First

FIRSTGROUP PLC
PRELIMINARY RESULTS FOR THE YEAR TO 31 MARCH 2017

Overview:

- Significant improvement in operating results and substantial cash generation delivered as planned
- Contract portfolio enhanced with South Western rail award and other wins across the Group

	Adjusted[1]				Statutory		
	2017 £m	2016 £m	Change	Change in constant currency[2]	**2017 £m**	2016 £m	Change
Revenue	**5,653.3**	5,218.1	+8.3%	(0.5)%	**5,653.3**	5,218.1	+8.3%
Operating profit	**339.0**	300.7	+12.7%	+2.3%	**283.6**	246.3	+15.1%
Operating profit margin	**6.0%**	5.8%	+20bps	+20bps	**5.0%**	4.7%	+30bps
Profit before tax	**207.0**	168.3	+23.0%		**152.6**	113.5	+34.4%
EPS	**12.4p**	10.3p	+20.4%		**9.3p**	7.5p	+24.0%
Net debt[3]	**1,289.9**	1,410.2	(8.5)%	(11.2)%			

Financial summary:

- +8.3% Group revenue growth and +12.7% adjusted[1] operating profit growth, driven by First Student and First Transit and favourable currency translation
- In constant currency, Group revenue was (0.5)% and adjusted[1] operating profit +2.3%. Excluding First Rail where revenue and margin rebased under new contracts, the 'Road' divisions increased revenue and adjusted operating profit by +0.3% and +10.3% in constant currency respectively
- Group adjusted[1] operating margin improved to 6.0% with 250bps increase in First Student margin partially offset by rebased First Rail margin and higher fuel costs due to stronger dollar in UK businesses
- Adjusted[1] EPS increased by 20.4%
- Statutory operating profit increased by 15.1% and statutory EPS increased by 24.0%, with gains on disposal of a Greyhound property largely offset by reorganisation and restructuring costs
- Substantial increase in net cash inflow to £147.2m (2016: £36.0m before rail franchise outflows); net debt: EBITDA ratio reduced to 1.9x (2016: 2.3x)

Divisional summary:

- First Student delivered 250bps adjusted[1] margin progress to 9.6% following successful execution of our pricing, cost efficiency and recruitment plans, despite ongoing driver shortage challenges
- First Transit revenue +4.4% in constant currency despite lower Canadian oil sands activity; strong contract execution in second half resulted in 7.0% adjusted[1] margin for the year
- Greyhound like-for-like[4] revenue (1.7)% due to competition from other transport modes; improved adjusted[1] margin through disciplined cost management and benefits of business model transformation
- First Bus like-for-like[4] passenger revenue (0.6)% with continued demand challenges across the industry; cost control actions partially mitigated the margin impact of currency fluctuations on our fuel costs
- First Rail like-for-like[4] passenger revenue +1.3%, reflecting industry-wide slowdown and infrastructure upgrades on Great Western network; adjusted[1] margin rebasing towards industry norms as expected
- We continue to work closely with Transport for London and others to assist those affected by the tragic Tramlink incident which occurred in November 2016, and to support the ongoing investigations

Looking ahead:

- The Group faces a mixed trading environment with opportunities for steady progress in the North American divisions but continued economic uncertainty in the UK
- Further progress expected from the Road divisions, with First Rail's margin reducing; continued free cash generation expected after disciplined investment to support our customers' and communities' needs

Commenting, Chief Executive Tim O'Toole said:
"We report our results today against the backdrop of the derailment of a tram operated by one of our subsidiaries on behalf of Transport for London in Croydon on 9 November 2016, a tragedy that has shocked and saddened us all. We are profoundly sorry that such an incident could take place aboard a service we operate. We are focused on understanding the exact cause of this incident and will continue to provide our full support to the ongoing investigations. Our thoughts remain with the families and friends grieving for the seven people who lost their lives, and those who were injured and affected by this terrible event.

"We are encouraged by this year's improved financial results, with our largest division First Student delivering a significant margin improvement despite continued driver recruitment challenges, while our First Bus and First Rail operations have faced more challenging market conditions this year. Through rigorous focus on sustainable operational and capital efficiencies, we were also able to generate substantially improved net cash inflow of £147m.

"In the year we have maintained our consistent and disciplined approach to bidding for future business throughout the Group, with the recent award of the South Western rail franchise being a good example of our focus on the service quality improvements our customers and communities tell us they want. Meanwhile, we continue to increase our use of technology across the Group to make it easier for passengers to use our services, and to deepen our understanding of our customers' evolving needs.

"Looking ahead, our financial objectives are to make further progress while maintaining our focus on cash generation, despite the mixed trading environment in our markets. Overall this year's results demonstrate the progress we have made in repositioning FirstGroup to deliver for our customers while creating value for our shareholders, commensurate with our leading market positions and scale."

A presentation for investors and analysts will be held at 9:00am today – attendance is by invitation
A live telephone 'listen in' facility is available – for joining details please call +44 (0) 20 7725 3354
A playback facility will be available together with presentation slides and a pdf copy of this report at www.firstgroupplc.com/investors

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Notes
[1] *'Adjusted' figures throughout this document are before other intangible asset amortisation charges and certain other items as set out in note 4 to the financial statements.*
[2] *Changes 'in constant currency' throughout this document are based on retranslating 2016 foreign currency amounts at 2017 rates.*
[3] *Net debt is stated excluding accrued bond interest.*
[4] *References to 'like-for-like' revenue throughout this document adjust for certain factors which distort the period-on-period trends in our passenger revenue businesses as described on page 17.*

FirstGroup plc (LSE: FGP.L) is a leading transport operator in the UK and North America. With £5.7 billion in revenue and more than 100,000 employees, we transported around two billion passengers last year. Each of our five divisions is a leader in its field: In North America, First Student is the largest provider of student transportation with a fleet of around 44,000 yellow school buses, First Transit is one of the largest providers of outsourced transit management and contracting services, while Greyhound is the only nationwide operator of scheduled intercity coaches. In the UK, First Bus is one of Britain's largest bus operators, transporting 1.6 million passengers a day, and we are one of the country's most experienced rail operators, carrying around 130 million passengers last year.

Our vision is to provide solutions for an increasingly congested world... keeping people moving and communities prospering.

Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.

Chief Executive's report

Croydon tram incident

On 9 November 2016 a tram we operate on behalf of Transport for London (TfL) derailed in Croydon. Seven people lost their lives in the incident and many other passengers were injured. This tragic incident deeply shocked and saddened us all, and we feel the effect throughout our organisation. We are profoundly sorry that such an incident could take place aboard a service we operate. Our thoughts remain with the families and friends grieving for people who lost their lives, and those who were injured and affected by this terrible event.

A number of regulatory bodies are conducting investigations into the incident; due to their complex nature the outcomes may not be known for many months. We are focused on understanding the exact cause of this incident and will continue to provide our full support and assistance to the ongoing investigations.

Each year our trains and buses carry more than 2 billion passengers, more than 10 billion miles and we are responsible for over 100,000 employees. We are dedicated to safety and it is central to our culture and values as a transport operator. Our commitment to the safety of our passengers, our employees and other parties who engage with us is unwavering.

Our financial performance in the year

We have achieved the financial ambitions set out at the start of the year, including delivery of a significant increase in net cash generation, and those results were delivered notwithstanding a number of changes in the environment in which we operate. Overall, this year's results demonstrate the progress we have made in repositioning FirstGroup to deliver for our customers while creating value for our shareholders, commensurate with our leading market positions and scale. We have done so by adapting our plans and remaining flexible while maintaining our focus on our five strategic objectives: focused and disciplined bidding in our contract businesses; driving growth through attractive commercial propositions in our passenger revenue businesses; continuous improvement in operating and financial performance; prudent investment in our key assets (fleets, systems and people); and maintaining responsible partnerships with our customers and communities.

First Student delivered an excellent performance, with another well-executed bid season and timely action to lock in cost efficiencies at the start of the year. For the team to deliver a 250bps improvement in margin to 9.6% this year given the ongoing driver shortage challenges besetting the industry was an impressive performance, even with more operating days and lower fuel costs assisting. **First Transit** continued to deliver growth from core and adjacent markets despite the ongoing contraction of our Canadian oil sands business in the year, and took rapid action to resolve cost challenges experienced in the first half in order to maintain our longstanding track record of margin delivery. In **Greyhound** we delivered an improvement in margin by continuing to flex our operations in response to the evolving passenger demand environment, while beginning to benefit from the transformation we have made to our business model in recent years. In **First Bus** like-for-like passenger revenue was 0.6% lower overall, with passenger demand across the industry affected by high street retail footfall trends and worsening congestion. We continue to respond with specific actions tailored to conditions in each of our local markets. Similarly, **First Rail** like-for-like passenger revenue growth was 1.3%, with the slowdown seen across the industry compared with the prior year clearly exacerbated by the magnitude of the infrastructure upgrade activity on our Great Western Railway (GWR) franchise in the year. As previously indicated, First Rail's trading margin is also rebasing to reflect the terms of the new TransPennine Express (TPE) franchise and GWR direct award, albeit partially mitigated with cost efficiencies. Profitability at both First Bus and First Rail were also adversely affected by the US dollar-denominated nature of their fuel purchases, which together affected our results by £19.8m.

We are pleased with this year's improved financial results, with Group revenue, adjusted operating profit and statutory operating profit increasing by 8.3%, 12.7% and 15.1% respectively. In constant currency, Group revenue decreased by 0.5% and adjusted operating profit increased by 2.3%. Excluding the First Rail division where margin rebased under new contracts, our Road divisions increased adjusted operating profit in constant currency by 10.3%. The improvement in our operating performance combined with a rigorous focus on capital efficiency resulted in a substantial increase in net cash inflow this year, to £147.2m (2016: £36.0m before rail franchise outflows), and a reduction in our net debt: EBITDA ratio to 1.9x (2016: 2.3x).

Investing in our future

In addition to improving our financial performance, we have continued to invest in our future by making it easier for our passengers to use our services and to deepen our interaction with our customers. Greyhound's business model transformation has led the way but throughout the Group we have asked ourselves what would make our services more convenient or attractive for our passengers, and the results

include: making our tickets easier to book online and through smartphone apps; increasing the provision of real-time travel information to our passengers and contract authorities; and improving our customer relationship systems and processes to allow us to offer an increasingly personalised service. We are also integrating passenger revenue and bus location information into our management systems, enhancing our efficiency and productivity while saving cost. Technology is a key enabler for driving future passenger growth by delivering insights from our customers and creating new platforms for us to provide what our customers and communities want.

We continued to make progress with our Group-wide Be Safe behaviour change programme this year. Established and robust safety management systems are embedded across our businesses, with risk evaluation, training and compliance with our safety processes, policies and procedures at the core. The Be Safe programme aims to accelerate progress towards our goal of zero harm. With the aim of making safety a core personal value for colleagues across the Group, this programme works together with our safety management systems and builds on compliance by recognising and reinforcing safe behaviours. In the year more than 5,000 managers and supervisors have been through the training across the Group, bringing the total trained to 8,500. Be Safe is a major programme, and we will continue to invest the necessary time, resource and effort into its success, as such culture change takes time.

We have also invested in more training for our customer-facing employees in the year, particularly in Greyhound, First Bus and First Rail, and have enlarged our apprenticeship and graduate recruitment schemes in the UK. To make the most of our scale and breadth of expertise across the UK and North America, we have also invested in our collaboration tools and realigned some of our structures to enhance best practice sharing across the organisation.

Group outlook

In the year ahead, the Group faces a mixed trading environment with opportunities for steady progress in the North American divisions but continued economic uncertainty in the UK. We expect to make further progress from the Road divisions, with First Rail's margin reducing, and to continue to generate free cash after disciplined investment to support our customers' and communities' needs across the Group.

First Student is now executing the fourth bid season under our strategy to move to a smaller but higher-returning contract portfolio, and therefore an increasing proportion of 'at risk' contracts have already been awarded under our 'up or out' strategy. As such, we expect the average price increase achievable to moderate and our contract retention rate to trend upwards over time; we will also continue to target further cost efficiencies across the division. In **First Transit** we will continue to bid for transportation management contracts offering good margins with modest capital investment, seeking to replenish and grow our portfolio both within our core and adjacent markets. With our pricing and yield management algorithms continuing to increase in effectiveness we are confident that **Greyhound** can return to growth in the year ahead. We will continue to focus on matching our timetables to demand to maximise the considerable operating leverage in the business. Our expectations for **First Bus** recognise that industry conditions remain challenging and our focus therefore must remain on tailored cost efficiencies to improve our margin. We therefore expect to continue to make changes to the shape and breadth of our depot network, while continuing disciplined investment to stimulate growth where appropriate. In **First Rail** we remain cautious on the rate of passenger growth in light of current industry conditions, and expect divisional margin to be lower as a result. We look forward to commencing operation of the South Western franchise from August 2017 in conjunction with our partner MTR Corporation.

Tim O'Toole
Chief Executive
1 June 2017

Operating and financial review

Group revenue in the year increased by 8.3% due to translation of our US dollar-based businesses into sterling at stronger rates than the prior year. In constant currency, Group revenue decreased by 0.5% with growth in First Transit offset by reduced subsidy receipts and the remapping of certain routes out of the scope of First Rail's new TPE franchise, together with lower revenues in Greyhound and First Bus, while First Student revenue was flat.

Group adjusted operating profit in constant currency increased by 2.3%, with a significantly higher contribution from First Student and good progress in First Transit, partly offset by rebased First Rail margin under new contract terms and challenging market conditions in First Bus. Overall Group adjusted operating profit margin increased by 20bps to 6.0%. In reported currency, adjusted operating profit increased by 12.7% to £339.0m (2016: £300.7m). In the year favourable currency translation of North American profits (operating profit benefit of £30.7m compared with prior year) was partially offset by higher dollar-based UK fuel costs (additional cost of £19.8m compared with prior year). Excluding First Rail where revenue and margin rebased under new contracts, the rest of the Group (the 'Road divisions') increased revenue and adjusted operating profit in constant currency by 0.3% and 10.3% respectively.

Net finance costs were flat at £132.0m (2016: £132.4m) and adjusted profit before tax increased by 23.0% to £207.0m (2016: £168.3m). Adjusted profit attributable to ordinary shareholders was £149.4m (2016: £123.5m), with the higher adjusted profit before tax and a lower non-controlling interest charge due to the completion of the previous TPE partnership with Keolis, partly offset by a higher effective tax rate. Adjusted EPS increased by 20.4% to 12.4p (2016: 10.3p), and EBITDA by 11.5% to £686.6m (2016: £615.9m).

Increases in statutory operating profit to £283.6m (2016: £246.3m) and statutory profit before tax to £152.6m (2016: £113.5m) principally reflect the increased adjusted operating profit, together with gains on disposal of a Greyhound property largely offset by reorganisation and restructuring costs. Statutory EPS increased by 24.0% to 9.3p (2016: 7.5p) in the year.

The net cash inflow for the year was £147.2m (2016: £36.0m before First Rail end of franchise cash flows), with the £111.2m improvement year-on-year driven by the increase in cash generated by operations and the proceeds from the sale of a Greyhound terminal. This cash inflow, combined principally with movements in debt due to foreign exchange, resulted in a decrease in net debt of £120.3m (2016: £2.9m increase).

As at 31 March 2017, the net debt: EBITDA ratio was 1.9 times (2016: 2.3 times). Liquidity within the Group has remained strong; as at the year end there was £941.1m (2016: £940.2m) of headroom on committed facilities and free cash, being £800.0m (2016: £800.0m) of committed headroom and £141.1m (2016: £140.2m) of free cash. Our average debt maturity was 3.6 years (2016: 4.4 years). In March 2017 the Group agreed to amend and extend our main revolving bank facilities to July 2021.

During the year gross capital investment of £365.6m (2016: £413.3m) was invested in our business. ROCE was 7.3% (2016: 6.7% at constant exchange rates and 7.2% as reported).

	Year to 31 March 2017			Year to 31 March 2016		
	Revenue £m	**Operating profit[1] £m**	**Operating margin[1] %**	Revenue £m	Operating profit[1] £m	Operating margin[1] %
First Student	**1,780.3**	**171.1**	**9.6**	1,553.5	112.6	7.2
First Transit	**1,042.0**	**73.3**	**7.0**	864.8	60.1	6.9
Greyhound	**684.7**	**42.6**	**6.2**	605.1	35.5	5.9
First Bus	**861.7**	**37.0**	**4.3**	870.9	52.0	6.0
First Rail	**1,268.8**	**53.8**	**4.2**	1,308.4	72.9	5.6
Group[2]	**15.8**	**(38.8)**		15.4	(32.4)	
Total Group	**5,653.3**	**339.0**	**6.0**	5,218.1	300.7	5.8
North America in US Dollars	**$m**	**$m**	**%**	$m	$m	%
First Student	**2,323.3**	**222.0**	**9.6**	2,332.7	165.0	7.1
First Transit	**1,358.9**	**95.2**	**7.0**	1,303.4	90.6	7.0
Greyhound	**894.0**	**55.2**	**6.2**	914.0	54.4	6.0
Total North America	**4,576.2**	**372.4**	**8.1**	4,550.1	310.0	6.8

[1] *Adjusted.*

[2] *Tramlink operations, central management and other items.*

First Student

	$m		£m		Change in
Year to 31 March	**2017**	2016	**2017**	2016	**constant currency[1]**
Revenue	**2,323.3**	2,332.7	**1,780.3**	1,553.5	**(0.4)%**
Adjusted operating profit	**222.0**	165.0	**171.1**	112.6	**+34.1%**
Adjusted operating margin	**9.6%**	7.1%	**9.6%**	7.2%	**+250bps**

[1] Based on retranslating 2016 foreign currency amounts at 2017 rates.

First Student's revenue was flat in local currency at $2,323.3m (2016: $2,332.7m), with revenue increases from the third year of our contract pricing strategy, moderate organic growth and additional operating days compared to the prior year offset by contracts not renewed and more days lost to bad weather than the prior year. Reported revenue increased by 14.6% to £1,780.3m (2016: £1,553.5m).

Adjusted operating profit in local currency increased by 34.5% to $222.0m (2016: $165.0m) resulting in an adjusted operating margin of 9.6% (2016: 7.1%). The 250 basis point increase in adjusted operating margin benefited from improved contract portfolio pricing net of inflation and lost business and our cost efficiency programme, as well as the increase in operating days noted above and a reduction in fuel costs due to our hedging profile. It was partially offset by more days lost to weather than the prior year and a modest increase in employee costs associated with continued driver shortage challenges in parts of the US. In reported currency, adjusted operating profit increased by 52.0% to £171.1m (2016: £112.6m).

Focused and disciplined bidding

The summer 2016 bid season represented the third year of our pricing strategy to focus only on retaining or bidding for contracts at prices that reflect an appropriate return on the capital we invest. We achieved an average price increase on 'at risk' contracts of 7.3%, an increase of 200 basis points on the prior year which in part reflected the driver cost inflation challenges we and the rest of the industry are experiencing. About one third of our bus portfolio was due for renewal in the 2016 bid season, and we retained 80% of 'at risk' buses in line with our budget, or 93% across our total portfolio. Pricing across the market continues to be firmer, though some smaller local operators continue to bid aggressively to retain business, and school boards remain focused on strong execution and value for money. We continue to see modest net organic growth or conversions from in-house to private provision. More than 75% of our overall bus fleet of 44,000 at the end of the year are operated under contracts awarded in the last three years which reflect our strategy to operate a smaller but higher-returning bus fleet.

Continuous improvement in operating and financial performance

First Student continued to deliver cost efficiencies, including from a simplification of our regional management and central services structure at the start of the year, and from changes to our engineering practices using the expertise of First Transit's vehicle maintenance services segment. Additional efficiencies were delivered through relentless focus on best practice sharing and standardised processes across the division, and continuing to use real-time data and enhanced training to embed behaviour change at the local depot level. During the year, these management initiatives have delivered recurring cost savings of $26m, bringing the total delivered over the last three years to almost $60m.

These cost improvements have been delivered despite the significant task of responding to the ongoing challenge of recruiting and retaining drivers in some locations, as a result of the strength of the US employment market. We continued to improve our recruitment processes and marketing, particularly ahead of the September start-up period, which allowed the school year to get under way successfully. Revenue from our non-school charter bus offering, which benefits our asset utilisation rates, was adversely impacted by net lost business and the driver availability challenges noted above, but increased by approximately 4% on a per bus basis.

Prudent investment in our key assets

We continue to invest in systems and processes that differentiate our offering and enhance our customer service levels and safety performance. During the year we successfully trialled our FirstView smartphone app, which provides real-time bus location tracking for parents and school boards. The system can be deployed on our bus fleets or offered on a standalone basis to school boards operating their own fleets. Although we continued to make significant investments in new and refurbished buses during the year, we also benefited from our systematic approach to cascading buses around our operations, which is a significant competitive advantage of our scale; our average fleet age remained 7.3 years.

Responsible partnerships with our customers and communities

We are entrusted with the safety and security of millions of children every day, and we take that responsibility extremely seriously. We maintained our strong safety track record compared with industry benchmarks and continue to invest to improve our performance. In the year we were delighted that our

customer service scores improved further from their already high levels. As part of our commitment to support our communities, we invested in an additional 120 alternative fuel buses, taking our fleet to more than 1,800 vehicles, which is one of the largest such fleets in North America.

Future priorities
In the 2017 bid season – which is now under way – and beyond, we will continue to emphasise the overall value of our services in terms of the quality of driver training, maintenance and safety standards, technology capability and customer satisfaction as we continue our pricing strategy to ensure our contract portfolio returns reflect the capital intensity of the services we provide. We are confident that our unique market position, customer proposition and improving operational efficiency put us in a strong position to start to grow our portfolio of contracts in a disciplined way through further organic, conversion and tuck-in acquisition opportunities.

First Student outlook
We are now executing the fourth bid season under our strategy to move to a smaller but higher-returning contract portfolio, and therefore an increasing proportion of 'at risk' contracts have already been won under our 'up or out' strategy. As such, we expect the average price increase achievable to moderate and our contract retention rate to trend upwards over time. We continue to target incremental cost efficiencies across the division and expect to benefit modestly from our fuel hedging profile. As usual, First Student's operating results will be significantly weighted to the second half because of the overlay of our financial year with the North American school calendar.

First Transit

	$m		£m		Change in
Year to 31 March	**2017**	2016	**2017**	2016	**constant currency[1]**
Revenue	**1,358.9**	1,303.4	**1,042.0**	864.8	**+4.4%**
Adjusted operating profit	**95.2**	90.6	**73.3**	60.1	**+6.2%**
Adjusted operating margin	**7.0%**	7.0%	**7.0%**	6.9%	**+10bps**

[1] Based on retranslating 2016 foreign currency amounts at 2017 rates.

First Transit's revenue was $1,358.9m (2016: $1,303.4m), an increase of 4.4% in constant currency. As expected, contract awards and organic growth in the rest of the division was partially offset by lower shuttle bus demand in the Canadian oil sands region compared with the prior year; divisional revenue excluding these activities increased by 5.6% in constant currency. Reported revenue increased by 20.5% to £1,042.0m (2016: £864.8m).

Adjusted operating profit in local currency was $95.2m (2016: $90.6m), representing an adjusted operating margin of 7.0% (2016: 7.0%), modestly ahead of our expectations at the half year due to favourable execution in certain contracts during the second half. In reported currency, adjusted operating profit increased by 22.0% to £73.3m (2016: £60.1m).

Focused and disciplined bidding
In the year, First Transit maintained its consistent track record of new business wins and high contract retention rates across a broad range of transport services and geographies. In the year we were awarded 19 new contracts, including important new business wins in our long-standing core markets such as a paratransit contract in Cobb County, Georgia, and a vehicle services contract for Florida International University. We were also awarded new contracts by PACE in Chicago and SEPTA in Philadelphia, both of which were extensions of existing relationships with these authorities. Our shuttle business, which is the only sub-segment of the division where we deploy significant capital, won contracts at Los Angeles airport and in five other cities.

Retaining existing clients is clearly as important as winning new business, and we renewed significant contracts for the Denver Regional Transportation District, Trimet in Portland, Eastern Contra Costa in California and COTA in Columbus, Ohio in the year. Our retention rate on 'at risk' contracts was 82% during the year; whilst somewhat lower than our normal target range, this included the loss of two relatively large existing contracts which had become loss-making and on which we had bid significant price increases.

In the year we made further progress in applying our expertise to new geographies and services to secure additional sources of growth. For example, we were recently awarded a small streetcar management contract in El Paso, and we are very pleased with the performance to date of our first US commuter rail contract, which was awarded to us in July 2016 by the Denton County Transportation Authority in Texas, and our ongoing management of the CTfasttrak Bus Rapid Transit (BRT) system in Connecticut. These contracts benefit from the expertise of colleagues in the Group's UK divisions, and give us important credentials with

which to pursue similar opportunities in these growing markets in North America. We are also looking at international markets in a measured way, and during the year we have been exploring growth opportunities beyond our recent entries into Panama and India.

Continuous improvement in operating and financial performance
Our technology infrastructure, management expertise and national service platform are significant barriers to entry. Notwithstanding this, sustaining First Transit's margin in highly competitive markets requires continuous improvement in efficiency to provide best value service provision. We also continue to develop our recruitment, retention and training systems and processes to ensure we maintain the necessary technical and driver capability in what remains a tight US employment market.

Prudent investment in our key assets
In the majority of our contracts we operate or manage services on behalf of our clients rather than providing vehicles, and our primary capital investment is therefore into the systems and processes needed to support efficient delivery. During the year we completed the roll out of our paperless engineering shop system, and have made further progress in rolling out enhanced real-time location information to our customers and passengers. These systems also provide detailed performance and analytics information to our management and engineering teams, allowing us to enhance our productivity and efficiency.

Responsible partnerships with our customers and communities
We are committed to offering the best value package to our customers and the communities we serve, which means our professionalism, technical and operational expertise and safety standards are as important as our cost effectiveness in winning or retaining business. We have completed the roll out of our safety behavioural change programme, which has had a positive impact on our safety performance, and we were pleased to have increased our already strong customer satisfaction score during the year. We are also at the forefront of low emissions vehicle technology, with almost one fifth of our fleet now operating using alternative fuel sources.

Future priorities
First Transit has developed a diversified platform of sector expertise and exceptional management strength in North American transit markets through continuous investment in our people and technology, all of which will support good margins and returns into the medium term. We have grown our business by listening to what our customers want and finding cost efficient ways to provide it. We continue to see opportunities for further growth in our core markets, particularly in shuttle and in vehicle services, increasingly for corporate as well as public clients.

We expect adjacent markets where we have now established our credentials – such as light rail, commuter rail and BRT – will become increasingly significant for our business. We will also continue to explore disciplined and low-risk opportunities to grow our geographic coverage when our track record means we are well placed to deliver.

We intend to remain at the forefront of technological change in our industry. For example, at the end of 2016 we commenced an autonomous vehicle pilot in conjunction with the Contra Costa Transportation Authority in California, and are exploring partnerships to provide Americans with Disabilities Act-compliant transportation for ridesharing and paratransit passengers.

The complexity and breadth of transport services continues to evolve, but our focus remains on bringing the skills and capability to deliver an efficient and effective service for our customers.

First Transit outlook
We remain confident that our services offer a compelling option for local authorities and private customers to outsource their increasingly complex transportation management needs. We will continue to bid for contracts offering good margins with modest capital investment, seeking to replenish and grow our portfolio of contracts both within our core markets and in new service areas and geographies.

Greyhound

Year to 31 March	$m 2017	$m 2016	£m 2017	£m 2016	Change in constant currency[1]
Revenue	**894.0**	914.0	**684.7**	605.1	**(2.0)%**
Adjusted operating profit	**55.2**	54.4	**42.6**	35.5	**+2.7%**
Adjusted operating margin	**6.2%**	6.0%	**6.2%**	5.9%	**+30bps**

[1] Based on retranslating 2016 foreign currency amounts at 2017 rates.

Greyhound's revenue was $894.0m or £684.7m (2016: $914.0m or £605.1m) for the year. Like-for-like revenue decreased by 1.7% for the year as a whole, reflecting a decrease of 3.9% in the first half and an increase of 0.8% in the second. Passenger demand throughout the intercity coach industry is adversely affected by the increased competitiveness of both passenger cars and low-cost airlines when fuel prices reduce year-on-year, as experienced in the first half of our 2017 financial year. Our point-to-point Greyhound Express revenue increased by 1.3%, with both Express and traditional Greyhound experiencing greater resilience over shorter haul (up to 450 miles) distances than long haul.

Adjusted operating profit was $55.2m (2016: $54.4m), or an adjusted operating margin of 6.2% (2016: 6.0%). We have continued to flex mileage operated in response to demand trends, resulting in modest improvements to revenue per mile, supplemented by our transition to one-way ticket pricing in July 2016 and our other business model developments. In reported currency, adjusted operating profit increased by 20.0% to £42.6m (2016: £35.5m).

Driving growth through attractive commercial propositions

Our transformation of Greyhound's customer facing systems in recent years now allows us to deploy airline-style yield management and real-time pricing algorithms throughout the network, and we are developing our customer relationship management systems and loyalty schemes to deepen our relationship with our customers. The majority of our customers now buy tickets online or via our new smartphone apps, and our fleet offers modern buses with amenities such as free Wi-Fi, guaranteed seating and better legroom than the low-cost airlines. In addition, we continue to promote our 'point-to-point' Greyhound Express and BoltBus brands, which offer higher density timetables between popular city pair destinations.

In the year we have implemented more robust punctuality processes and systems, significantly improving on-time departure performance. We have upgraded our terminal environments in terms of cleanliness and security, simplified our baggage processes, and regularly review our sites for opportunities to move to intermodal transport hubs or new facilities tailored to our needs. We continue to make upgrades to our web offerings – we now offer one-click purchasing capabilities on our website and improvements to our mobile apps have resulted in us becoming one of the top rated apps in the travel industry.

We are now in a better position than ever before to offer potential customers a competitively priced, comfortable journey to their destination without the hassle of long airport queues or driving themselves.

Continuous improvement in operating and financial performance

Our financial performance is highly dependent on matching our timetables to demand and maintaining tight control of operating costs. The transition of our business model to more sophisticated, digitally-enabled systems enhances our ability to do both. In the year, mileage operated across the division decreased by 4.8%, with reductions weighted to the first half.

Our Canadian operations (15% of Greyhound revenue) have remained particularly challenging, with the lower oil price directly impacting on competitiveness compared with other modes but also affecting the health of the economy, particularly in western Canada. Despite considerable regulatory and structural constraints, we continue to take action including reducing mileage further but Greyhound Canada remained loss-making.

We continue to review our property portfolio for opportunities to strengthen the passenger experience, which resulted in decisions to sell sites in Reno, Barrie and El Paso. We also completed the sale of a terminal in San Jose, resulting in a gain on sale of £21.6m in the year, which has been reported separately.

Prudent investment in our key assets

In the year we have continued to invest in our business systems to improve the customer experience, with expenditure on the dynamic pricing systems, website and customer relationship management systems. However our investment focus has increasingly moved to enhancing employee training, in particular by building customer feedback into our priority setting process. During the year we retired more buses from the fleet than we replaced, modestly reducing the average age of our 1,600 bus fleet to 9.9 years. Our continued investment in growing our services in the Mexican domestic market has been successful in the year, and we will continue to expand in this market in future.

Responsible partnerships with our customers and communities
Our service to our customers is becoming more personalised and responsive, and we are increasingly focused on using customer feedback scoring, benchmarking and complaints data to diagnose common 'pain points' and remove them. We have also invested considerable effort in refreshing our safety culture, with encouraging overall progress in the year across our key passenger and employee safety metrics.

Future priorities
Over recent years we have upgraded our fleets, transformed our yield management, pricing, ticketing and purchase options, and made major steps to improve our terminal experience. While the benefits of these changes have been offset somewhat by the passenger demand challenges of a falling fuel price environment, we are confident that Greyhound is now in a strong position to take full advantage of its unique brand and scale. Our opportunity is to marry Greyhound's unique nationwide network and iconic brand, the refreshed fleet, locations and technology platforms we now have in place with a reinvigorated customer service ethos, and thereby attract and retain new passengers to Greyhound. We will also continue to deliver on the opportunities available to us in the Mexican coach market.

Greyhound outlook
With our pricing and yield management algorithms continuing to increase in scope and effectiveness, and assuming a somewhat less volatile oil price environment in the near term compared with the last three years, we are confident that Greyhound can return to growth in the year ahead. We will continue to focus on matching our timetables to demand, with the objective of maximising the considerable operating leverage in the business from additional passenger volumes, in order to enhance divisional margin.

First Bus

		£m	Change in
Year to 31 March	**2017**	2016	**constant currency[1]**
Revenue	**861.7**	870.9	**(1.4)%**
Adjusted operating profit	**37.0**	52.0	**(29.9)%**
Adjusted operating margin	**4.3%**	6.0%	**(170)bps**

[1] Based on retranslating 2016 foreign currency amounts at 2017 rates.

First Bus reported revenue of £861.7m (2016: £870.9m) for the year. Although the like-for-like passenger revenue trend improved through the year, it was still negative for three quarters, ending 0.6% lower overall. Market conditions for the industry remain challenged by muted high street footfall, worsening congestion in several localities, and some evidence of lower fuel prices encouraging car use, as well as general macroeconomic uncertainty in the UK. Revenue trends show wide variation across the division, with some markets (especially in the South and Wales) achieving good growth while others have been more challenged. Overall like-for-like commercial passenger volumes increased by 0.4%, while concessionary volumes decreased by 2.2%. Our contract and tendered revenue decreased by 3.0% as a result of reduced spending by local authorities on supported services.

We continue to take action in response to the challenging growth environment by taking opportunities to merge or close certain depots and reducing overheads, delivering cost efficiencies of £14.2m in the year. However these cost savings have not been sufficient to offset lower volumes and cost inflation. Adjusted operating profit was £37.0m (2016: £52.0m) and adjusted operating margin was 4.3% (2016: 6.0%), of which £11.5m or 130bps is directly attributable to the adverse impact of foreign exchange movements on our purchases of US dollar-denominated fuel. In light of the extent of the changes we have reported restructuring and reorganisation charges of £10.9m separately.

Driving growth through attractive commercial propositions
We continue to adjust our networks, fares and commercial offering in response to customer needs. We have increased our focus on improved convenience and a simpler offering for passengers, with several initiatives including fare discounts designed to increase take-up of mobile and other cashless tickets, which also speeds boarding times. We have trialled contactless ticketing using bank cards in Bristol and are planning a wider roll out of this technology during 2017 and 2018. In the year we have also stepped up the emphasis on customer service in our driver training programmes.

We have also focused on increasing our share of student markets across our networks through enhanced services, competitive fares and increased marketing, with particular success in York, Swansea, Bristol and Bath. We also reorganised our network serving Stansted Airport, successfully stimulating growth.

In the contract tender market, we were awarded contracts for Bristol Airport and its environs, and for the Hinkley Point construction project through a joint venture. Our expertise in managing park and ride services was rewarded with wins including in Bristol, Chelmsford and Leeds, and success in developing a solution for the local authority in Ipswich. The Vantage Bus Rapid Transit ('BRT') scheme in Manchester has exceeded expectations since its April 2016 launch, carrying more than two million passengers in its first year. Additional services have been added to meet this demand.

Continuous improvement in operating and financial performance
We continue to take action to enhance our cost efficiency for the long term. In the year we closed Rotherham depot and transferred the operation of all services to other depots in South Yorkshire. Shortly after the year end we consolidated from six to four depots serving the Greater Manchester area. Following the release of certain restrictions by the Competition and Market Authority, we sold local networks in East Scotland to Lothian Buses in summer 2016, and in March 2017 the Galashiels-based Borders network to West Coast Motors. This network had been adversely affected by the opening of the Borders Railway in 2015.

We continue to achieve savings from division-wide procurement, productivity and lean engineering projects, supplemented by ongoing efforts to increase our fuel efficiency through driver behaviour change and investment in more efficient buses. These actions are also focused on supporting improvements in service reliability and punctuality, which are fundamental to our customers.

In April 2017, we launched our upgraded bus app providing door-to-door journey planning, showing all bus services and other modes such as light rail with real-time location information and alerts for the bus stop of choice. Our long-established mobile ticket app will be integrated with this app later in 2017. Through embracing digital technology, we are rapidly integrating our location tracking, revenue collection and other back office systems to increase the availability of accurate real-time data. Our passengers will increasingly have access to more accurate information on their bus, and greater visibility of disruption. The availability of this information also increasingly enables us to plan and tailor our services more accurately.

Prudent investment in our key assets
We continue to invest in our fleets in a disciplined way, and took delivery of 272 vehicles in the year. As a result of our fleet investment programme our fleet is now fully compliant with the Disability Discrimination Act, and like all our recent fleet purchases, these new additions meet the latest Euro VI emissions standards, are fitted with Wi-Fi and most have next stop audio visual announcements and USB charging points. We are now one of the largest DfT-certified 'Low Carbon Bus' operators in the UK, and were recently recognised as Low Carbon Vehicle Operator of the Year.

Responsible partnerships with our customers and communities
More commuters rely on the national bus network than any other form of public transport in the UK, and we are aligned with the national Government and local councils in wanting to get more people out of their cars and on the buses. Buses have a fundamental role to play in delivering Clean Air Zones with authorities supporting greater use of public transport in their towns and cities as they take measures to tackle congestion and improve air quality. We believe that local authorities' objectives for bus services in their areas are best delivered through partnerships with innovative and commercially incentivised bus operators. We are delighted that the proposed Bus Services Act recognises the importance of such partnerships and provides additional tools for councils and operators to work together to deliver improvements for customers.

In Leeds, one of our largest markets, we entered into a partnership with the City Council aiming to double patronage by 2025, supported by a £173.5m public funding package over four years to develop new bus priorities, park and ride sites and passenger facilities, while First Bus is preparing to invest in a fully ultra-low emissions fleet there by 2020. A partnership was also launched in September 2016 with Doncaster Council and South Yorkshire Combined Authority, which follows the successful launch of similar schemes in Sheffield and Rotherham. We are working with Bristol City Council and the West of England Combined Authority to launch the Metrobus network later in 2017. We are excited to be delivering the services on these priority routes which will significantly improve the bus offering and attract new users.

Future priorities
Bus services will continue to play a critical role in any local transport strategy that recognises the problems of congestion, air quality, parking and issues of social exclusion. Our objective is to continue to focus our investment and energy on local markets where these imperatives are recognised and our customers and the communities we serve have the most to gain from our services. Our focus remains on enhancing our ability to deliver the efficient, cost effective and customer-focused services our stakeholders need.

First Bus outlook
Although like-for-like passenger revenue increased by 0.8% in the final quarter of the year, industry conditions remain challenging and our focus therefore must remain on tailored cost efficiencies to raise our margin. We will continue to make changes to the shape and breadth of our networks in response to market conditions, whilst continuing to stimulate growth through delivering high quality services and identifying opportunities to grow our markets.

First Rail

Year to 31 March	£m 2017	£m 2016	Change
Revenue	**1,268.8**	1,308.4	**(3.0)%**
Adjusted operating profit	**53.8**	72.9	**(26.2)%**
Adjusted operating margin	**4.2%**	5.6%	**(140)bps**

First Rail division revenue decreased to £1,268.8m (2016: £1,308.4m), reflecting like-for-like passenger revenue growth of 1.3% offset by reduced subsidy receipts and the remapping of certain routes out of the scope of the new TPE franchise. Passenger volumes increased by 0.7%, reflecting a slowdown in growth due to macroeconomic uncertainty, modal shift due to sustained lower fuel prices, and the effect of non-recurring events such as the Rugby World Cup in the prior year. The magnitude of the infrastructure upgrade works taking place on the GWR network has exaggerated the impact of these factors on that franchise, while revenue performance for TPE has been better than the industry average during the year.

Adjusted operating profit of £53.8m (2016: £72.9m) represents a margin of 4.2% (2016: 5.6%), which in part reflects the rebasing toward industry norms under the terms of the TPE and GWR contracts agreed during the prior year as well as the slowing revenue growth environment, partially offset by cost efficiencies and resolution of historic performance regime discussions with the DfT. The adjusted operating margin was also reduced by the £8.3m impact of adverse currency movements on US dollar-denominated diesel fuel costs.

Focused and disciplined bidding
GWR continues to operate under the commercial terms of a direct award which runs to 1 April 2019. The Department for Transport (DfT) is now assuming that it will exercise its option to extend this direct award to April 2020 in its latest franchise timetable, published in December 2016. We successfully launched the new TPE franchise in April 2016, which will run until at least 2023. Outside franchising, our plans continue for new open access services between London, north east England and Edinburgh from 2021, which will offer a single class of service on a new fleet of trains designed to encourage travellers to switch from air or coach travel to rail.

In March the DfT announced that our 70:30 partnership with MTR Corporation had been selected to operate the new South Western rail franchise from 20 August 2017 until at least August 2024. Over the course of the franchise, £1.2bn will be invested to raise the quality of every aspect of train journeys on the South Western network. In the year our bid to operate the East Anglia franchise was not successful.

Continuous improvement in operating and financial performance
The Government's investment in key national rail infrastructure continues, including the £7.5bn investment in the Great Western Mainline and work on the TransPennine route. We have a strong track record for close partnership working with all industry partners to deliver infrastructure upgrade projects whilst minimising disruption for passengers. We are working closely with Network Rail and with the DfT to support these infrastructure upgrades, which will help us deliver capacity, frequency and journey time improvements for customers.

In the latest independent Transport Focus National Rail Passenger Survey (completed during autumn 2016) all of FirstGroup's three train operating companies again scored above the national average for overall satisfaction. Hull Trains continued to top the national table with a score of 97%, 11 points higher than the average of long-distance operators. GWR saw a slight year-on-year fall from its previous record high to 82%, although scores for ticket purchasing, train comfort and station environments all showed improvement. TPE scored 84%, up a point year-on-year, with improvements in 25 out of 37 categories.

Prudent investment in our key assets
We continue to deliver new trains for all three of our rail companies. By 2020, 90% of our customers will be travelling on a train less than five years old.

On GWR, alongside the ongoing investment in the rail network, the biggest fleet upgrade in a generation has started. New Hitachi InterCity Express trains are scheduled to be introduced later this year, and GWR will be

the first operator to run this class of rolling stock. We introduced the first electric trains to run on GWR's London suburban routes from September, providing more capacity; the service is being extended along the Thames Valley from May 2017. Overall, we will create three million more seats across the network by December 2018, as well as quicker journey times and more frequent services.

The new TPE franchise connecting major cities across the North and Scotland was launched with a new brand during the year. More than £500m is being invested to transform rail services across the region including 220 new carriages, comprising a mix of new Hitachi InterCity trains and a further intercity fleet from CAF. The first of the new trains will be introduced from summer 2018, providing 13 million more seats, and we are also completely refurbishing the remaining TPE rolling stock. Hull Trains will also benefit from a new Hitachi InterCity fleet. Passenger benefits from these new trains include more seats and space, Wi-Fi and on-board infotainment options. As well as transforming the customer experience, the extra capacity will allow us to deliver future passenger growth.

Responsible partnerships with our customers and communities
We are introducing a redesigned passenger app that allows customers to purchase tickets and reserve seats via mobile phone as well as plan their door to door multi-modal journey. This was launched in TPE in December 2016 and was extended to all GWR and Hull Trains customers in May 2017, with further functionality being introduced over time.

At our stations we are delivering additional car parking spaces, as well as new and upgraded customer information screens, and improved waiting, retail and interchange facilities. We are also introducing new ticket machines which make it easy to find the best value fares. In the year more than 5,000 frontline employees took part in our customer service training programmes across the division. £770,000 was made available in the year from GWR's £2.25m Customer and Communities Improvement Fund. A similar fund has been introduced by TPE this year, which will work with community organisations across the network.

Future priorities
We will continue to focus on working with our industry partners to realise the upgrade plans across the network, so that passengers will begin to see the benefits from new and better trains, more seats and services, quicker journey times, improved stations and new technology.

We will also continue to examine opportunities to grow our rail business through our disciplined approach to the DfT's franchising process, aiming to deliver ambitious improvements for passengers and appropriate returns for shareholders, at an acceptable level of risk. During the year we announced 70:30 partnerships with Trenitalia UK Limited to bid together for the East Midlands and West Coast Partnership rail franchise competitions.

First Rail outlook
Although like-for-like passenger revenue in the fourth quarter increased by 2.5%, we remain cautious on the rate of passenger growth in light of current industry conditions, and expect divisional margin to be lower as a result. We look forward to commencing operation of the South Western franchise from August 2017 in conjunction with our partner MTR Corporation.

Finance costs and investment income
Net finance costs before adjustments were £132.0m (2016: £132.4m) with the decrease principally reflecting lower interest rates, partly offset by adverse foreign exchange translation.

Profit before tax
Adjusted profit before tax as set out in note 4 to the financial statements was £207.0m (2016: £168.3m), with the increase due principally to higher adjusted operating profit. An overall charge of £54.4m (2016: £54.8m) for adjustments including other intangible asset amortisation charges of £60.2m (2016: £51.9m) resulted in statutory profit before tax of £152.6m (2016: £113.5m).

Tax
The tax charge, on adjusted profit before tax, for the year was £53.8m (2016: £38.7m) representing an effective rate of 26.0% (2016: 23.0%). Higher profits in the North American businesses led to the increase in rate. There was a tax credit of £17.3m (2016: £21.6m) relating to other intangible asset amortisation charges and other adjustments of £54.4m (2016: £54.8m). The total tax charge was £36.5m (2016: £17.1m). The effective tax rate on statutory profit before tax is 23.9% (2016: 15.1%). The Group's tax rate is sensitive to the geographic mix of profits including higher tax rates in the US and Canada and to changes in tax law and rates in the jurisdictions in which it operates. The statutory rate is lower than the effective rate on adjusted profits because the majority of intangible asset amortisation is in higher-taxed North America.

Over the medium term, our tax rate is likely to increase as the mix of our business changes. However any legislative changes may also impact our tax rate with any significant reduction in US tax rates tending to offset the impact of higher profits.

The actual tax paid during the year was £10.2m (2016: £7.0m). This is less than the tax charge primarily because of losses carried forward in the US.

EPS
Adjusted EPS increased by 20.4% to 12.4p (2016: 10.3p) and basic EPS increased 24.0% to 9.3p (2016: 7.5p), primarily due to improvements in operating profit.

Shares in issue
As at 31 March 2017 there were 1,207.3m shares in issue (2016: 1,204.2m), excluding treasury shares and own shares held in trust for employees of 0.4m (2016: 0.7m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) was 1,204.8m (2016: 1,204.0m).

Reconciliation to non-GAAP measures and performance
Note 4 to the financial statements sets out the reconciliations of operating profit and profit before tax to their adjusted equivalents. The adjusting items are as follows:

Other intangible asset amortisation charges
The amortisation charge for the year was £60.2m (2016: £51.9m). The increase primarily reflects a higher charge in the North America divisions due to the impact of foreign exchange and an incremental £6.6m in software intangible amortisation this year, partly offset by a lower charge in First Rail as the GWR franchise intangible was fully expensed at the end of its first Direct Award period.

Gain on disposal of property
During the year the sale of a Greyhound terminal in San Jose, California was completed which resulted in a gain on sale of £21.6m (2016: £nil).

Restructuring and reorganisation costs
There was a charge of £16.8m (2016: £nil) in the year for restructuring and reorganisation costs across the Group relating to the business turnarounds.

Ineffectiveness on financial derivatives
There was a £1.0m non-cash credit (2016: £0.4m charge) during the year due to ineffectiveness on financial derivatives.

Capital expenditure
As planned we continue to invest in our businesses. Cash capital expenditure was £404.3m (2016: £405.2m) and comprised First Student £198.7m (2016: £245.7m), First Transit £17.8m (2016: £20.5m), Greyhound £30.1m (2016: £21.1m), First Bus £74.4m (2016: £57.6m), First Rail £80.4m (2016: £58.1m) and Group

items £2.9m (2016: £2.2m). First Rail capital expenditure is typically matched by franchise receipts or other funding. In addition, during the year we entered into operating leases for passenger carrying vehicles with capital values in First Transit of £8.0m (2016: £1.3m).

Gross capital investment was £365.6m (2016: £413.3m) and comprised First Student £165.9m (2016: £209.2m), First Transit £25.8m (2016: £20.4m), Greyhound £31.7m (2016: £24.8m), First Bus £63.9m (2016: £91.3m), First Rail £75.4m (2016: £65.4m) and Group items £2.9m (2016: £2.2m). The balance between cash capital expenditure and gross capital investment represents creditor movements in the year.

Cash flow

The £111.2m improvement in net cash inflow (before First Rail end of franchise cash flows) was driven by the increase in cash generated by operations and the proceeds from the sale of a Greyhound terminal in the year. This cash inflow, combined principally with no First Rail end of franchise cash flows (2016: £20.8m outflow) and movements in debt due to foreign exchange, resulted in a decrease in net debt of £120.3m (2016 increase: £2.9m), as detailed below.

Year to 31 March	**2017 £m**	2016 £m
EBITDA	**686.6**	615.9
Other non-cash income statement (credits)/charges	**(6.2)**	6.4
Working capital excluding First Rail end of franchise cash flows	**23.9**	(16.0)
Movement in other provisions	**(30.6)**	(18.6)
Pension payments in excess of income statement charge	**(37.6)**	(33.6)
Cash generated by operations excluding First Rail end of franchise cash flows	**636.1**	554.1
Capital expenditure	**(404.3)**	(405.2)
Proceeds from disposal of property, plant and equipment	**43.0**	19.5
Interest and tax	**(116.3)**	(122.4)
Dividends payable to non-controlling minority shareholders	**(11.9)**	(10.0)
Other	**0.6**	-
Net cash inflow before First Rail end of franchise cash flows	**147.2**	36.0
First Rail end of franchise cash flows	**-**	(20.8)
Foreign exchange movements	**(26.5)**	(15.3)
Other non-cash movements	**(0.4)**	(2.8)
Movement in net debt in the year	**120.3**	(2.9)

Funding and risk management

Liquidity within the Group has remained strong. At the year end there was £941.1m (2016: £940.2m) of headroom on committed facilities and free cash, being £800.0m (2016: £800.0m) of committed headroom and £141.1m (2016: £140.2m) of free cash. Largely due to the seasonality of First Student, committed headroom typically reduces during the financial year up to October and increases thereafter. Treasury policy requires a minimum of £150m of committed headroom at all times. Our average debt maturity was 3.6 years (2016: 4.4 years). The Group's main revolving bank facilities require renewal in July 2021 following a two-year amendment and extension agreed in March 2017. The Group does not enter into speculative financial transactions and uses only authorised financial instruments for certain risk management purposes.

Interest rate risk

We seek to reduce our exposure by using a combination of fixed rate debt and interest rate derivatives to achieve an overall fixed rate position over the medium term of at least 50% of net debt.

Foreign currency risk

'Certain' and 'highly probable' foreign currency transaction exposures including fuel purchases for the UK divisions may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

Fuel price risk

We use a progressive forward hedging programme to manage commodity risk. In 2016/17 in the UK, 91% of our 'at risk' crude requirements (1.8m barrels p.a.) were hedged at an average rate of $70 per barrel. We have hedged 89% of our 'at risk' UK crude requirements for the year to 31 March 2018 at $60 per barrel and 55% of our requirements for the year to 31 March 2019 at $55 per barrel.

In North America 68% of 2016/17 'at risk' crude oil volumes (1.4m barrels p.a.) were hedged at an average rate of $72 per barrel. We have hedged 57% of the volumes for the year to 31 March 2018 at $57 per barrel and 28% of our volumes for the year to 31 March 2019 at $50 per barrel.

Balance sheet

Net assets have increased by £442.7m since the start of the year. The principal reasons for this are the retained profit for the year of £116.1m, favourable translation reserve movements of £356.2m and favourable after tax hedging reserve movements of £50.7m, partly offset by actuarial losses on defined benefit pension schemes (net of deferred tax) of £82.4m.

Goodwill

The carrying value (net assets including goodwill but excluding intercompany balances) of each cash generating unit (CGU) was tested for impairment during the year and there continues to be sufficient headroom in all of the CGUs.

Foreign exchange

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

	Year to 31 March 2017		Year to 31 March 2016	
	Closing rate	**Effective rate**	Closing rate	Effective rate
US Dollar	**1.25**	**1.29**	1.41	1.49
Canadian Dollar	**1.67**	**1.74**	1.87	1.93

Seasonality

First Student generates less revenue and profit in the first half of the financial year than in the second half of the year as the school summer holidays fall into the first half. Greyhound operating profit is typically higher in the first half of the year due to demand being stronger in the summer months.

Pensions

We have updated our pension assumptions as at 31 March 2017 for the defined benefit schemes in the UK and North America. The net pension deficit of £270.9m at the beginning of the year has increased to £358.5m at the end of the year principally due to lower real discount rates partly offset by higher asset returns. The main factors that influence the balance sheet position for pensions and the sensitivities to their movement at 31 March 2017 are set out below:

	Movement	Impact
Discount rate	**+0.1%**	Reduce deficit by £38m
Inflation	**+0.1%**	Increase deficit by £32m

Net debt

The Group's net debt at 31 March 2017 was £1,289.9m (2016: £1,410.2m) and comprised:

			31 March 2017	31 March 2016
Analysis of net debt	**Fixed £m**	**Variable £m**	**Total £m**	Total £m
Sterling bond (2018)	**298.8**	**-**	**298.8**	298.3
Sterling bond (2019)	**-**	**249.8**	**249.8**	249.8
Sterling bond (2021)	**-**	**348.3**	**348.3**	348.2
Sterling bond (2022)	**321.1**	**-**	**321.1**	320.5
Sterling bond (2024)	**199.6**	**-**	**199.6**	199.6
HP contracts and finance leases	**180.4**	**3.3**	**183.7**	238.3
Senior unsecured loan notes	**80.0**	**-**	**80.0**	105.9
Loan notes	**8.7**	**0.8**	**9.5**	9.7
Gross debt excluding accrued interest	**1,088.6**	**602.2**	**1,690.8**	1,770.3
Cash			**(141.1)**	(140.2)
First Rail ring-fenced cash and deposits			**(255.8)**	(217.5)
Other ring-fenced cash and deposits			**(4.0)**	(2.4)
Net debt excluding accrued interest			**1,289.9**	1,410.2

Under the terms of the First Rail franchise agreements, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratio at the balance sheet date.

Dividends
The Board recognises that dividends are an important component of total shareholder return for many investors and remains committed to reinstating a sustainable dividend at the appropriate time, having regard to the Group's financial performance, balance sheet and outlook. The Board will not be recommending payment of a dividend in respect of the year to 31 March 2017 at the Group's Annual General Meeting but will continue to review the appropriate timing for restarting dividend payments.

Forward-looking statements
Certain statements included or incorporated by reference within this document may constitute 'forward-looking statements' with respect to the business, strategy and plans of the Group and our current goals, assumptions and expectations relating to our future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors that cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the UK Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this document.

Other information
Unless otherwise stated, all financial figures for the year to 31 March 2017 (the 'year' or '2017') include the results of the First Rail business for the year to 31 March 2017 and the results of all the other businesses for the 52 weeks ended 25 March 2017. The figures for the year to 31 March 2016 (the 'prior year' or '2016') include the results of First Rail for the year to 31 March 2016 and the results of all the other businesses for the 52 weeks ended 26 March 2016. Results for 2018 will include the results of First Rail for the year to 31 March 2018 and the results of all the other business for the 53 weeks ended 31 March 2018.

All references to 'adjusted' figures throughout this document are before other intangible asset amortisation charges and certain other items as set out in note 4 to the financial statements.

'ROCE' or Return on Capital Employed is a measure of capital efficiency and is calculated by dividing adjusted operating profit after tax by all year end assets and liabilities excluding debt items.

'EBITDA' is adjusted operating profit less capital grant amortisation plus depreciation.

References to 'like-for-like' revenue adjust for changes in the composition of the divisional portfolio, holiday timing, severe weather and other factors that distort the year-on-year trends in our passenger revenue businesses.

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

The Group has a diversified funding structure with average debt duration at 31 March 2017 of 3.6 years (2016: 4.4 years) and which is largely represented by medium term unsecured bank facilities and long term unsecured bond debt. The Group has an £800m committed revolving banking facility of which £800m (2016: £800m) was undrawn at the year end. This facility has a maturity of July 2021.

The Directors have carried out a detailed review of the Group's budget for the year to 31 March 2018 and medium term plans, with due regard for the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Tim O'Toole
Chief Executive
1 June 2017

Matthew Gregory
Chief Financial Officer
1 June 2017

Consolidated income statement

For the year ended 31 March

Continuing Operations	Notes	2017 £m	2016 £m
Revenue	2	**5,653.3**	5,218.1
Operating costs		**(5,369.7)**	(4,971.8)
Operating profit		**283.6**	246.3
Investment income	5	**1.2**	1.4
Finance costs	5	**(132.2)**	(134.2)
Profit before tax		**152.6**	113.5
Tax	6	**(36.5)**	(17.1)
Profit for the year		**116.1**	96.4
Attributable to:			
Equity holders of the parent		**112.3**	90.3
Non-controlling interests		**3.8**	6.1
		116.1	96.4
Earnings per share			
Basic	7	**9.3p**	7.5p
Diluted	7	**9.2p**	7.5p
Adjusted results[1]			
Adjusted operating profit	4	**339.0**	300.7
Adjusted profit before tax	4	**207.0**	168.3
Adjusted EPS	7	**12.4p**	10.3p

1 Adjusted for certain items as set out in note 4.

The accompanying notes form an integral part of this consolidated income statement.

Consolidated statement of comprehensive income

Year ended 31 March

	2017 £m	2016 £m
Profit for the year	**116.1**	96.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit pension schemes	**(89.7)**	(59.2)
Deferred tax on actuarial losses on defined benefit pension schemes	**7.3**	16.1
	(82.4)	(43.1)
Items that may be reclassified subsequently to profit or loss		
Derivative hedging instrument movements	**69.7**	(13.7)
Deferred tax on derivative hedging instrument movements	**(19.0)**	0.6
Exchange differences on translation of foreign operations	**356.2**	110.5
	406.9	97.4
Other comprehensive income for the year	**324.5**	54.3
Total comprehensive income for the year	**440.6**	150.7
Attributable to:		
Equity holders of the parent	**436.8**	144.6
Non-controlling interests	**3.8**	6.1
	440.6	150.7

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

Consolidated balance sheet

As at 31 March

	Note	2017 £m	2016 £m
Non-current assets			
Goodwill	8	**1,956.1**	1,736.3
Other intangible assets	9	**150.6**	162.2
Property, plant and equipment	10	**2,276.5**	2,142.2
Deferred tax assets	18	**25.8**	62.7
Retirement benefit assets		**34.0**	31.0
Derivative financial instruments	17	**48.6**	41.5
Investments		**33.3**	25.4
		4,524.9	4,201.3
Current assets			
Inventories	11	**64.5**	61.4
Trade and other receivables	12	**790.9**	694.4
Current tax assets		**0.7**	–
Cash and cash equivalents		**400.9**	360.1
Assets held for sale		**2.9**	3.5
Derivative financial instruments	17	**1.7**	16.7
		1,261.6	1,136.1
Total assets		**5,786.5**	5,337.4
Current liabilities			
Trade and other payables	13	**1,155.3**	1,101.9
Tax liabilities – Current tax liabilities		**5.1**	16.4
– Other tax and social security		**20.3**	20.6
Borrowings	14	**204.4**	168.4
Derivative financial instruments	17	**29.5**	68.1
		1,414.6	1,375.4
Net current liabilities		**153.0**	239.3
Non-current liabilities			
Borrowings	14	**1,586.4**	1,712.1
Derivative financial instruments	17	**8.6**	35.5
Retirement benefit liabilities		**392.5**	301.9
Deferred tax liabilities	18	**24.3**	17.0
Provisions	19	**284.2**	262.3
		2,296.0	2,328.8
Total liabilities		**3,710.6**	3,704.2
Net assets		**2,075.9**	1,633.2
Equity			
Share capital	20	**60.4**	60.2
Share premium		**678.9**	676.4
Hedging reserve		**(17.9)**	(68.6)
Other reserves		**4.6**	4.6
Own shares		**(1.2)**	(1.4)
Translation reserve		**708.4**	352.2
Retained earnings		**621.9**	585.4
Equity attributable to equity holders of the parent		**2,055.1**	1,608.8
Non-controlling interests		**20.8**	24.4
Total equity		**2,075.9**	1,633.2

The accompanying notes form an integral part of this consolidated balance sheet.

Tim O'Toole
1 June 2017

Matthew Gregory
1 June 2017

Consolidated statement of changes in equity

Year ended 31 March

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2015	**60.2**	**676.4**	**(55.5)**	**4.6**	**(1.9)**	**241.7**	**533.1**	**1,458.6**	**27.6**	**1,486.2**
Total comprehensive income for the year	–	–	(13.1)	–	–	110.5	47.2	144.6	6.1	150.7
Dividends paid / other	–	–	–	–	–	–	–	–	(9.3)	(9.3)
Movement in EBT and treasury shares	–	–	–	–	0.5	–	(1.3)	(0.8)	–	(0.8)
Share-based payments	–	–	–	–	–	–	6.4	6.4	–	6.4
Balance at 31 March 2016	**60.2**	**676.4**	**(68.6)**	**4.6**	**(1.4)**	**352.2**	**585.4**	**1,608.8**	**24.4**	**1,633.2**
Balance at 1 April 2016	60.2	676.4	(68.6)	4.6	(1.4)	352.2	585.4	1,608.8	24.4	1,633.2
Total comprehensive income for the year	–	–	50.7	–	–	356.2	29.9	436.8	3.8	440.6
Shares issued	0.2	2.5	–	–	–	–	–	2.7	–	2.7
Dividends paid / other	–	–	–	–	–	–	–	–	(7.4)	(7.4)
Movement in EBT and treasury shares	–	–	–	–	0.2	–	(1.6)	(1.4)	–	(1.4)
Share-based payments	–	–	–	–	–	–	8.2	8.2	–	8.2
Balance at 31 March 2017	**60.4**	**678.9**	**(17.9)**	**4.6**	**(1.2)**	**708.4**	**621.9**	**2,055.1**	**20.8**	**2,075.9**

The accompanying notes form an integral part of this consolidated statement of changes in equity.

Consolidated cash flow statement

Year ended 31 March

	Note	2017 £m	2016 £m
Net cash from operating activities	21	**520.4**	409.5
Investing activities			
Interest received		**1.2**	1.4
Proceeds from disposal of property, plant and equipment		**43.0**	19.5
Purchases of property, plant and equipment		**(374.1)**	(405.2)
Purchase of intangible assets		**(30.2)**	–
Net cash used in investing activities		**(360.1)**	(384.3)
Financing activities			
Dividends paid to non-controlling shareholders		**(11.9)**	(10.0)
Shares purchased by Employee Benefit Trust		**(1.5)**	–
Shares issued		**2.1**	–
Repayment of senior unsecured loans		**(41.0)**	–
Repayment of loan notes		**(0.1)**	–
Repayments under HP contracts and finance leases		**(75.0)**	(80.3)
Fees for bank facility amendments		**(1.8)**	–
Net cash flow used in financing activities		**(129.2)**	(90.3)
Net increase/(decrease) in cash and cash equivalents before foreign exchange movements		**31.1**	(65.1)
Cash and cash equivalents at beginning of year		**360.1**	420.5
Foreign exchange movements		**9.7**	4.7
Cash and cash equivalents at end of year per consolidated balance sheet		**400.9**	360.1

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

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

	2017 £m	2016 £m
Net increase/(decrease) in cash and cash equivalents in year	**31.1**	(65.1)
Decrease in debt and finance leases	**116.1**	80.3
Net cash flow	**147.2**	15.2
Foreign exchange movements	**(26.5)**	(15.3)
Other non-cash movements	**(0.4)**	(2.8)
Movement in net debt in year	**120.3**	(2.9)
Net debt at beginning of year	**(1,410.2)**	(1,407.3)
Net debt at end of year	**(1,289.9)**	(1,410.2)

Net cash flow is stated prior to cash flows in relation to debt and finance leases.
Net debt excludes all accrued interest.
The accompanying notes form an integral part of this consolidated cash flow statement.

Notes to the consolidated financial statements

1 General information

The financial information set out above does not constitute the Company's Statutory Accounts for the year ended 31 March 2017 or 2016, but is derived from those accounts. Statutory Accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditors have reported on both sets of account; their reports were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not in itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2017.

Copies of the Statutory Accounts for the year ended 31 March 2017 will be available to all shareholders in June and will also be available thereafter at the Registered Office of the Company at 395 King Street, Aberdeen, AB24 5RP.

2 Revenue

	2017 £m	2016 £m
Services rendered	**5,653.3**	5,197.7
Rail franchise subsidy receipts	**–**	20.4
Revenue	**5,653.3**	5,218.1
Finance income	**1.2**	1.4
Total revenue as defined by IAS 18	**5,654.5**	5,219.5

3 Business segments and geographical information

For management purposes, the Group is organised into five operating divisions – First Student, First Transit, Greyhound, First Bus and First Rail. These divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in.

The segment results for the year to 31 March 2017 are as follows:

	First Student £m	**First Transit £m**	**Greyhound £m**	**First Bus £m**	**First Rail £m**	**Group items[1] £m**	**Total £m**
Revenue	**1,780.3**	**1,042.0**	**684.7**	**861.7**	**1,268.8**	**15.8**	**5,653.3**
EBITDA[2]	**348.7**	**91.9**	**79.4**	**104.5**	**98.8**	**(36.7)**	**686.6**
Depreciation	**(177.6)**	**(18.6)**	**(36.8)**	**(67.5)**	**(50.3)**	**(2.1)**	**(352.9)**
Capital grant amortisation	**–**	**–**	**–**	**–**	**5.3**	**–**	**5.3**
Segment results[2]	**171.1**	**73.3**	**42.6**	**37.0**	**53.8**	**(38.8)**	**339.0**
Other intangible asset amortisation charges	**(49.6)**	**(1.8)**	**(8.5)**	**–**	**(0.3)**	**–**	**(60.2)**
Other adjustments (note 4)	**(2.5)**	**(0.2)**	**19.6**	**(10.9)**	**–**	**(1.2)**	**4.8**
Operating profit[3]	**119.0**	**71.3**	**53.7**	**26.1**	**53.5**	**(40.0)**	**283.6**
Investment income							**1.2**
Finance costs							**(132.2)**
Profit before tax							**152.6**
Tax							**(36.5)**
Profit after tax							**116.1**

1 Group items comprise Tram operations, central management and other items.
2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation.
3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

3 Business segments and geographical information continued

The segment results for the year to 31 March 2016 are as follows:

	First Student £m	First Transit £m	Greyhound £m	First Bus £m	First Rail £m	Group items[1] £m	Total £m
Revenue	1,553.5	864.8	605.1	870.9	1,308.4	15.4	5,218.1
EBITDA[2]	266.4	74.7	69.7	113.4	122.4	(30.7)	615.9
Depreciation	(153.8)	(14.6)	(34.2)	(61.4)	(60.0)	(1.7)	(325.7)
Capital grant amortisation	–	–	–	–	10.5	–	10.5
Segment results[2]	112.6	60.1	35.5	52.0	72.9	(32.4)	300.7
Other intangible asset amortisation charges	(42.1)	(3.4)	(3.1)	–	(3.3)	–	(51.9)
Other adjustments (note 4)	(2.8)	(7.2)	(1.5)	(1.8)	–	10.8	(2.5)
Operating profit[3]	67.7	49.5	30.9	50.2	69.6	(21.6)	246.3
Investment income							1.4
Finance costs							(134.2)
Profit before tax							113.5
Tax							(17.1)
Profit after tax							96.4

1 Group items comprise Tram operations, central management and other items.
2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation.
3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

4 Reconciliation to non-gaap measures and performance

In measuring the Group adjusted operating performance, additional financial measures derived from the reported results have been used in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items are significant, including restructuring and reorganisation costs relating to the business turnarounds, property disposals, aged legal and self-insurance claims, revisions to onerous contracts and pension settlement gains or losses. In addition, management assess divisional performance before other intangible asset amortisation charges as these are typically a result of Group decisions and therefore the divisions have little or no control over these charges. Management consider that this overall basis more appropriately reflects operating performance and provide a better understanding of the key performance indicators of the business.

Reconciliation of operating profit to adjusted operating profit	**2017 £m**	2016 £m
Operating profit	**283.6**	246.3
Adjustments for:		
Other intangible asset amortisation charges	**60.2**	51.9
Gain on disposal of property	**(21.6)**	–
Restructuring and reorganisation costs	**16.8**	–
Legal claims	**–**	1.0
First Bus depot sales and closures	**–**	1.8
Pensions past service gain	**–**	(10.8)
North America insurance reserves	**–**	10.5
Total operating profit adjustments	**55.4**	54.4
Adjusted operating profit (note 3)	**339.0**	300.7

Reconciliation of profit before tax to adjusted profit before tax	**2017 £m**	2016 £m
Profit before tax	**152.6**	113.5
Operating profit adjustments (see table above)	**55.4**	54.4
Ineffectiveness on financial derivatives	**(1.0)**	0.4
Adjusted profit before tax	**207.0**	168.3
Adjusted tax charge	**(53.8)**	(38.7)
Non-controlling interests	**(3.8)**	(6.1)
Adjusted earnings	**149.4**	123.5

4 Reconciliation to non-gaap measures and performance continued

The adjusting items are as follows:

Other intangible asset amortisation charges
The amortisation charge for the year was £60.2m (2016: £51.9m). The increase primarily reflects a higher charge in the North America divisions due to the impact of foreign exchange and an incremental £6.6m software intangible amortisation this year, partly offset by a lower charge in First Rail as the GWR franchise intangible was fully expensed at the end of its first Direct Award period.

Gain on disposal of property
During the year the sale of a Greyhound terminal in San Jose, California was completed which resulted in a gain on sale of £21.6m (2016: £nil).

Restructuring and reorganisation costs
There was a charge of £16.8m (2016: £nil) in the year for restructuring and reorganisation costs across the Group relating to the business turnarounds.

Ineffectiveness on financial derivatives
There was a £1.0m non-cash credit (2016: £0.4m charge) during the year due to ineffectiveness on financial derivatives.

5 Investment income and finance costs

	2017 £m	2016 £m
Investment income		
Bank interest receivable	**(1.2)**	(1.4)
Finance costs		
Bonds	**83.7**	84.2
Bank borrowings	**11.4**	13.0
Senior unsecured loan notes	**4.3**	4.3
Loan notes	**1.0**	1.0
Finance charges payable in respect of HP contracts and finance leases	**6.4**	8.9
Notional interest on long term provisions	**17.5**	14.8
Notional interest on pensions	**8.9**	7.6
Finance costs before adjustments	**133.2**	133.8
Hedge ineffectiveness on financial derivatives	**(1.0)**	0.4
Total finance costs	**132.2**	134.2
Finance costs before adjustments	**133.2**	133.8
Investment income	**(1.2)**	(1.4)
Net finance cost before adjustments	**132.0**	132.4

6 Tax on profit on ordinary activities

	2017 £m	2016 £m
Current tax	**9.5**	7.0
Adjustments with respect to prior years	**(13.8)**	14.1
Total current tax (credit)/charge	**(4.3)**	21.1
Origination and reversal of temporary differences	**50.4**	22.4
Adjustments with respect to prior years	**(9.6)**	(26.4)
Total deferred tax charge/(credit)	**40.8**	(4.0)
Total tax charge	**36.5**	17.1

7 Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders (Basic profit) of £112.3m (2016: £90.3m) by the weighted average number of ordinary shares of 1,204.8m (2016: 1,204.0m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary share options.

	2017 number m	2016 number m
Weighted average number of shares used in basic calculation	**1,204.8**	1,204.0
Executive share options	**11.5**	8.0
Weighted average number of shares used in the diluted calculation	**1,216.3**	1,212.0

The adjusted EPS is intended to highlight the recurring operating results of the Group before amortisation charges, ineffectiveness on financial derivatives and certain other adjustments as set out in note 4. A reconciliation is set out below:

		2017		2016
	£m	**EPS (pence)**	£m	EPS (pence)
Basic profit/EPS	**112.3**	**9.3**	90.3	7.5
Amortisation charges (note 9)	**60.2**	**5.0**	51.9	4.4
Ineffectiveness on financial derivatives	**(1.0)**	**(0.1)**	0.4	–
Other adjustments (note 4)	**(4.8)**	**(0.4)**	2.5	0.2
Tax effect of above adjustments	**(17.3)**	**(1.4)**	(21.6)	(1.8)
Adjusted profit/EPS	**149.4**	**12.4**	123.5	10.3

	2017 pence	2016 pence
Diluted EPS	**9.2**	7.5
Adjusted diluted EPS	**12.3**	10.2

8 Goodwill

	2017 £m	2016 £m
Cost		
At 1 April	**1,740.3**	1,663.2
Foreign exchange movements	**219.8**	77.1
At 31 March	**1,960.1**	1,740.3
Accumulated impairment losses		
At 1 April and 31 March	**4.0**	4.0
Carrying amount		
At 31 March	**1,956.1**	1,736.3

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. Sensitivity analysis has been performed on the calculations and confirms that no reasonably possible changes in the assumptions would cause the carrying amount of the CGUs to exceed their recoverable amount in respect of the First Transit, Greyhound, First Bus and First Rail divisions.

The value in use of the First Student division exceeds its carrying amount by £709.2m (2016: £232.3m). The sensitivity analysis indicates that the First Student margin or growth rates would need to fall in excess of 218 or 184 basis points respectively compared to medium term double digit margin expectations for there to be an impairment to the carrying value of net assets in this business. An increase in the discount rate in excess of 161 basis points would lead to the value in use of the division being less than its carrying amount.

Following their review of goodwill, the Directors have concluded that there is no impairment to any of the CGUs.

9 Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Rail franchise agreements £m	Software £m	Total £m
Cost					
At 1 April 2015	414.8	63.3	36.1	–	514.2
Additions	–	–	–	11.6	11.6
Cessation of franchise	–	–	(30.6)	–	(30.6)
Foreign exchange movements	19.0	2.7	–	–	21.7
At 31 March 2016	433.8	66.0	5.5	11.6	516.9
Additions	–	–	–	30.2	30.2
Cessation of franchise	–	–	(5.5)	–	(5.5)
Foreign exchange movements	57.2	8.7	–	1.1	67.0
At 31 March 2017	**491.0**	**74.7**	**–**	**42.9**	**608.6**
Amortisation					
At 1 April 2015	260.3	24.0	32.9	–	317.2
Charge for year	45.6	3.1	3.2	–	51.9
Cessation of franchise	–	–	(30.6)	–	(30.6)
Foreign exchange movements	15.0	1.2	–	–	16.2
At 31 March 2016	320.9	28.3	5.5	–	354.7
Charge for year	50.1	3.5	–	6.6	60.2
Cessation of franchise	–	–	(5.5)	–	(5.5)
Foreign exchange movements	44.5	3.9	–	0.2	48.6
At 31 March 2017	**415.5**	**35.7**	**–**	**6.8**	**458.0**
Carrying amount					
At 31 March 2017	**75.5**	**39.0**	**–**	**36.1**	**150.6**
At 31 March 2016	112.9	37.7	–	11.6	162.2

10 Property, plant and equipment

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2015	497.1	2,978.2	842.4	4,317.7
Additions in the year	16.7	285.3	98.4	400.4
Disposals	(41.3)	(96.5)	(281.2)	(419.0)
Reclassified as held for sale	(1.8)	(100.4)	–	(102.2)
Foreign exchange movements	12.3	117.3	14.6	144.2
At 31 March 2016	483.0	3,183.9	674.2	4,341.1
Additions in the year	13.3	218.0	96.1	327.4
Disposals	(11.1)	(97.4)	(33.5)	(142.0)
Reclassified as held for sale	–	(148.0)	–	(148.0)
Foreign exchange movements	36.9	312.8	41.1	390.8
At 31 March 2017	522.1	3,469.3	777.9	4,769.3
Accumulated depreciation and impairment				
At 1 April 2015	104.2	1,510.7	675.7	2,290.6
Charge for year	9.3	225.8	90.6	325.7
Disposals	(33.7)	(87.2)	(274.9)	(395.8)
Reclassified as held for sale	(0.2)	(98.5)	–	(98.7)
Foreign exchange movements	2.6	64.0	10.5	77.1
At 31 March 2016	82.2	1,614.8	501.9	2,198.9
Charge for year	12.8	249.6	90.5	352.9
Disposals	(2.8)	(97.4)	(18.6)	(118.8)
Impairment	–	4.5	–	4.5
Reclassified as held for sale	–	(147.6)	–	(147.6)
Foreign exchange movements	7.9	165.7	29.3	202.9
At 31 March 2017	100.1	1,789.6	603.1	2,492.8
Carrying amount				
At 31 March 2017	422.0	1,679.7	174.8	2,276.5
At 31 March 2016	400.8	1,569.1	172.3	2,142.2

11 Inventories

	2017 £m	2016 £m
Spare parts and consumables	64.5	61.4

12 Trade and other receivables

Amounts due within one year	**2017 £m**	2016 £m
Trade receivables	**457.3**	381.2
Provision for doubtful receivables	**(4.2)**	(4.3)
Other receivables	**74.6**	72.7
Prepayments	**79.0**	88.2
Accrued income	**184.2**	156.6
	790.9	694.4

13 Trade and other payables

Amounts falling due within one year	2017 £m	2016 £m
Trade payables	**255.6**	242.6
Other payables	**217.6**	239.6
Accruals	**607.3**	554.3
Deferred income	**49.7**	39.4
Season ticket deferred income	**25.1**	26.0
	1,155.3	1,101.9

14 Borrowings

	2017 £m	2016 £m
On demand or within 1 year		
Finance leases (note 15)	**65.3**	73.9
Senior unsecured loan notes	**80.0**	35.4
Bond 8.125% (repayable 2018)[1]	**12.9**	12.9
Bond 6.125% (repayable 2019)[1]	**3.0**	3.0
Bond 8.75% (repayable 2021)[1]	**30.2**	30.2
Bond 5.25% (repayable 2022)[1]	**5.8**	5.8
Bond 6.875% (repayable 2024)[1]	**7.2**	7.2
Total current liabilities	**204.4**	168.4
Within 1 – 2 years		
Finance leases (note 15)	**53.5**	58.3
Loan notes (note 16)	**9.5**	9.7
Senior unsecured loan notes	**–**	70.5
Bond 8.125% (repayable 2018)	**298.8**	–
Bond 6.125% (repayable 2019)	**270.0**	–
	631.8	138.5
Within 2 – 5 years		
Finance leases (note 15)	**64.8**	106.1
Bond 8.125% (repayable 2018)	**–**	298.3
Bond 6.125% (repayable 2019)	**–**	279.0
Bond 8.75% (repayable 2021)	**369.0**	–
	433.8	683.4
Over 5 years		
Finance leases (note 15)	**0.1**	–
Bond 8.75% (repayable 2021)	**–**	370.1
Bond 5.25% (repayable 2022)	**321.1**	320.5
Bond 6.875% (repayable 2024)	**199.6**	199.6
	520.8	890.2
Total non-current liabilities at amortised cost	**1,586.4**	1,712.1

1 Relates to accrued interest.

15 HP contracts and finance leases

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

	2017		2016	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Due in less than one year	**66.9**	**65.3**	75.9	73.9
Due in more than one year but not more than two years	**56.4**	**53.5**	61.5	58.3
Due in more than two years but not more than five years	**70.2**	**64.8**	116.8	106.1
Due in more than five years	**0.1**	**0.1**	–	–
	193.6	**183.7**	254.2	238.3
Less future financing charges	**(9.9)**	**–**	(15.9)	–
	183.7	**183.7**	238.3	238.3

16 Loan notes

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

	2017 £m	2016 £m
Due in more than one year but not more than two years	9.5	9.7

17 Derivative financial instruments

	2017 £m	2016 £m
Total derivatives		
Total non-current assets	**48.6**	41.5
Total current assets	**1.7**	16.7
Total assets	**50.3**	58.2
Total current liabilities	**29.5**	68.1
Total non-current liabilities	**8.6**	35.5
Total liabilities	**38.1**	103.6
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Coupon swaps (fair value hedge)	**48.6**	41.3
Fuel derivatives (cash flow hedge)	**–**	0.2
	48.6	41.5
Current assets		
Coupon swaps (fair value hedge)	**–**	16.4
Fuel derivatives (cash flow hedge)	**0.6**	0.3
Currency forwards (cash flow hedge)	**0.7**	–
	1.3	16.7
Current liabilities		
Fuel derivatives (cash flow hedge)	**29.4**	66.9
Currency forwards (cash flow hedge)	**0.1**	–
	29.5	66.9
Non-current liabilities		
Fuel derivatives (cash flow hedge)	**8.6**	35.5
	8.6	35.5
Derivatives classified as held for trading		
Current assets		
Currency forwards	**0.4**	–
Current liabilities		
Interest rate swaps	**–**	1.2

18 Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 April 2015	162.7	(67.4)	80.6	(195.7)	(19.8)
(Credit)/charge to income statement	4.7	8.1	(10.7)	(6.1)	(4.0)
Credit to other comprehensive income	–	(16.1)	(0.6)	–	(16.7)
Foreign exchange and other movements	6.8	(2.9)	1.4	(10.5)	(5.2)
At 31 March 2016	174.2	(78.3)	70.7	(212.3)	(45.7)
Charge/(credit) to income statement	22.6	8.5	(19.2)	28.9	40.8
Charge/(credit) to other comprehensive income	–	(7.3)	19.0	–	11.7
Foreign exchange and other movements	21.2	(8.8)	11.7	(32.4)	(8.3)
At 31 March 2017	**218.0**	**(85.9)**	**82.2**	**(215.8)**	**(1.5)**

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

	2017 £m	2016 £m
Deferred tax assets	**(25.8)**	(62.7)
Deferred tax liabilities	**24.3**	17.0
	(1.5)	(45.7)

No deferred tax has been recognised on deductible temporary differences of £62.1m (2016: £51.3m) and tax losses of £141.1m (2016: £113.3m). The earliest period in which some of the assets will expire is year ended 31 March 2027.

No deferred tax asset has been recognised in respect of £2.4m (2016: £2.3m) of capital losses.

19 Provisions

	2017 £m	2016 £m
Insurance claims	**236.1**	219.9
Legal and other	**45.7**	39.6
Pensions	**2.4**	2.8
Non-current liabilities	**284.2**	262.3

	Insurance claims £m	Legal and other £m	Pensions £m	Total £m
At 1 April 2016	363.8	44.0	2.8	410.6
Charged to the income statement	162.5	13.4	–	175.9
Transfer from accruals	–	7.5	–	7.5
Utilised in the year	(194.3)	(7.9)	(0.4)	(202.6)
Notional interest	17.5	–	–	17.5
Foreign exchange movements	41.5	3.4	–	44.9
At 31 March 2017	**391.0**	**60.4**	**2.4**	**453.8**
Current liabilities	**154.9**	**14.7**	**–**	**169.6**
Non-current liabilities	**236.1**	**45.7**	**2.4**	**284.2**
At 31 March 2017	**391.0**	**60.4**	**2.4**	**453.8**
Current liabilities	143.9	4.4	–	148.3
Non-current liabilities	219.9	39.6	2.8	262.3
At 31 March 2016	363.8	44.0	2.8	410.6

20 Called up share capital

	2017 £m	2016 £m
Allotted, called up and fully paid		
1,207.7m (2016: 1,204.9m) ordinary shares of 5p each	**60.4**	60.2

The Company has one class of ordinary shares which carries no right to fixed income.

During the year 2.8m shares were issued principally to satisfy SAYE exercises.

21 Net cash from operating activities

	2017 £m	2016 £m
Operating profit	**283.6**	246.3
Adjustments for:		
Depreciation charges	**352.9**	325.7
Capital grant amortisation	**(5.3)**	(10.5)
Amortisation charges	**60.2**	51.9
Impairment charges	**4.5**	–
Share-based payments	**8.2**	6.4
Profit on disposal of property, plant and equipment	**(18.9)**	–
Operating cash flows before working capital and pensions	**685.2**	619.8
Decrease in inventories	**1.3**	10.0
(Increase)/decrease in receivables	**(36.7)**	29.3
Increase/(decrease) in payables	**56.3**	(73.6)
Decrease in provisions	**(30.6)**	(18.6)
Defined benefit pension payments in excess of income statement charge	**(37.6)**	(33.6)
Cash generated by operations	**637.9**	533.3
Tax paid	**(10.2)**	(7.0)
Interest paid	**(100.9)**	(107.9)
Interest element of HP contracts and finance leases	**(6.4)**	(8.9)
Net cash from operating activities	**520.4**	409.5

Responsibility Statement of the Directors on the Annual Report
The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 March 2017. Certain parts thereof are not included within the announcement.
We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Management Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for the shareholders to assess the Company's and the Group's position and performance, business model and strategy.

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

Tim O'Toole
Chief Executive
1 June 2017

Matthew Gregory
Chief Financial Officer
1 June 2017