

Governance

Chairman's overview

We believe that high standards of conduct and good governance are essential. The following section of this report introduces the Board of Directors and its committees and explains our approach to corporate governance.



John Devaney
Chairman

Dear Shareholder

2010 was a year of significant positive change for our businesses. At the same time it was a year of significant change in the area of corporate governance, with the Financial Reporting Council's proposed changes to the Combined Code ("2008 Code") being brought into effect in May 2010 by the publication of the UK Corporate Governance Code (the "Code"). The Code applies to financial years beginning on or after 29 June 2010.

We, as a Board, welcome the new Code with its greater emphasis on the principles contained within it. We also welcome the UK Stewardship Code published in July 2010 which aims to enhance the quality of engagement between institutional investors and the companies in which they invest by setting out good practice on engagement.

I am pleased to report that, with the appointment of Dean Finch as our new Group Chief Executive in February 2010, the non executive members of the Board were able to revert to their more usual sole roles of Chairman, Senior Independent Director and Chairs of Board Committees such that the Company's compliance with the 2008 Code during 2010 significantly improved upon its compliance during 2009. With the exception of Jorge Cosmen's membership of our Nomination Committee, the Board seeks to be in full compliance with the terms of the 2008 Code and, from this year onwards, the new Code.

With the arrival of a new Group Chief Executive in February 2010, we delayed undertaking a full scale Board evaluation during 2010. We did however initiate an interim internal review in late 2010 which was led by our Group Human Resources Director. This review will be completed shortly and will be followed, in late 2011 or early 2012, by a further full evaluation which will be externally facilitated.

Whilst we have seen a number of changes amongst the Executive members of the Board in recent years, we have benefited from a good deal of stability within the Non-Executive Directors on the Board and I would like to thank my non executive colleagues for all of their help and assistance in what have, sometimes, been difficult times. During 2011 we will be revisiting the appropriate balance of skills, expertise, experience and knowledge required by the Company in order to ensure that the composition of the Board continues to meet those needs and to ensure that appropriate succession planning is in place for executive board positions.

In the report that follows we have decided to report against the 2008 Code. We will report against the new Code in future years.



John Devaney

Chairman

24 February 2011

An experienced team Board of Directors



John Devaney, Chairman (64)

Appointment to Board

2 April 2009

Committee Membership(s)

Safety and Environment Committee, Nomination Committee (Chairman)

Experience

John Devaney has managed businesses across Europe, the UK, Canada, USA and Japan. His previous roles include Chairman of Kelsey Hayes (part of Varsity Corporation), Eastern Group, Exel and Telent and Non-Executive Director of HSBC Bank Plc, Ocean Group and British Steel. He is currently Non-Executive Chairman of Cobham Plc and Chairman of National Air Traffic Services Ltd and Tersus Energy Plc.



Jez Maiden, Group Finance Director (49)

Appointment to Board

17 November 2008

Committee Membership(s)

None

Experience

Jez Maiden was formerly Chief Finance Officer at Northern Foods plc. Prior to that, he was Group Finance Director of British Vita plc, Director of Finance of Britannia Building Society and Group Finance Director of Hickson International plc. He is currently a Non-Executive Director of Yule Catto & Co plc and is a Fellow of the Chartered Institute of Management Accountants.



Tim Score, Senior Independent Director (50)

Appointment to Board

21 February 2005

Committee Membership(s)

Safety and Environment Committee, Remuneration Committee, Audit Committee (Chairman)

Experience

Tim Score was appointed to the Board in February 2005 and acted as Interim Chairman between December 2008 and April 2009. He is Chief Financial Officer at ARM Holdings plc. Before joining ARM he worked as Finance Director of Rebus Group Limited which he joined in 1999. Between 1997 and 1999, he was Group Finance Director of William Baird plc, which he joined from LucasVarity plc. He is a chartered accountant.



Dean Finch, Group Chief Executive (44)

Appointment to Board

15 February 2010

Committee Membership(s)

None

Experience

Prior to joining National Express, Dean Finch was Group Chief Executive of Tube Lines from June 2009. Before that he worked for over 10 years in senior roles within FirstGroup plc. He joined FirstGroup in 1999 having qualified as a Chartered Accountant with KPMG, where he worked for 12 years specialising in Corporate Transaction Support Services, including working for the Office of Passenger Rail Franchising on the privatisation of train operating companies. At FirstGroup, he was Managing Director of the Rail Division from 2000-2004 and then was appointed to the main board as Group Commercial Director in 2004, before being made Group Finance Director. With the completion of the Laidlaw acquisition he became Chief Operating Officer in North America before returning to the UK as Group Chief Operating Officer.



Jorge Cosmen, Deputy Chairman (42)

Appointment to Board

1 December 2005

Committee Membership(s)

Safety and Environment Committee, Nomination Committee

Experience

Jorge Cosmen was appointed to the Board in December 2005 at the time of the ALSA transaction. He was appointed Deputy Chairman in October 2008. He was Corporate Manager for the ALSA Group from 1995, becoming Chairman in 1999. Between 1986 and 1995, he worked in sales, distribution and banking. He is a Business Administration graduate and has an International MBA from the Instituto de Empresa in Madrid.



Roger Devlin, Non-Executive Director (53)

Appointment to Board

1 October 2007

Committee Membership(s)

Safety and Environment Committee, Remuneration Committee (Chairman), Audit Committee

Experience

Roger Devlin spent 13 years as a Director of Hill Samuel where he was head of Mergers and Acquisitions and Chief Executive of their US investment banking operations. He then moved to Ladbrokes, later Hilton PLC, as Group Corporate Development Director. He now chairs three substantial private companies, Principal Hotels, Gamesys and Satellite Information Services. He is also Senior Independent Director of RPS Group Plc, Europe's leading environmental consultancy.



Miranda Curtis, Non-Executive Director (55)

Appointment to Board

1 June 2008

Committee Membership(s)

Safety and Environment Committee (Chairman), Remuneration Committee

Experience

Miranda Curtis is a Non-Executive Director of Liberty Global Inc (Denver, Colorado) having retired from her executive role as President of Liberty Global Japan and Jupiter Telecommunications (J:COM) in Tokyo after leading the sale of Liberty's Japanese interests in February 2010. She has also served on the boards of Liberty subsidiaries in Singapore, Ireland, France and Spain. She is a Trustee and member of the Board of Governors of the Institute for Government and a Director of Garsington Opera. Between 1998 and 2002 she was a Non-Executive Director of Telewest Communications plc and between 1998 and 2000 a Non-Executive Director of Flextech plc.



Sir Andrew Foster, Non-Executive Director (66)

Appointment to Board

1 August 2004

Committee Membership(s)

Safety and Environment Committee, Nomination Committee, Audit Committee

Experience

Sir Andrew has had an extensive career in the public sector, having served as Chief Executive of the Audit Commission for England and Wales between 1992 and 2003. Before this, he was Deputy Chief Executive of the NHS and Regional CEO for Yorkshire. He is currently Deputy Chairman of the Royal Bank of Canada Europe Limited and Chairman of the Commonwealth Games England. He is also Non-Executive Director at PruHealth. Sir Andrew has conducted independent reviews for the government into the Intercity Express Project, the Building Colleges for the Future programme, and previously into further education and the future of athletics.



Tony McDonald, Company Secretary (50)

Tony McDonald was appointed Company Secretary in May 2000. Prior to joining the Group, he held senior legal positions with the in-house legal teams at Guardian Royal Exchange and BP and in private practice with Slaughter and May. He is a qualified solicitor.

Members of the Audit Committee

Date of appointment

Tim Score (Chairman)	21 February 2005
Roger Devlin	26 February 2008
Sir Andrew Foster	23 November 2004

Members of the Remuneration Committee

Date of appointment

Roger Devlin (Chairman)	31 May 2008
Miranda Curtis	1 June 2008
Tim Score	14 December 2005

Members of the Nomination Committee

Date of appointment

John Devaney (Chairman)	2 April 2009
Jorge Cosmen	2 June 2008
Sir Andrew Foster	15 December 2004

Members of the Safety and Environment Committee

Date of appointment

Miranda Curtis (Chairman)	1 June 2008
Jorge Cosmen	14 December 2005
John Devaney	2 April 2009
Roger Devlin	28 November 2007
Sir Andrew Foster	9 November 2004
Tim Score	23 March 2005

Running the business responsibly

Corporate governance

Governance framework

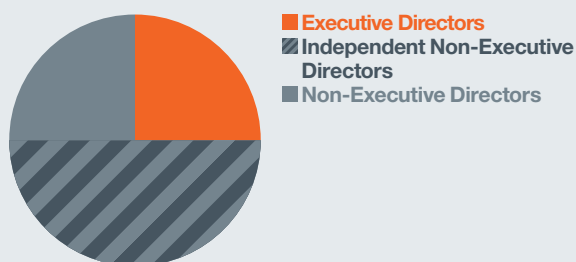
The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership within a framework of sound controls. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals.

Statement of Compliance with the Combined Code

In the opinion of the Directors, the Company has complied during the year with the provision of Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2008 ("the Code") save in respect of the following provisions:

- The composition of the Nomination Committee (A.4.1).
The Board considers that, as, Deputy Chairman and the representative of one of the Company's main shareholders, Jorge Cosmen, who is not considered independent, should be a member of the Nomination Committee in order to be involved in the recruitment process for Board appointments.
- Board Composition and Balance (A.2.1 and A.3.2) Prior to the appointment of Dean Finch as Group Chief Executive on 15 February 2010 the Board was non-compliant with the requirement of the Code in respect of Board composition and balance (A.2.1 and A.3.2) as John Devaney assumed the roles of both Chairman and Chief Executive on the departure of the previous Chief Executive.

Composition of the Board



Applying the principles of good governance The Board of Directors, Chairman and Group Chief Executive

As at the date of this Report the Board consists of the Chairman, two Executive and five Non-Executive Directors. A full list of the Directors with details of their biographies and Committee memberships is given on pages 40 and 41. The offices of Chairman and Group Chief Executive are held separately. The division of responsibilities between the roles of Chairman and Group Chief Executive is shown below.

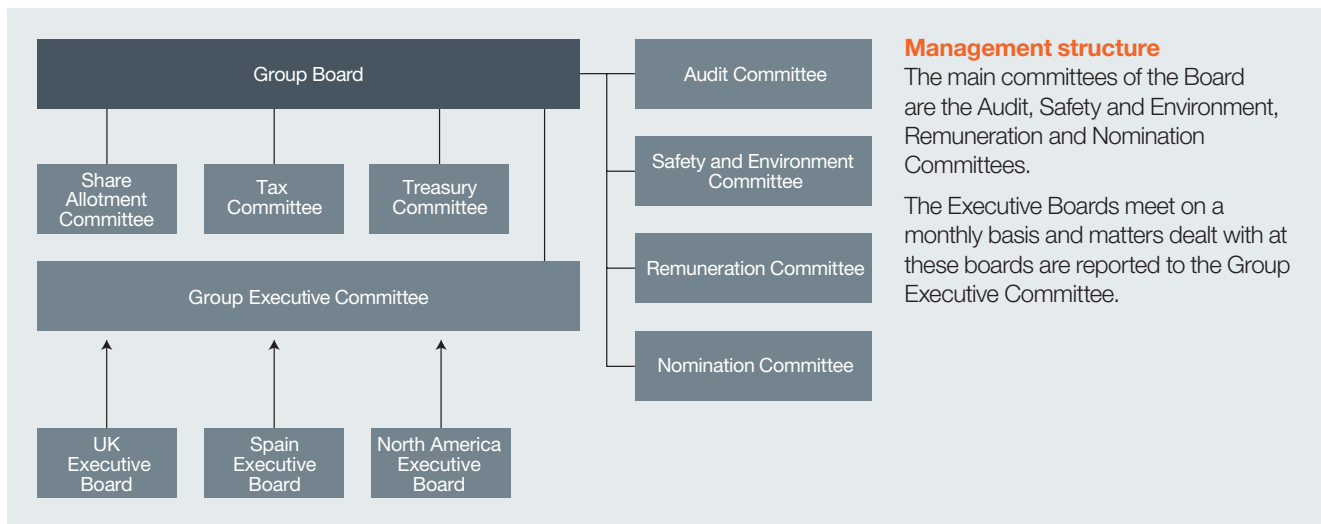
Tim Score is the Senior Independent Director. The Board considers all of the Non-Executive Directors to be independent other than Jorge Cosmen and considered John Devaney to be independent prior to his appointment as Chairman. Mr Cosmen is not considered to be independent by the Board due to his close links with the ALSA business and significant interests in

Main responsibilities of the Chairman:

- chairing and managing the business of the Board;
- together with the Group Chief Executive, leading the Board in developing the strategy of the business and ensuring this is effectively implemented by the executive management team;
- ensuring that there is effective dialogue with investors concerning mutual understanding of objectives;
- in conjunction with the Nomination Committee, taking responsibility for the composition and replenishment of the Board;
- periodically reviewing with the Board its working practices and performance; and
- ensuring there is effective contribution from the Non-Executive Directors and a constructive relationship between the Executive and Non-Executive Directors.

Main responsibilities of the Group Chief Executive:

- the development and implementation of management strategy;
- the day-to-day management of the Group;
- managing the executive management team; and
- fostering relationships with key stakeholders.



the shares of the Company which are held through European Express Enterprises Limited. The Non-Executives bring a variety of different experiences and considerable knowledge to assist with Board decisions. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable.

The Board and its principal Committees

The Board normally meets at least eight times during the year. In 2010 the Board met eight times. There is a formal schedule of matters reserved for the Board's decision, the main terms of which are shown on page 44. The Board has established a number of Committees with defined terms of reference and receives reports of their proceedings. The principal Committees are the Remuneration Committee, the Nomination Committee, the Audit Committee and the Safety and Environment Committee. The members of each principal Committee and main duties are shown on pages 47 to 51. In addition there is an Executive Committee with authority to approve routine matters of business and a Tax and Treasury Committee which reviews the Group's tax planning, banking facilities and treasury reports. The table below sets out the number of meetings of the Board and its Committees

during the year and individual attendance by the Board and Committee members at these meetings. All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisors at their meetings and to seek information required from any employee of the Company in order to perform their duties. The full terms of reference of the principal Committees are available on the Company's website at www.nationalexpressgroup.com.

During the year the Chairman met on several occasions with the Non-Executives without the Executive Directors present to allow informal discussions on a variety of issues.

The Executive Directors are responsible for the day-to-day management of the Group's businesses, implementation of its strategy, policies and budgets and its financial performance. Executive management meetings, involving the Executive Directors and senior management from the divisions are held regularly to discuss current issues.

The Company purchases Directors' and Officers' Liability Insurance for the Company and its subsidiaries, which gives appropriate cover for any legal action brought against its Directors.

	The Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Safety and Environment Committee
Total Meetings in 2010	8	2	1	3	4
Executive Directors					
Dean Finch ¹ Group Chief Executive	7 (7)	–	–	–	–
Jez Maiden	8	–	–	–	–
Ray O'Toole ²	2 (2)	–	–	–	–
Non-Executive Directors					
John Devaney Chairman	8	–	1	–	4
Jorge Cosmen	8	–	1	–	4
Miranda Curtis	7	–	–	2	3
Roger Devlin	8	2	–	3	4
Sir Andrew Foster	7	2	1	–	3
Tim Score Senior Independent Director	8	2	–	3	4

Company Secretary: Tony McDonald (also acts as Secretary to the Board Committees).

¹ Appointed to the Board on 15 February 2010. Maximum possible meetings attended shown in brackets.

² Resigned from the Board on 5 May 2010. Maximum possible meetings attended shown in brackets.

Information and professional development

Reports from the Executive Directors, which include in-depth financial information, are circulated to Board members prior to every Board meeting. Senior management and advisors give presentations to the Board on significant matters during the year.

Under the direction of the Chairman, the Company Secretary is responsible for ensuring Board procedures are followed and applicable rules and regulations are complied with and advises the Board on governance matters. All Directors have access to the advice and services of the Company Secretary and the appointment or removal of the Company Secretary is a matter for the Board as a whole. There is a procedure in place for any Director to take independent professional advice where considered necessary.

On appointment, Directors are offered training as appropriate and are thereafter encouraged to keep abreast of matters affecting their duties as a Director and to attend training courses relevant to their role. An induction process is in place for new Directors, the aims of which are to:

- build an understanding of the nature of the Company, its business and the markets in which it operates;
- establish a link with the Group's employees; and
- build an understanding of the Group's main relationships including stakeholders and customers.

Performance evaluation

Formal evaluation of the Board's performance is periodically carried out using external consultants. The external consultants receive evaluation questionnaires from each of the Directors and the Company Secretary. The questionnaires, cover the performance of the Board as a whole and individual Board members. As a follow up to the questionnaires, individual meetings are held by the consultants with each Board member at which the answers to the questionnaires are explored further and additional matters raised, before being discussed with the Chairman of the Board and the Board as a whole. Subsequently, the Board agrees a series of actions to improve its performance and increase its effectiveness. An internal evaluation was commenced in late 2010 and will be completed in the first quarter of 2011. The next evaluation will be undertaken using an external facilitator.

Re-election

In accordance with the Company's Articles of Association, all Directors submit themselves for election at the Annual General Meeting following their appointment and thereafter by rotation at least once every three years. Non-Executive Directors are appointed for specific terms, subject to re-election. Non-Executive Directors will only be put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

Remuneration and service contracts

The Directors' Remuneration Report, including details of remuneration policy and service contracts, is set out on pages 51 to 63.

Directors' conflicts of interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the members of the Board prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict situations, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed annually.

Accountability and audit

Statements of the respective responsibilities of the Directors and auditors are set out on pages 68 and 134.

Internal control

The Board's responsibilities

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board maintains full control and direction over appropriate strategic, financial, operational and compliance issues and has put in place an organisational structure with formally defined lines of responsibility, delegated authorities and clear operating processes. The systems that the Board has established are designed to safeguard both the shareholders' investment and the assets of the Group, and are described below.

Key elements of the control framework

Financial reporting process – management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes to ensure that all information is relevant, reliable and in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

Strategic and financial planning – an annual budgeting and strategic planning process has been established whereby each division and constituent operating company assesses its competitive position and goals, taking account of the strategic risks faced. This strategy is translated into a financial plan with clear milestones and performance indicators.

Performance management – the performance of each division and operating company against its plan is closely monitored by a formal monthly reporting process and by the attendance of the relevant Executive Directors at monthly divisional board meetings.

Annual fitness check process – internal audit undertake an annual review at each operating company to assess the integrity of the balance sheet and to check the effective operation of key financial reporting and information systems controls. The results of the reviews are presented to both divisional and Group finance with any required actions agreed with the relevant divisional Finance Director.

Capital investment – a clear process is in place for the approval of capital expenditure, which includes detailed appraisal of the benefits of the proposed investment and any associated key risks. Material capital expenditure requires Board approval.

Health and safety – health and safety standards and benchmarks have been established in all our businesses and the performance of operating companies in meeting these standards is closely monitored.

Risk management reporting process – each division and operating company evaluates its internal control environment and key risks, and the results are reviewed at management level and passed to the Audit Committee before being presented to the Board. This process is reviewed on a regular basis to ensure the validity and relevance of the key risks included in reports. The review covers strategic, financial, compliance and risk management controls. These procedures are mandated and designed to manage the risk in order to ensure that the operations achieve their business objectives.

Internal audit – the internal control system is independently monitored and supported by a Group internal audit function. The Group internal audit function was successfully moved from an outsourced provider to an in-house function during 2010. The internal audit function reports to management and the Audit Committee on the Group's financial and operational controls, and monitors and reviews the extent to which its recommendations have been implemented.

Board-level reporting on internal control – during the year the Audit Committee reviews regular reports from the internal audit function, the external auditors and executive management on matters relating to internal control, financial reporting and risk management. The Audit Committee provides the Board with an independent assessment of the Group's financial position, accounting affairs and control systems. In addition, the Board receives regular reports on how specific risks that are assessed as material to the Group are being managed.

Review of internal control effectiveness

The system of internal control and risk management, described above, has been in place for the year under review and up to the date of approval of this Annual Report and Accounts. Such a system is designed to manage, rather than to eliminate, the risks inherent in achieving the Group's business objectives, and can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of this system has been regularly reviewed by the Directors in line with the Guidance for Directors in the Combined Code published by the Financial Reporting Council (Turnbull guidance). Where significant control failings or weaknesses have been identified, appropriate corrective action has been taken.

Whistle blowing policy

A Group "whistle blowing" policy has been issued to all Group companies to ensure a consistent approach across the Group and it is also available on the Group's website www.nationalexpressgroup.com. The Board supports the highest standards of corporate governance and ethical practices within all its operations and continues to review its policies on an ongoing basis. The Board has endorsed a set of principles which establish the framework for how its businesses operate. Key to these is working in an open and honest manner. The Group is committed to the highest standards of quality, honesty, openness and accountability. Employees are encouraged to raise genuine concerns under the policy either by contacting their line manager or the Company Secretary. Any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken and confidential records are maintained. The Company Secretary reports any matters of significance to the appropriate committee. In 2010 no issues of significance were raised.

Share capital

Information about the share capital of the Company is included in the Directors' report on page 66.

Relations with shareholders

Dialogue with shareholders

The Board recognises the importance of maintaining good communications with the Company's shareholders to ensure mutual understanding of the Group's strategy, objectives, governance and performance. The Chairman, Group Chief Executive and Group Finance Director hold a number of meetings with existing and prospective institutional shareholders during the year as well as giving presentations following the full year and half-year results. They also meet and give presentations to analysts and brokers. The Company's brokers in turn provide confidential feedback to the Company on the views of the major institutions. The Chairman, Senior Independent Director and other Non-Executive Directors are also given the opportunity to meet institutional shareholders and are available by contact through the normal channels.

The Board is provided with regular updates on the views and issues raised by the Company's investors. During the year the Board received external presentations from advisors on shareholder and market perception of the Group Performance. Written responses are given to correspondence received from shareholders.

Corporate governance continued

During the year shareholders are kept informed of the progress of the Group through regular corporate communications; the Preliminary announcement, the Notice of AGM, interim management statements and press releases regarding any other significant development, as well as the dissemination of regulated information. Such communications are made available to the London Stock Exchange and simultaneously available on the Company's website (www.nationalexpressgroup.com). The Company's website houses wide-ranging information about the Group, including the Annual Report and Accounts, press releases, share price data and links to subsidiary company websites.

The Company has introduced an electronic communications facility to enable shareholders to receive documentation such as the Annual Report and Accounts electronically and also to cast their votes by proxy electronically. The Company has also introduced an electronic proxy appointment service for CREST members.

Major shareholdings

As at 24 February 2011, the Company had been notified of the following interests in its shares which represent 3% or more of the voting rights in the Company:

	Ordinary shares	Percentage of share capital*	Nature of holding
Elliott International LP Liverpool Ltd Partnership	83,096,195	16.29%	Direct
European Express Enterprises Ltd	87,095,062	17.08%	Direct
Legal & General Group Plc	30,300,908	5.94%	Direct
Prudential PLC	65,904,373	12.92%	Direct
UBS Investment Bank	32,508,655	6.37%	Direct

* Using the total voting rights figure of 510,057,338.

The holdings for European Express Enterprises Ltd are included in Jorge Cosmen's holdings which are shown on page 61 of the Directors' Remuneration Report.

Analysis of ordinary shareholdings at 24 February 2011

	Number of accounts	Percentage of total number of accounts	Number of shares	Percentage of ordinary capital
By size of holding				
1–500	6,792	47.69%	1,021,848	0.20%
501–1,000	1,846	12.96%	1,444,691	0.28%
1,001–5,000	3,829	26.88%	8,922,826	1.74%
5,001–50,000	1,523	10.69%	18,332,834	3.58%
50,001–1,000,000	174	1.22%	42,306,453	8.27%
Over 1,000,000	79	0.56%	439,697,374	85.93%
	14,243	100%	511,726,026	100%
By investor type				
Individuals	13,246	92.99%	25,779,671	5.04%
Institutional Investors	893	6.27%	456,707,377	89.25%
Other Corporate Investors	104	0.74%	29,238,978	5.71%
	14,243	100%	511,726,026	100%

Analyst coverage

The Company is aware of 19 analysts who have published equity research notes covering National Express Group PLC during 2010 and we provide names and contact numbers of their firms on our website.

The Annual General Meeting

The Annual General Meeting provides an opportunity for all shareholders to question the Chairman and Directors on a variety of topics, and information is provided at the meeting on different aspects of the Group's activities. All of the Company's Directors are present at the meeting. Voting at the Annual General Meeting on all resolutions is by poll on a one share, one vote basis. The results are available on the Group's website following the meeting. Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.



Tim Score

Audit Committee overview

Dear Shareholder

2010 has been an excellent year for National Express as reflected in the results presented to you within this document. During the year the Committee has dealt with its usual programme of business as well as a range of one-off or new issues, some of which I detail below.

During 2010 one particular area of focus for the Audit Committee has been the Company's internal audit resource. For a number of years the Company has operated with a substantially outsourced internal audit function provided by PricewaterhouseCoopers LLP ("PwC"). During 2010 the Committee, on the advice of the Executive management, approved the transition of most internal audit services from PwC to an internal resource. The Company's internal audit function is now operating at full complement and has taken over from PwC in the Company's North America and UK operations. I would like to take this opportunity to thank PwC, on behalf of the Committee, for all of its assistance in those geographies. In Spain, PwC will continue to provide internal audit services to the Company's Spanish businesses and will be supported in this role by an internal audit manager from within the Company's internal audit team, who has responsibility for Spain.

Throughout 2010 the Committee has also been focusing on new developments that could potentially have an impact on the Company. These have ranged from new accounting standards such as IAS 1 (revised) and IFRS 7, to the introduction of new legislation such as the Bribery Act 2010. In relation to the Bribery Act, the Company's plans for compliance are well advanced and the Company is now awaiting the publication of final governmental guidance before finalising its policies and procedures.

Tim Score
Audit Committee Chairman

24 February 2011

Audit Committee

List of Members

List of Members	Position
Tim Score	Chairman, Senior Independent Director
Roger Devlin	Non-Executive Director
Sir Andrew Foster	Non-Executive Director

The role of the Audit Committee

The Committee oversees the process for selecting the external auditor, assesses the continuing independence of the external auditor and recommends approval of the audit fee to the Board. It is responsible for ensuring that provision of non-audit services does not impair the external auditor's independence or objectivity. It discusses with the external auditor the nature and scope of the audit and any issues or concerns arising from the audit process. The Committee reviews the internal audit programme, considers major findings of the internal audit investigations and reviews management's financial reporting and risk management. The Committee reviews the half-year and annual financial statements and the effectiveness of the Company's internal control and risk management systems.

The Committee met twice in 2010. The agenda reflects the duties delegated to it by its terms of reference, details of which are summarised above. There are a number of standing items considered during the year such as consideration of the internal and external audit reports, review of the Annual Report and Accounts, review of the preliminary and half-year announcements, and review of the Corporate Governance Report.

At the invitation of the Committee, and as appropriate to the matters under discussion, meetings may be attended by the Executive Directors and internal and external auditors. Full minutes are kept by the Secretary of the matters considered and decisions taken by the Committee. Outside of the meeting process the Committee Chairman has regular contact with the Executive Directors, other Committee members and the auditors on a variety of topics.

Main activities during the year

Other items, in addition to the responsibilities noted above, that were considered and discussed during 2010 included:

- progress with the implementation of the Group's internal audit structure;
- review of the Group Risk Register;
- the results of the Annual Fitness Checks within the subsidiaries; and
- the external auditor's performance and fees.

Review of external auditors

The Audit Committee assesses and reviews on a regular basis the independence of the external auditors. As part of their determination the Audit Committee considers a report by the external auditors on the firm's independence which is required in order to carry out their professional duties and responsibilities as auditors.

Policy on auditors providing non-audit work

The Committee has an approved policy on the provision of non-audit services by its auditor. The policy sets the approvals policy for the following types of service:

- services that are considered to have 'general pre-approval' by the Audit Committee, by virtue of the approval of the policy;
- services that require 'specific pre-approval', on a case-by-case basis, before any work can commence; and
- services that cannot be supplied by the external auditors ("prohibited services").

The services that have general pre-approval are tax, transaction investigation and advisory and corporate finance services. The fees for these services are pre-approved up to a level of 25% of the total fees paid to the external auditors. For services exceeding this limit specific pre-approval is required.

In deciding whether or not to grant approval for the provision of specific services by the external auditors, the Audit Committee includes in its consideration the following factors:

- (i) whether the external auditing firm is best placed to provide an effective and efficient service, given its familiarity with the Company's processes, systems and people; and
- (ii) the level of non-audit fees paid to the external auditors in the year as a proportion of the annual external audit fee.

The majority of non-audit work undertaken by the external auditors during the year relates to advice in respect of tax advisory and other regulatory services. These items the Committee believes would be impractical and costly to provide through another party.



John Devaney

Nomination Committee overview

Dear Shareholder

After a period of significant change within the Board at Group Chief Executive and Chairman level, 2010 has, upon Dean Finch taking up his appointment as Group Chief Executive in February, been a stable year for the Board of the Company. During 2010 the Nomination Committee has focused on reviewing the work undertaken by the Group Human Resources Director on succession planning and management development so as to ensure that appropriate systems are in place to develop the senior management of the Group so that, when the need arises, suitable internal candidates will be in place to compete for Board positions.

In 2011 the Committee will continue to assess the balance of skills, experience, knowledge and expertise on the Board as a whole to ensure it continues to match the needs of the Company going forward.

John Devaney
Nomination Committee Chairman

24 February 2011

Nomination Committee

Name of Director	Position
John Devaney	Chairman
Sir Andrew Foster	Non-Executive Director
Jorge Cosmen	Non-Executive Director

The role of the Nomination Committee

The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. It will give full consideration to succession planning, and keep under review the leadership needs of the organisation, both Executive and Non-Executive. The Committee reviews the time required from a Non-Executive Director and uses performance evaluation to assess whether the Non-Executive Director is spending enough time on fulfilling their duties.

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. The Committee will prepare a description of the role and requirements for any particular appointment based on its evaluation of the Board as a whole.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting of the Company. The Non-Executive Directors disclose to the Board their other significant commitments. The procedures adopted by the Company in relation to Directors' conflicts of interest are detailed on page 44.

External advisors are normally appointed when recruiting Board members; they use as a basis for their search a description of the role and capabilities required for a particular appointment proposed by the Nomination Committee.

During the year the Committee reviewed succession planning for the Group.



Miranda Curtis

Safety and Environment Committee overview

Dear Shareholder

For National Express, as a business that transports people, a focus on safety is paramount. This unrelenting focus on safety has been demonstrated in a number of initiatives throughout the year.

During the first half of the year the Committee focussed on the Company's operations in Morocco where, from a safety point of view, the conditions are perhaps the most challenging amongst the territories in which the Company operates. The Committee commissioned a review of the Company's operations in Morocco by Arthur D. Little, the leading safety consultancy and as a result of this review a series of recommendations were presented to, and approved by, the Committee. These recommendations are now being implemented in our Moroccan operations.

In the second half of the year Arthur D. Little were again commissioned to develop a Group-wide safety development programme. This programme, which is branded 'Driving Out Harm' is championed by Dean Finch personally. To date, 13 courses, covering 220 of the Group's most senior managers, have been held and they will be followed by further training for middle and junior managers in 2011. In addition the programme has developed a series of Global Safety Standards which will be rolled out throughout the Group in 2011.

2010 also saw the development of new values for the National Express Group. Safety is first among these values. With the support of the Driving Out Harm programme, the Safety Committee is confident of further improving the Company's safety performance going forward.

In addition to its safety responsibilities the Committee also reviews the Company's environmental practices, procedures and record. In this area the Committee has reviewed reports on the CO₂ emissions of the Company's operations and the steps being taken to reduce those emissions. The Committee has also been monitoring the Government's Carbon Reduction Commitment and Climate Change Levy requirements.

Miranda Curtis
Safety and Environment Committee Chairman

24 February 2011

Safety and Environment Committee

Name of Director	Position
Miranda Curtis	Chairman
Jorge Cosmen	Non-Executive Director
Roger Devlin	Non-Executive Director
John Devaney	Non-Executive Director
Sir Andrew Foster	Non-Executive Director
Tim Score	Senior Independent Director

The role of the Safety and Environment Committee

The Committee is responsible for reviewing and challenging constructively the structure, content and operation of the safety management arrangements put in place by members of the executive management of the Group's operating companies. It reports periodically to the Board its observations on the safety management arrangements in place and reviews and makes recommendations to the Board on any specific safety management issues relating to the Group or any subsidiary company.

Main activities during the year

During the year the Committee:

- visited Group locations to review safety practices and procedures;
- reviewed compliance by the North America division with the requirements of the Group's Health & Safety policy;
- monitored the progress of implementation of the Group's Health & Safety Plan 2009–2011; and
- considered the strategic aims of the business in relation to risk and liability and efficiency of energy use.

Directors' remuneration report



Roger Devlin

Remuneration Committee overview

Dear Shareholder

2010 has continued to see a growing focus on levels of executive remuneration within UK listed PLCs. The Association of British Insurers, NAPF and RREV have each issued or refined their guidance for the chairmen of remuneration committees during the year.

During 2010, the Remuneration Committee has, with the assistance of its independent remuneration consultants, Hewitt New Bridge Street, reviewed its practices and policies to ensure they are in line with what it perceives to be best practice and the Company's strategic objectives. As a result of this the following features have been introduced into elements of the remuneration package during 2010:

- Deferral into Company shares of part of the annual bonus of the Executive Directors;
- Provisions allowing clawback of part of the annual bonus of the Executive Directors in the event of a material misstatement of financial results becoming evident;
- Retention of two performance conditions in the Company's long-term incentive plan that ensure that executives are only rewarded over the longer-term for the achievement of challenging EPS growth conditions and relative outperformance of the Company's closest comparator companies on a TSR basis;
- The introduction of a safety performance improvement condition to any payment under the annual bonus plan for 2011; and
- An increase in the maximum bonus potential of the Executive Directors tied directly to margin improvement targets which form the backbone of the Company's strategic plan for 2011.

The Committee considers that the remuneration paid to our management team fairly reflects their performance during the year. The annual bonus paid out at 100% of maximum reflecting more than 110% of 2010 budgeted normalised profit being achieved. None of the 2008 LTIP awards vested as the challenging EPS and TSR targets set immediately prior to the awards being granted were not met.

We directors on the Remuneration Committee are clearly mindful of our role of balancing the increased focus by, and guidance from, stakeholders on remuneration issues with the need of the Company to attract and retain the best available talent. I believe in 2010 we have achieved an appropriate balance in this regard.

Roger Devlin
Remuneration Committee Chairman

24 February 2011

This report sets out the policy for the financial year just ended, for the forthcoming year and, subject to ongoing review, for subsequent years. The report has been approved by the Board and the Remuneration Committee (the "Committee"). Shareholders will be invited to approve the report at the 2011 Annual General Meeting.

Remuneration Committee

List of Members

Roger Devlin

Miranda Curtis

Tim Score

Position

Chairman

Non-Executive Director

Senior Independent Director

Role of the Remuneration Committee

The key responsibilities of the Committee are to:

- determine the fees of the Chairman;
- determine the remuneration and conditions of employment (including any termination arrangements) of the Executive Directors;
- approve the remuneration and conditions of employment of the Divisional Chief Executives and Company Secretary;
- review the remuneration and conditions of employment of the senior management team; and
- select and appoint any remuneration consultants who advise the Committee.

The full terms of reference of the Committee are available on the Company's website at www.nationalexpressgroup.com.

The members of the Committee who served during the year were all independent Directors.

Directors' remuneration report continued

Advisors to the Committee

The Committee has appointed independent remuneration consultants, Hewitt New Bridge Street ("HNBS") to advise on all aspects of senior executive remuneration. HNBS has no other connection with the Group other than in the provision of advice on executive and employee remuneration.

Dean Finch, the Group Chief Executive, provided advice to the Remuneration Committee in respect of the remuneration of the senior executive team (other than himself).

Activities in 2010

During the year the Committee considered the following items of business:

- Executive Directors' and senior executives' salary levels;
- Annual bonus scheme terms for 2010;
- Review of the Non-Executive fees;
- The total shareholder return comparator group used in the Long Term Incentive Plan's performance condition;
- 2010 award levels under the Company's share plans;
- Recruitment packages for new senior executives;
- Testing of performance conditions and vesting of Long Term Incentive Plan awards granted in 2007;
- Long Term Incentive Plan entitlements upon redundancy; and
- Outline of 2011 bonus scheme.

The Committee's recommendations in 2010 were all accepted and implemented by the Board.

Remuneration of Non-Executive Directors

The fees of the Non-Executive Directors are set by the Board as a whole and those of the Chairman are set by the Remuneration Committee in both cases following an annual review. The review takes account of fees paid for similar positions in the market, the time commitment required from the Director (estimated to be 100 days per year for the Chairman and 20 days per year for the other Non-Executive Directors) and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees or fulfilling the role of Senior Independent Director. Non-Executive Directors are not eligible to receive pension entitlements or bonuses and may not participate in share option schemes.

	2010 £	2009 £
Chairman's fee	225,000	225,000
Non-Executive Director basic fee	44,000	44,000
Senior Independent Director additional fee	5,000	5,000
Committee Chairman additional fee	7,000	7,000

For 2011 the basic fee for acting as a Non-Executive Director will increase to £45,500 and the fee for chairing a Committee will increase to £10,000. There will be no increase in the additional fee paid to the Senior Independent Director nor to the fee of the Chairman.

Remuneration policy for Executive Directors

Remuneration policy is based on the following broad principles set by the Committee:

- to provide a competitive remuneration package to attract and retain quality individuals;
- to align remuneration to drive the overall objectives of the business;
- to align the interests of management with the interests of shareholders; and
- to provide the foundation for overall reward and remuneration beyond the specific roles falling within the direct remit of the Remuneration Committee.

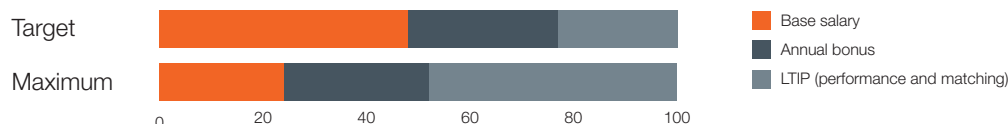
The objective of this policy is aligned with the recommendation of the UK Corporate Governance Code on Directors' remuneration. That is to provide a level of remuneration "to attract, retain and motivate Directors of the quality required to run the Company successfully, but avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance."

In implementing its policy, the Committee gives full consideration to the principles set out in the UK Corporate Governance Code with regard to Directors' remuneration and due regard is given to the guidance issued by investor protection bodies and institutional investors more generally.

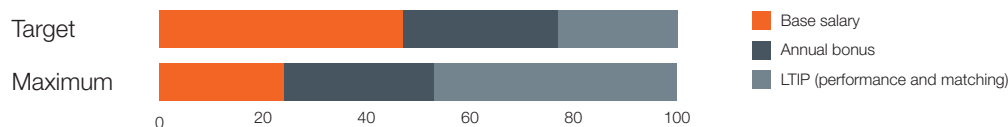
Remuneration policy is reviewed on an ongoing basis against the Committee's broad principles and in light of emerging best practice in corporate governance. The Committee believes that it continues to take into account the principles of sound risk management when setting pay. Appropriate liaison takes place between the Remuneration and Audit Committees as part of an effective remuneration risk assessment process. In line with the Association of British Insurers' ("ABI's") Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives. The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors (for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Group).

The Group operates a leadership and development programme which includes an appraisal system for Directors and senior management. In 2010 the appraisal system used balanced scorecards to assess performance against financial, customer, operational and people objectives. The results of the annual appraisal system are taken into consideration when setting remuneration levels.

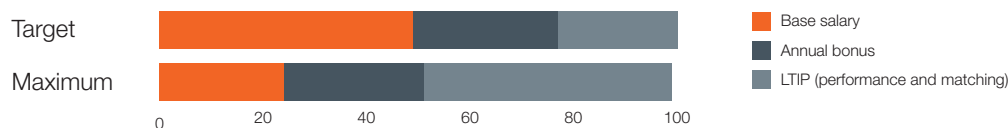
2010: Fixed and variable pay: Average Executive Director at target and maximum performance levels



2011: Fixed and variable pay: Group Chief Executive at target and maximum performance levels



2011: Fixed and variable pay: Group Finance Director at target and maximum performance levels



Fixed versus variable remuneration

A substantial proportion of the Executive Directors' pay is performance related. The charts above show the balance between fixed and performance related pay at target and maximum performance levels based on the elements of National Express's remuneration package set out below. Maximum performance assumes achievement of maximum bonus and full vesting of shares under the LTIP.

Directors' remuneration report continued

Elements of remuneration¹

Summary of the components of the Executive Directors' remuneration.

	Objective	Performance period	Policy
Basic salary	To position at a competitive level for similar roles within comparable markets	Annually	Individual pay levels (using comparable mid-market data for guidance) as appropriate are determined by reference to the individual's performance, experience in post and potential
Performance related bonus	To incentivise delivery of performance objectives	1 year	Bonus payments are based on the achievement of specified corporate (70% financial and 30% non-financial) objectives
Pension	To provide competitive benefits in line with market practice and to act as a retention mechanism and reward long service	Ongoing	The policy is to provide market competitive retirement benefits or, depending on individual circumstances, to provide a cash alternative with which the executive may make his own arrangements. Only basic salary is pensionable
Long Term Incentive Plan	To drive performance, aid retention and align the interests of Executive Directors with shareholders	3 years	Half of any award is subject to EPS growth. The remaining half is subject to the relative total shareholder return ("TSR") of the Company compared against a bespoke peer group
Other benefits	To provide competitive benefits in line with market practice	Ongoing	Executive Directors receive a fully expensed car, private health and long-term sickness insurance. A cash alternative may be provided according to individual circumstances

¹ Awards granted to Directors in respect of buy-out of share awards lost upon leaving previous employment have not been included as an element of remuneration and they are not recurring.

(i) Basic salary

The salary of individual Executive Directors is reviewed at 1 January each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred and the rates for similar roles in two comparator groups of companies. The comparator groups for the 2010 financial year were (i) a group of transport/leisure sector companies and (ii) a group of companies from the FTSE Mid 250 drawn from across all sectors. The constituents of each group were selected to be broadly reflective of the size (market capitalisation and turnover) and complexity of National Express at the time of completing the review. For 2011 the comparator groups will be based on similar groups of transport/leisure and general sector companies drawn from the FTSE 250.

In setting the Executive Directors' remuneration, due account is taken of the salary budget for the Group as a whole and the policy that is applied across all employees when setting individual salary levels. In line with this policy, the performance of each Executive Director is taken into account along with the results of comparative benchmarking. In light of these factors, and after taking into account broader economic conditions, salary levels are then set by the Committee. In 2010 employees received an inflationary uplift but Executive Directors were not awarded a pay increase. In 2011 Dean Finch's salary will increase to £550,000 and Jez Maiden's salary to £420,000. The salary of Dean Finch upon appointment was set at a level which the Committee believed was reasonable given that he had not previously held the post of Group Chief Executive of a listed company. The benchmarking undertaken by the Committee, taken together with Mr Finch's demonstrable achievements since his appointment, indicated that a salary of £550,000 was now appropriate for Mr Finch. Mr Maiden's salary was also subject to a benchmarking exercise and performance appraisal which the Committee believes justifies a salary of £420,000.

(ii) Performance related bonus

The maximum potential bonus payable to Executive Directors in 2010 was 100% of salary. 70% of the bonus payable was based on financial targets and 30% based on non-financial targets. The non-financial targets encompassed customer, operational excellence and people objectives. The financial target set for 2010 was normalised profit (the definition of normalised profit is set out in the Glossary on page 150).

In relation to the proportion of the bonus determined by performance against financial targets, Executive Directors receive 25% of the bonus upon achieving 95% of budget, 50% of the bonus upon achieving budget and 100% upon achieving a stretch target which, for 2010, was 110% of budget.

The targets set in relation to non-financial performance are key strategic Group objectives that are tailored to the responsibilities of each individual Executive Director and, in aggregate, are considered to be similarly challenging to the range of financial targets set. In addition, no bonus in respect of non-financial performance is payable unless 95% of the Group's normalised profit budget is achieved. Irrespective of the performance achieved in respect of the financial and non-financial performance targets, the Committee will, in exceptional circumstances, have the ability to scale back (to zero) bonus awards based on safety performance if it feels that there are sufficiently extenuating circumstances.

In terms of actual performance against the financial targets set for the financial year under review, more than 110% of budgeted normalised profit was delivered resulting in a bonus payable of the financial targets of 70% of salary. In terms of performance against non-financial targets, the performance delivered resulted in the full 30% of targets being achieved. In total, bonuses were payable at 100% of salary.

Bonuses awarded in 2009 were deferred for a period of one year and vested, subject to the terms of the award and the relevant Director's continuing employment, on 10 March 2010. Half of each award was a cash deferred bonus conditional upon the continued employment of the relevant director. The other half of the award was converted into deferred forfeitable ordinary shares of the Company. Both cash deferred bonus and the deferred forfeitable ordinary shares were awarded under the terms of The National Express Group Executive Deferred Bonus Plan.

The National Express Group Executive Deferred Bonus Plan ("Executive Deferred Bonus Plan")

	As at 1 January 2010					At 31 December 2010	Option price	Market price at date of vesting	Date of vesting
	Cash Award	Deferred Shares Award	Granted	Exercised	Lapsed				
Jez Maiden	£16,000	15,241	–	15,241	–	–	218.9p	10.03.10	
Ray O'Toole (resigned as director 5 May 2010)	£115,178	109,721	–	109,721	–	–	218.9p	10.03.10	

The principal terms of awards under the Executive Deferred Bonus Plan ("EDBP") are summarised below:

- Awards under the Plan may be cash awards, conditional awards or forfeitable shares awards.
- Awards normally vest one year from the date of grant, subject to the relevant Director's continued employment with the Company.
- The Committee may decide that Participants shall be entitled to receive a benefit determined by reference to the value of the dividends that would have been paid on the vested shares in respect of dividend record dates occurring during the period between the Grant date and the date of vesting.
- The awards will normally lapse on cessation of employment save in certain compassionate "good leaver" circumstances (eg death or disability).
- In the event of a variation of the share capital the Committee may make such adjustments to the awards as it considers appropriate.

For 2011 bonus payments will be based on a similar structure but with the maximum potential bonus opportunity increasing to 125% of salary for Dean Finch and 112.5% of salary for Jez Maiden. The additional 25% and 12.5% of salary respectively will be awarded by reference to a challenging sliding scale of margin improvement targets which, along with normalised profit, reflect the key short-term objectives of the Group. In light of the fact that bonuses are to operate in 2011 with higher maximum potential reward, 25% of any bonus earned will be the subject of a mandatory deferral into the Company's shares for a period of one year. Since the deferred shares will be awarded under the EDBP, receipt of the deferred shares will be subject to continued service and the same 'good leaver' provisions and other terms as noted above. The 2011 bonus will also operate with an additional clawback feature that would require the deferred shares to be forfeited or repaid should it be necessary for the Company to restate materially its 2011 results within a two year period following the deferred bonus being awarded. The proportion of the bonus that would be the subject to a clawback would depend on the extent to which the original bonus payment turned out to be false following the publication of corrected results. In addition, the Committee has decided that no bonus will be awarded unless there is a continued improvement in safety statistics in 2011 in place of the more general safety override that is described above in respect of the annual bonus year under review.

(iii) Pensions

Under the terms of their service agreements, Executive Directors are either entitled to become members of one of the Group pension schemes or to receive payment of a fixed percentage of salary.

Ray O'Toole was a member of The National Express Group Staff Pension Plan ("the Plan") until 7 April 2006. This Plan is an HM Revenue & Customs ("HMRC") approved defined benefit scheme. The benefits from this Plan are subject to HMRC limits. Spouses' pensions are provided in accordance with the terms of the Plan. Life assurance of four times' basic annual salary is provided for the Executive Directors. From 7 April 2006, Ray O'Toole has received a salary supplement of 44% in lieu of pension contributions.

Dean Finch and Jez Maiden are not members of a company pension scheme. Dean Finch receives a 35% salary supplement and Jez Maiden receives a 25% salary supplement in lieu of pension contributions.

(iv) Incentive scheme and share options

(a) Long-term incentive arrangements

The National Express Group Long Term Incentive Plan ("LTIP") was approved by shareholders at the 2005 Annual General Meeting and operates as the Company's sole type of executive long term incentive arrangement. The LTIP consists of annual awards of performance and matching shares. Details of the plan are provided below.

Performance shares

Executive Directors are eligible to receive a conditional award of shares up to an equivalent of 100% of basic salary. The vesting of the award is conditional on meeting the performance conditions set out below.

Matching shares

Executive Directors are also eligible to receive awards of matching shares that are based on a personal investment in National Express Group PLC shares funded either through a personal investment (for example using an annual bonus award) or through pledging of shares not already allocated to the LTIP. The maximum matching award is restricted to 100% of basic salary and matching awards are made on the basis of up to two matching shares being awarded on a net of tax basis for each National Express share pledged or purchased from net of tax income. Matching share awards are also conditional on the performance conditions set out below.

If a participant ceases employment before vesting for a 'compassionate' reason (eg redundancy, retirement, death in service, sale of business out of the Company's group) his/her awards will ordinarily vest. The extent of vesting will be determined by applying the relevant performance conditions to the date of cessation and scaling back the number of shares awarded on a pro rata basis (rounded up to the next complete six month period from the date of grant) unless the Committee determines that it would be inappropriate to apply a pro rata reduction. Awards lapse on cessation of employment for any other reason.

Performance conditions

There are normally two distinct performance conditions applying to awards made. First, the performance condition attached to one-half of an award (Part "A") is based on the Company's normalised diluted earnings per share ("EPS") growth performance in excess of inflation over a fixed three-year period (three financial years commencing with the financial year in which the award is made). The performance condition attached to the other half of an award (Part "B") is based on the Company's Total Shareholder Return ("TSR") performance over the same fixed three-year period relative to the TSR performance of a comparator group of up to around 20 transport companies taken predominantly from the FTSE Industrial Transportation and FTSE Travel & Leisure sectors. The companies comprising the comparator group have been chosen on the basis of their comparability to National Express Group PLC (based on their size and scope of business operations). There is no ability to retest either performance condition. EPS and TSR have generally been chosen for the LTIP as the most appropriate measures of the Group's long term performance, since EPS is an important growth measure and driver and TSR improves shareholder alignment and is consistent with the Company objective of providing superior long-term returns to shareholders.

For awards made in 2008 Parts A and B will vest to the extent that the performance conditions set out in the tables below are met:

Average growth in the Company's normalised diluted EPS* in excess of inflation ("CPI")*	Percentage of Part A that vests
Less than 3%	0%
3%	30%
6%	100%
Between 3% and 6%	30%–100% pro rata

* Normalised diluted earnings per share and CPI are as defined in the Glossary on page 150.

Rank of the Company's Total Shareholder Return against a bespoke comparator group of transport companies (as noted above)	Percentage of Part B that vests
Below median	0%
Median	30%
20th percentile	100%
Between median and 20th percentile	30% and 100% pro rata

Exceptionally in 2009, relative TSR was applied as the sole performance condition as the prevailing economic conditions made it difficult to set a robust range of earnings targets at National Express.

However, to ensure that the relative condition was supported by improved underlying financial performance, the awards made in September 2009 were also subject to an earnings underpin that will apply to the extent that the performance condition set out in the table below is met:

Rank of the Company's Total Shareholder Return against a bespoke comparator group of transport companies (as noted above)	Percentage that vests
Below median	0%
Median	30%
20th percentile	100%
Between median and 20th percentile	30% and 100% pro rata

For Awards granted in 2010, it was considered appropriate to return to the use of relative TSR in tandem with a challenging range of EPS growth targets. As a result, the awards were granted in two parts with Part A vesting to the extent that the EPS performance condition set out below is met and Part B vesting based on the same sliding scale of TSR targets set out above. The TSR peer group applying to the awards granted in 2010 was an appropriately weighted group of transport-related comparator companies.

EPS for the financial year ending 31 December 2012	Percentage of Part A that vests
Less than 23 pence	0%
23 pence	30%
28 pence	100%
Between 23 pence and 28 pence	30%–100% pro rata

Directors' remuneration report continued

The following table sets out the percentage of each extant award that would have vested if the performance conditions had been tested as at 31 December 2010 (without making any allowance for pro rata reduction for any period of less than three years).

Indicative percentage of LTIP awards vesting based on performance to 31 December 2010

Year of award	TSR element ¹	EPS element ¹	Total (max 100%)
2008	0.00%	0.00%	0.00%
2009	70.10%	Not applicable	70.10%
2010	37.04%	100%	87.04%

¹ For 2008 and 2010 TSR applies to 50% of the award and EPS applies to 50% of the award. For 2009 TSR applies to 100% of the award.

To determine vesting of LTIP awards, the Committee retains independent consultants to test the proportion of an award vesting under the relative TSR test and then reviews the conclusion of this analysis before shares formally vest. With regard to the EPS targets, vesting is based on the Company's audited results with liaison, as required, between the Audit and Remuneration Committees.

(b) Savings Related Share Option Scheme ("Sharesave Scheme")

The Company operates an HMRC approved Sharesave Scheme which is open to all UK employees, including the Executive Directors, who have completed at least six months' service at the date of grant. The options are exercisable after three years at a discount of 10% to the market value of the shares at the time of grant.

Performance criteria

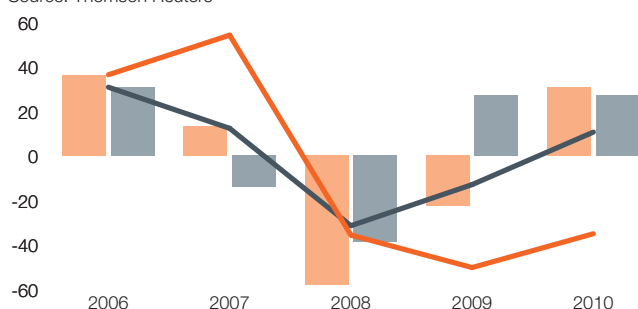
The Committee believes that budgeted profit and/or EPS growth as performance measures for the discretionary bonus scheme and long term incentives, in most normal circumstances, provide a transparent and accessible method of gauging the performance of the Company. The Company calculates performance against these performance measures by reference to the profit or earnings per share figures reported in the Company's audited accounts, which the Company believes to be the most transparent and objective measure of the Company's profit or EPS. The Committee also monitors the Group's TSR against the FTSE All-Share Travel & Leisure Index as a broad measure of the Company's performance. TSR measured against a more tailored group of comparators has been used by the Company as a primary performance measure for awards made to Executive Directors under the LTIP as outlined above.

As noted earlier, it is currently intended that the performance targets that will apply to awards granted in 2011 will again be an equal blend of EPS and TSR. If it were considered appropriate to make any fundamental changes to the performance targets in 2011, it is anticipated that this would be accompanied by a consultation with major shareholders.

The following graphs show a comparison of National Express Group PLC total cumulative shareholder return against that achieved by the FTSE All-Share Travel & Leisure Index and the FTSE 250 Index. These indices have been selected because the Company is a constituent of each index (with the former including many members of the LTIP TSR peer group) and the Committee, therefore, feels that these are the most appropriate indices to represent the Company's relative performance.

Total shareholder return versus FTSE All-Share Travel & Leisure Index

Source: Thomson Reuters

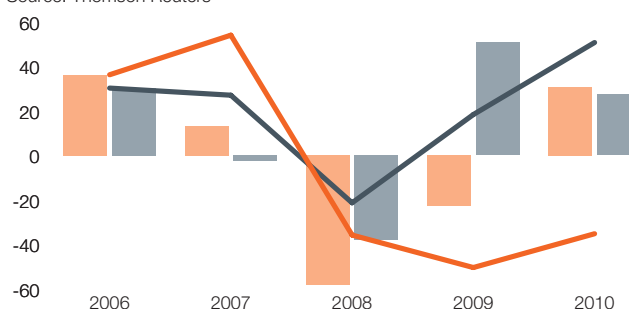


— National Express Cumulative Return
— FTSE All-Share Travel & Leisure Cumulative Return
■ National Express Annual Return
■ FTSE All-Share Travel & Leisure Annual Return

Each point plotted on the graph above represents the total cumulative shareholder return on an investment made in National Express Group on 31 December 2005 compared with an investment in the FTSE All-Share Travel & Leisure Index, with the corresponding annual returns.

Total shareholder return versus FTSE 250 Index

Source: Thomson Reuters



— National Express Cumulative Return
— FTSE 250 Cumulative Return
■ National Express Annual Return
■ FTSE 250 Annual Return

Each point plotted on the graph above represents the total cumulative shareholder return on an investment made in National Express Group on 31 December 2005 compared with an investment in the FTSE 250 Index, with the corresponding annual returns.

Directors' service contracts, notice periods and termination payments

Executive Directors

The contract dates and notice periods for the Executive Directors are as follows:

Director	Contract date	Notice period from the Company	Notice period from the Director
Jez Maiden	17 November 2008	12 months	12 months
Dean Finch	16 December 2009	12 months	6 months
Former Director			
Ray O'Toole (resigned as a director 5 May 2010)	11 September 2003	12 months	6 months

The service contracts of all the Executive Directors, which are rolling contracts, contain a provision, exercisable at the option of the Company, to pay an amount on early termination of employment equal to one year's salary or, in the case of Dean Finch, one year's salary, salary supplement in lieu of pension and car allowance. The Company will use the payment in lieu of notice provisions when the speed, certainty and protection of restrictive covenants afforded by such clauses are thought to be in the best interests of the Company and the circumstances surrounding the departure of the relevant Director justify their use.

The service contract of Ray O'Toole has a further provision that, where the Company initiates a termination, other than for cause, within six months of a change of control taking place the Company will exercise its option to make a payment in lieu of notice of an amount equal to the salary and benefits that the Director would have received during the notice period.

The service contract of Dean Finch contains a provision that, if there is a change of control within 24 months of his commencement date and directly or indirectly in connection with it the Company initiates a termination, other than for cause, or Dean Finch serves notice of termination on the Company on account of provable constructive dismissal, then the period of notice required from the Company will increase to 24 months. The Company waives any requirement for the Director's duty to mitigate his losses in respect of such termination in these circumstances. This clause, while not reflective of the Company's policy, was considered necessary by the Committee to facilitate the appointment of Dean Finch given that the Company had been formally approached in relation to a takeover during the year in which he was recruited.

In any event the Committee's policy is that payments to Directors on termination should reflect the circumstances that prevail at the time, also taking account, if applicable and appropriate, the Director's duty to mitigate.

The Committee continuously reviews its policies on executive remuneration and severance in the best interests of shareholders. Guidance on best practice expectations is taken into account prior to agreeing directors' contractual provisions.

Executive Directors' external appointments

Under the terms of their service agreements, Board approval is required before any external appointment may be accepted by an Executive Director. The Executive Director is permitted to retain any fees paid for such services. Details of fees received by Executive Directors in 2010 are as follows:

Jez Maiden	£36,000	(Yule Catto & Co plc)
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Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-Executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or the Company on one month's written notice. It is open to the Company to invite a Non-Executive to serve for a further period after the expiry of two three-year terms. All Directors are required to stand at least once every three years for re-appointment by shareholders. The original appointment dates of the Chairman and Non-Executive Directors are:

Jorge Cosmen	1 December 2005
Miranda Curtis	1 June 2008
John Devaney	2 April 2009
Roger Devlin	1 October 2007
Sir Andrew Foster	1 August 2004
Tim Score	21 February 2005

Directors' remuneration report continued

Senior executive remuneration

The Remuneration Committee reviews and notes the salaries of senior executives within the Group. The salaries of this group of employees by band are as follows:

Salary band £000	Number of executives 2010
>201–410	7
>151–200	7
>101–150	38
>75–100	44

Information subject to audit: Directors' remuneration

Directors' emoluments

	Salary/fees £000	Performance related bonus £000 ⁴	Benefits ¹ £000	Benefits in lieu of pension £000	Total 2010 ² £000	Total 2009 £000
Executive Directors						
Dean Finch (appointed 15 February 2010)	690	500	13	153	1,356	–
Jez Maiden	400	400	23	100	923	621
Former Executive Directors						
Ray O'Toole (resigned 5 May 2010)	472	400	24	176	1,072	644
Richard Bowker (resigned 10 July 2009)	–	–	–	–	–	465
Non-Executive Directors						
John Devaney (Chairman) ³	250	–	–	–	250	315
Tim Score (Senior Independent Director)	56	–	–	–	56	76
Jorge Cosmen (Deputy Chairman)	44	–	–	–	44	44
Miranda Curtis	51	–	–	–	51	51
Roger Devlin	51	–	–	–	51	53
Sir Andrew Foster	44	–	–	–	44	44

¹ Benefits in kind include a company car, fuel, life assurance and health insurance. Relocation expenses of £100,000 were also incurred in respect of Jez Maiden.

² Total remuneration excludes Company pension contributions which are shown below.

³ John Devaney received a temporary additional fee in 2010 for the period during which he held the role of Executive Chairman.

⁴ Ray O'Toole's 2010 bonus was calculated solely on the basis of the Company's financial performance using the same stretch targets as applied to the continuing directors.

Former Director

Ray O'Toole stepped down as an Executive Director of the Company on 5 May 2010. He will remain in full time employment with the Group until 4 May 2011. He will continue to receive his usual salary and benefits in accordance with the terms of his contract until this date. On 4 May 2011 Ray O'Toole will receive, in accordance with his contractual entitlements any accrued but unused holiday entitlement. On retirement, any unvested awards held by Ray O'Toole under the Long Term Incentive Plan (the "Plan") shall vest subject to a pro-rating reduction and the fulfilment of the applicable performance conditions in accordance with the rules of the Plan.

Pensions

Pension benefits earned by Directors in the year to 31 December 2010 from both the approved and unapproved plans were:

	Age	NRA ¹	Accrued benefit at 1 January 2010 £000	Increase in period (net of indexation) £000	Transfer value of increase in period £000	Accrued benefit at 31 December 2010 £000	Transfer value at 1 January 2010 £000	Transfer value at 31 December 2010 £000	Movement in transfer value during period less Director's contributions £000
Ray O'Toole (resigned as a director 5 May 2010) ²	55	60	38.2	(0.6)	–	37.6	842.6	845.1	2.5

¹ Normal Retirement Age.

² Ray O'Toole ceased to accrue pension benefits on 7 April 2006.

Directors' shareholdings

Directors' interests and transactions

The beneficial and non-beneficial interests of the Directors in office as at 31 December 2010 are shown below:

	At 31 December 2010 ¹	At 1 January 2010 or on appointment if later	Change from 31 December 2010 to 24 February 2011
Executive Directors			
Dean Finch	68,275	–	–
Jez Maiden	116,347	77,255	–
Non-Executive Directors			
Jorge Cosmen	88,860,685	92,591,971	–
John Devaney	66,666	66,666	–
Roger Devlin	65,916	20,961	–
Miranda Curtis	–	–	–
Sir Andrew Foster	22,893	14,160	–
Tim Score	–	–	–
Former Executive Director			
Ray O'Toole (resigned 5 May 2010)	146,757	146,757	N/A

(The above table is not subject to audit.)

¹ For Ray O'Toole as at date of resignation.

In order to align the interests of the Directors more closely with the shareholders, the Remuneration Committee has also determined that the Executive Directors should build up a share fund equal to at least one year's salary over a period of five years.

Sharesave Share Option Awards

	At 1 January 2010	During year			At 31 December 2010	Option price	Market price at date of exercise	Date from which exercisable	Expiry date
		Granted	Exercised	Lapsed					
Former Executive Director									
Ray O'Toole (resigned 5 May 2010)	600	–	–	–	600	479.01p	–	01.11.11	30.04.12

Directors' remuneration report continued

Conditional award of shares to Dean Finch

As disclosed in last year's Directors' Remuneration Report, in relation to his appointment as Group Chief Executive, the Committee granted Dean Finch share awards under a one-off arrangement in accordance with Listing Rule 9.4.2 (2). The Committee felt that the award was appropriate to provide compensation for share arrangements forfeited in the process of joining National Express Group PLC and assisted with his recruitment and provided alignment with the interests of the Company's shareholders.

The share award comprised two parts, an award of 28,023 shares (the "First Award") and an award of 18,281 shares (the "Second Award"). Each award is structured as an award of forfeitable shares. Subject to the terms of the awards, the First Award and Second Award will ordinarily vest on 1 April 2011 and 1 April 2012 respectively. At the time of vesting the relevant shares subject to the awards will cease to be subject to a risk of forfeiture.

In connection with the awards, a cash payment was also made to Dean Finch of equal value to the prevailing market value of 32,177 ordinary shares in National Express Group PLC. This was also agreed at the time of recruitment in compensation for forfeited remuneration in relation to joining the Company.

In addition, as part of compensation for remuneration forfeited on joining National Express, and to align Dean Finch with other key executives, it was agreed that he would also receive separate awards of performance shares and matching shares under the LTIP. These awards were each equal in value to £500,000 at grant and comprised his sole LTIP awards in 2010. These awards were subject to the same performance targets described above.

The Matching Award was granted on the basis of shares acquired from a cash payment of £254,250 that was made in lieu of remuneration forfeited in joining National Express Group PLC.

Conditional award of shares to Jez Maiden

As disclosed in prior years, Jez Maiden was granted a share award under a similar one-off arrangement to that described above for Dean Finch in respect of his appointment as Group Finance Director in 2008.

The award comprised three parts, an award over 21,074 shares (the "First Award"), an award over 21,075 shares (the "Second Award") and an award over 28,666 shares (the "Third Award"). Each award is structured as a conditional right to free shares, the terms of which were set after taking account of Jez Maiden's forfeited awards (which included performance and non-performance awards).

The First and Second Awards have now vested with the Third Award, subject to the terms of the Award, due to vest on 17 November 2011. The extent of vesting of the Third Award is also dependent on the satisfaction of performance targets assessed over a three-year performance period.

The performance targets applying to the Third Award are identical to those set for the 2008 LTIP awards, details of which are set out above (a mix of earnings per share and shareholder return targets).

Awards of shares granted under one-off arrangements to Dean Finch and Jez Maiden in relation to their appointments are shown below:

		At 1 January 2010 ³	During year			At 31 December 2010	Option price	Market price at date of exercise	Date of vesting
			Granted	Exercised	Lapsed				
Dean Finch	First Award ¹	–	28,023	–	–	28,023	–	–	1.4.11
	Second Award ¹	–	18,281	–	–	18,281	–	–	1.4.12
Jez Maiden	Second Award	40,565	–	40,565	–	–	–	233.7p	17.11.10
	Third Award ²	55,176	–	–	–	55,176	–	–	17.11.11

Notes

¹ Each award is structured as an award of forfeitable shares. At the time of vesting the relevant shares subject to the awards will cease to be subject to a risk of forfeiture.

² The extent of vesting of the Third Award will be dependent on the satisfaction of performance targets assessed over a three year performance period. The performance targets applying to the Third Award are identical to those set for the 2008 LTIP awards, details of which are set out above (a mix of earning per share and shareholder return targets).

³ The number of shares subject to The First Award, the Second Award and the Third Award was adjusted to incorporate the effects of the Rights Issue, effective 15 December 2009 and multiplied by a factor of 1.9248. The adjustment process is standard practice and results in the impact of the Rights Issue being neutral on outstanding awards (where the Rights Issue is undertaken at a discount as was the case at National Express) and ensures consistency of treatment (in value terms) between shareholders and award holders.

Long Term Incentive Plan (“LTIP”) Awards

Performance shares of 1 x salary are awarded to Executive Directors as nil cost options under the Long Term Incentive Plan. In addition 100 matching shares are awarded for every 30 investment shares pledged or invested by the Director under the share matching element of the LTIP. Further details of the LTIP and the performance conditions that have applied to each award below are shown on page 57.

	LTIP Share Awards	At 1 January 2010	During year			At 31 December 2010	Market price on date of award	Market price at date of exercise	Date from which exercisable	Expiry date
			Granted	Exercised	Lapsed ¹					
Dean Finch	Performance Shares	–	227,272	–	–	227,272	220.3p	–	15.03.13	15.09.13
	Matching Shares	–	227,270	–	–	227,270	220.3p	–	15.03.13	15.09.13
Jez Maiden	Performance shares	176,342	–	–	–	176,342	405.0p	–	01.09.12	01.03.13
	Matching shares	132,637	–	–	–	132,637	405.0p	–	01.09.12	01.03.13
	Performance shares	–	174,672	–	–	174,672	230.0p	–	01.04.13	01.10.13
	Matching shares	–	174,670	–	–	174,670	230.0p	–	01.04.13	01.10.13
Ray O’Toole (resigned 5 May 2010)	Performance shares	54,681	–	–	54,681	–	1320.0p	–	11.04.10	11.10.10
	Performance shares	77,573	–	–	–	77,573	992.5p	–	10.04.11	10.10.11
	Matching shares	12,830	–	–	–	12,830	992.5p	–	10.04.11	10.10.11
	Performance shares	193,251	–	–	–	193,251	405.0p	–	01.09.12	01.03.13
	Matching shares	193,249	–	–	–	193,249	405.0p	–	01.09.12	01.03.13
	Performance shares	–	174,672	–	–	174,672	230.0p	–	01.04.13	01.10.13
	Matching shares	–	174,670	–	–	174,670	230.0p	–	01.04.13	01.10.13

Notes

¹ Performance and matching shares granted under the LTIP on 11 April 2007 lapsed on 11 April 2010. TSR performance had been such as to result in 0% of that part of the performance and matching share awards that were subject to the TSR performance condition to vest and the EPS performance had been such as to result in 0% of that part of the performance and matching share awards that were subject to the EPS performance condition to vest.

In respect of the operation of the Long Term Incentive Plan the Company operates the National Express Group Employee Benefit Trust which currently holds 429,222 shares as at 24 February 2011.

The Register of Directors’ Interests maintained by the Company contains full details of the Directors’ holdings of shares and options over shares in the Company. No LTIPs vested during the year. The aggregate value of the LTIPs which vested in 2009 was £92,021. The mid-market price of the Company’s ordinary shares at 31 December 2010 was 251p (2009: 191.9p) and the range during the year ended 31 December 2010 was 259.6p to 194p.

By order of the Board

Roger Devlin

Director and Chairman of the Remuneration Committee

24 February 2011

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activities

National Express Group PLC is the holding company of the National Express Group of companies. Its subsidiary companies provide mass passenger transport services in the UK and overseas.

Business review

Reviews of the business, likely future developments and details of principal risks and uncertainties as required by Section 417 of the Companies Act 2006 and paragraph 4.1.8R of the Disclosure and Transparency Rules of the Financial Services Authority (the "DTRs") can be found in the following pages and are incorporated by reference into this report.

- Group Chief Executive's review on pages 4 to 8.
- Performance and Financial Review on pages 30 to 33.

Branches outside the UK

The Company has branches in Spain.

Results and dividends

The profit on ordinary activities before tax from continuing operations for the year ended 31 December 2010 was £40.2 million (2009: loss of £83.5 million) and a profit attributable to equity shareholders of £61.4 million (2009: loss of £53.5 million) was transferred to reserves.

The Directors recommend a final dividend for the year of 6p per ordinary share (2009: nil). No interim dividend was paid during the year (2009: nil). Subject to shareholder approval, the final dividend of 6p per ordinary share will be paid on 13 May 2011 to ordinary shareholders on the register of members at the close of business on 26 April 2011.

Directors

The Directors of the Company who served during the year were:

John Devaney
Dean Finch (appointed 15 February 2010)
Miranda Curtis
Jorge Cosmen
Roger Devlin
Sir Andrew Foster
Jez Maiden
Ray O'Toole (resigned 5 May 2010)
Tim Score

Directors are appointed by ordinary resolution at a general meeting of ordinary shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must be put up for appointment at the next Annual General Meeting. One-third of the Directors, or the number nearest to but not exceeding one-third, must retire from office at each Annual General Meeting. A retiring Director is eligible to stand for re-appointment. Any Director who has held office for three years or more since their last appointment must retire and offer themselves for re-appointment. In accordance with the provisions of the Articles of Association of the Company, Jez Maiden and Roger Devlin will retire by rotation at the 2011 Annual General Meeting and, being eligible, will offer themselves for re-election. Ray O'Toole resigned as Director of the Company on 5 May 2010. The names and biographies of the current Directors of the Company appear on pages 40 to 41. Details of the remuneration of the Directors, their interests in shares of the Company and service contracts are contained in the Directors' Remuneration Report on pages 51 to 63.

Corporate Governance

A full report on corporate governance including the Company's corporate governance statement can be found in the Governance section of this document and is incorporated by reference into this report.

Directors' interests in contracts

Except as stated in note 36 on page 131, no contract existed during the year in relation to the Company's business in which any Director was materially interested.

Directors' Liability Insurance

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors. Pursuant to the Company's Articles of Association the Company has indemnified its Directors and Officers in accordance with the provisions of Section 233 of the Companies Act 2006. A copy of the Articles of Association is available for inspection at the Company's registered office.

Events after the balance sheet date

There have been no important events of the Company or its subsidiaries after the balance sheet date.

Employment policies

The Group strives to meet its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers and continually improve operational performance. The Group is committed to providing equality of opportunity to employees and potential employees. This applies to appropriate training, career development and promotion for all employees, regardless of physical ability, gender, sexual orientation, religion, age or ethnic origin. All businesses in the Group report diversity data.

Full and fair consideration is given to applications for employment received from disabled persons, according to their skills and capabilities. The services of any existing employee disabled during their period of employment are retained wherever possible.

Employee involvement

The Group encourages employee involvement in its affairs. Subsidiary companies produce a range of internal newsletters and circulars which keep employees abreast of developments. Senior management within the Group meet regularly to review strategic developments and a Management Conference is held annually to bring our senior managers together to share ideas and develop policy. Dialogue takes place regularly with Trade Unions and other employee representatives on a wide range of issues. Employees are able to share in the Group's results through various employee share schemes.

Employee views are also sought through regular employee satisfaction questionnaires, both within business units and across the Group. Following such surveys, results are shared with employees and action plans are put in place to deal with issues arising. The Group's Innovation programme gives high priority to employee engagement as well as seeking the opinions of our customers.

The Group places considerable emphasis on the development of its employees through individual development plans. A scheme to focus on the identification and development of our high potential staff was launched in 2010. Succession plans are in place in each business and these are monitored by the Board.

Environmental policy

Information on the Group's environmental initiatives can be found in the Corporate Responsibility Review on page 36 and in the Corporate Responsibility section of the Company's website, www.nationalexpressgroup.com, where you will find Corporate Responsibility reports, policies and other information.

Charitable and political contributions

Charitable donations made during the year totalled £151,000 (2009: £187,000). It is the Group's policy not to make political donations and accordingly none were made in the year. However, the Company did attend and sponsor various political events during the year for which total expenditure was £14,000 (2009: £11,000).

Creditors' payment policy and practice

It is the Company's policy to agree terms of payment prior to commencing trade with any supplier and to abide by those terms based on the timely submission of satisfactory invoices.

Trade creditor days of the Company for the year ended 31 December 2010 were 23 days (2009: 20 days) based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Financial instruments

Details of the use by the Company and its subsidiaries of financial instruments and any related risk management objectives and policies (including hedging policy) and exposure (including price, credit, liquidity or cash flow risk) of the Company in connection with such financial instruments can be found in the Notes to the Consolidated Accounts on pages 116 to 119 and are incorporated by reference into this report.

Major shareholdings

Disclosures of major shareholdings notified to the Company pursuant to DTR5 are shown on page 46 and these disclosures are incorporated by reference into this report.

Share capital and rights attaching to the Company's shares

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

At 31 December 2010, the Company's issued share capital consisted of a single class of ordinary shares with a nominal value of 5p. At a general meeting of the Company every member has one vote on a show of hands and on a poll one vote for each share held. The Notice of Meeting accompanying this document, specifies deadlines for exercising voting rights either by proxy or by being present in person in relation to resolutions to be passed at a general meeting. Details of the authorised and issued share capital of the Company and details of shares issued during the year can be found in note 32 on page 120.

No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or she or any person with an interest in his or her shares has been sent a notice under Section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or she or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 notice, whichever is earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in shares of that class from taking place on an open or proper basis. The Directors may likewise refuse any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Resolutions will be proposed at the 2011 AGM to authorise the Directors to exercise all powers to allot shares, or grant rights for, or to convert any security into, shares, and approve a limited disapplication of statutory pre-emption rights. Details are set out in the Notice of Meeting accompanying this document.

The Company was granted authority at the AGM in 2010 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. The authority was not used during the year. The authority is renewed annually and approval will be sought at the AGM in 2011 for its renewal. Further details are set out in the Notice of Meeting accompanying this document.

As at 24 February 2011, the Company held a total of 1,668,688 ordinary 5 pence shares (nominal value £83,434) in treasury equal to 0.33% of the issued share capital.

Share schemes

The IFG Trust (Jersey) Limited, as Trustee of the National Express Group Employee Benefit Trust, as at 24 February 2011 held 429,222 shares (0.084% of the share capital) of the Company for employee share schemes. Further details of the Company's employee share schemes can be found in note 7 on page 89 and are incorporated by reference into this report. The Trustee may vote the shares held by the Trust at its discretion.

Articles of Association

Any amendments to the Company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting ("AGM") will be held at 11.00am on 10 May 2011 at Kings Place, 90 York Way, London, N1 9AG. At the meeting, special resolutions will be proposed to authorise the Directors to issue shares without applying statutory pre-emption rights, to authorise the Company to make market purchases of its own shares and to authorise the calling of general meetings (other than Annual General Meetings) on 14 clear days' notice. Full details are provided in the Notice of Meeting. If you would like to register any question you may have in advance of the AGM you can do so at info@nationalexpress.com or you can write to the Company Secretary at National Express Group PLC, National Express House, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham B5 6DD.

Powers of the Directors

Subject to its Articles of Association and relevant statutory law and to any direction that may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting.

Material contracts and change of control agreements

The Company is party to a number of banking agreements which allow for notification of change of control within five days of becoming aware of the event following which repayment of outstanding commitments is to be made within 30 days.

Under the terms of the £1,000,000,000 Euro Medium Term Note Programme under which the Company issued Medium Term Notes ("MTNs") to various institutions on 7 January 2010, there is a change of control put option such that, upon a change of control event, any holder of any MTN may require the Company to redeem or purchase that MTN.

The Group's UK Rail portfolio currently comprises two DfT franchises: National Express East Anglia and c2c. Each rail franchise agreement with DfT contains termination rights for the benefit of DfT which would be triggered by a change of control in National Express Group PLC.

The Group's rail franchisees lease their rolling stock. All of National Express East Anglia's rolling stock leases with HSBC Rail (UK) Limited and its more significant leases with Porterbrook Leasing Company Limited contain termination rights for the benefit of the lessor which would be triggered by a change of control in National Express Group PLC.

The Group's North American business operates school bus services under contracts with school boards. Those contracts invariably contain a change of control clause for the benefit of the board which would be triggered by a change of control in National Express Group PLC. While no one single school bus contract could be considered significant in the context of the Group turnover, the impact on that turnover in the event that each school board exercised its termination right on a change of control would be significant.

Directors' and employees' service contracts

Dean Finch has a provision in his service contract which provides that if there is a change of control within 24 months of his commencement date and directly or indirectly in connection with it the Company initiates a termination other than for cause, or Dean Finch serves notice of termination on the Company on account of provable constructive dismissal, then the period of notice required from the Company will increase from 12 months to 24 months. There are no other agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Auditors

Resolutions to appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration will be proposed at the 2011 AGM.

Disclosure of information to auditors

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

After reviewing the 2011 budget and longer-term plans, the Directors are satisfied that, at the time of preparation of these accounts, it is appropriate to adopt the going concern basis in preparing the accounts. Details of borrowings, liquidity risks and committed facilities can be found in notes 29 and 30 to the Group financial statements and in the Performance and Financial Review.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union or, in the case of the Company's accounts, UK GAAP.

The Directors are required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Group for that period. In preparing those accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information and accounting policies in a manner that provides relevant, reliable and comparable information;
- provide additional disclosures where necessary to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Company and the Group have complied with applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- make judgements and estimates that are reasonable and prudent

The Directors confirm that these accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with relevant legislation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement pursuant to DTR 4

The Directors confirm that, to the best of each person's knowledge:

- (a) the financial statements set out in pages 70 to 146, which have been prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union or, in the case of the Company's accounts, UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group taken as a whole; and
- (b) the Performance and Financial Review on pages 30 to 33 contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board.

Tony McDonald

Secretary

24 February 2011