

First Manchester Limited

Financial statements

31 March 2000

Registered number 2818607



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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

Principal activity

The principal activity of the company is the provision of public transport by road.

Business review

The company made a profit before tax of £8.914m during the year (1999: £10.607m).

Financial matters

The results for the year are given in the profit and loss account on page 6.

The directors recommend the payment of a dividend of £16.000m (1999: £10.500m).

Fixed assets

In the opinion of the directors, there were no material differences between the market values of the company's properties and their net book values.

Post balance sheet event

Shortly after the year end a property carried in the books at £740,000 was sold for this amount, creating neither a profit nor a loss (see note 24).

Creditors

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as fuel and tyres and commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. At 31 March 2000 the company had 61 days (31 March 1999: 54 days) purchases outstanding.

Directors and directors' interests

The directors who held office during the year, together with those consequently appointed are as follows:

RA Duncan (Chairman)

DJ Leonard

TH Oliver

RE Turner

GS Raven (Appointed 13 May 1999)

R O'Toole (Resigned 5 July 1999)

RW Dickinson (Resigned 13 May 1999)

GA Houston (Appointed 13 May 1999)

RJ Gard (Appointed 13 May 1999)

JD Ashmore (Appointed 13 May 1999, resigned 24 May 2000)

None of the directors held any shares in the company at any time during the year.

Directors' report *(continued)*

The following directors who held office at the end of the year had the following interests in the ordinary shares of FirstGroup plc:

Director	Ordinary shares	
	At end of year 5p shares	At beginning of year or date of appointment 5p shares
TH Oliver	1,169	1,109
DJ Leonard	273	159

Share options under save as you earn plan

	Previous exercise price (p)	Revised exercise price (p)	Granted during the year 5p shares	Adjustment for bonus element of rights issue 5p shares	At end of year 5p shares
TH Oliver	373.00	359.73	311	12	323
DJ Leonard	373.00	359.73	311	12	323

The number of options and the exercise price were varied during the year to take account of the dilutive effect of the FirstGroup plc rights issue.

The interests of RA Duncan in the ordinary shares of FirstGroup plc are disclosed in the directors report of FirstGroup plc. The interests of other directors in the ordinary shares of FirstGroup plc are disclosed in the directors' report of GMBN (Holdings) Limited.

There is no contract or arrangement with the company or any of its fellow group undertakings, other than service contracts, in which any of the directors is materially interested and which is significant in relation to the business of the company or any of its fellow group undertakings taken as a whole.

Employee involvement

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

FirstGroup plc, the company's ultimate holding company, is committed to wide employee share ownership and has established an Employee Share Ownership Plan. The board of FirstGroup plc has resolved to allocate 5% of the Group's consolidated pre-tax profit to the ESOP. The trustees will use this to acquire shares in FirstGroup plc which will then be appropriated to participating employees of subsidiary undertakings.

Directors' report *(continued)*

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Year 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business. However, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

Auditors

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually; Deloitte & Touche have indicated their willingness to continue as auditors of the company and are therefore deemed to be reappointed for a further term.

By order of the board

Wallshaw Street
Oldham
OL1 3TR



G A Houston
Secretary

25th July 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of First Manchester Limited

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

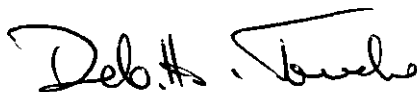
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Chartered Accountants and
Registered Auditors*

2 August 2000

Hill House
1 Little New Street
London
EC4A 3TR

Profit and loss account
for the year ended 31 March 2000

	<i>Notes</i>	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Turnover			
continuing operations	2	68,191	68,138
Operating costs			
General		(57,289)	(55,566)
Employees' profit sharing scheme		(450)	(380)
Total operating costs	3	(57,739)	(55,946)
Operating profit			
continuing operations		10,452	12,192
Net interest payable and similar charges	6	(1,538)	(1,585)
Profit on ordinary activities before taxation	2	8,914	10,607
Tax on profit on ordinary activities	8	(1,051)	(2,136)
Profit for the financial year		7,863	8,471
Equity dividends paid	9	(16,000)	(10,500)
Retained loss for the financial year	19	(8,137)	(2,029)

No statement of total recognised gains and losses is given as all gains or losses for the year passed through the profit and loss account.

Balance sheet
at 31 March 2000

	<i>Note</i>	31 March 2000 £000	31 March 1999 £000
Assets employed:			
Fixed assets			
Intangible assets	10	1,371	1,445
Tangible assets	11	45,674	46,854
Investments	12	1,405	1,405
		48,450	49,704
Current assets			
Investments held for resale	13	740	-
Stocks	14	660	710
Debtors	15	9,997	11,639
Cash at bank and in hand		10,906	5,567
		22,303	17,916
Creditors: amounts falling due within one year (including convertible debt)	16	(52,507)	(35,385)
Net current (liabilities)/assets			
Due within one year		(35,755)	(23,228)
Amounts due after more than one year	15	5,551	5,759
		(30,204)	(17,469)
Net current liabilities			
		(30,204)	(17,469)
Total assets less current liabilities		18,246	32,235
Creditors: amounts falling due after more than one year	16	(11,149)	(17,904)
Provisions for liabilities and charges	17	(1,501)	(598)
		5,596	13,733
Financed by:			
Capital and reserves			
Called up share capital	18	-	-
Reserve arising on acquisition	19	-	5,414
Profit and loss account	19	5,596	8,319
		5,596	13,733
Equity shareholders' funds			
		5,596	13,733

These financial statements were approved by the board of directors on 25th July 2000 and were signed on its behalf by:


G S RAVEN
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2000

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Profit for the financial year	7,863	8,471
Dividends	(16,000)	(10,500)
Net reduction in shareholders' funds	(8,137)	(2,029)
Shareholders' funds at beginning of year	13,733	15,762
Shareholders' funds at end of year	<u>5,596</u>	<u>13,733</u>

No note of historical cost profits and losses is given as there were no material differences between the results as set out in the profit and loss account, and their historical cost equivalents.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting reference date

The directors make up accounts to 31 March each year, however the cut off date is the previous Saturday each year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Fixed assets and depreciation

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	-	50 years straight line
Long leasehold properties	-	50 years or the lease term which ever is less, straight line
Passenger carrying vehicles:	-	3 to 15 years straight line
Other plant and equipment	-	3 to 15 years straight line

No depreciation is provided on freehold land or the land element of long leasehold properties.

Investments

Fixed asset investments are shown at cost less provision for permanent impairment.

Leases and hire purchase

Assets held under finance leases, which are those leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and under hire purchase contracts are recorded in the balance sheet as tangible fixed assets. Depreciation is provided on these assets over the shorter of their estimated useful lives or lease term, as appropriate.

Future obligations under finance leases and hire purchase contracts are included in creditors, net of finance charges. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations. The finance charges are calculated in relation to the reducing amount of obligations outstanding and are charged to the profit and loss account on the same basis.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

Accounting policies (continued)

Government grants

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Rebates in respect of duty paid on fuel are netted off operating costs.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Goodwill

Purchased goodwill is capitalised and classified as an asset on the balance sheet. Prior to 1 April 1998, purchased goodwill was written off to reserves in the year it was acquired. This goodwill has not been reinstated.

Where capitalised goodwill is regarded as having a limited useful economic life, it is amortised over that life, but where capitalised goodwill is regarded as having an indefinite useful economic life, it is not amortised. Where capitalised goodwill is amortised over a life of greater than 20 years, or is not amortised, annual impairment reviews are conducted to compare the book value with the recoverable amount. If the recoverable amount has fallen below the book value, the goodwill is written down to the recoverable amount immediately.

All capitalised goodwill in the balance sheet at the year end is being amortised over a period of 20 years on a straight line basis.

Pension costs

Retirement benefits are provided for most employees of the company by means of a defined benefit pension scheme. This is funded by contributions from the company and employees. The company's contributions are charged to the profit and loss account based on recommendations by an independent actuary, in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees. The difference between the charge to the profit and loss account and the contributions paid by the company is shown as an asset or liability in the balance sheet and the tax effect of this timing difference is included in deferred taxation.

2 Turnover and profit before taxation

Turnover represents the amounts receivable for services supplied to customers during the year.

The whole of the turnover and profit before taxation derives from the company's principal activities within the United Kingdom.

Notes (continued)

3 Operating costs

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Materials and consumables	15,702	16,030
Staff costs	36,832	35,542
Depreciation and other amounts written off tangible fixed assets		
- owned assets	1,455	1,255
- leased assets	2,987	2,759
Write down of current asset investment	259	-
Amortisation of goodwill	74	-
Other external charges	430	360
	57,739	55,946

4 Employee numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Year to 31 March 2000 No	Year to 31 March 1999 No
Drivers	1,674	1,632
Maintenance and traffic	394	427
Administration	97	93
	2,165	2,152

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Wages and salaries	32,884	31,547
Social security costs	2,344	2,492
Other pension costs	1,604	1,503
	36,832	35,542

Notes (continued)

5 Directors' remuneration

The remuneration of the directors during the year was as follows:

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Aggregate emoluments (excluding pension contributions)	275	340

Retirement benefits accrue to 7 directors under defined benefit schemes. The emoluments of the highest paid director amounted to:

	Year to 31 March 2000 £	Year to 31 March 1999 £
Aggregate emoluments	100,273	95,512
Defined benefit pension scheme		
Accrued pension at end of the year	6,350	29,553
Accrued lump sum at end of year	-	88,659

The highest paid director is a member of a defined benefit scheme in a fellow subsidiary. Details can be found in Yorkshire Riders Limited accounts in note 22.

6 Net interest payable and similar charges

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Finance charges payable in respect of finance leases and hire purchase contracts	1,540	1,587
Income from short term deposits	(2)	(2)
	1,538	1,585

Notes (continued)

7 Profit on ordinary activities before taxation

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- audit fee	24	31
- non audit	1	2
Depreciation and other amounts written off tangible fixed assets	4,442	4,014
Amounts written off current asset investments	259	-
Profit on sale of fixed assets	18	-
Amortisation of goodwill	74	-
Rentals payable under operating leases		
- plant and machinery	233	277
- land and buildings	24	97
	<u>233</u>	<u>277</u>

8 Tax on profit on ordinary activities

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
UK corporation tax at 30%		
Current year	444	-
Prior years	-	(2)
Advance corporation tax written back	(296)	-
Transfer from deferred tax		
Current year	1,444	1,971
Prior year	(541)	167
	<u>1,051</u>	<u>2,136</u>

The tax charge is low due to the utilisation of brought forward losses.

Notes (continued)

9 Equity dividends

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Ordinary shares of £1 each		
- final paid £160,000 per share; (1999 : £105,000 per share)	16,000	10,500
	<u>16,000</u>	<u>10,500</u>

10 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	1,445
	<u>1,445</u>
Amortisation	
Charge for the year	74
	<u>74</u>
At end of year	74
	<u>74</u>
Net Book Value	
At 31 March 2000	1,371
	<u>1,371</u>
At 31 March 1999	1,445
	<u>1,445</u>

The directors have reviewed the useful economic life of the above goodwill. In their opinion it has a life of 20 years and is being amortised over that period on a straight line basis.

Notes (continued)

11 Tangible fixed assets

	Land and buildings	Passenger carrying vehicle fleet	Other plant and equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	9,835	60,175	1,885	71,895
Additions	544	3,225	457	4,226
Intra group transfers	-	796	15	811
Transfer to current assets	(1,092)	-	-	(1,092)
Disposals	-	(1,157)	(35)	(1,192)
At end of year	9,287	63,039	2,322	74,648
Depreciation				
At beginning of year	919	23,055	1,067	25,041
Charge for year	163	4,052	227	4,442
Intra group transfers	-	756	14	770
Transfer to current assets	(93)	-	-	(93)
Disposals	-	(1,151)	(35)	(1,186)
At end of year	989	26,712	1,273	28,974
Net book value				
At 31 March 2000	8,298	36,327	1,049	45,674
At 31 March 1999	8,916	37,120	818	46,854

The net book value of land and buildings comprises:

	31 March 2000 £000	31 March 1999 £000
Freehold	3,484	4,010
Long leasehold	4,814	4,906
	8,298	8,916

Certain properties are subject to profit clawback arrangements if sold within a specified period.

£30.216m (1999: £32.486m) of net book value of the passenger carrying vehicle fleet and £0.009m (1999 : £0.014m) of other plant and equipment was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the year were £2.895m (1998 : £2.667m) and £0.004m (1999 : £0.045m) respectively.

Notes (continued)

12 Fixed asset investments

	Subsidiary undertakings unlisted £000
Shares	
Cost	
At beginning of year and end of the year	1,506
Provisions at the beginning and end of the year	(101)
Net book value at the beginning and end of the year	1,405

The company owns 100% of the issued share capital of Lancashire United Transport Limited and Bolton Coachways Limited, two dormant companies and First Pioneer Limited, a public transport company.

All subsidiary undertakings are wholly owned at the end of the year. All these companies are incorporated in Great Britain and registered in England and Wales.

All shares held in subsidiary undertakings are ordinary shares.

Group accounts are not presented as the company is a wholly owned subsidiary undertaking of FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

13 Investments held for resale

During the year the company ceased to occupy a property. In line with accounting policy the property has been transferred to current asset investments awaiting resale. The property has been written down to estimated net realisable value.

	£000
Cost transferred from fixed assets	1,092
Accumulated depreciation transferred from fixed assets	(93)
Written down in the year	999
	(259)
Net Book Value at the end of the year	740

The property was disposed of after the year end. See note 24, Post balance sheet event.

Notes (continued)

14 Stocks

31 March 2000	31 March 1999
£000	£000
Spare parts and consumables	
660	710
660	710

15 Debtors

31 March 2000	31 March 1999
£000	£000
Amounts due within one year	
Trade debtors	1,667
Amounts owed from group undertakings	2,143
Other debtors	975
Prepayments and accrued income	924
Pension fund prepayment (see note 23)	168
Corporation tax recoverable	3
4,446	5,880

Amounts due after more than one year

Pension fund prepayment (see note 23)	5,551	5,759
Total debtors	9,997	11,639

Notes (continued)

16 Creditors

Amounting falling due within one year

	31 March 2000 £000	31 March 1999 £000
Obligations under finance leases and hire purchase contracts	7,146	7,274
Trade creditors	3,926	2,385
Amounts owed to group undertakings	33,785	17,484
Corporation tax	148	-
Other tax and social security	678	623
Other creditors	366	1,029
Accruals and deferred income	6,458	6,590
	52,507	35,385

Amounts falling due after more than one year

Obligations under finance leases and hire purchase contracts		
Due in more than one year but not more than two years	5,177	7,041
Due between two and five years	5,972	10,863
	11,149	17,904

Finance lease and hire purchase contract liabilities are secured on the assets to which they relate. The contracts vary in length between five and ten years and are on normal commercial terms at negotiated rates.

Notes (continued)

17 Provision for liabilities and charges

	Deferred tax £000
At beginning of year	598
Current year charge	1,444
Adjustment in respect of prior years	(541)
At end of year	<u>1,501</u>

The amounts provided for deferred taxation and the amounts not provided are set out below. The amounts unprovided represent contingent liabilities and are calculated using a tax rate of 30% (1999 : 31%).

	31 March 2000		31 March 1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	4,756	-	4,150
Other timing differences	1,501	-	1,520	-
Trading losses	-	-	(922)	-
Unrealised capital gains	-	469	-	466
	<u>1,501</u>	<u>5,225</u>	<u>598</u>	<u>4,616</u>

18 Called up share capital

	31 March 2000 £	31 March 1999 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

19 Reserves

	Reserve arising on acquisition £000	Profit and loss account £000
At beginning of year	5,414	8,319
Retained loss for the year	-	(8,137)
Transfer to Profit and Loss account	(5,414)	5,414
At end of year	<u>-</u>	<u>5,596</u>

Following the introduction of FRS 10, £5,414,000 has been transferred from the reserve arising on acquisition to the Profit and Loss Account. This transfer has no effect on distributable reserves. The cumulative amount of negative goodwill added to the Profit and Loss account is £9,479,000.

Notes (continued)

20 Commitments

Capital expenditure

(a) There are no capital commitments:

(b) Operating leases which expire:

	31 March 2000 £000 Plant and machinery	31 March 1999 £000 Plant and machinery
Within one year	76	8
From two to five years	182	278
	258	286

21 Contingent liabilities

The company has guaranteed the bank overdrafts of certain fellow subsidiary undertakings. The amount outstanding at the end of the year under such guarantees was £2.5m (1999 - £2.1m).

The company has guaranteed the bank loans of its holding company under various term facilities. The amount of the guaranteed bank loan at the end of the year was £592.300m (1999: £161.000m).

The company is a member of a VAT group covering a number of subsidiary undertakings. All members are joint and severally liable in respect of any VAT owed to HM Customs and Excise.

22 Related Party Transactions

The company has taken advantage of the exemption conferred by para 3 of FRS 8 "Related Party Disclosures" in not disclosing any transactions with other members of the FirstGroup plc group.

Notes (continued)

23 Pension scheme

The company participates in the Greater Manchester County Superannuation Fund, which operates within the requirements of the Local Government Superannuation Regulations and provides benefits of the defined type. The assets of the scheme are held in separate trustee administered funds. In addition the company provides self funded and ex-gratia benefits, supplementing those payable from the Greater Manchester County Superannuation Fund and also operates a defined contribution pension scheme and also participates in a further defined benefit scheme.

An actuarial assessment of the scheme was carried out as at 31 March 1998 by the fund's actuary.

Cash contribution rates are determined by the fund's actuary on the basis of triennial valuations. As a result of this valuation carried out at 31 March 1998, a cash contribution rate of 6.3% to the fund is anticipated by the company until 2000.

The total pension charge for the company to the profit and loss account during the year was £1.604m (1999: £1.503m). The cash contribution rate was determined using the projected unit method and assumed investment returns would be 7% per annum, earnings increases would average 4.9% per annum and present and future pensions would increase at the rate of 3.4% per annum. The prepayment in respect of the fund benefits is £5.763m (1999 : £5.926m).

	31 March 2000 £000	31 March 1999 £000
Surplus on defined benefit fund	10,572	11,136
Provision for self funded provisions	(4,809)	(5,210)
	5,763	5,926

24 Post balance sheet event

£000

A property was disposed of shortly after the year end at the following values:

Net book value	740
Sales proceeds (net of legal and other selling costs)	(740)
Profit/(loss)	-

25 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate holding company is FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstGroup plc can be obtained from Corporate Headquarters of this company at 32a Weymouth Street, London, W1N 3FA. The immediate controlling party is GMBN (Holdings) Limited.