

# Corporate governance

The Company applies all of the main and supporting principles of good governance set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006 (the 'Code'). The way in which it applies those principles is set out below. Except as described in paragraph 1.1 (b) below, the Company complies with all of the provisions of section 1 of the Code.

## 1 The Board and its principal committees

Details of the Board, its members and its principal committees are set out below.

### 1.1 The Board

#### (a) Board structure and responsibilities

The Board currently consists of the Chairman, four Executive Directors and six Non-Executive Directors. The Board meets at least eight times each year and is responsible for setting and reviewing the Company's strategy and objectives, reviewing the financial and operational performance of each of the Group's business units, agreeing and reviewing progress against the Group's annual budgets and setting and reviewing on a regular basis its longer-term business plans. It also has a schedule of matters specifically reserved to it including approval of the annual and interim financial statements, financing arrangements, material capital commitments, business acquisitions and disposals, relationships with regulatory authorities and operating and accounting policies.

During the year, the Board met eight times and all members of the Board attended all meetings except for David Begg and John Sievwright each of whom was absent from one of those meetings.

The Board also held a number of separate strategy meetings.

In August 2007 Dean Finch was appointed as Chief Operating Officer, North America, overseeing the integration of the businesses of Laidlaw International, Inc. in the enlarged North American operations of the Group and the management of those operations following the closing of the acquisition on 1 October 2007.

Simultaneously with that appointment the Board appointed Nick Chevis as Acting Finance Director, in which capacity he has attended all meetings of the Board since then, although not as a member of the Board.

#### (b) Board balance and independence

The independence of the Non-Executive Directors has been reviewed against the definition of independence in the Code. David Begg, David Dunn, Jim Forbes, John Sievwright and Audrey Baxter are considered to be independent within this definition. As Martyn Williams is an employee of one of the Group's subsidiaries, he cannot be considered to be independent. However, the Board feels very strongly that it is extremely beneficial for its employees to be represented on the Board in this way so that important employee-related issues can be raised at the highest level and a two-way communication process between the management of the Company and its employees is maintained.

Therefore, the Company complies with the Code provision that at least one half of the Board, excluding the Chairman, is made up of Non-Executive Directors who are considered by the Board to be independent. The Directors are satisfied that the current Board possesses the breadth of business, financial and international experience necessary to manage effectively an organisation of the size and complexity of the Group.

#### (c) Roles of the Chairman and Chief Executive

##### *The Chairman*

The Chairman of the Board is Martin Gilbert. He has a written statement of responsibilities which has been approved by the Board:

The Chairman is responsible for:

- leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda, taking into account the issues relevant to the Group and the concerns of all Board members;
- ensuring, with the Chief Executive and Company Secretary, the provision of accurate, timely and clear information to the Board;
- ensuring effective communication with shareholders and that the Board develops an understanding of the views of major investors;
- managing the Board, ensuring that sufficient time is allowed for the discussion of complex or contentious issues;
- ensuring a regular evaluation of the performance of the Board as a whole, its Committees and individual Directors;
- taking the lead in identifying and meeting the development needs of individual Directors and the Board as a whole, with a view to enhancing the overall effectiveness of the team;
- facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors;
- ensuring, with the Chief Executive and Company Secretary, that new Directors receive a comprehensive induction programme to ensure their early contribution to the Board; and
- encouraging active engagement by all members of the Board.

The Board is of the opinion, reinforced by the performance evaluation review, that Martin Gilbert's significant and in-depth knowledge and experience of the Group's business, combined with his external business experience enables him to provide effective leadership of the Board and to continue to make a positive contribution to the Group's ongoing business.

The Chairman's other significant business commitments, which remain unchanged from last year, are described in his biography on page 28. The Board performance evaluation process confirmed that the other Board members are satisfied that Martin Gilbert has the necessary time available to devote to the proper performance of his duties as Chairman.

#### *The Chief Executive*

The Chief Executive is Moir Lockhead. The Chief Executive also has a written statement of responsibilities which has been approved by the Board:

The Chief Executive is responsible for:

- running the day-to-day business of the Group, within the authorities delegated to him by the Board;
- ensuring implementation across the Group of the policies and strategy set by the Board for the Group;
- day-to-day management of the executive and senior management team;
- leading the development of senior management within the Group with the aim of assisting the training and development of suitable individuals for future Director roles;
- ensuring that the Chairman is kept appraised in a timely manner of the issues facing the Group and of any important events and developments; and
- leading the development of the Group's future strategy including identifying and assessing opportunities for the growth of its business and reviewing the performance of its existing businesses.

#### **(d) Senior Independent Non-Executive Director**

David Dunn, who chairs the Audit Committee, is the Senior Independent Non-Executive Director. He is available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive, Finance Director or Acting Finance Director has failed to resolve or for which such contact is inappropriate.

#### **(e) Information and professional development of Board members**

The Board receives detailed papers on the business to be conducted at each meeting well in advance and individual Board members have direct access to senior executives should they wish to receive additional information on any of the items for discussion. The head of each operating division attends Board meetings on a regular basis to ensure that the Board is properly informed about the performance of and current issues facing that division. Management give presentations on current issues facing the business. A number of Board meetings each year are held on site at operating locations in the UK and US allowing the Directors to visit the Group's operations and to discuss key issues with local operational management and stakeholders.

All Directors have access to the advice and services of the Company Secretary and, if necessary, can seek independent professional advice at the Company's expense in the furtherance of their duties. The Company Secretary is responsible for advising the Board on corporate governance matters and for ensuring compliance with Board procedures.

Directors receive induction on appointment to the Board, which is tailored to their individual needs. This includes meetings with senior management and relevant external advisers. In addition, information is provided on their responsibilities and obligations under law, regulation and best practice guidelines. The induction process is supported during the year by the programme of business presentations and operational visits described above.

The Board also receives updates, as required, on changes to the law and the regulatory regimes affecting the Group.

#### **(f) Performance evaluation**

During the course of the year, the Board undertook an evaluation of its performance. The Chairman led the process, assisted by the Company Secretary. The objectives of this exercise were to ensure that the Board, its Committees and each individual Director continued to act effectively and to fulfil the duties and responsibilities expected of them, and also to identify any additional training requirements. A tailored questionnaire was developed, which each Director completed. The responses were analysed and discussed at a meeting of the Board. The Senior Independent Non-Executive Director led a process of evaluation of the performance of the Chairman. No significant issues were raised in the course of the evaluation process.

#### **(g) Re-election of Directors**

As required by the Company's Articles of Association, Directors offer themselves for re-election at least once every three years. Any Director appointed during the year is required to seek re-appointment by shareholders at the next Annual General Meeting. The biographical details of all the Directors, including those seeking re-election at the 2008 Annual General Meeting, are set out on pages 28 and 29.

#### **(h) Appointment of Non-Executive Directors**

Non-Executive Directors are appointed by the Board for an initial term of three years, subject to re-appointment by shareholders. They have letters of appointment, which are available on request for inspection.

#### **(i) Directors' and Officers' liability insurance**

The Company maintained Directors' and Officers' liability insurance cover throughout the year as permitted by the Companies Act 2006. The cover was renewed on 1 April 2008.

## 2 Committees of the Board

In addition to the Audit, Remuneration and Nomination Committees, the terms of reference for which are published on the Company's website and details of which are set out below, the Board has also delegated certain matters to Committees. The principal such Committees are:

### 2.1 Executive Safety Committee ('ESC')

The ESC is chaired by the Chief Executive and meets on a monthly basis. It comprises the Executive Directors, other senior managers and safety officers. The ESC reviews the Group's safety performance and practices, develops safety policies and procedures and follows up on outstanding issues. During the year, a number of meetings were attended by independent safety experts and senior representatives of relevant industry bodies, including the Health & Safety Executive.

### 2.2 Executive Management Board ('EMB')

The EMB, which comprises the Executive Directors and certain senior business managers, is chaired by the Chief Executive. It acts as a general operating management committee and meets on a monthly basis to review outstanding issues and to consider the Group's operational and financial performance.

### 2.3 Executive Committee

The Executive Committee comprises the Executive Directors and meets on an ad hoc basis to consider matters which arise in the ordinary course of the Group's operations. It is chaired by the Chief Executive and has specific delegated powers within prescribed limits to deal with matters arising in the ordinary course of business which need to be considered before the next scheduled Board meeting.

### 2.4 Nomination Committee and appointments to the Board

The Nomination Committee is chaired by Martin Gilbert, the Chairman, and includes David Begg, David Dunn, Jim Forbes, John Sievwright and Audrey Baxter. Moir Lockhead attends meetings of the Committee at the invitation of the Chairman of the Committee and Martyn Williams also attends such meetings at the invitation of the Chairman of the Committee to represent the Group's employees. The Committee meets as required to discuss appointments to the Board of both Executive and Non-Executive

Directors. Its recommendations are then put to the full Board for consideration. External search consultants are used to assist the process, where appropriate.

During the year the Committee met three times and all members of the Committee attended all of its meetings.

The Employee Director is elected by the Employee Directors' forum, which comprises the Employee Directors and representatives of each of the Company's UK subsidiaries, and serves a maximum of two three-year terms.

The Company's policy is to permit Executive Directors to accept a limited number of outside non-executive directorships, recognising that this is an effective way to broaden their knowledge and expertise. However, no such appointment can be taken up without prior Board approval. The Company's policy on fees relating to such outside directorships is set out on page 39 of the Directors' Remuneration Report.

### 2.5 Remuneration Committee

The Remuneration Committee, under the chairmanship of Jim Forbes, met four times during the year and all members of the Committee attended all of its meetings except for John Sievwright who was absent from one of these meetings. Details of the membership of the Committee are set out in the Directors' Remuneration Report on pages 37 to 41, together with a statement of the Group's remuneration strategy and policy. Full details of Directors' remuneration appear on page 40.

### 2.6 Audit Committee

The Audit Committee is chaired by David Dunn and includes David Begg, Jim Forbes, John Sievwright and Audrey Baxter. It met three times during the year and all members attended each of those meetings except for Audrey Baxter and David Begg who were absent from one of these meetings and John Sievwright who was absent from two of these meetings. The Group Director of Internal Audit and the Company's external auditors attended each of those meetings. Executive Directors and other senior managers attended where requested and as appropriate.

The Board considers that each member of the Committee has sufficient and recent financial experience to enable the Committee to discharge its functions effectively.

Under its remit, the Committee keeps under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risk. It also keeps under review the nature, scope and results of the audits conducted by the internal audit department and the external auditors, the consistency of accounting policies and reporting across the Group and it reviews the half-year and full-year financial statements before they are presented to the Board.

The Committee considers the Group's compliance with the Code and its related guidance and oversees the objectivity and effectiveness of internal audit. The work of the internal audit department is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved by the Committee and the Board. Reports are sent to senior executives of the Group and subsidiary units and there is a follow-up process to ensure that actions to resolve identified control weaknesses are implemented. The Group Director of Internal Audit has the right of direct access to the Chairman of the Audit Committee.

The Committee is responsible for making recommendations to the Board in respect of the appointment or re-appointment of the Group's external auditors and recommends to the Board the audit fee to be paid to the external auditors. The Board's decision on these matters is subject to the approval of shareholders. The Committee is also charged with monitoring the independence of the external auditors and the objectivity and effectiveness of the external audit process. The objectivity and independence of the external auditors is considered on a regular basis, with particular regard to the level of non-audit fees. The majority of non-audit work is put out to tender, with the exception of due diligence work on acquisitions or potential acquisitions in both the UK and overseas, where the current auditors' knowledge of the Company's business processes and controls means that they are best placed to undertake this work cost-effectively on the Company's behalf. The majority of the non-audit work undertaken

by the auditors during the year was associated with acquisition-related due diligence. Details of the audit and non-audit fees, including a breakdown of the non-audit fee, are set out in note 6 to the financial statements. The external auditors have direct access to the Committee to raise any matters that may concern them.

The Committee reviews with management a detailed analysis of the Group's financial information prior to completion and announcement of the half-year and full-year results and receives a report from the external auditors on the audit process. If necessary, the external auditors also meet separately with the Committee and/or the Chairman, Chief Executive, Finance Director or Acting Finance Director. The Annual Report and Financial Statements and interim results go through a detailed verification and due diligence process involving external advisers.

The Committee may request the Executive Directors and any other officers of the Group to attend its meetings but none has the right of attendance. Committee meetings may be requested by the external or internal auditors if they consider it necessary.

The business considered and discussed by the Committee during the year included the reports of the external auditors on the half-year and full-year results, the 2008/09 Group Internal Audit Plan and budget, papers concerning any regular and special audits and an executive summary of each internal audit report, risk analysis assessments and a review of the implications of changes in accounting standards and the application and implementation of International Financial Reporting Standards.

### 3 Financial reporting

The Directors have a commitment to best practice in the Group's external financial reporting in order to present a balanced and comprehensible assessment of the Group's financial position and prospects to its shareholders, employees, customers, suppliers and other third parties. This commitment encompasses all published information including but not limited to the year-end and interim financial statements, regulatory news announcements and other public information. A statement of the Directors' responsibility for preparing the financial statements may be found on page 45.

### 4 Internal controls

The Board has established procedures to meet the requirements of the Code and its related guidance on internal controls. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing any significant risks faced by the Group.

#### 4.1 Responsibility

The Board has overall responsibility for the system of internal control and assessing risk. The responsibility for establishing detailed control and risk management procedures within each subsidiary lies with the Executive Directors and subsidiary unit managing directors. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has continued to strengthen the on-going process for identifying, evaluating and managing the significant risks faced by the Group. As part of this process a Risk Group has been established, comprising senior management representatives from all of the Group's main businesses as well as from the finance, insurance and Group internal audit functions. The Risk Group meets four times annually and reports to the Board with the express purpose of reviewing the risk and control procedures in each of the business areas and support functions. As an integral part of planning and review, management from each of the business areas and support functions identify the risks facing their operations, as well as the controls in place to mitigate those risks. The probability of risks occurring as well as the likely impact on the Group's business, should the risks occur, are also assessed and documented. These risks are assessed on a regular basis, taking into account changes in both external and internal circumstances, which may include alterations to regulatory requirements, disruption to information systems, industrial relations issues, control breakdowns and social, ethical and environmental issues. From the reports submitted to it by the Risk Group the Board is able to keep under regular review the major risks and mitigating controls facing the Group.

#### 4.2 Control environment

The Board is committed to business integrity, high ethical and moral values and professionalism in all its activities, principles with which all managers and employees are required to comply. The Group has a Code of Business Ethics, which is part of the Group's Corporate Social Responsibility Policy and applies to all of its subsidiary undertakings, a copy of which is available on the Company's website.

The Group has a defined divisional organisational structure with lines of authority and delegated responsibility which allows the Board to plan, execute, control and monitor the business in a manner consistent with the Group's objectives. The day-to-day business management is delegated to the Executive Directors and subsidiary unit managing directors under the overall direction of the Chief Executive. As noted above, the Board reserves to itself a number of specific items, which ensures that it retains control over key business decisions and significant transactions in terms of size, type or risk. A number of the Group's key functions, including treasury, taxation, insurance, corporate finance, legal, corporate communications and procurement are dealt with centrally. Each of these functions is monitored by an Executive Director.

#### 4.3 Monitoring

The Group adopts a financial reporting and information system which complies with generally accepted accounting practice. The Group Finance Manual, circulated by the Group Finance function to all subsidiaries, details the Group accounting policies and procedures with which subsidiaries must comply. These are also available on the Group's intranet. Budgets are prepared by subsidiary company management and are subject to review by both Group management and the Executive Directors. Monthly forecasts are completed during the year and compared against actions required. Each subsidiary unit prepares a monthly report of operating performance, with a commentary on variances against budget, forecasts and prior year. Similar reports are prepared at a Group level. Key performance indicators, both financial and operational, are monitored on a weekly basis. In addition, business units participate in strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives.

A process of annual self-assessment and hierarchical reporting provides for a documented and auditable trail of accountability from the subsidiary units to senior management to the Executive Directors.

A Control Assurance Questionnaire is completed by each operating entity on an annual basis confirming that management have reviewed the effectiveness of the systems of internal controls during the year. Both from this process and as a result of planned reviews of operating units by Internal Audit staff, invariably a number of minor control weaknesses are identified. These weaknesses are discussed with management and actions are agreed to address any weaknesses identified. Follow-up visits to the operating entity then ensure that the additional controls have been put in place and are working effectively. No such weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

#### 4.4 Risks and uncertainties

There are a number of potential risks and uncertainties that could have an impact on the Group's long-term performance.

##### Competitive pressures

All our businesses compete in the areas of pricing and service and face competition from a number of sources.

In UK Bus, our main competitor remains the car. The cost of driving a car is generally perceived as being lower than travelling by bus, especially if there is more than one person in the car. To make bus travel a viable alternative to the car we continue to work with local authorities to introduce bus priority measures and effect infrastructure changes promoting bus patronage.

The main competitor to our UK Rail businesses is again the car, and to a lesser extent, long-distance coach operators and budget airlines. To help mitigate the risks posed by these pressures the Group is working with a number of local and national bodies to ensure that the services provided meet, or exceed, the requirements of our stakeholders.

In North America our businesses cover a wide geographic spread competing with several large companies as well as a substantial number of smaller, locally owned or government owned operators. Our competitors in the yellow school bus business can also include school districts since most school districts also operate their own school buses. Similarly, while the majority of transit and service business streams are operated by private entities, including several large companies, our Transit and Services businesses also compete with many municipalities. Our recently acquired Greyhound coach operations face competition from a number of other coach operators in North America as well as from budget airlines. In North America all of our businesses continue to compete on service, quality and price.

##### Rail franchise agreements

The Group is required to comply with certain conditions as part of its rail franchise agreements. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of one or more of the rail franchise agreements. This would result in the Group losing the right to continue operating the affected operations and consequently, the related revenues or cash flows. The Group may also lose some or all of the amounts set aside as security for performance bonds and the season ticket bonds.

Compliance with franchise conditions are closely managed and monitored on a monthly basis by senior management and procedures are in place to minimise the risk of non-compliance.

##### Legislation and regulation

Our businesses are subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations. These laws and regulations are constantly subject to change. The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations.

To help mitigate the risk of legislative or regulatory changes the Group regularly lobbies both government and transport bodies.

##### Labour costs

Labour costs represent the largest component of the Group's operating costs. Labour shortages, or low unemployment rates, could hinder the Group's ability to recruit and retain qualified employees leading to a higher than expected increase in the cost of recruitment, training and other staff costs.

To mitigate this risk, the Group seeks to structure our recruitment and retain the right people.

##### Fuel costs

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise because of national strikes, world supply difficulties, disruption of refining capacity or oil imports the resultant higher fuel prices and disruption to services could adversely impact the Group's operating results.

To mitigate the risks of rising fuel costs the Group regularly enters into forward contracts to buy fuel at fixed prices. In addition the Group seeks to limit the impact of unexpected fuel price rises through efficiency and pricing measures.

##### Insurance costs

Insurance reserves are made from estimates of losses that we will ultimately incur on accidents or incidents that have been reported but not paid and accidents or incidents that have taken place but have not yet been reported.

These reserves are based on actuarial valuations that are prepared regularly by independent actuaries. The actuarial valuations are prepared after a number of factors are considered, including, historical claim payment patterns and changes in case reserves, the assumed rate of increase in medical treatment cost, property damage repairs and ultimate compensation. Historical experience and recent trends are the most significant factors considered in the

determination of these reserves. Given the magnitude of the claims involved and the length of time until the ultimate cost is known, the use of any estimation technique is inherently uncertain.

The Group seeks to mitigate the risk of rising insurance costs by promoting a culture of safety in everything that we do, through the ESC that is headed up by the Chief Executive.

### **Terrorism**

Terrorist acts and the public's concerns about potential attacks could adversely affect demand for our services. More particularly if we were to be perceived as not taking all reasonable precautions to guard against potential terrorist acts this could adversely affect our reputation with the public. The Group has a Head of Security who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

### **Retention of key management**

Attracting and keeping key members of senior management is vital in ensuring that the Group continues to have the necessary expertise and continuity to execute its strategy. In order that management have diverse and challenging careers they are given autonomy, within parameters set by the Board, to run their businesses. The Group also offers market based compensation packages consisting of an appropriate mix of long and short term incentives.

### **Customer service and contract retention**

The Group's revenues are at risk if it does not continue to provide the level of service expected by customers. This could result in contracts not being renewed in the case of our North American business and passengers no longer using our services in the UK. To mitigate this risk all staff undertake intensive training programmes to ensure they are aware of and abide by the levels of service that are required by our customers in each business. The Board also monitors in detail a series of customer service KPIs at each meeting to ensure strict targets are being met.

### **Economy**

The level of economic activity affects the number of bus and train journeys taken by passengers in the UK. Any changes in economic activity may impact upon the passenger numbers and hence our UK operations. The potential impact of this is reduced on certain rail franchises due to the existence of revenue-share arrangements. In most UK Bus operating companies the Group has the ability to modify services by giving 45 days' notice of such modifications.

### **4.5 Whistleblowing**

The Group has established procedures whereby employees of the Group may, in confidence, raise concerns relating to personal issues, potential fraud, health and safety, harassment, discrimination, security or any other matter. The confidential hotline covers all businesses across the Group and each country in which it operates. The Group is confident that these 'whistleblowing' arrangements are satisfactory and will enable a proportionate and independent investigation of such matters and appropriate follow-up action to be taken.

### **4.6 Review of effectiveness of financial controls**

The Directors confirm that they have reviewed the effectiveness of the system of internal control for the year under review and to the date of approval of the Annual Report and Financial Statements through the monitoring process described above. In addition, the Directors confirm that they have conducted a specific annual review of the effectiveness of the Group's internal audit function.

### **4.7 Treasury operations**

The Board has set a policy for the management of those risks and this is set out in more detail in note 25 to the financial statements. A Group Treasury Policy has been formulated and adopted to ensure compliance with best practice and to control and monitor effectively the risks attendant upon treasury and banking operations.

### **4.8 Change of control**

#### **(a) Financing agreements**

The Group's financing agreements, including the US \$2,250m multi-currency term loan facility and US \$1,500m multi-currency revolving credit and guaranty facility between the Company and HSBC Bank plc, JP Morgan plc and The Royal Bank of Scotland plc dated 9 February 2007, contain provisions entitling the lenders to exercise termination or other rights in the event of a change of control of the Company. Following any change of control of the Company, the lenders are obliged to negotiate with the Company with a view to resolving any concerns arising from such change of control and, if the matter has not been resolved to the reasonable satisfaction of the majority of the lenders in that time, the total commitments under the facility are cancelled and all outstanding amounts become repayable.

The £300m 6.875% bonds due 2013 and the £250m 6.125% bonds due 2019 issued by the Company may also be affected by a change of control of the Company. Such a change of control may result in an increase in the interest rate payable on those bonds of 1.5% per annum. However, the interest rate on the bonds will only be so increased if certain further conditions in relation to the credit rating of the bonds are also satisfied.

#### **(b) UK Rail**

The Group's franchised passenger rail operators, First Capital Connect, First ScotRail, First Transpennine Express and First Great Western, are each subject to termination clauses in their franchise agreements which may apply on a change of control. These operators and the Group's non franchised rail operators, Hull Trains and First GBRf, each hold railway licences as required by the Railways Act 1993 which may be revoked on three months' notice if a change of control occurs without the approval of the Office of Rail Regulation. The Group's railway operators also lease rolling stock from specialist rolling stock leasing companies HSBC Rail (UK) Limited, Porterbrook Leasing Company Limited and Angel Trains Limited. A material number of the individual leasing agreements include change of control provisions.

### **(c) Joint venture agreements**

It is customary for joint venture arrangements to include provisions addressing change of control. The Company's joint venture arrangements with Keolis (UK) Limited in relation to First Transpennine Express and with DSB in relation to DSB/First Aps and DSB Sverige AB contain such provisions.

### **(d) London bus contracts**

The Group's UK Bus business operates London bus routes with London Bus Services Limited. These agreements include change of control provisions, which are significant when all the routes are considered together.

### **4.9 Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

### **5 Relations with shareholders**

The Group recognises the importance of regular communication with all of its shareholders. The full Annual Report and Financial Statements are made available to all shareholders and an Interim Report is published and sent to shareholders at the half-year. These reports are intended to provide shareholders and other interested parties with a clear and balanced understanding of the Group's operational performance, its financial results and prospects.

All investors are kept informed of key business activities, decisions, appointments etc. via regulatory news and press releases and the Group's website. There is also regular dialogue with institutional shareholders throughout the year and general presentations are made by the Chief Executive and Finance Director or Acting Finance Director following the announcement of the full and half-year results. Other Directors, including Non-Executive Directors, attend meetings with major shareholders if requested.

Regular reports on investor relations activity and feedback from investors are submitted to the Board and senior management. The Non-Executive Directors have also had informal contact with major shareholders regarding the Group during the year and they expect that informal dialogue to continue.

### **6 Annual General Meeting**

All shareholders have the opportunity to put questions to the Directors at the Company's Annual General Meeting, at which a report is made on the highlights of the key business developments during the year under review. The Chairmen of each of the Nomination, Remuneration and Audit Committees attend the Annual General Meeting to answer specific questions from shareholders. All Directors who then held office were present at the 2007 Annual General Meeting.

Notice of the Annual General Meeting is circulated to all shareholders at least 20 working days prior to the meeting. Separate resolutions are proposed at the Annual General Meeting on each substantially separate issue. Proxy votes are counted on all resolutions and, where votes are taken on a show of hands, the proxy results are subsequently announced to the meeting.