Company Registration No. 2818607

FIRST MANCHESTER LIMITED

Report and Financial Statements

For the 52 weeks ended 28 March 2009

FRIDAY
B9295H2J
B08 29/01/2010 95
COMPANIES HOUSE

FIRST MANCHESTER LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

Contents

	Page
Directors' report	1
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Reconciliation of movements in shareholders' funds	9
Statement of total recognised gains and losses	10
Notes to the financial statements	11

FIRST MANCHESTER LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the 52 week period ended 28 March 2009. The comparative period covers the 52 week period ended 29 March 2008.

The company is a wholly owned subsidiary of FirstGroup plc and operates as part of the group's UK Bus Division.

Principal activities

The company's principal activity is the provision of bus and coach operations in and around Greater Manchester. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Business review

As shown in the company's profit and loss account on page 7, the company's sales have increased by 3.5% over the prior period and operating costs have increased by 6.3%.

The balance sheet on page 8 of the financial statements shows the company's financial position at the period-end. Net assets have decreased from £3,875,000 to net liabilities of £16,933,000 as a result of the decrease in the pension asset by £19,808,000.

Capital expenditure was £20,147,000 (2008: £6,427,000) in the period. See note 12 on page 19.

The directors continue to carry out regular detailed reviews of route profitability, to ensure that company resources are managed as efficiently as possible whilst matching service provision with demand and driving down unit costs through operational efficiencies and higher productivity. This has resulted in decreased sales revenue and unit costs, but higher operating margins.

Safety remains the highest priority. The directors are continuously developing and improving processes to ensure that a 'Safety First' culture is embedded throughout the company, and strive to make our services as safe as possible for our passengers and our staff.

FirstGroup plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK Bus Division of FirstGroup plc, which includes the company, is discussed in the group's Annual Report, which does not form part of this Report.

Risks and uncertainties

There are a number of potential risks and uncertainties that could have an impact on the company's long-term performance. The directors have established an ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the company and continue to assess these on a regular basis in the light of internal and external events.

Specific business risks faced by the company include competitive pressures, legislation & regulation and increasing labour, fuel and insurance costs. The directors are aware of the continual change in laws and other regulations and the increasing costs of compliance. The directors conduct regular reviews of safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other areas to ensure they are appropriate and operating effectively.

Labour costs represent the most significant element of the company's operating costs. The directors continue to monitor employee recruitment, training, personal development and remuneration to ensure the company attracts and retains the right people. Fuel costs also represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the directors seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures. Finally, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

DIRECTORS' REPORT (continued)

Going concern

The Directors have considered the going concern assumption given the current economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The Directors have considered the company forecasts and the financial commitment from the parent company in forming this judgement.

The parent company has provided the Directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The Directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making enquiries and considering the above facts, the Directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Outlook

The trading environment for the next 12 months is set to continue to be challenging. In spite of this, the directors remain optimistic about the current and future opportunities to grow the business, with innovative ideas, improved service quality and reliability while retaining a tight control on costs.

The directors remain confident that the company's activities will generate a satisfactory result in the coming year.

Environmental

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report, which do not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Through our core business activities we are committed to providing safe, good quality, reliable and cost effective public transport to all our customers. Our core business strategy is to increase customer numbers and encourage a greater move towards the use of bus transport. This will support the needs of society to achieve more sustainable travel. We recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

Financial matters

The results for the period are given in the profit and loss account on page 7.

The directors have not recommended payment of a final dividend. An interim dividend of £5,000,000 (2008 - £11,500,000) was paid in the period.

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.

Supplier payment policy

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 28 March 2009 the company had 48 days (2008 – 28 days) purchases outstanding.

DIRECTORS' REPORT (continued)

Financial instruments

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments.

Directors

The directors who held office throughout the period and subsequently appointed are as follows:

D A Kaye
M S Wilson (resigned 5 January 2010)
A M Scholey
R L Mason
C Stafford (resigned 13 January 2009)
S C Bennett (resigned 11 February 2009)
R M Davies (appointed 13 January 2009)
I P Robinson (appointed 13 January 2009)
C L Johnson (appointed 22 June 2009)

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 14.

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. Employee involvement has been extended by the appointment of an employee director nominated by the workforce.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement 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.

Audit information

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

DIRECTORS' REPORT (continued)

Auditors

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP. The company has passed an elective resolution dispensing with the requirement to appoint auditors annually; Deloitte LLP have indicated their willingness to continue as auditors of the company and are therefore deemed to be reappointed for a further term.

Approved by the Board of Directors
And signed by order of the Board

A M Scholey

A M Scholey
Director
28 January 2010

Wallshaw Street
Oldham
OL1 3TR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 52 week period ended 28 March 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 March 2009 and of its profit for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom
28 January 2010

FIRST MANCHESTER LIMITED

PROFIT AND LOSS ACCOUNT
52 weeks ended 28 March 2009

	Notes	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Turnover	2	102,224	98,788
Total operating costs	3	(95,732)	(90,011)
Operating profit		6,492	8,777
Net interest (payable)/receivable	7	(256)	2,576
Profit on ordinary activities before taxation	8	6,236	11,353
Tax charge on profit on ordinary activities	9	(1,535)	(2,578)
Profit for the period, transferred to reserves	21	4,701	8,775

All activities relate to continuing operations.

FIRST MANCHESTER LIMITED

BALANCE SHEET
At 28 March 2009

	Notes	£000	28 March 2009 £000	£000	29 March 2008 £000
Fixed assets					
Goodwill			792		871
Tangible assets			70,333		68,677
Investments			1,405		1,405
Current assets			72,530		70,953
Stocks		1,380		1,226	
Debtors		7,969		7,767	
Cash at bank and in hand		19,050		4,822	
		28,399		13,815	
Creditors: amounts falling due within one year		(75,604		(72,069)	
Net current liabilities			(47,205)		(58,254)
Total assets less current liabilities			25,325		12,699
Creditors – amounts falling due after more than one year			(14,909)		-
Provisions for liabilities			(9,515)		(10,798)
Net assets excluding pension (liability)/asset			901		1,901
Pension (liability)/asset			(17,834)		1,974
Net (liabilities)/assets including pension (liability)/asset			(16,933)		3,875
Capital and reserves					
Called up share capital			-		-
Profit and loss account			(16,933)		3,875
Shareholders' (deficit)/funds			(16,933)		3,875

The financial statements of First Manchester Limited, company registration number 2818607, were approved by the Board of directors on 28 January 2010 and were signed on its behalf by:

A M Scholey
Director

FIRST MANCHESTER LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the 52 weeks ended 28 March 2009

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Profit for the financial period	4,701	8,775
Share based payments	192	167
Other recognised gains and losses relating to the period (net)	(20,701)	1,012
Dividends paid	(5,000)	(11,500)
Net decrease in shareholders' funds	(20,808)	(1,546)
Opening shareholders' funds	3,875	5,421
Closing shareholders' (deficit)/funds	(16,933)	3,875

FIRST MANCHESTER LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ending 28 March 2009

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Profit for the financial period	4,701	8,775
Actuarial (loss)/profit relating to the pension scheme	(28,751)	1,500
UK deferred taxation attributable to actuarial (loss)/profit	8,050	(420)
Reduced deferred taxation recorded in the statement of total recognised gains and losses arising from the decrease in tax rate	-	(68)
Total recognised gains and losses for the period	(16,000)	9,787

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the current and preceding period.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The financial statements are made up to the Saturday nearest to the year end for each financial period.

After making enquiries, and based on the assumptions outlined in the Directors' Report on page 2, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts.

(b) Group financial statements

Under the provisions of section 228 of the Companies Act 1985 and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of another company which prepares group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

(c) Cash flow statement

The company is a wholly owned subsidiary of FirstGroup plc, a company registered in Scotland. Accordingly, the company has taken advantage of the exemption offered by Financial Reporting Standard 1, enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its Group financial statements.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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

Freehold buildings	-	50 years straight line
Long leasehold properties	-	50 years straight line
Passenger carrying vehicles:		
Double and single decks	-	15 years straight line
Coaches	-	7 or 12 years straight line
Midibuses	-	12 years straight line
Minibuses	-	9 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.

(e) Investments

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

(f) Goodwill

Purchased goodwill is capitalised and classified as an intangible fixed 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. On disposal of the businesses concerned this goodwill is included in determining the gain or loss on disposal in the profit and loss account.

Where capitalised goodwill is regarded as having a limited useful economic life, it is amortised over that life. 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 period end is being amortised over a period of 20 years on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Leases and hire purchase

Assets held under finance lease, 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 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.

(h) Government grants and subsidies

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.

(i) Stocks

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

(j) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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.

(k) Pension costs

Company specific schemes

The company operates a defined benefit scheme which is held in separately administrated funds.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Pension costs (continued)

Group scheme

The company is unable to separately identify its share of the scheme assets and liabilities. It therefore accounts for the scheme as if it were a defined contribution scheme and includes certain disclosures in the financial statements in respect of the Group scheme. Contributions are charged to the profit and loss account as they become payable.

(l) Turnover

Turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Concessionary amounts are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Other bus and services revenue from contracts with government bodies and similar organisations are recognised as the services are provided.

(m) Share based payment

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the amounts receivable for services supplied to customers during the period and includes amounts receivable for tendered services and concessionary fare schemes.

The whole of the turnover and profit on ordinary activities before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the provision of passenger transport services.

3. OPERATING COSTS

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Raw materials and consumables	16,603	14,972
Staff costs	52,991	54,645
Other external charges	18,770	13,157
Depreciation and other amounts written off tangible and intangible fixed assets	7,368	7,237
	95,732	90,011

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

4. EMPLOYEE NUMBERS AND COSTS

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

	52 weeks ending 28 March 2009 No.	52 weeks ending 29 March 2008 No.
Drivers	1,652	1,659
Maintenance and traffic	472	465
Administration	90	95
	2,214	2,219

The aggregate payroll costs of these persons were as follows:

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Wages and salaries	46,953	46,970
Other staff costs	192	167
Social security costs	3,707	3,780
Other pension costs	2,139	3,728
	52,991	54,645

5. DIRECTORS' REMUNERATION

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

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Aggregate emoluments (excluding pension contributions)	551	626

Retirement benefits accrue to 7 (2008: 7) directors under defined benefit scheme.

Directors' emoluments include salary fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

5. DIRECTORS' REMUNERATION (CONTINUED)

The emoluments of the highest paid director amounted to:

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Aggregate emoluments (excluding pension contributions)	143	114
Defined benefit scheme:		
Accrued pension at end of period	29	16

The highest paid director exercised share options during the period and became entitled to receive shares under the FirstGroup long term incentive plan.

6. SHARE BASED PAYMENTS

Save as you earn (SAYE)

The company's ultimate parent operates an Inland Revenue approved savings related share option scheme. Grants were made in December 2004, April 2006, December 2006, December 2007 and December 2008. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Lloyds TSB and Yorkshire Building Society. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months.

Details of the share options of the group outstanding during the period are as follows:

	SAYE December 2004 Options No.	SAYE April 2006 Options No.	SAYE December 2006 Options No.	SAYE December 2007 Options No.	SAYE December 2008 Options No.
Outstanding at beginning of the period	204,971	1,749,573	2,285,740	2,363,117	-
Awarded during the period	-	-	-	-	2,542,138
Exercised during the period	(134,425)	(14,085)	(11,938)	(65)	-
Lapsed during the period	(70,546)	(135,470)	(295,723)	(588,621)	(47,816)
Outstanding at the end of the period	-	1,600,018	1,978,079	1,774,431	2,494,322
Exercisable at the end of the period	-	-	-	-	-
Weighted average exercise price (pence)	267.0	325.0	444.0	583.0	371.0
Weighted average share price at date of exercise (pence)	534.7	487.7	442.8	576.2	N/A

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

6. SHARE BASED PAYMENTS (CONTINUED)

The inputs into the Black-Scholes model are as follows:

	2009	2008
Weighted average share price (pence)		
December 2007	-	714.0
December 2008	407.3	-
Weighted average exercise price (pence)		
December 2007	-	583.0
December 2008	315.0	-
Expected volatility – December 2007 SAYE	-	25%
Expected volatility – December 2008 SAYE	30%	-
Expected life	3 years	3 years
Risk-free rate of interest		
December 2007	-	4.5%
December 2008	2.7%	-
Expected dividend yield		
December 2007	-	2.5%
December 2008	3.0%	-

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five periods. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients, some are expected to leave before an entitlement vests. The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it. Fair values for the SAYE include a 10% p.a. pre-vesting leaver assumption whereas the Executive and deferred share plans exclude any allowance for the pre-vesting forfeitures.

The Group used the inputs noted above to measure the fair value of the new share options.

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £192,000 (2008: £167,000) relating to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

7. NET INTEREST (PAYABLE)/RECEIVABLE

	52 weeks ending 28March 2009 £000	52 weeks ending 29 March 2008 £000
Interest payable		
Other interest	(524)	(524)
Interest recharge from group undertakings	(1,330)	-
Interest on pensions scheme liabilities	(10,781)	(9,600)
Finance leases and hire purchase contracts	(105)	-
	(12,740)	(10,124)
Interest receivable		
Return on pension scheme assets	12,484	12,700
	(256)	2,576

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- Fees payable to the Company's auditors for the audit of the Company's annual accounts	40	40
Depreciation and other amounts written off tangible fixed assets		
- owned assets	6,744	7,159
- assets held under finance leases and hire purchase contracts	428	-
Loss on sale of fixed assets	117	103
Amortisation of goodwill	79	79
Government grants	(33,290)	(32,339)
Rentals payable under operating leases		
- plant and machinery	81	154
- other operating leases	76	146

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Current taxation		
- Group relief payable	2,999	1,995
- Adjustments in respect of prior periods	(64)	(158)
Total current taxation	2,935	1,837
Deferred taxation		
- Origination and reversal of timing differences	(1,485)	754
- Adjustment in respect of prior periods	(259)	69
- Effect of decrease in tax rate on opening liability	-	(529)
- Impact of IBA changes on deferred tax	-	(181)
	(1,744)	113
Deferred taxation on pension schemes		
- Origination and reversal of timing differences	344	672
- Effect of decrease in tax rate on opening pension liability	-	(44)
	344	628
Total deferred taxation	(1,400)	741
Total tax charge on profit on ordinary activities	1,535	2,578

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 28% (2008: 30%). The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation:

	52 weeks ending 28 March 2009 %	52 weeks ending 29 March 2008 %
Standard rate of taxation	28.0	30.0
Factors affecting charge		
- Expenses not deductible for tax purposes	1.8	(0.1)
- Capital allowances in excess of depreciation	(1.8)	(5.7)
- Other timing differences	20.1	(6.6)
- Prior period's tax charge	(1.0)	(1.4)
Current taxation rate for the period	47.1	16.2

The UK corporation tax rate reduced from 30% to 28% with effect from 1 April 2008. No deferred tax has been recognised on disposals where the gain has been rolled into replacement assets as such tax would only become payable if the replacement asset is sold without rollover relief being obtained. The tax which would be payable in such circumstances is estimated to be £1.2m (2008: £1.2m).

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

10. DIVIDENDS

	52 weeks ending 28 March 2009 £000	52 weeks ending 29 March 2008 £000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period ended 28 March 2009 of £50,000 (2008: £115,000) per share	5,000	11,500

11. GOODWILL

	Goodwill £000
Cost	
At 30 March 2008 and 28 March 2009	1,544
Amortisation	
At 30 March 2008	673
Charge for the period	79
At 28 March 2009	752
Net book value	
At 28 March 2009	792
At 29 March 2008	871

12. TANGIBLE FIXED ASSETS

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 30 March 2008	15,738	89,477	4,688	109,903
Additions	227	20,531	(611)	20,147
Intra group transfers	-	(14,509)	(156)	(14,665)
Disposals	(75)	(2,618)	-	(2,693)
At 28 March 2009	15,890	92,881	3,921	112,692
Depreciation				
At 30 March 2008	2,581	36,289	2,356	41,226
Charge for the period	449	6,282	441	7,172
Intra group transfers	-	(3,465)	(40)	(3,505)
Disposals	(27)	(2,507)	-	(2,534)
At 28 March 2009	3,003	36,599	2,757	42,359
Net book value				
At 28 March 2009	12,887	56,282	1,164	70,333
At 29 March 2008	13,157	53,188	2,332	68,677

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

12. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings comprises:

	28 March 2009 £000	29 March 2008 £000
Freehold	9,771	9,871
Leasehold	3,116	3,286
	12,887	13,157

£16,213,000 (2008: £nil) of the net book value of the passenger carrying vehicle fleet was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the period was £428,000 (2008: £nil).

13. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000
Cost	
At 30 March 2008 and 28 March 2009	1,506
Provisions for impairment	
At 30 March 2008 and 28 March 2009	101
Net book value	
At 30 March 2008 and 28 March 2009	1,405

The subsidiary undertakings at the end of the period, and the nature of their business' are:

Subsidiary undertakings	Country of incorporation	Principle activity	Holding %
Bolton Coachways & Travel Ltd	UK	Dormant	100
First Ashton Ltd	UK	Dormant	100
First Pioneer Bus Ltd	UK	Provision of public transport by road	100

Group accounts are not presented as in accordance with section 228(1) of the Companies Act 1985, 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.

14. STOCKS

	28 March 2009 £000	29 March 2008 £000
Spare parts and consumables	1,380	1,226

There is no material difference between the balance sheet value of the stocks and their replacement cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

15. DEBTORS

	28 March 2009 £000	29 March 2008 £000
Amounts due within one year		
Trade debtors	973	2,089
Amounts owed by group undertakings	5,366	3,689
Other debtors	790	1,496
Other prepayments and accrued income	830	423
	7,959	7,697
Amounts due after one year		
Other prepayments and accrued income	10	70
	7,969	7,767

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 March 2009 £000	29 March 2008 £000
Amounts falling due within one year		
Trade creditors	2,417	2,152
Amounts owed to group undertakings	65,834	62,799
Corporation tax	1	-
Other tax and social security	1,121	1,379
Other creditors	476	2,924
Accruals and deferred income	4,084	2,815
Obligations under finance leases and hire purchase contracts	1,671	-
	75,604	72,069

17. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	28 March 2009 £000	29 March 2008 £000
Amounts falling due after more than one year		
Obligations under finance leases and hire purchase contracts		
Due in more than one year but no more than two years	1,669	-
Due between two and five years	5,009	-
Due after five years	8,231	
	14,909	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

18. PROVISIONS FOR LIABILITIES

	Insurance Claims £000	Deferred tax £000	Total £000
At 30 March 2008	2,818	7,980	10,798
Charged/(credited) to the profit and loss account	3,434	(1,744)	1,690
Utilised in the period	(2,973)	-	(2,973)
At 28 March 2009	3,279	6,236	9,515

Details of the deferred tax provision are given in note 19.

Insurance claims accruals due within one year at 28 March 2009 amounted to £1,766,000 (29 March 2008: £1,518,000) and are included in 'accruals and deferred income' within note 16. The amount included within provisions above represents the estimate of amounts due after more than one year. The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next six years.

19. DEFERRED TAXATION

Provision for deferred taxation consists of the following amounts:

	28 March 2009 £000	29 March 2008 £000
Capital allowances in excess of depreciation	8,015	8,169
Other timing differences	(1,779)	(189)
Deferred tax provision	6,236	7,980

20. CALLED UP SHARE CAPITAL

	28 March 2009 £'000	29 March 2008 £'000
Authorised		
100 ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

21. RESERVES

	Profit and loss account £000
At 30 March 2008	3,875
Share based payments	192
Dividends paid	(5,000)
Retained profit for the period	4,701
Profit and loss reserve excluding actuarial loss	3,768
Actuarial loss	(20,701)
At 28 March 2009	(16,933)

The cumulative amount of negative goodwill added to the profit and loss accounts in prior periods was £9,479,000 (2008: £9,479,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

22. COMMITMENTS

Capital expenditure

The company had no capital commitments at 28 March 2009 or at 29 March 2008.

Operating leases

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

	28 March 2009		29 March 2008	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	62	64	7	53
Between two and five years	58	16	62	64
After five years	2	-	3	-
	122	80	72	117

23. CONTINGENT LIABILITIES

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HMRC.
The amount of guaranteed bank loans at the end of the period was £nil (2008- £1,746.5m).

24. PENSION SCHEME

Greater Manchester Pension Fund

The company is a member of a defined benefit pension scheme, which is funded. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme.

The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out at 31 March 2008 using the projected unit method.

The main financial assumptions used in this update were as follows:

	2009	2008	2007
Rate of increase in salaries	4.1%	4.8%	4.3%
Rate of increase of pensions in payment	2.6%	3.3%	2.8%
Discount rate	6.8%	6.9%	5.5%
Inflation assumption	2.6%	3.3%	2.8%

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 28 March 2009

24. PENSION SCHEME (continued)

The assets in the scheme and the expected rate of return were:

	2009 Expected rate of return	2008 Expected rate of return	2007 Expected rate of return	2009 Value £m	2008 Value £m	2007 Value £m
Equities	8.7%	9.0%	8.5%	80.0	102.1	113.5
Bonds	6.5%	5.5%	4.8%	25.8	27.0	29.4
Property	6.8%	6.8%	6.3%	10.9	14.1	17.5
Other	4.0%	5.0%	4.0%	3.4	15.3	16.6
Cash	-	-	-	11.6	3.8	-
				131.7	162.3	177.0

The balance sheet position for the company:

	2009 £m	2008 £m	2007 £m
Total fair value of assets	131.7	162.3	177.(
Present value of scheme liabilities	(156.:	(159.6)	(178.2
Asset/(deficit) in the scheme	(24.:	2.7	(1.2
Related deferred tax (liability)/asset	6.!	(0.7)	0.4
Net pension asset/(liability)	(17.!	2.0	(0.8

Analysis of amount charged to operating profit:

	2009 £m	2008 £m
Current service costs	2.8	3.1

Amounts charged to net finance charges:

	2009 £m	2008 £m
Expected return on pension scheme assets	(12.5)	(12.7
Interest on pension scheme liabilities	10.8	9.(
Net return (chargeable as finance cost)	(1.7)	(3.1
Current service cost (chargeable as operating cost)	2.8	3.1
Net pension cost	1.1	-

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a charge of £11.1 million (2008: credit of £9.6 million).

24. PENSION SCHEME (continued)

Movements in the present value of defined benefit obligations were as follows:

	2009 £m	2008 £m
At 30 March	159.6	178.2
Current service cost	2.8	3.1
Interest cost	10.8	10.2
Actuarial loss	(12.2)	(27.5)
Benefits paid	(4.5)	(4.4)
At 28 March	156.5	159.6

Movements in the fair value of scheme assets were as follows:

	2009 £m	2008 £m
At 30 March	162.3	177.0
Expected return on scheme assets	12.5	12.7
Employer contributions	2.4	2.3
Employee contributions	0.6	0.6
Actuarial loss	(41.6)	(25.9)
Benefits paid	(4.5)	(4.4)
At 28 March	131.7	162.3

History of experience gains and losses

	2009	2008	2007	2006	2005
Present value of defined benefit obligations (£m)	(156.5)	(159.6)	(178.2)	(171.3)	(153.0)
Fair value of scheme assets (£m)	131.7	162.3	177.0	166.0	137.4
Surplus/(deficit) in the scheme (£m)	(24.8)	2.7	(1.2)	(5.3)	(15.6)
Experience adjustments on scheme liabilities					
Amount (£m)	(4.2)	5.1	(6.1)	2.5	5.4
Percentage of scheme liabilities	(2.7)	3.2	(3.4)	1.5	3.5
Experience adjustments on scheme assets					
Amount (£m)	(41.6)	25.9	(0.1)	19.2	5.4
Percentage of scheme assets	(31.6)	16.0	(0.1)	11.6	3.9

The estimated amounts of contributions expected to be paid to the scheme during the current financial period is £3.2m.

24. PENSION SCHEME (continued)

UK Bus Pension Scheme ('UK Bus')

The company is unable to separately identify its share of the scheme assets and liabilities as contributions are set for the scheme as a whole rather than reflecting the underlying actuarial characteristics of the employees of the individual employer. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The surplus on the group scheme of £86.4m (2008: £118.6m) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The FirstGroup Flexible Benefit Scheme ('Flexi')

The company is unable to separately identify its share of the scheme assets and liabilities. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The deficit on the group scheme of £0.9m (2008: surplus £5.8m) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The total pension cost in the period was £2,139,000 (2008: £3,728,000) (of which £2,108,000 (2008: £3,695,000) relates to defined benefit schemes and £ 31,000 (2008: £33,000) relates to money purchase schemes).

25. RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption under FRS8 not to disclose transactions with group companies that are related parties.

26. ULTIMATE PARENT COMPANY

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

The company's immediate controlling party is First North West Limited.

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastborne Terrace, London, W2 6LX.