

# Delivering our key priorities

**Our strategy is to provide safe, reliable, innovative and sustainable transport services and to deliver long term value for shareholders through profitable growth in our core markets.**

There can be no doubt that continued economic uncertainty made 2009/10 a challenging year. Our strategy to build a balanced, diverse portfolio, together with the actions we have taken, has provided resilience in a difficult economic environment.

Our clear strategy to manage the Group through these challenging times enabled us to take swift, decisive action to mitigate the effects of the recession on trading.

## MANAGING OUR COSTS

With our experience and strong track record in cost management and improving operating efficiencies we were able to take prompt action to reduce costs throughout the Group. These actions mitigated the impact of the weaker economy and higher hedged fuel costs, which increased by approximately £90m during the year.

At the start of the year we had already devised and implemented comprehensive plans to reduce costs throughout the UK and North America. Throughout the year we continued to bear down on costs, reducing overheads and increasing operating efficiencies. As a result of the relentless focus and drive throughout the business we have exceeded our original cost reduction target and achieved annual savings of £228m.

## STRENGTHENING OUR FINANCIAL POSITION – REDUCING NET DEBT

Net debt reduction is a key priority for the Group. Despite the challenging trading environment we were pleased to increase net cash generation during the year which was used to reduce net debt. We are confident of further opportunities to increase net cash generation within the Group to accelerate our deleveraging plans.

Our robust financial position was strengthened during the year as we made further progress in executing our strategy to extend the maturity profile of the Group's debt and reduce reliance on bank finance. The Group's recent bond issues in the capital markets attracted strong support from fixed income investors and demonstrated the continued confidence in the underlying strength and resilience of the Group.

## MAXIMISING THE FLEXIBILITY IN OUR BUSINESSES

In those areas of our business that are dependent on passenger revenues we responded quickly to the challenges presented by the recession and the adverse impact on passenger volumes. As well as rigorous cost control we focused on network management and targeted mileage reduction which protected revenue per mile, while ensuring that we retained the capability to restore service levels when demand returns.

In UK Bus we reduced mileage, primarily through service frequency adjustments while remaining focused on operating performance and customer service. At Greyhound where, as we anticipated, passenger revenues were adversely impacted as a result of the weak economic environment and increased unemployment, we were able to maximise the highly flexible operating model. With approximately 60% of the cost base being variable we were able to manage service provision on a route by route basis to match any changing demand.

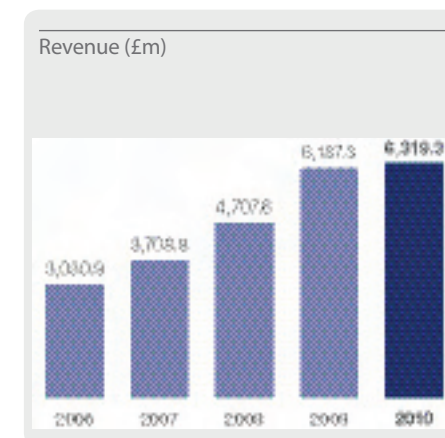
## DELIVERING PROFITABLE GROWTH

As we expected, the continued economic weakness presented a number of challenges during the year. The Group delivered a resilient performance with overall trading in line with management expectations. In this tough trading environment we exceeded our cash target for the year and expect to return to earnings growth in 2010/11.

The Board is confident in the underlying strength of the businesses which, combined with the many actions we have taken to mitigate the adverse effects of recession, will ensure the Group continues to trade robustly through the economic cycle and deliver long term value for shareholders.

## KEY PERFORMANCE INDICATORS

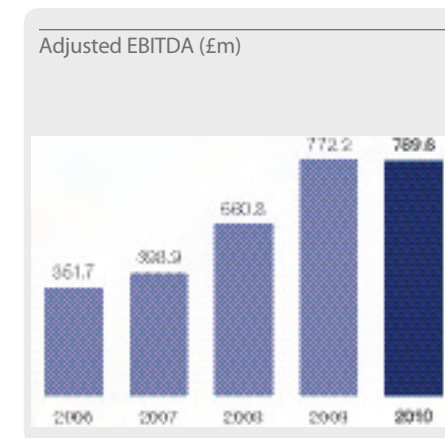
The Group's management use a wide range of financial and non-financial key performance indicators to assess our performance during the year.



Reduction in Lost Time Injuries

**18%**

We are committed to a targeted reduction in workplace accidents across the Group and this year achieved an 18% reduction in Lost Time Injuries.



Contract retention in North America

**>90%**

Contract retention in both First Student and First Transit remained strong during the year at over 90%.