Embargoed until 07:00hrs on Wednesday 14 May 2008

FIRSTGROUP PLC

PRELIMINARY RESULTS

FOR THE YEAR TO 31 MARCH 2008

- **EXCELLENT PROGRESS – DELIVERING STRATEGY OF PROFITABLE, SUSTAINABLE GROWTH IN CORE MARKETS**
  - Record results across all divisions including a significant contribution from the Laidlaw acquisition since 1 October 2007
  - Revenue £4,707.6m up 26.9% and adjusted operating profit £360.1m up 38.9%
  - Record adjusted EBITDA growth up 40.6% to £560.8m, strong operating cash flows
  - Adjusted basic EPS 40.9p up 21.4%
  - Continued commitment to dividend policy – 10% growth per annum
  - Equity placing of up to 10% will strengthen capital structure and increase flexibility

- **NORTH AMERICA – GOOD PROGRESS ON INTEGRATION AND SYNERGIES**
  - Better than expected synergies – $150m per annum now forecast from April 2009
  - First Student – high contract retention >90%, margin increased
  - First Transit – $45m of new business won, continued margin improvement
  - Greyhound – early initiatives yielding results, good revenue growth prospects

- **UK BUS – FURTHER MARGIN IMPROVEMENT**
  - Delivering margin enhancement, margin up 140 bps to 11.0%
  - Strong passenger revenue and volume growth trends
  - Targeted investment where partnerships are delivering growth
  - Continued improvement in operating performance trends

- **UK RAIL – STRONG GROWTH TREND ACROSS ALL TOCS**
  - Strong passenger revenue and volume growth across all our TOCs
  - Focus on customer service and operating performance
  - First ScotRail franchise extended for a further 3 years to 2014
  - First Great Western – focus on performance delivering encouraging improvement
  - First TransPennine Express – successful start-up of new Anglo Scottish services
  - First Capital Connect – improved performance and customer service

FINANCIAL SUMMARY 2007/08

- **Revenue £4,707.6m** (2007: £3,708.8m)
- **Adjusted operating profit[1] £360.1m** (2007: £259.2m)
- **Operating profit £267.5m** (2007: £203.6m)
- **Adjusted EBITDA[2] £560.8m** (2007: £398.9m)
- **Adjusted profit before tax[1] £249.0m** (2007: £195.8m)
- **Profit before tax £151.9m** (2007: £140.2m)
- **Adjusted basic earnings per share[1] 40.9p** (2007: 33.7p)
- **Basic earnings per share 27.7p** (2007: 23.1p)
- **Interest cover[3] 5.0x** (2007: 6.3x)
- **Dividend per share 17.05p** (2007: 15.5p)
- **Net debt[4] at 31 March 2008 £2,161.0m** (2007: £516.2m)

[1]Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties, as shown in the consolidated income statement on page 24.
[2]Adjusted operating profit as defined plus depreciation.
[3]Calculated as adjusted EBITDA divided by the net of finance costs and investment income.
[4] Net debt is stated excluding accrued interest.
All 2007/08 results include the contribution from Laidlaw International, Inc. acquired on 1 October 2007

Commenting, FirstGroup's Chief Executive, Moir Lockhead said:
"This has been a year of significant achievement for the Group with further strong performance across all our businesses. The acquisition of Laidlaw, completed during the year, established the Group as the market leader in North America and provides a unique opportunity to create value by leveraging scale and to increase earnings through improved operating efficiencies and the delivery of substantial synergies.

"Trading has been strong across all of our businesses and we are seeing the positive results of our focus on customer service, quality and operational performance. In North America I am pleased with the excellent progress made in delivering our integration plans. We have achieved our early priorities in consolidating the businesses, delivering improved operating efficiencies and the extraction of substantial synergies. We have created a platform to significantly improve our offering to customers by providing a greater range of services, together with operational and cost synergies and the benefit of our economies of scale. In UK Bus we have continued to develop strong partnerships and invested to build an improved network of services, greater reliability and passenger growth. Further revenue growth together with a strong focus on costs and operating performance has increased the operating margin by a further 1.4% to 11.0%. In UK Rail we have delivered strong growth across all of our rail companies as demand for our services continues to increase. We have made significant investment to improve customer service, operating performance and capacity across all of our rail franchises. We are delighted that the Scottish Government has granted a three year extension, to 2014, to our successful First ScotRail franchise. We are committed to the long-term development of railways in the UK and to delivering a high quality, reliable service for passengers.

"We have created an international portfolio of transport operations with leadership positions in our core markets in the UK and North America. This year was also a period of record performance demonstrating the strength of the Group and focus on our strategy to achieve profitable growth in our core markets. Our balanced portfolio of operations continues to generate strong operating cash flows with good opportunities for future growth. The Board is confident about the future prospects for the Group and has committed to dividend growth of at least 10% per annum for the fourth consecutive year. Looking ahead we continue to bear down on controllable costs and to seek further efficiencies across the business in the face of expected headwinds, most notably fuel cost increases. Despite the weaker economic backdrop the Group is well positioned with a balanced portfolio of operations and approximately 50% of the Group's revenues secured under medium-term contracts in the UK and North America. Although it is early in the new financial year, the Group continues to trade well and the outlook remains positive.

"We have today separately announced our intention to raise funds with the issue of equity from a placing of shares representing a maximum of approximately 9.99% of the Group's current issued share capital. The proceeds from this placing will be used to refinance an element of the debt incurred in respect of the Laidlaw acquisition. It will strengthen our capital structure, at a time when we continue to invest to grow our business and to enhance shareholder value. The refinancing of part of the Laidlaw acquisition debt will be effected through new medium term bank facilities of some £225m and proceeds from an expected disposal of surplus properties as well as the net proceeds of the placing."

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- A CONFERENCE CALL OF THE PRESENTATION TO ANALYSTS WILL BE HELD AT 9:00AM FOR DETAILS PLEASE CONTACT FIRSTGROUP TEL : 020 7291 0507
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PHOTOGRAPHS FOR THE MEDIA ARE ALSO AVAILABLE FROM FIRSTGROUP TEL: 020 7291 0507

NOTES TO EDITORS:
FirstGroup plc is the world's leading transport company with annualised revenues of over £5 billion a year. We employ approximately 137,000 staff throughout the UK and North America and transport more than 2.5 billion passengers a year.

UK Bus

- The Group is Britain's largest bus operator running more than one in five of all local bus services. A fleet of nearly 9,000 buses carries approximately 3 million passengers a day in more than 40 major towns and cities.

UK Rail

- The Group operates one quarter of the UK passenger rail network, with a balanced portfolio of intercity, commuter and regional services, carrying almost 275m passengers per annum.

- The Group is the UK's largest rail operator with four passenger franchises - First Capital Connect, First Great Western, First ScotRail and First TransPennine Express - and one open access operator, Hull Trains.

- The Group operates rail freight services through First GBRf and operates the Croydon Tramlink network on behalf of Transport for London carrying over 26 million passengers a year.

North America

- On 1 October 2007 the Group completed the acquisition of Laidlaw International, Inc. the leading operator of school and intercity bus transportation, a supplier of public transit services and Greyhound, the only national provider of intercity coach operations in North America.

- In North America the Group has four operating divisions: Yellow School Buses (First Student), Transit Contracting and Management Services (First Transit), Vehicle Fleet Maintenance and Support Services (First Services) and intercity bus services (Greyhound). Headquartered in Cincinnati, FirstGroup America Inc. operates across the US and Canada.

  - **First Student** is the largest provider of student transportation in North America with a fleet of approximately 60,000 yellow school buses, carrying nearly 4 million students every day across the US and Canada.

  - **First Transit** is one of the largest private sector providers of transit management and contracting, managing public transport systems on behalf of city transit authorities. It is one of the largest providers of airport shuttle bus services in the US and also manages call centres, paratransit operations and other light transit activities.

  - **First Services** is the largest private sector provider of vehicle maintenance and ancillary support services in the US. Providing fleet maintenance for public sector customers such as the Federal Government and fire and police departments it also provides support services such as vehicle maintenance, logistics support and facilities management to public and private sector clients including the US Navy and Air Force.

  - **Greyhound** is the only national provider of scheduled intercity coach services in the US and Canada. Based in Dallas, Greyhound provides scheduled passenger services to approximately 3,100 destinations throughout the US and Canada carrying approximately 25 million passengers annually.

In mainland Europe we operate some 150 buses in south west Germany and, from January 2009, we will operate, with our partner DSB, the Øresund rail franchise which includes routes in and between Denmark and Sweden.

Chairman's statement

I am delighted to report another successful year for the Group. Our strategy is to provide safe, high quality and reliable services and deliver increased value for shareholders through profitable growth in our core markets.

This has been a very busy and exciting period for the Group. During the year we completed the $3.5bn acquisition of Laidlaw International, Inc. In bringing together FirstGroup America and Laidlaw we have created a stronger, more robust business operating in a vast, highly fragmented marketplace with clear opportunities for growth. Our strategy is to create value through leveraging scale and to increase earnings through improved operating efficiencies and the delivery of substantial synergies. We have created a strong platform to significantly improve our offering to new and existing customers through the provision of a high quality operation, a greater range of services, operational and cost synergies and scale economies.

During the year we joined the FTSE 100 index in the UK. This significant achievement recognises the considerable strength of the Group, which has grown to become a market leader in the UK and North America in less than 20 years.

Across our business trading has been strong. Adjusted basic earnings per share increased by 21.4% to 40.9p (2007: 33.7p). The Board is recommending a final dividend, subject to approval by shareholders, of 11.55p making a full year payment of 17.05p, an increase of 10%. It will be paid on 22 August 2008 to shareholders on the register on 18 July 2008. The Board's commitment to increase dividends by at least 10% per annum is underpinned by our confidence of the Group's prospects.

The achievements of the Group are realised only by the dedication and hard work of our workforce made up of 137,000 employees. This has been a year of considerable change for the Group, particularly in North America as we integrate former Laidlaw businesses and employees in to FirstGroup America operations. I would like to extend a warm welcome to those employees who joined the company during the year. On behalf of the Board I would like to thank all of our staff across the Group for their continued commitment in delivering another successful year of trading.

I am delighted with the progress we have made in delivering our clear strategy for profitable growth in our core markets. We are well advanced with integrating the business we acquired in North America. In the UK we are focused on delivering a consistently high level of service to our customers and continue to invest in our employees and services to support this aim. Our strong portfolio of operations provides us with a unique opportunity to share best practice across the Group. We strive to lead the industry with our safety programmes and we continuously seek ways in which we can achieve the highest possible standards. We are committed to achieving world-class safety and customer service levels throughout all of our operations.

Looking ahead we are well placed to benefit from the many exciting opportunities for the Group. Our balanced portfolio of businesses continues to generate strong operating cash flows and good opportunities for future growth. Approximately 50% of Group revenues are secured under medium-term contracts. The Group's contracts with government agencies and other large organisations in the UK and North America represent a robust annual revenue stream worth £2.8bn. The Board is confident about the prospects for the business and the year ahead.

Martin Gilbert
Chairman

**Operating profit referred to throughout this document refers to operating profit before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties.*

Chief Executive's operating review

OVERVIEW

Safety

Safety is the cornerstone of our business. The provision of safe and secure services for our passengers and staff underpins everything we do. This year we made further progress to embed a culture of safety throughout the Group and rigorously apply a 'zero tolerance' stance on unsafe acts and practices. Our goal is to be known as the leader in our industry in this area. During the year we introduced a number of initiatives and policies, such as a Group-wide mobile phone ban while driving on company business, which we believe will contribute to a safer environment. One of our key priorities this year was to ensure the timely roll-out of best practice to our new North American operations. I am pleased to report that our Injury Prevention programme was implemented across the enlarged FirstGroup America business within one month of completing the acquisition, promoting proactive communication on safety issues and good safety practices. I am committed to supporting safety as the highest priority at every level in our organisation. During the year we continued to make good progress, however, we are never complacent. This is a process of continuous improvement and we continually seek to find ways to improve our practices to provide the safest services for passengers and staff.

Results

I am delighted to report another year of record trading across the Group with results in line with our expectations. These results include, for the first time, a contribution from former Laidlaw businesses following our completion of the acquisition at the beginning of the second half of this trading year. Group revenue increased by 26.9% to £4,707.6m (2007: £3,708.8m). Adjusted operating profit rose to £360.1m (2007: £259.2m) an increase of 38.9%. The Group operating margin increased to 7.6% (2007: 7.0%). Profit before tax was £151.9m (2007: £140.2m). We achieved record adjusted EBITDA (adjusted operating profit plus depreciation) growth of 40.6% to £560.8m (2007: £398.9m). This continued strong performance enabled us to make targeted capital investment in the business and increase annual dividends by 10% for the fourth consecutive year.

NORTH AMERICA

The Group is the leading provider of transportation services in North America. First Student is now the largest provider of student transportation with approximately 60,000 yellow school buses operating across the US and Canada. We also operate a transit contracting and management business, a vehicle fleet maintenance and support services division and Greyhound, the only national provider of intercity coach services in the US and Canada.

Results

We were delighted to receive the necessary regulatory approvals to enable us to complete our $3.5bn acquisition of Laidlaw International, Inc. on 1 October 2007. This transformational acquisition establishes us as the market leader in North America and provides a stronger platform to develop in this attractive market. The key focus for our North American operations has been to ensure the timely and efficient integration of the new business in to FirstGroup America's operations. This is a substantial task and I am pleased to report that we have made good progress in implementing our integration plans. Dean Finch, has been seconded to North America, as Chief Operating Officer and under his leadership we are well advanced with our plans to leverage value through our scale and continue to grow earnings through improved operating efficiencies and the extraction of substantial synergies.

This has been a period of significant change within our North American operations as we integrate two businesses and cultures. These results include a six month contribution from the enlarged North American business including the former Laidlaw operations. Both school bus and Greyhound businesses are highly seasonal. First Student generates a greater proportion of its revenue and earnings in the second half of the year and Greyhound has a bias towards the first half, with a greater proportion of its revenue and earnings achieved during the summer months.

Revenue from our four businesses of Student, Transit, Services and Greyhound was £1,651.1m or $3,319.0m (2007: £802.9m or $1,522.4m). Operating profit increased to £139.5m or $280.3m (2007: £68.2m or $130.5m) representing an increase of 115% at constant exchange rates.

Integration update

Since we acquired Laidlaw in October last year, we have worked hard to implement our integration plans. I am pleased to report that we have made excellent progress and have completed the initial key priorities. We have restructured the organisations to establish a single management board and one head office. A great deal of work has been done to harmonise financial, operational and safety systems and processes to ensure effective management and control of the enlarged business.

In addition to the consolidation of headquarters, which resulted in the closure of Laidlaw's corporate office, the former Laidlaw school bus and Transit head office locations have been closed and their operations fully integrated into FirstGroup America. We have secured new, larger office space in Cincinnati to accommodate the increased number of employees and achieve the benefits of operating Student, Transit and Services businesses from one location. New regional structures have been implemented for the enlarged Student and Transit businesses which will enable us to deliver an efficient, consistent level of service and operational performance.

The first phase of our branch consolidation strategy is now complete. Where we have former Laidlaw sites within a close proximity to First Student locations we are, in some cases, able to consolidate the operations to deliver efficiencies, improve facilities and reduce property overheads. We believe there is further scope to consolidate branch operations and improve our offering to customers and we are focused on a medium-term strategy to deliver this. During the period we also progressed our plans to rationalise the spare bus fleet across the combined student business. Both First Student and Laidlaw carried an excess spare fleet, which by combining the businesses, we were able to reduce without impacting service quality. We are well advanced with our plans to reduce our fleet by 2,000 buses without an impact to service quality.

During the integration process a key priority is to ensure that none of our activities disrupted the operations of the business or negatively impacted relationships with customers. We have carried out an extensive customer satisfaction survey engaging with over 1,500 customers, the output of which will continue to inform our strategy for service provision.

We are well advanced with our plans to roll out best practice across the business as part of our commitment to ensure that all of our operations meet our high standards of safety and security. We appointed experts from both companies together with external specialists to identify the best safety practices to be used by the combined business. Within one month of the acquisition closing we rolled out the First Safety Principles and Injury Prevention to all operating locations. A substantial re-branding programme, to bring former Laidlaw operations in step with the First brand, will be completed by July 2008.

Combining the businesses enables First Student to make a compelling offering to customers. Our scale enables us to develop systems and software to provide an enhanced level of service for customers and differentiate our business from our competitors. We have conducted a best practice review of both FirstGroup America and Laidlaw GPS-based operational systems and established a strategy to integrate the systems and to provide analytical and operational tools to improve our operations, deliver greater efficiencies and provide us with a competitive edge in offering additional services to our customers.

The combined business has an annual third party expenditure of $1.8 billion. This provides considerable opportunity to generate cost savings and benefits of scale from procurement synergies. We have implemented a formal programme to analyse annual expenditure and identify areas where there is potential to achieve significant improvements to existing purchasing activity. To date the team has targeted product and contract requirements for fuel, vehicles, parts and services and has completed supplier negotiations for the first phase of contracts. This is a substantial programme and will take some time to realise the full benefits. Further work is ongoing to ensure that we lever the strengths of the new company so that we can share the benefits with our customers and stakeholders.

I am very pleased with the progress so far and believe that we have successfully achieved all of our early priorities. We will continue to build on this excellent progress and momentum to ensure the successful integration of our enlarged North American business. We are delivering better than anticipated synergies and expect to achieve synergies of $150m per annum from April 2009.

First Student

We operate approximately 60,000 yellow school buses providing home to school transport on behalf of school boards and authorities across the US and Canada. Contracts are usually for between three and five years and I am pleased to report that during the year we have continued our strong retention record with First Student retaining over 90% of contracts that came up for renewal.

During the year US dollar revenue increased by 118.6% and operating profit by 127.5% and the operating margin increased to 11.3% (2007: 10.9%). Our focus is to deliver safe, high quality services and embed processes to tightly control the cost base and achieve productivity efficiencies. While progressing the roll out of Zonar, GPS equipment that will deliver safety and efficiency improvements, we have also conducted a best practice review of First Student and former Laidlaw Education Services to establish a strategy for incorporating separate GPS-based operational systems into one solution. First Student now operates in 40 states in the US and 9 provinces in Canada and the scale of our business creates a significant opportunity to establish protocols and systems to enhance the safety, quality, efficiency and consistency of our services. Child Check-Mate, pioneered by and specially designed for First Student, is an electronic 'child reminder' system designed to ensure that no child is ever left unattended on a school bus and has been further rolled out during the year. Our scale makes it feasible for us to develop products to give us greater assurance that our services are as safe as they can be and that are attractive to existing and potential customers. We continue to invest in new vehicles to increase quality and reliability and support future growth. During the year we invested $148m in 2,470 new yellow school buses.

As we anticipated, during the year we experienced some contract attrition and forced divestment, as a result of the Antitrust review process in the US, which represented 3% of the school bus fleet of the combined business. This was significantly less onerous than the assumptions made by us at the time of the acquisition announcement in February 2007.

We were pleased to continue our high business retention track record including contracts in California and St Louis and also to expand our services with new contract wins in New Mexico, Connecticut and Wisconsin. During the year we also completed four tuck-in acquisitions, adding over 550 revenue vehicles in New Jersey, Pennsylvania and Manitoba Province and Ontario in Canada.

First Transit
First Transit has delivered another successful year of growth with US dollar revenue increased by 45.8% and operating profit by 75.3%. First Transit has successfully implemented a programme to substantially reduce costs and increase efficiencies across the business that has achieved consistent margin improvement. During the year this progress continued with further margin increase achieved and the business is well placed to deliver further profitable growth.

The first phase of the integration of former Laidlaw Transit Services (LTS) businesses into First Transit operations has been successfully completed. The former Head Office of LTS in Kansas has been closed, along with residual offices in Illinois and California, and their operations integrated with First Transit in Cincinnati.

I am pleased to report that during the year, while integrating the businesses, we successfully retained our focus on growing our share of the transit market with record new business worth $45m per annum won. During the period a significant fixed route transit contract was won in Arizona with further transit management and contracting business won in Maryland, Massachusetts, North Carolina and Wisconsin. We continued to grow our share of the paratransit market with new contracts gained in Florida and Oklahoma. Our acquisition of Cognisa last year significantly enhanced our profile in the attractive shuttle bus market. This year we continued to build on our position as the market leader in private shuttle bus services in the US by expanding our business to Alabama, Texas, Georgia and renewing a significant airport shuttle contract in Maryland.

First Services
First Services revenue grew by 8.8% during the year and continued to achieve recognition for its best practice approach to operations and service. Our vehicle fleet maintenance business continued to win new contracts for municipal customers in Louisiana, Indiana, Oklahoma, Georgia, California and Illinois. I am pleased to report that 36 First Vehicle Services locations were listed in the "Top 100 Fleet in America" in Government Fleet publication. Our Mobile Technologies business also won new business to provide and fit specialist mobile communications equipment for police force agencies in Kansas, New Jersey, California and Virginia. First Support Services, which operates in the large federal market, won new business with the US Navy in Louisiana and also with the US Air Force at their base in Spain and additional add-on services to the contract at Diego Garcia.

GREYHOUND
Greyhound is the only national provider of scheduled intercity coach transportation services in the US and Canada. Greyhound provides scheduled passenger services to approximately 3,100 destinations throughout the US and Canada carrying approximately 25 million passengers annually.

Greyhound revenue, for the six months since acquisition, was £280.8m or $565.8m. The business is highly seasonal with a bias towards the first half of our financial year as a greater proportion of its revenue and earnings are achieved during the summer months. When we acquired the business in October 2007, revenue trends had been weakening. Since then actions we have taken have stabilised the business and I am pleased to report that during the last 3 months of the financial year we delivered year on year revenue growth.

Since the acquisition we have conducted a strategic review of Greyhound to identify opportunities to develop the business and establish practices that will underpin its future success. Substantial value exists in Greyhound's extensive property portfolio and we believe that the business is ripe for modernisation. Greyhound operates with a high cost model, inconsistent operating performance and has an under-developed revenue base. The strategic review coupled with the results of initiatives we have already implemented give us confidence that there is a significant opportunity to increase value and generate further profitable growth from Greyhound.

We have completed a substantial amount of work to identify and target cost reductions and are already well underway with our plans. Since completing the acquisition we have consolidated Greyhound's head office in Dallas from two separate properties to one single location and have relocated its call centre. Other initiatives implemented such as a comprehensive review of ticket agents commission rates and arrangements, the consolidation of back office functions of subsidiary brands and bringing in-house some functions such as vehicle cleaning have already achieved significant cost savings.

There is a substantial opportunity to stimulate revenue growth at Greyhound and we are encouraged by the response to some of the initiatives we have already introduced. Earlier this year we launched a new product called BoltBus within Greyhound. Operating a 'curbside' service on routes to and from New York and Washington DC, Philadelphia and Boston, it is already proving highly successful. We have invested in 33 new vehicles to offer a high quality product with leather seats, extra leg-room, free Wi-Fi and power outlets. We are encouraged by advance booking trends which show that new passengers are being attracted with yield-managed fares, a loyalty programme and an online internet reservations system.

We have also made a number of small changes to our service offering, which have proved successful, such as the priority seating programme which enables customers to pre-select their seats on the bus for a $5 fee in advance of the journey. This has proved to be successful and as a result has been expanded to cover more than 70% of Greyhound's major locations. Similarly, we have introduced an 'excess baggage' charge limiting the number of free 'checked' bags that customers can store on the vehicle.

Prior to our acquisition, Greyhound had adopted a national pricing strategy. We have carried out a review of pricing and ticketing activity and identified a significant opportunity to maximise yield management and increase the range of online products offered. We have already implemented a number of changes to the ticketing structure and enhanced our web-based partnerships to encourage advance and online purchases. A wider range of products has been introduced enabling us to offer discounted fares to customers and appropriately priced tickets during peak times and holidays.

Our cross-border operations between the US and Mexico have benefited from a restructuring of the organisation to provide greater frequencies and through-services for customers. The service has been refocused and the brand developed allowing us to compete more effectively in this market with a service that is more attractive to the customer base.

We are encouraged by the potential to develop Greyhound. The strategic review gives us confidence that there are clear opportunities to reduce costs, stimulate sustained revenue and volume growth and generate further strong operating cash flows. We have a separate team focusing on the opportunities at Greyhound, in order to prevent any distraction from achieving our objectives for the Student and Transit businesses, and will continue to focus on maximising the value for our shareholders.

UK BUS

The Group is the largest bus operator in the UK with a fleet of nearly 9,000 buses and a market share of approximately 23%. We carry approximately 3 million passengers every day.

Results

Our UK Bus division continues to deliver a strong trading performance. Revenue increased to £1,104.9m (2007: £1,073.7m) as a result of revenue and passenger growth initiatives and increased journeys including concessions and pricing. Operating profit rose by 18.4% to

£122.0m (2007: £103.0m). I am pleased to report that we made further progress in delivering our margin enhancement programme which achieved an increase of 1.4% in the operating margin.

Increased operating profit and margins are a result of our continued focus on service quality, operational performance, delivering more efficient working practices and the success of our turnaround strategy in our regional bus operations. We continue to bear down on controllable costs in the face of expected headwinds this year, principally increased fuel costs.

We continue to target higher levels of fleet presentation and invested £71m in new vehicles to support passenger growth and partnership opportunities in Bradford, Bristol, Glasgow, Leeds, Manchester and South Yorkshire. We will continue to target our investment in towns and cities with potential for passenger growth. Investment in new vehicles, together with initiatives to further improve our maintenance and engineering functions, has delivered lower lost mileage and improved levels of punctuality and reliability.

Partnerships

We believe that effective voluntary quality partnerships between bus operators and local authorities offer the best way of delivering high quality bus services in support of the Government's objectives of tackling climate change and congestion in our towns and cities by increasing bus patronage. We continue to see strong passenger growth in many of our operating companies in metropolitan, urban and rural locations where we have forged successful partnerships to deliver improved services.

Our pioneering Route Development Plan (RDP) in Greater Glasgow was backed by the introduction of 62 new double deck vehicles to deliver additional capacity and has resulted in strong passenger growth. Customer and stakeholder reaction has been very positive with the views and support we received for changes to the bus network leading to improvements in access to hospitals, colleges and shopping areas across the city and the launch of Strathclyde's first ever Park and Ride facility. This year's RDP will focus on the new travel patterns to work, health, leisure or shopping and aims to get people out of their cars and on to public transport.

In July 2007 we announced the introduction of 200 new buses for Greater Manchester to increase capacity at peak times by 25%. The investment also demonstrates our commitment to a package of measures developed by the Greater Manchester Bus Operators' Association to deliver a series of significant improvements to the bus networks and service provision. The proposals will deliver a truly integrated and improved public transport network in the region and are designed to support Greater Manchester's Transport Innovation Fund bid and preparation for the possible introduction of congestion charging.

We are pleased to achieve encouraging passenger growth in Doncaster. Our Overground concept of 'turn up and go' services continues to deliver benefits for customers. In addition, the completion of the Frenchgate Centre, with its integral Transport Interchange, has made the town a more attractive retail destination. This has led to further investment and redevelopment in the town centre and we have improved Sunday frequencies as shopping and other leisure activities continue to increase. We are also pleased with the performance of our dedicated services to the refurbished racecourse and stadium that are proving highly successful. The development of Robin Hood Airport is also having a positive impact on bus patronage.

The Sheffield Bus Agreement, our comprehensive Voluntary Quality Partnership with Sheffield City Council and South Yorkshire Passenger Transport Authority, celebrated its first anniversary at the end of April 2008. Passenger growth has been achieved by joint marketing campaigns, agreed network improvements, infrastructure changes and new camera enforcement of bus priority measures. The service between Sheffield, Rotherham and Doncaster has benefited from the partnership and a fleet of new vehicles has helped deliver passenger growth of 16%. The first English Statutory Quality Partnership was introduced on Barnsley Road in North Sheffield in November delivering higher standards on this corridor.

We continue to work in partnership with local authorities to deliver the Greater Bristol bus network. Patronage on the first Showcase route has increased by 12% and, in December 2007, we were pleased to launch ‘Showcase 2’, with Bristol City Council and South Gloucestershire Council. The first four months of ‘Showcase 2’ has seen encouraging results with 5% passenger growth on the corridor. We expect this to continue when all of the benefits of the initiative are fully realised.

We also worked with Somerset County Council on the development of the service linking Taunton and Yeovil that has resulted in a passenger growth of 9% on the corridor. Somerset County Council has invested over £1 million in bus services in and around the Taunton area to substantially improve the overall offering to customers in the town.

In December 2007 we signed a landmark agreement with Norfolk County Council and Norwich City Council to deliver improved bus services through a ‘Joint Investment Plan’ which includes a range of measures to improve reliability, increase frequencies for some city services and provide more low floor buses to boost accessibility. We are providing new vehicles for our flagship Excel service linking Lowestoft, Great Yarmouth, Norwich, King’s Lynn and Peterborough and doubling frequencies on a core section to meet growing passenger demand.

We launched a new network in Plymouth in April 2008. The changes are as a result of a year long exercise talking to customers, local stakeholders and user groups as well as an analysis of customer travel patterns across the city. The ‘ugobus’ branded network has started well and shows encouraging signs of growing passenger numbers. During the year in partnership with Plymouth City Council we celebrated the first anniversary of the upgraded Park & Ride services. The investment in nine leather seated double deck vehicles and a joint marketing campaign has delivered passenger growth of 25%.

London and other major contracts
In London we are pleased with new contract wins that reflect our focus on improving performance and operational efficiencies. We are pleased with the performance of our operations in East London in the Transport for London (TfL) league tables. However, our West London operations have been adversely affected by continuing work to upgrade London’s utilities and infrastructure. We continue to work with TfL to prepare for Crossrail and other major infrastructure projects including the Olympic and Paralympic Games. We were pleased to gain planning approval for our new Hackney depot last year and are currently relocating our operations in phases to maintain good operating performance. During the year we also closed our Acton depot and migrated services into our newly developed Hayes site.

We are pleased with the renewal of contracts for Dublin Airport car parks and the York Park & Ride schemes.

New Services
We continue to develop new services and products to enhance our offering to passengers. Our ftr services in York and Leeds continue to deliver good passenger growth. Since the launch of the full ftr service in Leeds we have seen passenger growth of 15% and customer satisfaction scores on both routes remains high. We are delighted that the vehicles are being used to provide an improved customer experience, higher capacity and greater frequency on the shuttle service for First Capital Connect customers arriving at Luton Airport Parkway station and the airport. We continue to develop plans for an ftr scheme in Swansea and are in discussion with local authorities in Glasgow and Manchester to introduce this high quality, tram-like vehicle to additional cities across the UK. York Aircoach, our frequent, express, direct coach service between York rail station and Leeds Bradford International Airport continues to deliver passenger growth.

Performance
We are working with our local authority partners to improve punctuality and reliability, reduce journey times and minimise the impact of highway improvement and infrastructure works. We believe that working together we can increase patronage by offering punctual and reliable services to our customers. We continue to progress Punctuality Improvement Partnerships with local authorities in our operating areas and, together with our continued management focus on operational performance, we are pleased to report an increase in the number of bus services meeting the standards we set on punctuality and reliability.

Working with Government
We continue to work with the Department for Transport and interested Parliamentarians as the Local Transport Bill progresses through the House of Commons. We support the Government's objective of increasing bus patronage through more effective voluntary quality partnerships and we welcome changes to competition law that will enable bus operators and local authorities to work together on integrated timetabling and other initiatives that can benefit bus passengers.

We welcomed the expansion of the national concessionary scheme for England in April 2008 that gives additional benefits to old aged and disabled people across England. We will respond to the Department for Transport's consultation on the options for reform of local bus service support and welcome moves to lessen the administrative burden of existing mechanisms.

In July 2007 we announced the launch of the Yellow School Bus Commission, chaired by the Rt. Hon. David Blunkett MP to examine the issue of home to school transport. During the year the Commission visited many yellow school bus schemes across the UK and in the USA and received evidence from students, teachers, parents and other interested organisations. The Commission is expected to publish its report in the summer.

UK RAIL
The UK Rail division operates passenger and freight services in the UK. We have a strong, balanced portfolio of intercity, regional and commuter franchises. Passenger rail franchises consist of First Capital Connect, First Great Western, First ScotRail and First TransPennine Express. We also operate Hull Trains, a non-franchised open access intercity passenger train operator, and we provide rail freight services through First GBRf. We are the UK's largest rail operator carrying approximately 275 million passengers per annum.

Results
Our rail division continues to deliver growth as demand for our services, and the appetite for rail travel, continues to be strong. We are committed to the long-term development of railways in the UK and are investing to deliver improved services for passengers. We are the only operator to run every type of overground rail service in the UK, from high speed intercity trains and overnight sleepers to local branch lines, regional and commuter services and open access, light rail and freight operations. We continue to target investment to deliver customer service and innovation improvements and increased capacity.

Revenue in the Group's rail division increased by 6.2% to £1,937.0m (2007: £1,824.1m) and operating profit increased by 10.3% to £120.0m (2007: £108.8m) reflecting strong volume growth across all of our rail operations together with new services and additional capacity introduced during the year.

First Great Western
We are working hard to improve performance and customer service at First Great Western which has fallen short of our own standards and the expectations of our passengers. We have committed to provide £29m, as part of a remedial action plan agreed with the Department for Transport, to implement a substantial package of passenger benefits to improve punctuality,

upgrade customer information systems and reduce overcrowding. We are recruiting more drivers, guards and technicians to improve the reliability of train services; upgrading Customer Information Systems at stations across the network; hiring more trains to increase seating capacity on some of our busiest services, including the key Cardiff/Portsmouth route; implementing an enhanced training programme for all customer facing staff; and the London and Thames Valley regional fleet of Turbo trains will now receive a much more comprehensive interior refresh to improve the on-train environment for passengers.

A number of new appointments have been made to strengthen the management team at First Great Western. Our customer service function is now based at our busiest station – London Paddington and we have a new, dedicated Performance Director and team. Brand new route directors have also been recruited for Inter-city, London and Thames Valley, and the West Country to concentrate on improving performance in a geographically diverse franchise.

We continue to focus on improving First Great Western's performance and delivering consistent levels of customer service. We are encouraged by significantly reduced delays and cancellations in recent months and are pleased to report that punctuality and reliability are showing signs of improvement. However there is still much more work to be done and our management team are committed to ensuring that recent reductions in delays and cancellations continue so that performance improvements are sustained in the long-term.

Last December we introduced a new timetable, which has improved punctuality and increased seating capacity on the busiest parts of our network. This year we also completed a substantial programme of refurbishment of our High Speed Train fleet (HST), started a significant work to improve our fleet of West Country regional trains and progressed with our £40m station improvement plan.

As part of the £200m investment pledged in our franchise plans, our entire HST fleet has now been completely overhauled with bright, comfortable interiors and more seats in 405 carriages and new more reliable, environmentally friendly engines in 117 power cars. The new engines have improved operating performance, doubled reliability, cut carbon emissions by 64% and smoke emissions by 42%. This programme was recognised in the prestigious annual HSBC Rail Business Awards, winning the Rolling Stock Excellence and Engineering Excellence awards. The refresh of our West Country regional train fleet is well underway with 15 refurbished trains now in service. Due for completion early in 2009, this programme is providing a more comfortable and cleaner on-board environment for passengers and includes a range of technical improvements to make the trains more reliable.

We have progressed our station improvement programme, over the past year, refurbishing facilities in the Thames Valley, Oxfordshire, Gloucestershire and the South West. We have also increased car parking at Tiverton Parkway and Kemble stations and completed the installation of more than 120 additional ticket vending machines at stations across the network. Our franchise commitment to improve safety and security at our stations by rolling out Secure Station status is being met with 108 stations accredited by the end of March 2008.

Throughout the year we have worked closely with Network Rail to tackle the significant railway infrastructure challenges. A number of initiatives have been designed to improve performance including the upgrade of the Reading to London relief line to 90mph. Due to be completed this summer the upgrade will create greater capacity, reliability and improved journey times for passengers in the Thames Valley.

First Capital Connect
In April 2008 First Capital Connect celebrated its second anniversary and the franchise goes from strength to strength. Our commitment to exceeding our challenging performance targets to provide customers with a punctual and reliable service is delivering results. First Capital Connect's PPM, the recognised industry performance measure, is over 90% with peak

performance on the Bedford to London section of the Thameslink route seeing the most significant improvement.

However, we recognise the challenge faced by First Capital Connect in addressing overcrowding on the network and we are working with our industry partners to ensure that additional capacity is provided for our customers on both routes. Since the start of the franchise First Capital Connect has secured five additional Class 319 units to strengthen services and a further eight units will be transferred to the company in December 2008. This will allow us to strengthen more trains from a four car to eight car operation and to increase further capacity for Thameslink route customers.

We are actively working with the Department for Transport to implement the Thameslink Programme, which will provide the longer-term solution to easing overcrowding through greatly increased capacity. The first phase of works is due to commence in March 2009 and platform lengthening work has already begun at stations along the Thameslink route.

We have received approval for the Cambridge & Peterborough Capacity Study, which will enable us to run additional trains on the Great Northern route. The study recommended measures to reduce overcrowding including the introduction of a new timetable to match supply of trains to customer needs, to lengthen platforms and upgrade power supply to accommodate longer trains and more frequent services and to increase the number of carriages to strengthen trains to eight or 12-car operation and allow additional services.

There will be two additional trains in the morning peak and five additional trains in the evening peak with some trains strengthened from eight to 12-car operation. The Cambridge & Peterborough Capacity study will deliver 1,779 extra seats in the morning peak and 2,490 in evening peak - a 15% increase in seats.

We have now invested more than £44m in the First Capital Connect's stations and trains since the start of the franchise. Customer service is at the centre of these decisions which has already provided refurbished toilets, waiting rooms and shelters as well as introducing additional help points, new CCTV cameras, ticket vending machines and customer information systems.

First Capital Connect relocated from King's Cross Thameslink station to St Pancras International station on 9 December 2007. The new station is one of the largest transport hubs in Europe with links to Eurostar, long distance rail and six London Underground lines. The new station complies with the Disability Discrimination Act with spacious platforms accessible by escalator and lifts.

We continue to introduce improvements in safety and security at stations and on trains which, together with our partnership with the British Transport Police, has delivered a 44% reduction in anti-social behaviour and a 15% reduction in crime. We continue to invest in the provision of five British Transport Police officers and 24 Police Community Support Officers for the network.

We have introduced automatic ticket gates at 13 stations across the network and since the start of the franchise achieved Secure Stations status at 47 stations. We have also recently achieved ParkMark accreditation at more stations and now 26 stations have ParkMark accredited car parks.

First ScotRail
We are delighted that the Scottish Government has extended our successful First ScotRail franchise for a further three years to November 2014. The franchise extension agreement creates an investment fund of more than £70m, for control by Transport Scotland, to further improve Scotland's railway. The fund can be used for additional train services, to improve journey times, connections and quality of services which will bring direct passenger benefits.

Performance continues to improve with a record PPM for First ScotRail of 93.8% in March 2008. Since we commenced operation of the franchise in October 2004 we have reduced the delays, for which we are responsible, by 50% compared with a commitment of 2% per annum.

The number of passengers using First ScotRail services has grown by 19% since the start of the franchise as a result of our good performance and award winning marketing campaigns. We expect passenger numbers to continue to rise with the opening of the Stirling-Alloa line on 19 May 2008. The new line connects Clackmannanshire to the passenger rail network for the first time in forty years with an hourly service linking Alloa to Glasgow. We are procuring, for Transport Scotland, a fleet of new electric trains to increase capacity on our Ayrshire routes as well as providing for the new Airdrie-Bathgate services and the Glasgow Airport Rail Link. In May 2008 First ScotRail will be operating additional morning and evening peak express services between Edinburgh and Glasgow and a summer only service on the Inverness to Kyle of Lochalsh line. We expect to introduce a new timetable in December 2008 with the recast of our Edinburgh-Fife-Aberdeen services to offer greater capacity and shorter journey times.

Since the start of the franchise we have invested more than £25m in Scotland's railways and this year completed our refurbishment of the Sleeper and Class 318 units. Our Class 156 units have also been refurbished, with Transport Scotland funding, and a programme of interior improvements for the Class 158 units is now underway.

We were delighted that First ScotRail will be operating Scotland's railway during the Commonwealth Games in Scotland in 2014 and look forward to being able to contribute to the success of this prestigious event.

First TransPennine Express

Our First TransPennine Express franchise continues to deliver excellent results with passenger growth of over 11% and improved operating performance with PPM at nearly 92% over the year.

In the recent National Passenger Survey overall customer satisfaction with First TransPennine Express was 86%, an improvement of 12% since the start of the franchise in February 2004. The survey also highlighted improved satisfaction with stations reflecting our investment of more than £12 million in improving the environment of the 30 stations we manage across the North.

In December 2007 we successfully launched new services from Manchester Airport to Glasgow and Edinburgh. The new services are fully integrated into our existing North West routes with additional drivers, conductors and managers at key locations to ensure efficient operation. We are marketing the new journey opportunities to and from Scotland with a range of promotional offers and are pleased with the response from our customers and stakeholders. The new services will contribute an additional £10m of additional revenue per annum.

First TransPennine Express was short-listed for four categories at the prestigious HSBC Rail Business Awards 2008 and won the award for ‘Station of the Year’ for its contribution to Hull Paragon Transport Interchange. The accolade recognised the recent £18m redevelopment of the station which brought train, bus and coach services together.

We were also highly commended in the ‘Train Operating Company of the Year’ category and, in partnership with Siemens Transportation Systems, in the ‘Environmental Innovation of the Year’ category for reducing the fuel consumption of our Class 185 units by seven per cent per kilometre.

We are pleased to support Liverpool as this year’s European Capital of Culture with its music, arts, sport and maritime heritage.

First GBRf
First GBRf had another successful year of growth including an increase in services for Royal Mail, three new coal contracts and investment in fleet expansion with the purchase of 90 coal hoppers and five new locomotives.

First GBRf has increased mail services between Royal Mail's London and Glasgow depots from two to five journeys a day and has also increased its share of the UK coal market with new contracts with British Energy, Alcan and Drax Power taking our proportion of the coal freight market to 12% in under two years.

Hull Trains
I am pleased with the performance of our open access operator Hull Trains which continues to achieve passenger volume growth. This year we carried nearly 700,000 passengers, compared to 80,000 in our first year of operation. We introduced two Class 180 Adelante trains into service in April 2008 alongside our fleet of three Class 222 Pioneers trains, which will add capacity to the route.

We worked closely with First TransPennine Express to ensure that Hull's new Paragon Interchange suited the needs of the modern passenger. The redevelopment enables customers to benefit from easy access to trains, buses and coaches all under one roof, with Hull Trains passengers being provided with an increased level of comfort and additional facilities.

We introduced a new significantly reduced evening single fare to provide customers with a new value alternative and to reduce overcrowding on peak services. We also formed a partnership with Eurostar to connect Hull Trains customers with Eurostar's new service from St Pancras International. The partnership means that travellers can book through-fares from Hull, Selby, Doncaster, Retford and Grantham to the continent, allowing travel by rail to be as quick, easy and seamless as possible.

EUROPE
While North America continues to be our primary focus for growth and international development, during the year we continued our strategy to explore opportunities in new markets. We were pleased to be awarded, with our partner DSB, the Øresund rail franchise to provide coastal and Copenhagen Airport links in Denmark and Sweden. The new franchise commences operation in January 2009 until 2017.

GROUP OUTLOOK
This has been a year of significant achievement with record performance across all of our businesses, demonstrating the strength of the Group and a focus on our strategy to achieve profitable growth in our core markets. Our balanced portfolio of operations continues to generate strong operating cash flows with good opportunities for future growth. The Board is confident of the future prospects for the Group and has committed to dividend growth of 10% per annum for the fourth consecutive year. Looking ahead we continue to bear down on controllable costs and to seek further efficiencies across the business in the face of expected headwinds, most notably fuel cost increases. Despite the weaker economic backdrop the Group is well positioned with a balanced portfolio of operations and approximately 50% of the Group's revenues secured under medium-term contracts in the UK and North America. Although it is early in the new financial year, the Group continues to trade well and the outlook remains positive.

Moir Lockhead
Chief Executive

Finance Director's review

Overview

The transformational acquisition of Laidlaw for $3.5bn on 1 October 2007 and continued strong performance in the UK businesses have resulted in all our divisions reporting record earnings.

Adjusted basic EPS of 40.9 pence is an increase of 21.4% year on year and EBITDA was £560.8m representing an increase of 40.6% over last year. This is after the consolidation of six months results of the Laidlaw businesses.

We are now the largest operator of Yellow School Buses in North America. Going forward, with a full year of the Laidlaw businesses, approximately 50% of Group revenues and operating profit will come from North America. The combining of our existing businesses with Laidlaw has progressed well, generating significant value through integration synergies and building a solid foundation for further growth opportunities in the future. Our scale, expertise and focus on service delivery means that we have the ability to offer our customers further operational and cost efficiencies, better quality and a greater range of services.

The revenue and cost actions in UK Bus have progressed throughout the year and we are pleased to report that operating margin has risen from 9.6% to 11.0%. Within UK Rail we have experienced strong passenger revenue growth and this has accelerated in the second half of the year.

Year end net debt was £2,161m up from £516m last year mainly due to additional borrowings taken on to fund the Laidlaw acquisition.

Non-recurring items were principally £55.5m of integration costs on the Laidlaw acquisition and £16.8m relating to the First Great Western remedial plan which was agreed with the DfT. Based on the synergies achieved to date, and those projected, the Laidlaw integration costs represent an excellent investment.

We have today separately announced our intention to raise funds with the issue of equity from a placing of shares representing a maximum of approximately 9.99% of the Group's current issued share capital. The proceeds of the placing will be used to refinance, in part, debt raised to finance the acquisition of Laidlaw, which was announced on 9 February 2007, and which completed 1 October 2007. The effect of the issue will be to strengthen the capital structure of the company and the Group, at a time when it continues to invest for growth and to enhance shareholder value. The refinancing of the Laidlaw acquisition debt, as well as benefiting from the proceeds of the share issue, will also include proceeds from new medium term bank facilities of some £225m and the proceeds from the disposal of surplus properties.

Results

Revenue was £4,707.6m (2007: £3,708.8m), an increase of 26.9%. Adjusted operating profit was £360.1m (2007: £259.2m), an increase of 38.9%. Adjusted operating profits and margins were higher at each division. Margin growth was particularly impressive in UK Bus and North America. Profit before tax was £151.9m (2007: £140.2m), an increase of 8.3%.

Divisional results	Year to 31 March 2008 Revenue £m	Adjusted operating profit[1] £m	Operating margin[1] %	Year to 31 March 2007 Revenue £m	Adjusted operating profit[1] £m	Operating margin[1] %
UK Bus	**1,104.9**	**122.0**	**11.0**	1,073.7	103.0	9.6
UK Rail	**1,937.0**	**120.0**	**6.2**	1,824.1	108.8	6.0
North America	**1,370.3**	**130.7**	**9.5**	802.9	68.2	8.5
Greyhound	**280.8**	**8.8**	**3.1**	-	-	-
Other[2]	**14.6**	**(21.4)**	**-**	8.1	(20.8)	-
Total Group	**4,707.6**	**360.1**	**7.6**	3,708.8	259.2	7.0

[1]Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties
[2]Tram operations, German Bus, central management and other items

Throughout the financial review, operating profit, operating margin and EBITDA are defined as being before amortisation charges, non-recurring bid costs, other non-recurring items and profit on disposal of properties

UK Bus revenue was £1,104.9m (2007: £1,073.7m), an increase of 2.9%. Operating profit was £122.0m (2007: £103.0m), an increase of 18.4%. Operating margin increased by 1.4% to 11.0%. Good margin growth was achieved in inner-city areas and in London, in our rural operations margins have also improved but are still lower than in the urban areas. Overall passenger revenues increased by 5.0% year on year with passenger volume growth of approximately 1%. Passenger revenue growth continues to be strongest in city centre locations and high density areas and especially where we work closely with the local authorities to invest in public transport and traffic management systems. UK Bus management has continued to invest in quality and operational performance and focus on service delivery. As a result our lost mileage has continued at historically low levels of less than 1%. Drivers' and engineering efficiencies also contributed to the results in a year of fuel price stability as a result of our hedged position.

UK Rail revenue was £1,937.0m (2007: £1,824.1m), an increase of 6.2%. Operating profit was £120.0m (2007: £108.8m), an increase of 10.3%. Overall our Train Operating Companies delivered passenger volume and revenue growth of 6.9% and 10.8% respectively. The main growth drivers in UK Rail were improved performance and quality, revenue protection measures taken and the overall appetite for rail travel. Further automated ticket gates were rolled out during the year at several stations at both FCC and FGW. Investment in rolling stock and station improvements continued during the year and the £200m High Speed Train refurbishment programme at FGW was completed. These contributed to total capital expenditure of £130.0m and this represents the highest investment ever in the UK Rail division. It is anticipated that capital expenditure will revert to more normal maintenance levels during 2008/09 and thereafter.

North American revenue was £1,370.3m or $2,753.2m (2007: £802.9m or $1,522.4m) representing an increase of 80.8% at constant exchange rates. Operating profit was £130.7m or $262.6m (2007: £68.2m or $130.5m). In US Dollar terms this represents an increase in operating profit of 101.2% and margin improved by 1.0% to 9.5%. The results incorporate six months of the Laidlaw acquisition. During the first part of the year, our legacy First Student businesses' bid season was affected by the US Department of Justice review of our acquisition of Laidlaw. This resulted in abnormal contract attrition last spring which impacted the legacy First Student business operating profit by approximately $11.0m compared to the prior year. Increased fuel costs in the year reduced profits at our legacy First Student business by approximately $8m compared to the prior year, net of hedges put in place. The current bid season, which is the first as a combined business, has begun strongly with contract retention rates of over 90%.

The Laidlaw businesses contributed strongly to growth in the second half of the year as shown in Note 19 to the accounts. Synergies achieved in the year were above our initial expectation contributing $30m in the period to 31 March 2008. Based on our current run-rate, annualised savings are approximately $100m per annum. These synergies are principally in the areas of administration costs and salaries, branch and facilities consolidation, insurance and procurement initiatives. The calculations of these savings are based on comparing the budgeted costs in our legacy FirstGroup businesses and the independently prepared Laidlaw budget for each area, before the combination of the businesses, to those costs in the enlarged business.

Greyhound revenue was £280.8m or $565.8m and operating profit was £8.8m or $17.7m. In the months preceding the acquisition Greyhound revenues were showing a downwards trend against the prior year. During the first three months following acquisition measures were put in place to address this issue which have resulted in revenues growing by 3% compared to last year in the final three months of the year. Greyhound's business is seasonal with typically over 75% of operating profit in the first half of our financial year. As a result of the strategic review we believe that there are significant value opportunities within Greyhound both in terms of cost reduction opportunities and further revenue initiatives.

Non-recurring items and amortisation charges

	2008 £m	2007 £m
North American integration	55.5	1.0
UK Rail	16.8	21.3
Europe	3.7	4.8
UK Rail bid costs	3.5	14.5
(Profit)/loss on disposal of properties	(5.8)	3.7
Non-recurring bank facility costs	4.5	-
Total non-recurring	78.2	45.3
Amortisation of intangible assets	18.9	10.3
	97.1	55.6

North American integration
These reflect costs directly attributable to the integration of Laidlaw and include legal and professional fees, relocation of US head office, redundancy and IT costs, rebranding and the costs directly associated with disposing of excess buses in the legacy First Student fleet as a result of the combination of the two fleets.

UK Rail
These costs represent the one-off costs directly associated with the First Great Western remedial plan, agreed with the DfT to address the poor performance in relation to cancellations and the subsequent contravention of the Franchise Agreement. Of the total cost of £29m, £16.8m has been treated as a non-recurring charge as the items relate to past events for which the company has agreed to compensate passengers by way of reduced fares, carriage refurbishment and certain other measures. The balance will be charged to the income statement as the costs are incurred or capitalised and depreciated over the remaining period of the franchise as appropriate.

European bid costs
Bid costs of £3.7m (2007: £4.8m) represent the non-recurring costs of bidding for contracts and potential acquisitions in Germany and other European countries.

UK Rail bid costs
Bid costs of £3.5m (2007: £14.5m) were incurred during the year on our unsuccessful bid for the InterCity East Coast franchise. Last year's bid costs reflect significant bidding activity for three large franchises.

Profit/loss on disposal of properties
A profit on disposal of properties of £5.8m (2007: loss of £3.7m) was recorded during the year. The principal disposal was the UK Bus depot in Acton, London. These operations were transferred to our Hayes depot.

Non-recurring bank facility costs
As part of the funding of the Laidlaw acquisition a short-term loan facility was taken out which was subsequently extended. Due to the short-term nature of this facility the arrangement fee and other costs associated with the facility have been treated as a non-recurring cost.

Amortisation of intangible assets
The increase in this charge is mainly due to a six-month charge for amortisation of contract and trade-name intangibles arising on the Laidlaw acquisition.

Finance costs and investment income
The net interest charge, excluding the non-recurring facility cost described above, was £111.1m (2007: £63.4m) with the increase due to higher debt levels following the Laidlaw acquisition partly mitigated by lower interest rates on US Dollar denominated debt. The net interest charge is covered 5.0 times (2007: 6.3 times) by earnings before interest, taxation, depreciation and amortisation (EBITDA).

Taxation
The taxation charge on profit before intangible amortisation, non-recurring bid costs and other non-recurring items was £58.2m (2007: £51.1m) representing an effective rate of 23.4% (2007: 26.1%). Tax relief on non-recurring bid costs and other non-recurring items, a tax credit on US intangible amortisation and a one-off credit for deferred tax reduced the tax charge to £18.6m (2007: £38.1m). The one-off credit is an adjustment of £8.6m to the UK deferred tax liability arising on the reduction in the corporation tax rate from 30% to 28% which will apply from April 2008 onwards. After adding back this one-off, the effective tax rate was 17.9% (2007: 27.2%).

The actual cash effect of taxation to the group was a cost of £9.4m (2007: £5.5m). The UK cash cost of taxation was low due to pension payments and interest paid on higher debt levels. It is anticipated that the tax to be paid for 2008/09 will remain low. The group pays a minimal amount of tax on its profits in the US due to tax losses brought forward and we believe that this level will remain low for the medium term.

The abolition of Industrial Buildings Allowances in the UK, which has been announced, but is expected to be substantially enacted in the year ending 31 March 2009, will have the effect of increasing the Group's deferred tax liability and hence is expected to give rise to a non-recurring tax charge during financial year 2008/09.

Dividends
The final dividend of 11.55 pence (2007: 10.5 pence) per ordinary share together with the interim dividend of 5.5 pence (2007: 5.0 pence) per ordinary share, gives a full year dividend of 17.05 pence (2007: 15.5 pence), an increase of 10.0%. In accordance with IFRS the final dividend has not been provided for in the 2008 balance sheet. The final dividend will be paid on 22 August 2008 to shareholders on the register of members at the close of business on 18 July 2008.

EPS
Adjusted basic EPS, before amortisation charges, non-recurring bid costs, other non-recurring items and profit/loss on disposal of properties, was 40.9 pence (2007: 33.7 pence), an increase of 21.4%. Basic EPS was 27.7 pence (2007: 23.1 pence), an increase of 19.9%.

EBITDA

The Group's businesses continue to generate strong operating profits which are converted into cash. EBITDA for the year was £560.8m (2007: £398.9m) up 40.6%. EBITDA from North American operations was up 108.8% in US Dollar terms. EBITDA by division is set out below:

	Year to 31 March 2008			Year to 31 March 2007		
	Turnover £m	**EBITDA £m**	**EBITDA %**	**Turnover £m**	**EBITDA £m**	**EBITDA %**
UK Bus	**1,104.9**	**193.5**	**17.5**	1,073.7	173.6	16.2
UK Rail	**1,937.0**	**148.7**	**7.7**	1,824.1	122.4	6.7
North America	**1,370.3**	**213.6**	**15.6**	802.9	119.2	14.8
Greyhound	**280.8**	**22.6**	**8.0**	-	-	-
Other	**14.6**	**(17.6)**	**-**	8.1	(16.3)	-
Total Group	**4,707.6**	**560.8**	**11.9**	3,708.8	398.9	10.8

EBITDA for 2008 includes six months of the acquired Laidlaw businesses.

Cash flow

Cash generated by operations increased to £470.8m (2007: £367.9m) as a result of the higher EBITDA noted above being partially offset by the cash spend on non-recurring items.

Capital expenditure and acquisitions

Capital expenditure, as set out in note 6 to the financial statements, was £310.4m (2007: £321.6m). Capital expenditure in North America was £106.4m (2007: £48.1m), UK Bus was £70.9m (2007: £161.7m), UK Rail was £130.0m (2007: £110.0m) and Group items were £3.1m (2007: £1.8m).

On 1 October 2007, the Group acquired Laidlaw International, Inc. for a total consideration (excluding acquired debt) of £1,449.5m. An extensive exercise was undertaken to arrive at the fair value of the acquired business. Where necessary, third party experts were used to value certain categories of assets and liabilities, principally in the areas of property, plant and equipment, intangible assets and environmental liabilities. Further details of all fair value adjustments are set out in note 19. After adjusting for fair values on acquisition and certain GAAP adjustments, the fair value of net assets on acquisition was £673.5m giving rise to provisional goodwill of £776.0m.

In addition to the Laidlaw acquisition the Group acquired four small yellow school bus operations in North America, two bus operators in the UK and one bus operator in Germany. The total consideration for all other acquisitions made during the year was £25.5m and the provisional goodwill arising on these acquisitions amounted to £24.2m.

Funding and risk management

At the year-end, total bank borrowing facilities amounted to £2,471.5m of which £2,394.6m is committed. Of these committed facilities, £1,807.4m were utilised at 31 March 2008 leaving committed headroom of £587.2m.

The maturity profile of committed banking facilities is regularly reviewed and well in advance of their expiry such facilities are extended or replaced.

At 31 March 2008 the Group's average debt maturity was 3.5 years (2007: 6.4 years).

As the Group is a net borrower, it minimises cash and bank deposits, which arise principally in the Rail companies. The Group can only withdraw cash and bank deposits from the Rail companies on a permanent basis to the lower of retained profits or the amount determined by prescribed liquidity ratios.

The Group does not enter into speculative financial transactions and uses financial instruments for certain risk management purposes only.

Interest rate risk
With regard to net interest rate risk, the Group reduces exposure by using a combination of fixed rate debt and interest rate derivatives to achieve an overall hedged position over the medium term of between 75% to 100%.

Commodity price risk
In the UK, crude costs were hedged at $67 per barrel in both 2007/08 and 2006/07. We have now hedged 100% of our UK crude requirements for 2008/09 (2.7m barrels p.a.) at $76 per barrel and 10% of our 2009/10 requirements at $85 per barrel.

In North America operations certain contracts provide fuel price protection through contract escalation clauses, fuel cost pass-through arrangements or where the customer supplies fuel directly. Of our total annual usage of 4.3m barrels, 1.9m barrels have such protection. We have now hedged 100% of the “at risk” volume for 2008/09 (2.4m barrels p.a.) at $84 per barrel and we have hedged 10% of 2009/10 “at risk” volumes at $84 per barrel. We are constantly monitoring the current high cost levels of fuel and appropriate pricing and hedging actions will be put in place as necessary

Foreign currency risk
Group policies on currency risk affecting cash flow and profits are maintained to minimise exposures to the Group by using a combination of hedge positions and derivative instruments where appropriate.

With regard to balance sheet translation risk, the Group hedges part of its exposure to the impact of exchange rate movements on translation of foreign currency net assets by holding currency swaps and net borrowings in foreign currencies. At 31 March 2008 foreign currency net assets were hedged 85% (2007: 33%).

Net debt
Net debt increased over the year by £1,645m. This increase is mainly explained by the debt assumed on the Laidlaw acquisition.

The Group’s net debt at 31 March 2008 was £2,161.0m and was comprised as follows:

Analysis of net debt	Fixed £m	Variable £m	Total £m
Cash	-	76.3	76.3
Rail ring-fenced cash and deposits	-	156.3	156.3
Other ring-fenced cash and deposits	-	9.7	9.7
Sterling bond (2013 6.875%)[1]	(296.6)	-	(296.6)
Bond (2019 6.125%)[2]	(216.9)	-	(216.9)
Sterling bank loans and overdrafts	-	(201.6)	(201.6)
US Dollar bank and other loans and overdrafts	(1,374.7)	(73.8)	(1,448.5)
Canadian Dollar bank and other loans and overdrafts	(1.2)	(100.6)	(101.8)
Euro bank loans and overdrafts	-	(19.6)	(19.6)
HP and finance leases	(31.3)	(71.9)	(103.2)
Loan notes	(8.7)	(6.4)	(15.1)
Total	**(1,929.4)**	**(231.6)**	**(2,161.0)**

[1]Excludes accrued interest
[2]Stated excluding accrued interest and adjusted for currency and coupon swaps

Balance sheet and net assets
Net assets increased by £97.5m over the year reflecting retained profits of £120.4m, actuarial gains on defined pension arrangements (net of tax) of £26.7m, favourable hedging reserve movements (net of tax) of £23.0m, partly offset by dividend payments of £69.5m.

Shares in issue
During the year 2.9m treasury shares were used to either satisfy the exercise of Save As You Earn (SAYE) options on the maturity of the 2004 SAYE scheme or were transferred to the Employee Benefit Trust to satisfy the exercise of Executive Share Options and Deferred Bonus Shares. As at 31 March 2008 there were 436.6m (2007: 434.0m) shares in issue, excluding treasury shares and own shares held in trust for employees. At 31 March 2008 1.7m shares (2007: 4.3m shares) were either held as treasury shares or held in trust for employees. The weighted average number of shares in issue for the purpose of EPS calculations (excluding own shares held in trust for employees and treasury shares) was 434.8m (2007: 397.9m).

Foreign exchange
The results of the North American businesses have been translated at an average rate of £1:$2.01 (2007: £1:$1.89). The period end rate was £1:$2.00 (2007: £1:$1.96).

Pensions
The net pension surplus increased by £65.2m during the year to £89m with the increase being principally due to additional cash payments in UK Bus pension schemes, as well as changes to the actuarial assumptions to reflect current market expectations.

Nick Chevis
Finance Director

Consolidated income statement
Year ended 31 March 2008

	Notes	Adjusted results[1] 2008 £m	Adjustments[2] 2008 £m	Total 2008 £m	Adjusted results[1] 2007 £m	Adjustments[2] 2007 £m	Total 2007 £m
Revenue							
Continuing operations		**4,707.6**	**–**	**4,707.6**	3,708.8	–	3,708.8
Operating costs before profit/(loss) on disposal of properties							
Continuing operations		**(4,347.5)**	**(98.4)**	**(4,445.9)**	(3,449.6)	(51.9)	(3,501.5)
Operating profit before profit/(loss) on disposal of properties							
Continuing operations		**360.1**	**(98.4)**	**261.7**	259.2	(51.9)	207.3
Amortisation charges		**–**	**(18.9)**	**(18.9)**	–	(10.3)	(10.3)
Non-recurring bid costs		**–**	**(7.2)**	**(7.2)**	–	(19.3)	(19.3)
Other non-recurring items		**–**	**(72.3)**	**(72.3)**	–	(22.3)	(22.3)
		–	**(98.4)**	**(98.4)**	–	(51.9)	(51.9)
Profit/(loss) on disposal of properties		**–**	**5.8**	**5.8**	–	(3.7)	(3.7)
Operating profit		**360.1**	**(92.6)**	**267.5**	259.2	(55.6)	203.6
Investment income		**14.9**	**–**	**14.9**	9.4	–	9.4
Finance costs		**(126.0)**	**(4.5)**	**(130.5)**	(72.8)	–	(72.8)
Profit before tax		**249.0**	**(97.1)**	**151.9**	195.8	(55.6)	140.2
Tax		**(58.2)**	**39.6**	**(18.6)**	(51.1)	13.0	(38.1)
Profit for the year from continuing operations		**190.8**	**(57.5)**	**133.3**	144.7	(42.6)	102.1
Attributable to:							
Equity holders of the parent		**177.7**	**(57.3)**	**120.4**	134.1	(42.4)	91.7
Minority interests		**13.1**	**(0.2)**	**12.9**	10.6	(0.2)	10.4
		190.8	**(57.5)**	**133.3**	144.7	(42.6)	102.1
Basic earnings per share	3			**27.7p**			23.1p
Diluted earnings per share	3			**27.4p**			22.8p

Dividends of £69.5m (2007: £57.1m) were paid during the year. Dividends of £50.4m (2007: £45.6m) were proposed for approval in respect of the year.

[1] Adjusted trading results before items noted in 2 below.

[2] Amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties.

Consolidated balance sheet

As at 31 March 2008

	Notes	2008 £m	2007 £m
Non-current assets			
Goodwill	4	**1,281.3**	468.8
Other intangible assets	5	**367.5**	60.8
Property, plant and equipment	6	**1,923.7**	1,059.7
Financial assets - derivative financial instruments	13	**45.4**	27.7
Investments		**4.0**	-
		3,621.9	1,617.0
Current assets			
Inventories	7	**83.6**	64.6
Trade and other receivables	8	**594.0**	377.3
Financial assets - cash and cash equivalents		**242.3**	411.2
- derivative financial instruments	13	**78.1**	8.3
		998.0	861.4
Non-current assets classified as held for sale		**10.2**	7.5
Retirement benefit surplus		**186.2**	57.1
Total assets		**4,816.3**	2,543.0
Current liabilities			
Trade and other payables	9	**1,016.8**	695.1
Tax liabilities		**46.8**	49.7
Financial liabilities - bank overdrafts and loans	10	**26.4**	1.8
- bonds	10	**23.2**	23.1
- obligations under finance leases	11	**32.4**	11.5
- loan notes	12	**4.6**	5.2
- derivative financial instruments	13	**36.9**	5.0
		1,187.1	791.4
Net current (liabilities)/assets		**(189.1)**	70.0
Non-current liabilities			
Financial liabilities - bank loans	10	**1,745.1**	310.5
- bonds	10	**545.9**	539.3
- obligations under finance leases	11	**70.8**	70.4
- loan notes	12	**10.5**	10.6
- derivative financial instruments	13	**27.8**	4.3
Retirement benefit obligation		**97.2**	33.3
Deferred tax liabilities	14	**177.2**	142.7
Long-term provisions	15	**249.9**	33.2
		2,924.4	1,144.3
Total liabilities		**4,111.5**	1,935.7
Net assets		**704.8**	607.3
Equity			
Share capital	16	**21.9**	21.9
Share premium account	17	**447.8**	447.8
Hedging reserves	17	**49.7**	26.7
Other reserves	17	**4.6**	4.6
Own shares	17	**(7.6)**	(17.4)
Translation reserves	18	**(70.3)**	(57.8)
Retained earnings	17	**245.5**	170.4
Equity attributable to equity holders of the parent		**691.6**	596.2
Minority interests		**13.2**	11.1
Total equity		**704.8**	607.3

Consolidated cash flow statement

Year ended 31 March 2008

	Notes	2008 £m	2007 £m
Net cash from operating activities	20	**365.8**	295.5
Investing activities			
Interest received		**14.0**	9.4
Proceeds of disposal of property, plant and equipment		**32.5**	18.3
Purchases of property, plant and equipment		**(302.6)**	(251.2)
Grants received		**-**	29.1
Investment in joint venture		**(1.2)**	-
Acquisition of businesses		**(1,464.1)**	(17.9)
Net cash used in investing activities		**(1,721.4)**	(212.3)
Financing activities			
Monies received on exercise of share options		**5.5**	2.8
Dividends paid		**(69.5)**	(57.1)
Dividends paid to minority shareholders		**(11.1)**	(11.3)
Repayment of obligations under finance leases		**(17.5)**	(14.4)
Repayment of loan notes		**(0.7)**	(4.8)
Payment of new bank facility issue costs		**(9.6)**	-
Proceeds on issue of shares		**-**	216.9
Release of insurance captive assets		**115.7**	-
Repayment of borrowings		**(377.4)**	-
Proceeds of bank borrowings		**1,556.1**	22.4
Net cash from financing activities		**1,191.5**	154.5
Net (decrease)/increase in cash and cash equivalents before foreign exchange movements		**(164.1)**	237.7
Cash and cash equivalents at beginning of year		**410.3**	169.9
Effect of foreign exchange rate changes		**(6.5)**	2.7
Cash and cash equivalents at end of year		**239.7**	410.3

Cash and cash equivalents for cash flow statement purposes comprises:	2008 £m	2007 £m
Cash and cash equivalents per balance sheet	**242.3**	411.2
Overdrafts	**(2.6)**	(0.9)
	239.7	410.3

Note to the consolidated cash flow statement - reconciliation of net cash flows to movement in net debt

Year ended 31 March 2008

	2008 £m	2007 £m
(Decrease)/increase in cash and cash equivalents in year before foreign exchange movements	**(164.1)**	237.7
Increase in debt and finance leases	**(1,160.5)**	(3.2)
Inception of new finance leases	**-**	(84.0)
Debt assumed on acquisition of businesses and subsidiary undertakings	**(300.1)**	-
Fees on issue of new loan facility	**9.6**	-
Other non-cash movements in relation to financial instruments	**(2.1)**	(0.8)
Foreign exchange differences	**(27.6)**	38.5
Movement in net debt in year	**(1,644.8)**	188.2
Net debt at beginning of year	**(516.2)**	(704.4)
Net debt at end of year	**(2,161.0)**	(516.2)

1. General information

The financial information set out above does not constitute the company's Statutory Accounts for the years ended 31 March 2008 or 2007, but is derived from those accounts. Statutory Accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's Annual General Meeting. The auditors have reported on both sets of accounts; their reports were unqualified and did not contain statements under s. 237(2) or (3) of the Companies Act 1985.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not in itself contain sufficient information to comply with IFRSs. The financial information has been prepared on the basis of the accounting policies as set out in the Statutory Accounts for 2007.

Copies of the Statutory Accounts for the year ended 31 March 2008 will be sent to all shareholders by early June and will be available thereafter at the Registered Office of the company at 395 King Street, Aberdeen, AB24 5RP.

2. Business segments

The segment results for the year to 31 March 2008 are as follows:

	UK Bus £m	UK Rail £m	North America[2] £m	Greyhound[2] £m	Group items[3] £m	Total £m
Revenue	1,104.9	1,937.0	1,370.3	280.8	14.6	4,707.6
Segment results[1]	122.0	120.0	130.7	8.8	(21.4)	360.1
Amortisation of intangible assets	-	(8.2)	(9.5)	(1.2)	-	(18.9)
Non-recurring bid costs	-	(3.5)	-	-	(3.7)	(7.2)
Other non-recurring items	-	(16.8)	(52.2)	(3.3)	-	(72.3)
Profit on disposal of properties	5.8	-	-	-	-	5.8
Operating profit	**127.8**	**91.5**	**69.0**	**4.3**	**(25.1)**	**267.5**
Investment income						14.9
Finance costs						(126.0)
One-off finance costs						(4.5)
Profit before tax						151.9
Tax						(18.6)
Profit for the year						133.3

[1] Before amortisation charges, non-recurring bid costs, other non-recurring items and profit on disposal of properties.

[2] Results of the acquired Laidlaw businesses have been consolidated from 1 October 2007 and therefore represent one-half year's trading.

[3] Group items comprise Tram operations, German Bus, central management and other items.

The segment results for the year to 31 March 2007 are as follows:

	UK Bus £m	UK Rail £m	North America £m	Group items[2] £m	Total £m
Revenue	1,073.7	1,824.1	802.9	8.1	3,708.8
Segment results[1]	103.0	108.8	68.2	(20.8)	259.2
Amortisation of intangible assets	-	(8.2)	(2.1)	-	(10.3)
Non-recurring bid costs	-	(14.5)	-	(4.8)	(19.3)
Other non-recurring items	-	(21.3)	(1.0)	-	(22.3)
Loss on disposal of properties	(3.7)	-	-	-	(3.7)
Operating profit	**99.3**	**64.8**	**65.1**	**(25.6)**	**203.6**
Investment income					9.4
Finance costs					(72.8)
Profit before tax					140.2
Tax					(38.1)
Profit for the year					102.1

[1] Before amortisation charges, non-recurring bid costs, other non-recurring items and loss on disposal of properties.

[2] Group items comprise Tram operations, central management and other items.

3. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity shareholders of £120.4m (2007: £91.7m) by the weighted average number of ordinary shares of 434.8m (2007: 397.9m).

Diluted EPS is calculated by dividing the profit attributable to equity shareholders of £120.4m (2007: £91.7m) by the weighted average number of ordinary shares of 439.8m (2007: 402.0m). The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary share options. A reconciliation of the number of shares used in the basic and diluted measures is set out below:

	2008 No. m	2007 No. m
Weighted average number of shares used in basic calculation	**434.8**	397.9
SAYE share options	**3.8**	2.5
Executive share options	**1.2**	1.6
	439.8	402.0

The adjusted basic EPS and adjusted cash EPS are intended to highlight recurring elements of the results of the Group before amortisation charges, non-recurring bid costs, other non-recurring items and profit/loss on disposal of properties. A reconciliation of the earnings used in these bases is set out below:

3. Earnings per share (EPS) (continued)

	2008		2007	
	£m	**Earnings per share (p)**	£m	Earnings per share (p)
Profit for basic EPS calculation	**120.4**	**27.7**	91.7	23.1
Amortisation of intangible assets[1]	**18.7**	**4.3**	10.1	2.5
Non-recurring bid costs	**7.2**	**1.6**	19.3	4.9
Other non-recurring items	**76.8**	**17.7**	22.3	5.6
(Profit)/loss on disposal of properties	**(5.8)**	**(1.3)**	3.7	0.9
Taxation effect of adjustments	**(31.0)**	**(7.1)**	(13.0)	(3.3)
Non-recurring tax credit on change of UK rate	**(8.6)**	**(2.0)**	-	-
Profit for adjusted basic EPS calculation	**177.7**	**40.9**	134.1	33.7
Depreciation[2]	**199.8**	**45.9**	138.8	34.9
Profit for adjusted cash EPS calculation[3]	**377.5**	**86.8**	272.9	68.6

[1]Amortisation charge of £18.9m per note 5 less £0.2m (2007: £10.3m less £0.2m) attributable to equity minority interests.
[2]Depreciation charge of £200.7m (2007: £139.7m) per note 6 less £0.9m (2007: £0.9m) attributable to equity minority interests.
[3]Excludes working capital movements.

Diluted EPS	**2008** **£m**	2007 £m
Diluted basic EPS	**27.4**	22.8
Diluted adjusted basic EPS	**40.4**	33.4

4. Goodwill

	2008 **£m**	2007 £m
Cost		
At 1 April	**468.8**	503.1
Additions	**800.2**	9.1
Reclassifications (note 5)	**3.0**	-
Exchange rate differences	**9.3**	(43.4)
At 31 March	**1,281.3**	468.8
Accumulated impairment losses		
At 31 March	**-**	-
Carrying amount		
At 31 March	**1,281.3**	468.8

5. Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Franchise agreements £m	Total £m
Cost				
At 1 April 2007	21.2	-	56.3	77.5
Additions	276.6	48.8	-	325.4
Reclassifications[1]	(3.0)	-	-	(3.0)
Exchange rate differences	2.6	0.4	-	3.0
At 31 March 2008	**297.4**	**49.2**	**56.3**	**402.9**
Amortisation				
At 1 April 2007	4.0	-	12.7	16.7
Charge for year	9.5	1.2	8.2	18.9
Exchange rate differences	(0.2)	-	-	(0.2)
At 31 March 2008	**13.3**	**1.2**	**20.9**	**35.4**
Carrying amount				
At 31 March 2008	**284.1**	**48.0**	**35.4**	**367.5**

[1] The reclassification of contracts acquired shown above relates to reassessments of provisional values within twelve months of acquisition. These amounts have been reclassified into goodwill (note 4).

	Customer contracts £m	Franchise agreements £m	Total £m
Cost			
At 1 April 2006	15.7	21.0	36.7
Additions	7.1	35.3	42.4
Exchange rate differences	(1.6)	-	(1.6)
At 31 March 2007	**21.2**	**56.3**	**77.5**
Amortisation			
At 1 April 2006	2.2	4.5	6.7
Charge for year	2.1	8.2	10.3
Exchange rate differences	(0.3)	-	(0.3)
At 31 March 2007	**4.0**	**12.7**	**16.7**
Carrying amount			
At 31 March 2007	**17.2**	**43.6**	**60.8**

6. Property, plant and equipment

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2007	181.7	1,389.9	286.0	1,857.6
Subsidiary undertakings and businesses acquired	204.9	561.5	26.5	792.9
Additions in the year	11.7	142.3	156.4	310.4
Transfers from property development work in progress	22.9	-	-	22.9
Disposals	(5.8)	(82.3)	(48.9)	(137.0)
Reclassifications	2.8	-	(2.8)	-
Reclassified as held for sale	-	(28.7)	-	(28.7)
Exchange rate differences	(0.3)	(1.0)	(0.3)	(1.6)
At 31 March 2008	**417.9**	**1,981.7**	**416.9**	**2,816.5**
Accumulated depreciation and impairment				
At 1 April 2007	25.6	645.5	126.8	797.9
Charge for year	12.1	144.3	44.3	200.7
Impairment charge	-	5.4	-	5.4
Disposals	(1.7)	(74.9)	(13.4)	(90.0)
Reclassified as held for sale	-	(18.5)	-	(18.5)
Exchange rate differences	(0.7)	(1.0)	(1.0)	(2.7)
At 31 March 2008	**35.3**	**700.8**	**156.7**	**892.8**
Carrying amount				
At 31 March 2008	**382.6**	**1,280.9**	**260.2**	**1,923.7**

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2006	157.0	1,331.9	203.7	1,692.6
Subsidiary undertakings and businesses acquired	-	5.0	-	5.0
Additions in the year	28.6	178.8	114.2	321.6
Disposals	(5.1)	(43.1)	(22.8)	(71.0)
Reclassifications	4.1	-	(4.1)	-
Reclassified as held for sale	-	(24.5)	-	(24.5)
Exchange rate differences	(2.9)	(58.2)	(5.0)	(66.1)
At 31 March 2007	**181.7**	**1,389.9**	**286.0**	**1,857.6**
Accumulated depreciation and impairment				
At 1 April 2006	22.1	621.1	122.9	766.1
Charge for year	5.2	107.7	26.8	139.7
Disposals	(0.9)	(38.7)	(19.8)	(59.4)
Reclassified as held for sale	-	(18.1)	-	(18.1)
Exchange rate differences	(0.8)	(26.5)	(3.1)	(30.4)
At 31 March 2007	**25.6**	**645.5**	**126.8**	**797.9**
Carrying amount				
At 31 March 2007	**156.1**	**744.4**	**159.2**	**1,059.7**

7. Inventories

	2008 £m	2007 £m
Spare parts and consumables	**76.2**	48.1
Property development work in progress	**7.4**	16.5
	83.6	64.6

8. Trade and other receivables

	2008 £m	2007 £m
Amounts due within one year		
Trade receivables	**429.8**	265.0
Provision for doubtful receivables	**(5.0)**	(2.3)
Other receivables	**95.1**	61.8
Other prepayments and accrued income	**74.1**	52.8
	594.0	377.3

9. Trade and other payables

	2008 £m	2007 £m
Amounts falling due within one year		
Trade payables	**247.6**	194.5
Other payables	**115.7**	104.7
Accruals and deferred income	**597.3**	346.4
Season ticket deferred income	**56.2**	49.5
	1,016.8	695.1

10. Financial liabilities – borrowings

	2008 £m	2007 £m
Current financial liabilities		
Short-term bank loans	**23.8**	0.9
Bank overdrafts	**2.6**	0.9
	26.4	1.8
Finance leases (note 11)	**32.4**	11.5
Loan notes (note 12)	**4.6**	5.2
Bond 6.875% (repayable 2013) - accrued interest	**20.2**	20.1
Bond 6.125% (repayable 2019) - accrued interest	**3.0**	3.0
	23.2	23.1
Total current financial liabilities	**86.6**	41.6
Non-current financial liabilities		
Syndicated unsecured bank loans	**1,742.3**	308.2
Other loans	**2.8**	2.3
	1,745.1	310.5
Finance leases (note 11)	**70.8**	70.4
Loan notes (note 12)	**10.5**	10.6
Bond 6.875% (repayable 2013)	**296.6**	296.3
Bond 6.125% (repayable 2019)	**249.3**	243.0
	545.9	539.3
Total non-current financial liabilities	**2,372.3**	930.8
Total financial liabilities	**2,458.9**	972.4
Gross borrowings repayment profile		
Within one year or on demand	**86.6**	41.6
Between one and two years	**1,387.1**	24.5
Between two and five years	**438.3**	351.1
Over five years	**546.9**	555.2
	2,458.9	972.4

11. Finance leases

The Group had the following obligations under finance leases as at the balance sheet dates:

	2008 £m	2007 £m
Due in less than one year	**32.4**	11.5
Due in more than one year but not more than two years	**18.9**	12.9
Due in more than two years but not more than five years	**50.9**	41.7
Due in more than five years	**1.0**	15.8
Total	**103.2**	81.9

12. Loan notes

The Group had the following loan notes issued as at the balance sheet dates:

	2008 **£m**	2007 £m
Due in less than one year	**4.6**	5.2
Due in more than one year but not more than two years	**10.5**	10.6
Total	**15.1**	15.8

13. Derivative financial instruments

	2008 **£m**	2007 £m
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Cross currency swaps (net investment hedge)	**23.9**	24.9
Coupon swaps (fair value hedge)	**1.5**	-
Fuel derivatives (cash flow hedge)	**20.0**	2.8
	45.4	27.7
Current assets		
Cross currency swaps (net investment hedge)	**10.5**	2.9
Coupon swaps (fair value hedge)	**-**	1.2
Fuel derivatives (cash flow hedge)	**67.6**	4.2
	78.1	8.3
Total assets	**123.5**	36.0
Current liabilities		
Interest rate swaps (cash flow hedge)	**26.7**	0.3
Coupon swaps (fair value hedge)	**7.4**	-
Fuel derivatives (cash flow hedge)	**-**	1.4
Currency forwards (cash flow hedge)	**0.5**	3.3
	34.6	5.0
Non-current liabilities		
Interest rate swaps (cash flow hedge)	**27.8**	-
Coupon swaps (fair value hedge)	**-**	4.1
	27.8	4.1
Derivatives classified as held for trading		
Current liabilities		
Interest rate collars	**2.3**	-
Non-current liabilities	**-**	0.2
Interest rate collars		
Total current liabilities	**36.9**	5.0
Total non-current liabilities	**27.8**	4.3
Total liabilities	**64.7**	9.3

14. Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 April 2006	172.1	(22.4)	(65.1)	84.6
Charge to income	4.0	20.7	7.9	32.6
Charge to equity	-	30.4	-	30.4
Exchange differences	(11.0)	(1.1)	7.2	(4.9)
At 31 March 2007	165.1	27.6	(50.0)	142.7
Charge to income	4.0	38.4	(33.2)	9.2
Charge to equity	-	25.1	-	25.1
Acquisition of subsidiaries	75.3	(4.0)	(70.2)	1.1
Exchange differences	(0.4)	(0.6)	0.1	(0.9)
As 31 March 2008	**244.0**	**86.5**	**(153.3)**	**177.2**

15. Provisions

	Insurance Claims[1] £m	Legal and other £m	Pensions £m	Total £m
At 1 April 2007	26.9	-	6.3	33.2
Provided in the year	83.6	-	-	83.6
Utilised in the year	(67.9)	(2.1)	(0.4)	(70.4)
Acquisition of subsidiaries	148.4	45.1	-	193.5
Notional interest	11.3	-	-	11.3
Exchange rate differences	(0.6)	(0.7)	-	(1.3)
At 31 March 2008	**201.7**	**42.3**	**5.9**	**249.9**

[1]Insurance claims accruals due within one year at 31 March 2008 amounted to £108.6m (2007: £44.0m) and are included in "accruals and deferred income" within note 9. The amount included within provisions above represents the estimate of amounts due after more than one year.

Legal and other provisions relate to estimated exposures for cases filed or thought highly likely to be filed for incidents that occurred prior to the balance sheet date. It is anticipated that most of these items will be settled within ten years. Other items also include provisions in respect of costs anticipated on the exit of surplus properties which are expected to be settled over the remaining terms of the respective leases.

16. Called up share capital

	2008 £m	2007 £m
Authorised:		
4,600m (2007: 600m) ordinary shares of 5p each	**230.0**	30.0
Allotted, called up and fully paid:		
438.3m (2007: 438.3m) ordinary shares of 5p each	**21.9**	21.9

	No. m	**£m**
At 1 April 2007 and 31 March 2008	**438.3**	**21.9**

17. Statement of changes in equity

	Hedging reserve £m	Share premium account £m	Own shares £m	Retained earnings £m
At 1 April 2006	1.9	238.8	(26.6)	52.9
Retained profit for the financial year	-	-	-	91.7
Dividends paid	-	-	-	(57.1)
Premium arising on issue of equity shares	-	219.4	-	-
Expenses on issue of equity shares	-	(10.4)	-	-
Movement in EBT, QUEST and treasury shares during the year	-	-	9.2	(6.3)
Current tax on share-based payments	-	-	-	1.5
Actuarial gain on defined benefit pension schemes	-	-	-	116.9
Deferred tax on actuarial gains on defined benefit pension schemes	-	-	-	(35.0)
Derivative hedging instrument movements	22.8	-	-	-
Deferred tax on derivative hedging instrument movements	2.0	-	-	-
Share-based payments provision	-	-	-	3.2
Deferred tax on share-based payments	-	-	-	2.6
At 31 March 2007	**26.7**	**447.8**	**(17.4)**	**170.4**
Retained profit for the financial year	**-**	**-**	**-**	**120.4**
Dividends paid	**-**	**-**	**-**	**(69.5)**
Movement in EBT, QUEST and treasury shares during the year	**-**	**-**	**9.8**	**(5.4)**
Current tax on share-based payments	**-**	**-**	**-**	**2.0**
Actuarial gains on defined benefit pension schemes	**-**	**-**	**-**	**37.1**
Unrealised gains on Executive Deferred Compensation Plans	**-**	**-**	**-**	**1.2**
Deferred tax on actuarial gains	**-**	**-**	**-**	**(10.4)**
Derivative hedging instrument movements	**33.2**	**-**	**-**	**-**
Deferred tax on derivative hedging instrument movements	**(10.2)**	**-**	**-**	**-**
Share-based payments provision	**-**	**-**	**-**	**4.2**
Deferred tax on share-based payments	**-**	**-**	**-**	**(1.7)**
Change in equity for change in UK corporation tax rate	**-**	**-**	**-**	**(2.8)**
At 31 March 2008	**49.7**	**447.8**	**(7.6)**	**245.5**

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
At 31 March 2008 and 31 March 2007	**1.9**	**2.7**	**4.6**

18. Translation reserves

	£m
At 1 April 2006	27.7
Movement for the financial year	(85.5)
At 31 March 2007	**(57.8)**
Movement for the financial year	(12.5)
At 31 March 2008	**(70.3)**

19. Acquisition of businesses and subsidiary undertakings	**Laidlaw £m**	**Other £m**	**2008 Total £m**	2007 £m
Provisional fair values of net assets acquired:				
Property, plant and equipment	**784.3**	**8.6**	**792.9**	5.0
Intangible assets	**325.2**	**0.2**	**325.4**	7.1
Other current assets	**353.6**	**1.3**	**354.9**	0.1
Cash at bank and in hand	**-**	**0.2**	**0.2**	-
Other creditors	**(194.1)**	**(6.8)**	**(200.9)**	(3.4)
Net debt	**(298.5)**	**(1.6)**	**(300.1)**	-
Pension deficit	**(23.0)**	**-**	**(23.0)**	-
Provision for liabilities and charges	**(273.5)**	**-**	**(273.5)**	-
Deferred tax	**(0.5)**	**(0.6)**	**(1.1)**	-
	673.5	**1.3**	**674.8**	8.8
Goodwill (note 4)	**776.0**	**24.2**	**800.2**	9.1
Satisfied by cash paid and payable	**1,449.5**	**25.5**	**1,475.0**	17.9

The businesses and subsidiary undertakings acquired during the year contributed £125.1m (2007: £5.1m) to the Group's net operating cash flows and utilised £35.6m for capital expenditure. In addition £115.7m was released from the Laidlaw insurance captive.

If the acquisition of the businesses and subsidiary undertakings acquired during the year had been completed on the first day of the financial year, Group revenue from these acquisitions for the period would have been £1,643.4m and the Group adjusted operating profit from these acquisitions attributable to equity holders of the parent would have been £146.4m.

The businesses acquired during the year contributed £872.1m (2007: £10.3m) to Group revenue and £84.3m (2007: £2.5m) to Group adjusted operating profit from date of acquisition to 31 March 2008.

Acquisition of Laidlaw International, Inc
On 1 October 2007 the Group acquired Laidlaw International, Inc. The details of the acquisition and provisional fair value adjustments and GAAP adjustments are set out below:

		Book value 01/10/07 $m	**Fair value adjustments $m**	**GAAP Adjustments $m**	**Acquired value $m**
Property, plant and equipment	a	1,623.7	(31.5)	-	1,592.2
Intangible assets	b	73.2	586.9	-	660.1
Current assets	c	736.9	(19.1)	-	717.8
Current liabilities	d	(349.7)	(137.3)	-	(487.0)
Insurance provision	e	(411.6)	(52.0)	-	(463.6)
Pension deficit	f	(27.7)	-	(19.0)	(46.7)
Deferred tax	g	201.1	(202.1)	-	(1.0)
Income taxes recoverable		1.7	(0.4)	-	1.3
Net debt	h	(539.2)	(66.8)	-	(606.0)
Net assets		1,308.4	77.7	(19.0)	1,367.1
Total cost of acquisition (excluding acquired debt)					2,941.5
					(1,367.1)
Provisional goodwill					1,574.4

The acquisition balance sheet has been adjusted to reflect fair values. These adjustments represent:

(a) Property, plant and equipment was valued at market value by third party specialists at date of acquisition. This includes the assets brought onto the balance sheet as a result of (h) below.
(b) Intangible assets on acquisition represent customer contracts acquired in Laidlaw Educational Services and Laidlaw Transit Services and the Greyhound trade name.
(c) Current assets were valued at the lower of cost or net realisable value.
(d) Current liabilities represent additional liabilities for change of control payments arising on acquisition, environmental reserves, legal reserves, provision for safety-related items and provision for loss-making contracts.
(e) Insurance reserves were established based on advice from third-party Actuaries.
(f) Pension scheme assets and liabilities were valued on an IAS 19 basis by third party Actuaries at date of acquisition.
(g) Deferred tax was provided on all fair value adjustments. In addition provision was made for specific tax risks.
(h) Certain bus leases previously treated as operating leases were reclassified as finance leases.

Laidlaw International, Inc contributed $1,732.9m of revenue and $169.3m of adjusted operating profit in the period between the date of acquisition and the balance sheet date.

If the acquisition of Laidlaw International, Inc had been completed on the first day of the financial year, group revenues for the period would have been $3,242.1m and adjusted operating profit would have been $289.9m based on actual results since acquisition and Laidlaw management accounts for the six months prior to acquisition reflecting where appropriate fair value adjustments.

20. Notes to the consolidated cash flow statement

	2008 £m	2007 £m
Operating profit before profit/(loss) on disposal of properties	**261.7**	207.3
Adjustments for:		
Depreciation charges	**200.7**	139.7
Impairment of fixed assets	**5.4**	-
Amortisation of intangible assets	**18.9**	10.3
Share-based payments	**4.2**	3.2
Loss on disposal of plant and equipment	**1.4**	1.9
Operating cash flows before working capital	**492.3**	362.4
Increase in inventories	**(7.7)**	(8.8)
Decrease/(increase) in receivables	**6.2**	(25.8)
(Decrease)/increase in payables	**(20.0)**	40.1
Cash generated by operations	**470.8**	367.9
Corporation tax paid	**(6.7)**	(5.5)
Interest paid	**(93.9)**	(62.3)
Interest element of finance lease payments	**(4.4)**	(4.6)
Net cash from operating activities	**365.8**	295.5

21. Subsequent events

On 14 May 2008 we announced our intention to raise funds with the issue of equity from a placing of shares representing a maximum of approximately 9.99% of the Group's current issued share capital. The proceeds of the placing will be used to refinance, in part, debt raised to finance the acquisition of Laidlaw, which was announced on 9 February 2007, and which completed 1 October 2007. The effect of the issue will be to strengthen the capital structure of the Group, at a time when it continues to invest for growth and enhance shareholder value.

Subsequent to the balance sheet date, the company entered into two new term loan facilities totalling $450m US Dollars. The purpose of these facilities is to partially prepay the $2,250m US Dollar term loan due February 2010, thus improving the company's debt maturity. The two new facilities have a term of five years with equal annual instalments payable at the end of the last three years.