

Stagecoach Group plc – Preliminary results for the year ended 30 April 2022
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 22 to the condensed financial statements.

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 down £136.5m from £401.0m to £264.5m
- Substantial reduction in net pre-deferred tax pension liabilities from £263.8m to £29.8m

Strategic and operational highlights

- Continuing recovery in demand in UK regional bus
 - Passenger journeys and commercial sales now at around 81%** and around 91%** 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

** week ended 18 June 2022

Martin Griffiths, Stagecoach Group Chief Executive, said:

"I am pleased to report that we have firmly returned to growth in the full year. We are in a good financial position, supported by recovering customer demand and continued investment grade credit ratings, as we look to the next phase of our journey under new ownership.

"We are not immune from the global macro-economic headwinds. However, we believe our good value public transport services offer consumers help in managing the cost-of-living challenges and high fuel and energy prices, supporting our ambitions around modal shift from car to bus. In addition, we are making good progress with the delivery of our sustainability strategy and our transition plans, including introducing fleets of new zero emission buses.

"Looking ahead, public transport remains critical to economic recovery, healthy and connected communities, levelling up the country, and delivering a net zero future, and I am confident Stagecoach has positive long-term prospects."

ENDS

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A pre-recorded presentation in relation to the results announcement will be available from 7:30am on 29 June 2022 at:

<https://www.stagecoachgroup.com/investors/financial-analysis/presentations/2022.aspx>

Notes to editors

Stagecoach Group

- Stagecoach is one of Britain's leading public transport businesses, helping connect communities for over 40 years.
- Stagecoach is Britain's biggest bus and coach operator and it runs the Supertram light rail network in Sheffield.
- 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 England, Scotland and Wales.
- We connect people with jobs, skills and training. We bring customers to our high streets, link tourists with visitor attractions, and draw families, friends and communities together.
- Our impact is about far more than transport – we support the economy, help cut traffic congestion, protect our environment and air quality, boost safety on our roads, and contribute to a healthier nation.

Preliminary management report for the year ended 30 April 2022

The Directors of Stagecoach Group plc are pleased to present their report on the Company for the year ended 30 April 2022.

Description of the business

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 document, Stagecoach Group plc is referred to as "the Company" and the group headed by it is referred to as "Stagecoach" or "the Group".

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.

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	2021	Growth
	£m	£m	%
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)	
Group revenue	1,176.5	928.2	

Operating profit, split by segment, is summarised below:

OPERATING PROFIT	2022		2021 (restated)	
	£m	% margin	£m	% 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	

Strategic and operating review

Strategic background and market environment

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.

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.

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. It will provide improved service planning, digitise our workshops, deliver dynamic parts procurement and assist contract management.

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.

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.

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-".

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

Financial Review

UK Bus (regional operations)

Summary	
• Strong growth in revenue reflecting recovering customer demand	
• Increased profit from higher revenue as well as payments from government 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

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 most 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	246.2%
– 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.

* see definitions in note 22 to the condensed financial statements

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.

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.

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.

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 comments under the section below headed "Separately disclosed items") 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.

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.

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 condensed 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

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.

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 condensed 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 separately disclosed gain of £7.0m in the year ended 30 April 2022. We have separately disclosed that 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(a) to the condensed 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.

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.

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, 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 under Separately Disclosed Items.

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.

Cash flows and net debt

Consolidated net debt (as analysed in note 17 to the condensed 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).

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 condensed 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).

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.

Year-end financial position of the Group

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.

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.

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.

Related parties

Details of significant transactions and events in relation to related parties are given in note 19 to the condensed financial statements.

Principal risks and uncertainties

Like most businesses, there is a range of risks and uncertainties facing the Group. A brief summary is given below of those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's financial position and/or future financial performance. Pages 10 to 15 of the Group's 2021 Annual Report set out specific risks and uncertainties in more detail. Further information and updates will be provided in the 2022 Annual Report.

The matters summarised below are not intended to represent an exhaustive list of all possible risks and uncertainties. The focus below is on those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's position or performance.

- Major event such as a serious accident – there is a risk that the Group is involved (directly or indirectly) in a major operational incident.
- Economy – the economic environment in the geographic areas in which the Group operates affects the demand for the Group's services and the Group's costs. A weaker economy may also increase the risk of the Group's contingent liabilities, particularly those in relation to its former North American business, crystallising.
- Terrorism – there is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident.
- Changing customer habits - There is a risk that changes in people's working patterns, shopping habits and/or other preferences affect demand for

the Group's transport services, which could in turn affect the Group's financial performance and/or financial position. 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.

- Pension scheme funding – the Group participates in a number of defined benefit pension schemes, and there is a risk that the cash contributions required increase or decrease due to changes in factors such as regulatory approach, investment performance, discount rates and life expectancies. There remains a risk of further significant market movements that could result in significant changes in the amount of our net retirement benefit liabilities reported in the financial statements.
- Insurance and claims environment – there is a risk that the cost to the Group of settling claims against it is significantly higher or lower than expected.
- 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.
- Regulatory changes and availability of public funding – there is a risk that changes to the regulatory environment or changes to the availability of public funding could affect the Group's prospects. New legislation introduced and planned in the UK could see the introduction of franchised bus networks in some areas, which could affect our bus operations. The extent to which COVID-related payments from government continue will affect the Group's future profitability and cash flow.
- 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.
- Disease – there is a risk that demand for the Group's services could be adversely affected by a significant outbreak of disease. 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.
- Information security – there is a risk that potential malicious attacks on our systems lead to a loss of data or disruption to operations.
- Information technology – there is a risk that the Group's capability to make sales digitally either fails or cannot meet levels of demand.
- Competition – in certain of the markets we operate in, there is a risk of increased competitive pressures from existing competitors and new entrants.
- Treasury risks – the Group is affected by changes in fuel prices, interest rates and exchange rates.

Use of non-GAAP measures

Our reported preliminary financial information is extracted from the Group's consolidated financial statements prepared in accordance with UK-adopted International Accounting Standards. In measuring our financial performance, the 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 and those that provide additional useful information to stakeholders. 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 to shareholders and analysts in providing a basis for measuring our financial performance and position. Note 22 to the condensed financial statements provides further information on these non-GAAP financial measures.

Going concern

Taking account of the recent change in the Company's ownership, 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 condensed financial statements for the year ended 30 April 2022. 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. Further details of our going concern and longer term viability assessments will be provided in our 2022 Annual Report.

Qualified audit opinion

As explained in notes 1(b) and 21 to the condensed financial statements, the report of the auditors on the financial statements for the year ended 30 April 2022 was qualified, only in respect of a difference of interpretation on how the Group's participation in Local Government Pension Schemes should be accounted for.

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.

Martin Griffiths
Chief Executive
29 June 2022

Cautionary statement

The preceding preliminary management report has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. The preliminary management report contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory 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 that could cause actual results to differ materially from those currently anticipated. The ongoing COVID-19 situation means that the level of forward-looking uncertainty is higher than usual. No assurances can be given that the forward-looking statements will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the preliminary management report should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	Audited			Audited		
		Year to 30 April 2022			Year to 1 May 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(a)) £m	Results for the year (restated – see note 1(a)) £m
CONTINUING OPERATIONS							
Revenue	3(a)	1,176.5	-	1,176.5	928.2	-	928.2
Operating costs and other operating income		(1,107.2)	(5.8)	(1,113.0)	(883.9)	(19.9)	(903.8)
Operating profit of Group companies	3(b)	69.3	(5.8)	63.5	44.3	(19.9)	24.4
Share of profit of joint ventures after finance income and taxation	3(c)	3.4	-	3.4	3.8	-	3.8
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	3(b)	72.7	(5.8)	66.9	48.1	(19.9)	28.2
Finance income		0.7	1.0	1.7	0.5	-	0.5
Finance costs		(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		(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	6	7.0p		3.2p	2.7p		0.6p
Adjusted diluted / Diluted	6	6.9p		3.2p	2.7p		0.6p

The accompanying notes form an integral part of this consolidated income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited	Audited
	Year to 30 April 2022	Year to 1 May 2021 (restated – see note 1(a))
	£m	£m
Profit for the year	17.8	3.3
Items that may be reclassified to profit or loss		
Continuing operations		
Cashflow 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		
Continuing operations		
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

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited	Audited
		As at 30 April 2022	As at 1 May 2021
	Notes	£m	£m
ASSETS			
Non-current assets			
Goodwill	7	51.9	51.9
Other intangible assets	8	4.3	12.3
Property, plant and equipment:			
- Owned assets	9	732.1	760.4
- Right-of-use assets	10	68.6	90.6
Interests in joint ventures	11	7.2	6.7
Derivative instruments at fair value		36.2	4.1
Retirement benefit assets – net of withholding tax payable	13	45.3	1.1
Other receivables		20.4	18.1
		966.0	945.2
Current assets			
Inventories		12.3	9.5
Trade and other receivables		133.5	117.3
Derivative instruments at fair value		61.2	0.8
Cash and cash equivalents		248.9	602.3
Assets classed as held for sale		2.4	0.8
		458.3	730.7
Total assets	3(d)	1,424.3	1,675.9
LIABILITIES			
Current liabilities			
Trade and other payables		268.5	271.5
Current tax liabilities		18.2	1.1
Borrowings:			
- Lease liabilities		22.1	22.7
- Other borrowings		-	434.9
Derivative instruments at fair value		2.2	7.8
Provisions		36.7	41.0
		347.7	779.0
Non-current liabilities			
Other payables		27.9	15.5
Borrowings:			
- Lease liabilities		52.3	59.4
- Other borrowings		404.7	406.6
Derivative instruments at fair value		1.6	4.3
Deferred tax liabilities		48.4	0.8
Provisions		75.1	84.4
Retirement benefit obligations	13	75.1	264.9
		685.1	835.9
Total liabilities	3(d)	1,032.8	1,614.9
Net assets	3(d)	391.5	61.0
EQUITY			
Ordinary share capital	14	3.2	3.2
Share premium account		8.4	8.4
Retained earnings		(48.8)	(299.0)
Capital redemption reserve		422.8	422.8
Own shares		(69.6)	(69.6)
Cash flow hedging reserve		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

The accompanying notes form an integral part of this consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium account	Retained earnings	Capital redemption reserve	Own shares	Cash flow hedging reserve	Total equity attributable to parent	Non- controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As 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(a))	-	-	3.2	-	-	-	3.2	0.1	3.3
Other comprehensive income, net of tax (restated – see note 1(a))	-	-	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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 £m
	<i>Notes</i>		
Cash flows from operating activities			
Cash generated by operations	15	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 flow 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 year		483.2	348.3
Cash and cash equivalents at the end of year		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.

The accompanying notes form an integral part of this consolidated statement of cash flows.

NOTES

1 BASIS OF PREPARATION

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 results are extracts of consolidated financial statements that have been prepared in accordance with UK-adopted International Accounting Standards. Except as explained below, the accounting policies and methods of computation applied in the condensed financial statements are the same as those of the consolidated financial statements for the year ended 1 May 2021.

The Board of Directors approved this announcement on 29 June 2022. This announcement will be available on the Group's website at <http://www.stagecoachgroup.com/investors/financial-analysis/reports/>

(a) **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.

1 BASIS OF PREPARATION (CONTINUED)

(a) Restatement of comparative amounts for the year ended 1 May 2021: Tyne & Wear Local Government Pension scheme settlement (continued)

The effect of the prior year restatement for the year ended 1 May 2021 is as follows:

	As previously reported	Effect of restatement	Restated
	£m	£m	£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 on 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

(b) Qualification of audit report – Local Government Pensions Accounting

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(a) 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(a) 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.

1 BASIS OF PREPARATION (CONTINUED)

(b) Qualification of audit report – Local Government Pensions Accounting (continued)

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.

Applying the alternative basis of accounting would have no impact on the Group's reported consolidated cash flows or its reported net debt, and any impact on adjusted measures of consolidated profit would be immaterial. It would increase the reported consolidated profit before tax for the year ended 30 April 2022 by £16.0m (2021: £30.2m) and increase reported consolidated net assets as at 30 April 2022 by £10.8m (2021: £14.2m). More detail on the impact will be provided in the Group's 2022 Annual Report.

(c) New accounting standards adopted during the year

From 2 May 2021, the following standards and amendments are effective in the Group's consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 17, IFRS 14 and IFRS 16; and
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The application of these amendments has not had any material impact on the disclosures or net assets of the Group.

2 FOREIGN CURRENCIES

The principal rates of exchange applied to the condensed financial statements were:

	Year to 30 April 2022	Year to 1 May 2021
US Dollar:		
Year end rate	1.2555	1.3845
Average rate	1.3590	1.3204

3 SEGMENTAL ANALYSIS

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 note 3(c).

3 SEGMENTAL ANALYSIS (CONTINUED)

(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.

The vast majority of the UK Bus (London) revenue is from Transport for London.

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

(b) Operating profit

Operating profit, split by segment, was as follows:

	Audited Year to 30 April 2022			Audited Year to 1 May 2021 (restated – see note 1(a))		
	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
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

3 SEGMENTAL ANALYSIS (CONTINUED)

(c) Joint ventures

The share of profit from joint ventures was further split as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 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	0.5	(0.4)
Taxation	(0.1)	0.1
	0.4	(0.3)
Crown Sightseeing		
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:

	Audited			Audited		
	As at 30 April 2022			As at 1 May 2021		
	Gross assets £m	Gross liabilities £m	Net assets / (liabilities) £m	Gross assets £m	Gross liabilities £m	Net assets / (liabilities) £m
UK Bus (regional operations)	1,006.4	(283.3)	723.1	908.3	(334.2)	574.1
UK Bus (London)	133.4	(121.2)	12.2	127.1	(199.9)	(72.8)
UK Rail	2.7	(55.0)	(52.3)	1.7	(111.9)	(110.2)
	1,142.5	(459.5)	683.0	1,037.1	(646.0)	391.1
Central functions	25.7	(27.6)	(1.9)	29.8	(43.4)	(13.6)
Joint ventures	7.2	-	7.2	6.7	-	6.7
Borrowings and cash	248.9	(479.1)	(230.2)	602.3	(923.6)	(321.3)
Taxation	-	(66.6)	(66.6)	-	(1.9)	(1.9)
	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, borrowings, taxation, interest payable and interest receivable.

4 SEPARATELY DISCLOSED ITEMS

(a) Summary of separately disclosed items

The Group highlights amounts before certain “separately disclosed items” as defined in note 22.

The items shown in the columns headed “Separately disclosed items” on the face of the consolidated income statement can be further analysed as follows:

	Audited Year to 30 April 2022	Audited Year to 1 May 2021 (restated – see note 1(a))
	£m	£m
CONTINUING OPERATIONS		
Operating costs and other operating income		
Non-software intangible asset 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.

(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.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(c) Sheffield Supertram profit and release from onerous contract provision (continued)

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) 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, the related grant income of £6.9m in the year ended 1 May 2021 was also been 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.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(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.

(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(a).

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.

(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 22 to the condensed 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.

5 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).

6 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.

	<u>Audited</u>	<u>Audited</u>
	Year to 30 April 2022 No. of shares million	Year to 1 May 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.

	<u>Audited</u>	<u>Audited</u>
	Year to 30 April 2022 £m	Year to 1 May 2021 (restated – see note 1(a)) £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

7 GOODWILL

Goodwill was as follows:

	<u>Audited</u>	<u>Audited</u>
	Year to 30 April 2022 £m	Year to 1 May 2021 £m
Net book value at beginning and end of year	51.9	51.9

8 OTHER INTANGIBLE ASSETS

The movements in other intangible assets were as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 £m
Cost		
At beginning of year	39.8	33.8
Additions	3.1	6.0
Disposals	(4.7)	-
Reclassification of items to prepayments (see below)	(5.0)	-
At end of year	33.2	39.8
Accumulated amortisation		
At beginning of year	(27.5)	(24.3)
Amortisation charged to income statement	(1.4)	(3.2)
At end of year	(28.9)	(27.5)
Net book value at beginning of year	12.3	9.5
Net book value at end of year	4.3	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 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.

9 PROPERTY, PLANT AND EQUIPMENT – OWNED ASSETS

The movements in owned property, plant and equipment were as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 £m
Cost		
At beginning of year	1,560.8	1,564.2
Additions	45.9	36.6
Transfers from right-of-use assets	22.0	-
Transfers to assets held for sale	(3.7)	(1.9)
Disposals	(42.4)	(38.1)
At end of year	1,582.6	1,560.8
Accumulated depreciation		
At beginning of year	(800.4)	(744.9)
Depreciation charged to income statement	(79.8)	(81.8)
Impairment charged to income statement	(4.4)	(5.9)
Transfers from right-of-use assets	(7.5)	-
Transfer to assets held for sale	1.3	0.5
Disposals	40.3	31.7
At end of year	(850.5)	(800.4)
Net book value at beginning of year	760.4	819.3
Net book value at end of year	732.1	760.4

10 PROPERTY, PLANT AND EQUIPMENT – RIGHT-OF-USE ASSETS

The movements in right-of-use assets were as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 £m
Cost		
At beginning of year	140.1	124.1
Additions	19.0	22.0
Transfers to owned property, plant and equipment	(22.0)	-
Disposals	(18.2)	(6.0)
At end of year	118.9	140.1
Accumulated depreciation		
At beginning of year	(49.5)	(28.5)
Depreciation charged to income statement	(23.9)	(25.9)
Impairment charged to income statement	-	(0.9)
Transfers to owned property, plant and equipment	7.5	-
Disposals	15.6	5.8
At end of year	(50.3)	(49.5)
Net book value at beginning of year	90.6	95.6
Net book value at end of year	68.6	90.6

11 INTERESTS IN JOINT VENTURES

The movements in the carrying value of interests in joint ventures were as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 £m
Net book value		
At beginning of year	6.7	16.3
Share of recognised profit	3.4	3.8
Dividends received in cash	(2.9)	(2.4)
Dividends received in specie	-	(11.0)
At end of year	7.2	6.7

A loan payable to joint venture, Scottish Citylink Coaches, 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".

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

These condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's consolidated financial statements for the year ended 30 April 2022. There have been no material changes in any of the Group's significant financial risk management policies since 1 May 2021.

Liquidity risk

The contractual undiscounted cash outflows for financial liabilities will be set out in the Group's 2022 Annual Report.

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 price (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 represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 30 April 2022.

	Audited		
	Level 2 £m	Level 3 £m	Total £m
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	2.9	2.9
Financial derivatives	97.4	-	97.4
Total assets	97.4	2.9	100.3
Liabilities			
Financial derivatives	(3.8)	-	(3.8)

There were no transfers between levels during the year ended 30 April 2022 (2021: None).

The following table represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 1 May 2021.

	Audited		
	Level 2 £m	Level 3 £m	Total £m
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	1.9	1.9
Financial derivatives	4.9	-	4.9
Total assets	4.9	1.9	6.8
Liabilities			
Financial derivatives	(12.1)	-	(12.1)

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial assets and financial liabilities and their respective fair values were:

	Audited Carrying value		Audited Fair value	
	30 April 2022 £m	1 May 2021 £m	30 April 2022 £m	1 May 2021 £m
Financial assets				
Financial assets measured at fair value through profit or loss				
– Non-current assets				
– Other receivables – Deferred Payment Instrument	2.9	1.9	2.9	1.9
Financial assets measured at amortised cost				
– Non-current assets				
– Insurance claim receivables	14.0	16.0	14.0	16.0
– Other receivables	0.2	0.2	0.2	0.2
– Current assets				
– Accrued income	26.0	22.6	26.0	22.6
– Trade receivables, net of impairment	26.2	22.9	26.2	22.9
– Other receivables	0.8	1.1	0.8	1.1
– Cash and cash equivalents	248.9	602.3	248.9	602.3
Total financial assets	319.0	667.0	319.0	667.0
Financial liabilities				
Financial liabilities measured at amortised cost				
– Non-current liabilities				
– Borrowings	(457.0)	(466.0)	(465.8)	(461.7)
– Current liabilities				
– Trade payables	(31.3)	(28.3)	(31.3)	(28.3)
– Payable for purchase of property, plant and equipment	(3.6)	(3.4)	(3.6)	(3.4)
– Interest payable	(0.2)	(0.3)	(0.2)	(0.3)
– Accruals	(135.4)	(180.4)	(135.4)	(180.4)
– Loans from joint ventures	(1.7)	(1.7)	(1.7)	(1.7)
– Borrowings	(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.

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 (1 May 2021: £1.9m).

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 that was issued under the Covid Corporate Financing Facility is not considered to be materially different from the carrying value, given the maximum duration of one year.

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

- 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.

13 RETIREMENT BENEFITS

(a) Overview

The Group contributes to a number of pension schemes. The principal defined benefit pension schemes are as follows:

- The Stagecoach Group Pension Scheme (“SPS”);
- A number of UK Local Government Pension Schemes (“LGPS”).

In addition, the Group contributed £49.6m (2021: £44.8m) to a number of defined contribution schemes in respect of the year ended 30 April 2022.

The net liability is presented in the consolidated balance sheet as:

	Audited As at 30 April 2022 £m	Audited As at 1 May 2021 £m
Retirement benefit assets	45.3	1.1
Retirement benefit obligations	(75.1)	(264.9)
Net retirement benefit liability	(29.8)	(263.8)

(b) Gross pension scheme assets and obligations

The gross pension scheme assets and the present value of the schemes’ obligations as at 30 April 2022 were as follows:

	Audited				Total £m
	Funded schemes			Unfunded plans £m	
	SPS £m	LGPS £m	Other £m		
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)
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)

13 RETIREMENT BENEFITS (CONTINUED)

(c) Movements in net pre-tax retirement benefit liabilities

The movements for the year ended 30 April 2022 in the net pre-tax retirement benefit liabilities were as follows:

	Audited				Total £m
	Funded schemes			Unfunded schemes £m	
	SPS £m	LGPS £m	Other £m		
Liability at beginning of year	(258.9)	(0.7)	0.3	(4.5)	(263.8)
Current service cost	(4.8)	(0.5)	(1.2)	-	(6.5)
Administration cost	(0.8)	-	-	-	(0.8)
Loss on settlement	-	(15.8)	-	-	(15.8)
Net interest expense	(5.2)	(0.1)	-	(0.1)	(5.4)
Employers' contributions	10.5	0.5	0.7	0.3	12.0
Settlement	-	(11.1)	-	-	(11.1)
Recognised in the consolidated statement of comprehensive income	251.9	27.7	3.9	0.3	283.8
Withholding tax payable on surplus arising in year	(22.2)	-	-	-	(22.2)
(Liability)/asset at end of year	(29.5)	-	3.7	(4.0)	(29.8)

(d) Scheme valuations

The latest actuarial valuations of the then two sections of SPS were completed as at 30 September 2021. The combined surplus across the two sections on the Trustees' technical provisions basis was £48.7m, comprising scheme assets of £1,482.3m 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 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.

14 ORDINARY SHARE CAPITAL

At 30 April 2022, there were 576,099,960 ordinary shares in issue (2021: 576,099,960). 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. The shares held in treasury do not qualify for dividends.

15 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

Cash and cash equivalents of £248.9m (2021: £483.2m) shown in the consolidated statement of cash flows, and in this note 15, 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.

The operating profit of Group companies reconciles to cash generated by operations as follows:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 2021 (restated – see note 1(a)) £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

16 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:

	Audited Year to 30 April 2022 £m	Audited Year to 1 May 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	(312.6)	(352.1)
Closing net debt	(224.3)	(312.6)

17 NET DEBT AND CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in net debt (as defined in note 22) are summarised below:

Audited 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 table 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)

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 (excluding 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. Changes in liabilities from financing activities are presented below:

Audited 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)

18 COMMITMENTS AND CONTINGENCIES

(i) *Capital commitments*

Capital commitments contracted for the purchase of property, plant and equipment but not provided for at 30 April 2022 were £19.3m (2021: £27.8m).

(ii) *Legal actions*

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.

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) *Contingent liabilities re former North America Division*

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).

19 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 (formerly Virgin Rail Group Holdings Limited)*
Two of the Group's directors are non-executive directors of the Group's joint venture, WCT Group Holdings Limited (formerly Virgin Rail 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 of £1.1m in the year ended 30 April 2022 (2021: £1.1m) to the group headed by WCT Group Holdings Limited.
- (ii) *Pension Schemes*
Details of contributions made to pension schemes are contained in note 13.
- (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.

20 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.

(iii) Compulsory purchase of shares from minority shareholders

Inframobility UK Bidco Limited 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.

21 STATUTORY FINANCIAL STATEMENTS

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 30 April 2022 within the meaning of section 434 of the Companies Act 2006 and has been extracted from the full financial statements for the years ended 30 April 2022 and 1 May 2021 respectively.

Statutory financial statements for the year ended 1 May 2021 have been delivered to the Registrar of Companies. The report of the auditors on the financial statements for the year ended 1 May 2021 was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

The report of the auditors on the financial statements for the year ended 30 April 2022 did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006 and was qualified (see note 1(b)), only in respect of a difference of interpretation on how the Group's participation in Local Government Pension Schemes should be accounted for. The financial statements for the year ended 30 April 2022 will be delivered to the Registrar of Companies and made available to all shareholders in due course.

The Board of Directors approved this announcement on 29 June 2022.

22 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 6 to the condensed 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 3(a) to the condensed financial statements. The reconciliation to the adjusted revenue figures for the purposes of calculating like-for-like revenue growth is shown below:

		Audited		
		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

		Audited		
		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

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.

22 DEFINITIONS (CONTINUED)

(a) Alternative performance measures (continued)

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 from 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 3(b) to the condensed financial statements.

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.

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 the financial statements – see notes 3(a) and 3(b) to the condensed financial statements. Where relevant, the revenue, operating profit (or loss) and operating margin for each segment are also shown on page 5 of this document.

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 on page 10 of this document.

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 the financial statements – see note 15 to the condensed 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 17 to the condensed 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 17 to the condensed financial statements.

22 DEFINITIONS (CONTINUED)

(a) Alternative performance measures (continued)

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 condensed financial statements is explained on page 13 of this document.

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 17	224.3	312.6
Net train operating company liabilities as shown in note 3(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 (see note 4). 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.