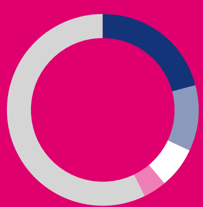
First Student

Paul Osland
President, First Student

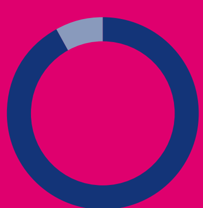
- **Sustainable and resilient returns from our market leading multi-year contract portfolio in the home-to-school market**
- **Opportunities for organic and M&A-led growth, entry into adjacent markets and provision of complementary services**

Share of outsourced market
(around 38% of total market)



First Student	21%
National Express	11%
STA	7%
NA Central, Krapf, Cook Illinois	4%
Others	57%

2020 approximate revenue by type



Home-to-school contracts	92%
School and third-party charter	8%

Year to 31 March	2020	2019
Revenue	**$2,474.9m**	$2,424.9m
Adjusted operating profit	**$205.9m**	$227.1m
Adjusted operating margin	**8.3%**	9.4%
Average number of employees	**48,000**	48,000

First Student revenue was $2,474.9m or £1,940.4m (2019: $2,424.9m or £1,845.9m), representing growth in constant currency of 2.2%. This comprised growth of 4.1% in constant currency to the end of February 2020, benefiting from the pricing and contract wins we achieved in the summer 2019 bid season as well as from acquisitions made in the year. This was partially offset in March when substantially all North American schools had closed by the end of the month due to the coronavirus pandemic, albeit we continued to recover a proportion of our expected home-to-school revenue from school board customers as noted below.

Adjusted operating profit was $205.9m or £158.8m (2019: $227.1m or £171.2m), representing an adjusted operating profit margin of 8.3% (2019: 9.4%). Prior to the effect of the outbreak, net growth, management efficiencies and continued contract pricing discipline were largely offsetting the wage inflation from the tight US employment market experienced during the year and higher self-insurance costs. The division reported a statutory profit of £89.4m (2019: £115.3m) including the amortisation of intangibles, and after First Student's £52.5m portion of the North American self-insurance charge and profit on sale of property of £8.0m in the year.

Year in review

Following another strong bid season over the summer of 2019, First Student grew our already market leading school bus fleet and market share for the second year in a row; we have contracts to operate c.43,000 buses at year end (2019: 42,500) with strong pricing accompanying this growth. Our operational excellence drove record high customer satisfaction scores which underpinned our contract retention rate of 88% (2019: 92%) on business up for renewal, which was ahead of our expectations. Across our entire portfolio of multi-year relationships, retention was 96% (2019: 97%). This was notwithstanding the pricing requirements we had to seek from our customers due to the tight US employment market last year and resulting persistent driver shortages as well as higher self-insurance costs. We attribute this continuing retention success to our excellent safety track record and consistent focus on building sustained customer relationships over many years, resulting in this year's record-breaking willingness to recommend and satisfaction scores, which saw fully 75% of our customers rating us nine or ten on a ten-point scale for overall satisfaction.

Our retention success was supplemented with organic growth, continuing conversions from in-house to private provision and good net market share gains from our larger competitors, in several cases at higher pricing than proposed by the incumbent.

We also continued to build out our ability to supplement growth and expand our addressable market via acquisitions in this fragmented segment of the mobility services industry. Since the start of the financial year we have closed three transactions adding a total of 850 buses. The most notable was Hopewell Transportation, a leading provider of transportation for students with special needs in the Chicago, Illinois area, utilising smaller 'vans'. Special needs transportation is a faster growing part of the overall student transportation market. This is also a segment where specialised training for frontline employees is especially valuable, which is an area where Hopewell Transportation has always been strong, and plays to our longstanding goal to recruit, train and retain the safest and best driver population in the industry. We assess all of our transaction opportunities on the same returns criteria as any other avenue for growth. Since the start of the coronavirus pandemic, we have begun to see fewer participants in bids due to capital constraints, and situations where incumbents have withdrawn from their contract obligations for the next school year. Additionally, some operators have become more willing to discuss acquisitions.

We further grew our market-leading school bus charter business by redesigning the consumer experience of finding our services, getting quotes, and booking trips despite the impact of the pandemic. In the year, charter generated revenues of $204.7m (2019: $203.6m) or 8% of divisional revenues.

Throughout the year we have worked to improve the efficiency of our procurement, maintenance and operational practices as well as investing in innovations to enhance the quality of our services for our school board customers, student passengers and their parents. In addition to the continued expansion of our FirstView® bus tracking app, this year we have been developing and scale-testing our tablet-based driver workflow system

DriverHub, which provides real-time navigation assistance, provides data links into our operations and maintenance systems, and enables us to monitor and coach our drivers' on-road performance individually, further enhancing our focus on safety.

We are also actively exploring opportunities at the frontier of the transition to alternative fuel-powered school bus services, with a number of electric vehicle pilots now underway and 6% of our fleet currently powered by alternative fuels. School start-up last autumn went well, and we are confident that our playbook is in good shape to restore service at the right time for each of our customers whenever they need it in the months ahead.

Coronavirus response

All schools served by First Student in North America were closed by the end of March as federal, state and local authorities responded to the coronavirus pandemic. The school closures also resulted in the cancellation of school charter trips and we have also seen a significant decline in the demand for external charters. While we have already restarted some school routes in Quebec and British Columbia the majority of our school board customers are not anticipating restarting school activities again before the end of the summer holidays. Although some of our 1,100 contracts include guaranteed minimum revenue commitments (mainly in Canada), the majority do not. First Student therefore rapidly began very active and productive discussions with all of our school board customers on a contract-by-contract basis to agree a level of payment to ensure we retain the capability to restart services when each school takes the decision to reopen. As the leader in the industry, we have reinforced the importance of maintaining the driver and operational capability for our customers through the current situation by engaging with industry bodies and the sector. It should be noted that most school districts remain fully funded to continue to provide education, school transportation and other services, and received additional funding to do so under the CARES Act and subsequent coronavirus response spending. To date First Student has agreed terms to receive either full or partial payment from customers representing c.74% of our bus fleet, based on which we have been recovering c.52% of the home-to-school revenue expected prior to the crisis. A number of customers have reduced the amount of revenue reimbursement to reflect our ability to mitigate certain labour and fuel-related costs while no services are running. Adjusting for this, our effective recovery rate is c.61% of our pre-crisis expectations, based on the agreements reached with customers since March.

Key cost actions to mitigate the reduced service activities include the temporary furloughing of employees, insurance savings, salary deferrals and reductions, the ending of all non-essential contract staff, together with some more permanent reductions in headcount where unavoidable. In some cases, the terms of the Federal Pandemic Unemployment Compensation program meant it was more appropriate to assist our people to use this scheme temporarily than to maintain their employment. First Student is also making use of the CARES Act employee retention tax credit for companies whose business has been disrupted by government order, as well as other government tax deferral and other schemes to the extent possible. All non-essential capital expenditure has been reviewed in accordance with customers' requirements and some discretionary spend has been deferred, reprofiled or converted to leasing.

During the coronavirus crisis we have been very proud of the hundreds of First Student locations that have been actively supporting school districts with a variety of services. Our drivers have delivered more than 1.4 million meals and counting to students across North America, as well as instructional materials, including books and laptops. Many First Student locations have provided transportation shuttles for healthcare workers and others on the frontline of the pandemic, while First Transportation Solutions has also supported more than 25 school districts with the logistics and planning of their own meal and school supply deliveries.

We are in active discussions with our stakeholders about how we will support restarting schools safely and efficiently at the appropriate time, in accordance with their local requirements. We have set up a cross-functional team of experts to establish guidelines for leading our business and our stakeholders through the changes to our services that will be required to do so, including maintaining social distancing (which may require more buses or potentially split shift school days), protective personal equipment (PPE), enhanced bus and location cleaning and disinfection regimes, potential testing and screening protocols and additional driver training. Initial indications suggest that driver recruitment is likely to be less of a challenge in some regions than in previous years.

Current trading and the future

While some school districts may start earlier or later and with potentially varying approaches to maintaining social distancing, we are currently preparing for the majority to restart in August and early September, at the end of the summer holidays. We are not anticipating that summer school activities will take place this year, and are assuming at present that discretionary charter services will take longer to be restored than home-to-school services. First Student is always a highly seasonal business, with much lower activity levels over the school summer holiday period contributing to a significant weighting to the second half of our financial year in terms of profitability.

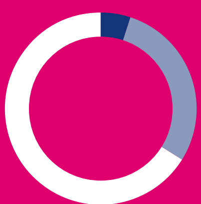
First Student is the clear market leader in the provision of contracted public transportation services across 40 US states and seven Canadian provinces, as well as a significant provider of charter bus services. The business has long-term, trusted relationships with a high-quality client base of schools across the continent, generating stable predictable revenues. The business benefits from its substantial scale, best-in-class operating track record, renowned customer service and strong safety expertise, which are testament to the long-term strategy of the highly experienced management team. We are confident that this is a very strong, resilient platform with several opportunities in its marketplace to add value for all stakeholders.

First Transit

Brad Thomas
President, First Transit

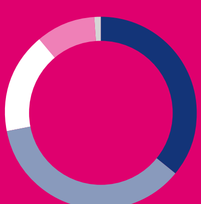
- **Well-established platform to capture long-term growth in evolving transit management markets**
- **Winning MaaS and SAV opportunities and leveraging our partnerships with Transportation Network Companies (TNCs) and others**

Approximate share of c.$29bn North American transit market



First Transit	**5%**
Other outsourced providers	**29%**
In-house	**66%**

2020 approximate revenue by type



Fixed route	**36%**
Paratransit	**36%**
Shuttle	**17%**
Vehicle services	**10%**
Rail	**1%**

Year to 31 March	**2020**	2019
Revenue	**$1,488.4m**	$1,411.4m
Adjusted operating profit	**$36.2m**	$64.8m
Adjusted operating margin	**2.4%**	4.6%
Average number of employees	**20,000**	19,500

First Transit's revenue was $1,488.4m or £1,171.4m (2019: $1,411.4m or £1,075.8m), an increase of 5.6% in constant currency. This comprised growth of 6.6% in constant currency to the end of February, reflecting positive pricing, new contract opportunities throughout the portfolio and some pass-through revenue, followed by a meaningful reduction in activity levels during March with the start of the coronavirus pandemic.

Adjusted operating profit was $36.2m or £28.3m (2019: $64.8m or £49.3m), representing an adjusted operating margin of 2.4% (2019: 4.6%). Prior to the outbreak the division was experiencing a number of cost headwinds, principally higher self-insurance and legal costs, driver shortages in certain areas, changing business mix and the two adverse legal judgments in the first half of the year, which were being partially offset by pricing, net growth and cost efficiencies. The abrupt impact of the pandemic on revenue during the final month of the financial year was partially offset through variable cost reductions, but nevertheless had a meaningful impact. The division reported a statutory loss of £(21.9)m (2019: profit of £23.1m) including the amortisation of intangibles, the division's £43.5m portion of the North American self-insurance adjusting item charge and a legacy pension settlement, which are disclosed separately from adjusted operating profit.

Year in review

In the year First Transit continued to build its broad portfolio of both existing and emerging multi-year mobility services contracts, benefiting from consistently highly rated customer service credentials and its reputation for safe, innovative and best value solutions to customers. We were pleased with fixed route and paratransit wins in Merced, Arlington and San Bernardino from two of our largest competitors, along with securing the shuttle contract between airport terminals and the new taxi/Transportation Network Company (TNC) passenger waiting lots at Los Angeles airport. Additionally we were pleased to expand our largest paratransit contract which operates in the greater Chicago area.

In emerging mobility services, our partnership with Lyft to provide wheelchair accessible and other paratransit services has been extended to several more US cities. We have continued to position ourselves as a leader in the maintenance and operation of both autonomous vehicles (AV) and electric vehicles (EV) with recent wins in Houston and Colorado. After the year end we were awarded a contract on a US military base to be the maintenance and operations partner for an innovative 'stackable' AV pilot – using AV technology that has been retrofitted to traditional manned vehicles.

Our contract retention rate on 'at risk' contracts was flat at 89% (2019: 89%), despite the loss of the two relatively large underperforming contracts mentioned at the half year stage. Since the start of the coronavirus pandemic, we have seen some commercial bidding processes slow down given the current uncertainties about the pace of emergence from current travel restrictions; in several cases our customers have proposed extensions to existing contracts that were approaching their end dates. We continue to assess all commercial opportunities on a rigorous risk-adjusted return on investment basis, using our broad-based expertise and leading operational and maintenance delivery platforms.

Throughout the year we continued to drive through further cost efficiencies and operational improvement from investments in lean maintenance, predictive analytics, procurement, systematic employee engagement/retention programmes and further back office alignment with First Student where value-adding, in order to help mitigate the cost headwinds we face. Although for the most part we operate vehicles procured and owned by our customers, wherever possible we continue to roll out the DriveCam safety system, which complements our safety standards and procedures and our behavioural change programme.

Coronavirus response

Clearly the onset of the coronavirus outbreak and government actions to control its spread toward the end of the last financial year will have a significant impact on the coming year. The majority of First Transit's contracts reflect payment for making services available over agreed time periods, with the principal exception being in paratransit where the revenue is driven more by the volume of trips undertaken by the business. Our fixed route operations are largely classed as essential services so, despite a significant reduction in ridership and increasing orders to 'shelter in place' by the majority of US states, we saw service requirements reduce by only c.30% overall. Paratransit operations are seeing non-essential trips decline, although the requirement for social distancing has offset this to some extent, with overall activity levels down c.50%. Shuttle operations are seeing service reductions in certain airport contracts and all university clients have now reduced service requirements significantly to holiday timetables and/or engaged e-learning protocols. Overall the division has on average experienced a reduction of c.35% in its activity levels.

While many of our drivers and other employees have continued to maintain the essential transport links that our customers rely on, they have also been delivering food supplies across our communities to vulnerable members of the community.

The CARES Act made available $25bn for "the operating expenses of transit agencies related to the response to a coronavirus public health emergency" which has been helpful for many of our transit agency customers, although it does have a complex interplay with other aspects of the Act most notably the short-term funding made available to workers under the Federal Pandemic Unemployment Compensation program. Since the onset of the outbreak we have maintained an active dialogue with our customers regarding payment through any reductions in service to ensure the operations are in a position to restore normal levels of operation efficiently at the appropriate time. Of those contracts with a material reduction in service, we have agreed terms to date with the result that we are currently recovering the equivalent of 79% of the divisional revenue expected prior to the crisis.

Key cost actions to mitigate the reduced service activities include the temporary furloughing of employees under the various emergency schemes put in place to support workers through the crisis, salary deferrals and reductions, the ending of all non-essential contract staff, together with some more permanent reductions in headcount where unavoidable. We have also utilised government tax deferral and other schemes to the extent possible. First Transit is not as capital intensive as some of the Group's other businesses, but all non-essential capital expenditure has been deferred or halted.

Current trading and the future

We continue to plan for a range of potential scenarios, but it is likely that customers in different regions and sub-segments of the division seek to raise service levels from their current provision at varying rates. Based on such decisions made so far and the latest discussions with our customers, our overall expectation is that revenues will only gradually improve from their present levels over the summer, and will begin to step up further from September.

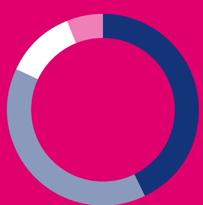
Notwithstanding the near-term uncertainties, the market for mobility services in North America continues to evolve and we are embracing the disruption. We aim to stay at the forefront of the changes, providing simplified mobility solutions that enhance our customers' lives. Our services are a compelling option for both local authorities and private customers to outsource their transportation management needs. We remain focused on bids that provide good value to clients while achieving appropriate margins with modest capital investment, as we continue to build our platform in mobility services over time.

Greyhound

Dave Leach
President, Greyhound

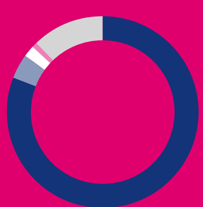
- **Access available intercity bus funding via states**
- **Capture maximum value from our brand and nationwide network**
- **Deliver improved performance potential from revenue, cost and fleet management plans**
- **Continue property rationalisation**

Distribution of Greyhound passengers (by mileage band)



1-200 miles	**43%**
201-450 miles	**39%**
451-1,000 miles	**12%**
1,000+ miles	**6%**

2020 approximate revenue by type



Passenger	**81%**
Package Express	**4%**
Food	**2%**
Charter	**1%**
Others	**12%**

Year to 31 March	**2020**	2019
Revenue	**$766.0m**	$846.7m
Adjusted operating profit	**$(15.3)m**	$2.7m
Adjusted operating margin	**(2.0)%**	0.3%
Average number of employees	**5,500**	5,500

Greyhound's revenue was $766.0m or £603.2m (2019: $846.7m or £645.1m), reflecting an increasingly challenging trading environment throughout the year. Lower fuel prices which typically make travel by car more cost-competitive, continuing reductions in immigration-related demand in the southern border states and intensifying competition in several markets from both coach and low-cost airline operators all contributed to a (3.5)% reduction in like-for-like revenues to the end of February, which was then compounded by a further reduction in passenger demand in March with the onset of the coronavirus pandemic. Greyhound total revenue for the full year reduced by (9.4)% in constant currency, representing a reduction of (5.7)% in the US and a (45.3)% reduction in Canada, due to our decision to withdraw from significant parts of that business during the prior year.

Despite further management action including commercial initiatives, mileage reductions, profit on certain property sales of $10.6m or £8.3m (2019: $10.8m or £8.4m) and the withdrawal from Western Canada, the reduction in revenue during the year and higher-self insurance costs were not fully offset and as a result, Greyhound's adjusted operating loss was $(15.3)m or £(11.6)m (2019: profit of $2.7m or £2.6m). The division reported a statutory loss of £(253.4)m (2019: loss of £33.8m) reflecting restructuring and reorganisation costs associated with the withdrawal from Western Canada, Greyhound's £45.3m share of the North American self-insurance adjusting item charge, and the £186.9m of impairments in the carrying value of the assets, partially offset by property disposals. Following the further impairment and the effects of IFRS 16, Greyhound is carried at a cash generating unit value of £188.7m ($235.2m). The net book value of £(156.3)m ($(194.7)m) is stated after £172.4m ($214.8m) for pensions deficits under IAS 19 and £111.4m ($138.8m) relating to the self-insurance reserve provision. The impairment has been recognised in the results on a pro-rata basis against the assets of the division excluding property. The valuations in excess of book value suggest no impairment to the carrying value of Greyhound's property.

Year in review

During the year Greyhound sought to build on its iconic brand and unique scale by continuing to transform all areas of its customer experience and cost efficiency through investment in technology. During the year the business has delivered further enhancements to its website, mobile app, customer call handling, revenue management and digital ticketing systems while completing the roll out of the new on-board entertainment platform to the entire US active fleet. These developments, coupled with disciplined fleet investments and several maintenance, procurement and operational projects during the year will deliver recurring savings over time. Meanwhile these improvements also resulted in improved customer perceptions, increased punctuality and lower emissions. At 33.6g CO_2(e) per passenger km, intercity travel by Greyhound already offers the lowest per-passenger carbon emissions of modal alternatives – around 87% lower emissions than an equivalent domestic passenger plane journey and 81% lower than the average US passenger car.

We continue to review our terminal footprint, looking for opportunities to move to intermodal transport hubs or new facilities better tailored to our needs. In addition to a number of smaller terminal changes, this year we completed the sale of Richmond, VA, with the gain on sale of $6.1m or £4.8m included in adjusted operating profit.

Greyhound has been actively responding to the changes in demand throughout the year with tactical commercial initiatives to target overall revenue per mile growth, by optimising pricing and capacity allocation across our different markets and adjusting mileage in response to demand changes.

Coronavirus response

The pricing, mileage and capacity optimisation activity was stepped up as the coronavirus outbreak and government advice developed in March, with Greyhound revenues initially reducing by c.80%, compounded by border closures between the US and Canada. Greyhound rapidly reduced capacity and cost (principally through reduced variable costs, furlough and permanent headcount reductions) to match lower demand levels, including through the temporary cessation of the entirety of its Canadian services from 13 May 2020, and is utilising government tax deferral and other schemes as appropriate. In the US during the first quarter of the current year, Greyhound operated c.40% of its pre-outbreak timetabled mileage, sufficient to ensure that the community-critical transportation network that it provides is maintained. Almost all of its main coach competitors have not been operating during this period.

As the only national intercity bus operator, Greyhound urgently sought federal and state assistance to sustain its network through the present crisis, and also sought to obtain relief on rents and fees for intermodal facilities from government transportation agencies. Following these efforts, the emergency federal appropriations bill (the 'CARES Act') signed into law on 27 March 2020 specifically allocated $326m in funds to US states to fund continued intercity bus transportation via Title 49 section 5311(f) of the US Code. The CARES Act also waived normal requirements for matching state funds. Given its scale as the only provider of a national network of coach services across 44 US states, Greyhound anticipates being a major recipient of this funding. Greyhound continues to work through the processes to access the CARES Act funding for services in each state where it operates. A number of these states already have pre-existing arrangements where minor amendments to contracts are required before Greyhound's submissions can be processed. Where new or additional arrangements are required, Greyhound is working to expedite securing contracts and commencing billing.

Greyhound has deferred or halted all non-essential capital expenditure, and has improved the cost per mile, operational performance and customer perception of its active fleet by primarily operating its newest and most efficient buses. Greyhound has invested in industry-leading enhanced cleaning regimes for its buses and locations, mandated the use of face coverings on all its operations across the country and actively led the industry in providing prospective passengers with the latest coach travel safety information, as well as instituting a flexible booking policy to ease passengers' concerns.

Greyhound has been supporting our communities during the outbreak by providing free transport to first responder and frontline medical professional volunteers travelling to another town or city to provide assistance, and is also delivering vital medical supplies and safety equipment in partnership with the American Red Cross.

Current trading and the future

Greyhound's current focus is on continuing to secure support for its community-critical services from the CARES Act funding via state agencies, while very actively managing service levels and cost to match observed demand. As certain states have begun to ease 'shelter in place' restrictions and government advice has evolved, we are beginning to experience an incremental increase in passenger volumes, to c.70% below pre-pandemic levels in June compared with c.85% below in March/April. Revenue is currently c.60% below pre-pandemic levels, reflecting increased yields. As volumes increase, we are focused on delivering a safe, punctual service for our passengers while maintaining our discipline around incremental cost and agreeing further intercity bus funding contracts with the states we operate in.

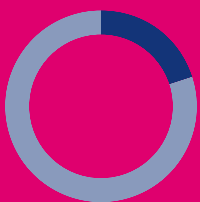
A sale process in respect of Greyhound is ongoing and we will update the market as appropriate.

First Bus

Giles Fearnley
Managing Director, First Bus

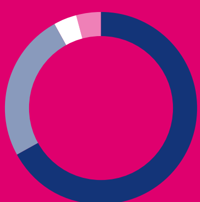
- **Manage transition beyond current industry funding support arrangements**
- **Prioritise partnerships with local authorities**
- **Transition to low- and then zero-emissions fleet**
- **Frictionless customer offering to drive growth**
- **Deliver further benefits from cost efficiency programme**

Approximate First Bus market share of UK market outside London



First Bus	20%
Others	80%

2020 approximate revenue by type



Passenger revenue	67%
Concessions	25%
Tenders	4%
Other	4%

Year to 31 March	2020	2019
Revenue	**£835.9m**	£876.1m
Adjusted operating profit	**£46.1m**	£65.1m
Adjusted operating margin	**5.5%**	7.4%
Average number of employees	**15,500**	16,500

First Bus reported revenue of £835.9m (2019: £876.1m), in part reflecting the sale of two operating depots during the year. Adjusting for this and other factors, like-for-like passenger revenue increased by +0.7%, with commercial passenger volumes decreasing by (4.3)% including the effects of coronavirus. The role of buses has been increasingly recognised during the year, highlighted in particular by significant and high profile commitments to invest in the industry's future by the UK Government. First Bus delivered like-for-like passenger revenue growth of 1.8% to the end of February, with the local operations experiencing varying demand patterns due to changing retail footfall, challenging congestion issues and differing local economic conditions. Clearly the imposition of government guidelines to avoid all but essential travel in early March to check the spread of coronavirus meant passenger volumes and revenues were significantly affected from that point, as discussed further below.

Adjusted operating profit was £46.1m (2019: £65.1m) and adjusted operating margin was 5.5% (2019: 7.4%), mainly reflecting the substantial reduction in passenger demand in March which was difficult in the short term to offset through cost reductions. The division also experienced poorer weather in the previous summer which capped like-for-like growth and higher hedged fuel prices and other inflation, which was not fully offset by continued cost efficiencies and the actions we have been taking to improve the passenger experience. The division reported a statutory operating profit of £32.4m (2019: £27.4m) as a result of restructuring and reorganisation costs and trading losses up to the point of disposal of the two depots sold in Manchester.

Year in review

We are creating a better offering to our passengers, designed and delivered around their needs and aspirations, with a particular focus on easy, innovative and convenient ticketing. We were the first major bus operator to offer contactless payment on every bus, which simplifies payment, enhances convenience and speeds up journeys by reducing boarding time. We have made regular upgrades to our highly regarded passenger app which reached 1m monthly active users during the year, including in recent months being the first large operator to bring to our app the capability for passengers to check in real time how full each bus is, including for wheelchair spaces, helping them to make more informed travel decisions. This exciting development was delivered in just two weeks given buses' reduced capacity under social distancing rules. Contactless and our mobile app have become the preferred payment mechanisms for our passengers, overtaking cash and now accounting for more than half of all commercial revenue. We have introduced capped fares via contactless payments in Aberdeen and Doncaster, representing a price promise to customers as well as significantly faster boarding times, and are developing plans for further roll out. We are working alongside other companies in developing similar multi-operator products.

We have continued to take action to improve our efficiency, including by continuously optimising networks to both meet existing and stimulate new demand for our services, deploying our resources accordingly. We can now do this in much finer detail than ever before by interrogating the much richer data sets we have available to us as a result of the GPS-enabled ticketing system rolled out in previous years, enabling us to identify significant efficiencies by matching timetables with actual running times. We are also implementing improvements to our back office procedures, for example by redesigning engineering practices to be leaner and more agile.

Our capital investment this year was focused on areas where we work closely with stakeholders to progress our shared ambitions to deliver thriving and sustainable bus services, with investment in Leeds, Glasgow, Norfolk, Portsmouth and Bristol. Buses have a huge role to play in creating a connected and healthy world by contributing to local prosperity and growth and there is growing recognition of this by all stakeholders. In February we welcomed the UK Government's announcement of a new £5bn, five-year funding package for buses, cycling and walking which will include support for simpler fares, thousands of new green buses, improved routes and higher frequencies across England. The Scottish Government has also announced more than £500m in investments for infrastructure, including new bus priority routes and other schemes to encourage more people to use public transport and reduce congestion across the country.

Across all our networks we work very closely with all our stakeholders, including local authorities, to determine the most effective application of these monies to improve the passenger offering. The landmark West Yorkshire bus alliance has made good progress in delivering bus priority measures during the year. In March the UK Government committed to significant Transforming Cities Fund spending on bus priority in Leicester, Southampton, South Yorkshire and West Yorkshire with the DfT negotiating further settlements for Norwich, Portsmouth/Solent and Stoke at year end. An outline Bus Deal has been agreed with Bristol, and discussions are continuing on a Bus Deal for Glasgow.

We are a leader in the industry for low emission buses and our vehicles play a key role in helping reduce congestion on the roads, improving air quality and lowering carbon emissions. We are focused on First Bus becoming a leader in the transition to a low-carbon future for public transportation, and are committing to operate a zero-emission bus fleet by 2035, and do not plan to purchase any new diesel buses after December 2022. We look forward to working closely with our supply chain, industry partners and the UK Government to ensure that our shared ambitions can be taken forward following the current crisis. We are already pioneers in the use of various alternative fuel buses, and over the last two years we have made considerable progress in downsizing the diesel fleet and securing clean air compliance. 35% of our fleet is now comprised of either Euro VI-compliant diesels or gas, electric or fuel cell vehicles. In the year we introduced 193 new Euro VI or better buses, including 74 methane gas powered 'bio-buses' for Bristol and currently have 30 electric vehicles on order – including 21 double-decker buses for the York Park & Ride network and nine single-deckers for Leeds. We have also taken delivery of two single deck electric buses, funded by SP Energy Networks, for Glasgow. We continue to bring hydrogen-powered buses into use in Aberdeen, preparing to launch 15 double-deckers in the city with funding assistance from the City Council, the EU and the Scottish Government. The coronavirus pandemic has led to temporary deferrals in our fleet investment for 2020/21; future investment will be focused on our environmental and partnership commitments, while improving operating costs.

During the year we successfully launched our Bright Bus tour services in Edinburgh, which competed well against the market leader. We took on full responsibility for services to Swansea's Park & Ride site, integrating it into our core network and increasing the destinations offered. We upgraded our services to Glasgow airport through investments in high-specification double-deckers, significantly increasing capacity.

Following a review of our Manchester operations in anticipation of changes proposed to the structure of that market we completed the sales of our Queen's Road and Bolton depots during the first half of the year. We continue to operate from Oldham and on the award-winning Vantage guided bus route.

Coronavirus response

When the coronavirus pandemic began to escalate in the UK in the second half of March, within days First Bus experienced c.90% declines in fare-paying passenger revenue and concessionary volumes. Across all our networks we rapidly reduced service levels in consultation with our local authority partners and were able to do so following relaxation of usual notice periods, which was granted by the Traffic Commissioners. On the back of funding grants we initially reduced service levels to c.40% of normal capacity, with a corresponding mileage reduction, in order to continue to transport healthcare and other key workers. The business furloughed c.55% of its workforce under the UK Government's job retention scheme in this period. Working with our industry partners and the Confederation of the Passenger Transport (CPT), we engaged with the government to agree an initial three-month industry-wide funding agreement for crucial services provided by regional bus operators in England. This funding totalled £167m across the industry and completed a package of measures to maintain vital bus services and networks committed by the DfT, Scottish and Welsh Governments to continue to (either themselves or by directing local authorities to) fund the Bus Service Operators Grant, concessionary fares and contracts for tendered services at levels prior to the pandemic.

At the end of May a further COVID-19 Bus Service Support Grant (CBSSG) Restart programme for England was announced, which built on the previous funding arrangements. Under the new scheme regional bus services in England have initially been allocated £254m in additional funding by the DfT allowing us to increase bus service capacity as government guidance on travel restrictions eases, supporting the restart of our local economies and getting people back to work. Within four days of this funding being confirmed, we had increased services to c.80% of pre-pandemic levels, passenger volumes have begun to increase and the majority of our furloughed employees had returned to work. The funding, which runs for an initial 12-week period backdated to 12 May, is designed to support the industry while social distancing guidelines require buses to run substantially below their potential capacity, and will be kept under review. Bus operators will be able to claim funding for the difference between their revenue from passenger and other non-tendered contractual sources and the costs of operating services. Recoverable costs include all reasonable operational costs as well as depreciation, pension funding and debt finance costs reasonably allocated to English local bus services. In June, the Scottish Government announced their intention to put in place a similar system, and discussions are ongoing with the Welsh Government to secure the additional funding necessary to support increases in service capacity there through the recovery period.

Our bus operations perform a vital service and are a critical piece of the daily lives of many people in communities across the country. Our team has offered additional support and assistance to these communities during the pandemic, including making space available at our bus terminals for community initiatives, and drivers volunteering to complete additional training in order to drive local authority vehicles.

Current trading and the future

Our current priority is to ensure First Bus is able to support increases in passenger demand in an effective and efficient way, under the terms of the government funding schemes noted above, while achieving a stronger bus division for the future for all of our stakeholders. We will continue to actively address our cost base through our comprehensive efficiency programme, the benefits of which we expect will be more evident once the effects of the coronavirus pandemic begin to subside.

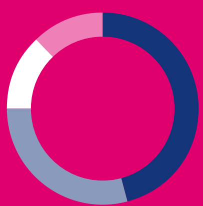
Uncertainty remains about near-term customer demand due to coronavirus. While local economic activity is weak and social distancing guidelines require buses to run substantially below their potential capacity, a degree of funding will remain critical to our ability to sustain service levels. However, the fundamentals of First Bus are sound and coronavirus does not change the principles of what we are doing, nor that bus travel will play a critical role in restoring the economies of the local communities in which we operate. We will lead the way on sustainability including delivering a zero-emission fleet by 2035. Being the partner of choice for public authorities and the travel preference of our passengers will enable us to deliver an improved and sustainable business in future.

First Rail

Steve Montgomery
Managing Director, First Rail

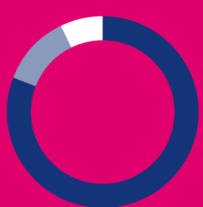
- **Deliver enhanced services in accordance with our contractual agreements**
- **Work alongside government and industry partners to shape longer term industry structure, focused on passengers**
- **Seek appropriate balance of risk and reward in any future commitments**

Passenger revenue base of First Rail operations



Leisure	46%
Business	29%
Commuter	13%
Travelcard (including Oyster)	12%

2020 approximate revenue by type



Passenger revenue	81%
Franchise subsidy and EMA funding	12%
Other income	7%

Year to 31 March	2020	2019
Revenue	£3,185.9m	£2,666.7m
Adjusted operating profit	£68.9m	£68.8m
Adjusted operating margin	2.2%	2.6%
Average number of employees	14,000	12,500

First Rail revenue increased to £3,185.9m (2019: £2,666.7m), principally reflecting the inclusion of the West Coast Partnership's Avanti West Coast franchise from December 2019 and passenger revenue growth, higher subsidy receipts and final settlement of certain GWR contractual amendments. Excluding Avanti, like-for-like passenger revenue growth was 0.2% with passenger volume decreasing by (1.3)% reflecting changing work patterns and lifestyles resulting in a shift away from season tickets towards pay-as-you-go offerings as well as the coronavirus impact. Operational conditions across the industry this year were challenging with infrastructure upgrade works across our networks and the industrial action in SWR affecting our franchise performance levels. UK macroeconomic uncertainty also weighed on passenger revenue in the year and the effect of coronavirus is likely to prolong this uncertainty.

Adjusted operating profit was £68.9m (2019: £68.8m) with a margin of 2.2% (2019: 2.6%). Divisional profitability was driven by the additional capacity and services as a result of the introduction of new trains by GWR and the inclusion of Avanti, offset by the impact of the coronavirus outbreak and moving to the Emergency Measures Agreements from 1 March, while the expected effect of first time adoption of IFRS 16 on First Rail's adjusted operating profit was less than expected. The division reported a statutory operating profit of £67.8m (2019: loss £77.1m).

Year in review

In August 2019 we were pleased that our 70:30 rail venture with Trenitalia was awarded the West Coast Partnership contract to operate existing InterCity services on the West Coast Mainline, and to help deliver High Speed 2 (HS2). After a successful mobilisation and a constructive handover period with the previous operators we launched the operation with the new brand of Avanti West Coast in December 2019. Since launch, Avanti performed in line with our expectations until the final weeks of March. Our future plans for new, greener electric and bi-mode trains, more services and new destinations will significantly enhance the quality of rail journeys for our customers on Avanti, and we look forward to performing the role of 'Shadow Operator' to the HS2 programme.

GWR's new environmentally-friendly fleets of commuter Electrostar trains and bi-mode InterCity Express Trains (IETs) have delivered more seats and increased levels of punctuality. The new trains, in turn, allowed us to redeploy the rolling stock previously used in London and the Thames Valley to enhance capacity on routes in the South West. The largest timetable change since the 1970s was successfully introduced in December 2019, taking advantage of the new trains to offer faster journey times and more frequent services to key locations. All of these changes led to the highest levels of customer satisfaction GWR has recorded and a significant improvement in its independent National Rail Passenger Survey (NRPS) score in the period. During the period GWR also took over the operational aspects of Heathrow Express and is working closely with contractor Heathrow Airport on further improvements to the service. In the period the Group signed a direct award agreement with the DfT to continue operating GWR until March 2023, with a possible extension of up to one further year at the DfT's discretion. Our experience of managing the route over many years will be crucial to facilitating the ongoing transformation of GWR through the biggest changes to the network in a generation. In the near term the structure is superseded by the Emergency Measures Agreements put in place across the industry by the UK Government as discussed below, but at the conclusion of the Emergency Measures Agreement period, GWR will operate services as a franchise with revenue risk shared with the DfT through a Forecast Revenue Mechanism (FRM), which also makes provision for a revenue rebasing exercise for GWR as required.

SWR's performance was principally challenged in the year to March 2020 by industrial action by the RMT trade union which caused significant issues for our passengers throughout the year, including an unwarranted month-long strike in December 2019. We are committed to delivering a resolution to this dispute which remains ongoing despite our offer of an agreement that means no-one loses their job and a guard is kept on every train. We are resolved to finding a solution that will be of benefit to everyone involved with SWR, in particular our customers. Ongoing Network Rail infrastructure problems outside of our control have also continued to have an impact on our performance and we continue to work with them to mitigate these. In the meantime, we are focused on delivering improvements to the passenger experience and as part of this we introduced refurbished trains to the Portsmouth-London line in late 2019, with new suburban rolling stock due in the next few months. Timetable changes in May and December 2019 added more than 350 new services per week and we also announced a package of investment for the Isle of Wight's railway.

Our long-term ambition for our TPE franchise is for it to continue evolving into the true intercity network for the North. To that end, capacity is being significantly increased and we began to introduce the first of 220 new carriages from late 2019, comprising Hitachi IET-type trains and a further intercity fleet from CAF. Although TPE delivered growth and traded ahead of expectations during the first half of the year, in the second half the franchise experienced difficult operating conditions due to the delayed delivery of these new train sets and infrastructure issues affecting our performance. We were able to meet a major commitment by introducing a new direct Liverpool-Glasgow service in December, although further key changes which were included in the original bid have not yet taken place due to industry-wide decisions not to alter timetables at the scale originally envisaged. Our revised plans for transforming the franchise are continuing and all of our new trains are now expected to be in service within the next 12 months.

In December 2019 our open access operator Hull Trains began operating a new leased fleet, which significantly improved the passenger experience on what was already a successful route, and removed some of the performance uncertainty that the previous fleet was causing. We are carefully considering our plans for a second open access operation on the East Coast mainline in light of the current demand environment.

We were pleased that in the autumn 2019 NRPS, all of the rail operations we controlled in the period achieved year-on-year improvements in overall satisfaction, with GWR being a standout performer having fully delivered new trains into operation. All of our rail companies have further plans to improve the passenger experience, principally by delivering new trains along some or all of their routes. Customers will see benefits including more seats and space, better Wi-Fi and on-board entertainment options and several other fleets are being completely refurbished to provide customers with similar amenities. Our franchises are also working to introduce convenient types of ticket including smartcards, barcodes and auto-renewing or flexible season tickets.

First Rail and our partners are industry leaders in reducing carbon emissions. This includes the introduction of bi-mode diesel and overhead electric powered trains enabling us to make use of electrification where available, whilst still being able to operate on shorter sections of non-electrified track. We are signatories to the UK Government's challenge to take all diesel-only trains out of service by 2040 and this progress will be made easier as the UK power grid further decarbonises and our rail network is progressively electrified.

Coronavirus response

In line with the wider UK rail industry, passenger volumes in our businesses reduced substantially from the second half of March 2020 as government advice and regulations changed, with revenue c.95% lower. Following consultation with the DfT, the industry began operating a reduced timetable from 23 March. Services are gradually being restored beginning with the 2020 timetable change on 18 May although demand remains at unprecedentedly low levels. To try and ensure current social distancing can be maintained in line with government advice, some of our rail businesses introduced demand management measures such as limiting the number of advance tickets on sale for certain services, and we worked with our partners to ensure our customers could use stations safely.

The UK Government acted swiftly to sustain the country's critical rail networks during the pandemic, ensuring services could continue to be operated for essential workers to travel by rail to perform their vital roles. In March all of the Group's rail franchises entered into Emergency Measures Agreements with the UK Government which will last until September, or longer if required, and which provide continuity and certainty. For the duration of these agreements, the government will waive our revenue, cost and contingent capital risk and pay our train operating companies a fixed management fee, which varies according to the individual profile of the franchise. There is also the potential for an additional performance-based fee. In preparing the accounts the Directors have assumed that the Emergency Measures Agreements or a similar structure remain in place until the end of their respective franchises. Hull Trains was not eligible for the Emergency Measures Agreement system and as a result we announced on 29 March that our Hull Trains open access business would suspend operations for a period.

Our First Rail teams are also using their unique position as part of the essential fabric of the communities in which they operate to deliver support and assistance during this challenging time. We are responsible partners with our customers and communities and we work with community organisations across the network. In particular, we were pleased the Rail to Refuge scheme with Women's Aid, which offers free rail travel to those fleeing domestic violence, went nationwide during the lockdown period following a successful trial in GWR. Where we have a catering offer, our rail companies have been donating food from on-board shops to NHS teams and charities.

Current trading and the future

First Rail is currently operating in accordance with the terms of the Emergency Measures Agreements in place. There is uncertainty about the level of future passenger demand and revenue growth in the light of the challenging circumstances of coronavirus. Throughout the pandemic we have been in discussions with the DfT concerning the commercial effects on our train operating companies, and what continuing support or contractual variations may be needed in due course. Those discussions are continuing. In preparing the accounts the Directors have assumed that the Emergency Measures Agreements or a similar structure remain in place until the end of their respective franchises.

Over time our rail portfolio has generated good returns overall despite challenging recent industry conditions. The UK's rail franchising system is currently undergoing a major review led by Keith Williams of the most appropriate commercial model to deliver services in future, and we look forward to the outcome of this review in order to understand the balance of risks and rewards on offer for future UK rail opportunities. Notwithstanding these issues, we are focused on working with our industry partners to deliver better customer experiences at all our train operating companies, which will in turn result in passengers returning to the railway over time.