

Embargoed until 07:00hrs on Wednesday 3 November 2010

FIRSTGROUP PLC
HALF-YEARLY RESULTS
FOR THE SIX MONTHS TO 30 SEPTEMBER 2010

PERFORMANCE IN LINE WITH EXPECTATIONS WITH STRONG CASH PERFORMANCE IN THE PERIOD

- Total Group revenue up by 4.0% including improving rail volumes
- Adjusted basic EPS up 16.7% – on track to deliver moderate earnings growth for the full year
- Strong cash performance expected to continue – target for full year net cash generation increased from £150m to £180m (excluding business disposal proceeds)
- Confident of achieving Group's target of 2.5 times net debt to EBITDA ratio by March 2011
- Interim dividend increased by 7.1% to 7.12p
- Tim O'Toole appointed Chief Executive effective 1 November 2010

FIRST STUDENT

- Total US Dollar revenue reduced by 0.9% as a result of some route consolidations and lower charter revenues due to school board budgetary constraints
- Further cost and efficiency improvements to mitigate budgetary pressure including significant improvement from FOCUS – on target to complete roll out for the school year 2011/12

FIRST TRANSIT

- Continued good revenue growth – up 5.5%
- Strong operating performance, leveraging existing relationships to win new business

GREYHOUND

- Continued growth – like-for-like passenger revenues up 1.9% in tough trading environment
- Operating margin improvement from rigorous cost control and network management

UK BUS

- Like-for-like passenger revenue up 1.3%, growth accelerating in Q2
- Cost control and network management supporting improved margin – positioned to increase network capacity as volumes return

UK RAIL

- Like-for-like passenger revenue up 4.4% – strong volume growth across all our TOCs
- Good performance supported by cost actions

FINANCIAL SUMMARY

	2010	2009 restated ⁴	Change
Continuing operations:			
Revenue	£3,075.8m	£2,958.2m	+4.0%
Adjusted EBITDA¹	£331.8m	£317.1m	+4.6%
Operating profit	£173.7m	£121.4m	+43.1%
Adjusted operating profit²	£170.6m	£164.8m	+3.5%
Profit before tax	£82.0m	£28.6m	+186.7%
Adjusted profit before tax²	£77.7m	£68.0m	+14.3%
Basic EPS	11.4p	3.6p	+216.7%
Adjusted basic EPS²	10.5p	9.0p	+16.7%
Proposed dividend per share	7.12p	6.65p	+7.1%
Net debt³	£2,190.8m	£2,373.8m	(7.7)%

¹ Adjusted operating profit plus depreciation.

² Before amortisation charges, hedge ineffectiveness on financial derivatives, non-recurring items, loss on disposal of properties and discontinued operations as shown in the condensed consolidated income statement on p.18. All references to "adjusted" figures throughout this press release are defined in this way.

³ Net debt is stated excluding accrued bond interest.

⁴ Restated as explained in note 1 to the half-yearly financial report.

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

"I am pleased with the progress made during the first half of the year with a return to earnings growth and an improved cash performance.

We are encouraged by improving trends in some of our markets. However, while the economic outlook remains uncertain, we continue to focus on opportunities to maximise growth and yield as well as delivering efficiencies and network management to maintain and develop margins across the Group.

We are making good progress in reducing net debt which is a key priority for the Group. Our strong focus on increasing net cash generation within the Group is yielding good results and we have increased our target for the full year to £180m (excluding business disposal proceeds). We are confident of achieving a ratio of 2.5 times net debt to EBITDA by the end of the current financial year, based on current exchange rates.

This strong performance, particularly against the challenging economic backdrop, demonstrates the highly cash generative nature of the Group. This together with the expectation of moderate earnings growth in the full year enables the Group to increase capital expenditure and supports the Board's policy to increase dividends by at least 7% per annum as well as deliver a reduction in net debt.

The actions we have taken to mitigate the effects of economic weakness have ensured the Group is in robust shape and well positioned to benefit from future economic recovery. The Board is confident that in each of our markets there is significant opportunity to develop our businesses by achieving further profitable growth and delivering long term value for shareholders."

Enquiries FirstGroup plc:

Tim O'Toole, Chief Executive
Jeff Carr, Finance Director
Tel: +44 207 291 0512

Rachael Borthwick, Corporate Communications Director
Tel: +44 207 291 0508 / +44 7771 945432

A MEETING FOR INVESTORS AND ANALYSTS WILL BE HELD AT 9:00AM TODAY. ACCESS IS BY INVITATION ONLY. A TELEPHONE DIAL-UP LISTEN-IN FACILITY OF THE MEETING IS AVAILABLE - FOR DETAILS PLEASE CONTACT FIRSTGROUP TEL: +44 207 291 0507

PHOTOGRAPHS FOR THE MEDIA ARE ALSO AVAILABLE FROM FIRSTGROUP PLEASE CALL +44 207 291 0512

THE HALF-YEARLY REPORT WILL BE AVAILABLE ON FIRSTGROUP'S CORPORATE WEBSITE - www.firstgroup.com/corporate

NOTES TO EDITORS

FirstGroup plc is the leading transport operator in the UK and North America with revenues of over £6 billion a year. We employ more than 130,000 staff and transport some 2.5 billion passengers a year.

First Student

The largest provider of student transportation in North America with a fleet of approximately 60,000 yellow school buses, carrying some 6 million students every day across the US and Canada.

First Transit

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

First Services, a division of First Transit, is the largest private sector provider of vehicle maintenance and ancillary support services in the US, providing fleet maintenance for public sector customers such as the Federal Government and fire and police departments. It also provides support services to public and private sector clients.

Greyhound

Greyhound is the only national provider of scheduled intercity coach services in the US and Canada. Based in Dallas, Greyhound provides scheduled passenger services to approximately 3,800 destinations carrying approximately 20 million passengers a year.

UK Bus

The Group is Britain's largest bus operator running more than one in five of all local bus services. A fleet of some 8,500 buses carries approximately 3 million passengers a day in more than 40 major towns and cities. We also operate Greyhound UK providing regular services between London and the south coast and between Cardiff and Swansea.

UK Rail

The Group operates one quarter of the UK passenger rail network, with a balanced portfolio of intercity, commuter and regional services, carrying over 280 million passengers a year.

- We are the UK's largest rail operator with four passenger franchises – First Capital Connect, First Great Western, First ScotRail and First TransPennine Express – and one open access operator, First Hull Trains.
- We operate the London Tramlink network on behalf of Transport for London carrying over 28 million passengers a year.

Europe

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

Chairman's statement

The Group continues to benefit from a balanced mix of contract-backed and passenger revenue operations in the UK and North America. Our strategy to build a diverse portfolio of operations, each moving through the economic cycle at a different pace, has ensured that the Group is not dependent on one market. The actions we have taken to reduce costs and manage our service provision are right for the current environment and have enabled the Group to cope well with, and continue to trade robustly through, the challenging economic environment.

During the period we retained a strong focus on our priorities of increasing net cash generation within the Group as well as maintaining and improving margins through a combination of rigorous cost control, closely matching service provision to demand and continuing to drive out further operating efficiencies.

Net debt reduction is a key priority for the Group. I am delighted with the progress made in increasing net cash generation despite the current subdued growth environment, and remain confident of achieving our target ratio of 2.5 times net debt to EBITDA by the end of the current financial year, based on current exchange rates. This performance is driven by a sustained focus and discipline across our operations including initiatives that are delivering improvements in working capital. In addition the net proceeds from the sale of GB Railfreight Limited (GBRf) in the period further support our net debt reduction programme.

In line with our stated commitment to deliver sustained, real growth in dividends the Board has proposed an interim dividend per share of 7.12p, an increase of 7.1%. It will be paid on 2 February 2011 to shareholders on the register at 7 January 2011.

Nicola Shaw stepped down from the Board on 30 June to pursue alternative business interests outside the Group. I would like to thank Nicola for her contribution to the Group most recently as Director Bus UK, Ireland and Germany.

On 22 September we announced that Sir Moir Lockhead had decided to retire after 21 years as Chief Executive. The Board therefore implemented its succession plan with Tim O'Toole succeeding Sir Moir as Chief Executive of the Group with effect from 1 November 2010. Sir Moir stepped down from the Board of FirstGroup and handed over his executive responsibilities on 1 November and will retire from the Group on 31 March 2011 enabling him to effect a smooth transition and provide support to Tim and the Group.

On behalf of the Board I would like to thank Sir Moir for his outstanding contribution to FirstGroup and to the transport industry as a whole during his long and successful career. As Chief Executive his vision and drive led the transformation of the Group from an employee and management buyout of Grampian Regional Transport in 1989, with 500 employees and £15m of revenues, into one of the world's leading transport operators. With an exceptional track record he is an impressive leader and it has been a privilege to work alongside him over the years. His work will ensure the continued long term success of the Group for many years to come.

I am delighted to welcome Tim to the role of Chief Executive. He brings extensive experience of the UK and North American transport markets together with a strong track record of success. I am confident that his leadership and direction will enable the Group to build on its considerable achievements to date and drive its future successful development.

I would like to extend my sincere thanks to all of our employees across the Group for their continued professionalism and ongoing commitment to providing customers with safe, high quality services.

The Group has successfully built a leading position in all of its core markets providing both resilience and opportunity through the challenging economic environment. While the rate and sustainability of economic recovery is still uncertain, we remain resolutely focused on our key priorities to deliver efficiencies across our business and closely manage service provision to demand. We have made good progress in increasing net cash generation within the Group and advancing our net debt reduction programme. This strong performance, and the return to earnings growth, supports the Board's commitment to dividend growth of at least 7% per annum. We are confident of the Group's prospects in all of its core markets and its ability to deliver long term value for shareholders.

Martin Gilbert

Chairman
2 November 2010

** Operating profit referred to throughout this document refers to operating profit before amortisation charges, hedge 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

Safety

Safety is a core value of the Group. The safety of our customers and employees lies at the heart of our strategy and underpins everything that we do. From passengers travelling on our services to employees working within our operations, we continually assess our performance and develop industry-leading initiatives to raise awareness and help achieve our objective of eradicating unsafe acts and practices. The output from the monitoring and review of our performance informs the ongoing development of our safety programmes. Further details of our safety initiatives and achievements can be found on our website www.firstgroup.com.

Results

I am pleased to report that overall trading during the first half of the year has continued to develop in line with our expectations and we remain on track to deliver moderate earnings growth for the full year.

Group revenue was £3,075.8m (2009: £2,958.2m), an increase of 4.0%. Operating profit increased by 3.5% to £170.6m (2009: £164.8m). Statutory profit before tax was £82.0m (2009: £28.6m). Adjusted basic EPS increased by 16.7% to 10.5p (2009: 9.0p). EBITDA rose by 4.6% to £331.8m (2009: £317.1m).

The Group has clearly defined its key priorities including the delivery of increased net cash generation and net debt reduction. We have made good progress during the period to implement initiatives that are delivering improvements in working capital. As a result, net cash generation improved during the period and we have increased our target for the full year to £180m (excluding business disposal proceeds). We are confident of achieving our target ratio of 2.5 times net debt to EBITDA by March 2011, based on current exchange rates.

This strong performance, particularly against the challenging economic backdrop, demonstrates the highly cash generative nature of the Group. This, together with the expectation of moderate earnings growth in the full year, enables the Group to increase capital expenditure and supports the Board's policy to increase dividends by at least 7% per annum as well as deliver a reduction in net debt.

NORTH AMERICA

First Student

US Dollar revenue reduced by 0.9% to \$1,074.6m or £711.4m (2009: \$1,084.4m or £691.1m) and operating profit was \$40.0m or £28.0m (2009: \$55.5m or £38.5m). This reflects the continued pressure on school bus charter activity during the period and the result of some route consolidations by school boards as they continue to manage budgetary constraints and consequently we expect full year revenue to be slightly reduced compared to prior year.

We continue to prioritise actions to reduce our cost base and leverage our scale to deliver efficiency improvements however, we anticipate the operating environment will remain challenging and continue to put some pressure on operating margin.

We have worked with new and existing customers to provide innovative and practical solutions to help school boards overcome their budgetary constraints. A range of initiatives including routing and scheduling of services, staggered 'school bell times' and consolidation of drop off and collection points has achieved improved efficiencies which enable us to deliver attractive cost savings for customers.

We continued to advance the roll-out of FOCUS, our unique and industry-leading GPS-based technology system, which provides enhanced operational data that allows us to bring greater efficiency and management of our operational performance, service delivery and cost base.

Currently more than half of our school bus fleet is equipped with FOCUS with the remainder of the fleet due to be fitted for the start of the 2011/12 school year. We are also moving forward with the customer-facing element of FOCUS which enables First Student to offer a unique, 'value-add' product which will give customers greater insight and control from real time service information. Pilot schemes are currently being trialled with customers at selected locations.

During the period we had a successful start up to the new school year including the commencement of several conversion contracts from the public sector following the decision by their school boards to outsource the provision of school transportation. We remain encouraged by the high levels of interest around outsourcing, particularly as the challenging economic environment in North America continues.

However, our considerable experience in this market underpins our expectation that the shift to outsourcing will remain slow but continues to present an opportunity in the longer term.

First Transit

I am pleased with the performance of our Transit business during the period which delivered US Dollar revenue growth of 5.5% to \$596.5m or £392.7m (2009: \$565.5m or £356.0m). Operating profit was \$39.6m or £26.0m (2009: \$33.6m or £21.7m). We continue to benefit from our strategy to focus on the faster growing paratransit and shuttle bus contracting segments.

During the period we retained a number of significant contracts including business in Hartford in Connecticut, Denver in Colorado and Austin in Texas and also leveraged existing business relationships to win new contracts. In May we were awarded a five year contract for paratransit services in addition to our long standing fixed route management contract in Reno, Nevada and in June we renewed our paratransit contract while successfully winning an additional fixed route contract with the City of Durham, North Carolina. We were also able to widen our relationship in Jacksonville, Florida with a significant additional service award under our current contract.

A strong operating performance delivered a successful start up of a number of new contracts during the first half including commencement of a conversion contract with North County Transit District in San Diego, California and a shorter term contract in Yuma, Arizona which we successfully stepped in at very short notice to operate for the customer.

The pressure on public spending across North America has inevitably led to budgetary constraints for municipalities and transit authorities. We have worked with customers to generate further efficiencies and build on our reputation for delivering a cost effective and high quality service. We continue to utilise alternative and low emission fuels and are partnering with our customers across North America to deliver environmental improvements including the operation and maintenance of zero emission, battery powered vehicles in southern California as well as piloting a hybrid hydrogen fuel cell project for the State of Connecticut.

Greyhound

Greyhound continued to deliver growth with passenger revenue, on a like-for-like basis, increased by 1.9% during the period despite challenging economic conditions, continued high unemployment and the subsequent impact on consumer confidence in North America. US Dollar revenue increased by 4.0% to \$513.0m or £337.6m (2009: \$493.5m or £309.4m) and operating profit increased to \$39.2m or £25.6m (2009: \$23.5m or £13.9m).

Against this backdrop we continue to maximise the benefits of the highly flexible operating model. Our rigorous management of the network has led to targeted mileage reductions and ensured that revenue per mile is ahead of prior year. This together with the extensive action we have taken to reduce costs will enable the business to achieve an improved operating margin performance.

We continue to make good progress with our programme to make Greyhound more modern and efficient and deliver improved service quality. At this stage in the economic cycle we have focused capital investment on a cost effective refurbishment programme which will extend the life and improve the performance of some of our mid-life vehicles. The refurbishment programme is well underway and all of the completed vehicles feature the same state of the art amenities as our new vehicles including improved passenger comfort with additional legroom, WiFi and power points at every seat.

During the period we relaunched greyhound.com. Internet sales are becoming an increasingly important distribution channel for Greyhound accounting for some 25% of all ticket sales in the US which we have grown from 14% in 2007. We continue to develop our range of yield managed, discounted fares as part of our strategy to reduce our cost of sale and encourage customers to buy online.

We continue to progress initiatives such as the Network Transformation Project which involves right-sizing and re-locating a significant number of Greyhound's properties in the US to more accessible and convenient sites.

In Canada we are working through our plans to match service provision to customer demand or receive a subsidy to operate on certain routes. During the period we reduced mileage in Saskatchewan and British Columbia and we continue to work with the Alberta Government to establish appropriate minimum frequencies.

BoltBus continues to perform well in highly competitive markets in the north east of the US with passenger volumes and revenue growing strongly. Passenger loadings per bus continue to improve and we are progressing further expansion opportunities for this successful concept including new routes in Maryland, Massachusetts, New Jersey and Pennsylvania.

Greyhound Express, a new service combining features of BoltBus with the strength of the Greyhound brand, will launch in December with non-stop services from Chicago to several cities in the Midwest. The destinations include a mix of intermodal transportation centres, which connect customers to light rail, public transit and Amtrak, and kerbside locations in city centres near retail, local transit and business districts.

UK Bus

Our UK Bus division performed steadily during the period. Total revenue reduced by 2.6% to £570.5m (2009: £585.6m) reflecting mileage reductions and the continued tough trading environment in many towns and cities across the UK. We are encouraged that passenger revenues on a like-for-like basis increased by 1.3% during the period with growth accelerating during the second quarter. Operating profit increased by 9.1% to £55.4m (2009: £50.8m) supported by rigorous cost and network management actions and lower hedged fuel costs.

In this lower revenue growth environment, we continue to prioritise cost reductions and network management on a route by route basis. Where we have seen changes in passenger demand we have responded promptly with targeted frequency or mileage reductions which will enable the business to deliver an improved operating margin. These actions are right for the current economic environment, however, we retain the capability to increase the frequency of services and to grow our networks as the UK economy recovers.

Alongside actions to manage the network and reduce costs we also continue to develop initiatives to stimulate revenue growth and promote modal shift, including the introduction of simpler fare structures. We continue to create journey opportunities with new or additional services for retail and leisure developments and changes to health and education provision. For example, a number of services in Scotland East were extended to serve the new Falkirk Royal Infirmary and in Bristol we re-routed services to serve the new Skills Academy. In Norwich we registered a new service to the University of East Anglia and in Manchester we increased the frequency and marketing of a key service between the city and the popular Trafford Centre shopping complex.

We are also achieving encouraging growth on key interurban corridors for example services linking the towns of Oldham and Rochdale with Manchester city centre through high quality vehicles and dedicated route regulation to optimise punctuality.

We contributed to the launch of the bus industry's Greener Journeys campaign aiming to transfer one billion journeys from cars to buses over the next three years. Over the summer we ran a campaign to highlight the cost effectiveness and environmental benefits of travelling by bus compared to driving. In addition we continue to focus on local marketing and pricing initiatives to increase passenger volumes. We also relaunched our Student campaign for the start of the new academic year, including the launch of dedicated services and bespoke ticketing offers for a number of universities across the UK.

Partnerships

We remain committed to creating and developing constructive partnerships as the most effective way of promoting bus travel. Where we have good working relationships with our partners in local authorities we have been able to deliver initiatives that stimulate passenger growth and improve services for customers.

Our partnership with Bath and North East Somerset Council as part of the EU Civitas project, facilitated the launch of the first series hybrid bus to be used in daily service in the south west. This new vehicle is currently operating on Park & Ride services in Bath.

As a result of our partnership with Nestrans, the transport partnership between Aberdeen city and shire, and Aberdeen City Council we launched www.realtimebus.com which provides up to the minute information on all First buses in the Aberdeen network.

In October Greater Manchester Integrated Transport Authority launched a new Code of Conduct for bus operators, which sets a benchmark for the quality and standard of bus service provided to passengers in Greater Manchester. The Code of Conduct is aimed at improving bus services by securing formal agreements with bus operators across the county in relation to punctuality, reliability and vehicle standards.

The Blacon area of Chester is now benefiting from one of the first Voluntary Quality Partnerships in the country. The Partnership, started in August involving FirstGroup, Arriva and Cheshire West and Chester Council, has already brought improved quality of service for local bus passengers, with newer vehicles, service branding, timetable co-ordination and cross-ticketing arrangements between the two operators.

In South Yorkshire, in partnership with City of Sheffield Council and Doncaster Metropolitan Borough Council, we trialled pricing initiatives on a number of routes in the region. We also launched the Renaissance project in Doncaster to introduce 34 modern buses into service making the entire fleet low floor and equipped with CCTV.

Contracts

Contracted services continue to complement our passenger revenue business. During the period we renewed our contract with Greater Manchester Passenger Transport Executive to operate services providing free travel for customers between the two main railway stations in Manchester. We were also awarded new Park & Ride contracts including Chelmsford and Dartmouth as well as extending our contract in Cardiff. In Glasgow we won the 'Preferred Stance' bid with BAA Glasgow airport to begin operating in January 2011. We also renewed our Bristol Airport Flyer contract and provided new buses for the service with dedicated luggage racks and WiFi.

We are encouraged by the improving operating performance of our London business, particularly in the west. During the period we retained a number of contracts and were pleased to be awarded new routes including a sizeable contract which runs between Ilford and Oxford Circus.

UK Rail

Revenue grew to £1,053.1m (2009: £1,004.7m) an increase of 4.8%. We are pleased with the continued strong performance which has been driven by good volume growth across all of our franchises. Passenger revenue, on a like-for-like basis, increased by 4.4% during the period despite the reduction in regulated fares from January 2010.

Management actions to reduce the addressable cost base, principally overheads and other direct costs, supported the strong performance with operating profit broadly in line with prior year at £48.4m (2009: £49.1m), despite a reduction in net subsidy/premium.

We are seeing encouraging growth of First Class ticket sales, particularly with Advance purchase, and growth across all of our franchises on Anytime, fully flexible tickets. Building on the success experienced at First ScotRail, we launched 'Club 55', a zonal train offer for those aged over 55, across all of our franchises during the period.

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

Agreement was reached with Network Rail (NR) during the period in settlement of several disputes, the largest of which related to a claim from the previous Great Western Trains (GWT) franchise.

First Capital Connect

We have continued to improve operational performance at First Capital Connect since the disappointing performance in late 2009 and early 2010 which affected services on the Thameslink route. During the period performance on the Thameslink route was consistently above our targets. The Public Performance Measure (PPM) on a Moving Annual Average (MAA) basis remains just below 90% and we continue to work hard to improve punctuality and reliability for our customers.

We have made a significant investment in the Customer Information Systems across the franchise and the programme will be complete by the end of December 2010. We are introducing a £3m modification and renewal package to resolve reliability issues with our twenty year old Thameslink fleet, focusing on the door mechanisms to further reduce delays and cancellations. We also continue to deliver against our comprehensive driver recruitment and training programme, which will strengthen our resources.

We continue to work with customers and other stakeholders to bring improvements to services. Following customer feedback and monitoring of passenger numbers we lengthened semi-fast First Capital Connect services between Bedford and St Pancras International to eight carriages at the busiest times on Saturdays. In September we announced that, following customer and stakeholder consultation, First Capital Connect will be adding additional stops to services on the southern part of the Thameslink route at weekends.

First Capital Connect is in the final stages of the implementation of capacity improvements on the Great Northern route which will create around 6,500 extra seats on peak time services. 41 extra carriages are currently undergoing a refresh programme prior to introduction into service in December 2010. As a result during peak hours, passengers will benefit from an extra 3,800 seats connecting Moorgate and an extra 2,750 seats connecting London King's Cross. Further improvements on services to and from London King's Cross will be implemented progressively until December 2013 whilst the necessary infrastructure upgrades are completed.

First Great Western

First Great Western has experienced strong passenger revenue growth, particularly in the west of England and in the London and Thames Valley area. Seven of our routes, principally in Devon and Cornwall, were named in a report of the top ten branch lines in the UK to see the most significant passenger growth over the past year. We have introduced a new Friday afternoon relief service from Westbury to Exeter St Davids to provide additional capacity for passenger flows between the south coast and west of England.

We are working closely with NR to improve the reliability of infrastructure in the Thames Valley area which has had a significant impact on performance. Operational performance in the period has been below our target with PPM MAA at 91.7%. However, we were pleased to improve our National Passenger Survey score to 83% in spring 2010.

The £8m programme to improve our Turbo Class 16x fleet, which operates in London and the Thames Valley, is well underway. The upgrade will include a GPS-linked public address and Customer Information System to improve the accuracy and clarity of journey information for customers as well as improvements to onboard facilities.

In December 2010 we will introduce a new early morning service from London Paddington to Exeter and Torbay with connections to Plymouth to strengthen business links between Devon and London. We have been working very closely with local stakeholders since the beginning of the franchise to secure this service for customers.

Over the next five years, NR is investing in major improvement works to Reading Station, and the railway line that runs through it. Once complete in 2016, this work will enable an increased number of trains to operate through the station and reduce delays for customers travelling through the area. Much of the work can take place without interrupting customers' journeys and some of it has started already. However, this Christmas NR will be preparing the ground for the first stage of the improvements, and we will have to make significant changes to our train services that would normally run through Reading.

First ScotRail

In August First ScotRail's PPM reached a record 95% and a strong operational performance over the summer months led to PPM MAA of over 91%, ahead of our target. We are delighted that First ScotRail was named UK Rail Operator of the Year at the National Transport Awards for the second consecutive year. We continue to improve our score in the National Passenger Survey with 90% of customers satisfied with our overall performance in spring 2010.

Our Caledonian Sleeper service achieved significant volume growth, particularly in April and May, as a result of the disruption to air travel caused by volcanic ash and airline strikes. We continue to boost leisure travel with campaigns such as our 'Kids Go Free' ticket, the first of its kind in the UK, which provides a welcome financial boost for families. Our popular 'Club 55' campaign also continues to perform well, with the introduction of the first ever summer promotion in May which ran over the peak holiday months to give customers more opportunities to travel and the opportunity to explore Scotland for less.

We continue to invest in delivering a better service for Scotland's railway with the launch of a project to improve the reliability, service quality and operation of our Class 158 fleet. We are also investing in the Class 320 fleet to enable 90mph running and reliability improvements for the Class 334 fleet will begin in 2011.

The first of our new fleet of Class 380 electric trains will enter service in November 2010. The new eco-friendly trains will initially run between Glasgow Central and Ayrshire, Inverclyde and Renfrewshire, then roll out to include services between Edinburgh, North Berwick and Dunbar from March 2011. The £200m 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.

The £300m Glasgow to Edinburgh via Airdrie and Bathgate line opens in December 2010 and includes the construction of additional stations and other upgrades for the new link which is being funded by the Scottish Government. New stations serving the line are in the final stages of completion, while existing facilities at others have been relocated and expanded. As part of the project, a new light maintenance depot has been built at Bathgate. It is already operational, bringing additional traincare and engineering jobs to support the Class 334 trains stabled there. Overall, 130 jobs have been created for the new route.

First TransPennine Express

We were delighted to win the Passenger Operator of the Year title at the National Rail Awards in September. The award reflects our best ever levels of train punctuality and reliability in the last six

months, improving our PPM MAA to nearly 92%. The spring 2010 National Passenger Survey saw us achieve a passenger satisfaction rating of 87%, a significant increase of 13% since we commenced operation of the franchise in 2004.

We launched a major marketing campaign to promote our Great Value Fares using TV, press, radio and online media. The positive reaction led to a significant boost in sales of Advance purchase tickets and we are extending the campaign.

Over the summer months we strengthened key services between Manchester and Edinburgh at weekends and introduced a through service between Glasgow and Blackpool for ten weeks. It was the first time since 1992 that trains have linked Glasgow directly with Blackpool creating an improved service for some of the 10 million visitors attracted to the town each year. Both initiatives were very successful and helped to meet demand for the Edinburgh Festivals as well as appeal to the market between Glasgow and Blackpool.

We are pleased with the continued investment in the franchise including at stations such as Middlesbrough, which benefited from new lifts and CCTV, and Huddersfield, which also received new lifts and a new flight of stairs to improve access, funded through the Department for Transport's Access for All Scheme.

First Hull Trains

Passenger revenue increased during the period as a result of strong volume growth driven by our new fares strategy and improved operational performance. Our Joint Performance Improvement Plan with NR is delivering good results and we welcome NR's decision to upgrade infrastructure in the Hull area. We were pleased to achieve a score of 91% in the spring 2010 National Passenger Survey. We continue to invest in our Class 180 fleet. Our refresh programme is well underway and fleet reliability has improved since the transfer of maintenance to Old Oak Common. We also installed a driver reminder system as part of our strategy to reduce fuel consumption and carbon dioxide emissions.

Group outlook

We are encouraged by improving trends in some of our markets. However, while the economic outlook remains uncertain, we continue to focus on opportunities to maximise growth and yield as well as delivering efficiencies and network management to maintain and develop margins across the Group.

We are making good progress in reducing net debt which is a key priority for the Group. Our strong focus on increasing net cash generation within the Group is yielding good results and we have increased our target for the full year to £180m (excluding business disposal proceeds). We are confident of achieving a ratio of 2.5 times net debt to EBITDA by the end of the current financial year, based on current exchange rates.

This strong performance, particularly against the challenging economic backdrop, demonstrates the highly cash generative nature of the Group. This together with the expectation of moderate earnings growth in the full year enables the Group to increase capital expenditure and supports the Board's policy to increase dividends by at least 7% per annum as well as deliver a reduction in net debt.

The actions we have taken to mitigate the effects of economic weakness have ensured the Group is in robust shape and well positioned to benefit from future economic recovery. The Board is confident that in each of our markets there is significant opportunity to develop our businesses by achieving further profitable growth and delivering long term value for shareholders.

Tim O'Toole

Chief Executive
2 November 2010

Finance Director's review

OVERVIEW

We are pleased to announce a robust set of half year results despite a continuing uncertain economic background. During the first half of the year we have seen some evidence of passenger revenue recovery as well as the expected lower fuel costs in UK Rail, UK Bus and Greyhound.

We retained our strong focus on increasing cash generation and net cash flow was £77.7m better than the corresponding period last year which was achieved largely through better working capital management, the sale of GBRf and the elimination of one-off restructuring costs.

RESULTS

Group revenue rose to £3,075.8m (2009: £2,958.2m), an increase of 4.0% including £79.5m of favourable foreign exchange movements. Operating profit was £170.6m (2009: £164.8m), an increase of 3.5%. Operating margins are broadly in line with last half year with improvements in First Transit, Greyhound and UK Bus offset by margin erosion in First Student. Statutory profit before tax was £82.0m (2009: £28.6m) with the increase partly due to a £43.7m improvement in non-recurring items and amortisation charges.

Divisional results	6 months to 30 September 2010			6 months to 30 September 2009			Year to 31 March 2010		
	Revenue	Operating profit ¹	Operating margin ¹	Revenue	Operating profit ¹	Operating margin ¹	Revenue	Operating profit ¹	Operating margin ¹
	£m	£m	%	£m	£m	%	£m	£m	%
First Student	711.4	28.0	3.9	691.1	38.5	5.6	1,605.9	180.9	11.3
First Transit	392.7	26.0	6.6	356.0	21.7	6.1	727.8	53.0	7.3
Greyhound	337.6	25.6	7.6	309.4	13.9	4.5	603.3	23.9	4.0
UK Bus	570.5	55.4	9.7	585.6	50.8	8.7	1,170.6	124.6	10.6
UK Rail	1,053.1	48.4	4.6	1,004.7	49.1	4.9	2,131.0	88.3	4.1
Group ²	10.5	(12.8)	-	11.4	(9.2)	-	23.3	(21.1)	-
Total Group	3,075.8	170.6	5.5	2,958.2	164.8	5.6	6,261.9	449.6	7.2

¹Adjusted.

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

First Student revenue was \$1,074.6m or £711.4m (2009: \$1,084.4m or £691.1m), a reduction of 0.9% in US Dollars and an increase of 2.9% in Sterling terms. Operating profit was \$40.0m or £28.0m (2009: \$55.5m or £38.5m). Lower margins have resulted in part from the general pricing environment due to pressures on school board budgets and as a result of reduced revenue from school and outside charter activities. Lower fuel costs and a number of additional cost saving measures partly mitigated the impact of these factors.

First Transit revenue was \$596.5m or £392.7m (2009: \$565.5m or £356.0m), an increase of 5.5% and 10.3% in US Dollar and Sterling terms respectively. Operating profit was \$39.6m or £26.0m (2009: \$33.6m or £21.7m). The revenue improvement was principally in Canada, in particular our Fort McMurray contract, and additional volumes in existing paratransit markets. The US Dollar margin has improved to 6.6% (2009: 5.9%) as a result of lower fuel costs and a higher level of shuttle bus and other light transit activities.

Greyhound revenue was \$513.0m or £337.6m (2009: \$493.5m or £309.4m) and operating profit was \$39.2m or £25.6m (2009: \$23.5m or £13.9m). Passenger revenues were up 1.9% on last year at constant exchange rates. The business had an excellent performance on costs with reduced variable wheel costs, including a reduction in fuels costs, and further management actions.

UK Bus revenue was £570.5m (2009: £585.6m), a reduction of 2.6%. Operating profit was £55.4m (2009: £50.8m), an increase of 9.1% principally due to lower fuel costs. Like-for-like passenger revenues grew by 1.3%. 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 period we reduced mileage year on year by approximately 6%.

UK Rail revenue was £1,053.1m (2009: £1,004.7m), an increase of 4.8%. Operating profit was £48.4m (2009: £49.1m), a decrease of 1.4%, impacted by net franchise subsidies/premiums being £51.6m lower than the corresponding period last year. Like-for-like passenger revenue growth across all TOCs was 4.4%. 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 franchise subsidy/premium position was largely offset by increased revenue support, lower fuel costs and further management cost savings. During the period we disposed of the non-core GBRf 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 GWT franchise. We anticipate that second half passenger revenues will grow further benefiting from the expected regulated fares increases of 5.8% from January 2011.

Net Group costs were £12.8m (2009: £9.2m) with the increase mainly due to a higher share-based payment charge as last half 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	6 months to 30 September 2010 £m	6 months to 30 September 2009 £m	Year to 31 March 2010 £m
UK Rail claim	22.5	-	-
North American and Greyhound integration costs	-	(7.0)	(15.5)
North American and Greyhound restructuring costs	-	(5.8)	(15.9)
UK Bus restructuring costs	-	(3.6)	(6.8)
UK Rail restructuring costs	-	(0.1)	(2.5)
Fuel hedge ineffectiveness	-	(4.8)	(4.8)
Competition Commission costs	-	-	(3.8)
Other non-recurring items	(0.2)	(3.8)	(0.3)
Total non-recurring items	22.3	(25.1)	(49.6)
Amortisation charges	(17.7)	(17.1)	(34.7)
Loss on disposal of properties	(1.5)	(1.2)	(1.1)
Operating profit credit/(charge)	3.1	(43.4)	(85.4)
Hedge ineffectiveness on financial derivatives	1.2	4.0	1.0
Profit before tax credit/(charge)	4.3	(39.4)	(84.4)
Tax	0.3	13.6	26.6
Profit on disposal of discontinued operations	6.7	-	-
Profit for the period	11.3	(25.8)	(57.8)

UK Rail claim

Agreement was reached with NR during the period in settlement of several disputes, the largest of which related to a long running claim from the previous GWT 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.

Other non-recurring items

There were no other significant non-recurring items during the period as the North American and Group restructuring programmes were all completed last year.

Amortisation charges

Amortisation charges were £17.7m (2009: £17.1m) with the increase due to foreign exchange movements.

Property

Losses on disposals of £1.5m (2009: £1.2m) were incurred during the period and relate to minor property disposals in the UK.

Hedge ineffectiveness on financial derivatives

Due to the ineffective element of fair value movements on cross-currency swaps there was a £1.2m credit (2009: £4.0m credit) to the income statement during the period.

Finance costs and investment income

Net finance costs, before non-recurring items, were £92.9m (2009: £96.8m) with the reduction principally due to lower interest rates partly offset by the higher interest cost of the September 2009 bond and foreign exchange on US Dollar denominated interest costs.

Profit before tax

Adjusted profit before tax was £77.7m (2009: £68.0m) due principally to higher operating profit and lower net finance costs. An overall credit of £4.3m (2009: charge of £39.4m) for non-recurring items and amortisation charges resulted in statutory profit before tax of £82.0m (2009: £28.6m).

Tax

The tax charge for the period, on adjusted profit before tax, was £19.4m (2009: £16.5m) and is based on the estimated effective rate for the full year of 25.0% (2009: 24.4%). The credit of £4.3m (2009: charge of £39.4m) for non-recurring items and amortisation charges generated a tax credit of £0.3m (2009: £13.6m) that reduced the total tax charge on continuing operations to £19.1m (2009: £2.9m).

The actual tax paid during the period was £9.8m (2009: £1.3m) with the increase due to higher US state taxes in the current year and the timing of UK tax payments last year. North American cash tax remains low due to tax losses brought forward and tax depreciation in excess of book depreciation. We believe this will remain low for the medium term. The UK cash cost of tax was low due to pension payments exceeding pension charges and tax relief on interest payments, but is likely to increase in the year to 31 March 2012.

Discontinued operations

A profit on disposal of £6.7m arose on the sale of GBRf 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 (2009: £1.2m), has been classified within discontinued operations in the income statement.

Dividends

The interim dividend per ordinary share of 7.12 pence (2009: 6.65 pence) represents an increase of 7.1%. The interim dividend will be paid on 2 February 2011 to shareholders on the register of members at the close of business on 7 January 2011.

EPS

The adjusted basic EPS from continuing operations was 10.5 pence (2009: 9.0 pence), an increase of 16.7%. Basic EPS from continuing operations was 11.4 pence (2009: 3.6 pence), an increase of over 200% due to the improvement in non-recurring items.

EBITDA

EBITDA by division is set out below:

	6 months to 30 September 2010			6 months to 30 September 2009			Year to 31 March 2010		
	Revenue £m	EBITDA ¹ £m	EBITDA ¹ %	Revenue £m	EBITDA ¹ £m	EBITDA ¹ %	Revenue £m	EBITDA ¹ £m	EBITDA ¹ %
First Student	711.4	105.3	14.8	691.1	109.2	15.8	1,605.9	324.3	20.2
First Transit	392.7	30.8	7.8	356.0	26.2	7.4	727.8	62.1	8.5
Greyhound	337.6	40.3	11.9	309.4	28.3	9.1	603.3	52.6	8.7
UK Bus	570.5	91.5	16.0	585.6	88.5	15.1	1,170.6	200.2	17.1
UK Rail	1,053.1	74.9	7.1	1,004.7	72.2	7.2	2,131.0	141.9	6.7
Group	10.5	(11.0)	-	11.4	(7.3)	-	23.3	(17.2)	-
Total Group	3,075.8	331.8	10.8	2,958.2	317.1	10.7	6,261.9	763.9	12.2

¹Adjusted operating profit plus depreciation.

Cash flow

Net cash outflow for the half year was £15.7m (2009: £93.4m), an improvement of £77.7m as detailed below:

	6 months to 30 September 2010 £m	6 months to 30 September 2009 £m	Year to 31 March 2010 £m
Operational cash flows before working capital	358.6	297.4	726.3
Working capital	(16.4)	(105.0)	(45.4)
Movement in provisions	(30.2)	(10.7)	(34.1)
Pension payments in excess of income statement charge	(14.8)	(17.3)	(42.1)
Cash generated by operations	297.2	164.4	604.7
Capex and acquisitions	(147.2)	(103.6)	(202.0)
Interest and tax	(117.9)	(88.5)	(150.8)
Dividends	(72.1)	(65.7)	(112.2)
Proceeds from sale of business	24.3	-	0.4
Other	-	-	(3.8)
Net cash flow	(15.7)	(93.4)	136.3
Foreign exchange movements	109.7	225.1	90.3
Other non-cash movements in relation to financial instruments	(3.3)	(2.0)	(4.6)
Movement in net debt in period	90.7	129.7	222.0

The improvement in net cash flow was primarily due to:

- Operating cash flows before working capital increasing by £61.2m, including the benefit of the NR settlement of £22.5m and reduction in other non-recurring costs.
- Working capital outflow being £88.6m lower due to better collections of receivables and extended payment terms with suppliers.
- Net proceeds of the GBRf disposal of £24.3m.

partly offset by:

- Higher settlements of provisions of £19.5m, principally as a result of accelerating the payment of insurance claims.
- Higher capital expenditure of £43.6m due to additional investment principally in First Student and UK Bus.
- Higher tax, interest and dividend payments of £35.8m.

Net debt

The Group's net debt at 30 September 2010 was £2,190.8m (2009: £2,373.8m; full year 2010: £2,281.5m) and was comprised as follows:

	30 September 2010			30 September 2009	31 March 2010
	Fixed	Variable	Total	Total	Total
	£m	£m	£m	£m	£m
Analysis of net debt					
Sterling bond (2013) ¹	298.0	-	298.0	297.4	297.5
Sterling bond (2018) ²	330.3	-	330.3	327.4	350.7
Sterling bond (2019) ²	-	277.1	277.1	274.8	294.2
Sterling bond (2021) ³	332.9	-	332.9	331.7	341.3
Sterling bond (2024) ¹	199.0	-	199.0	198.9	198.9
Sterling bank loans	-	-	-	33.0	10.5
US Dollar bank loans	-	698.7	698.7	806.5	699.0
Canadian Dollar bank loans	-	130.8	130.8	133.8	156.3
Euro and other bank loans	-	29.6	29.6	47.0	30.2
HP contracts and finance leases	121.5	97.9	219.4	238.7	227.4
Loan notes	8.7	1.0	9.7	10.5	10.5
Cash	-	(99.5)	(99.5)	(126.7)	(76.0)
UK Rail ring-fenced cash and deposits	-	(219.3)	(219.3)	(175.8)	(234.2)
Other ring-fenced cash and deposits	-	(15.9)	(15.9)	(23.4)	(24.8)
Interest rate swaps	947.8	(947.8)	-	-	-
Total	2,238.2	(47.4)	2,190.8	2,373.8	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

Average debt maturity at the end of the period was 5.6 years (full year 2010: 6.3 years). Headroom under committed bank revolver facilities at 30 September 2010 was £934m (2009: £826m).

We continue to reduce leverage. At 30 September 2010 the ratio of net debt to EBITDA, calculated on a rolling 12 monthly basis, was 2.8 times (2009: 3.0 times) and we remain on track to achieve our target of 2.5 times by March 2011.

Shares in issue

As at the period end there were 480.4m (2009: 479.9m) shares in issue, excluding treasury shares and shares held in trust for employees. The number of treasury shares and shares held in the Employee Benefit Trust (EBT) was 1.7m (2009: 2.2m). The weighted average number of shares in issue for the purpose of EPS calculations (excluding treasury shares and shares held in trust for employees) was 480.3m (2009: 480.9m).

Balance sheet

Net assets have decreased by £98.4m since the start of the period. The principal reasons for this are actuarial losses on defined benefit pension schemes, net of deferred tax, of £99.7m, adverse foreign exchange movements of £135.8m and dividends paid of £67.2m partly offset by the expected favourable impact of RPI to CPI changes on pension liabilities of £70.2m, the profit for the period of £69.8m and favourable movements on derivative hedging instruments, net of deferred tax, of £64.6m.

Foreign exchange

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

	6 months to 30 September 2010		6 months to 30 September 2009		Year to 31 March 2010	
	Closing rate	Effective rate	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.58	1.50	1.60	1.53	1.49	1.57
Canadian Dollar	1.62	1.44	1.77	1.88	1.53	1.60

Fuel hedging

For the current year 90% of both UK (2.5m barrels) and North American (1.7m barrels) "at risk" volumes are hedged at \$76 and \$89 per barrel respectively.

For 2011/12 "at risk" volumes, the UK is 64% hedged at \$84 per barrel and North America is 55% hedged at \$95 per barrel.

Pensions

The Group has updated its pension assumptions as at 30 September 2010 for the defined benefit schemes in the UK and North America. In addition during the period 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 UK Bus Occupational Scheme.

The net pension deficit of £331m at the beginning of the period has now increased to £350m at the end of the period principally due to the reduction in the discount rate used to 5.05% (full year 2010: 5.6%), partly offset by a lower inflation rate of 3.0% (full year 2010: 3.4%) and the expected change to CPI instead of RPI which has had the impact of reducing pension liabilities at 30 September 2010 by £70.2m.

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

	Movement	Impact
Discount rate	+0.1%	Reduce deficit by £33m
Inflation	+0.1%	Increase deficit by £24m

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.

PRINCIPAL RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE FINANCIAL YEAR

There are a number of risks and uncertainties facing the Group in the remaining six months of the financial year. These are considered to be the same as disclosed in the 2010 Annual Report. The principal risks and uncertainties, which are set out in detail on pages 34 to 36 of the Annual Report and Accounts 2010, are:

- Economy in the UK and North America
- Pension assets and liabilities valuations
- Customer service and associated contract retention
- Competitive pressures
- Legislation and regulation
- Labour costs and employee relations
- Unhedged fuel costs
- Treasury risks and insurance costs
- Terrorism
- Rail franchise agreements
- Retention of key management
- Environmental

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Jeff Carr

Finance Director
2 November 2010

Condensed consolidated income statement

For the 6 months to 30 September based on unaudited figures

	Notes	6 months to 30 September 2010			6 Months to 30 September 2009			Year to 31 March 2010
		Adjusted results ¹ £m	Adjustments ² £m	Total £m	Adjusted results ^{1,3} £m	Adjustments ² £m	Total restated ³ £m	Total restated ³ £m
Continuing operations								
Revenue	2,3	3,075.8	-	3,075.8	2,958.2	-	2,958.2	6,261.9
Operating costs before loss on disposal of properties		(2,905.2)	4.6	(2,900.6)	(2,793.4)	(42.2)	(2,835.6)	(5,896.6)
Operating profit before loss on disposal of properties		170.6	4.6	175.2	164.8	(42.2)	122.6	365.3
Amortisation charges		-	(17.7)	(17.7)	-	(17.1)	(17.1)	(34.7)
Non-recurring items		-	22.3	22.3	-	(25.1)	(25.1)	(49.6)
		-	4.6	4.6	-	(42.2)	(42.2)	(84.3)
Loss on disposal of properties		-	(1.5)	(1.5)	-	(1.2)	(1.2)	(1.1)
Operating profit	3	170.6	3.1	173.7	164.8	(43.4)	121.4	364.2
Investment income	4	0.7	-	0.7	1.0	-	1.0	1.8
Finance costs	4	(93.6)	1.2	(92.4)	(97.8)	4.0	(93.8)	(190.7)
Profit before tax		77.7	4.3	82.0	68.0	(39.4)	28.6	175.3
Tax	5	(19.4)	0.3	(19.1)	(16.5)	13.6	(2.9)	(31.2)
Profit for the period from continuing operations		58.3	4.6	62.9	51.5	(25.8)	25.7	144.1
Discontinued operations								
Profit for the period from discontinued operations	6	0.2	6.7	6.9	1.2	-	1.2	3.0
Profit for the period		58.5	11.3	69.8	52.7	(25.8)	26.9	147.1
Attributable to:								
Equity holders of the parent		50.4	11.4	61.8	44.5	(25.7)	18.8	132.1
Minority interest		8.1	(0.1)	8.0	8.2	(0.1)	8.1	15.0
		58.5	11.3	69.8	52.7	(25.8)	26.9	147.1
Earnings per share								
Continuing operations								
Basic	8	10.5p	0.9p	11.4p	9.0p	(5.4)p	3.6p	26.9p
Diluted		10.4p	0.9p	11.3p	9.0p	(5.4)p	3.6p	26.7p
Continuing and discontinued operations								
Basic	8	10.5p	2.4p	12.9p	9.3p	(5.4)p	3.9p	27.5p
Diluted		10.4p	2.3p	12.7p	9.2p	(5.3)p	3.9p	27.3p

¹Adjusted trading results before items noted in 2 below.

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

³Restated as explained in note 1.

Condensed consolidated statement of comprehensive income

	Unaudited 6 months to 30 September 2010 £m	Unaudited 6 months to 30 September 2009 restated ¹ £m	Audited year to 31 March 2010 restated ¹ £m
Profit for the period	69.8	26.9	147.1
Other comprehensive income			
Derivative hedging instrument movements	74.7	263.1	339.2
Deferred tax on derivative hedging instrument movements	(10.1)	(57.7)	(100.4)
Exchange differences on translation of foreign operations	(135.8)	(137.5)	(13.9)
Unrealised losses on executive deferred compensation plans	(0.3)	(0.4)	(0.5)
Actuarial losses on defined benefit pension schemes	(116.3)	(212.5)	(212.0)
RPI to CPI change in defined benefit pension arrangements	70.2	-	-
Deferred tax on actuarial losses on defined benefit pension schemes	16.6	58.8	56.7
Other comprehensive income for the period	(101.0)	(86.2)	69.1
Total comprehensive income for the period	(31.2)	(59.3)	216.2
Attributable to:			
Equity holders of the parent	(38.6)	(67.0)	200.9
Minority interests	7.4	7.7	15.3
	(31.2)	(59.3)	216.2

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

Condensed consolidated balance sheet

		Unaudited 30 September 2010 £m	Unaudited 30 September 2009 restated ¹ £m	Audited 31 March 2010 restated ¹ £m
	Notes			
Non-current assets				
Goodwill	9	1,623.8	1,662.6	1,754.9
Other intangible assets	10	375.7	403.6	415.9
Property, plant and equipment	11	2,154.8	2,280.0	2,284.1
Deferred tax assets		31.6	43.1	30.4
Retirement benefit assets	20	11.6	3.8	3.1
Derivative financial instruments	15	57.1	51.0	33.0
Investments		4.6	4.6	4.8
		4,259.2	4,448.7	4,526.2
Current assets				
Inventories		91.4	98.1	92.7
Trade and other receivables	12	576.2	592.5	602.5
Cash and cash equivalents		334.7	325.9	335.0
Assets held for sale	13	2.4	4.3	3.9
Derivative financial instruments	15	26.9	16.6	32.1
		1,031.6	1,037.4	1,066.2
Total assets		5,290.8	5,486.1	5,592.4
Current liabilities				
Trade and other payables	14	1,041.7	1,084.1	1,120.0
Tax liabilities		51.5	45.3	36.1
Financial liabilities - bank overdrafts and loans		181.6	1.6	-
- bonds		35.6	36.3	73.3
- obligations under HP contracts and finance leases		38.4	38.6	34.6
- loan notes		-	-	0.8
Derivative financial instruments	15	82.9	183.9	85.2
		1,431.7	1,389.8	1,350.0
Net current liabilities		400.1	352.4	283.8
Non-current liabilities				
Financial liabilities - bank loans		677.6	1,018.7	896.0
- bonds		1,430.8	1,411.4	1,414.1
- obligations under HP contracts and finance leases		181.0	200.1	192.8
- loan notes		9.7	10.5	9.7
Derivative financial instruments	15	59.2	124.8	121.1
Retirement benefit liabilities	20	361.2	348.8	333.9
Deferred tax liabilities		63.6	6.7	63.9
Provisions	16	263.9	296.4	300.4
		3,047.0	3,417.4	3,331.9
Total liabilities		4,478.7	4,807.2	4,681.9
Net assets		812.1	678.9	910.5
Equity				
Share capital	18	24.1	24.1	24.1
Share premium		676.4	676.4	676.4
Hedging reserve		(49.4)	(147.4)	(114.0)
Other reserves		4.6	4.6	4.6
Own shares		(6.1)	(8.0)	(6.5)
Translation reserve		164.8	177.1	300.0
Retained earnings		(20.5)	(70.5)	10.2
Equity attributable to equity holders of the parent		793.9	656.3	894.8
Minority interests		18.2	22.6	15.7
Total equity		812.1	678.9	910.5

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

Condensed 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	Minority interests £m	Total equity £m
Balance at 1 April 2010	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 period	-	-	64.6	-	-	(135.2)	32.0	(38.6)	7.4	(31.2)
Dividends paid	-	-	-	-	-	-	(67.2)	(67.2)	(4.9)	(72.1)
Movement in EBT and treasury shares	-	-	-	-	0.4	-	(0.5)	(0.1)	-	(0.1)
Share-based payments	-	-	-	-	-	-	3.9	3.9	-	3.9
Deferred tax on share-based payments	-	-	-	-	-	-	1.1	1.1	-	1.1
Balance at 30 September 2010	24.1	676.4	(49.4)	4.6	(6.1)	164.8	(20.5)	793.9	18.2	812.1
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 period	-	-	205.4	-	-	(137.1)	(135.3)	(67.0)	7.7	(59.3)
Dividends paid	-	-	-	-	-	-	(61.1)	(61.1)	(4.6)	(65.7)
Movement in EBT and treasury shares	-	-	-	-	(4.6)	-	-	(4.6)	-	(4.6)
Share-based payments	-	-	-	-	-	-	2.7	2.7	-	2.7
Deferred tax on share-based payments	-	-	-	-	-	-	1.5	1.5	-	1.5
Balance at 30 September 2009 as restated	24.1	676.4	(147.4)	4.6	(8.0)	177.1	(70.5)	656.3	22.6	678.9
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 period	-	-	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

Condensed consolidated cash flow statement

	Unaudited 6 months to 30 September 2010 £m	Unaudited 6 months to 30 September 2009 £m	Audited year to 31 March 2010 £m	
Net cash from operating activities	19	178.4	74.9	452.3
Investing activities				
Interest received	0.9	1.0	1.6	
Proceeds from disposal of property, plant and equipment	13.4	21.5	35.6	
Purchases of property, plant and equipment	(142.1)	(93.1)	(205.6)	
Disposal of subsidiary	24.3	-	0.4	
Acquisition of businesses	-	-	(0.1)	
Net cash used in investing activities	(103.5)	(70.6)	(168.1)	
Financing activities				
Shares purchased by EBT	-	(1.4)	(6.1)	
Monies received on exercise of share options	-	1.4	2.4	
Dividends paid	(67.2)	(61.1)	(93.1)	
Dividends paid to minority shareholders	(4.9)	(4.6)	(19.1)	
Proceeds from bond issues	-	550.0	550.0	
Proceeds from existing bank facilities	105.4	46.0	40.5	
Repayment of bank debt	(86.7)	(509.4)	(707.4)	
Repayments under HP contracts and finance leases	(19.5)	(11.3)	(30.0)	
Repayment of loan notes	(0.8)	-	-	
Fees for bank facility amendments and bond issues	(0.2)	(4.5)	(5.0)	
Net cash flow from financing activities	(73.9)	5.1	(267.8)	
Net increase in cash and cash equivalents before foreign exchange movements	1.0	9.4	16.4	
Cash and cash equivalents at beginning of period	335.0	322.5	322.5	
Foreign exchange movements	(1.3)	(6.0)	(3.9)	
Cash and cash equivalents at end of period per condensed consolidated balance sheet	334.7	325.9	335.0	

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

Note to the condensed consolidated cash flow statement - reconciliation of net cash flow to movement in net debt	6 months to 30 September 2010 £m	6 months to 30 September 2009 £m	Year to 31 March 2010 £m
Net increase in cash and cash equivalents in period	1.0	9.4	16.4
Decrease/(increase) in debt and finance leases	1.6	(75.3)	146.9
Inception of new HP contracts and finance leases	(18.5)	(32.0)	(32.0)
Fees capitalised against bank facilities and bond issues	0.2	4.5	5.0
Net cash flow	(15.7)	(93.4)	136.3
Foreign exchange movements	109.7	225.1	90.3
Other non-cash movements in relation to financial instruments	(3.3)	(2.0)	(4.6)
Movement in net debt in period	90.7	129.7	222.0
Net debt at beginning of period	(2,281.5)	(2,503.5)	(2,503.5)
Net debt at end of period	(2,190.8)	(2,373.8)	(2,281.5)

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

Notes to the half-yearly financial report

1 BASIS OF PREPARATION

This half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2010 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The figures for the six months to 30 September 2010 include the results of the rail division for the period ended 18 September 2010 and the results for the other divisions for the 26 weeks ended 25 September 2010.

The comparative figures for both revenue and operating costs before loss on disposal of properties for the six months to 30 September 2009 are £81.1m higher than previously reported. This is to bring the treatment of franchise payments at FGW and revenue support receipts at FCC into line with the full year accounts for 2010.

The income statement amounts for the six months to 30 September 2009 and the year to 31 March 2010 have been restated to show the results of GBRf, which was sold during the period, within discontinued operations. The results of discontinued operations are set out in note 6.

Amounts presented in the condensed consolidated statement of comprehensive income, condensed consolidated balance sheet and condensed statement of changes in equity for the six months to 30 September 2009 and the year to 31 March 2010 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:

	Condensed consolidated balance sheet		Condensed consolidated statement of comprehensive income	
	30 September	31 March	6 months to	Year to
	2009	2010	30 September	31 March
	£m	£m	£m	£m
Retained earnings/actuarial losses on defined benefit schemes				
As previously reported	(82.4)	(8.4)	(193.6)	(204.3)
Prior year adjustment	23.2	23.2	-	-
Movement for the financial period	(11.3)	(4.6)	(18.9)	(7.7)
As restated	(70.5)	10.2	(212.5)	(212.0)
Translation reserve/exchange differences on translation of foreign operations				
As previously reported	189.0	318.6	(148.8)	(18.5)
Prior year adjustment	(23.2)	(23.2)	-	-
Movement for the financial period	11.3	4.6	11.3	4.6
As restated	177.1	300.0	(137.5)	(13.9)
Deferred tax on actuarial losses on defined benefit pension schemes				
As previously reported			51.2	53.6
Movement for the financial period			7.6	3.1
As restated			58.8	56.7

There was no impact on net assets at any of the balance sheet dates from this restatement.

The accounting policies used in this half-yearly financial report are consistent with International Financial Reporting Standards. The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for as described below.

1 BASIS OF PREPARATION continued

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

These results are unaudited but have been reviewed by the auditors. The comparative figures for the six months to 30 September 2009 are unaudited and are derived from the half-yearly financial report for that period, which was also reviewed by the auditors.

There continue to be no significant debt repayments, other than finance leases, due until 2012. After taking this into account and making enquiries and reviewing the outlook for 2011/12 and medium term plans, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing this half-yearly financial report.

This half-yearly financial report will be sent to all shareholders later in November 2010 and will be available to the public at the Registered Office of the Company, 395 King Street, Aberdeen AB24 5RP.

This half-yearly financial report was approved by the Board on 2 November 2010.

	6 months to 30 September 2010 £m	6 months to 30 September 2009 £m	Year to 31 March 2010 £m
2 REVENUE			
Continuing operations			
Services rendered	2,805.6	2,710.0	5,724.1
UK Rail franchise subsidy receipts	176.8	171.7	365.0
UK Rail revenue support	93.4	76.5	172.8
	3,075.8	2,958.2	261.9
Finance income	0.7	1.0	1.8
Total revenue from continuing operations as defined by IAS 18	3,076.5	2,959.2	6,263.7
Discontinued operations			
Services rendered	9.5	24.4	54.6
UK Rail franchise subsidy receipts	0.4	1.1	2.8
Total revenue from discontinued operations as defined by IAS 18	9.9	25.5	57.4
Total revenue as defined by IAS 18	3,086.4	2,984.7	6,321.1

3 SEGMENT INFORMATION

During the period 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.

3 SEGMENT INFORMATION continued

The segment results for the six months to 30 September 2010 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group items £m	Total £m
Revenue	711.4	392.7	337.6	570.5	1,063.0	10.5	3,085.7
Discontinued operations	-	-	-	-	(9.9)	-	(9.9)
Revenue continuing operations	711.4	392.7	337.6	570.5	1,053.1	10.5	3,075.8
EBITDA¹	105.3	30.8	40.3	91.5	74.9	(11.0)	331.8
Depreciation	(77.3)	(4.8)	(14.7)	(36.1)	(26.5)	(1.8)	(161.2)
Segment results¹	28.0	26.0	25.6	55.4	48.4	(12.8)	170.6
Amortisation charges	(10.4)	(2.5)	(1.6)	-	(3.2)	-	(17.7)
Non-recurring items	-	-	-	-	22.5	(0.2)	22.3
Loss on disposal of properties	-	-	-	(1.5)	-	-	(1.5)
Operating profit	17.6	23.5	24.0	53.9	67.7	(13.0)	173.7
Investment income							0.7
Finance costs							(93.6)
Hedge ineffectiveness on financial derivatives							1.2
Profit before tax							82.0
Tax							(19.1)
Profit for the period from continuing operations							62.9
Discontinued operations							6.9
Profit after tax and discontinued operations							69.8

¹Adjusted.

The segment results for the six months to 30 September 2009 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group items £m	Total £m
Revenue	691.1	356.0	309.4	585.6	1,030.2	11.4	2,983.7
Discontinued operations	-	-	-	-	(25.5)	-	(25.5)
Revenue continuing operations	691.1	356.0	309.4	585.6	1,004.7	11.4	2,958.2
EBITDA¹	109.2	26.2	28.3	88.5	72.2	(7.3)	317.1
Depreciation	(70.7)	(4.5)	(14.4)	(37.7)	(23.1)	(1.9)	(152.3)
Segment results¹	38.5	21.7	13.9	50.8	49.1	(9.2)	164.8
Amortisation charges	(9.8)	(2.5)	(1.5)	-	(3.3)	-	(17.1)
Non-recurring items	(13.2)	(0.8)	(7.0)	(3.6)	(0.1)	(0.4)	(25.1)
(Loss)/profit on disposal of properties	-	-	0.1	(1.3)	-	-	(1.2)
Operating profit	15.5	18.4	5.5	45.9	45.7	(9.6)	121.4
Investment income							1.0
Finance costs							(97.8)
Hedge ineffectiveness on financial derivatives							4.0
Profit before tax							28.6
Tax							(2.9)
Profit for the period from continuing operations							25.7
Discontinued operations							1.2
Profit after tax and discontinued operations							26.9

¹Adjusted.

3 SEGMENT INFORMATION continued

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 £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)
Hedge 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.

	30 September 2010 £m	30 September 2009 £m	31 March 2010 £m
Total assets			
United Kingdom	4,849.9	5,010.7	5,100.3
United States of America	3,046.5	3,440.2	3,364.2
Canada	518.7	483.4	560.6
Eliminations	(3,155.9)	(3,491.3)	(3,463.1)
Unallocated corporate items	31.6	43.1	30.4
	5,290.8	5,486.1	5,592.4

	6 months to 30 September 2010 £m	6 months to 30 September 2009 £m	Year to 31 March 2010 £m
4 INVESTMENT INCOME AND FINANCE COSTS			
Continuing operations			
Investment income			
Bank interest receivable	(0.7)	(1.0)	(1.8)
Finance costs			
Bonds	46.2	39.6	85.2
Bank borrowings	33.8	44.7	80.3
Loan notes	0.5	0.5	1.1
Finance charges payable in respect of HP contracts and finance leases	3.3	4.2	7.6
Notional interest on long term provisions	9.8	8.8	17.5
Finance costs before non-recurring items	93.6	97.8	191.7
Hedge ineffectiveness on financial derivatives	(1.2)	(4.0)	(1.0)
	92.4	93.8	190.7
Net finance costs	91.7	92.8	188.9

	6 months to 30 September 2010	6 months to 30 September 2009	Year to 31 March 2010
5 TAX	£m	£m	£m
Corporation tax	14.8	1.7	4.1
Deferred tax	4.3	1.2	27.1
Tax on profit from continuing operations	19.1	2.9	31.2
Corporation tax - discontinued operations	0.1	0.5	1.3
Total tax charge	19.2	3.4	32.5

The tax effect of the adjustments disclosed in the income statement was a credit of £0.3m (2009: credit of £13.6m; full year 2010: credit of £26.6m).

6 DISCONTINUED OPERATIONS

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

	6 months to 30 September 2010	6 months to 30 September 2009	Year to 31 March 2010
	£m	£m	£m
Revenue	9.9	25.5	57.4
Operating costs	(9.6)	(23.8)	(53.1)
Profit before tax	0.3	1.7	4.3
Attributable tax expense	(0.1)	(0.5)	(1.3)
Profit for the period from discontinued operations	0.2	1.2	3.0
Profit on disposal of discontinued operations	6.7	-	-
Net profit attributable to discontinued operations	6.9	1.2	3.0

There was no attributable tax on the profit on disposal of discontinued operations.

During the period, discontinued operations contributed £1.7m (2009: £2.7m; full year 2010: £9.1m) to the Group's net operating cash flows, paid £0.2m (2009: £0.4m; full year 2010: £1.2m) in respect of investing activities and paid £nil (2009: £nil; full year 2010: £nil) in respect of financing activities.

Details of the profit on disposal of GBRf are detailed in note 17.

The effect of discontinued operations on segment results is disclosed in note 3.

	6 months to 30 September 2010	6 months to 30 September 2009	Year to 31 March 2010
7 DIVIDENDS	£m	£m	£m
Final dividend per share paid for the year ended 31 March 2010 of 14.0p (2009: 12.7p)	67.2	61.1	61.1
Interim dividend per share paid for the year ended 31 March 2010 of 6.65p (2009: 6.05p)	-	-	32.0
Amounts recognised as distributions to equity holders in the period	67.2	61.1	93.1
Proposed interim dividend per share for the year ended 31 March 2011 of 7.12p (2010: 6.65p)	34.2	32.0	-

The proposed interim dividend will be paid on 2 February 2011 to shareholders on the register of members at the close of business on 7 January 2011.

8 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit attributable to equity shareholders of £61.8m (2009: £18.8m; full year 2010: £132.1m) by the weighted average number of ordinary shares (excluding own shares held in the EBT and treasury shares) of 480.3m (2009: 480.9m; full year 2010: 480.5m) in issue.

The adjusted basic EPS from continuing operations is intended to highlight the recurring elements of the results of the Group before the adjustments detailed below. A reconciliation of the earnings used in the alternative bases is set out below:

	6 months to 30 September 2010		6 months to 30 September 2009		Year to 31 March 2010	
	£m	EPS (p)	£m	EPS (p)	£m	EPS (p)
Basic profit/EPS from continuing operations	54.9	11.4	17.6	3.6	129.1	26.9
Basic profit/EPS from discontinued operations	6.9	1.5	1.2	0.3	3.0	0.6
Basic profit/EPS	61.8	12.9	18.8	3.9	132.1	27.5
Amortisation charges ¹	17.6	3.6	17.0	3.5	34.5	7.2
Hedge ineffectiveness on financial derivatives	(1.2)	(0.3)	(4.0)	(0.8)	(1.0)	(0.2)
Non-recurring items	(22.3)	(4.7)	25.1	5.2	49.6	10.4
Loss on disposal of properties	1.5	0.3	1.2	0.3	1.1	0.2
Business disposals	(6.7)	(1.4)	-	-	-	-
Tax effect of above adjustments	(0.3)	0.1	(13.6)	(2.8)	(26.6)	(5.6)
Adjusted profit/EPS	50.4	10.5	44.5	9.3	189.7	39.5
Adjusted profit/EPS from discontinued operations	(0.2)	-	(1.2)	(0.3)	(3.0)	(0.6)
Adjusted profit/EPS from continuing operations	50.2	10.5	43.3	9.0	186.7	38.9

¹Amortisation charges of £17.7m (2009: £17.1m; full year 2010: £34.7m) per note 3 less £0.1m (2009: £0.1m; full year 2010: £0.2m) attributable to equity minority interests.

Diluted EPS is based on the same earnings and on a weighted average number of ordinary shares of 484.8m (2009: 482.3m; full year 2010: 483.2m). The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary shares from share options.

9 GOODWILL	£m
Cost	
At 1 April 2010	1,754.9
Disposals	(14.2)
Foreign exchange movements	(116.9)
At 30 September 2010	1,623.8
Accumulated impairment losses	
At 1 April 2010 and 30 September 2010	-
Carrying amount	
At 30 September 2010	1,623.8
At 31 March 2010	1,754.9
At 30 September 2009	1,662.6

	Customer contracts	Greyhound brand and trade name	UK Rail franchise agreements	Total
	£m	£m	£m	£m
10 OTHER INTANGIBLE ASSETS				
Cost				
At 1 April 2010	407.6	66.0	56.3	529.9
Foreign exchange movements	(23.7)	(3.8)	-	(27.5)
At 30 September 2010	383.9	62.2	56.3	502.4
Amortisation				
At 1 April 2010	70.6	8.3	35.1	114.0
Charge for period	12.9	1.6	3.3	17.8
Foreign exchange movements	(4.6)	(0.5)	-	(5.1)
At 30 September 2010	78.9	9.4	38.4	126.7
Carrying amount				
At 30 September 2010	305.0	52.8	17.9	375.7
At 31 March 2010	337.0	57.7	21.2	415.9
At 30 September 2009	324.0	54.6	25.0	403.6

Customer contracts acquired through the purchases of businesses and subsidiary undertakings are amortised on a straight-line basis over their useful lives which are between nine and twenty years.

The UK Rail franchise agreements intangible asset represents the part of the economic benefit derived from the rail franchise agreements that is realised as a result of recognising our share of the rail pension deficit on the date of commencement of each franchise and is amortised on a straight-line basis over the initial term of each respective franchise.

	Land and buildings	Passenger carrying vehicle fleet	Other plant and equipment	Total
	£m	£m	£m	£m
11 PROPERTY, PLANT AND EQUIPMENT				
Cost				
At 1 April 2010	555.2	2,644.3	549.9	3,749.4
Subsidiary undertakings disposed of	(2.8)	(2.3)	(4.0)	(9.1)
Additions	16.2	77.8	37.5	131.5
Disposals	(6.8)	(26.5)	(21.6)	(54.9)
Reclassified as held for sale	-	(23.0)	-	(23.0)
Foreign exchange movements	(18.3)	(98.3)	(9.8)	(126.4)
At 30 September 2010	543.5	2,572.0	552.0	3,667.5
Accumulated depreciation and impairment				
At 1 April 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 period	7.0	117.6	36.7	161.3
Disposals	(3.6)	(21.7)	(20.2)	(45.5)
Reclassified as held for sale	-	(16.2)	-	(16.2)
Foreign exchange movements	(1.8)	(40.1)	(5.0)	(46.9)
At 30 September 2010	68.9	1,168.2	275.6	1,512.7
Carrying amount				
At 30 September 2010	474.6	1,403.8	276.4	2,154.8
At 31 March 2010	486.7	1,513.4	284.0	2,284.1
At 30 September 2009	462.6	1,534.7	282.7	2,280.0

	30 September	30 September	31 March
	2010	2009	2010
12 TRADE AND OTHER RECEIVABLES	£m	£m	£m
Amounts due within one year			
Trade receivables	431.4	450.8	462.2
Provision for doubtful receivables	(7.1)	(8.3)	(6.5)
Other receivables	53.8	67.2	57.3
Other prepayments and accrued income	98.1	82.8	89.5
	576.2	592.5	602.5

	30 September	30 September	31 March
	2010	2009	2010
13 ASSETS HELD FOR SALE	£m	£m	£m
Assets held for sale	2.4	4.3	3.9

Assets held for sale comprise principally First Student buses which are surplus to requirement and are being actively marketed. Profits or losses arising on the disposal of such assets are included in arriving at operating profit in the income statement.

	30 September	30 September	31 March
	2010	2009	2010
14 TRADE AND OTHER PAYABLES	£m	£m	£m
Amounts falling due within one year			
Trade payables	290.1	265.3	288.9
Other payables	98.9	173.1	145.1
Accruals and deferred income	598.0	591.8	627.5
Season ticket deferred income	54.7	53.9	58.5
	1,041.7	1,084.1	1,120.0

	30 September	30 September	31 March
	2010	2009	2010
15 DERIVATIVE FINANCIAL INSTRUMENTS	£m	£m	£m
Non-current assets			
Interest rate swaps	-	0.3	-
Cross currency swaps	15.5	25.4	13.3
Coupon swaps	39.0	20.7	15.7
Fuel derivatives	2.6	4.6	4.0
	57.1	51.0	33.0
Current assets			
Cross currency swaps	6.5	1.7	5.8
Coupon swaps	10.3	12.1	10.6
Fuel derivatives	10.1	2.8	15.7
	26.9	16.6	32.1
Total assets	84.0	67.6	65.1
Current liabilities			
Interest rate swaps	30.4	47.2	42.9
Cross currency swaps	27.3	1.5	2.9
Fuel derivatives	25.2	135.2	39.4
	82.9	183.9	85.2
Non-current liabilities			
Interest rate swaps	6.5	20.5	10.7
Cross currency swaps	42.7	61.1	91.9
Coupon swaps	-	2.7	-
Fuel derivatives	10.0	40.5	18.5
	59.2	124.8	121.1
Total liabilities	142.1	308.7	206.3

	30 September	30 September	31 March
	2010	2009	2010
16 PROVISIONS	£m	£m	£m
Insurance claims	219.0	231.0	243.9
Legal and other	39.9	60.1	51.4
Pensions	5.0	5.3	5.1
Non-current liabilities	263.9	296.4	300.4

	Insurance claims ¹	Legal and other ²	Pensions	Total
	£m	£m	£m	£m
At 1 April 2010	243.9	51.4	5.1	300.4
Provided in the period	41.8	4.0	-	45.8
Utilised in the period	(63.3)	(12.5)	(0.1)	(75.9)
Notional interest	9.8	-	-	9.8
Foreign exchange movements	(13.2)	(3.0)	-	(16.2)
At 30 September 2010	219.0	39.9	5.0	263.9
At 30 September 2009	231.0	60.1	5.3	296.4

¹Insurance claims accruals due within one year at 30 September 2010 amounted to £117.8m (2009: £124.4m; full year 2010: £131.3m) and are included in "accruals and deferred income" in note 14. The amount included within provisions above represents the estimate of amounts due after more than one year.

²Legal and other accruals due within one year at 30 September 2010 amounted to £6.7m (2009: £5.4m; full year 2010: £5.4m) and are included in "accruals and deferred income" in note 14. The amount included within provisions above represents the estimate of amounts due after more than one year.

	30 September	30 September	31 March
	2010	2009	2010
17 DISPOSAL OF BUSINESSES AND SUBSIDIARY UNDERTAKINGS	£m	£m	£m
Fair values of net assets disposed of:			
Goodwill	14.2	-	-
Property, plant and equipment	3.8	-	0.4
Current assets	12.0	-	0.9
Cash and cash equivalents	(1.2)	-	0.4
Liabilities	(10.0)	-	(0.9)
	18.8	-	0.8
Profit on disposal	6.7	-	-
Satisfied by cash received and receivable	25.5	-	0.8
Net cash inflow arising on disposal:			
Cash consideration	25.5	-	0.8
Cash and cash equivalents disposed of	(1.2)	-	-
	24.3	-	0.8

On 28 May 2010 the Group disposed of its interest in GBRf. The impact of GBRf on the Group's results in the current and prior periods is disclosed in note 6.

On 9 January 2010, the Group disposed of its interest in FirstInfo Limited at its net book value. The details of this disposal are included in the full year 2010 figures in the table above. The impact on the Group's results for half year 2009 and the full year 2010 was immaterial.

	30 September	30 September	31 March
	2010	2009	2010
18 SHARE CAPITAL	£m	£m	£m
Authorised:			
Ordinary shares of 5p each	32.5	32.5	32.5
Allotted, called up and fully paid:			
Ordinary shares of 5p each	24.1	24.1	24.1

The number of ordinary shares of 5p each in issue, excluding treasury shares and shares held in trust for employees, at the end of the period was 480.4m (2009: 479.9m; full year 2010: 480.2m). At the end of the period 1.0m shares (2009: 1.2m shares; full year 2010: 1.0m shares) were being held as treasury shares and 0.7m shares (2009: 1.0m shares; full year 2010: 0.9m shares) were being held in trust to satisfy the exercise of employee share options.

	6 months to	6 months to	Year to
	30 September	30 September	31 March
	2010	2009	2010
19 NET CASH FROM OPERATING ACTIVITIES	£m	£m	£m
Operating profit before loss on disposal of properties	175.2	122.6	365.3
Operating profit of discontinued operations	0.3	1.7	4.3
Adjustments for :			
Depreciation charges	161.3	152.9	315.7
Amortisation charges	17.7	17.1	34.7
Share-based payments	3.9	2.7	5.5
Loss on disposal of property, plant and equipment	0.2	0.4	0.8
Operating cash flows before working capital	358.6	297.4	726.3
(Increase)/decrease in inventories	(2.0)	5.0	14.8
Increase in receivables	(8.9)	(29.9)	(5.4)
Decrease in payables	(5.5)	(80.1)	(54.8)
Decrease in provisions	(30.2)	(10.7)	(34.1)
Defined benefit pension payments in excess of income statement charge	(14.8)	(17.3)	(42.1)
Cash generated by operations	297.2	164.4	604.7
Corporation tax paid	(9.8)	(1.3)	(1.3)
Interest paid	(105.4)	(83.1)	(142.9)
Interest element of HP contracts and finance leases	(3.6)	(5.1)	(8.2)
Net cash from operating activities	178.4	74.9	452.3

20 RETIREMENT BENEFIT SCHEMES

The Group operates or participates in a number of defined benefit pension schemes which cover the majority of UK employees and certain North American employees. The scheme details are described in page 88 of the Annual Report and Accounts for the year ended 31 March 2010.

First Greater Western Limited, First Capital Connect Limited, First ScotRail Limited, Hull Trains Limited and First/Keolis TransPennine Express Limited have sections in the Railways Pension Scheme (RPS), which is an industry-wide arrangement. Under the terms of the RPS, any fund deficit or surplus is shared by the employer (60%) and the employees (40%). In calculating the Group's pension obligations in respect of the RPS the Group has calculated the total pension deficits in each of the RPS sections in accordance with IAS 19. These deficits are reduced by a "franchise adjustment" which is that portion of the deficit which is projected to exist at the end of the franchise and for which the Group will not be required to fund. The franchise adjustment, which has been calculated by the Group's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flows of the Group's obligations.

The market value of the assets at 30 September 2010 for all defined benefit schemes totalled £3,160m (2009: £2,864m; full year 2010: £3,127m).

Contributions are paid to all defined benefit pension schemes in accordance with rates recommended by the schemes' actuaries. The valuations are made using the Projected Unit Credit Method.

20 RETIREMENT BENEFIT SCHEMES continued

The key assumptions were as follows:

	UK Bus 30 Sept 2010 %	UK Rail 30 Sept 2010 %	North America 30 Sept 2010 %	UK Bus 30 Sept 2009 %	UK Rail 30 Sept 2009 %	North America 30 Sept 2009 %	UK Bus 31 March 2010 %	UK Rail 31 March 2010 %	North America 31 March 2010 %
Discount rate	5.05	5.05	4.7	5.5	5.5	5.1	5.6	5.6	5.7
Expected return on scheme assets	7.9	7.9	7.4	7.6	7.6	7.0	7.9	7.9	7.4
Expected rate of salary increases	4.0	4.0	3.25	4.4	4.4	3.5	4.4	4.4	-
Inflation - RPI	3.0	3.0	2.25	2.9	2.9	2.3	3.4	3.4	2.0
Inflation - CPI	2.4	2.4	-	-	-	-	-	-	-
Future pension increases	3.0	3.0	-	2.9	2.9	-	3.4	3.4	-

During the period 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 RPS are expected to be linked to the rise in CPI in future rather than the rise in RPI, as are revaluations to deferred pensions in the UK Bus Occupational Scheme. As a result of this pension liabilities are £70.2m lower as at 30 September 2010.

Amounts recognised in the condensed consolidated income statement in respect of these defined benefit schemes are as follows:

	UK Bus £m	UK Rail £m	North America £m	Total £m
6 months to 30 September 2010				
Current service cost	(18.0)	(27.9)	(2.7)	(48.6)
Interest cost	(47.7)	(22.8)	(16.8)	(87.3)
Expected return on scheme assets	60.9	26.3	15.2	102.4
Interest on franchise adjustment	-	4.8	-	4.8
	(4.8)	(19.6)	(4.3)	(28.7)

	UK Bus £m	UK Rail £m	North America £m	Total £m
6 months to 30 September 2009				
Current service cost	(8.2)	(20.0)	(1.1)	(29.3)
Interest cost	(41.2)	(18.9)	(17.8)	(77.9)
Expected return on scheme assets	49.5	18.7	13.6	81.8
Interest on franchise adjustment	-	2.6	-	2.6
	0.1	(17.6)	(5.3)	(22.8)

	UK Bus £m	UK Rail £m	North America £m	Total £m
Year to 31 March 2010				
Current service cost	(17.6)	(36.7)	(2.4)	(56.7)
Interest cost	(83.0)	(37.6)	(30.3)	(150.9)
Expected return on scheme assets	98.9	37.3	23.6	159.8
Interest on franchise adjustment	-	5.1	-	5.1
	(1.7)	(31.9)	(9.1)	(42.7)

Actuarial gains and losses have been reported in the condensed consolidated statement of comprehensive income.

20 RETIREMENT BENEFIT SCHEMES continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	UK Bus	UK Rail	North America	Total
	£m	£m	£m	£m
30 September 2010				
Fair value of schemes' assets	1,643.1	1,049.2	467.4	3,159.7
Present value of defined benefit obligations	(1,765.3)	(1,360.0)	(650.0)	(3,775.3)
Deficits before adjustments	(122.2)	(310.8)	(182.6)	(615.6)
UK Rail franchise adjustment (60%)	-	141.8	-	141.8
Adjustment for employee share of RPS deficits (40%)	-	124.2	-	124.2
Deficits in schemes	(122.2)	(44.8)	(182.6)	(349.6)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	11.6	-	-	11.6
Non-current liabilities	(133.8)	(44.8)	(182.6)	(361.2)
	(122.2)	(44.8)	(182.6)	(349.6)

	UK Bus	UK Rail	North America	Total
	£m	£m	£m	£m
30 September 2009				
Fair value of schemes' assets	1,498.8	916.1	449.0	2,863.9
Present value of defined benefit obligations	(1,645.4)	(1,346.8)	(608.2)	(3,600.4)
Deficits before adjustments	(146.6)	(430.7)	(159.2)	(736.5)
UK Rail franchise adjustment (60%)	-	219.2	-	219.2
Adjustment for employee share of RPS deficits (40%)	-	172.3	-	172.3
Deficits in schemes	(146.6)	(39.2)	(159.2)	(345.0)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	2.8	0.1	0.9	3.8
Non-current liabilities	(149.4)	(39.3)	(160.1)	(348.8)
	(146.6)	(39.2)	(159.2)	(345.0)

	UK Bus	UK Rail	North America	Total
	£m	£m	£m	£m
31 March 2010				
Fair value of schemes' assets	1,605.9	1,026.3	494.5	3,126.7
Present value of defined benefit obligations	(1,734.9)	(1,388.9)	(651.8)	(3,775.6)
Deficits before adjustments	(129.0)	(362.6)	(157.3)	(648.9)
UK Rail franchise adjustment (60%)	-	173.0	-	173.0
Adjustment for employee share of RPS deficits (40%)	-	145.1	-	145.1
Deficits in schemes	(129.0)	(44.5)	(157.3)	(330.8)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	3.1	-	-	3.1
Non-current liabilities	(132.1)	(44.5)	(157.3)	(333.9)
	(129.0)	(44.5)	(157.3)	(330.8)