

**FIRSTGROUP PLC
PRELIMINARY RESULTS
FOR THE 12 MONTHS TO 31 MARCH 2011**

OVERALL RESULTS IN LINE WITH OUR EXPECTATIONS - ADJUSTED EARNINGS UP 6% AND STRONG CASH GENERATED BY OPERATIONS UP 23% TO £744m

- Cash generated by operations increased by £139.4m to £744.1m - supporting 7% dividend growth, net debt reduction of £332.1m, from net cash inflow of £209.8m and forex/other of £122.3m, and disciplined capital investment
- Achieved our target ratio of 2.5x net debt:EBITDA at 31 March 2011, targeting further improvement
- Robust performance - four out of five of our businesses performed in line with or significantly better than expectations, offset by First Student performing below our expectations
- Taking one-off charges to address specific issues and strengthen the business:
 - Intend to bid for new long-term Greater Western franchise reflecting significant Government investment in region. £59.9m contract provision for First Great Western - commercial decision not to take up option to extend franchise for a further 3 years from March 2013
 - £39.5m charge to address First Student underperformance and strengthen business model - detailed recovery plan in place
 - £16.6m goodwill impairment and contract provision for First Support Services contract in Diego Garcia - reducing exposure to less attractive business within First Transit
- Focused on retaining leadership position in UK Rail - discussions with DfT on proposal to extend First TransPennine Express and pre-qualification for InterCity West Coast
- Growth strategies for UK Bus, First Transit and Greyhound
- Fundamentally strong businesses - clear focus on improving operations and developing opportunities for growth

FINANCIAL SUMMARY 12 MONTHS ENDED 31 MARCH 2011

	2011	2010 restated ⁴	Change
Continuing operations:			
Revenue	£6,429.2m	£6,261.9m	+2.7%
Adjusted EBITDA¹	£778.2m	£763.9m	+1.9%
Operating profit	£309.3m	£364.2m	(15.1)%
Adjusted operating profit²	£457.4m	£449.6m	+1.7%
Profit before tax	£127.2m	£175.3m	(27.4)%
Adjusted profit before tax²	£275.0m	£259.7m	+5.9%
Basic EPS	21.4p	26.9p	(20.4)%
Adjusted basic EPS²	41.2p	38.9p	+5.9%
Proposed final dividend per share	15.0p	14.0p	+7.1%
Net debt³	£1,949.4m	£2,281.5m	(14.6)%

¹ Adjusted operating profit plus depreciation.

² Before amortisation charges, ineffectiveness on financial derivatives, non-recurring items, loss on disposal of properties and discontinued operations as shown in the consolidated income statement on p.26. All references to "adjusted" figures throughout this document are defined in this way.

³ Net debt is stated excluding accrued bond interest.

⁴ Restated to exclude discontinued operations as explained in note 1 to the preliminary results.

Commenting, FirstGroup's Chief Executive, Tim O'Toole said:

“During my first six months as Chief Executive I have taken confidence from the breadth and strength of our diverse portfolio of operations. We are reporting a solid performance from four of our five divisions which, against an economic backdrop that remains challenging, enabled us to deliver our overall targets with a strong cash performance. Cash generated by operations increased to £744.1m and net cash inflow increased to £209.8m, ahead of our target, supporting a dividend increase of 7%, a reduction of £332.1m in net debt and disciplined capital investment.

“We are taking action to address specific issues. Firstly, we have made the commercial decision not to take up the option to extend the First Great Western franchise for a further three years beyond the initial franchise term to 2013. The Government has announced franchise reform and major investment in the region including the redevelopment of Reading station, resignalling and electrification of the Great Western Main Line, the Intercity Express Programme and Crossrail. With our unique knowledge of the franchise we believe we are best placed to manage these projects and capture the benefits through a longer-term franchise. We will continue to operate First Great Western until March 2013 and will meet all of our obligations under the Franchise Agreement.

“We are focused on retaining our leadership position in UK Rail and will continue to leverage our unrivalled expertise and experience. We were pleased to pre-qualify for the InterCity West Coast franchise and we are discussing a proposal to extend our First TransPennine Express franchise with the DfT.

“Secondly, we have taken action to address First Student which has significantly underperformed compared with our expectations this year. Our detailed plan will recover performance and create a stronger business model that will deliver a sustainable competitive advantage in the longer-term.

“Thirdly, we have provided for a loss making First Support Services contract in Diego Garcia. We remain focused on increasing our share of the fast growing paratransit and shuttle businesses within First Transit’s portfolio.

“Looking ahead the economic outlook remains uncertain. We are encouraged by improving trends in UK Rail and Greyhound and a continued steady performance in our UK Bus and First Transit operations. We expect that our North American First Student business will continue to see pressure on margins during 2011/12. Across the Group we will continue to focus our efforts on improving our operations to drive further efficiencies to maintain and develop margins.

“Building on our strong cash performance this year, we will continue to progress the opportunities to increase cash generation within the Group and we are targeting a net cash inflow of £150m in 2011/12. The Board is committed to its key priorities of increased cash generation to support capital investment, debt reduction and dividend growth of at least 7% per annum.

“The Group is well placed with market leading positions in a sector that is a key enabler of economic growth. With diverse operations that are fundamentally robust and a team with a clear focus on creating a stronger business, the Group has good prospects in all of its key markets to continue to deliver long-term value for shareholders.”

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**A PRESENTATION TO INVESTORS AND ANALYSTS WILL TAKE PLACE AT 9:00AM TODAY
ATTENDANCE IS BY INVITATION ONLY**

**A LIVE TELEPHONE 'LISTEN IN' FACILITY IS AVAILABLE
FOR DETAILS PLEASE CONTACT +44 (0) 207 291 0507**

A PLAYBACK FACILITY WILL BE AVAILABLE AT WWW.FIRSTGROUP.COM

**A WEBCAST INTERVIEW WITH TIM O'TOOLE, CHIEF EXECUTIVE AND JEFF CARR, FINANCE DIRECTOR WILL BE
AVAILABLE FROM 10:00AM TODAY AT WWW.FIRSTGROUP.COM**

PHOTOS FOR THE MEDIA ARE AVAILABLE. PLEASE CALL +44 (0) 207 291 0512

Chairman's statement

The inherent strength of the Group comes from the scope and diversity of its portfolio of operations which enabled us to achieve our overall targets for the year with increased net cash supporting dividend growth, a reduction in net debt and increased capital investment in the business.

Against the backdrop of continued economic uncertainty we remained firmly focused on our key priorities including the dynamic management of our networks, continued cost control and further efficiencies to develop and improve margins. A strong performance from our UK Rail operations offset a disappointing result from our First Student business which continues to face pressure on operating margin as a result of constraints on school board budgets. We are taking decisive action to address First Student with a detailed plan to recover performance and create a stronger business model that will deliver a sustainable advantage in the longer-term.

I am pleased by the further advances we made in reducing net debt. We delivered our target ratio of 2.5x net debt:EBITDA at 31 March 2011 demonstrating good progress over the year. We also strengthened our financial foundation in December 2010 with the signing of \$1.4bn of 5-year committed bank facilities to replace existing revolving bank facilities that were due to mature in February 2012. This proactive management supports the maturity of our debt portfolio and prudent levels of liquidity over the medium-term. We are delighted by the continued strong support from our relationship banks demonstrating the confidence in the Group's underlying strength and resilience.

The Board has proposed a final dividend per share, subject to approval by shareholders, of 15.0p, an increase of 7% making a full year payment of 22.12p. The final dividend will be paid on 19 August 2011 to shareholders on the register at 15 July 2011. We recognise that dividend growth is a key component of the investment decision for many shareholders. We remain committed to delivering sustained real growth in dividends, despite challenges as a result of the current economic environment. This is a priority for the Group and is adequately supported by continued strong cash flows.

This was a year of significant change within the Group. Tim O'Toole became Chief Executive on 1 November 2010, as Sir Moir Lockhead handed over his executive responsibilities ahead of his retirement on 31 March 2011. During his long and successful career Sir Moir made an outstanding contribution to the Group and to the transport industry as a whole. On behalf of the Board I would like to recognise the pivotal role he played in transforming the Group into one of the world's leading transport operators.

Tim joins the Group at a significant stage in its development. I am delighted to have attracted a leader of his calibre who has the experience, track record and vision to lead the Group on to further successful development. His extensive knowledge of transport markets in the UK and North America will be invaluable, not only in steering the immediate course ahead but also in ensuring that the Group is well placed to maximise future growth opportunities and extend its leadership position.

I would like to offer my sincere thanks and gratitude to all of our employees for their hard work and continued commitment during the year. In particular I would like to acknowledge the extraordinary efforts made by our employees to assist passengers during the widespread disruption caused by the severe winter weather conditions. We recognise that, as the face of our business, their ongoing dedication to providing safe and high quality services to customers is vital to our continued success.

With operations that are fundamentally strong and new leadership with a clear focus on creating a stronger business and developing opportunities for growth, the Board is confident that the Group has good prospects in all of its core markets and will continue to deliver long-term value for shareholders.

Martin Gilbert

Chairman

10 May 2011

** Operating profit referred to throughout this document refers to operating profit before amortisation charges, ineffectiveness on financial derivatives, non-recurring items, loss on disposal of properties and discontinued operations. EBITDA is adjusted operating profit plus depreciation.*

Chief Executive's operating review

OVERVIEW

During my first six months as Chief Executive I have taken confidence from the breadth and strength of our diverse portfolio of operations which, against an economic backdrop that remains challenging, has enabled us to achieve our overall targets with increased net cash supporting a dividend increase of 7%, a reduction of £332.1m in net debt and targeted capital investment. The Group's operations are fundamentally robust and, during the year, four out of five of our operating divisions performed in line or significantly better than our expectations.

As a result of decisive action to address specific issues and strengthen the business we have taken the following one-off charges:

- £59.9m contract provision principally related to accelerated depreciation for First Great Western following our commercial decision not to take up option to extend franchise for a further three years. We intend to bid for the new long-term Greater Western franchise reflecting the changed environment including significant Government investment in the region.
- £39.5m charge to address First Student's underperformance with a recovery plan to strengthen the business model and create a sustainable competitive advantage for the future.
- £16.6m goodwill impairment and contract provision for future losses in relation to a First Support Services contract in Diego Garcia.

In the UK, we have decided not to take up the option to extend First Great Western beyond the original franchise term which expires at the end of March 2013. The Government has committed significant investment to transform rail services in the region and we believe that through our unrivalled expertise and experience we are best placed to manage these projects and we intend to bid for the new Greater Western franchise.

We remain focused on retaining our leadership position in rail and are in discussion with the Department for Transport (DfT) on a proposal to extend the First TransPennine Express franchise. We were pleased to pre-qualify for the InterCity West Coast franchise and intend to offer compelling and innovative proposals to deliver high quality and attractive services for customers and improved value for taxpayers.

Our First Student business in North America performed significantly below our expectations during the year as we were not able to flex our costs sufficiently to offset the pressure on margins driven by the impact of constraints on school board budgets. Our detailed plan will recover performance and create a stronger business model to deliver a sustainable competitive advantage in the longer term.

We have provided for the loss making First Services contract at Diego Garcia. We remain focused on increasing our share of the fast growing paratransit and shuttle businesses within First Transit's portfolio and will reduce our exposure to less attractive markets.

Looking ahead, I am very clear about our priorities. We will improve the performance of our First Student business, retain our leadership position in UK Rail and develop the growth potential of our UK Bus, First Transit and Greyhound businesses.

Since I joined the Group I've visited locations across the UK and North America and have been privileged to meet many of our employees who are working very hard to deliver a safe, high quality service every day.

I am proud to join a business with safety at the heart of its operations. The safety of our customers and staff is our highest priority. We remain resolutely focused on eradicating unsafe acts and practices and continue to develop ways to actively engage employees. Injury Prevention, our industry leading programme, promotes increased awareness and encourages open and constructive dialogue about safety. Our ultimate ambition is to achieve zero injuries and during the year we made further progress with a reduction in Lost Time Injuries of 11%.

Group results

Group revenue increased by 2.7% to £6,429.2m (2010: £6,261.9m) and included £98.0m of favourable foreign exchange movements. At constant exchange rates the increase was 1.1%. Adjusted operating profit increased to £457.4m (2010: £449.6m). Statutory operating profit was £309.3m (2010: £364.2m) reflecting higher net non-recurring charges in the year including the recovery programme to create a stronger business model in First Student. Adjusted basic EPS was 41.2p (2010: 38.9p) representing an increase of 5.9%. EBITDA increased to £778.2m (2010: £763.9m).

NORTH AMERICA

First Student

US Dollar revenue reduced by 2.5% to \$2,480.2m or £1,594.5m (2010: \$2,544.7m or £1,605.9m). Operating profit was \$200.2m or £128.3m (2010: \$281.1m or £180.9m) representing a significantly lower operating margin of 8.1% (2010: 11.0%).

The environment for our First Student business remained challenging throughout the year with a particularly disappointing trading performance during the fourth quarter of our financial year, which was exacerbated by severe weather conditions across the US in February. As school boards reduced their overall transportation costs as a result of budgetary constraints, we were not able to flex our costs and achieve sufficient operating efficiencies to offset the pressure on operating margin.

Against the backdrop of significant pricing pressure and a particularly high percentage of contract churn within our business our retention rate fell below 90% during the year. We strengthened our commercial development team ahead of the current bid season and focused on delivering our contract retention strategy in respect of the new school year commencing autumn 2011.

While we anticipate the pressure on margins will continue into 2011/12 we are taking action with the implementation of a business recovery plan that will create a more flexible and robust business.

As part of our clear plan to address First Student we are restructuring the business to create a more agile, sustainable operating model and stabilise the operating margin. This will create a business model better placed to withstand changing economic conditions and will also allow for the full potential of the business to be realised. The streamlined organisation structure will reduce overhead costs and simplify reporting layers to provide greater visibility and accountability. We are also right sizing our fleet with respect to a number of vehicles held for sale or as surplus fleet, addressing underperforming contracts within the portfolio and maximising the contract portfolio value.

We delivered a good operating performance in respect of the start-up of the new school year in September 2010, including commencement of a number of large contracts together with several conversion contracts from the public sector following the decision by their school boards to outsource the provision of school transportation.

During the year FOCUS, our industry leading GPS-based technology system, which provides enhanced operational data by linking on-board with back office information and systems, was rolled out to a further 117 locations. By the start of the 2011/12 school year we expect to have installed FOCUS into the vast majority of our US school bus fleet providing the platform for greater efficiencies through enhanced data and processes.

We were pleased to show improved performance in the results of our annual customer survey. We achieved higher scores across all categories demonstrating that our customers recognise and value the strong commitment to excellent service at every level throughout the business.

First Student is a fundamentally strong business which, as the market leader, is uniquely placed to leverage its scale. We believe that the business is not currently harnessing its full potential and therefore are implementing actions that will create a more efficient business model with significantly increased operational leverage which, as the market stabilises, will enable us to extend our leadership position and ensure that First Student continues to provide long-term, sustainable growth.

First Transit

Our First Transit business has developed in line with our expectations. During the period US Dollar revenue increased by 3.4% to \$1,199.0m or £771.5m (2010: \$1,160.1m or £727.8m). Operating profit was \$89.5m or £57.2m (2010: \$84.4m or £53.0m).

First Transit delivered an operating margin of 7.5%. We remain encouraged by the good returns from low or no capital investment and continue to develop opportunities for further growth in this fragmented and diverse market. Our strategy remains to focus on the faster growing paratransit and shuttle bus contracting segments with new contracts won during the year, including a 5 year contract for paratransit services in Reno, Nevada, with annualised revenues of more than \$40m.

We are reducing our exposure to less attractive markets and have taken a charge of £16.6m in relation to a First Support Services contract in Diego Garcia, including a goodwill impairment charge of £5.0m and provision for projected losses of £11.6m until this contract ends in 2017.

Despite the current environment of reduced transit authority budgets and subsequent increased competition we were pleased that contract retention was 90%, a good result, albeit slightly lower than in prior years. We were pleased to retain a number of significant contracts including paratransit business in Hartford, Connecticut, San Bernardino and San Diego, California and a long-term university shuttle contract in Atlanta, Georgia. We also retained fixed route contracts in Denver, Colorado and Austin, Texas and commenced a major conversion contract, previously operated in the public sector, on behalf of North County Transit District in San Diego, California.

During the year First Vehicle Services won significant new business including contracts to start in March and April 2011. Our new contract in Summit County, Colorado is a conversion with fleet maintenance previously performed in house. Our new contracts with transit authorities in Williamsburg, Virginia and Brownsville, Texas are based on our Transit contracting experience and, in particular, on our experience in maintaining vehicles for the authorities. As the market leader, we continue to leverage our reputation and good relationships with our customers in one segment of First Transit's portfolio to win new business for another.

Our customer survey showed improved results, with significant increases in the key areas of continuous efficiency and cost savings, as we continue to work closely with our customers to deliver a cost effective and high quality service. First Transit's reputation has undoubtedly enhanced our ability to leverage existing business relationships to win new contracts. During the year we extended our relationships in Fort McMurray, Alberta, the City of Durham, North Carolina and Jacksonville, Florida to either win new contracts in complementary services or add significant service under our existing contracts.

We are working with our customers across both sides of the Atlantic to deliver initiatives to reduce carbon emissions from transport. We are building on our reputation for innovation and leadership in new technologies. Through our partnerships with the State of Connecticut and with Transport for London we are building unique experience as an operator at the cutting edge of new technologies. We

also operate and maintain a fleet of state of the art zero emission, battery powered vehicles in southern California.

Greyhound

We continue to make good progress in transforming Greyhound. During the year passenger revenue, on a like-for-like basis, increased by 0.8% with growth accelerating in the fourth quarter of our financial year. This was particularly encouraging against the ongoing difficult trading backdrop, as high unemployment and a slow economic recovery continued to impact consumer confidence and discretionary spending.

US Dollar revenue increased by 2.2% to \$985.0m or £634.6m (2010: \$963.4m or £603.3m) and operating profit increased to \$62.3m or £40.2m (2010: \$39.6m or £23.9m), an increase of 57.3% and 68.2% respectively. The margin improvement represents the progress made by the team at Greyhound to substantially improve the operational leverage in the business. We are encouraged by recent trends in passenger volumes, reflecting increased fuel prices which has led to higher costs for car drivers and airline passengers.

Our Greyhound management team remains focused on rigorous management of the network and cost base. Greyhound's highly flexible operating model has enabled targeted mileage reductions of 2.5% and ensured that revenue per mile is ahead of last year. In addition, we continue to take action to make the fundamental changes to the business model necessary to achieve further sustainable growth.

As we continue to modernise Greyhound we maintain a measured and highly disciplined approach to capital investment. During the year we focused our investment on a cost-effective refurbishment programme of our mid life coaches that will significantly enhance the customer experience, improve operational performance and extend the life of the vehicles. We have refurbished over 100 coaches this year and plan to refurbish a further 200 next year. This programme, together with targeted investment in new coaches, is delivering a step change in service quality. By April 2012 over 50% of Greyhound's fleet will be new or like new.

In the first half of the year we re-launched greyhound.com. The redesigned site has an expanded Print at Home ticketing capacity and, together with our discounted online fares strategy, is helping to reduce the cost of sales. Internet sales continue to increase with some 25% of all sales now made through greyhound.com.

We continue to progress our Network Transformation Project with over 20% of Greyhound's properties now 'right sized' or 'right located' to more accessible and convenient sites. We are upgrading the customer experience at the point of sale at each location, during boarding and onboard. In February we introduced new and enhanced ticket kiosks into the northeast market and we are working with 7-Eleven, a major convenience store chain, to establish a ticket selling joint venture. We are also installing WiFi and arrival/departure screens in major terminals to improve our offering and to provide our customers with better, timely information.

Operational performance is also a key focus. We are utilising new technology to enable real time monitoring and enhanced tracking by location and by route to improve On Time Performance. This information has enabled Greyhound to re-evaluate turnaround times at each location and identify the root cause of delays so that action plans can be implemented to address specific issues.

BoltBus continues to grow in the highly competitive markets in the north east of the US with strong increases in both passenger volumes and revenue. Passenger loadings per bus continue to improve and during the fourth quarter we created a new hub in New Jersey providing services between Newark and Baltimore, Washington DC, Boston and Philadelphia.

In December we successfully launched Greyhound Express, a new service combining features of BoltBus with the strength of the Greyhound brand, with non-stop services from Chicago to several cities in the Midwest. In April 2011 we expanded Greyhound Express further with the launch of new services between Boston and New York.

In Canada, we continue to work through our ongoing plans to match service provision to customer demand or receive a subsidy to operate certain routes. We have reached agreement with the government of Manitoba to continue a subsidy for rural bus services until 31 March 2012. In Alberta and British Columbia we continue to work towards a modernised regulatory framework and expect the results to be realised in 2011/12.

UK Bus

Our UK Bus division delivered a steady performance this year, despite the challenging economic environment. Total revenue reduced by 2.8% to £1,137.5m (2010: £1,170.6m) as a result of targeted mileage reductions in response to trading conditions. However, we are encouraged that like-for-like passenger revenues increased by 1.4%.

Operating profit increased by 19.4% to £148.8m (2010: £124.6m) due to lower hedged fuel costs, operating efficiencies and the actions we took to manage our network where we saw lower levels of customer demand due to higher unemployment and lower levels of retail activity in many of the towns and cities where we operate.

We have a market leading position with established networks in high density, urban areas which provide opportunities for growth. We are responding to signs of increased economic activity and are focused on achieving the optimum combination of frequency, price and cost discipline.

Giles Fearnley joined the Group as Managing Director UK Bus in February. His track record of achievement together with considerable experience in the industry will bring a strong focus on delivering improved service quality and growth.

Developing best in class operational standards

We continue to focus on improving our punctuality and reliability. We continually review our performance and monitor the effects of congestion and other factors and, where necessary, amend our services. This delivers a 'punctuality dividend' with customers responding favourably to the improvements, leading to an increase in passenger numbers and a significant reduction in customer complaints. We are encouraged by our operational performance in London and we are better than network average and near the top of the Transport for London league tables on most measures.

DriveGreen, our industry leading programme, has given our drivers the technology to make adjustments to reduce heavy braking and acceleration in real time. Ever higher driving standards improve our customers' journey experiences and, as a consequence, complaints across our operating companies are at an all time low. DriveGreen has also helped to deliver a like-for-like fuel consumption improvement of 4.9% across the division.

Revenue growth through network developments, simplified fares and marketing

We are focusing on developing our networks through a range of initiatives. For example, in Greater Manchester we consolidated two routes into our high frequency Overground network to increase the number of peak services between Middleton and Manchester with coordinated links now providing a bus every five minutes. We believe that on corridors linking the key towns in the region with Manchester City Centre, our investment in quality vehicles and focus on operational performance will deliver passenger growth.

In June we launched "Simple Fares" in Leeds. This city wide initiative consolidated a complex range of single fares to just four prices to make it easier for customers and potential customers to understand and to remove an obstacle to using our services. The initiative has been backed by a significant

marketing campaign and we believe fares simplification will be an important building block for passenger growth, not only in Leeds but across our networks generally.

In Glasgow we launched a 'Price BUStEr' campaign in January to promote reduced price FirstWeek tickets. In Bristol we reduced the price of our FirstDay tickets in February, which has increased passenger volumes and revenue. At the beginning of April we reduced the price of five of our most popular season tickets across Bristol, Somerset and Avon.

We support the concept of multi-operator tickets in urban areas and were pleased to be able to participate in the launch of Fusion, a day ticket offering unlimited travel on buses in the Norwich area, in January.

The university market is an important one and during the year we improved our offer to students in the towns and cities where we operate. For example, in Norwich we launched a new, direct service between the city centre and the University of East Anglia and in Bath we launched dedicated services for the two universities. We also relaunched the Unilink service between the University of Stirling and the city centre with new vehicles to increase capacity. In Sheffield we introduced a 50p student ticket which has helped increase passenger numbers and we continue to promote the successful UniCard for students and staff at the University of Essex.

Effective long-term partnerships

We continue to be at the forefront of partnerships with local authorities and Passenger Transport Executives (PTEs). We have been working closely with the West of England Partnership to deliver the Greater Bristol Bus Network (GBBN). The GBBN programme will improve ten route corridors and benefit some 60 bus routes. We were delighted that the first completed route corridor, between Weston-super-Mare and Bristol, was launched in March. A number of infrastructure improvements will make bus services more accessible and easier to use. In addition, changes to the road network have reduced off peak journey times. We have supported the GBBN programme with an investment of £20m in new buses, fare promotions and increased marketing. On one of the other route corridors, Bath to Midsomer Norton, we negotiated a Quality Partnership Scheme which sets out service standards including maximum fares and minimum frequencies.

We continue to make progress with the three PTEs in Yorkshire and Greater Manchester on partnership and investment proposals which focus on passenger growth and modal shift. With local authorities facing a range of challenges in the year ahead we believe that closer partnership working will ensure these challenges are met. In West Yorkshire, all operators have formed the West Yorkshire Bus Operators Association to progress partnership plans. A similar arrangement already exists in Greater Manchester which has delivered a number of benefits including a new Code of Conduct launched in October.

In Chester we signed a Voluntary Partnership Agreement with Cheshire West and Chester Council to cover Blacon area. Our investment in upgraded vehicles has helped deliver a strong passenger growth. We are also working with Merseytravel on its upcoming Quality Partnership Scheme.

Active assessment and management of our portfolio

In April 2011 we sold our Kings Lynn network to a local bus operator. This enables us to further develop our flagship interurban service operating across the region. We continue to modernise and right size our facilities through investment in new and redeveloped depots in Aberdeen, Braintree, London, Norwich, Southampton and Wigan and the closure of one of our depots in Bristol.

Investing for growth

On 30 March we announced our plans to order £160m of new vehicles over the next two years from UK bus manufacturers. The order for 955 vehicles is one of the largest the British bus industry has ever seen. Our new bus order includes 40 hybrid buses, part funded by the DfT's Green Bus Fund, as we continue to invest in low carbon vehicles which will significantly lower emissions. In partnership

with Bath and North East Somerset Council as part of the EU Civitas project, we launched a hybrid vehicle on Park & Ride services in Bath during the year.

In March we started to introduce hybrid vehicles into Leeds for services operating on the Scott Hall Road guided busway. We worked in partnership with Metro and Leeds City Council a generation ago to pioneer guided busways delivering significant improvements to journey times and reliability on the route. This delivered substantial passenger growth and we believe there are further growth opportunities through strong marketing and investment, supported by funding from Metro, to upgrade passenger facilities on the route.

In January we started operating hydrogen fuel cell buses on route RV1 in London. The vehicles run from a purpose built facility at Lea Interchange Depot. This project is in partnership with Transport for London. We are the only company in the world operating hydrogen fuel cell buses in both the UK and the US. Our engineering and operations teams are at the forefront of the industry and the institutional expertise we are developing will stand us in good stead for the future.

We are actively examining new technologies to improve our ticketing and fares offerings which will support our plans for growth. We have a wide ranging experience with smartcards, in particular in Scotland and Wales. During the year First Cymru completed the introduction of new smartcard enabled ticket machines, supported with funding from the Welsh Assembly Government. We are also working with Strathclyde Partnership for Transport on a smartcard, multi-operator ticket for the Greater Glasgow bus network.

Contracts

Contracted services continue to complement our passenger revenue business. During the year we were awarded a number of important contracts by London Buses, part of Transport for London, including the route between Ilford and Oxford Circus requiring a fleet of 65 vehicles. The tender market in London is however increasingly competitive, particularly in the east with operators seeking to utilise spare capacity at depots in the area. We are increasingly successful in winning contracts from Transport for London for both Underground and Overground rail replacement services utilising buses that would otherwise be idle outside peak operating hours. We are well advanced in our preparations to deliver our commitments to transport spectators by bus and coach during the London 2012 Olympic Games.

We were delighted to retain the high profile Metroshuttle contract in Manchester during the year. Originally introduced in 2002, Metroshuttle now operates three routes, which together provide passengers with a free bus service to all the main city centre areas. The service was successfully relaunched in November with a new fleet of 20 hybrid vehicles funded by Transport for Greater Manchester, again with support from the DfT's Green Bus Fund.

We launched our new 'Glasgow Shuttle' route between Glasgow Airport and the city centre on 1 January 2011. We invested £1.5m in ten new high specification buses with leather seats, on bus screens and WiFi. The route is performing ahead of expectations.

The Comprehensive Spending Review (CSR) and the Competition Commission

The CSR in October announced significant reductions in grant funding for local authorities and a 20% reduction in Bus Service Operators Grant (BSOG) from April 2012. With adequate time to plan and prepare, we expect to manage the impact of the reduction in BSOG through mitigating actions including increased efficiencies. Pressure on local authority budgets, together with the impact of the DfT's revised guidance on concessionary fares reimbursement, has reduced the funding available in some areas. We continue to progress negotiations with local authorities on reimbursement and have successfully secured agreements for up to three years with some authorities. Funding for tendered services has also reduced in a number of areas and authorities are reviewing the criteria for funding routes and journeys not operated commercially.

The provisional findings of the Competition Commission's local bus services market inquiry were published in May 2011. We are pleased that the Competition Commission recognises that the tools exist within the current legislative framework to improve bus services for passengers and therefore its possible remedies do not propose any major policy or regulatory changes. We remain actively engaged in the inquiry and will continue to work with the Competition Commission ahead of its final report later in the year.

UK Rail

Revenue increased by 6.5% to £2,269.8m (2010: £2,131.0m). Passenger revenue, on a like-for-like basis, increased by 5.3% reflecting strong volume growth across all of our Train Operating Companies (TOCs). Operating profit increased by 23.1% to £108.7m (2010: £88.3m), despite a reduction in net subsidy/premium, and was supported by management actions to reduce the addressable cost base and lower hedged fuel costs.

We have decided that we will not take up the option to extend First Great Western for a further three years beyond the initial franchise term to 2013. The Government has announced a new franchising policy and major investment in the region including electrification of the Great Western Main Line and the Intercity Express Programme. We intend to bid for the new Greater Western franchise reflecting the changed environment. We will continue to operate First Great Western until March 2013 and will meet all of our obligations under the Franchise Agreement. We remain committed to delivering further improvements for customers in the region.

As the UK's largest rail operator we have unrivalled experience of every type of passenger rail operation including intercity long distance, commuter, regional and open access. We also have a strong track record of innovation, investment and of working in partnership to deliver improved services and increased capacity for customers.

We remain focused on retaining our leadership position in UK Rail and will continue to leverage our unrivalled expertise and experience. We were pleased to be shortlisted for the InterCity West Coast franchise and we are in discussion with the DfT on a proposal to extend our First TransPennine Express franchise.

During the first half of the year we completed the sale of GBRf to Eurotunnel for a gross consideration of £31.0m. This disposal is consistent with our strategy to focus on the Group's core businesses in the UK and North America.

First Great Western

The reliability of infrastructure, particularly in the Thames Valley area, has had a significant impact on operational performance during the year. As a result the Public Performance Measure (PPM) on a Moving Annual Average (MAA) basis has reduced to 90.3%. We have been working closely with Network Rail (NR) and the new Route Director to address the infrastructure issues and improve performance. Whilst we are pleased to report increased punctuality and reliability trends in February and March there remains more to do.

We are continuing discussions with the DfT about how to increase capacity on our services to address issues of overcrowding, particularly in the London and Thames Valley and Greater Bristol areas. Overall satisfaction remained stable at 82% in the National Passenger Survey Autumn 2010.

We continue to see strong growth on branch lines in Devon and Cornwall as a result of improved services and local marketing campaigns. Our successful 'Club 55' promotion, delivered in partnership with other FirstGroup TOCs for the first time this year, continues to deliver growth with a 22% increase in sales compared to the previous promotion in autumn/winter 2009. We continue to promote internet sales and are pleased with the continued growth, an increase of nearly a third year on year.

In December 2010 we successfully launched a new early morning service from London Paddington to Exeter and Torbay. The new train has been welcomed by local business leaders and stakeholders.

Over Christmas and the New Year, NR successfully completed the first stage of its major improvement programme in and around Reading station. This long-term project will ultimately include the construction of a new track layout and four new platforms at the station, allowing more trains to pass through the area, improve punctuality and provide a bigger and more easily accessible station. During the major engineering works, which significantly affected all First Great Western routes, we demonstrated our expertise in operational management working in partnership with NR to effectively manage longer journey times and bus and rail interchanges at key stations.

We are investing £8m to improve our Turbo Class 16x fleet, which operates in London and the Thames Valley and carries more than 36 million passengers every year. The improvement programme includes a GPS-linked public address and Customer Information System to improve the accuracy and clarity of journey information for customers, as well as upgrading toilets and air conditioning systems.

First Capital Connect

We are focused on improving operational performance at First Capital Connect. Our driver recruitment and training programme is progressing well and we continue to work closely with NR to address infrastructure issues on the network, which remain challenging. Despite our efforts, the PPM, on a MAA basis, has remained at around 89% throughout the year, partly as a result of significant disruption due to a poor autumn and severe winter weather in November and December. Performance on our Thameslink route has improved significantly year on year.

We invested over £1m in a package of measures to improve information to customers and to staff on the front line, principally through an upgrade to our Customer Information System, issuing BlackBerry devices to our revenue protection and station staff teams and the installation of gateline computers for our station based revenue protection teams. We also redeveloped our website to focus on real-time information to customers.

In December 2010, we introduced our new 'More Seats for You' timetable on our Great Northern route to deliver a significant capacity improvement and created over 6,500 extra seats on peak time services connecting Moorgate and King's Cross.

We continue to work with the DfT, NR and other TOCs to deliver the Thameslink Programme. Scheduled to complete in December 2018, the programme will deliver a service with new, longer trains operating at up to 24 services per hour across London in the morning and evening peaks. During the year ahead we will see the introduction of the first 12 car services in December 2011, with an additional 2,000 seats on services on the Thameslink route and the completion of major station upgrades at Blackfriars, Farringdon and West Hampstead.

We continue to invest in our First Capital Connect franchise to deliver a range of improvements. In addition to capacity increases on the Great Northern route and better customer information, we also introduced gateline schemes at Finsbury Park, Harpenden and Leagrave stations, completed refresh and reliability improvements on our Class 319 and made improvements to stations, including cycle facilities, accessibility works and security.

First ScotRail

Despite a record PPM of 95% in August and a strong operational performance over the summer months, First ScotRail's PPM MAA reduced to 90%, due to the prolonged impact of severe weather affecting transport networks in Scotland during November and December, which had a significant impact on our performance and targets.

For the second consecutive year First ScotRail was named UK Rail Operator of the Year at the National Transport Awards. This is a great achievement. However we must continue to improve our service quality. We are taking action to address the issues raised, particularly customer information, through the National Passenger Survey which contributed to our overall satisfaction score of 86% in autumn 2010. We are delivering a significant programme of investment to refresh the interiors of our fleet. Work on the Class 314s is underway and enhancements to our Class 334 and Class 170 trains will begin later in the year.

We are also introducing our new fleet of Class 380 electric trains into service with the roll out to continue through 2011. This investment by the Scottish Government will offer more seats and improved comfort to passengers including accessible toilets, air-conditioning, CCTV, power sockets and enhanced provision for cycles, luggage and wheelchair users. Our Shields Depot, expanded to accommodate the new trains, opened in February 2011.

The Glasgow-Edinburgh via Airdrie and Bathgate line opened in December 2010. Funded by Transport Scotland and built by Network Rail, the £300m link includes three new stations serving the communities of Armadale, Blackridge and Caldercruix. In addition, Bathgate station was relocated, Drumgelloch station rebuilt, and Livingston North and Uphall stations upgraded.

First ScotRail continues to focus on leisure advertising, sales promotion and improved digital and online activity. Our 'Summer Leisure' campaign and 'Kids Go Free' ticket both performed very well. Our autumn 'Club 55' promotion and our offer with Sainsbury's again proved successful in attracting new passengers to the railways, with combined revenue increasing by over 13% on the equivalent promotions last year.

We successfully completed the trial of smartcard ticketing on the Glasgow-Edinburgh route via Falkirk High. The technology has been proven and we now have more than 500 registered users.

First TransPennine Express

We were delighted to win the Passenger Operator of the Year title at the National Rail Awards in September. Since the start of the franchise in February 2004 punctuality and reliability has increased from 85% to over 91%, customer satisfaction has increased from 74% to 87% and passenger numbers have increased by 85% to some 24 million a year. In addition, First TransPennine Express has introduced a £260m fleet of new trains, invested £12m in station improvements and expanded its network with the transfer of routes from Manchester Airport to Scotland. We are in discussions with the DfT to extend the franchise.

First TransPennine Express scored 87% overall satisfaction in the National Passenger Survey Autumn 2010 with improvements in 12 of the 13 station categories. Customers were particularly pleased with both the upkeep and cleanliness of the station environments and the attitude and helpfulness of staff.

There was also a significant improvement in the score for managing delays and disruption to train services. Investment in information technology and providing better quality information to staff on trains and stations has helped them to provide better information and assistance to customers. First TransPennine Express also launched its mobile website allowing customers to check real time arrival and departure information from their station as they travel.

In February 2011 we achieved Investors in People accreditation with learning and development marked as a particular strength, including the provision of NVQs in Customer Service and other professional qualifications. A recent staff survey highlighted that more than four out of five employees enjoyed their job and more than three quarters of employees who started with the business in 2004 are still with First TransPennine Express.

First TransPennine Express continues to promote its 'Great Value Fares' campaign and at the start of the year launched a January sale with 25% off the price of one million Advance tickets. Last year, we ran a major marketing campaign using TV, press, radio and online media. During the period the TV adverts were being shown visits to www.tpexpress.co.uk increased by 43%. The campaign led to a significant boost in sales of Advance purchase tickets.

First Hull Trains

An increasing number of passengers are choosing to use our services and this year we carried over 750,000 passengers, the highest in our ten year history. We were pleased to achieve a score of 93% in the National Passenger Survey Autumn 2010. We completed the refresh programme of our Class 180 fleet and feedback from passengers has been encouraging. We are launching a new timetable in May 2011 offering faster journey times and a more regular service pattern.

Outlook

Looking ahead the economic outlook remains uncertain. We are encouraged by improving trends in UK Rail and Greyhound and a continued steady performance in our UK Bus and First Transit operations. We expect that our North American First Student business will continue to see pressure on margins during 2011/12. Across the Group we will continue to focus our efforts on improving our operations to drive further efficiencies to maintain and develop margins.

Building on our strong cash performance this year, we will continue to progress the opportunities to increase cash generation within the Group and we are targeting a net cash inflow of £150m in 2011/12. The Board is committed to its key priorities of increased cash generation to support capital investment, debt reduction and dividend growth of at least 7% per annum.

The Group is well placed with market leading positions in a sector that is a key enabler of economic growth. With diverse operations that are fundamentally robust and a team with a clear focus on creating a stronger business, the Group has good prospects in all of its key markets to continue to deliver long-term value for shareholders.

Tim O'Toole

Chief Executive
10 May 2011

Finance Director's review

OVERVIEW

The Group results were in line with expectations however our business portfolio had a mixed performance. Margins and adjusted operating profits improved in all of the businesses except for First Student. Strong results in the UK, particularly in the Rail division and steady and improving performance in UK Bus, First Transit and Greyhound offset a disappointing performance by First Student which was impacted by unprecedented spending cuts by School Boards and Districts.

The results also contain a number of significant non-recurring items which reflect the decisive actions we have taken to address specific issues and to strengthen the business. In particular we have implemented a recovery programme in First Student to strengthen and right size the business model, streamline the cost base, improve margins and reposition the business for future growth opportunities. In addition we have taken a charge, principally related to accelerated depreciation, for projected losses on the First Great Western franchise following our decision not to exercise our option to extend the franchise for the 3 years beyond March 2013. We have also taken a charge for goodwill impairment and future losses relating to the provision of US military base services in Diego Garcia in First Transit.

The Group continues to improve cash generation and as a result cash generated from operations grew 23% to £744.1m (2010: £604.7m) and the net cash inflow was £209.8m (2010: £136.3m), significantly ahead of target. As expected, the net debt to EBITDA ratio was 2.5 times (2010: 3.0 times) showing good progress from last year. Strong cash generation underpins the Group's commitment to deliver sustained real growth in the dividend while also reducing leverage. For 2011/12 we are targeting a net cash inflow of £150m.

Further progress was made with debt financing. We implemented a new committed 5 year \$1.25 billion bank revolver and a \$150m term loan bilateral which replaced two revolver facilities due to expire in February 2012. The average debt duration at 31 March 2011 was 6.1 years, broadly in line with last year. Headroom under committed revolver facilities at 31 March 2011 was £526.7m. Shortly after the year end, the Group issued private placement notes for \$150m, with an average duration of 6 years and a coupon rate of 4.26%. The proceeds were used to reduce bank debt, improve liquidity headroom and further reduce refinancing risk.

RESULTS

Group revenue was £6,429.2m (2010: £6,261.9m), an increase of 2.7% and includes £98.0m of favourable foreign exchange movements, representing an increase of 1.1% at constant currencies. Adjusted operating profit was £457.4m (2010: £449.6m). Operating margins are broadly in line with last year reflecting improvements in all of the businesses with the exception of First Student. Statutory operating profit was £309.3m (2010: £364.2m) with the reduction principally due to the higher level of non-recurring items and amortisation charges.

	Year to 31 March 2011			Year to 31 March 2010		
	Revenue	Operating profit ¹	Operating margin ¹	Revenue	Operating profit ¹	Operating margin ¹
Divisional results	£m	£m	%	£m	£m	%
First Student	1,594.4	128.3	8.0	1,605.9	180.9	11.3
First Transit	771.5	57.2	7.4	727.8	53.0	7.3
Greyhound	634.6	40.2	6.3	603.3	23.9	4.0
UK Bus	1,137.5	148.8	13.1	1,170.6	124.6	10.6
UK Rail	2,269.8	108.7	4.8	2,131.0	88.3	4.1
Group ²	21.4	(25.8)	-	23.3	(21.1)	-
Total Group	6,429.2	457.4	7.1	6,261.9	449.6	7.2

¹Adjusted.

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

First Student revenue was \$2,480.2m or £1,594.4m (2010: \$2,544.7m or £1,605.9m), a reduction of 2.5% in US Dollars and a reduction of 0.7% in Sterling terms. Operating profit was \$200.2m or £128.3m (2010: \$281.1m or £180.9m). The reduction in revenue and operating profit is largely a result of the difficult trading conditions with pressure on School Board budgets. During the year the number of buses in the fleet reduced to approximately 57,000 as a result of competitive bidding and organic losses as we saw an overall contraction in the size of the student bus market. The margin decline was exacerbated by an inability to recover cost inflation through price increases, and flex costs and achieve operating efficiencies in light of the reduction in business. As a result the margin fell to 8.0% from 11.3% last year. We anticipate that the recovery plan which was initiated towards the end of the year will address the structural issues and will lead to an improvement in margin in the medium term.

First Transit revenue was \$1,199.0m or £771.5m (2010: \$1,160.1m or £727.8m), an increase of 3.4% and 6.0% in US Dollar and Sterling terms respectively. Operating profit was \$89.5m or £57.2m (2010: \$84.4m or £53.0m). The revenue improvement was principally in shuttle bus and paratransit operations. The margin has improved to 7.4% (2010: 7.3%) which represents an excellent return given the low levels of capital expenditure required in this business.

Greyhound revenue was \$985.0m or £634.6m (2010: \$963.4m or £603.3m) and operating profit was \$62.3m or £40.2m (2010: \$39.6m or £23.9m). Passenger revenues were up 0.8% on last year at constant exchange rates with encouraging growth of 1.6% in the final quarter of the year. The business had an excellent performance on costs with reduced variable wheel costs, including a reduction in fuel costs, and further management actions and Greyhound Canada is making good progress in delivering its profit recovery plan.

UK Bus revenue was £1,137.5m (2010: £1,170.6m), a reduction of 2.8%. Operating profit was £148.8m (2010: £124.6m), an increase of 19.4% principally due to lower fuel costs and further cost efficiencies partly offset by the impact of bad weather in the second half of the year (£4.0m). As a result margin improved to 13.1% from 10.6% last year. Passenger revenues did not recover at the rates we anticipated but like-for-like passenger revenues still grew by 1.4%. We have continued to take advantage of the flexible operating model in UK Bus which we can adjust to match supply with demand and during the year we reduced mileage year on year by 6.4%.

UK Rail revenue was £2,269.8m (2010: £2,131.0m), an increase of 6.5%. Operating profit was £108.7m (2010: £88.3m), an increase of 23.1%. Like-for-like passenger revenue growth across all TOCs was 5.3%. We are still receiving revenue support at the highest level of 80% for both First Great Western and First Capital Connect. The reduction in the net franchise subsidy/premium position and the impact of bad weather in the second half of the year (£5.2m) were more than offset by higher performance regime receipts, lower fuel costs and further management cost savings in the addressable cost base. During the year we disposed of the non-core GB Railfreight business for gross proceeds of £31.0m and settled several disputes with NR for a total receipt of £30.0m, the largest of which related to the previous Great Western Trains franchise. We also recorded a one-off provision for projected future losses on the First Great Western franchise as explained below.

Net Group costs were £25.8m (2010: £21.1m) with the increase mainly due to a higher share-based payment charge as last year's charge was lower due to the true-up of certain executive options where the required performance conditions were not expected to be met.

Non-recurring items and amortisation charges	2011	2010
	£m	£m
UK Rail First Great Western contract provision	(59.9)	-
First Student recovery plan	(39.5)	-
UK Rail claim	22.5	-
First Transit goodwill impairment and contract provision	(16.6)	-
UK Rail bid costs	(2.7)	-
UK Rail joint venture provision	(1.8)	-
Competition Commission costs	(1.4)	(3.8)
UK Bus restructuring costs	(1.0)	(6.8)
North American restructuring costs	-	(15.9)
North American integration costs	-	(15.5)
Fuel hedge ineffectiveness	-	(4.8)
UK Rail restructuring costs	-	(2.5)
Other non-recurring items	(0.4)	(0.3)
Total non-recurring items	(100.8)	(49.6)
Amortisation charges	(42.9)	(34.7)
Loss on disposal of properties	(4.4)	(1.1)
Operating profit charge	(148.1)	(85.4)
Ineffectiveness on financial derivatives	0.3	1.0
Profit before tax charge	(147.8)	(84.4)
Tax credit	43.0	26.6
Profit on disposal of discontinued operations	6.7	-
Non-recurring items for the year	(98.1)	(57.8)

UK Rail First Great Western contract provision

During the year a charge of £59.9m (2010: £nil) was made in respect of the First Great Western franchise. Previously we had considered that certain changes to this franchise in relation to the option period could be negotiated with the DfT. However as a result of the change in Government and subsequent statements on franchise contractual terms this now appears unlikely to happen. We have decided that the best commercial strategy is to put ourselves in a position to rebid for this franchise under new economic conditions including the electrification and new rolling stock projects for a start date of 1 April 2013. We will therefore not exercise our option to extend this franchise for the three years to March 2016 and it will now end in March 2013. The provision reflects our best estimate of the likely losses on the franchise over the two years to 31 March 2013 which arise largely due to the accelerated write off of assets dedicated to this contract due to the earlier than expected end date. We expect that the overall cash flow of First Great Western will be broadly neutral over the remaining two years of the franchise.

First Student recovery plan

A charge of £39.5m (2010: £nil) has been made in respect of the First Student business relating to a restructuring and right sizing project which was initiated as a result of the disappointing performance during the year. We anticipate that this will strengthen the business model, streamline the cost base, improve margins in the medium term and maximise the future growth opportunities. These costs include a provision for surplus fleet, a provision for loss making contracts, redundancy and associated costs.

UK Rail claim

Agreement was reached with Network Rail during the year in settlement of several disputes, the largest of which related to a long running claim from the previous Great Western Trains franchise. The Group recognised £22.5m net in relation to this matter as compensation as a result of certain changes to the previously agreed rail network.

First Transit goodwill impairment and contract provision

During the year a charge of £16.6m (2010: £nil) was made in relation to a loss making contract related to the provision of US military base services in Diego Garcia. Included within this charge is a goodwill impairment charge of £5.0m and provision for projected losses of £11.6m until this contract ends in 2017.

UK Rail bid costs

Costs of £2.7m (2010: £nil) were incurred during the year on our bid for the Intercity West Coast franchise.

UK Rail joint venture provision

A provision of £1.8m (2010: £nil) has been made for the investment in DSBFirst due to operational and financial uncertainties with this joint venture which have only recently come to light.

Competition Commission costs

Costs of £1.4m (2010: £3.8m) were incurred on the ongoing Competition Commission investigation into the UK Bus market.

UK Bus restructuring costs

Restructuring costs of £1.0m (2010: £6.8m) were incurred during the year and principally represent redundancy and related costs in respect of closing and consolidating certain depots.

Amortisation charges

The charge for the year was £42.9m (2010: £34.7m) with the increase mainly due to the write off of the remaining balance of the First Great Western franchise intangible asset (£7.6m) as a result of projected losses to the end of this franchise in 31 March 2013.

Loss on disposal of properties

A loss on disposal of properties of £4.4m (2010: £1.1m) was recorded during the year. Principally due to market conditions there were no significant disposals of properties during the year either in the UK or North America.

Ineffectiveness on financial derivatives

Due to the ineffective element and undesignated fair value movements on financial derivatives there was a £0.3m (2010: £1.0m) credit to the income statement during the year.

Tax

The tax credit as a result of this non-recurring expenditure was £41.3m (2010: £26.6m). In addition there was a one-off deferred tax credit of £1.7m as a result of the reduction in the UK corporation tax rate from 28% to 26%.

FINANCE COSTS AND INVESTMENT INCOME

Net finance costs, before non-recurring items, were £182.4m (2010: £189.9m) with the reduction principally due to lower interest rates.

PROFIT BEFORE TAX

Adjusted profit before tax was £275.0m (2010: £259.7m) with the increase due principally to higher operating profit and lower net finance costs. An overall charge of £147.8m (2010: £84.4m) for non-recurring items and amortisation charges resulted in statutory profit before tax of £127.2m (2010: £175.3m).

TAX

The tax charge, on adjusted profit before tax, for the year was £60.0m (2010: £57.8m) and results in an effective rate of 21.8% (2010: 22.4%). There was a tax credit of £41.3m (2010: £26.6m) relating to

amortisation charges and non-recurring items and a one-off credit adjustment of £1.7m to the UK deferred tax liability as a result of the reduction in the UK Corporation tax rate from 28% to 26% which will apply from April 2011. This resulted in a total tax charge of £17.0m (2010: £31.2m) on continuing operations.

The actual tax paid during the year was £25.0m (2010: £1.3m). North American cash tax remains low due to tax losses brought forward and tax depreciation in excess of book depreciation. We expect the North American cash tax rate to remain low for the medium term. The UK cash tax for the year was higher than last year due to higher UK operating profits, the UK Rail claim receipt and lower capital allowances.

DISCONTINUED OPERATIONS

A profit on disposal of £6.7m arose on the sale of GB Railfreight representing the gross proceeds of £31.0m less the carrying value of net assets, including goodwill, and transaction costs. This, as well as the operating profit after tax to the date of disposal of £0.2m (2010: £3.0m), has been classified within discontinued operations in the consolidated income statement.

DIVIDENDS

In line with our stated commitment the Board has proposed a final dividend per share, subject to approval by shareholders, of 15.0p (2010:14.0p), an increase of 7%, making a full year payment of 22.12p (2010: 20.65p). It will be paid on 19 August 2011 to shareholders on the register at 15 July 2011. The dividend is covered 1.9 times (2010: 1.9 times) by adjusted basic EPS.

EPS

The adjusted basic EPS was 41.2p (2010: 38.9p), an increase of 5.9%. Basic EPS was 21.4p (2010: 26.9p), a reduction of 20.4%.

EBITDA

EBITDA by division is set out below:

	Year to 31 March 2011			Year to 31 March 2010		
	Revenue £m	EBITDA ¹ £m	EBITDA ¹ %	Revenue £m	EBITDA ¹ £m	EBITDA ¹ %
First Student	1,594.4	278.1	17.4	1,605.9	324.3	20.2
First Transit	771.5	66.3	8.6	727.8	62.1	8.5
Greyhound	634.6	68.7	10.8	603.3	52.6	8.7
UK Bus	1,137.5	220.5	19.4	1,170.6	200.2	17.1
UK Rail	2,269.8	166.1	7.3	2,131.0	141.9	6.7
Group	21.4	(21.5)	-	23.3	(17.2)	-
Total Group	6,429.2	778.2	12.1	6,261.9	763.9	12.2

¹Adjusted operating profit plus depreciation.

CASH FLOW

The net cash inflow was £209.8m (2010: £136.3m) during the year. This contributed to a net debt reduction of £332.1m (2010: £222.0m) as detailed below:

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Operational cash flows before working capital	708.8	726.3
Working capital	78.4	(45.4)
Movement in provisions	0.4	(34.1)
Pension payments in excess of income statement charge	(43.5)	(42.1)
Cash generated by operations	744.1	604.7
Capex and acquisitions	(261.8)	(202.1)
Interest and tax	(186.7)	(150.8)
Dividends	(113.2)	(112.2)
Proceeds from sale of business	24.3	0.4
Other	3.1	(3.7)
Net cash inflow	209.8	136.3
Foreign exchange movements	129.2	90.3
Other non-cash movements in relation to financial instruments	(6.9)	(4.6)
Movement in net debt in year	332.1	222.0

The improvement in net cash flow was primarily due to:

- Working capital inflow being £123.8m favourable due to better collections of receivables, extended payment terms with suppliers, non-cash exceptional items (excluding the projected FGW losses for the year to 31/03/13 which are included in provisions) and the timing of certain UK Rail payments to government bodies.
- Lower cash settlements of provisions of £34.5m mainly reflecting the FGW provision which was a non-cash item during the year.
- Net proceeds of the GBRf disposal of £24.3m.

partly offset by:

- Operating cash flows before working capital being £17.5m lower principally due to a higher level of non-recurring charges
- Higher capital expenditure and acquisitions of £59.7m due to additional investment principally in First Student and UK Bus.
- Higher tax, interest and dividend payments of £36.9m.

CAPITAL EXPENDITURE

Cash capital expenditure was £258.7m (2010: £201.7m) and comprised First Student £107.7m (2010: £89.1m), First Transit £6.8m (2010: £10.7m), Greyhound £33.8m (2010: £30.0m), UK Bus £64.6m (2010: £32.5m), UK Rail £45.1m (2010: £36.3m) and Group items £0.7m (2010: £3.1m).

FUNDING AND RISK MANAGEMENT

At the year end, there was £526.7m of headroom under committed revolving bank facilities. Largely due to seasonality in the North American school bus business, committed headroom typically reduces during the financial year up to October and increases thereafter. Treasury policy requires a minimum of £175m of committed headroom at all times.

The Group's average debt maturity was 6.1 years (2010: 6.3 years). The Group's main revolving bank facilities expire in December 2015.

As the Group is a net borrower, cash and bank deposits, which arise principally in the UK Rail companies are minimised. The Group can only withdraw cash and bank deposits from the UK 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 only authorised financial instruments for certain 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 2011 87% (2010: 100%) of net debt was fixed and in excess of 85% of net debt is fixed for the next two years.

Fuel price risk

In the UK, 90% of crude oil costs were hedged at an average rate of \$76 per barrel during the year. At the end of the year we have hedged 82% of our "at risk" UK crude requirements for the year to 31 March 2012 (2.6m barrels p.a.) at \$88 per barrel and 34% of our requirements for the year to 31 March 2013 at \$94 per barrel.

In North America 90% of crude oil costs were hedged at an average rate of \$89 per barrel during the year. At the end of the year we have hedged 59% of the "at risk" volume for the year to 31 March 2012 (1.7m barrels p.a.) at \$95 per barrel. In addition we have hedged 22% of "at risk" volumes for the year to 31 March 2013 at \$92 per barrel.

Foreign currency risk

Group policies on foreign currency risk affecting cash flow, profits and net assets are maintained to minimise exposures to the Group by using a combination of natural hedge positions and derivative instruments where appropriate. Translation risk relating to US Dollar earnings arising in the US is largely offset by US Dollar denominated costs incurred in the UK, principally UK fuel costs, US Dollar interest and tax costs so that exposure to EPS on a year to year basis is not significant.

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 2011 foreign currency net assets were 62% (2010: 63%) hedged.

NET DEBT

The Group's net debt at 31 March 2011 was £1,949.4m (2010: £2,281.5m) and comprised:

			31 March 2011	31 March 2010
Analysis of net debt	Fixed £m	Variable £m	Total £m	Total £m
Sterling bond (2013) ¹	298.0	-	298.0	297.5
Sterling bond (2018) ²	325.9	-	325.9	350.7
Sterling bond (2019) ²	-	273.4	273.4	294.2
Sterling bond (2021) ³	331.1	-	331.1	341.3
Sterling bond (2024) ¹	199.0	-	199.0	198.9
Sterling bank loans	-	-	-	10.5
US Dollar bank loans	-	506.3	506.3	699.0
Canadian Dollar bank loans	-	113.1	113.1	156.3
Euro and other bank loans	-	29.0	29.0	30.2
HP contracts and finance leases	163.6	88.3	251.9	227.4
Loan notes	8.7	1.0	9.7	10.5
Cash	-	(89.4)	(89.4)	(76.0)
UK Rail ring-fenced cash and deposits	-	(283.8)	(283.8)	(234.2)
Other ring-fenced cash and deposits	-	(14.8)	(14.8)	(24.8)
Interest rate swaps	374.0	(374.0)	-	-
Total	1,700.3	249.1	1,949.4	2,281.5

¹ excludes accrued interest

² stated excluding accrued interest, swapped to US Dollars and adjusted for movements on associated derivatives

³ stated excluding accrued interest, partially swapped to US Dollars and adjusted for movements on associated derivatives

Leverage reduction is a key priority. At 31 March 2011 the net debt to EBITDA ratio was 2.5 times (March 2010: 3.0 times) and it is expected that this ratio will continue to decrease in the year to 31 March 2012.

SHARES IN ISSUE

As at 31 March 2011 there were 480.8m shares in issue (2010: 480.2m), excluding treasury shares and own shares held in trust for employees of 1.3m (2010: 1.9m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) was 480.4m (2010: 480.5m).

BALANCE SHEET

Net assets have increased by £40.4m since the start of the year. The principal reasons for this are favourable hedging reserve movements of £149.4m, the retained profit for the year of £117.1m and the RPI to CPI change on certain defined benefit pension arrangements of £84.9m which were partly offset by unfavourable foreign currency movements of £143.4m, dividend payments of £113.2m and actuarial losses on defined benefit pension schemes of £55.5m.

GOODWILL

The goodwill impairment charge of £5.0m during the year relates to the loss making contract in First Transit described above. Goodwill was tested for impairment in all cash generating units (CGUs) and there is more than sufficient headroom in all of the CGUs. It should be noted that the headroom on First Student has reduced to £243m (2010: £630m) reflecting the disappointing results during the year and the length of time that it will take the recovery plan to be fully delivered. The projections for this business assume the incremental benefits of the recovery plan together with a moderate economic recovery. As a result operating profits and margins are projected to recover to historic levels by the end of 2013/14. The First Student margin would need to fall in excess of 1.5% compared to future projections for there to be a goodwill impairment on this business.

FOREIGN EXCHANGE

The most significant exchange rates to Sterling for the Group are as follows:

	Year to 31 March 2011		Year to 31 March 2010	
	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.60	1.56	1.49	1.57
Canadian Dollar	1.57	1.56	1.53	1.60

PENSIONS

The Group has updated its pension assumptions as at 31 March 2011 for the defined benefit schemes in the UK and North America. In addition during the year the Government announced its intention to change the measure that it uses for cost of living increases to public sector pensions and to change the basis for the statutory revaluation and indexation of occupational pension schemes in the private sector. Increases to pensions in payment and deferred pensions in the Local Government Pension Schemes and the Railways Pension Scheme are expected to be linked to the rise in the consumer price index (CPI) in future rather than the rise in the retail price index (RPI), as are revaluations to deferred pensions in the Group Scheme and the UK Bus Occupational Scheme.

The net pension deficit of £331m at the beginning of the year has decreased to £243m at the end of the year principally due to the change to CPI instead of RPI which has had the impact of reducing pension liabilities at 31 March 2011 by £85m.

The main factors that influence the balance sheet position for pensions and the sensitivities to their movement at 31 March 2011 are set out below:

	Movement	Impact
Discount rate	+0.1%	Reduce deficit by £24m
Inflation	+0.1%	Increase deficit by £14m

SEASONALITY

The First Student business generates lower revenues and profits in the first half of the year than in the second half of the year as the school summer holidays fall into the first half. Greyhound operating profits are typically higher in the first half of the year due to demand being strongest in the summer months.

GOING CONCERN

The Group has established a strong balanced portfolio of businesses with approximately 50% of Group revenues secured under medium term contracts with government agencies and other large organisations in the UK and North America.

The Group has a diversified funding structure with an average life of 6.1 years at March 2011, and which is largely represented by a medium term unsecured syndicated committed bank facility and long term unsecured bond debt. The Group has \$1,250m of committed revolving banking facilities of which \$845m was undrawn at the year end. This facility expires in December 2015.

The Directors have carried out a detailed review of the Group's budget for the year to 31 March 2012 and medium-term plans, 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 have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Jeff Carr
Finance Director
10 May 2011

Consolidated income statement

For the year ended 31 March

	Notes	2011			2010		
		Adjusted results ¹	Adjustments ²	Total	Adjusted results ¹	Adjustments ²	Total restated ³
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue		6,429.2	-	6,429.2	6,261.9	-	6,261.9
Operating costs before loss on disposal of properties		(5,971.8)	(143.7)	(6,115.5)	(5,812.3)	(84.3)	(5,896.6)
Operating profit before loss on disposal of properties		457.4	(143.7)	313.7	449.6	(84.3)	365.3
Amortisation charges		-	(42.9)	(42.9)	-	(34.7)	(34.7)
Non-recurring items		-	(100.8)	(100.8)	-	(49.6)	(49.6)
		-	(143.7)	(143.7)	-	(84.3)	(84.3)
Loss on disposal of properties		-	(4.4)	(4.4)	-	(1.1)	(1.1)
Operating profit		457.4	(148.1)	309.3	449.6	(85.4)	364.2
Investment income		1.9	-	1.9	1.8	-	1.8
Finance costs		(184.3)	0.3	(184.0)	(191.7)	1.0	(190.7)
Profit before tax		275.0	(147.8)	127.2	259.7	(84.4)	175.3
Tax		(60.0)	43.0	(17.0)	(57.8)	26.6	(31.2)
Profit for the period from continuing operations		215.0	(104.8)	110.2	201.9	(57.8)	144.1
Discontinued operations							
Profit for the period from discontinued operations	3	0.2	6.7	6.9	3.0	-	3.0
Profit for the year		215.2	(98.1)	117.1	204.9	(57.8)	147.1
Attributable to:							
Equity holders of the parent		198.0	(94.8)	103.2	189.7	(57.6)	132.1
Non-controlling interests		17.2	(3.3)	13.9	15.2	(0.2)	15.0
		215.2	(98.1)	117.1	204.9	(57.8)	147.1
Earnings per share							
Continuing operations							
Basic	4	41.2p	(19.8)p	21.4p	38.9p	(12.0)p	26.9p
Diluted	4	40.8p	(19.5)p	21.3p	38.6p	(11.9)p	26.7p
Continuing and discontinued operations							
Basic	4	41.2p	(19.7)p	21.5p	39.5p	(12.0)p	27.5p
Diluted	4	40.9p	(19.6)p	21.3p	39.3p	(12.0)p	27.3p

Dividends of £101.4m (2010: £93.1m) were paid during the year. Dividends of £72.1m (2010: £67.2m) are proposed for approval in respect of the year.

¹Adjusted trading results before items noted in 2 below.

²Amortisation charges, ineffectiveness on financial derivatives, non-recurring items, loss on disposal of properties and profit on disposal of discontinued operations and tax thereon.

³Restated to exclude discontinued operations as explained in note 1.

Consolidated statement of comprehensive income

Year ended 31 March

	2011 £m	2010 restated ¹ £m
Profit for the year	117.1	147.1
Other comprehensive income		
Derivative hedging instrument movements	193.4	339.2
Deferred tax on derivative hedging instrument movements	(44.0)	(100.4)
Exchange differences on translation of foreign operations	(143.9)	(14.0)
Unrealised losses on executive deferred compensation plans	(0.1)	(0.5)
Actuarial losses on defined benefit pension schemes	(55.5)	(211.9)
RPI to CPI change in defined benefit pension arrangements	84.9	-
Deferred tax on actuarial losses and RPI to CPI change on defined benefit pension schemes	(5.9)	56.7
Other comprehensive income for the year	28.9	69.1
Total comprehensive income for the year	146.0	216.2
Attributable to:		
Equity holders of the parent	132.6	200.9
Non-controlling interests	13.4	15.3
	146.0	216.2

¹ Restated for foreign exchange movements on foreign currency denominated defined benefit pension schemes as explained in note 1.

Consolidated balance sheet

Year ended 31 March

	Notes	2011 £m	2010 restated ¹ £m	2009 restated ¹ £m
Non-current assets				
Goodwill	5	1,608.0	1,754.9	1,820.0
Other intangible assets	6	348.6	415.9	456.7
Property, plant and equipment	7	2,082.9	2,284.1	2,398.1
Deferred tax assets	15	30.0	30.4	50.2
Retirement benefit assets		30.7	3.1	111.5
Derivative financial instruments	14	58.1	33.0	24.8
Investments		3.2	4.8	5.1
		4,161.5	4,526.2	4,866.4
Current assets				
Inventories	8	91.4	92.7	110.0
Trade and other receivables	9	555.5	602.5	610.3
Cash and cash equivalents		388.0	335.0	322.5
Assets held for sale		4.6	3.9	4.2
Derivative financial instruments	14	65.1	32.1	3.1
		1,104.6	1,066.2	1,050.1
Total assets		5,266.1	5,592.4	5,916.5
Current liabilities				
Trade and other payables	10	1,129.9	1,120.0	1,124.7
Tax liabilities		49.0	36.1	47.2
Financial liabilities				
- bank loans	11	93.5	-	210.7
- bonds	11	73.3	73.3	36.0
- obligations under HP contracts and finance leases	12	42.8	34.6	34.3
- loan notes	13	-	0.8	-
Derivative financial instruments	14	38.5	85.2	304.5
		1,427.0	1,350.0	1,757.4
Net current liabilities		322.4	283.8	707.3
Non-current liabilities				
Financial liabilities				
- bank loans	11	554.9	896.0	1,408.1
- bonds	11	1,417.1	1,414.1	870.2
- obligations under HP contracts and finance leases	12	209.1	192.8	194.6
- loan notes	13	9.7	9.7	10.5
Derivative financial instruments	14	29.7	121.1	243.6
Retirement benefit liabilities		273.9	333.9	280.2
Deferred tax liabilities	15	93.0	63.9	20.6
Provisions	16	300.8	300.4	327.0
		2,888.2	3,331.9	3,354.8
Total liabilities		4,315.2	4,681.9	5,112.2
Net assets		950.9	910.5	804.3
Equity				
Share capital	17	24.1	24.1	24.1
Share premium		676.4	676.4	676.4
Hedging reserve		35.4	(114.0)	(352.8)
Other reserves		4.6	4.6	4.6
Own shares		(5.0)	(6.5)	(3.4)
Translation reserve		156.6	300.0	314.2
Retained earnings		41.5	10.2	121.7
Equity attributable to equity holders of the parent		933.6	894.8	784.8
Non-controlling interests		17.3	15.7	19.5
Total equity		950.9	910.5	804.3

¹ Restated for foreign exchange movements on foreign currency denominated defined benefit pension schemes as explained in note 1.

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2009 as previously reported	24.1	676.4	(352.8)	4.6	(3.4)	337.4	98.5	784.8	19.5	804.3
Prior year adjustment	-	-	-	-	-	(23.2)	23.2	-	-	-
Balance at 1 April 2009 as restated	24.1	676.4	(352.8)	4.6	(3.4)	314.2	121.7	784.8	19.5	804.3
Total comprehensive income for the year	-	-	238.8	-	-	(14.2)	(23.7)	200.9	15.3	216.2
Dividends paid	-	-	-	-	-	-	(93.1)	(93.1)	(19.1)	(112.2)
Movement in EBT and treasury shares	-	-	-	-	(3.1)	-	(0.6)	(3.7)	-	(3.7)
Share-based payments	-	-	-	-	-	-	5.5	5.5	-	5.5
Deferred tax on share-based payments	-	-	-	-	-	-	0.4	0.4	-	0.4
Balance at 31 March 2010 as restated	24.1	676.4	(114.0)	4.6	(6.5)	300.0	10.2	894.8	15.7	910.5
Total comprehensive income for the year	-	-	149.4	-	-	(143.4)	126.6	132.6	13.4	146.0
Dividends paid	-	-	-	-	-	-	(101.4)	(101.4)	(11.8)	(113.2)
Movement in EBT and treasury shares	-	-	-	-	1.5	-	(1.7)	(0.2)	-	(0.2)
Share-based payments	-	-	-	-	-	-	7.7	7.7	-	7.7
Deferred tax on share-based payments	-	-	-	-	-	-	0.1	0.1	-	0.1
Balance at 31 March 2011	24.1	676.4	35.4	4.6	(5.0)	156.6	41.5	933.6	17.3	950.9

Consolidated cash flow statement

Year ended 31 March

	Note	2011 £m	2010 £m
Net cash from operating activities	18	555.7	452.3
Investing activities			
Interest received		1.7	1.6
Proceeds from disposal of property, plant and equipment		21.8	35.6
Purchases of property, plant and equipment		(210.3)	(205.6)
Disposal of subsidiary		24.3	0.4
Acquisition of businesses		(3.1)	(0.1)
Net cash used in investing activities		(165.6)	(168.1)
Financing activities			
Shares purchased by EBT		-	(6.1)
Monies received on exercise of share options		3.1	2.4
Dividends paid		(101.4)	(93.1)
Dividends paid to minority shareholders		(11.8)	(19.1)
Proceeds from bond issues		-	550.0
Proceeds from bank facilities		124.1	40.5
Repayment of bank debt		(307.7)	(707.4)
Repayments under HP contracts and finance leases		(35.9)	(30.0)
Repayment of loan notes		(0.8)	-
Fees for bank facility amendments and bond issues		(6.3)	(5.0)
Net cash flow from financing activities		(336.7)	(267.8)
Net increase in cash and cash equivalents before foreign exchange movements		53.4	16.4
Cash and cash equivalents at beginning of year		335.0	322.5
Foreign exchange movements		(0.4)	(3.9)
Cash and cash equivalents at end of year per consolidated balance sheet		388.0	335.0

Cash and cash equivalents are included within current assets on the consolidated balance sheet.

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

Year ended 31 March	2011 £m	2010 £m
Net increase in cash and cash equivalents in year	53.4	16.4
Decrease in debt and finance leases	220.3	146.9
Inception of new HP contracts and finance leases	(70.2)	(32.0)
Fees capitalised against bank facilities and bond issues	6.3	5.0
Net cash flow	209.8	136.3
Foreign exchange movements	129.2	90.3
Other non-cash movements in relation to financial instruments	(6.9)	(4.6)
Movement in net debt in year	332.1	222.0
Net debt at beginning of year	(2,281.5)	(2,503.5)
Net debt at end of year	(1,949.4)	(2,281.5)

Net debt includes the value of derivatives in connection with the bonds maturing in 2018, 2019 and 2021 and excludes all accrued interest. These bonds are included in non-current liabilities in the consolidated balance sheet.

1 GENERAL INFORMATION

The financial information set out above does not constitute the Company's Statutory Accounts for the year ended 31 March 2011 or 2010, but is derived from those accounts. Statutory Accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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 section 498 (2), (3) or (4) of the Companies Act 2006.

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 2010.

Copies of the Statutory Accounts for the year ended 31 March 2011 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.

Restatement of prior years numbers

The income statement and segmental amounts for the year to 31 March 2010 have been restated to show the results of GB Railfreight, which was sold during the period, within discontinued operations. The results of discontinued operations are set out in note 3.

Amounts presented in the consolidated statement of comprehensive income, consolidated balance sheet and statement of changes in equity for the year to 31 March 2010 and the consolidated balance sheet as at 31 March 2009 have been restated to correctly reclassify foreign exchange movements on foreign currency denominated defined benefit pension schemes from retained earnings to the translation reserve.

The impact was as follows:

	Consolidated balance sheet		Consolidated statement of comprehensive income
	31 March 2010	31 March 2009	Year to 31 March 2010
	£m	£m	£m
Retained earnings/actuarial losses on defined benefit schemes			
As previously reported	(8.4)	98.5	(204.3)
Prior year adjustment	23.2	0.1	-
Movement for the financial year	(4.6)	23.1	(7.6)
As restated	10.2	121.7	(211.9)
Translation reserve/exchange differences on translation of foreign operations			
As previously reported	318.6	337.4	(18.5)
Prior year adjustment	(23.2)	(0.1)	-
Movement for the financial year	4.6	(23.1)	4.6
As restated	300.0	314.2	(13.9)
Deferred tax on actuarial losses on defined benefit pension schemes			
As previously reported			53.6
Movement for the financial year			3.1
As restated			56.7

2 BUSINESS SEGMENTS

During the year organisational changes were made in North America, as a result of which First Student and First Transit now report directly to the Chief Executive. To reflect this, the previously reported North America segment has been split into First Student and First Transit. The prior year numbers in the disclosure below have been restated on this basis for comparison.

The Group is therefore now organised into five operating divisions – First Student, First Transit, Greyhound, UK Bus and UK Rail. These divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in. The principal activities of these divisions are set out in the Chief Executive's operating review.

The segment results for the year to 31 March 2011 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group items ² £m	Total £m
Revenue	1,594.4	771.5	634.6	1,137.5	2,279.7	21.4	6,439.1
Discontinued operations	-	-	-	-	(9.9)	-	(9.9)
Revenue continuing operations	1,594.4	771.5	634.6	1,137.5	2,269.8	21.4	6,429.2
EBITDA¹	278.1	66.3	68.7	220.5	166.1	(21.5)	778.2
Depreciation	(149.8)	(9.1)	(28.5)	(71.7)	(57.4)	(4.3)	(320.8)
Segment results¹	128.3	57.2	40.2	148.8	108.7	(25.8)	457.4
Amortisation charges	(20.4)	(4.7)	(3.1)	-	(14.7)	-	(42.9)
Non-recurring items	(39.5)	(16.6)	-	(2.4)	(41.9)	(0.4)	(100.8)
Loss on disposal of properties	(0.1)	-	(1.2)	(3.1)	-	-	(4.4)
Operating profit	68.3	35.9	35.9	143.3	52.1	(26.2)	309.3
Investment income							1.9
Finance costs							(184.3)
Ineffectiveness on financial derivatives							0.3
Profit before tax							127.2
Tax							(17.0)
Profit for the period from continuing operations							110.2
Discontinued operations							6.9
Profit after tax and discontinued operations							117.1

The segment results for the year to 31 March 2010 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group items ² £m	Total £m
Revenue	1,605.9	727.8	603.3	1,170.6	2,188.4	23.3	6,319.3
Discontinued operations	-	-	-	-	(57.4)	-	(57.4)
Revenue continuing operations	1,605.9	727.8	603.3	1,170.6	2,131.0	23.3	6,261.9
EBITDA¹	324.3	62.1	52.6	200.2	141.9	(17.2)	763.9
Depreciation	(143.4)	(9.1)	(28.7)	(75.6)	(53.6)	(3.9)	(314.3)
Segment results¹	180.9	53.0	23.9	124.6	88.3	(21.1)	449.6
Amortisation charges	(19.6)	(5.0)	(3.0)	-	(7.1)	-	(34.7)
Non-recurring items	(26.8)	(1.3)	(8.1)	(6.8)	(2.5)	(4.1)	(49.6)
(Loss)/profit on disposal of properties	-	-	0.2	(1.3)	-	-	(1.1)
Operating profit	134.5	46.7	13.0	116.5	78.7	(25.2)	364.2
Investment income							1.8
Finance costs							(191.7)
Ineffectiveness on financial derivatives							1.0
Profit before tax							175.3
Tax							(31.2)
Profit for the period from continuing operations							144.1
Discontinued operations							3.0
Profit after tax and discontinued operations							147.1

¹Adjusted.

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

3 DISCONTINUED OPERATIONS

On 28 May 2010 FirstGroup plc disposed of GB Railfreight and as a consequence the results of this business have been classified as discontinued operations, as detailed below:

	2011 £m	2010 £m
Revenue	9.9	57.4
Operating costs	(9.6)	(53.1)
Profit before tax	0.3	4.3
Attributable tax expense	(0.1)	(1.3)
Profit for the period from discontinued operations	0.2	3.0
Profit on disposal of discontinued operations	6.7	-
Net profit attributable to discontinued operations	6.9	3.0

4 EARNINGS PER SHARE (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £103.2m (2010: £132.1m) by the weighted average number of ordinary shares of 480.4m (2010: 480.5m). The numbers 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.

	2011 Number m	2010 Number m
Weighted average number of shares used in basic calculation	480.4	480.5
SAYE share options	0.5	0.2
Executive share options	3.7	2.5
	484.6	483.2

The adjusted basic EPS is intended to highlight the recurring results of the Group before amortisation charges, ineffectiveness on financial derivatives, non-recurring items and loss on disposal of properties. A reconciliation is set out below:

	2011		2010	
	£m	EPS (p)	£m	EPS (p)
Basic profit/EPS from continuing operations	103.0	21.4	129.1	26.9
Basic profit/EPS from discontinued operations	0.2	0.1	3.0	0.6
Basic profit/EPS	103.2	21.5	132.1	27.5
Amortisation charges ¹	42.7	8.9	34.5	7.2
Ineffectiveness on financial derivatives	(0.3)	(0.1)	(1.0)	(0.2)
Non-recurring items	100.8	21.0	49.6	10.4
Non-controlling interests on non-recurring items	(3.1)	(0.6)	-	-
Loss on disposal of properties	4.4	0.9	1.1	0.2
Business disposals	(6.7)	(1.4)	-	-
Tax effect of above adjustments	(42.9)	(9.0)	(26.6)	(5.6)
Adjusted profit/EPS	198.1	41.2	189.7	39.5
Adjusted profit/EPS from discontinued operations	(0.2)	-	(3.0)	(0.6)
Adjusted profit/EPS from continuing operations	197.9	41.2	186.7	38.9

¹Amortisation charges of £42.9m per note 6 less £0.2m (2010: £34.7m less £0.2m) attributable to equity non-controlling interests.

Diluted EPS	2011	2010
	pence	pence
Continuing operations		
Basic	21.3	26.7
Adjusted	40.8	38.6
Continuing and discontinued operations		
Basic	21.3	27.3
Adjusted	40.9	39.3

5 GOODWILL	2011	2010	2009
	£m	£m	£m
Cost			
At 1 April	1,754.9	1,820.0	1,310.1
Additions	2.3	-	6.5
Disposals	(14.2)	-	-
Reclassifications to other intangible assets	-	-	(9.1)
Foreign exchange movements	(130.0)	(65.1)	512.5
At 31 March	1,613.0	1,754.9	1,820.0
Accumulated impairment losses			
At 1 April	-	-	-
Impairment losses for the year	5.0	-	-
At 31 March	5.0	-	-
Carrying amount			
At 31 March	1,608.0	1,754.9	1,820.0

6 OTHER INTANGIBLE ASSETS	Customer contracts	Greyhound brand and trade name	Rail franchise agreements	Total
	£m	£m	£m	£m
Cost				
At 1 April 2009	412.1	65.9	56.3	534.3
Foreign exchange movements	(4.5)	0.1	-	(4.4)
At 31 March 2010	407.6	66.0	56.3	529.9
Foreign exchange movements	(26.1)	(4.1)	-	(30.2)
At 31 March 2011	381.5	61.9	56.3	499.7
Amortisation				
At 1 April 2009	44.6	5.0	28.0	77.6
Charge for year	24.6	3.0	7.1	34.7
Foreign exchange movements	1.4	0.3	-	1.7
At 31 March 2010	70.6	8.3	35.1	114.0
Charge for year	25.1	3.1	14.7	42.9
Foreign exchange movements	(5.6)	(0.2)	-	(5.8)
At 31 March 2011	90.1	11.2	49.8	151.1
Carrying amount				
At 31 March 2011	291.4	50.7	6.5	348.6
At 31 March 2010	337.0	57.7	21.2	415.9
At 31 March 2009	367.5	60.9	28.3	456.7

7 PROPERTY, PLANT AND EQUIPMENT	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2009	531.5	2,598.1	514.4	3,644.0
Additions in the year	24.7	161.6	65.4	251.7
Disposals	(4.7)	(86.4)	(23.1)	(114.2)
Transfers	5.0	(1.5)	(3.5)	-
Reclassified as held for sale	-	(23.6)	-	(23.6)
Foreign exchange movements	(1.3)	(3.9)	(3.3)	(8.5)
At 31 March 2010	555.2	2,644.3	549.9	3,749.4
Subsidiary undertakings acquired	-	1.0	-	1.0
Subsidiary undertakings disposed of	(2.8)	(2.3)	(4.0)	(9.1)
Additions in the year	27.3	145.8	89.5	262.6
Disposals	(15.2)	(59.5)	(30.8)	(105.5)
Reclassified as held for sale	-	(56.1)	-	(56.1)
Foreign exchange movements	(19.5)	(108.0)	(16.4)	(143.9)
At 31 March 2011	545.0	2,565.2	588.2	3,698.4
Accumulated depreciation and impairment				
At 1 April 2009	51.6	974.7	219.6	1,245.9
Charge for year	13.9	231.5	70.3	315.7
Disposals	(1.6)	(59.2)	(20.5)	(81.3)
Transfers	4.2	(1.4)	(2.8)	-
Reclassified as held for sale	-	(20.1)	-	(20.1)
Foreign exchange movements	0.4	5.4	(0.7)	5.1
At 31 March 2010	68.5	1,130.9	265.9	1,465.3
Subsidiary undertakings disposed of	(1.2)	(2.3)	(1.8)	(5.3)
Charge for year	14.1	228.4	78.5	321.0
Impairment	-	13.3	-	13.3
Disposals	(4.3)	(47.7)	(27.3)	(79.3)
Reclassified as held for sale	-	(46.4)	-	(46.4)
Foreign exchange movements	(2.1)	(44.6)	(6.4)	(53.1)
At 31 March 2011	75.0	1,231.6	308.9	1,615.5
Carrying amount				
At 31 March 2011	470.0	1,333.6	279.3	2,082.9
At 31 March 2010	486.7	1,513.4	284.0	2,284.1
At 31 March 2009	479.9	1,623.4	294.8	2,398.1

8 INVENTORIES	2011 £m	2010 £m	2009 £m
Spare parts and consumables	91.1	91.5	108.0
Property development work in progress	0.3	1.2	2.0
	91.4	92.7	110.0

	2011	2010	2009
	£m	£m	£m
9 TRADE AND OTHER RECEIVABLES			
Amounts due within one year			
Trade receivables	408.7	462.2	461.8
Provision for doubtful receivables	(7.5)	(6.5)	(8.8)
Other receivables	53.4	57.3	67.2
Other prepayments and accrued income	100.9	89.5	90.1
	555.5	602.5	610.3
	2011	2010	2009
	£m	£m	£m
10 TRADE AND OTHER PAYABLES			
Amounts falling due within one year			
Trade payables	312.2	288.9	314.5
Other payables	113.9	145.1	129.2
Accruals and deferred income	640.5	627.5	623.0
Season ticket deferred income	63.3	58.5	58.0
	1,129.9	1,120.0	1,124.7
	2011	2010	2009
	£m	£m	£m
11 FINANCIAL LIABILITIES - BORROWINGS			
Current financial liabilities			
Short-term bank loans	93.5	-	210.7
	93.5	-	210.7
Bond 6.875% (repayable 2013) - accrued interest	20.2	20.2	20.2
Bond 8.125% (repayable 2018) - accrued interest	12.8	12.8	12.8
Bond 6.125% (repayable 2019) - accrued interest	3.0	3.0	3.0
Bond 8.75% (repayable 2021) - accrued interest	30.1	30.1	-
Bond 6.875% (repayable 2024) - accrued interest	7.2	7.2	-
	73.3	73.3	36.0
HP contracts and finance leases (note 12)	42.8	34.6	34.3
Loan notes (note 13)	-	0.8	-
	209.6	108.7	281.0
Non-current financial liabilities			
Syndicated and bilateral unsecured bank loans	554.9	896.0	1,406.6
Other loans	-	-	1.5
	554.9	896.0	1,408.1
Bond 6.875% (repayable 2013)	298.0	297.4	296.9
Bond 8.125% (repayable 2018)	296.4	296.2	296.0
Bond 6.125% (repayable 2019)	276.7	274.8	277.3
Bond 8.75% (repayable 2021)	347.0	346.8	-
Bond 6.875% (repayable 2024)	199.0	198.9	-
	1,417.1	1,414.1	870.2
HP contracts and finance leases (note 12)	209.1	192.8	194.6
Loan notes (note 13)	9.7	9.7	10.5
	2,190.8	2,512.6	2,483.4
Total non-current financial liabilities	2,190.8	2,512.6	2,483.4
Total liabilities	2,400.4	2,621.3	2,764.4
Gross borrowings repayment profile			
Within one year or on demand	209.6	108.7	281.0
Between one and two years	216.0	607.4	44.9
Between two and five years	796.1	720.4	1,798.6
Over five years	1,178.7	1,184.8	639.9
	2,400.4	2,621.3	2,764.4

12 HP CONTRACTS AND FINANCE LEASES

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

	2011	2011	2010	2010	2009	2009
	Minimum	Present	Minimum	Present	Minimum	Present
	payments	value of	payments	value of	payments	value of
	£m	£m	£m	£m	£m	£m
Due in less than one year	48.8	42.8	40.2	34.6	39.0	34.3
Due in more than one year but not more than two years	48.3	43.2	42.7	37.8	37.0	33.1
Due in more than two years but not more than five years	116.6	106.3	97.2	86.9	103.1	95.0
Due in more than five years	62.0	59.6	71.6	68.1	69.0	66.5
	275.7	251.9	251.7	227.4	248.1	228.9
Less future financing charges	(23.8)	-	(24.3)	-	(19.2)	-
Total	251.9	251.9	227.4	227.4	228.9	228.9

13 LOAN NOTES

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

	2011	2010	2009
	£m	£m	£m
Due in less than one year	-	0.8	-
Due in more than one year but not more than two years	9.7	9.7	10.5
Total	9.7	10.5	10.5

	2011	2010	2009
	£m	£m	£m
14 DERIVATIVE FINANCIAL INSTRUMENTS			
Derivatives designated and effective as hedging instruments carried at fair value			
Non-current assets			
Cross currency swaps (net investment hedge)	22.2	13.3	-
Coupon swaps (fair value hedge)	21.0	15.7	19.9
Fuel derivatives (cash flow hedge)	14.9	4.0	3.1
	58.1	33.0	23.0
Current assets			
Cross currency swaps (net investment hedge)	4.6	3.6	0.9
Coupon swaps (fair value hedge)	6.7	10.6	2.1
Currency forwards (cash flow hedge)	1.2	-	-
Fuel derivatives (cash flow hedge)	52.6	15.7	-
	65.1	29.9	3.0
Current liabilities			
Interest rate derivatives (cash flow hedge)	15.0	42.9	50.4
Cross currency swaps (net investment hedge)	23.3	2.9	2.0
Coupon swaps (fair value hedge)	-	-	-
Fuel derivatives (cash flow hedge)	0.1	39.4	252.1
	38.4	85.2	304.5
Non-current liabilities			
Interest rate derivatives (cash flow hedge)	1.5	10.7	38.1
Cross currency swaps (net investment hedge)	28.2	91.9	123.6
Fuel derivatives (cash flow hedge)	-	18.5	81.9
	29.7	121.1	243.6
Derivatives classified as held for trading			
Non-current assets			
Cross currency swaps	-	-	1.8
Current assets			
Cross currency swaps	-	2.2	0.1
Current liabilities			
Interest rate swaps	0.1	-	-
Total non-current assets	58.1	33.0	24.8
Total current assets	65.1	32.1	3.1
Total assets	123.2	65.1	27.9
Total current liabilities	38.5	85.2	304.5
Total non-current liabilities	29.7	121.1	243.6
Total liabilities	68.2	206.3	548.1

15 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	Other temporary differences	Tax losses	Total
	£m	£m	£m	£m
At 1 April 2009	359.7	(118.5)	(270.8)	(29.6)
Charge/(credit) to income	(39.9)	58.5	8.5	27.1
Charge to equity	-	46.4	-	46.4
Foreign exchange movements	(10.0)	(2.5)	2.1	(10.4)
At 31 March 2010	309.8	(16.1)	(260.2)	33.5
Charge/(credit) to income	(30.0)	(21.7)	31.7	(20.0)
Charge to equity	-	49.8	-	49.8
Disposal of subsidiary	-	1.6	-	1.6
Foreign exchange movements	(14.9)	(3.9)	16.9	(1.9)
At 31 March 2011	264.9	9.7	(211.6)	63.0

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

	2011 £m	2010 £m	2009 £m
Deferred tax assets	(30.0)	(30.4)	(50.2)
Deferred tax liabilities	93.0	63.9	20.6
Non-current liabilities	63.0	33.5	(29.6)

16 PROVISIONS	2011 £m	2010 £m	2009 £m
Insurance claims	221.0	243.9	262.0
Legal and other	26.4	51.4	59.5
FGW contract provision	48.7	-	-
Pensions	4.7	5.1	5.5
Non-current liabilities	300.8	300.4	327.0

	Insurance claims £m	Legal and other £m	FGW contract provision £m	Pensions £m	Total £m
At 1 April 2010	243.9	51.4	-	5.1	300.4
Provided in the year	95.4	0.6	48.7	-	144.7
Utilised in the year ³	(121.2)	(22.9)	-	(0.4)	(144.5)
Notional interest	19.7	-	-	-	19.7
Foreign exchange movements	(16.8)	(2.7)	-	-	(19.5)
At 31 March 2011	221.0	26.4	48.7	4.7	300.8

17 CALLED UP SHARE CAPITAL	2011 £m	2010 £m	2009 £m
Authorised:			
650m Ordinary shares of 5p each	32.5	32.5	32.5
Allotted, called up and fully paid:			
482.1m Ordinary shares of 5p each	24.1	24.1	24.1

	Number m	£m
At 31 March 2009, 31 March 2010 and 31 March 2011	482.1	24.1

18 NET CASH FROM OPERATING ACTIVITIES	2011 £m	2010 £m
Operating profit before loss on disposal of properties	313.7	365.3
Operating profit of discontinued operations	0.3	4.3
Adjustments for:		
Depreciation charges	321.0	315.7
Amortisation charges	42.9	34.7
Impairment charges	19.5	-
Share-based payments	7.7	5.5
Loss on disposal of property, plant and equipment	3.7	0.8
Operating cash flows before working capital	708.8	726.3
(Increase)/decrease in inventories	(3.2)	14.8
Decrease/(increase) in receivables	25.9	(5.4)
Increase/(decrease) in payables	55.7	(54.8)
Increase/(decrease) in provisions	0.4	(34.1)
Defined benefit pension payments in excess of income statement charge	(43.5)	(42.1)
Cash generated by operations	744.1	604.7
Corporation tax paid	(25.0)	(1.3)
Interest paid	(155.2)	(142.9)
Interest element of HP contracts and finance leases	(8.2)	(8.2)
Net cash from operating activities	555.7	452.3

Responsibility Statement of the Directors on the Annual Report

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 March 2011. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the Company and Group financial statements, prepared in accordance with UK GAAP and IFRS respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Company and Group taken as a whole; and
- the Directors Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 10 May 2011 and was signed on its behalf by:

Tim O'Toole
Chief Executive

Jeff Carr
Finance Director