect of that.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. The parent company financial statements have therefore been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 as issued by the Financial Reporting Council. The Company has taken advantage of the legal dispensation contained in section 408 of the Companies Act 2006 allowing it not to publish a separate income statement and related notes. The Company has also taken advantage of the legal dispensation contained in section 408 of the Companies Act 2006 allowing it not to publish a separate statement of other comprehensive income. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46-52 of IFRS 2, *Share-based payments*
- IFRS 7, *Financial Instruments: Disclosures*
- Paragraphs 10(d), 10(f) and 134-136 of IAS 1, *Presentation of financial statements*
- IAS 7, *Statement of cash flows*
- Paragraphs 30 and 31 of IAS 8, *Accounting policies, changes in accounting estimates and errors*
- Paragraph 17 of IAS 24, *Related party disclosures*
- The requirements in IAS 24, *Related party disclosures,* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member
- Paragraphs 91-99 of IFRS 13, *Fair Value Measurements*

(b) New accounting standards adopted during the year

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 April 2022 that have a material impact on the Company's financial statements.

(c) Critical accounting judgements and key source of estimation uncertainty

Preparation of the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101, requires directors to make judgements and estimates that affect the reported amounts in the Company financial statements and accompanying notes. The Directors believe that the key source of estimation uncertainty discussed below represents that requiring the greatest exercise of judgement.

The discussion below should be read in conjunction with the full statement of accounting policies.

(i) Judgements

Apart from those involving estimations (see (ii) below), the Directors do not consider there to be significant judgements involved in the process of applying the Company's accounting policies.

(ii) Key source of estimation uncertainty

The Directors consider the following to be the most significant source of estimation uncertainty. The Directors have used their best judgement in determining the estimates and assumptions used in this area but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

Carrying value of investments in subsidiary undertaking

The carrying value of the Company's investment in Stagecoach Transport Holdings Limited, a wholly owned subsidiary, was £1,045.5m as at 30 April 2022 (2021: £1,042.0m). Stagecoach Transport Holdings Limited holds investments in a number of businesses within the Group, including the UK regional bus business. The estimated value in use of the investment was £1,080.0m as at 30 April 2022 (2021: £1,075.9m) but alternative assumptions could result in an impairment loss.

The value in use of the Company's investment in Stagecoach Transport Holdings Limited is most sensitive to assumptions regarding the future financial performance of the Group's regional bus business, particularly given the forecasting uncertainty arising from the COVID-19 situation.

Further information on the estimation uncertainty, including sensitivity analyses, is provided in note 3 to the Company financial statements.

Notes to the Company financial statements (continued)

Note 1 IFRS accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are shown at their original historic cost net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life (or lease term, if shorter), as follows:

Freehold buildings	50 years
IT and other equipment, furniture and fittings	3 to 10 years
Motor cars and other vehicles	3 to 5 years

The need for any impairment is assessed by comparing the carrying value of the asset against the higher of net realisable value and value in use.

(e) Leases

The Company leases company cars, vans and other vehicles not for passenger service.

For contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

Contracts can contain lease and non-lease components. For all current motor vehicle leases, the Company has elected not to separate lease and non-lease components but instead accounts for these as a single lease component.

The lease agreements do not generally impose any financial covenants.

Measurement of lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments, less any lease incentives receivable.

There are no leases with any form of variable payment.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- uses recent third party financing received by it as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments to the rate to reflect the terms and conditions specific to the lease. These will include adjustment for items such as the lease term and the right-of-use asset being leased.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

(f) Investments

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

(g) Taxation

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profit at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Company financial statements (continued)

Note 1 IFRS accounting policies (continued)

(g) Taxation (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar matters, independent specialist advice and consideration of the progress on, and nature of, current discussions with the tax authorities. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach.

(h) Foreign currencies

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into sterling at the rates of exchange ruling at the year-end. Any exchange differences so arising are dealt with through the income statement.

For the principal rates of exchange used, see note 1(o) to the consolidated financial statements.

(i) Share based payments

The Company issued equity-settled and cash-settled share based payments to certain employees of its subsidiary companies.

Share based payment awards made by the Company to employees of its subsidiary companies are recognised in the Company's financial statements as an increase in its investments in subsidiary undertakings rather than as an expense in the income statement to the extent that the amount is not recharged to each subsidiary company.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense (or as an increase in investments in subsidiary undertakings) over the vesting period. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense or investment is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. None of the Company's equity-settled transactions had any market based performance conditions.

Fair value for equity-settled share based payments is determinable from the Company's quoted share price at the time of the award.

At each balance sheet date, before vesting, the cumulative expense or investment is calculated based on management's best estimate of the number of equity instruments that will ultimately vest taking into consideration the likelihood of achieving non-market based vesting conditions.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value. At each balance sheet date, the liability recognised is based on the fair value of outstanding awards (ignoring non-market based vesting conditions) at the balance sheet date, the period that fell prior to the balance sheet date and management's estimate of the likelihood and extent of non-market based vesting conditions being achieved.

Changes in the carrying amount of the liability are recognised in the income statement for the period. Fair value for cash-settled share based payments relating to the Long Term Incentive Plan is estimated by use of a simulation model.

Choice of settlement

The Company could choose to settle awards under the Executive Participation Plan and the Restricted Share Plan in either cash or equity, although until its recent change of control, generally expected to settle all such outstanding awards in equity. Awards under the Executive Participation Plan and the Restricted Share Plan are accounted for as equity-settled transactions (see above).

(j) Dividends

Dividends on ordinary shares are recorded in the financial statements in the period in which they are approved by the Company's shareholders, or in the case of interim dividends, in the period in which they are paid.

(k) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9 "Financial Instruments", and IFRS 7 "Financial instruments: Disclosures" which is the same as the accounting policy for the Group. Therefore, for details of the Company's accounting policy for financial instruments, refer to note 1(z) to the consolidated financial statements.

The Company holds derivative financial instruments that hedge financial risks of the Group as a whole and to which hedge accounting is applied in the consolidated financial statements. Interest rate derivatives that are accounted as fair value hedges in the consolidated financial statements are accounted for in the same manner in the Company financial statements. However, all fuel derivatives are accounted for in the Company financial statements at fair value through profit or loss.

(l) Investment in own shares

Own shares held in treasury by the Company are classified as deductions from equity.

Notes to the Company financial statements (continued)

Note 1 IFRS accounting policies (continued)

(m) Retirement benefit obligations

The Company is the "principal employer" of the main section of the Stagecoach Group Pension Scheme ("SPS"). Where other participating employers are unable to meet their liabilities to the main section of the SPS, the Company is liable for the remaining liabilities. No liability has been recognised in the Company's financial statements for that as the participating employers are expected to meet their liabilities to SPS. The Company provides benefits to certain employees of subsidiary undertakings under an unapproved employer financed retirement benefit scheme in the UK. The liability of this scheme is unfunded, as no contributions are made to the scheme, but the Company has set aside assets to meet its obligations under the scheme. The scheme holds a guarantee over assets which the Company has set aside. The Company considers that the assets set aside are in substance pension assets and so the amounts of those assets are included within the net pension amounts reported in the Company balance sheet.

The Company is not liable for a share in any of the other funded Group defined benefit schemes that are disclosed in note 23 to the consolidated financial statements. It does have unfunded liabilities in respect of former employees and these are reflected in the balance sheet.

Note 2 Property, plant and equipment

(a) Owned assets

The movements in owned property, plant and equipment were as follows:

	Land & Buildings 2022 £m	Other plant & equipment 2022 £m	Total 2022 £m
Cost			
At beginning and end of year	**3.2**	**1.4**	**4.6**
Depreciation			
At beginning and end of year	**–**	**(1.4)**	**(1.4)**
Net book value at beginning of year	**3.2**	**–**	**3.2**
Net book value at end of year	**3.2**	**–**	**3.2**

Notes to the Company financial statements (continued)

Note 2 Property, plant and equipment (continued)

(b) Leases

(i) Movements in right-of-use assets

The movements in right-of-use assets were as follows:

	Other plant & equipment 2022 £m
Cost	
At beginning of year	**6.7**
Additions	**1.8**
Disposals	**(1.3)**
At end of year	**7.2**
Depreciation	
At beginning of year	**(2.9)**
Depreciation charged to income statement	**(1.9)**
Disposals	**1.3**
At end of year	**(3.5)**
Net book value at beginning of year	**3.8**
Net book value at end of year	**3.7**

(ii) Lease liabilities

	2022 £m	2021 £m
Current	**1.7**	1.7
Non-current	**2.1**	2.1
	3.8	3.8

(iii) Amounts recognised in the income statement

The income statement includes the following depreciation charges and other costs relating to leases:

	2022 £m	2021 £m
Depreciation on right-of-use assets	**1.9**	1.9
Lease costs included within operating profit	**1.9**	1.9
Interest expense included in finance costs	**0.1**	0.1
Lease costs included within profit before tax	**2.0**	2.0

(iv) Amounts recognised in statement of cash flows

Cash flows for leases were:

	2022 £m	2021 £m
Total cash outflow for leases	**1.8**	1.8

Note 3 Investments

The movements in investments were as follows:

	Subsidiary undertakings	
	2022 £m	2021 £m
Cost and net book value		
At beginning of year	**1,042.0**	1,040.4
Additions	**3.5**	1.6
At end of year	**1,045.5**	1,042.0

The carrying value of the Company's investment in Stagecoach Transport Holdings Limited, a wholly owned subsidiary, was £1,045.5m as at 30 April 2022 (2021: £1,042.0m). Stagecoach Transport Holdings Limited holds investments in a number of businesses within the Group, including the UK regional bus business. The estimated value in use of the investment was £1,080.0m (2021: £1,075.9m) as at 30 April 2022 but alternative assumptions could result in an impairment loss.

The value in use of the Company's investment in Stagecoach Transport Holdings Limited is most sensitive to assumptions regarding the future financial performance of the Group's regional bus business, particularly given the forecasting uncertainty arising from the COVID-19 situation.

Notes to the Company financial statements (continued)

Note 3 Investments (continued)

Our base case forecast for the regional bus business assumes that vehicle mileage, a key driver of operating costs, is 91% of pre-COVID levels for the year ending 29 April 2023. It also assumes that regional bus commercial revenue returns to 92% of pre-COVID levels in the year ending 29 April 2023, reflecting the assumed return in patronage as the country emerges from the pandemic. Concessionary revenue for the year ending 29 April 2023 is forecast at 91% of pre-COVID levels. We have discounted our cash flow projections using a pre-tax discount rate of 9.1% (2021: 9.1%), and a growth rate of 2.1% (2021: 2.3%) per annum is used to extrapolate cash flows beyond management's base forecasting period.

As at 30 April 2022, the value in use of the investment exceeded its carrying amount by £34.5m (2021: £33.9m). Our sensitivity analysis indicates that this headroom would be eliminated if the assumed regional bus revenue over the forecasting period was 0.8% (2021: 1.1%) lower, the assumed regional bus costs over the forecasting period were 0.9% (2021: 1.2%) higher, the assumed regional bus long-term growth rate fell by more than 31 basis points (2021: 35 basis points), or if the discount rate applied to the regional bus forecast was to increase by more than 23 basis points (2021: 25 basis points).

Note 4 Other receivables

Other receivables were as follows:

	2022 £m	2021 £m
Non-current:		
Amounts owed by Group undertakings	**67.4**	70.9
Less: provision for impairment	**(51.8)**	(51.8)
Amounts owed by Group undertakings – net	**15.6**	19.1
Current:		
Amounts owed by Group undertakings	**–**	10.8
Less: provision for impairment	**–**	–
Amounts owed by Group undertakings – net	**–**	10.8
Other receivables	**10.9**	6.8
Prepayments and accrued income	**0.3**	0.4
	11.2	18.0

Of amounts owed by Group undertakings, £50.9m (2021: £61.7m) accrue no interest and are repayable on demand. The remaining £16.5m (2021: £20.0m) owed by Group undertakings accrue interest at 2.5% per annum (2021: 2.5%). These are all repayable on demand.

Note 5 Payables

Trade and other payables were as follows:

	2022 £m	2021 £m
Current:		
Loan notes	**–**	17.4
Covid Corporate Financing Facility	**–**	298.4
Amounts owed to Group undertakings	**267.0**	160.0
Accruals and deferred income	**6.2**	2.8
Lease liabilities	**1.7**	1.7
	274.9	480.3
Non-current:		
Sterling 4.00% Notes	**404.7**	406.6
Lease liabilities	**2.1**	2.1
	406.8	408.7

Of amounts owed to Group undertakings, £199.9m (2021: £51.7m) accrue no interest and are repayable on demand. The remaining £67.1m owed to Group undertakings (2021: £108.3m) accrue interest at 6 month SONIA rate plus margin (2021: 3-6 month LIBOR rates plus margins of Nil to 1.5% or two-weekly bank deposit rates). These are all repayable on demand.

Borrowings are repayable as follows:

	2022 £m	2021 £m
On demand or within 1 year		
Lease liabilities	**1.7**	1.7
Loan notes	**–**	17.4
Covid Corporate Financing Facility	**–**	298.4
Repayable after 2 years, but within 5 years		
Lease liabilities	**2.1**	2.1
Sterling 4.00% Notes	**404.7**	406.6
Total borrowings	**408.5**	726.2

Notes to the Company financial statements (continued)

Note 6 Deferred tax

The movement in the deferred tax asset during the year was as follows:

	2022 £m	2021 £m
At beginning of year	**2.8**	3.1
Credit/(charge) to the income statement	**0.8**	(0.3)
At end of year	**3.6**	2.8

Deferred taxation is analysed as follows:

	2022 £m	2021 £m
Pension temporary differences	**3.5**	0.3
Accelerated capital allowances	**0.1**	0.1
Other temporary differences	**–**	2.4
At end of year	**3.6**	2.8

Gross deductible temporary differences of £15.7m (2021: £14.7m) have been recognised as it is probable that sufficient taxable profit will be available in the future to utilise these and there is no restriction on their use.

Note 7 Derivative financial instruments

The fair values of derivative financial instruments, none of which are intra-Group, are set out below:

	2022 £m	2021 £m
Non-current assets		
Fuel derivatives	**36.2**	4.1
Current assets		
Fuel derivatives	**61.2**	0.8
Current liabilities		
Interest rate derivatives	**(2.2)**	(0.3)
Fuel derivatives	**–**	(7.5)
	(2.2)	(7.8)
Non-current liabilities		
Interest rate derivatives	**(1.6)**	(0.6)
Fuel derivatives	**–**	(3.7)
	(1.6)	(4.3)

Notes to the Company financial statements (continued)

Note 8 Retirement benefit obligations

	2022 £m	2021 £m
Retirement benefit asset	**3.7**	0.6
Retirement benefit obligations	**(2.3)**	(2.2)
	1.4	(1.6)

The Company no longer has any employees but has retirement benefit assets and liabilities in respect of former employees and current employees of subsidiary undertakings, which are shown above. See note 1(m) to the Company financial statements and note 23 to the consolidated financial statements for more details on retirement benefits.

Note 9 Share capital

Information on share capital is provided in note 25 to the consolidated financial statements.

Note 10 Equity reserves

The profit of £62.4m (2021: £19.0m) shown in the statement of changes in equity is consolidated in the results of the Group. There were no dividends paid, declared or proposed during the year to 30 April 2022 (2021: None).

The retained earnings are distributable but the amount available for distribution under the Companies Act 2006 by reference to these financial statements is reduced by the own shares reserve of £69.6m (2021: £69.6m). The other components of equity shown in the statement of changes in equity are not distributable.

The remuneration of the Directors is borne by other Group companies and is detailed in section 8 of this Annual Report. The remuneration of the auditors is shown in note 3 to the consolidated financial statements.

Note 11 Share based payments

For details of share based payment awards and fair values, see note 26 to the consolidated financial statements. The Company accounts for the equity-settled share based payment charge for the year of £3.5m (2021: £1.6m) by recording an increase to its investment in subsidiaries for this amount and recording a corresponding entry to retained earnings to reflect the fact that the Company has no employees (2021: none) and all share based payment awards are to employees of subsidiary companies. The Company accounts for the cash-settled share based payment credit for the year of £0.1m (2021: £0.7m) by recording an adjustment to the liability for this amount and recording a corresponding entry as a charge through the income statement. The cash-settled share based payment charge is recharged in full to subsidiary companies and the recharge income and related expense are both included in the income statement.

Note 12 Guarantees, other financial commitments and contingent liabilities

(a) Guarantees

The Company has provided certain guarantees and indemnities to third parties in respect of liabilities and obligations of its subsidiary companies. Not all of those guarantees are subject to a specified monetary limit and they include performance guarantees in respect of subsidiaries' performance under certain contracts, including contracts with Transport for London to provide bus services. In light of that, it is not possible to determine the Company's maximum liability under the guarantees, although the Company currently does not expect to incur any liability in respect of those guarantees. The Company estimates that it could be liable for up to £210.1m (2021: £222.3m) in relation to guarantees of subsidiaries' obligations in respect of insurance/claims, local government pension schemes, payment processing arrangements and leases. Of that, £89.1m (2021: £101.9m) is included as liabilities in the consolidated financial statements.

The Company is also party to cross-guarantees whereby any bank overdrafts and Value Added Tax liabilities of it and certain of its subsidiaries are cross-guaranteed by it and all of the relevant subsidiaries.

None of the above contingent liabilities of the Company are expected to crystallise.

The Company may be found to be liable for some of the contingent liabilities referred to in note 29 to the consolidated financial statements.

(b) Capital commitments

Capital commitments (where the Company has contracted to acquire assets on behalf of its subsidiaries) are as follows:

	2022 £m	2021 £m
Contracted for but not provided:		
For delivery in one year	**19.0**	22.8

Note 13 Related party transactions

The Company has taken advantage of the exemption under FRS 101 from disclosing related party transactions entered into between two or more members of a group. Related party disclosures provided by the Group can be found in note 31 to the consolidated financial statements.

Note 14 Employees

The Company has no (2021: none) employees. The Company's directors and some other head office personnel are employed by a subsidiary company, Stagecoach Holdings Limited.

13. Subsidiary and related undertakings

The Company owns the following subsidiary and related undertakings. The Company indirectly owns 100% of each undertaking through its holding of the stated class or classes of share or other interest unless otherwise stated.

Company	Country of registration	Class of shares/other interest	Registered office address
Bluebird Buses Limited	Scotland	Ordinary shares	Perth
Busways Travel Services (1986) Limited	England	Ordinary shares	Stockport
Busways Travel Services Limited	England	Ordinary shares and Ordinary-A shares	Stockport
Busways Trustee (No.1) Limited	England	Ordinary shares	Stockport
Busways Trustee (No.2) Limited	England	Ordinary shares	Stockport
Cambus Limited	England	Ordinary shares	Stockport
Cheltenham and Gloucester Omnibus Company Limited	England	Ordinary and Preference shares	Stockport
Chesterfield Transport (1989) Limited	England	Ordinary shares	Stockport
Chesterfield Transport E.B.T. (Number 2) Limited	England	Ordinary shares	Stockport
Chesterfield Transport Limited	England	Ordinary shares	Stockport
Chesterfield Transport PST Limited	England	Ordinary shares	Stockport
Cleveland Transit Limited	England	Ordinary shares	Stockport
Crown Sightseeing Limited (33.3%)	England	Ordinary shares	London 2
East Coast Main Line Company Limited (90%)	England	Ordinary shares	Stockport
East Kent Road Car Company Limited	England	Ordinary shares	Stockport
East London Bus and Coach Company Limited	England	Ordinary shares	Stockport
East London Bus Group Property Investments Limited	England	Ordinary shares	Stockport
East London Bus Ltd.	England	Ordinary shares	Stockport
East Midlands Trains Limited	England	Ordinary shares	Stockport
Fife Scottish Omnibuses Limited	Scotland	Ordinary shares	Perth
Formia Limited	England	Ordinary shares	Stockport
Go West Travel Limited	England	Ordinary shares	Stockport
Greater Manchester Buses South Limited	England	Ordinary shares	Stockport
Grimsby Cleethorpes Transport Company Limited	England	Ordinary shares	Stockport
Halliday-Hartle Travel (1988) Limited	England	Ordinary shares	Stockport
Hastings and District Transport Limited	England	Ordinary shares	Stockport
Highland Country Buses Limited	Scotland	Ordinary shares	Perth
Inter City Railways Limited (90%)	England	A shares	Stockport
KHCT (ESOP) Limited	England	Ordinary shares	Stockport
KHCT (Holdings) Limited	England	Ordinary shares	Stockport
Lea Interchange Bus Company Limited	England	Ordinary shares	Stockport
Lincolnshire Road Car Company Limited	England	Ordinary shares	Stockport
Megabus.com (UK) Limited	England	Ordinary shares	Stockport
Megabus.com SAS	France	Ordinary shares	Paris
Midland Red (South) Limited	England	Ordinary shares	Stockport
Nicecon Limited (50%)	Scotland	Ordinary shares	Aberdeen
Planet Coach BVBA	Belgium	Ordinary shares	Brussel
Planet Coach GmbH	Germany	Common stock	Munchen
Precis (1628) Limited	England	Ordinary shares	Stockport
PSV Claims Bureau Limited	England	Ordinary shares	Stockport
Red & White Services Limited	England	Ordinary shares	Stockport
Redstar Ticketing Limited (49%)	England	Ordinary shares	London
Ribble Motor Services Limited	England	Ordinary shares	Stockport
SCOTO Limited	England	Ordinary shares	Stockport
SCOTO US Subsidiary Limited LLC	United States	LLC Units	Wilmington
Scottish Citylink Coaches Limited (35%)	Scotland	Ordinary shares	Glasgow
SCUSI Limited	England	Ordinary A and B shares	Stockport
SCUSI US Subsidiary Limited LLC	United States	LLC Units	Wilmington
Sharpton Limited	England	Ordinary shares	Stockport
South East London & Kent Bus Company Limited	England	Ordinary shares	Stockport
South Yorkshire Supertram Limited	England	Ordinary shares	Stockport
Southdown Motor Services Limited	England	Ordinary shares	Stockport
Stagecoach (North West) Limited	England	Ordinary shares	Stockport
Stagecoach (South) Limited	England	Ordinary shares	Stockport
Stagecoach Bus Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach Bus Services LLC	United Arab Emirates	Ordinary shares	Dubai
Stagecoach Devon Limited	England	Ordinary shares	Stockport
Stagecoach Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach International Limited	Scotland	Ordinary shares	Perth
Stage-coach International Services Limited	Scotland	Ordinary shares	Perth
Stagecoach QUEST Trustee Limited	Scotland	Ordinary shares	Perth
Stagecoach Rail Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach Rail Replacement (East) Limited	England	Ordinary shares	Stockport
Stagecoach Services Limited	England	Ordinary shares	Stockport
Stagecoach South Western Trains Limited	England	Ordinary shares	Stockport
Stagecoach Supertram Maintenance Limited	England	Ordinary shares	Stockport
Stagecoach Sweden AB	Sweden	Ordinary shares	Stockholm
Stagecoach Technology Limited	Scotland	Ordinary shares	Perth
Stagecoach Transport Holdings Limited*	Scotland	Ordinary shares	Perth

13. Subsidiary and related undertakings (continued)

Company	Country of registration	Class of shares/other interest	Registered office address
Tees Valley Limited	England	Ordinary and A-Ordinary shares	Stockport
Thames Transit Limited	England	Ordinary shares	Stockport
The Yorkshire Traction Company (Trustee) Limited	England	Ordinary shares	Stockport
The Yorkshire Traction Company Limited	England	Ordinary shares	Stockport
Tyne and Wear Omnibus Company Limited	England	Ordinary shares	Stockport
WCT Group Holdings Limited (49%)	England	Common stock B shares	London
WCT Group Limited (49%)	England	Ordinary and Preference shares	London
WCT Sales Limited (49%)	England	Ordinary shares	London
West Coast Partnership Limited (50%)	England	Ordinary shares	Stockport
West Coast Trains Limited (49%)	England	Ordinary shares	London
West Coast Trains Partnership Limited (50%)	England	Ordinary shares	Stockport
West Sussex Buses Limited	England	Ordinary shares	Stockport
Western Buses Limited	England	Ordinary shares	Stockport
Whites World Travel Limited	England	Ordinary shares	Stockport

* Company is directly held by Stagecoach Group plc

All subsidiary undertakings are included in the consolidated financial statements.

Registered office	Registered office address
Perth	10 Dunkeld Road, Perth PH1 5TW
Stockport	c/o Stagecoach Services Limited, One Stockport Exchange, 20 Railway Road, Stockport SK1 3SW
Paris	34 Avenue des Champs Elysees, 75008, Paris
Glasgow	Buchanan Bus Station, Killermont Street, Glasgow G2 3NP
Aberdeen	395 King Street, Aberdeen AB24 5RP
Brussel	Koningsstraat 97, 1000 Brussel
Munchen	Prinzregentenstrasse 48, c/o Heuking Kuhn Luer Wojtek, 80538 Munchen
Wilmington	1209 Orange Street, Wilmington, DE 19801
London	The Battleship Building, 179 Harrow Road, London W2 6NB
London 2	120 Southampton Row, London, England, WC1B 5AB
Dubai	Office 13/14, Ground Floor, The Iridium Building, Umm Suqeim Road, Al Barsha 1, Dubai, United Arab Emirates
Stockholm	c/o Advokatfirman Vinge KB, PO Box 1703, 111 87 Stockholm

14. Shareholder information

Shareholder enquiries

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Stagecoach Group Share Register
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LEEDS
LS1 4DL

Telephone: +44 (0)371 664 0443 (Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.)
Email: StagecoachGroup@linkgroup.co.uk.

Corporate information

Corporate Information

Company Secretary

Mike Vaux

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Registered in Scotland | Number: SC100764

Notes

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stagecoachgroup.com

Registered in Scotland, number: SC100764