

FIRST MANCHESTER LIMITED

Report and Financial Statements

31 March 2002



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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

The company made a profit before tax of £9.442m (2001 - £8.049m) during the year.

The results for the year are given in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (2001 - £11.640m).

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.

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 2002 the company had 53 days (31 March 2001: 79 days) purchases outstanding.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

R A Duncan	(resigned 12 December 2001)
D J Leonard	
T H Oliver	
G S Raven	
G A Houston	
R J Gard	
S P Chapman	
M J Mitchell	(appointed 12 December 2001)
D J Leeder	(appointed 12 December 2001)
V Brown	(appointed 1 July 2001)

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

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

	Ordinary 5p shares	
	At end of year	At beginning of year
T H Oliver	1,591	1,546
D J Leonard	403	358

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

Share options under long-term incentive plan

	Previous exercise price (p)	Revised exercise price (p)	At start of year 5p shares	Granted during the year 5p shares	Adjustment for bonus element of rights issue 5p shares	At end of year 5p shares
T H Oliver	373.00	359.73	323	-	-	323
D J Leonard	373.00	359.73	323	-	-	323

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

The interests of Miss Brown and Messrs Raven, Houston, Gard, Chapman and Leeder in the shares of First Group plc are disclosed in the directors' report of First North West Limited.

The interests of M J Mitchell in the ordinary shares of FirstGroup plc are disclosed in the directors' report of FirstGroup plc. There is no contract or arrangement with the company or any of its fellow group undertakings, other than service contracts or loan notes mentioned above, 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.

Information including details of exercise prices related to the long term incentive plan are given in Note 33 to the Financial Statements of FirstGroup plc.

EMPLOYMENT 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.

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.

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 re-appointed for a further term.

Approved by the Board of Directors
and signed on behalf of the Board

21/9/02

V Brown

Director



Wallshaw Street, Oldham, OL1 3TR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST MANCHESTER LIMITED

We have audited the financial statements of First Manchester Limited for the year ended 31 March 2002, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, reconciliation of movement in shareholders' funds and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

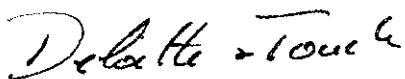
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and Registered Auditors

London

2 September 2002

FIRST MANCHESTER LIMITED

**PROFIT & LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002**

	Note	2002 £'000	2001 Restated Note 16 £'000
TURNOVER – continuing operations	2	71,367	68,545
OPERATING COSTS			
General		(60,406)	(58,916)
Employees' profit sharing scheme		(263)	(190)
TOTAL OPERATING COSTS	4	(60,669)	(59,106)
OPERATING PROFIT – continuing operations		10,698	9,439
Net interest payable and similar charges	5	(1,256)	(1,390)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	9,442	8,049
Tax on profit on ordinary activities	7	(2,278)	(2,842)
PROFIT FOR THE FINANCIAL YEAR		7,164	5,207
Equity dividends paid	8	-	(11,640)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	18	7,164	(6,433)

The profit and loss account for the year ended 31 March 2001 has been restated for the adoption of FRS19.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2002**

	2002	2001
		Restated
	£'000	Note 16
		£'000
Profit for the Financial Year	7,164	5,207
Prior Period Adjustment (see note 16)	<u>(5,963)</u>	<u>-</u>
Total recognised gains since last Annual Report	1,201	5,207

The Statement of Total recognised Gains and Losses for the year ended 31st March 2001 has been restated for the adoption of FRS19.

BALANCE SHEET
31 March 2002

	Note	2002		2001
		£'000	£'000	Restated Note 16 £'000
FIXED ASSETS				
Intangible assets	9	1,307		1,377
Tangible assets	10	53,280		54,032
Investments	11	1,405		1,405
			55,992	56,814
CURRENT ASSETS				
Stocks	12	732		678
Debtors	13	21,243		22,964
Cash at bank and in hand		(862)		37
		21,113		23,679
CREDITORS: amounts falling due within one year	14	(60,034)		(65,431)
Due within one year		(44,866)		(47,547)
Amounts due after more than one year	13	5,945		5,795
NET CURRENT LIABILITIES			(38,921)	(41,752)
TOTAL ASSETS LESS CURRENT LIABILITIES			17,071	15,062
CREDITORS: amounts falling due after more than one year	15		(7,144)	(12,957)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(8,279)	(7,621)
			1,648	(5,516)
CAPITAL AND RESERVES				
Called up share capital	17		-	-
Profit and loss account	18		1,648	(5,516)
EQUITY SHAREHOLDERS' FUNDS			1,648	(5,516)

The balance sheet as at 31 March 2001 has been restated for the adoption of FRS19.

These financial statements were approved by the Board of Directors on *2nd September 2002*
Signed on behalf of the Board of Directors



V Brown - Director

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
YEAR ENDED 31 MARCH 2002**

	2002	2001
	£'000	Restated Note 16 £'000
PROFIT FOR THE FINANCIAL YEAR	7,164	5,207
Dividends	-	(11,640)
Net addition / (reduction) in shareholders' funds	7,164	(6,433)
Shareholders' funds/(defecit) at beginning of year	(5,516)	917
Shareholders' funds/(deficit) at end of year	1,648	(5,516)

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.

The opening shareholders' funds at 1 April 2001 as previously reported amounted to £447,000 before the prior year adjustment of £5,963,000 arising from the adoption of FRS19. The adjustment above is the restatement as indicated in note 16.

NOTES TO THE ACCOUNTS**Year ended 31 March 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

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	7 to 15 years straight line
Other plant and equipment	3 to 8 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 date 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.

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 company has adopted FRS19 on Deferred Tax. 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. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES (continued)

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.

Cash Flow Statement

The Company has taken advantage of the exemption conferred by FRS1 "cash flow statements" in not producing a cash flow statement as it is a wholly owned subsidiary of a UK company which produces consolidated financial statements including a consolidated cash flow statement.

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 profit before taxation derives from the company's principal activities within the United Kingdom.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
The remuneration of the directors during the year was as follows:		
Aggregate emoluments (excluding pension contributions)	340	317

Retirement benefits accrue to 7 (2001 – 7) under defined benefit schemes. The emoluments of the highest paid director amounted to:

	2002 £	2001 £
Aggregate emoluments	129,304	122,217
Defined benefit pension scheme		
Accrued pension at end of the year	6,375	6,375
Accrued lump sum at end of year	-	-

The highest paid director is a member of a defined benefit scheme in a fellow subsidiary. Details can be found in Yorkshire Rider Limited's accounts in note 21.

	2002 No	2001 No
Average number of persons employed		
Drivers	1,702	1,718
Maintenance and traffic	326	337
Administration	98	95
	2,126	2,150

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	34,479	34,062
Social security costs	2,492	2,448
Pension costs	1,276	1,402
	38,247	37,912

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

4. OPERATING COSTS

	2002 £'000	2001 £'000
Materials and consumables	16,842	16,262
Staff costs	38,247	37,912
Depreciation and other amounts written off tangible fixed assets		
- owned assets	2,438	1,465
- leased assets	2,809	3,206
Amortisation of goodwill	70	71
Other external charges	263	190
	<u>60,669</u>	<u>59,106</u>

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Finance charges payable in respect of finance leases and hire purchase contracts	<u>1,256</u>	<u>1,390</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £'000	2001 £'000
Profit on ordinary activity before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets	5,247	4,671
Loss/(Profit) on sale of fixed assets	30	(11)
Amortisation of goodwill	70	71
Rentals payable under operating leases		
- plant and machinery	206	216
- land and buildings	72	29
Auditors' remuneration		
- audit fee	16	7
- non audit	-	2
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000 Restated
UK corporation tax charge for the year		
Current year	-	-
Prior years	(19)	(81)
Group relief payable	2,171	1,190
Recoverable advance corporation tax previously written off	(532)	292
	<u>1,620</u>	<u>1,401</u>
Deferred taxation		
Origination and reversal of timing differences	733	1,323
Adjustment in respect of prior periods	(75)	118
	<u>658</u>	<u>1441</u>
	<u>2,278</u>	<u>2,842</u>

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the profit on ordinary activities for 2001 has been increased by £1,284,000.

The impact of adopting FRS19 on the 2002 results is an increase to the tax charge of £780,000.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation.

	2002 %	2001 %
Standard rate of tax	30.0	30.0
Factors affecting charge		
Disallowable expenses	0.8	0.9
Differences between capital allowances and depreciation	(8.1)	(15.6)
Other timing differences	0.3	(0.5)
Prior years tax charge	(0.2)	(1.0)
Recoverable ACT previously written off	(5.6)	3.6
Current tax rate for the year	<u>17.2</u>	<u>17.4</u>

No provision is made for tax of £0.47m (2001 – £0.47m), which would arise on disposal of revalued properties. The company does not intend to dispose of these properties without reinvestment of the sale proceeds.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

8. EQUITY DIVIDENDS

	2002 £'000	2001 £'000
Ordinary shares of £1 each		
- final paid nil per share (2001 : £116,400 per share)	-	11,640
	<u> </u>	<u> </u>

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At beginning and end of year	1,522
	<u> </u>
Amortisation	
At beginning of year	145
Charge for the year	70
	<u> </u>
At end of year	215
	<u> </u>
Net book value	
At 31 March 2002	1,307
	<u> </u>
At 31 March 2001	1,377
	<u> </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 TO THE ACCOUNTS
Year ended 31 March 2002

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Passenger carrying vehicle fleet £'000	Other plant and equipment £'000	PFI Infra- structure £'000	Total £'000
Cost					
At beginning of year	9,445	76,034	3,349	412	89,240
Additions	377	532	749	-	1,658
Intra group transfers	-	5,759	101	-	5,860
Disposals	-	(2,710)	(6)	-	(2,716)
At end of year	9,822	79,615	4,193	412	94,042
Depreciation					
At beginning of year	1,174	32,602	1,432	-	35,208
Charge for year	194	4,714	339	-	5,247
Intra group transfers	-	2,947	74	-	3,021
Disposals	-	(2,708)	(6)	-	(2,714)
At end of year	1,368	37,555	1,839	-	40,762
Net book value					
At 31 March 2002	8,454	42,060	2,354	412	53,280
At 31 March 2001	8,271	43,432	1,917	412	54,032

The net book value of land and buildings comprises:

	2002 £'000	2001 £'000
Freehold	3,826	3,551
Long leasehold	4,628	4,720
	8,454	8,271

PFI fixed assets are assets under the course of construction and therefore not yet depreciated.

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

£20.750m (2001: £32.270m) of net book value of the passenger carrying vehicle fleet and £0.007m (2001: £0.010m) of other plant and equipment was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the year were £2.714m (2001 - £3.112m) and £0.003m (2001 - nil) respectively.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

11. FIXED ASSET INVESTMENTS

	Subsidiary undertakings unlisted £'000
Shares	
Cost at the beginning and end of year	1,506
Provisions at the beginning and end of 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.

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.

12. STOCKS

	2002 £'000	2001 £'000
Spare parts and consumables	732	678

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

13. DEBTORS

	2002	2001
	£'000	£'000
Amounts due within one year		
Trade debtors	3,331	1,550
Amounts owed from group undertakings	9,828	13,946
Other debtors	1,477	1,045
Prepayments and accrued income	446	413
Pension fund prepayment (see note 22)	216	215
	<u>15,298</u>	<u>17,169</u>
Amounts due after more than one year		
Operators licence due after more than one year	113	167
Pension fund prepayment (see note 22)	5,832	5,628
	<u>21,243</u>	<u>22,964</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Obligations under finance leases and hire purchase contracts	5,812	6,915
Trade creditors	2,447	3,541
Amounts owed to group undertakings	45,106	47,512
Corporation tax	1,069	359
Other tax and social security	1,146	953
Other creditors	337	194
Accruals and deferred income	4,117	5,957
	<u>60,034</u>	<u>65,431</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£'000	£'000
Obligations under finance leases and hire purchase contracts		
Due in more than one year but not more than two years	3,952	5,813
Due between two and five years	3,192	7,144
	<u>7,144</u>	<u>12,957</u>

Finance lease and hire purchase contract liabilities are secured on the assets to which they relate.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Balance at 31 March 2001 as previously reported	1,658
Prior year adjustment	5,963
At 31 March 2001 restated	7,621
Profit and loss account charge	658
At end of year	<u>8,279</u>

The provision for deferred tax consists of the following amounts.

	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	6,631	5,983
Other timing differences	1,648	1,638
	<u>8,279</u>	<u>7,621</u>

17. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised, allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

18. PROFIT & LOSS ACCOUNT

	£'000
At 31 March 2001 as previously reported	447
Prior year adjustment	(5,963)
At 31 March 2001 restated	<u>(5,516)</u>
Retained profit for the year	7,164
At end of year	<u>1,648</u>

The cumulative amount of negative goodwill added to the profit and loss account is £9,479,000.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

19. COMMITMENTS

Capital expenditure

There are no capital commitments in the current or prior year.

Operating leases

Commitments for payments in the next year under operating leases are as follows:

	Land and buildings 2002 £'000	Land and buildings 2001 £'000	Plant and machinery 2002 £'000	Plant and machinery 2001 £'000
Operating leases which expire:				
Within one year	0	0	58	27
From two to five years	66	60	241	310
More than five years	12	12	44	13
	<u>78</u>	<u>72</u>	<u>343</u>	<u>350</u>

20. 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 nil (2001 - £2.7m).

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 £315.1m (2001 - £515.3m).

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.

21. RELATED PARTY TRANSACTIONS

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

22. 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.

Cash contribution rates are determined by the fund's actuary on the basis of triennial valuations.

As a result of the previous actuarial valuation carried out at 31 March 2001, a cash contribution rate of 7.0% to the fund is anticipated by the company until 2004.

The total pension charge for the company to the profit and loss account during the year was £1.276m (2001 - £1.402m). The past contribution rate was determined using the projected unit method and assumed investment returns would be 6.25% per annum, earnings increases would average 4.3% per annum and present and future pensions would increase at the rate of 2.8% per annum. The prepayment in respect of the fund benefits is £6.048m (2001 - £5.843m).

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

22. PENSION SCHEME (continued)

	2002	2001
	£'000	£'000
Surplus on defined benefit fund	10,046	10,217
Provision for self funded provisions	(3,998)	(4,374)
	<u>6,048</u>	<u>5,843</u>

The additional disclosures required by FRS 17 during the transitional period for the defined benefit scheme are set out below, based on the most recent actuarial valuations described above, which have been updated by independent professional qualified actuaries to take account of the requirements of FRS 17.

The main financial assumptions used in this update were as follows

Rate of increase of salaries	4.00%
Rate of increase of pensions in payment	2.50%
Discount rate	6.00%
Inflation assumption	2.50%

The value of the Scheme's assets and the expected rates of return as at 31 March 2002 were:

	Expected rate of return	Value £m
Equities	8.0%	74.3
Bonds	5.1%	29.2
Property	6.6%	9.8
Other	4.5%	12.2
		<u>125.5</u>
Total market value of assets		125.5
Present value of scheme liabilities		<u>(122.3)</u>
Surplus in the scheme		3.2
Related deferred tax liability		<u>(1.0)</u>
Net pension surplus		<u>2.2</u>

If FRS 17 had been adopted in these financial statements, the company's net assets and profit and loss reserve at 31 March 2002 would have been as follows:

	£m
Net assets excluding pension surplus	1.6
Pension asset	<u>2.2</u>
	3.8
Less: SSAP 24 items included in net assets that will be reversed on implementation of FRS 17	<u>(4.2)</u>
Net assets on FRS 17 basis	<u>(0.4)</u>
	£m
Profit and loss reserve excluding pension surplus	1.6
Pension asset	<u>2.2</u>
	3.8
Less: SSAP 24 items included in net assets that will be reversed on implementation of FRS 17	<u>(4.2)</u>
Profit and loss reserve on FRS 17 basis	<u>(0.4)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate holding company and controlling party is FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstGroup plc can be obtained from the London office of this company at 3rd Floor Macmillan House, Paddington Station, London W2 1FG. The immediate parent company is First North West Limited (formerly GMBN (Holdings) Limited).