

FIRSTGROUP PLC
PRELIMINARY RESULTS
FOR THE YEAR TO 31 MARCH 2009

- **STRONG PERFORMANCE FROM RESILIENT, BALANCED PORTFOLIO OF OPERATIONS**
 - Delivered results in line with expectations despite weaker economic backdrop
 - Group revenue up 31.4% and adjusted operating profit up 38.2%
 - EBITDA growth to £772.2m up 37.7%
 - Adjusted basic EPS 48.6p up 18.8%
 - Unique strengths of Group - 50% of revenues contract backed while revenue support in UK Rail provides substantial mitigation to the weaker economy
 - Strong cash generation
 - Successful refinancing achieved - funding through to 2012 now in place
- **COST MANAGEMENT – ALREADY TAKEN SIGNIFICANT ACTION, REMAINS KEY FOCUS**
 - Actions already taken will deliver £200m savings in 2009/10
 - Fuel hedge cost increase to absorb in 2009/10, set to recover in 2010/11
- **NORTH AMERICA >80% EARNINGS CONTRACTED, GROWING ORDER BOOK \$11.5BN**
 - Laidlaw acquisition successfully integrated - \$150m p.a. synergy targets achieved early
 - Student:
 - Delivered margin improvement to 12.6% and contract retention over 90%
 - New business wins targeting 1,000 buses supported by unique scale and economies
 - Transit:
 - Margin improvement to 7.6%, new paratransit and shuttle bus contract wins
 - Greyhound:
 - Improved year-on-year profitability and cash generation, less than 10% Group EBIT
 - Highly flexible operating model - rapid response to changing demand has maintained revenue per mile
- **UK BUS – STRONG REVENUE AND VOLUME GROWTH**
 - Continued strong, resilient performance, passenger revenues up 7%, volumes up 2%
 - Flexible operating model, can quickly match supply to any changing demand
- **UK RAIL – CONTINUED REVENUE GROWTH, UNIQUE STRENGTH OF OUR FRANCHISES**
 - Passenger revenue growth 7.7%
 - Continued revenue growth albeit at slower rate - implemented substantial cost reduction programme
 - Significant downside protection through revenue support

FINANCIAL SUMMARY 2008/09

- Revenue **£6,187.3m** (2008: £4,707.6m)
- Adjusted operating profit¹ **£497.5m** (2008: £360.1m)
- Operating profit **£371.1m** (2008: £267.5m)
- Adjusted EBITDA² **£772.2m** (2008: £560.8m)
- Adjusted profit before tax¹ **£326.4m** (2008: £249.0m)
- Profit before tax **£200.0m** (2008: £151.9m)
- Adjusted basic earnings per share¹ **48.6p** (2008: 40.9p)
- Basic earnings per share **30.2p** (2008: 27.7p)
- Interest cover³ **4.5x** (2008: 5.0x)
- Dividend per share **18.75p** (2008: 17.05p)
- Net debt⁴ at 31 March 2009 **£2,503.5m**⁵ (2008: £2,161.0m)

¹ Before amortisation charges, non-recurring bid costs, other non-recurring items and profit on disposal of properties, as shown in the consolidated income statement on p.28.

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.

⁵ After adverse foreign exchange movements of £614.9m.

⁶ Results for the year to 31 March 2009 include a full year contribution from Laidlaw International, Inc. acquired on 1 October 2007

Commenting, FirstGroup's Chief Executive, Sir Moir Lockhead said:

"I am delighted to report another excellent set of results in line with our expectations. The Group has delivered a robust performance during the year despite a turbulent macro-economic backdrop. Across all of our operating divisions we have delivered revenue growth supported by our focus on safety, improved operational performance and customer service.

"The continued strength and resilience of the Group is the result of our strategy to build a balanced portfolio of operations. The Group continues to benefit from a diverse revenue stream which is balanced between contract-backed and passenger revenues. It is this diversity that underpins the strength and resilience of the Group and mitigates the impact of an uncertain economic environment. Within our large contract-backed businesses, which account for 50% of Group revenues, we have clear visibility of revenues despite the challenging and fast changing economic conditions. In those areas of the business that are dependent on passenger revenue we have already taken action to implement a significant programme to reduce costs, match supply to demand and ensure that the Group has a robust and efficient base on which to continue to deliver long term, profitable growth.

"During the year we made excellent progress in implementing our refinancing strategy to reduce reliance on bank debt and extend the maturity profile of the Group's debt and I am pleased to report we have achieved financing through to 2012. The actions we have taken will ensure that the Group is well placed to deliver its plans for cash generation and to reduce net debt.

"Looking ahead, no business can regard itself as completely immune from the global economic downturn and across the sector there will be challenges to overcome. However our diverse mix of businesses, together with the management actions we have already started to implement, will stand the Group in good stead to continue to build on its market leading position and will ensure that, not only are we well placed to withstand the economic headwinds, but to continue to deliver a strong operating and trading performance. While it is still early in the new financial year, overall the Group has continued to trade well and broadly in line with our expectations."

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**A CONFERENCE CALL OF THE PRESENTATION TO ANALYSTS WILL BE HELD AT 9:00AM FOR DETAILS
PLEASE CONTACT FIRSTGROUP ON TEL: 020 7291 0507**

**PHOTOGRAPHS FOR THE MEDIA ARE AVAILABLE, PLEASE CONTACT FIRSTGROUP ON
TEL: 020 7291 0507**

NOTES TO EDITORS:

FirstGroup plc is the leading transport operator in the UK and North America with annualised revenues of over £6 billion a year. We employ approximately 136,000 staff and transport some 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 some 285 million 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 nearly 28 million passengers a year.

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 coach 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 some 22 million passengers annually.

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

Chairman's statement

I am delighted to report another strong performance from the Group delivering continued growth and solid results despite the more challenging economic backdrop. While the current macro-economic conditions present short term challenges they also highlight the strength and resilience of our business. As a result of our strategy to build a balanced portfolio of operations we now have some 50% of Group revenues secured under medium term contracts providing a visible revenue stream and insulation against a fast changing economic environment. Our strategy to deliver long term sustainable growth in the UK and North America has ensured that the Group is not solely dependent on one market or operating division.

We have a clear strategy to provide safe, high quality and reliable services and deliver profitable growth in our core markets. Our twin objectives of safety and customer service are at the heart of business and underpin everything we do. There is no higher priority than the safety and security of our passengers and our staff and therefore I am pleased that we continue to find ways to engage with our employees in this key area and make further strides with our industry-leading initiatives and programmes.

Across the Group we have taken action to reduce our cost base giving us the ability to respond quickly and dynamically to changing market conditions and ensuring that the business remains robust in this more challenging economic environment. I am pleased to report that we have made excellent progress in implementing our refinancing strategy during the year. In April 2009 we announced the successful launch of a £350m 12-year bond, which was more than 50% oversubscribed, demonstrating the strength of the Group and the continued support from fixed income investors. The bond launch represented further progression of our strategy to reduce reliance on bank debt and extend our average debt maturity profile.

Across our business trading has been strong. Adjusted basic earnings per share increased by 18.8% to 48.6p (2008: 40.9p). The Board is recommending a final dividend, subject to approval by shareholders, of 12.7p making a full year payment of 18.75p, an increase of 10%. It will be paid on 21 August 2009 to shareholders on the register on 17 July 2009. In line with the Board's previously stated dividend commitment, this is now the fifth consecutive year that we have increased dividends by 10%, representing an increase of £8.2m in the year on a like for like basis and is supported by strong performance in the year from the Group's resilient and stable portfolio of operations.

During the year we further strengthened the Board with the announcement of four new appointments. In January 2009 Nicola Shaw was appointed to the Board as Director responsible for Bus in the UK, Ireland and Germany. Having joined the Group in 2005 she was previously Managing Director UK Bus and has led the focus on service quality and operational performance that underpins the strong growth achieved by the division.

Tim O'Toole and Colin Hood joined the Board as Independent Non-Executive Directors in May 2009. They both bring significant experience together with a strong track record of achievement in their respective industries and I am confident they will make a significant contribution to the Group.

David Dunn and Jim Forbes will retire as Independent Non-Executive Directors at the Annual General Meeting in July having joined the Board in December 1999 and April 2000 respectively. On behalf of the Board I would like to thank David and Jim for their contribution as Non-Executive Directors during which time the Group has benefited from their independent judgement, experience and support.

Jeff Carr will join the Board as Finance Director. Jeff joins from easyJet plc where he has been Group Finance Director since 2005. He is expected to join the Group in September 2009. His financial leadership, extensive background in consumer facing companies and international

experience, particularly in North America, will be of great benefit to the Group and its continued successful development.

On behalf of the Board I would like to thank Nick Chevis for his contribution as Acting Finance Director during which time he has ensured the continuation of strong financial control and leadership and the Group has successfully implemented its refinancing strategy against a challenging economic backdrop.

David Leeder stepped down from the Board in September 2008 to pursue alternative business interests. I would like to thank David for his contribution to the Group over seven years initially as Managing Director UK Bus and latterly as International Development Director.

Dean Finch, Chief Operating Officer, left the Group at the beginning of May 2009 to take up the role of Chief Executive of Tube Lines. I would like to thank Dean for his unique contribution to the development of the Group over the past 10 years and wish him every success in his new role.

The Group's continued success is achieved only by the hard work and dedication of our employees. On behalf of the Board I would like to thank all of our staff across the Group for their continued commitment to providing safe, high quality and reliable services.

Looking ahead the Group continues to benefit from a diverse revenue stream that is well balanced between contract-backed and passenger revenues. The strength of our order book in North America demonstrates the success of our strategy to expand our presence in this large, resilient, contract-backed transportation market. In those areas of our business that are less immune to economic downturn we have taken swift and decisive action to reduce costs and to closely match supply to demand to ensure that we remain in a strong position to continue to deliver profitable growth.

While no business can be immune from this recessionary environment the Board is confident in the underlying strength of the business and that the Group is well positioned to withstand the current economic headwinds and to deliver long term, sustainable growth.

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 on disposal of properties. EBITDA is adjusted operating profit plus depreciation.*

Chief Executive's operating review

OVERVIEW

Safety

Ensuring the safety and security of our passengers and employees is the driving force at the heart of our business and it forms the basis of everything that we do. We have made great advances in achieving our aim of embedding a rigorous culture of safety throughout the Group. During the year I am pleased to report that we made further advances in this key area and continue to implement industry-leading safety initiatives. However, this is an area where we constantly strive to find new ways to improve and enhance our processes. I am pleased to report that during the year lost time injuries reduced by 26%. I was delighted to receive the Green Cross Safety Award from the National Safety Council in the US in April 2009, in recognition of our commitment to health and safety in the workplace. Despite the good progress we have made we are never complacent in working towards the goal of finding the safest possible way of conducting our business for our passengers and staff. Further details of our safety initiatives and achievements during the year can be found on our website www.firstgroup.com

Results

I am delighted to report another year of strong trading across the Group, despite a weaker economic backdrop, with results in line with our expectations. The results incorporate a full year of the enlarged North American operations compared to only six months contribution last year. Group revenue increased by 31.4% to £6,187.3m (2008: £4,707.6m). Adjusted operating profit rose to £497.5m (2008: £360.1m) an increase of 38.2%. The Group operating margin increased to 8.0% (2008: 7.6%). Profit before tax increased by 31.7% to £200.0m (2008: £151.9m). We achieved record adjusted EBITDA (adjusted operating profit plus depreciation) of £772.2m (2008: £560.8m) an increase of 37.7%. This continued strong performance, together with a focus on cost control and budgetary discipline, has enabled us to continue to deliver our cash generation targets which will be applied to reduce net debt.

NORTH AMERICA

The Group is the leading provider of transportation services in North America. First Student is the largest provider of student transportation with approximately 60,000 yellow school buses operating every day across the US and Canada. We operate a transit contracting and management business in North America and a vehicle fleet maintenance and support services division. More than 80% of earnings from our North American business are contract backed providing substantial visibility and stability with no exposure to passenger demand.

Results

Revenue from our four businesses of Student, Transit, Services and Greyhound was £2,866.5m or \$4,853.0m (2008: £1651.1m or \$3,319.0m). Operating profit increased to £294.6m or \$483.5m (2008: £139.5m or \$280.3m) representing an increase of 72.5% at constant exchange rates. The results incorporate a full year of the enlarged North American operations compared to only six months contribution last year.

During the year we successfully integrated the contract business operations of our Laidlaw acquisition into FirstGroup America. I am delighted with the excellent progress made in delivering this considerable task in accordance with our plans and in securing the synergies from the combined operations. I am pleased to report that our target \$150m per annum run rate was achieved during the first half of the year, ahead of our original estimates.

In addition to driving out the considerable cost synergies the focus for our North American contract businesses of Student, Transit and Services has been to ensure consistency of

customer service, operational excellence and contract retention during the integration process and during this period of consolidation.

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. The school bus market in the US and Canada is estimated to be worth approximately \$22bn per annum. With government mandates for schools to provide transportation for students, contracts are typically between three and five years. This stable business comprises a large number of individual contracts, which in previous periods of economic downturn or instability, has remained resilient. I am pleased to report that our focus on customer service and operational performance has delivered another year of strong retention with First Student retaining over 90% of contracts that came up for renewal.

During the year US Dollar revenue increased by 41.4% and operating profit by 57.3% and our continued focus on improving profitability resulted in a strong increase in the operating margin to 12.6% (2008: 11.3%).

Within First Student, we have reviewed areas for potential cost reduction and implemented a restructuring programme that will deliver further savings across our enlarged school bus business. This restructuring allows us to reduce headcount within central functions at First Student while ensuring that our front line operations remain focused on customer service and delivery.

The scale of our operations and the significant cost efficiencies we can achieve have supported our success in the most recent school bus bid season. We are pleased to have won new contracts during the bid season to operate school buses on behalf of new customers in states including Kansas, Illinois and Ohio. In addition we were pleased to secure the first 'state-wide' contract in Rhode Island. During the period we also successfully retained a number of contracts in states including Oregon, California and Indiana.

As we indicated in our half-yearly report, we have experienced a marked increase in the number of 'expressions of interest' received from school boards in respect of outsourcing school transportation. We believe this reflects the current economic climate and pressures on public spending which is leading a number of school boards to tender their transportation or commence dialogue with private operators. First Student can deliver significant savings to customers as a result of our scale and expertise and we continue to pursue the opportunities this current recessionary environment presents. We have a dedicated and experienced team who are actively progressing opportunities to increase our share of the market that is currently 'in-sourced' and have established a solid platform from which to develop this pipeline of potential new business. In our experience the shift from 'in-sourced' to 'outsourced' can be slow to materialise however, we are encouraged by the steady stream of new contract awards to operate buses in states including Michigan and California that were previously operated within the public sector.

We continue to create opportunities to expand our services by increasing the range of products we offer customers. We were pleased to win new business to operate charter bus services, where school buses are hired for 'charter journeys' such as day trips or after school activities, including the provision of spectator transport to the Senior PGA Open, the US Women's Open Championship and the National Avon Walk for Breast Cancer.

First Transit and Services

First Transit delivered a further year of successful growth with US Dollar revenue increased by 31.8% and operating profit by 71.1% and continued to improve their operating margin.

I am pleased to report that during the period we continued to win new business and increase our share of the outsourced transit market with the award of new contracts. In keeping with our strategy to grow our presence in the higher margin paratransit and shuttle bus businesses we were pleased to win contracts to operate paratransit services in Philadelphia and New Jersey. In addition we were awarded the contract to provide shuttle bus services at the prestigious Princeton University in New Jersey. Contract retention remained strong at approximately 92% with a number of contracts renewed in states including Colorado and California.

First Services revenue grew by 4.7% during the year and as previously indicated in our half-yearly report, operating profit was impacted by the loss of a legal dispute and additional costs incurred in respect of a small number of contracts that expired during the period.

During the period we were pleased to be awarded the contract to become the sole provider of vehicle maintenance to DHL. This new contract builds on the strong track record of performance we had achieved as one provider, among several, who previously maintained fleet for DHL.

A continued focus on customer service led to First Services being awarded a number of accolades during the year including 26 of the fleets maintained by First Vehicle Services being named among the 'Top 100 Fleets in North America' by Government Fleet Magazine and our Vehicle Services locations in Longview, Texas and Claremore, Oklahoma achieved the Blue Seal Award from the National Institute for Automotive Service Excellence.

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 some 22 million passengers annually.

Greyhound, which contributes less than 10% of Group operating profit, experienced reduced revenue from the third quarter of the year as a result of the marked deterioration in the fast changing US economy. Revenue from our first full year of ownership of Greyhound increased to £642.4m or \$1,114.0m (2008: £280.8m or \$565.8m) and operating profit rose to £48.5m or \$91.7m (2008: £8.8m or \$17.7m) representing a full 12 months contribution compared to six months in the previous year.

The unique qualities of Greyhound, in particular the highly flexible business model, have enabled us to take swift and decisive action to mitigate the impact on profitability. Approximately 60% of the cost base is variable which has enabled us to rapidly match the supply to demand. We have reduced mileage by 7.6% in the US and in Canada, where we have to seek regulatory approval prior to network changes, we have reduced mileage by approximately 3.5%. These cost actions have maintained revenue per mile and further reductions are planned as appropriate.

In addition we have taken a number of actions to reduce operating costs including further restructuring of offices and functions. We have integrated a number of central functions from our Greyhound offices in Dallas and in Canada into our FirstGroup America headquarters in Cincinnati and have combined some operations in Canada to one location. As a result of challenging market conditions affecting Greyhound and to ensure the business remains cost efficient, we have implemented a substantial programme to reduce headcount by 1,100 by June 2009.

We have also progressed our plans to decrease indirect costs and to reduce agency commission on ticket sales through rate reductions. We are encouraged by our experience with BoltBus, our low cost, high quality coach operation, where passengers are attracted to our yield managed fares and book their tickets using an online internet reservation system.

In March 2009 BoltBus, operating between its New York hub and three other markets in the North East, celebrated its first anniversary. The response to BoltBus has been extremely positive with monthly revenues exceeding \$1.5m. Since the start up we have carried over 800,000 customers, achieved high average loadings and have introduced a further ten new and six refurbished vehicles bringing the current BoltBus fleet to 49. In May 2009 we launched a new route operating seven services per day from New York to Baltimore and are currently developing opportunities to expand BoltBus into other markets this year.

During the year we ordered 140 new vehicles that will be used to replace old Greyhound fleet and provide additional vehicles for BoltBus services. The new vehicles will enhance operating performance and will also reduce our carbon footprint with improved fuel efficiency.

We are delaying any major capital expenditure programmes while the economy remains weak and will continue to implement further actions to ensure that Greyhound is in a position of strength during this recessionary period. We remain confident that the business now has a solid base on which to continue to deliver profitable growth and strong cash generation.

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 some 285 million passengers per annum.

Results

Our UK Rail division continues to deliver good revenue growth, albeit at a slower rate than last year due to the challenging economic environment. The impact of the weakening economy is reflected across the UK rail industry. The unique position of our rail franchises in relation to revenue support and share mechanisms will considerably mitigate the impact of the recession on our rail revenues. First Great Western has received revenue support at the 80% level from the Department for Transport since 1 April 2008 and First Capital Connect became eligible for revenue support at a similar level on 1 April 2009.

Revenue in the Group's rail division increased by 9.5% to £2,121.5m (2008: £1,937.0m). Operating profit was £94.2m (2008: £120.0m) reflecting the impact of the weakening economy on our rail operations and in particular our franchises serving London. Despite the high fixed cost nature of the rail industry we are committed to a substantial cost reduction programme to ensure that we remain in a position to respond to economic conditions in the year ahead. We have already implemented significant cost efficiency actions this year, including a headcount reduction programme, and will continue to focus on our addressable cost base in the year ahead.

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 deliver improvements in customer service, performance and capacity. In partnership with the Department for Transport, Transport Scotland, Network Rail and other organisations, we are at the forefront of some of the largest long term improvements to the rail network in the UK.

First Great Western

We are pleased with First Great Western's improved performance and customer service but we believe there is more to do and we remain committed to achieving further progress. As a result of our investment and the changes we made last year First Great Western's Public

Performance Measure (PPM) has improved from just over 83% at the start of the year to over 90% at the year end on a Moving Annual Average (MAA) basis. This represents a significant improvement and First Great Western has improved its position from the bottom of the national rail industry league table to be in line with the industry average. First Great Western's punctuality and reliability levels are ahead of the targets we agreed with the Department for Transport in February 2008 as part of an action plan to improve performance.

80% of First Great Western customers interviewed for the Autumn 2008 National Passenger Survey (NPS) thought the overall service was either good or satisfactory. This is a seven point improvement on First Great Western's NPS scores in Spring 2008 and Autumn 2007. Over the next two years all of our first line teams will go through our £4m Putting Customers First development programme that was designed to further increase customer satisfaction levels.

We continue to invest in our fleet to improve our customers' experience of travelling with First Great Western. The refresh of our West Country regional train fleet is almost complete. The programme provides a more comfortable and cleaner on-board environment for passengers and includes a range of technical improvements to make the trains more reliable. We recently completed the development of our St Philips Marsh depot in Bristol to support the maintenance and servicing of the West Country regional fleet. During the year we also invested £2m to refresh the Sleeper fleet which runs between London Paddington and Penzance and leased five Class 150 units from Arriva Trains Wales to strengthen capacity on the busy Cardiff-Portsmouth services. Passengers on branch lines in Devon have also benefited from capacity increases, especially in the Exeter area.

We have continued to deliver better facilities for our customers. Maidenhead station received major improvements and an extension to the platform allowing High Speed Trains to stop during engineering work. We have also created a new waiting room at Swindon station and upgraded facilities at Newbury and Cheltenham. Stations on the Heart of Wessex route have seen substantial improvements including repainting, new shelters and waiting rooms. In addition, car parks at Didcot Parkway, Pewsey, Stroud and Twyford stations have been refurbished. Our franchise commitment to improve safety and security at our stations by rolling out Secure Station status has been met with 171 stations accredited by the end of March 2009.

First Great Western continues to work in partnership with Network Rail to address the challenges posed by the ageing infrastructure on the Western route. We are pleased that the £7m joint investment by First Great Western and Network Rail to upgrade the majority of the Reading to London Paddington relief line to 90mph was completed during the year. The upgrade has increased capacity and improved journey times for passengers in the Thames Valley and on longer distance high speed services.

We are working closely with Network Rail on plans to improve the North Cotswolds Line. This summer Network Rail intends to complete the first phase of engineering works in preparation for the restoration of a two-track railway between Charlbury and Evesham during 2010. This will ease congestion on the line, help improve punctuality and could also lead to an increase in the number of train services and a reduction in journey times.

First Great Western is also working with the Department for Transport, Network Rail and Reading Borough Council on the £425m Reading remodelling project. The current track layout and signalling severely limits the number of services that can travel through the station and the Government funded programme will tackle this bottleneck. This investment will benefit passengers across the First Great Western network by increasing capacity and improving reliability.

First Capital Connect

In February 2009 the Department for Transport confirmed that our First Capital Connect franchise would be extended until the end of 2012 as a result of successfully achieving our

performance targets during the first three years of operation. This is a great achievement and demonstrates that we have continued to deliver service improvements and improve our performance since the franchise began. In January 2009 First Capital Connect achieved the best ever operational performance on the Thameslink and Great Northern routes with PPM above 92% on a moving annual average basis.

In March 2009 First Capital Connect successfully delivered a new timetable on the Thameslink route. The timetable change created new cross-London routes between First Capital Connect stations north of London and Southeastern destinations in Kent and south east London, almost doubled the number of peak hour trains across London and added over 2,500 more peak hour seats.

The new timetable marks the first milestone in the Government funded £5.5bn Thameslink Programme to increase capacity for passengers travelling to and through London by providing more frequent, new 12 carriage trains and delivering new or improved stations at Farringdon, Blackfriars and London Bridge by 2015. As a result of the Thameslink Programme the Farringdon-Moorgate branch line was permanently closed to passengers and there will be significant disruption for customers until the Programme is completed. However, we successfully raised customer awareness ahead of the timetable changes through a new communication campaign and our initiatives to manage the potential for overcrowding at Blackfriars and Farringdon station, including additional Customer Service Assistants, has helped to mitigate the negative aspects of this major change.

In May 2009 we will implement the recommendations of the Cambridge and Peterborough Capacity Study to address overcrowding on the Great Northern route. Network Rail has successfully completed work to lengthen platforms and upgrade the power supply to enable First Capital Connect to introduce five additional trains and a new timetable which will deliver over 2,500 seats in the morning peak and over 3,000 seats in the evening peak.

First Capital Connect continues to invest in the future success of the franchise. This year we invested £2.2m in extending our Cauldwell Walk depot in Bedford and £1.2m in a new Performance and Training Academy and Simulator Centre at our Hornsey depot that will be used to teach the new drivers required for the Thameslink Programme and help to support our team of 700 drivers. We also opened a new training centre in Kentish Town to deliver induction, customer service and revenue protection training to new recruits. The centre will also offer development programmes and safety training to all of First Capital Connect's employees.

This year First Capital Connect has invested £10.5m in improvement work at our stations. This includes the delivery of accessibility improvements across over 70 stations, including two new bus/rail interchange schemes at Hitchin and Potters Bar stations, as part of the Department for Transport's Access for All initiative. This year we introduced automatic ticket gates at three further stations and have now delivered 15 new gateline schemes since the start of our franchise in April 2006. We also completed the installation of 190 new CCTV cameras, 69 Help Points and 56 additional Customer Information System screens and replaced 96 older screens with Enhanced Display Screens at 16 Thameslink route stations. The screens offer live journey information, London Underground updates and news on service alterations during disruption.

We were delighted to win the London Team of the Year at the National Rail Awards 2008 for our work with British Transport Police to reduce crime and anti-social behaviour on our network. As part of our 'Keeping you safe with us' campaign First Capital Connect has invested in five British Transport Police officers and 24 Police Community Support Officers to patrol our network. A new CCTV Control Centre operated by our staff and a British Transport Police officer now monitors our stations and car parks 24 hours a day.

First ScotRail

In April 2008 the Scottish Government announced its decision to extend our successful First ScotRail franchise for a further three years to November 2014. We were pleased that First ScotRail scored a customer satisfaction rating of 90% in the National Passenger Survey. This is our best ever NPS score, up six percentage points year on year. We continue our efforts to improve customer service and investing in our people is a key part of our commitment. We were delighted to achieve Investor in People accreditation. We also opened new Rail Learning Centres at Dumfries, Ayr, Yoker and Inverness.

During the year First ScotRail achieved a record single period PPM of 94.2%. We continue to improve our reliability and our maintenance depots have made strong progress this year. Our Haymarket depot has recorded a 34% reduction in delay minutes for the Class 170 train fleet.

Passenger growth continues at First ScotRail with additional morning and evening peak express services between Edinburgh and Glasgow and over 400,000 passenger journeys on the new Stirling-Alloa service. The line was opened on 19 May 2008 with an hourly service linking Alloa to Glasgow reconnecting Clackmannanshire to the passenger rail network for the first time in forty years.

First ScotRail introduced a new timetable in December 2008 with the most comprehensive changes to services in a decade. We doubled the frequency of services linking Edinburgh with both Perth and Dundee, reduced journey times and overcrowding on the Edinburgh-Aberdeen route and introduced an hourly service to Inverurie. For the first time ever, both Kyle of Lochalsh and Wick now have four trains a day, all year round, from Inverness.

Service enhancements will continue in the May 2009 timetable with further improvements between Edinburgh and Aberdeen via Fife. In addition, there will be a new, direct morning commuter service from Alloa to Edinburgh and an evening peak return; services between Glasgow Central and Ardrossan Town are being extended to Ardrossan Harbour to provide more robust sailing connections, and other enhancements across Scotland. On 17 May 2009 Laurencekirk station will open, the first new station in the north east of Scotland for almost 25 years.

We continue to invest in improving passenger facilities at our stations. Every First ScotRail controlled station now has a Help Point and during the year we opened a new First Class lounge at Aberdeen station and completed car park extensions for Transport Scotland at Cupar, Stonehaven and Musselburgh stations.

We are delighted that First ScotRail's success has been recognised with a host of awards including Passenger Operator of the Year and Outstanding Personal Contribution at the National Rail Awards and Passenger Operator of the Year and Transport Employee of the Year at the Scottish Transport Awards.

First TransPennine Express

Our First TransPennine Express franchise celebrated its fifth anniversary in February. We continue to deliver passenger growth and this year carried over 22 million passengers on our network.

Performance dipped towards the end of 2008 with delays due to line side cable theft, infrastructure failures in poor weather and unexpectedly high levels of driver sickness. We are working with Network Rail to identify problem areas and restore the previous trend of improving punctuality and reliability.

Our new timetable in December 2008 introduced additional services between Manchester Airport and Edinburgh, earlier morning trains from Manchester to Edinburgh and Glasgow and a new early morning service from Edinburgh to Manchester. We also cut journey times by 20

minutes. The timetable changes also improved service frequencies on Sundays between Newcastle and Manchester Airport and between Manchester and York.

The Secretary of State for Transport, the Rt. Hon. Geoff Hoon MP, officially opened the new third platform at Manchester Airport. Network Rail, Greater Manchester Passenger Transport Executive (GMPTE) and the Northern Way funded the £15m project to deliver additional capacity for customers arriving at the airport and ease pressure on Manchester Piccadilly.

We are working with the Department for Transport on the introduction of additional carriages to the First TransPennine Express network as part of the High Level Output Specification.

First GBRf

We were delighted that First GBRf won the 'Freight Achievement of the Year' award at the National Rail Awards for its performance in the coal sector. First GBRf achieved a five year extension to its contract with British Gypsum for the movement of desulphogypsum from West Burton power station in July 2008 and in October 2008 won new contracts with Bombardier and Wabtec. In April 2009 First GBRf signed a new five year contract with container liner MSC to increase our services from the Port of Felixstowe to five per day. We were delighted to continue our 100% customer retention record with the renewal of a contract in April 2009 to operate and manage the Whitmoor infrastructure terminal in Cambridgeshire, for a further two year term, on behalf of Network Rail. In addition a four year haulage contract to operate infrastructure maintenance trains for Network Rail in Cambridgeshire, Hampshire and Kent was also secured.

First Hull Trains

First Hull Trains continues to achieve passenger growth and carried more than 700,000 passengers in a year for the first time. In May 2008 we added an additional Sunday service from Hull to London King's Cross and during the year replaced our fleet of Class 222 Pioneer trains with Class 180 Adelante trains to deliver more than 50% more capacity for our customers.

We were very pleased that in February 2009 the Office of Rail Regulation approved the continuation of our access rights for seven weekday and five weekend services each way between Hull and London King's Cross until December 2016.

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

This year our UK Bus division delivered a good trading performance. Revenue increased by 7.0% to £1,182.0m (2008: £1,104.9m) as a result of revenue growth initiatives and increased passenger journeys including concessions. Operating profit rose by 9.8% to £134.0m (2008: £122.0m).

The increased operating profit and margin is the result of our improvements in service quality and operational performance, more efficient working practices and investment in new vehicles. Our turnaround strategy has continued to deliver margin improvement at our regional bus operations. Our UK Bus division has significant flexibility to respond quickly to any changing market conditions and we are undertaking a comprehensive cost reduction programme to ensure that we remain resilient in this more challenging economic environment.

During the year we restructured our operating companies in Bradford, Halifax and Huddersfield, Leeds and York into one company to improve efficiency and streamline the business. Since the year end we have also merged our Eastern Counties and Essex operating companies.

Safety and customer service

During the year we completed the rollout of the Smith System Defensive Driving programme to all of our UK Bus operating companies. In addition, all of our UK Bus drivers will complete the Certificate of Professional Competence (CPC) including enhanced safety training. All of our bus drivers will also complete our bespoke customer service training programme as part of the CPC. Our “You are the difference” course, developed in partnership with Bus Users UK, is designed to enhance our customer service by providing first hand experience. We have also introduced a new complaints handling system that captures more accurate and complete data. I am pleased to report that overall, complaints have reduced during the year.

Investment

This year through targeted capital expenditure we invested £77m in new vehicles to support passenger growth, reduce our environmental impact and develop partnership opportunities in our operating companies in Aberdeen, Bradford, Bristol, Eastern Counties, Glasgow, Hampshire and Dorset, Leeds, Manchester, South Yorkshire and York. We also invested £28m in new buses to support contract wins in London.

Our investment in new vehicles and improved maintenance and engineering performance has reduced lost mileage and, together with our continued focus on service delivery, has led to increased punctuality and reliability.

Partnerships

We believe working with local authorities through voluntary quality partnerships is the most effective way to deliver punctual and reliable bus services and increase passenger numbers. Successful partnerships will lead to a reduction in carbon dioxide emission by reducing congestion and car use in our towns and cities. This year we have seen an increase in passenger journeys in many of our operating companies, despite the challenging economic environment.

We published our second Route Development Plan (RDP) in Greater Glasgow during the year with a new leisure route to the coast at Largs, an enhanced service between the city and Glasgow Airport and a new intercity overnight coach service between Glasgow and London. In addition we enhanced our local networks in Govan, Kirkintilloch and Lanarkshire and completed a major initiative to upgrade and rebrand the commuter coach service between Motherwell and Glasgow. Our close working relationship with Glasgow City Council and Strathclyde Partnership for Transport has delivered an increase in passenger numbers and better punctuality and reliability, despite rising traffic congestion for the third year in a row. In April 2009 we submitted a planning application to Glasgow City Council for a major new bus depot and company headquarters for our Glasgow business. If approved, our investment of more than £25m will replace our existing Larkfield site with a new development at Gushetfaulds on Cathcart Road to provide larger and more efficient, modern facilities and enable us to maintain, improve and expand our operations in the Glasgow area.

We introduced 122 double deckers on our high frequency Overground routes between Bolton and Oldham and Manchester to provide additional capacity, reduce congestion and carbon dioxide emissions. We were disappointed with the result of the referendum on the Transport Innovation Fund in December. We believe this was a great opportunity to improve Manchester's transport system to help drive economic development in Manchester and the surrounding regions. We will continue to work in partnership with GMPTE and the local authorities in Greater Manchester to deliver excellent service quality and improved reliability for our customers. In partnership with GMPTE and another operator we are exploring the possibility of introducing new orbital bus routes to serve Greater Manchester.

We are the leading operator on the first Statutory Quality Partnership Scheme in North Sheffield. 80% of our fleet across South Yorkshire is now low floor following our investment in new buses across the region with 58 new buses in Sheffield and new vehicles to operate the

A638 corridor and Park and Ride services in Doncaster. We continue to invest in our people and run training courses in partnership with South Yorkshire Passenger Transport Executive (SYLTE) to improve the skills of our staff including the highly successful Ambassador Training programme. Over the initial two years of the Sheffield Bus Agreement, our voluntary quality partnership with Sheffield City Council and SYLTE, we have fulfilled our commitment to invest in new vehicles and improve driver training. We want to work together on an Agreement that continues to meet the objectives and purpose of the partnership.

In May 2008 the DfT announced £42m to fund the next stage of the Greater Bristol Bus Network. The programme will fund new priority measures such as bus lanes and intelligent traffic signals to minimise delays and improve journey times on 10 new route corridors and also introduce Real Time Passenger Information. We are investing £20m in new vehicles with easy access low floors, lower emissions and improved comfort and cleanliness. The Greater Bristol Bus Network will build on the success of the two existing Showcase routes in improving punctuality and reliability and growing passenger numbers.

We are looking forward to the phased introduction of the "ftmetro" project in Swansea throughout the Summer. The joint £14m investment with the City and County of Swansea is aimed at improving the public transport network in the city by providing a frequent 'turn up and go' service with improved and reliable journey times ensured through vehicles running on segregated 'fast-track' bus lanes wherever possible and with effective priority over other traffic elsewhere.

We have been working together with Hampshire County Council and Transport for South Hampshire on the initial planning of the South East Hampshire Bus Rapid Transit scheme. In March 2009 the Government announced £20m from the Community Infrastructure Fund to support the first phase of the scheme which will provide a new, dedicated route for reliable and frequent bus travel between Gosport and Fareham, reduce congestion and traffic delays and improve access to education and health services, local employment and housing areas, local shopping centres and other important locations.

Interurban services

In August 2008, in partnership with BAA, we upgraded our X30 Aircoach service from Southend to Stansted Airport. The introduction of five new high specification coaches with leather reclining seats, free WiFi internet access, extra luggage space and leg room, wheel chair accessibility and on board up to date travel information added capacity to a popular and fast growing route. In May 2009 we launched our new X40 Aircoach service from Basildon to Stansted Airport, our fourth route from Essex to the UK's third busiest airport.

In October 2008 seventeen new double decker buses were introduced to the flagship Excel X1 route from Lowestoft to Peterborough as part of our Joint Investment Plan with Norfolk County Council and Norwich City Council. The route has grown 15% year on year. Overall, the Joint Investment Plan will deliver a combined investment of £27m over the next few years.

In March 2009 we introduced new coaches on the X11 Lanarkshire Express service between Newmains and Glasgow as part of a package of service improvements including more peak hour journeys to and from Glasgow as well as the introduction of a new return journey from Cleland and Coltness.

In April 2009 we introduced a new half hourly limited stop, express bus service between Leeds and York.

London and other major contracts

We are pleased with new contract wins in London that reflect our ongoing efforts to improve operational performance and increase efficiencies. We were pleased to take over the 195 route from another operator on a short term contract with Transport for London (TfL). We continue to

focus on the quality of our operations and are pleased with our performance in TfL's revised Quality Incentive Contracts.

In partnership with our staff and their representatives we are trialling the GreenRoad system at our Northumberland Park depot. The system evaluates a driver's performance against a range of safety, fuel efficiency and environmental objectives and provides results directly to the driver. If the trial is successful, we plan to roll out the system to all of our operations.

From the end of March 2008 to the beginning of April 2009 we started the new contracts to operate the Chester, Doncaster, Ipswich, Swansea and York Park & Ride services and, with our local authority partners, supported the relaunched schemes with substantial investment in new vehicles.

Working with Government

The Local Transport Act introduced new policies in several important areas that could potentially affect our relationships with local authorities. The Act gives local authorities the power to intervene in local bus markets and to propose new governance arrangements to support more coherent planning and delivery of local transport. Passenger Focus, the statutory rail consumer watchdog, will also represent the interests of bus passengers from Spring 2010. We look forward to working with Passenger Focus this year on its research of bus and coach passenger needs and priorities.

In September 2008 the Yellow School Bus Commission, chaired by the Rt. Hon. David Blunkett MP, published its report into the issue of home to school transport. We welcomed the Commission's recommendations to reduce congestion caused by cars on the school run and bring about an overall increase in the number of children walking, cycling and taking the bus to school.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is fundamental to our business and our objective of sustainable growth. We aim to provide transport services that are safe, reliable, customer focused, innovative and sustainable.

As the leading transport operator in the UK and North America we understand that public transport keeps the economy moving, brings communities together and makes a massive contribution to reducing society's impact on the environment. This year our customers completed over one billion bus journeys and some 285 million rail journeys in the UK. In North America we transported four million children to school every day, operated transit and services contracts for our customers in the public sector and carried some 22 million passengers on our Greyhound intercity coach network. Our services provide opportunities for people to travel to workplaces, to schools, colleges and universities, to utilise essential public services and for leisure. The transport connections we provide are vital to local communities and to the economy. We are committed to do what we can to increase the use of public transport and to tackle the social and economic costs of congestion and climate change.

We published our environment statement in 1998 "to provide an overview of our commitment to environmental management" and we published our first environmental report in 1999. Over the last ten years we have expanded our non-financial reporting as part of our strategy to engage with shareholders and other stakeholders on the non-financial performance of our company. Our full Corporate Social Responsibility Report is available on our website at www.firstgroup.com and we also publish a summary our objectives, activities and how we have performed against our targets.

This year's CSR report is structured around four key areas which are central to our business and to our strategy:

- Minimising our environmental impact
- Valuing our employees
- Delivering our customer service promise
- Our role in the community

Safety and customer service are our core values. Through Injury Prevention, our industry leading safety initiative, we continue to identify and implement measures to provide a safe and reliable high quality transport environment for our employees and our customers. We are committed to a targeted reduction in workplace accidents and this year achieved a 26% reduction in Lost Time Injuries across the Group.

As the leading transport operator in the UK and North America we have a key role to play in reducing the environmental impact of travel and we are committed to reducing our own contribution. In April 2008 all of our UK Bus and Rail division companies achieved ISO14001 accreditation for environmental management systems. We are the first major public transport operator in the UK to achieve this standard. In May 2008 our operations in the UK were accredited under the Energy Efficiency Accreditation Scheme. This leading independent emission reduction award scheme recognises organisations that can demonstrate energy savings through management commitment and investment in energy efficiency measures. We are the first transport company to complete the accreditation since the scheme was extended to include transport emissions. This year we have established new arrangements in North America to monitor energy and water consumption at all of our properties. This allows us to report baseline data for the first time. We have also negotiated total waste management contracts in both our UK Rail and North America divisions and can now monitor waste arising and recycling rates across the Group. We are updating our Climate Change strategy to reflect the work we have undertaken since its launch two years ago. Full details of our Climate Change strategy including our targets for reduction of emissions can be found on our website www.firstgroup.com.

Our employees are central to delivering our core values of safety and customer service. We aim to be the employer of choice in the transport industry and we are committed to building a workforce that is highly motivated, customer focused and proud to work for us. This has been a challenging year for some of our employees as we reshape our business to reflect changing patterns of demand and strive for greater efficiency and cost effectiveness across the Group. However, employee turnover has reduced during the year and, in particular, driver turnover at our UK Bus division has reduced from 31% in 2004/05 to less than 20% this year.

We have an active programme of employee engagement and this year completed employee surveys in each of our operating divisions. The results have been analysed at Group and operating company or site level and have informed our employee programmes with action plans to address low scores. In our UK Rail division, overall employee satisfaction has either improved or remained constant at each of our Train Operating Companies. We were disappointed with the low response to the survey in our UK Bus division but pleased with the high scores for our commitment to safety and learning and development. We conducted some focus groups to gain a better understanding of the low response rate and to obtain feedback on raising the response rate. The survey results were communicated to all Managing Directors with employee posters detailing survey results and management action plans developed specific to each operating company. We were pleased with the response rate in North America and, overall, employee engagement scores were comparable with transport industry benchmarks. The main themes from the results were for improved two way communication, local management training and development of FirstGroup America's rewards programme. We are committed to improving the vocational skills of our employees with particular emphasis on safety and customer service and to improving the availability of learning and development opportunities. We continue to support the UK Government's Skills for Life agenda.

We are committed to delivering our promise to our customers – to meeting our timetable in UK Bus, UK Rail and North America and to fulfilling our commitments in our contracted business in North America. We believe that delivering services that are safe, punctual and reliable will attract more customers to public transport. We continue to make targeted investment to improve our UK Bus fleet introducing new vehicles to increase capacity on busy routes and improve service quality and performance. Our investment in new buses is also improving accessibility by increasing the number of low floor vehicles in our fleet. The number of complaints we receive from our customers is reducing. In UK Rail we are investing in refreshing our rolling stock and, where possible, adding new services to meet high levels of demand particularly in the peak periods. We are pleased with the improvement of First Capital Connect, First Great Western and First ScotRail in the National Passenger Survey. We continue to work with Network Rail to improve the punctuality and reliability of our services and, at the year end, each of our franchised Train Operating Companies recorded Public Performance Measure scores of over 90% on a moving annual average basis.

In our North American contracted business there are different customer satisfaction measures but ultimately we believe that contract retention and our ability to win new contracts are key performance indicators. We are pleased to continue our record of strong contract retention of over 90% in First Student. In addition First Transit and First Vehicle Services also achieved excellent retention rates of over 90%.

Our role in the communities where we operate varies as we provide bus and rail services, we employ large numbers of people, we buy from suppliers and we interact with our neighbours. We are committed to playing a key part in our local communities but sometimes we face conflicting demands from our stakeholders, particularly on issues around accessibility, affordability and the environmental impact of our operations. We have continued our partnership with Save the Children in the UK and have now established a similar relationship with the Children's Miracle Network in North America. Our partnership with Save the Children has raised more than £1m in cash and in kind contributions.

We have also extended our First Football initiative to ten football clubs across the South West. All of our charitable donations are managed through our Charity and Sponsorship Committees in the UK and North America. The Committees are made up of employees and help to ensure that available funds are distributed in a fair and consistent way.

We are committed to developing a leadership position in relation to CSR and to sustainability issues more generally. In September 2008 we established an External CSR Advisory Group to support our work and to provide an external perspective on our current CSR activities and where we are heading in the future.

GROUP OUTLOOK

The continued strength and resilience of Group is the result of our strategy to build a balanced portfolio of operations. The Group continues to benefit from a diverse revenue stream which is balanced between contract-backed and passenger revenues. It is this diversity that underpins the strength and resilience of the Group and mitigates the impact of an uncertain economic environment. Within our large contract businesses, which accounts for 50% of Group revenues, we have clear visibility of revenues despite the challenging and fast changing economy. In those areas of the business that are dependent on passenger revenue we have already taken action to implement a significant programme to reduce costs, match supply to demand and ensure that the Group has a robust and efficient base on which to continue to deliver long term, profitable growth.

During the year we made excellent progress in implementing our refinancing strategy to reduce reliance on bank debt and extend the maturity profile of the Group's debt and I am pleased to report we have financing in place through to 2012. The actions we have taken will ensure that the Group is well placed to deliver its plans for cash generation and to reduce net debt.

Looking ahead, no business can regard itself as completely immune from the global economic downturn and across the sector there will be challenges to overcome. However our diverse mix of businesses, together with the management actions we have already started to implement, will stand the Group in good stead to continue to build on its market leading position and will ensure that, not only are we well placed to withstand the economic headwinds, but to continue to deliver a strong operating and trading performance. While it is still early in the new financial year, overall the Group has continued to trade well and in line with our expectations.

Sir Moir Lockhead

Chief Executive

13 May 2009

Finance Director's review

Overview

The Group has delivered another strong set of results in challenging economic conditions. The strength and resilience of our business is a result of our strategy of building a balanced portfolio of operations. Approximately 50% of Group revenues are supported by medium or long term contracts providing stability against an uncertain economic background. During the year we have taken a significant number of actions across all Divisions and are implementing a plan to reduce costs by more than £200m annually. In our non-contracted businesses we have significant flexibility to manage our cost base which gives the Group the ability to match supply with demand in both our UK Bus and Greyhound businesses. These actions will ensure that the Group remains well placed to deliver a strong operating and trading performance.

The Group continues to generate strong cash flows which are used to enhance shareholder value and pay down debt. Throughout the year we repaid £1,062m of existing short term acquisition debt from new equity of £231m, new medium to long term debt and cash generation. Subsequent to year end we successfully issued a 12 year £350m Bond, the proceeds of which were used to prepay the remaining balance on short term acquisition debt and to reduce drawings under our bank revolving facilities. The Group's debt maturity profile has been significantly improved during the period with the average duration increasing to 4.6 years (2008: 3.5 years). Following the issue of the £350m bond the average debt duration has further increased to 6.0 years. The next major facilities do not fall due until February 2012. Liquidity under committed bank facilities is strong with £583m available at the year end.

The flexible nature of our businesses together with the actions we have implemented on costs and a strong focus on budgetary discipline will ensure that the Group is well placed to deliver our plans for cash generation and to continue to reduce net debt.

Results

Results include a full year contribution from the Laidlaw acquisition compared to only six months last year. Revenue was £6,187.3m (2008: £4,707.6m), an increase of 31.4%. Adjusted operating profit was £497.5m (2008: £360.1m), an increase of 38.2%. Adjusted operating profits and margins were higher at UK Bus, North America and Greyhound which more than offset lower earnings in UK Rail. Profit before tax was £200.0m (2008: £151.9m), an increase of 31.7%. Adjusted basic EPS was 48.6 pence (2008: 40.9 pence), an increase of 18.8%.

Divisional results	Year to 31 March 2009			Year to 31 March 2008		
	Revenue £m	Adjusted operating profit ¹ £m	Operating margin ¹ %	Revenue £m	Adjusted operating profit ¹ £m	Operating margin ¹ %
UK Bus	1,182.0	134.0	11.3	1,104.9	122.0	11.0
UK Rail	2,121.5	94.2	4.4	1,937.0	120.0	6.2
North America	2,224.1	246.1	11.1	1,370.3	130.7	9.5
Greyhound	642.4	48.5	7.5	280.8	8.8	3.1
Other ²	17.3	(25.3)	-	14.6	(21.4)	-
Total Group	6,187.3	497.5	8.0	4,707.6	360.1	7.6

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

² Tram operations, German Bus, central management and other items

UK Bus revenue was £1,182.0m (2008: £1,104.9m), an increase of 7.0%. Operating profit was £134.0m (2008: £122.0m), an increase of 9.8%. Operating margin increased by 0.3% to 11.3%. Overall passenger revenues have remained strong with an increase in like for like revenues of 7.4% year on year with passenger volume growth of approximately 2%. In addition to a strong focus on cost control we are continuing to implement actions within our bus operations to ensure that services match customer demand while continuing to promote bus travel as a good value, environmentally friendly alternative to the car.

UK Rail revenue was £2,121.5m (2008: £1,937.0m), an increase of 9.5%. Operating profit was £94.2m (2008: £120.0m) with the reduction reflecting the franchise bid profiles, lower passenger revenue growth and higher fuel costs. Overall our Train Operating Companies delivered like for like passenger volume and revenue growth of 4.2% and 7.7% respectively. Despite the weaker economy UK Rail is still delivering good revenue growth, albeit at a slower rate than earlier in the year. What differentiates the Group in the current economic climate is that all our franchises will be eligible for support from the DfT in the coming year. FGW is already receiving revenue support at 80%, FCC qualified from 1 April 2009 and we anticipate that it will also receive support at the 80% level. The two high subsidy franchises in the north of the UK benefit from relatively stable subsidy profiles. In addition TPE is currently sharing profit with the DfT and whilst FSR is eligible for revenue support, it continues to trade above its target revenue. These mechanisms provide significant downside protection in this difficult economic environment. Although there is a high fixed cost base in the rail industry we have implemented cost reduction measures in the addressable cost base which, together with the revenue support and share mechanisms in place across our franchises, will substantially mitigate the impact of a weakening economy on our rail operations.

North American revenue (excluding Greyhound) was £2,224.1m or \$3,739.0m (2008: £1,370.3m or \$2,753.2m) representing an increase of 62.3% or 35.8% at constant exchange rates. Operating profit was £246.1m or \$391.8m (2008: £130.7m or \$262.6m), an increase of 88.3% in Sterling terms or 49.2% at constant exchange rates. Margin improved by 1.6% to 11.1%. We reached our annualised synergy target of \$150m in the first half of the year which was significantly ahead of the acquisition model. These synergies together with our margin improvement plans saw the First Student margin improve by 1.3% to 12.6%. Our focus on customer service and operational performance ensures that we remain on course to retain over 90% of First Student contracts that are up for renewal and we remain optimistic about further conversion opportunities. First Transit delivered a further year of successful growth and improved margins but results at First Services were impacted by the loss of a legal dispute and additional costs on a small number of contracts nearing the end of their respective terms, which have now been rectified. The vast majority of non-Greyhound revenues are derived from a contracted base which limits exposure to changes in passenger revenues.

Greyhound revenue was £642.4m or \$1,114.0m (2008: £280.8m or \$565.8m) and operating profit was £48.5m or \$91.7m (2008: £8.8m or \$17.7m). Again this year represents a full year of the Greyhound business compared with only six months last year. The results, which represent just under 10% of Group adjusted earnings, demonstrate the seasonal nature of this business where the majority of profit is generated in the first half of the year over the busier summer months. Greyhound's highly flexible business model, with approximately 60% of the cost base being variable, has enabled us to rapidly match supply to demand and to take out mileage as necessary during the second half of the year as the number of passenger journeys taken in North America reduced due to the adverse economic conditions. The mileage reductions together with the significant cost actions we have taken will ensure that the business is well placed during the current recession.

Non-recurring items and amortisation charges

	2009	2008
	£m	£m
North American integration costs	70.1	55.5
Fuel hedge ineffectiveness	23.1	-
UK Rail restructuring costs	10.3	16.8
North American restructuring costs	9.9	-
UK Bus restructuring costs	2.1	-
European bid costs	3.5	3.7
UK Rail bid costs	-	3.5
Short term bank facility costs	-	4.5
Total non-recurring items	119.0	84.0
Amortisation charges	33.1	18.9
	152.1	102.9
Profit on disposal of properties	(25.7)	(5.8)
	126.4	97.1

North American integration costs

These reflect costs directly attributable to the integration of Laidlaw:

	2009	2008
	£m	£m
Redundancy and staff related costs	17.3	11.5
IT costs	15.3	5.6
Legal and professional costs	14.8	16.5
Greyhound	-	1.9
Safety expenses	9.0	3.0
Rebranding costs	3.1	2.2
Relocation of offices	2.9	5.0
Provision for excess buses	-	5.4
Other integration costs	7.7	4.4
	70.1	55.5

The integration costs of £70.1m were incurred principally in the generation of synergies. Redundancy and staff related costs reflect severance payments, relocation expenses, retention bonuses and travel expenses. IT costs comprise primarily the costs of systems integration. Legal and professional costs comprise consultants and legal fees involved in planning and managing the integration. Safety expenses include the costs of bringing the former Laidlaw businesses into line with FirstGroup standards and rebranding costs relate primarily to buses and signage. Relocation of offices reflects the remaining lease costs of premises which were closed down during the integration process.

Fuel hedge ineffectiveness

Fuel volumes for 2009/10 were hedged at fixed rates prior to the full impact of the economic downturn being known. As a result of necessary mileage reductions across the business, particularly in UK Bus and Greyhound, the Group's fuel requirements for 2009/10 will be lower than the original volumes hedged. Accordingly, this element of the fuel volume will not qualify for hedge accounting and a one-off charge of £23.1m has been provided based on our latest estimates of fuel usage for 2009/10. This charge comprises UK Bus £7.4m, UK Rail £2.4m and Greyhound £13.3m.

UK Rail restructuring costs

UK Rail non-recurring costs of £10.3m (2008: £16.8m) were incurred during the year reflecting principally redundancy and associated costs in relation to the cost reduction action plan. The

2008 non-recurring costs represented the one-off costs directly associated with the First Great Western remedial action plan.

North American restructuring costs

The restructuring costs of £9.9m (2008: nil) consist primarily of severance and relocation in relation to the cost reduction action plan.

UK Bus restructuring costs

UK Bus restructuring costs of £2.1m (2008: nil) were incurred during the year comprising redundancy and associated costs in relation to the cost reduction action plan.

European bid costs

Bid costs of £3.5m (2008: £3.7m) represent the non-recurring costs of bidding for contracts and potential acquisitions in Germany and other European countries. Following the conclusion of our current European bidding activity we do not anticipate any further activity in the coming year.

UK Rail bid costs

Bid costs of £nil (2008: £3.5m) were incurred during the year. Last year's bid costs were spent on our unsuccessful bid for the InterCity East Coast franchise.

Short term bank facility costs

Short term bank facility costs of £nil (2008: £4.5m) were incurred during the year. Last year a short term facility was taken out as part of the Laidlaw acquisition. Due to the short term nature of this facility, the arrangement fee and other associated costs were treated as a non-recurring item.

Amortisation charges

The charge for the year was £33.1m (2008: £18.9m) with the increase mainly due to a full year charge for amortisation of contract and trade-name intangibles arising on the Laidlaw acquisition as well as the impact of foreign exchange movements.

Profit on disposal of properties

A profit on disposal of properties of £25.7m (2008: profit of £5.8m) was recorded during the year. The principal disposals were the UK Bus depot relocation in Southampton and a Greyhound site in Seattle in the US.

Finance costs and investment income

The net interest charge was £171.1m (2008: £111.1m) with the increase due to a full year of higher debt levels following the Laidlaw acquisition and the impact of the strengthening of the US Dollar which were partly mitigated by lower interest rates on US Dollar denominated debt. The net interest charge is covered 4.5 times (2008: 5.0 times) by adjusted earnings before interest, tax, depreciation and amortisation (EBITDA).

Tax

The tax charge on profit before amortisation charges, non-recurring bid costs, other non-recurring items and profit on disposal of properties was £81.6m (2008: £58.2m) representing an effective rate of 25.0% (2008: 23.4%). Tax relief on non-recurring bid costs and other non-recurring items, a tax credit on US intangible amortisation and a one-off deferred tax amount of £15.2m due to the abolition of Industrial Buildings Allowances (2008: one-off tax credit of £8.6m arising on the reduction in the UK corporation tax rate from 30% to 28%) reduce the tax charge to £43.0m (2008: £18.6m). Including these one-off items, the Group's effective tax rate was 21.5% (2008: 12.2%).

The actual cash tax paid by the Group was £8.9m (2008: £6.7m). The UK tax paid was low principally due to pension and interest payments. It is anticipated that the tax to be paid for 2009/10 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 should remain low for the medium term.

Dividends

The final dividend of 12.70 pence (2008: 11.55 pence) per ordinary share together with the interim dividend of 6.05 pence (2008: 5.50 pence) per ordinary share, gives a full year dividend of 18.75 pence (2008: 17.05 pence), an increase of 10.0%. In accordance with IFRS the final dividend has not been provided for in the 2009 balance sheet. The final dividend will be paid on 21 August 2009 to shareholders on the register of members at the close of business on 17 July 2009.

EPS

Adjusted basic EPS, before amortisation charges, non-recurring bid costs, other non-recurring items and profit on disposal of properties, was 48.6 pence (2008: 40.9 pence), an increase of 18.8%. Basic EPS was 30.2 pence (2008: 27.7 pence), an increase of 9.0%.

Cash flow

We continue to generate strong cash flows. Cash generated by operations increased to £639.7m (2008: £470.8m) as a result of higher EBITDA noted below being partially offset by a higher cash spend on non-recurring items.

EBITDA for the year was £772.2m (2008: £560.8m) up 37.7%, driven by North America up 57.8% in US Dollar terms and 75.2% in Sterling. EBITDA and capital expenditure by division is set out below:

	Year to 31 March 2009				Year to 31 March 2008			
	Revenue £m	EBITDA £m	EBITDA %	Capital expenditure £m	Revenue £m	EBITDA £m	EBITDA %	Capital expenditure £m
UK Bus	1,182.0	205.4	17.4	109.4	1,104.9	193.5	17.5	72.9
UK Rail	2,121.5	137.2	6.5	53.2	1,937.0	148.7	7.7	106.1
North America	2,224.1	374.2	16.8	178.8	1,370.3	213.6	15.6	81.5
Greyhound	642.4	76.6	11.9	4.0	280.8	22.6	8.0	6.8
Other	17.3	(21.2)	-	5.7	14.6	(17.6)	-	2.8
Total Group	6,187.3	772.2	12.5	351.1	4,707.6	560.8	11.9	270.1

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

Capital expenditure and acquisitions

Overall net cash capital expenditure before acquisitions of businesses was £351.1m (2008: £270.1m). This includes buses acquired using finance leases, in North America, of £85.6m (2008: £nil) and is net of property and bus disposals proceeds of £54.7m (2008: £32.5m). Capital expenditure in UK Bus increased by £36.5m due to a higher number of bus purchases. During the year 692 (2008: 394) buses were purchased principally in London, Manchester and South Yorkshire. UK Rail capital expenditure was £52.9m lower due to reduced commitments under the FGW and FCC franchises. For UK Rail this was the last year of major franchise commitments and capital expenditure will revert to maintenance levels going forward. North American capital expenditure increased principally as a result of a full year of the acquired Laidlaw businesses.

Disposal proceeds include £37.1m (2008: £10.5m) from property disposals relating to the relocation of the UK Bus depot in Southampton and a Greyhound property in Seattle. In the prior year disposal proceeds related mainly to a UK bus depot in London. Due to the flexible characteristics of our capital expenditure, in the current economic climate, we intend to reduce capital expenditure to maximise cash generation.

During the year the Group acquired one small UK Bus operation and one yellow school bus business. The total consideration for these acquisitions including debt assumed was £7.8m (2008: £1,475.0m). The prior year amount related principally to the Laidlaw acquisition.

Funding and risk management

At the year end, total bank borrowing facilities amounted to £2,401.6m (2008: £2,471.5m) of which £2,328.2m (2008: £2,394.6m) is committed. Of these committed facilities, £1,745.2m (2008: £1,807.4m) were utilised at 31 March 2009 leaving committed headroom of £583.0m (2008: £587.2m).

During the year the Group implemented its funding strategy to reduce refinancing risk. This has been achieved through an equity placing and long term bond issues as well as new bilateral bank facilities, all of which were used to prepay short term acquisition debt. As a result at 31 March 2009 the Group's average debt maturity was 4.6 years (2008: 3.5 years). Subsequent to the issue of the £350m bond in April 2009 the Group's average debt maturity further increased to 6.0 years. The next main facilities fall due in February 2012 and are largely with our relationship banks.

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 risk management purposes only.

Interest rate risk

The Group reduces exposure by using a combination of fixed rate debt and interest rate derivatives to achieve an overall fixed rate position over the medium term of between 75% and 100% of net debt. At 31 March 2009 94% (2008: 89%) of net debt was fixed and in excess of 90% of net debt is fixed for 2009/10 and 2010/11.

Commodity price risk

Fuel as a percentage of revenues is approximately 10% of UK Bus, approximately 8% of North American school bus, approximately 11% of Greyhound and less than 5% of UK Rail.

In the UK, crude oil costs were hedged at an average rate of \$76 per barrel in 2008/09. At the end of the year we have hedged 100% of our "at risk" UK crude requirements for 2009/10 (2.6m barrels p.a.) at \$111 per barrel and 63% of our 2010/11 requirements at \$77 per barrel.

In North America crude costs were hedged at an average rate of \$84 per barrel in 2008/09. At the end of the year we have hedged 100% of the "at risk" volume for 2009/10 (2.0m barrels p.a.) at \$116 per barrel. In addition we have hedged 58% of 2010/11 "at risk" volumes at \$94 per barrel.

Fuel cost increases which will be incurred in 2009/10 are anticipated to reverse in 2010/11.

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. US Dollar earnings arising in the US are largely protected by US Dollar denominated costs incurred in the UK, principally UK fuel costs and US Dollar interest costs so that exposure to EPS on a year to year basis is not material.

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 2009 foreign currency net assets were hedged 81% (2008: 84%).

Derivative hedging instruments movements

In accordance with the Group risk management policy, in order to achieve a significant degree of fixed price protection, the Group increased hedging to 100% of its fuel price exposure in the UK and North America for 2009/10 during the period to 30 September 2008. Details of this hedging are set out above. Since September 2008, the price of crude has decreased to approximately \$52 per barrel at 31 March 2009. This is the principal reason for the £539.6m of adverse derivative hedging movements impacting the Group's Consolidated Statement of Recognised Income and Expense in the year, representing £393.8m of the movement. Of this amount, £328.8m will be recycled in future years to the income statement as the fuel is consumed. The fuel derivative contracts do not contain obligations for collateral to be provided to counterparties.

The remainder of the £539.6m movement relates to the impact of cross-currency swaps designated as net investment hedges and interest rate swaps. This movement is due to the weakening of Sterling against US Dollar and lower US Dollar interest rates in the period.

Net debt

Our US Dollar debt and subsequent interest payments are supported by strong US Dollar cash flows from our North American businesses. Net debt increased over the year by £342.5m. This increase was mainly due to the weakening of Sterling, in particular against the US Dollar, which increased the Sterling value of foreign currency denominated debt by £614.9m. This was partly mitigated by the net proceeds of the share placing in May 2008 of £230.8m. Excluding these two items, underlying net debt reduced by £51.1m over the year.

The Group's net debt at 31 March 2009 was £2,503.5m and was comprised as follows:

Analysis of net debt	2009	2009	2009	2008
	Fixed	Variable	Total	
	£m	£m	£m	£m
Cash	-	109.7	109.7	76.3
Rail ring-fenced cash and deposits	-	184.8	184.8	156.3
Other ring-fenced cash and deposits	-	28.0	28.0	9.7
Bond (2013 6.875%) ¹	(296.9)	-	(296.9)	(296.6)
Bond (2018 8.125%) ²	(364.9)	-	(364.9)	-
Bond (2019 6.125%) ³	-	(305.9)	(305.9)	(216.9)
Sterling bank loans	-	(117.8)	(117.8)	(201.6)
US Dollar bank and other loans ⁴	-	(1,350.4)	(1,350.4)	(1,448.5)
Canadian Dollar bank and other loans	(1.5)	(121.4)	(122.9)	(101.8)
Euro bank loans ⁴	-	(27.8)	(27.8)	(19.6)
HP and finance leases	(100.6)	(128.3)	(228.9)	(103.2)
Loan notes	(8.7)	(1.8)	(10.5)	(15.1)
Interest rate swaps	(1,571.2)	1,571.2	-	-
Total	(2,343.8)	(159.7)	(2,503.5)	(2,161.0)

¹Excludes accrued interest

²Stated excluding accrued interest and adjusted for currency swaps

³Stated excluding accrued interest and adjusted for currency and coupon swaps which leads them to be classified as variable

⁴Euro bank loans of £46.6m (2008: nil) have been swapped to US Dollars

Balance sheet and net assets

Net assets increased by £99.5m over the year reflecting retained profits of £143.3m, favourable translation reserve movements of £407.7m, the net proceeds of the share placing of £230.8m partly offset by actuarial movements on defined pension arrangements (net of tax) of £206.1m,

unfavourable hedging reserve movements (net of tax) of £402.5m and dividend payments of £84.6m.

Shares in issue

In May 2008 43.8m shares were allotted for net proceeds of £230.8m. As at 31 March 2009 there were 480.8m (2008: 436.6m) shares in issue, excluding treasury shares and own shares held in trust for employees. At 31 March 2009 1.3m shares (2008: 1.7m 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 474.8m (2008: 434.8m).

Foreign exchange

The results of the North American businesses have been translated at an average rate of £1:\$1.63 (2008: £1:\$2.01). The period end rate was £1:\$1.43 (2008: £1:\$2.00).

Pensions

The net pension surplus of £89.0m at the start of the year has become a pre-tax net deficit of £168.7m as of 31 March 2009. The principal reasons for the deterioration in the pension position have been falls in equity markets and the strengthening of the US Dollar partly mitigated by favourable movements in certain of the underlying actuarial assumptions. Actuarial valuations are staggered over the next two years. This should smooth any potential cash flow implications.

Going concern

Whilst the Group is not wholly immune to macroeconomic developments, it has established a strong balanced portfolio of businesses with approximately 50% of Group revenues supported by medium term contracts with government agencies and other large organisations in the UK and North America.

The Group has taken significant actions in the year to refinance short term debt and as a consequence there are no major repayments until 2012.

The Directors have also carried out a detailed review of the Group's 2009/2010 budget with due regard for the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance.

Based on this review, the Directors believe that the Company and the Group continue to have more than adequate resources at their disposal. The financial statements have been prepared on a going concern basis.

Nick Chevis
Acting Finance Director

Consolidated income statement

Year ended 31 March 2009

Notes	Adjusted results ¹ 2009 £m	Adjustments ² 2009 £m	Total 2009 £m	Adjusted results ¹ 2008 £m	Adjustments ² 2008 £m	Total 2008 £m
Revenue						
Continuing operations	6,187.3	–	6,187.3	4,707.6	–	4,707.6
Operating costs before profit on disposal of properties						
Continuing operations	(5,689.8)	(152.1)	(5,841.9)	(4,347.5)	(98.4)	(4,445.9)
Operating profit before profit on disposal of properties						
Continuing operations	497.5	(152.1)	345.4	360.1	(98.4)	261.7
Amortisation charges	–	(33.1)	(33.1)	–	(18.9)	(18.9)
Non-recurring bid costs	–	(3.5)	(3.5)	–	(7.2)	(7.2)
Other non-recurring items	–	(115.5)	(115.5)	–	(72.3)	(72.3)
	–	(152.1)	(152.1)	–	(98.4)	(98.4)
Profit on disposal of properties	–	25.7	25.7	–	5.8	5.8
Operating profit	497.5	(126.4)	371.1	360.1	(92.6)	267.5
Investment income	7.9	–	7.9	14.9	–	14.9
Finance costs	(179.0)	–	(179.0)	(126.0)	(4.5)	(130.5)
Profit before tax	326.4	(126.4)	200.0	249.0	(97.1)	151.9
Tax	(81.6)	38.6	(43.0)	(58.2)	39.6	(18.6)
Profit for the year from continuing operations	244.8	(87.8)	157.0	190.8	(57.5)	133.3
Attributable to:						
Equity holders of the parent	230.9	(87.6)	143.3	177.7	(57.3)	120.4
Minority interests	13.9	(0.2)	13.7	13.1	(0.2)	12.9
	244.8	(87.8)	157.0	190.8	(57.5)	133.3
Basic earnings per share	3		30.2p			27.7p
Diluted earnings per share	3		30.0p			27.4p

Dividends of £84.6m (2008: £69.5m) were paid during the year. Dividends of £61.1m (2008: £55.5m) are 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 on disposal of properties.

Consolidated statement of recognised income and expense
Year ended 31 March 2009

	2009	2008
	£m	£m
Derivative hedging instrument movements	(539.6)	33.2
Deferred tax on derivative hedging instrument movements	137.1	(10.2)
Exchange differences on translation of foreign operations	407.7	(12.5)
Unrealised (losses)/gains on executive deferred compensation plans	(3.1)	1.2
Actuarial (losses)/gains on defined benefit pension schemes	(308.3)	37.1
Deferred tax on actuarial (losses)/gains on defined benefit pension schemes	102.2	(10.4)
Net (expense)/income recognised directly in equity	(204.0)	38.4
Profit for the period	157.0	133.3
Total recognised income and expense for the period	(47.0)	171.7
Attributable to:		
Equity holders of the parent	(60.7)	158.8
Minority interests	13.7	12.9
	(47.0)	171.7

Consolidated balance sheet
As at 31 March 2009

	Notes	2009 £m	2008 restated ¹ £m
Non-current assets			
Goodwill	4	1,820.0	1,310.1
Other intangible assets	5	456.7	367.5
Property, plant and equipment	6	2,398.1	1,919.8
Derivative financial instruments	13	24.8	45.4
Investments		5.1	4.0
		4,704.7	3,646.8
Current assets			
Inventories	7	110.0	82.7
Trade and other receivables	8	610.3	590.2
Financial assets - cash and cash equivalents		322.5	242.3
Derivative financial instruments	13	3.1	78.1
		1,045.9	993.3
Non-current assets classified as held for sale		4.2	10.2
Deferred tax assets	14	50.2	-
Retirement benefit assets		111.5	186.2
Total assets		5,916.5	4,836.5
Current liabilities			
Trade and other payables	9	1,124.7	1,035.8
Tax liabilities		47.2	46.8
Financial liabilities - bank overdrafts and loans	10	210.7	26.4
- bonds	10	36.0	23.2
- obligations under HP contracts and finance leases	11	34.3	32.4
- loan notes	12	-	4.6
Derivative financial instruments	13	304.5	36.9
		1,757.4	1,206.1
Net current liabilities		(711.5)	(212.8)
Non-current liabilities			
Financial liabilities - bank loans	10	1,408.1	1,745.1
- bonds	10	870.2	545.9
- obligations under HP contracts and finance leases	11	194.6	70.8
- loan notes	12	10.5	10.5
Derivative financial instruments	13	243.6	27.8
Retirement benefit liabilities		280.2	97.2
Deferred tax liabilities	14	20.6	159.9
Provisions	15	327.0	268.4
		3,354.8	2,925.6
Total liabilities		5,112.2	4,131.7
Net assets		804.3	704.8
Equity			
Share capital	16	24.1	21.9
Share premium	17	676.4	447.8
Hedging reserve	17	(352.8)	49.7
Other reserves	17	4.6	4.6
Own shares	17	(3.4)	(7.6)
Translation reserve	18	337.4	(70.3)
Retained earnings	17	98.5	245.5
Equity attributable to equity holders of the parent		784.8	691.6
Minority interests		19.5	13.2
Total equity		804.3	704.8

1 Restated for fair value adjustments as set out in note 19.

Consolidated cash flow statement

Year ended 31 March 2009

	2009 £m	2008 £m
Net cash from operating activities	494.4	365.8
Investing activities		
Interest received	9.0	14.0
Proceeds of disposal of property, plant and equipment	54.7	32.5
Purchases of property, plant and equipment	(320.2)	(302.6)
Investment in joint venture	-	(1.2)
Acquisition of businesses	(6.5)	(1,464.1)
Net cash used in investing activities	(263.0)	(1,721.4)
Financing activities		
Monies received on exercise of share options	0.5	5.5
Dividends paid	(84.6)	(69.5)
Dividends paid to minority shareholders	(9.3)	(11.1)
Repayments under HP contracts and finance leases	(43.3)	(17.5)
Repayment of loan notes	(4.6)	(0.7)
Fees for bank facilities amendments and bond issue costs	(8.4)	(9.6)
Proceeds from sale and leaseback of buses	70.3	-
Net proceeds from issue of shares	230.8	-
Release of insurance captive assets	-	115.7
Repayment of bank debt	(1,062.4)	(335.8)
Net proceeds from existing bank facilities	6.4	-
Proceeds from new bank facilities	436.1	1,514.5
Proceeds from bond issue	298.0	-
Net cash from financing activities	(170.5)	1,191.5
Net increase/(decrease) in cash and cash equivalents before foreign exchange movements	60.9	(164.1)
Cash and cash equivalents at beginning of year	239.7	410.3
Effect of foreign exchange rate changes	21.9	(6.5)
Cash and cash equivalents at end of year	322.5	239.7
Cash and cash equivalents for cash flow statement purposes comprises:	2009 £m	2008 £m
Cash and cash equivalents per balance sheet	322.5	242.3
Overdrafts	-	(2.6)
	322.5	239.7

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

Year ended 31 March 2009

	2009 £m	2008 £m
Increase/(decrease) in cash and cash equivalents in year before foreign exchange movements	60.9	(164.1)
Decrease/(increase) in debt and finance leases	369.8	(1,160.5)
Inception of new HP contracts and finance leases	(155.9)	-
Debt assumed on acquisition of businesses and subsidiary undertakings	(1.3)	(300.1)
Fees for bank facilities amendments and bond issue costs	8.4	9.6
Other non-cash movements in relation to financial instruments	(9.5)	(2.1)
Foreign exchange movements	(614.9)	(27.6)
Movement in net debt in year	(342.5)	(1,644.8)
Net debt at beginning of year	(2,161.0)	(516.2)
Net debt at end of year	(2,503.5)	(2,161.0)

1. General information

The financial information set out above does not constitute the Company's Statutory Accounts for the year ended 31 March 2009 or 2008, but is derived from those accounts. Statutory Accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 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 2008.

Copies of the Statutory Accounts for the year ended 31 March 2009 will be available to all shareholders in early June and will also 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 2009 are as follows:

	UK Bus £m	UK Rail £m	North America £m	Greyhound £m	Group items ² £m	Total £m
Revenue	1,182.0	2,121.5	2,224.1	642.4	17.3	6,187.3
Segment results¹	134.0	94.2	246.1	48.5	(25.3)	497.5
Amortisation charges	-	(7.1)	(23.1)	(2.9)	-	(33.1)
Non-recurring bid costs	-	-	-	-	(3.5)	(3.5)
Other non-recurring items	(9.5)	(12.7)	(70.1)	(23.2)	-	(115.5)
Profit on disposal of properties	9.2	-	3.0	13.5	-	25.7
Operating profit	133.7	74.4	155.9	35.9	(28.8)	371.1
Investment income						7.9
Finance costs						(179.0)
Profit before tax						200.0
Tax						(43.0)
Profit for the year						157.0

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

² Group items comprise Tram operations, German Bus, central management and other items.

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 results¹	122.0	120.0	130.7	8.8	(21.4)	360.1
Amortisation charges	-	(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.

3. Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £143.3m (2008: £120.4m) by the weighted average number of ordinary shares of 474.8m (2008: 434.8m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

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.

	2009	2008
	No.	No.
	m	m
Weighted average number of shares used in basic calculation	474.8	434.8
SAYE share options	0.6	3.8
Executive share options	2.6	1.2
Weighted average number of shares used in diluted calculation	478.0	439.8
Diluted EPS	2009	2008
	pence	pence
Diluted EPS	30.0	27.4
Adjusted diluted EPS	48.3	40.4

3. Earnings per share (EPS) (continued)

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

	2009		2008	
	£m	Earnings per share (p)	£m	Earnings per share (p)
Profit for basic EPS calculation	143.3	30.2	120.4	27.7
Amortisation charges ¹	32.9	6.9	18.7	4.3
Non-recurring bid costs	3.5	0.7	7.2	1.6
Other non-recurring items	115.5	24.3	76.8	17.7
Profit on disposal of properties	(25.7)	(5.4)	(5.8)	(1.3)
Taxation effect of adjustments	(53.8)	(11.3)	(31.0)	(7.1)
Non-recurring tax charge/(credit) ²	15.2	3.2	(8.6)	(2.0)
Profit for adjusted basic EPS calculation	230.9	48.6	177.7	40.9
Depreciation ³	273.6	57.7	199.8	45.9
Profit for adjusted cash EPS calculation ⁴	504.5	106.3	377.5	86.8

¹Amortisation charges of £33.1m per note 5 less £0.2m (2008: £18.9m less £0.2m) attributable to equity minority interests.

²Tax charge in 2009 arising on abolition of Industrial Buildings Allowances in the UK. Tax credit in 2008 relates to reduction in UK Corporation tax rate from 30.0% to 28.0%.

³Depreciation charge of £274.7m (2008: £200.7m) per note 6 less £1.1m (2008: £0.9m) attributable to equity minority interests.

⁴Excludes working capital movements.

	2009	2008 restated ¹
	£m	£m
4. Goodwill		
Cost		
At 1 April	1,310.1	468.8
Additions	6.5	829.0
Reclassifications (to)/from other intangible assets (note 5)	(9.1)	3.0
Foreign exchange movements	512.5	9.3
At 31 March	1,820.0	1,310.1
Accumulated impairment losses		
At 31 March	-	-
Carrying amount		
At 31 March	1,820.0	1,310.1

5. Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Rail franchise agreements £m	Total £m
Cost				
At 1 April 2008	297.4	49.2	56.3	402.9
Reclassified from goodwill ¹	9.1	-	-	9.1
Foreign exchange movements	105.6	16.7	-	122.3
At 31 March 2009	412.1	65.9	56.3	534.3
Amortisation				
At 1 April 2008	13.3	1.2	20.9	35.4
Charge for year	23.1	2.9	7.1	33.1
Foreign exchange movements	8.2	0.9	-	9.1
At 31 March 2009	44.6	5.0	28.0	77.6
Carrying amount				
At 31 March 2009	367.5	60.9	28.3	456.7

	Customer contracts £m	Greyhound brand and trade name £m	Rail franchise agreements £m	Total £m
Cost				
At 1 April 2007	21.2	-	56.3	77.5
Additions	276.6	48.8	-	325.4
Reclassified to goodwill ¹	(3.0)	-	-	(3.0)
Foreign exchange movements	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
Foreign exchange movements	(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 reclassifications of contracts acquired shown above relates to reassessments of provisional values within twelve months of acquisition. These amounts have been reclassified to goodwill (note 4).

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 2008 (restated ¹)	417.9	1,981.7	413.0	2,812.6
Subsidiary undertakings and businesses acquired	-	2.2	0.1	2.3
Additions in the year	48.9	276.5	105.0	430.4
Disposals	(13.7)	(33.7)	(36.7)	(84.1)
Reclassified as held for sale	-	(19.3)	-	(19.3)
Foreign exchange movements	78.4	390.7	33.0	502.1
At 31 March 2009	531.5	2,598.1	514.4	3,644.0
Accumulated depreciation and impairment				
At 1 April 2008	35.3	700.8	156.7	892.8
Charge for year	14.3	201.3	59.1	274.7
Disposals	(2.0)	(32.6)	(13.5)	(48.1)
Reclassified as held for sale	-	(14.9)	-	(14.9)
Foreign exchange movements	4.0	120.1	17.3	141.4
At 31 March 2009	51.6	974.7	219.6	1,245.9
Carrying amount				
At 31 March 2009	479.9	1,623.4	294.8	2,398.1

¹ Restated for fair value adjustments as set out in note 19.

	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	22.6	789.0
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)
Foreign exchange movements	(0.3)	(1.0)	(0.3)	(1.6)
At 31 March 2008	417.9	1,981.7	413.0	2,812.6
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)
Foreign exchange movements	(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	256.3	1,919.8

7. Inventories	2009	2008
	£m	restated ¹
		£m
Spare parts and consumables	108.0	75.3
Property development work in progress	2.0	7.4
	110.0	82.7

8. Trade and other receivables	2009	2008
	£m	restated ¹
		£m
Amounts due within one year		
Trade receivables	461.8	429.8
Provision for doubtful receivables	(8.8)	(5.0)
Other receivables	67.2	95.1
Other prepayments and accrued income	90.1	70.3
	610.3	590.2

9. Trade and other payables	2009	2008
	£m	restated ¹
		£m
Amounts falling due within one year		
Trade payables	314.5	247.6
Other payables	129.2	115.7
Accruals and deferred income	623.0	616.3
Season ticket deferred income	58.0	56.2
	1,124.7	1,035.8

¹ Restated for fair value adjustments as set out in note 19.

10. Financial liabilities – borrowings

	2009 £m	2008 £m
Current financial liabilities		
Short-term bank loans	210.7	23.8
Bank overdrafts	-	2.6
	210.7	26.4
HP contracts and finance leases (note 11)	34.3	32.4
Loan notes (note 12)	-	4.6
Bond 6.875% (repayable 2013) - accrued interest	20.2	20.2
Bond 6.125% (repayable 2019) - accrued interest	3.0	3.0
Bond 8.125% (repayable 2018) - accrued interest	12.8	-
	36.0	23.2
Total current financial liabilities	281.0	86.6
Non-current financial liabilities		
Syndicated and bilateral unsecured bank loans	1,406.6	1,742.3
Other loans	1.5	2.8
	1,408.1	1,745.1
HP contracts and finance leases (note 11)	194.6	70.8
Loan notes (note 12)	10.5	10.5
Bond 6.875% (repayable 2013)	296.9	296.6
Bond 6.125% (repayable 2019)	277.3	249.3
Bond 8.125% (repayable 2018)	296.0	-
	870.2	545.9
Total non-current financial liabilities	2,483.4	2,372.3
Total financial liabilities	2,764.4	2,458.9
Gross borrowings repayment profile		
Within one year or on demand	281.0	86.6
Between one and two years	44.9	1,387.1
Between two and five years	1,798.3	438.3
Over five years	640.2	546.9
	2,764.4	2,458.9

11. HP contracts and finance leases

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

	2009	2009	2008	2008
	Minimum	PV of	Minimum	PV of
	payments	payments	payments	payments
	£m	£m	£m	£m
Maturing less than one year	39.0	34.3	34.8	32.4
Maturing more than one year but not more than two years	37.0	33.1	19.8	18.9
Maturing in more than two years but not more than five years	103.1	95.0	51.3	50.9
Maturing in more than five years	69.0	66.5	1.0	1.0
	248.1	228.9	106.9	103.2
Less future financing charges	(19.2)	-	(3.7)	-
Present value of minimum lease payments	228.9	228.9	103.2	103.2

12. Loan notes

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

	2009	2008
	£m	£m
Due in less than one year	-	4.6
Due in more than one year but not more than two years	10.5	10.5
Total	10.5	15.1

13. Derivative financial instruments

	2009 £m	2008 £m
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Cross currency swaps (net investment hedge)	-	23.9
Coupon swaps (fair value hedge)	19.9	1.5
Fuel derivatives (cash flow hedge)	3.1	20.0
	23.0	45.4
Current assets		
Cross currency swaps (net investment hedge)	0.9	10.5
Coupon swaps (fair value hedge)	2.1	-
Fuel derivatives (cash flow hedge)	-	67.6
	3.0	78.1
Current liabilities		
Interest rate swaps (cash flow hedge)	50.4	26.7
Cross currency swaps (net investment hedge)	2.0	-
Coupon swaps (fair value hedge)	-	7.4
Fuel derivatives (cash flow hedge)	252.1	-
Currency forwards (cash flow hedge)	-	0.5
	304.5	34.6
Non-current liabilities		
Interest rate swaps (cash flow hedge)	38.1	27.8
Cross currency swaps (net investment hedge)	123.6	-
Fuel derivatives (cashflow hedge)	81.9	-
	243.6	27.8
Derivatives classified as held for trading		
Non-current assets		
Cross currency swaps	1.8	-
Current assets		
Cross currency swaps	0.1	-
Current liabilities		
Interest rate collars	-	2.3
Total non-current assets	24.8	45.4
Total current assets	3.1	78.1
Total assets	27.9	123.5
Total current liabilities	304.5	36.9
Total non-current liabilities	243.6	27.8
Total liabilities	548.1	64.7

14. Deferred tax

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

	Accelerated tax depreciation £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 April 2007	165.1	27.6	(50.0)	142.7
Charge/(credit) to income	4.0	38.4	(33.2)	9.2
Charge to equity	-	25.1	-	25.1
Acquisition of subsidiaries	80.2	(19.7)	(76.7)	(16.2)
Foreign exchange movements	(0.4)	(0.6)	0.1	(0.9)
As 31 March 2008 (restated ¹)	248.9	70.8	(159.8)	159.9
Charge/(credit) to income	49.1	42.7	(56.1)	35.7
Credit to equity	-	(237.6)	-	(237.6)
Foreign exchange movements	61.7	5.6	(54.9)	12.4
As 31 March 2009	359.7	(118.5)	(270.8)	(29.6)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) and for financial reporting purposes.

	2009 £m	2008 £m
Deferred tax assets	50.2	-
Deferred tax liabilities	(20.6)	(159.9)
	29.6	(159.9)

15. Provisions

	Insurance Claims £m	Legal and other £m	Pensions £m	Total £m
At 1 April 2008 (restated ¹)	208.1	54.4	5.9	268.4
Provided in the year	102.1	4.4	-	106.5
Utilised in the year	(137.1)	(16.1)	(0.4)	(153.6)
Notional interest	18.8	-	-	18.8
Foreign exchange movements	70.1	16.8	-	86.9
At 31 March 2009	262.0	59.5	5.5	327.0

¹ Restated for fair value adjustments as set out in note 19.

16. Called up share capital

	2009 £m	2008 £m
Authorised:		
650m (2008: 4,600m) ordinary shares of 5p each	32.5	230.0
Allotted, called up and fully paid:		
482.1m (2008: 438.3m) ordinary shares of 5p each	24.1	21.9
	No. m	£m
At 1 April 2008	438.3	21.9
At 31 March 2009	482.1	24.1

17. Statement of changes in equity

	Hedging reserve £m	Share premium £m	Own shares £m	Retained earnings £m
At 1 April 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
Deferred tax on actuarial gains	-	-	-	(10.4)
Unrealised gains on Executive Deferred Compensation Plans	-	-	-	1.2
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
Retained profit for the financial year	-	-	-	143.3
Dividends paid	-	-	-	(84.6)
Premium arising on issue of equity shares ¹	-	228.6	-	-
Movement in EBT, QUEST and treasury shares during the year	-	-	4.2	(3.9)
Current tax on share-based payments	-	-	-	0.1
Current tax on foreign exchange losses	-	-	-	2.7
Actuarial losses on defined benefit pension schemes	-	-	-	(308.3)
Deferred tax on actuarial losses	-	-	-	102.2
Unrealised losses on Executive Deferred Compensation Plans	-	-	-	(3.1)
Derivative hedging instrument movements	(539.6)	-	-	-
Deferred tax on derivative hedging instrument movements	137.1	-	-	-
Share-based payments provision	-	-	-	6.3
Deferred tax on share-based payments	-	-	-	(1.7)
At 31 March 2009	(352.8)	676.4	(3.4)	98.5

¹ On 18 May 2008 43.8m shares were issued at 540p per share for gross proceeds of £236.5m. The movement in the share premium account reflects these gross proceeds less the par value of the shares of £2.2m and directly associated costs of £5.7m.

Other reserves

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
At 31 March 2009 and 31 March 2008	1.9	2.7	4.6

18. Translation reserve

	<u>£m</u>
At 1 April 2007	(57.8)
Movement for the financial year	(12.5)
At 31 March 2008	<u>(70.3)</u>
Movement for the financial year	407.7
At 31 March 2009	<u><u>337.4</u></u>

19. Acquisition of businesses and subsidiary undertakings	2009 Total £m	Laidlaw ¹ £m	Other £m	2008 Total £m
Provisional fair values of net assets acquired:				
Property, plant and equipment	2.3	780.4	8.6	789.0
Intangible assets	-	325.2	0.2	325.4
Other current assets	0.7	348.9	1.3	350.2
Cash at bank and in hand	-	-	0.2	0.2
Other liabilities	(1.7)	(213.1)	(6.8)	(219.9)
Net debt	(1.3)	(298.5)	(1.6)	(300.1)
Pension deficit	-	(23.0)	-	(23.0)
Provisions	-	(292.0)	-	(292.0)
Deferred tax	-	16.8	(0.6)	16.2
	-	644.7	1.3	646.0
Goodwill (note 4)	6.5	804.8	24.2	829.0
Satisfied by cash paid and payable	6.5	1,449.5	25.5	1,475.0

¹Fair values on acquisition were updated as at 30 September 2008 as set out below.

The businesses and subsidiary undertakings acquired during the year contributed £2.0m (2008: £125.1m) to the Group's net operating cash flows and utilised £0.5m (2008: £35.6m) for capital expenditure. In addition £nil (2008: £115.7m) was released from the Laidlaw insurance captive.

If the acquisitions 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 £8.6m (2008: £1,643.4m) and the Group adjusted operating profit from these acquisitions attributable to equity holders of the parent would have been £0.3m (2008: £146.4m).

The businesses acquired during the year contributed £7.4m (2008: £872.1m) to Group revenue and £0.2m (2008: £84.3m) to Group adjusted operating profit from date of acquisition to 31 March 2009.

Acquisition of Laidlaw International, Inc

In the year ending 31 March 2008, the Group acquired Laidlaw International, Inc. Following reassessment of fair values on acquisition the following adjustments were made at 30 September 2008 and disclosed in the Group's half-yearly financial report 2008:

		Provisional fair value as previously reported \$m	Final fair value adjustments \$m	Acquired value \$m
Property, plant and equipment	a	1,592.2	(7.7)	1,584.5
Intangible assets		660.1	-	660.1
Current assets	b	717.8	(9.3)	708.5
Current liabilities	c	(487.0)	(51.7)	(538.7)
Insurance provision	d	(463.6)	(12.0)	(475.6)
Pension deficit		(46.7)	-	(46.7)
Deferred tax	e	(1.0)	34.6	33.6
Income taxes recoverable		1.3	-	1.3
Bank overdrafts and loans		(606.0)	-	(606.0)
Net assets		<u>1,367.1</u>	<u>(46.1)</u>	<u>1,321.0</u>
Total cost of acquisition (excluding acquired debt)		2,941.5	11.4	2,952.9
Net assets acquired		<u>(1,367.1)</u>	<u>46.1</u>	<u>(1,321.0)</u>
Goodwill on acquisition		<u>1,574.4</u>	<u>57.5</u>	<u>1,631.9</u>

The adjustments represent:

(a) Property, plant and equipment was valued at market value by third party specialists at date of acquisition. These have been further adjusted to write down certain assets and certain classes of asset to fair value.

(b) Certain receivables and inventories have been written down to fair value.

(c) Current liabilities represent additional liability for change of control payments arising on acquisition, environmental reserves, legal reserves, provision for safety related items and provision for loss making contracts. Following reassessments of these, further provision was made for certain existing legal claims, loss making contracts, safety repairs net of downward assessment of environmental liabilities acquired.

(d) Reassessment of insurance liabilities required in light of updated actuarial estimates.

(e) Deferred tax adjustment on the items noted above.

In accordance with IFRS 3 the Group balance sheet as at 31 March 2008 has been restated to reflect the final fair value adjustments as updated at 30 September 2008 as set out above:

	As reported 31 March 2008 £m	Final fair value adjustments £m	Restated 31 March 2008 £m
Non-current assets			
Goodwill	1,281.3	28.8	1,310.1
Other intangible assets	367.5	-	367.5
Property, plant and equipment	1,923.7	(3.9)	1,919.8
Derivative financial instruments	45.4	-	45.4
Investments	4.0	-	4.0
	<u>3,621.9</u>	<u>24.9</u>	<u>3,646.8</u>
Current assets			
Inventories	83.6	(0.9)	82.7
Trade and other receivables	594.0	(3.8)	590.2
Financial assets - cash and cash equivalents	242.3	-	242.3
- derivative financial instruments	78.1	-	78.1
	<u>998.0</u>	<u>(4.7)</u>	<u>993.3</u>
Non-current assets classified as held for sale	10.2	-	10.2
Retirement benefit assets	186.2	-	186.2
Total assets	<u>4,816.3</u>	<u>20.2</u>	<u>4,836.5</u>
Current liabilities			
Trade and other payables	1,016.8	19.0	1,035.8
Tax liabilities	46.8	-	46.8
Financial liabilities - bank overdrafts and loans	26.4	-	26.4
- bonds	23.2	-	23.2
- obligations under finance leases	32.4	-	32.4
- loan notes	4.6	-	4.6
Derivative financial instruments	36.9	-	36.9
	<u>1,187.1</u>	<u>19.0</u>	<u>1,206.1</u>
Net current liabilities	<u>(189.1)</u>	<u>(23.7)</u>	<u>(212.8)</u>
Non-current liabilities			
Financial liabilities - bank loans	1,745.1	-	1,745.1
- bonds	545.9	-	545.9
- obligations under finance leases	70.8	-	70.8
- loan notes	10.5	-	10.5
Derivative financial instruments	27.8	-	27.8
Retirement benefit obligation	97.2	-	97.2
Deferred tax liabilities	177.2	(17.3)	159.9
Provisions	249.9	18.5	268.4
	<u>2,924.4</u>	<u>1.2</u>	<u>2,925.6</u>
Total liabilities	<u>4,111.5</u>	<u>20.2</u>	<u>4,131.7</u>
Net assets	<u>704.8</u>	<u>-</u>	<u>704.8</u>
Equity			
Share capital	21.9	-	21.9
Share premium	447.8	-	447.8
Hedging reserve	49.7	-	49.7
Other reserves	4.6	-	4.6
Own shares	(7.6)	-	(7.6)
Translation reserve	(70.3)	-	(70.3)
Retained earnings	245.5	-	245.5
Equity attributable to equity holders of the parent	<u>691.6</u>	<u>-</u>	<u>691.6</u>
Minority interests	13.2	-	13.2
Total equity	<u>704.8</u>	<u>-</u>	<u>704.8</u>

20. Notes to the consolidated cash flow statement	2009	2008
	£m	£m
Operating profit before profit on disposal of properties	345.4	261.7
Adjustments for:		
Depreciation charges	274.7	200.7
Impairment of property, plant and equipment	-	5.4
Amortisation charges	33.1	18.9
Share-based payments	6.3	4.2
Loss on disposal of plant and equipment	3.2	1.4
Operating cash flows before working capital	662.7	492.3
Increase in inventories	(17.2)	(7.7)
Decrease in receivables	114.7	6.2
Decrease in payables	(120.5)	(20.0)
Cash generated by operations	639.7	470.8
Corporation tax paid	(8.9)	(6.7)
Interest paid	(129.0)	(93.9)
Interest element of finance lease payments	(7.4)	(4.4)
Net cash from operating activities	494.4	365.8

21. Subsequent events

On 8 April 2009 the Group raised a 8.75% £350m Bond due 2021 in line with the Group's strategy to extend its debt duration and to reduce reliance on bank debt. The proceeds were used to prepay the remaining balance on the short term acquisition debt and reduce drawings under the Group's bank revolving facilities.