

First Manchester Limited

Report and Financial Statements

29 March 2014

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First Manchester Limited

Report and financial statements 2014

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First Manchester Limited

Strategic report

The directors, in preparing this strategic report for First Manchester Limited, have complied with s414C of the Companies Act 2006.

Principal activities

The company's principal activities are the provision of bus and coach operations in and around the Greater Manchester area.

Business review

During the period the company acquired the trade and assets of Finglands Coachways Limited, which operated in the South of Manchester with trading under First Manchester commencing on 9 February 2014. As shown in the company's profit and loss account on page 7, the company's sales have decreased by 17.3% over the prior period predominantly due to the disposal of depots in the prior period but also due to the impact of current year fare reductions and reduced concessionary income. Operating profit decreased from £3.5m to an operating loss of £0.1m as result of the flow through of these fare reductions and reduced concessionary income.

The balance sheet on page 8 shows the company's financial position at the period end. The company has net liabilities of £5.4 million compared to £4.3m in the prior period. This is mainly due to the recognised loss for the period.

Capital expenditure, including transfers from other group companies, was £8.2 million in the period. Further details are set out in note 12.

Significant cost increases continue to place pressure on margins. 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.

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 customers and 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.

Outlook

The trading environment for the next 12 months is set to continue to be challenging. In spite of this, the directors remain confident that the company's activities will generate a satisfactory result in the coming period.

Going concern

At 29 March 2014 the company had cash of £1.0 million, net current liabilities of £44.0 million and net liabilities of £5.4 million. The directors have considered the going concern assumption given the current uncertainty of the 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 (including downside sensitivities), uncertainties and the financial commitment from the parent company in forming this judgement.

The ultimate 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 ultimate 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.

Principal 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.

First Manchester Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Specific business risks faced by the company include the following:

Competition risk

Management mitigate the competitive pressure by monitoring competitors' behaviour and strategies to ensure that the company acts appropriately under current market conditions.

Legal and regulatory risk

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.

Litigation and claims risk

The company has three main insurance risks, third party claims arising from vehicle and general operations, employee injuries and property damage. FirstGroup plc has a very strong focus on safety, as one of its core values, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

Liquidity risk

The company's principal financial assets are bank balances and intercompany 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. In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of intercompany loans, hire purchase and finance leases.

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 commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. At 2014 the company had 62 days' (2013: 49 days') purchases outstanding.

Labour cost and employee relation risk

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.

To retain the right people the company believes that good 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.

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.

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Fuel cost risk

Fuel costs represents 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 group seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures.

First Manchester Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Environmental risk

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 a 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.

Approved by the Board of directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D B Alexander', is written over a horizontal line.

D B Alexander
Director
29 October 2014

First Manchester Limited

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the 52 week period ended 29 March 2014.

Results and dividends

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

The directors do not recommend the payment of a dividend for the current period (2013: £nil).

Directors

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

D B Alexander
T M Broxton
J Clegg (Appointed 1 August 2014)
A R Foster
I Humphreys (Resigned 1 April 2014)
A M McManus (Appointed 1 August 2013)
S D Pearson
K C Poole (Resigned 31 July 2013)
I P Robinson (Resigned 20 November 2013)
R M Soper (Resigned 1 April 2014)
J Speight (Resigned 1 August 2014)

Directors' and Officers' liability insurance

Directors' and Officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the Directors and Officers of the company.

Directors' indemnity

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the period and up to and including the date of the directors' report for the benefit of the Directors of the company.

Audit information

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

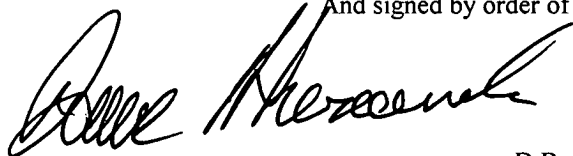
- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



D B Alexander
Director
29 October 2014

First Manchester Limited

Directors' Responsibilities Statement

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 period. 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF FIRST MANCHESTER LIMITED

We have audited the financial statements of First Manchester Limited for the 52 week period ended 29 March 2014 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholder's deficit, the statement of total recognised gains and losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 March 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
31 October 2014

First Manchester Limited

Profit and loss account

52 weeks ended 29 March 2014

	Notes	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Turnover	2	83,572	101,090
Operating costs (including exceptional costs of nil (2013: £216,000) note 5)	3	(83,662)	(97,546)
Operating (loss) / profit		(90)	3,544
Profit on sale of operations	4	-	3,169
(Loss) / profit on ordinary activities before interest and taxation		(90)	6,713
Net interest receivable and similar charges	8	2,306	2,364
Profit on ordinary activities before taxation	9	2,216	9,077
Tax credit / (charge) on profit on ordinary activities	10	823	(1,180)
Profit for the period, transferred to reserves	20	3,039	7,897

All activities relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

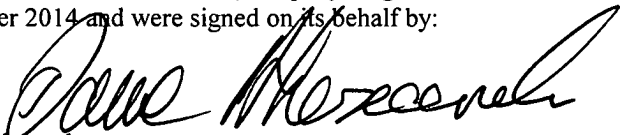
First Manchester Limited

Balance Sheet At 29 March 2014

			29 March 2014 £000	30 March 2013 £000
	Notes	£000	£000	£000
Assets employed:				
Fixed assets				
Goodwill	11		449	478
Tangible assets	12		66,695	67,740
Investments	13		1,405	1,405
			<u>68,549</u>	<u>69,623</u>
Current assets				
Stocks	14	1,169		1,266
Debtors				
- due within one year	15	17,718		13,605
- due after one year	15	1,236		1,263
Cash at bank and in hand		987		921
		<u>21,110</u>		<u>17,055</u>
Creditors: amounts falling due within one year	16	(65,108)		(40,171)
Net current liabilities			<u>(43,998)</u>	<u>(23,116)</u>
Total assets less current liabilities			24,551	46,507
Creditors: amounts falling due after more than one year	16		(7,806)	(27,789)
Provisions for liabilities	17		<u>(4,875)</u>	<u>(6,236)</u>
Net assets excluding pension liability			11,870	12,482
Pension liability	23		<u>(17,232)</u>	<u>(16,803)</u>
Net liabilities including pension liability			<u>(5,362)</u>	<u>(4,321)</u>
Financed by:				
Capital and reserves				
Called up share capital	19		-	-
Profit and loss account	20		<u>(5,362)</u>	<u>(4,321)</u>
Shareholder's deficit			<u>(5,362)</u>	<u>(4,321)</u>

The accompanying notes are an integral part of this balance sheet.

These financial statements (Company Registration Number 2818607) were approved by the Board of directors on 29 October 2014 and were signed on its behalf by:


D B Alexander
Director

First Manchester Limited

Reconciliation of Movements in Shareholder's Deficit 52 weeks ended 29 March 2014

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Profit for the financial period	3,039	7,897
Share based payments (note 7)	79	127
Other recognised gains and losses relating to the period (net)	(4,159)	(12,345)
Net increase to shareholder's deficit	(1,041)	(4,321)
Opening shareholder's deficit	(4,321)	-
Closing shareholder's deficit	(5,362)	(4,321)

First Manchester Limited

Statement of Total Recognised Gains and Losses 52 weeks ended 29 March 2014

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Profit for the financial period	3,039	7,897
Actuarial loss relating to the pension scheme	(3,718)	(15,724)
UK deferred taxation attributable to actuarial loss	744	3,617
Reduced deferred tax asset arising from rate change	(1,185)	(238)
Total recognised gains and losses for the period and since last report	(1,120)	(4,448)

First Manchester Limited

Notes to the Financial Statements 52 weeks ended 29 March 2014

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 period end for each financial period.

(b) Going concern

At 29 March 2014 the company had cash of £1.0 million, net current liabilities of £44.0 million and net liabilities of £5.4 million. The directors have considered the going concern assumption given the current uncertainty of the 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 (including downside sensitivities), uncertainties and the financial commitment from the ultimate parent company in forming this judgement.

The ultimate 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 ultimate 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 this report.

(c) Group financial statements

Under the provisions of section 401 of the Companies Act 2006, 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.

(d) 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.

(e) Tangible fixed assets and depreciation

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

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 straight line
Passenger carrying vehicle:		
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
Plant and equipment	-	3 to 8 years straight line

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

(f) Investments

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

First Manchester Limited

Notes to the Financial Statements (continued)

52 weeks ended 29 March 2014

1. Principal accounting policies (continued)

(g) 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 period 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.

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

(h) 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 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.

(i) 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.

(j) 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.

(k) 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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

1. Principal accounting policies (continued)

(l) Pension costs

Company specific schemes (Greater Manchester Pension Fund)

The company operates a defined benefit scheme being the Greater Manchester Pension Fund 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.

Group scheme

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

(m) Turnover

UK Bus turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Ticket sales are recognised in the period in which the service is provided. 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.

(n) 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 the shares 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.

(o) Insurance

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third-party insurance policies. Provision is made under FRS 12 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

2. Turnover

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 (loss) / 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 ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Raw materials and consumables	16,996	21,043
Staff costs (note 4)	47,072	54,796
Other external charges	12,990	13,963
Depreciation and other amounts written off tangible fixed assets	6,503	7,375
Amortisation of goodwill	79	77
Impairment of tangible fixed assets	22	292
	83,662	97,546

The impairment of tangible fixed assets relate to a number of vehicles which were identified as being surplus to requirements during the period, the prior periods impairment relates to assets included in the Birkenhead and Chester depots sale.

Included in staff costs above are £nil (2013: £216,000) of redundancy costs.

4. Exceptional item reported after operating profit

During the previous period the company agreed to sell four depots; Wigan, Birkenhead, Chester and Wrexham. The sale of the Wigan depot completed on the 2 December 2012 and the sale of the remaining depots completed on the 13 January 2013. The profit on sale of operations of £3.2 million related to the sale of these depots. The tax effect of this exceptional item was £0.8 million.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

5. Employee numbers and costs

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

	52 weeks ended 29 March 2014 No.	52 weeks ended 30 March 2013 No.
Drivers	1,352	1,616
Maintenance and traffic	335	430
Administration	40	43
	<u>1,727</u>	<u>2,089</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Wages and salaries	40,587	47,614
Social security costs	3,393	3,998
Other pension costs	3,013	3,057
Share based payments	79	127
Total staff costs	<u>47,072</u>	<u>54,796</u>

Included in staff costs above are £nil (2013: £216,000) of redundancy costs.

6. Directors' remuneration

Seven directors (2013: seven) received remuneration from other FirstGroup companies totalling £937,000 (2013: £902,000). It is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors of First Manchester Limited.

The remuneration of the directors who are remunerated by the company during the period was as follows:

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Aggregate emoluments (excluding pension contributions)	117	206
Company contributions to defined contribution pension schemes	21	40
	<u>138</u>	<u>246</u>

Retirement benefits accrue to 5 (2013: 2) directors under other FirstGroup plc defined benefit schemes, treated as money purchase schemes.

Directors' emoluments include salary, fees, bonuses, company contributions to money purchase pension schemes, 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, other company pension contributions and payments made under long-term incentive schemes.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

6. Directors' remuneration (continued)

The emoluments of the highest paid director are not disclosed for the current period as the disclosure limits have not been exceeded, the prior periods emoluments of the highest paid director amounted to:

	52 weeks ended 30 March 2013 £000
Aggregate emoluments	125
<i>Defined benefit scheme</i>	
Accrued pension at end of period	11
Accrued lump sum at end of period	51

7. Share based payments

Save as you earn (SAYE)

The Group operates an HMRC approved savings related share option scheme. Grants were made as set out below. 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 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.

	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number	SAYE Dec 2012 Options Number	SAYE Dec 2013 Options Number
Outstanding at the beginning of the year	2,092,655	2,284,801	2,530,668	2,957,100	-
Awarded during the year	-	-	-	-	7,411,980
Bonus element of rights issue	469,111	483,423	533,497	643,399	-
Exercised during the year	-	-	-	(1,049)	-
Lapsed during the year	(2,561,766)	(591,832)	(555,406)	(500,300)	(51,844)
Outstanding at the end of the year	-	2,176,392	2,508,759	3,099,150	7,360,136
Exercisable at the end of the year	-	2,176,392	-	-	-
Weighted average exercise price (pence)	310.0	319.0	271.5	143.9	94.1
Bonus element of rights issue	(57.3)	(58.9)	(50.1)	(26.6)	-
New weighted average exercise price (pence)	252.7	260.1	221.4	117.3	-
Weighted average share price at date of exercise (pence)	N/A	N/A	N/A	122.5	N/A

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

7. Share based payments (continued)

The fair values of the options granted during the last two periods were measured using a Black-Scholes model. The inputs into the Black-Scholes model were as follows:

	2014	2013
Weighted average share price (pence)		
- SAYE December 2012	-	188.9
- SAYE December 2013	116.0	-
Weighted average exercise price (pence)		
- SAYE December 2012	-	143.9
- SAYE December 2013	94.1	-
Expected volatility		
- SAYE December 2012	-	35%
- SAYE December 2013	35%	-
Expected life (periods)		
- SAYE schemes	3	3
Rate of interest		
- SAYE December 2012	-	0.4%
- SAYE December 2013	1.0%	-
Expected dividend yield		
- SAYE December 2012	-	12.5%
- SAYE December 2013	0.0%	-

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.

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 £79,000 (2013: £127,000) relating to equity-settled share-based payment transactions.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

8. Net interest receivable and similar charges

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
<i>Interest payable</i>		
Unwinding of discount provision	(496)	(467)
Interest on pension scheme liabilities	(9,200)	(8,600)
Finance leases and hire purchase contracts	(536)	(625)
	<u>(10,232)</u>	<u>(9,692)</u>
<i>Interest receivable</i>		
Return on pension scheme assets	12,500	12,000
Interest receivable from group undertakings	38	56
	<u>2,306</u>	<u>2,364</u>

9. (Loss) / profit on ordinary activities before taxation

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):		
Auditor's remuneration:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	74	74
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	4,632	5,241
- held under finance leases and hire purchase contracts	1,871	2,134
- impairment	22	292
Loss on sale of fixed assets	(675)	(151)
Gain on sale of operations (note 4)	-	(3,169)
Amortisation of goodwill	79	77
Government grants	(6,247)	(7,533)
Rentals payable under operating leases:		
- land & buildings	83	127
- other	416	200

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2013: £nil).

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

10. Tax (credit) / charge on profit on ordinary activities

	52 weeks ended 29 March 2014 £000	52 weeks ended 30 March 2013 £000
Current taxation		
- Group relief payable	1,134	2,516
- Adjustments in respect of prior periods	(364)	(444)
Total current taxation	770	2,072
Deferred taxation		
- Origination and reversal of timing differences	(1,219)	(1,293)
- Adjustment in respect of prior periods	(150)	(199)
- Effect of decrease in tax rate on opening deferred tax balance	(494)	(247)
	(1,863)	(1,739)
- Deferred taxation on pension scheme movements	800	982
- Effect of decrease in tax rate on opening deferred tax balance	(530)	(135)
	270	847
Total deferred taxation	(1,593)	(892)
Total tax credit / charge on profit on ordinary activities	(823)	1,180

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 23% (2013: 24%). 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 ended 29 March 2014 %	52 weeks ended 30 March 2013 %
Standard rate of taxation	23.0	24.0
Factors affecting charge		
- Expenses not deductible for tax purposes	2.1	2.3
- Capital allowances / (depreciation) in excess of depreciation / (capital allowances)	70.0	18.7
- Other timing differences	(43.9)	(17.3)
- Prior periods' tax charge	(16.4)	(4.9)
Current taxation rate for the period	34.8	22.8

During the period the UK government enacted legislation to reduce the main rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The impact of this rate reduction to 20% has reduced the deferred tax liability on UK timing differences.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

11. Goodwill

	£000
Cost	
At 31 March 2013	1,544
Additions	50
At 29 March 2014	1,594
Amortisation	
At 31 March 2013	1,066
Charge for period	79
At 29 March 2014	1,145
Net book value	
At 29 March 2014	449
At 30 March 2013	478

12. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Plant and equipment £000	Total £000
Cost or valuation				
At 31 March 2013	15,452	92,651	5,262	113,365
Additions	1	4,889	1,051	5,941
Acquisition of depot	-	-	25	25
Intra group transfers in	-	6,147	11	6,158
Intra group transfers out	-	(4,468)	(16)	(4,484)
Disposals	-	(9,590)	(12)	(9,602)
At 29 March 2014	15,453	89,629	6,321	111,403
Depreciation				
At 31 March 2013	3,871	38,496	3,258	45,625
Charge for period	383	5,729	391	6,503
Impairment losses	-	22	-	22
Intra group transfers in	-	3,871	11	3,882
Intra group transfers out	-	(2,129)	(16)	(2,145)
Disposals	-	(9,167)	(12)	(9,179)
At 29 March 2014	4,254	36,822	3,632	44,708
Net book value				
At 29 March 2014	11,199	52,807	2,689	66,695
At 30 March 2013	11,581	54,155	2,004	67,740

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

12. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	29 March 2014 £000	30 March 2013 £000
Freehold	9,682	9,909
Long leasehold	1,514	1,562
Short leasehold	3	110
	<u>11,199</u>	<u>11,581</u>

Depreciation is not provided on the land element of freehold property which amounts to £2.3 million (2013: £2.3 million).

Depreciation is not provided on the land element of the long leasehold property which amounts to £0.2 million (2013: £0.2 million).

£11.4 million (2013: £34.9 million) of the net book value of the passenger carrying vehicle fleet was acquired under finance leases and hire purchase contracts. The depreciation charge on these assets during the period was £1.9 million (2013: £2.1 million).

13. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 31 March 2013 and 29 March 2014	<u>1,506</u>
Provision for impairment	
At 31 March 2013 and 29 March 2014	<u>101</u>
Net book value	
At 29 March 2014 and 30 March 2013	<u>1,405</u>

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

Subsidiary undertakings	Country of incorporation	Principle activity	Holding shares	Holding %
Bolton Coachways & Travel Ltd	UK	Dormant	Ordinary shares	100
First Ashton Ltd	UK	Dormant	Ordinary shares	100

14. Stocks

	29 March 2014 £000	30 March 2013 £000
Spare parts and consumables	<u>1,169</u>	<u>1,266</u>

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

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

15. Debtors

	29 March 2014 £000	30 March 2013 £000
Amounts due within one year		
Trade debtors and accrued income	1,875	1,002
Amounts owed by group undertakings	13,520	11,074
Other debtors	1,443	746
Other prepayments	880	783
	<u>17,718</u>	<u>13,605</u>
Amounts due after one year		
Amounts owed by group undertakings	<u>1,236</u>	<u>1,263</u>

16. Creditors

	29 March 2014 £000	30 March 2013 £000
Amounts falling due within one year		
Bank loans and overdrafts	46,594	13,079
Obligations under finance leases and hire purchase contracts	1,991	5,442
Trade creditors	4,475	4,747
Amounts owed to group undertakings	7,125	7,816
Corporation tax	-	1
Other tax and social security	1,558	1,265
Other creditors	705	867
Accruals and deferred income	2,660	6,954
	<u>65,108</u>	<u>40,171</u>
Amounts falling due after more than one year		
Obligations under finance leases and hire purchase contracts	7,778	27,789
Other creditors	28	-
	<u>7,806</u>	<u>27,789</u>
Obligations under finance leases and hire purchase contracts		
Due in more than one year but not more than two years	1,701	5,453
Due in more than two years but not more than five years	6,077	16,595
Due in more than five years	-	5,741
	<u>7,778</u>	<u>27,789</u>

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

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

17. Provisions for liabilities

	Insurance claims £'000	Deferred tax £000	Total £000
At 31 March 2013	2,298	3,938	6,236
Charge / (credit) to the profit and loss account	2,193	(1,863)	330
Unwinding of discount	496	-	496
Utilised in the period / transferred to accruals	(2,187)	-	(2,187)
At 29 March 2014	<u>2,800</u>	<u>2,075</u>	<u>4,875</u>

Details of the deferred tax provision (excluding deferred tax in the pension liability) are given in note 18.

Insurance claims accruals due within one period at 2014 amounted to £1,508,000 (2013: £1,237,000) 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 period.

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 periods.

18. Deferred taxation

Provision for deferred taxation consists of the following amounts:

	29 March 2014 £000	30 March 2013 £000
Capital allowances in excess of depreciation	1,872	3,963
Other timing differences	203	(25)
Deferred tax provision	<u>2,075</u>	<u>3,938</u>

19. Share capital

	29 March 2014 £000	30 March 2013 £000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>-</u>	<u>-</u>

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

20. Reserves

	Profit and loss account £000
At 31 March 2013	(4,321)
Other recognised gains and losses	(4,159)
Share based payments	79
Profit for the period	3,039
At 29 March 2014	(5,362)
Profit and loss reserve excluding pension liability	11,870
Pension liability	(17,232)
At 29 March 2014	(5,362)

The cumulative amount of goodwill arising from the acquisition of businesses written off in prior periods is £9,479,000 (2013: £9,479,000).

21. Commitments

Capital expenditure

Capital commitments at the end of the period for which no provision has been made are as follows:

	29 March 2014 £000	30 March 2013 £000
Contracted for but not provided	7,643	-

Operating leases

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

	29 March 2014		30 March 2013	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	49	32	21	11
Between two and five years	12	784	41	157
More than five years	156	-	8	-
	217	816	70	168

22. Other commitments

The company participates in an overdraft facility with its parent company, FirstGroup plc and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

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 value of the group commitment owed to HMRC can be found within the FirstGroup plc accounts.

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

23. Pension schemes

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 in 2014 for the purposes of FRS17 using the projected unit method.

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

	2014	2013	2012
Rate of increase in salaries	3.65%	3.70%	3.75%
Rate of increase of pensions in payment	2.10%	2.15%	1.75%
Discount rate	4.40%	4.50%	4.65%
Inflation assumption – RPI	3.15%	3.20%	2.75%
Inflation assumption – CPI	2.10%	2.15%	1.75%

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

	2014 Expected Rate of return	2013 Expected Rate of return	2012 Expected rate of return	2014 Value £m	2013 Value £m	2012 Value £m
Equities	7.50%	8.00%	8.4%	132.7	122.6	115.7
Bonds	4.10%	3.75%	4.25%	31.9	36.2	34.9
Property	6.00%	6.50%	6.4%	11.8	10.1	10.1
Other	7.50%	8.00%	1.0%	8.0	6.9	6.6
Cash	3.40%	2.80%	3.1%	10.5	12.6	12.6
				<u>194.9</u>	<u>188.4</u>	<u>179.9</u>

The expected rate of return has been based on the long term expectation of the return against the asset classifications. The return on assets differs from the discount rate because the standard requires that the discount rate be set with reference to the yield on corporate bonds. Typically, the assets actually held will be expected to provide a return that is higher than the discount rate.

The balance sheet position for the company:

	2014 £m	2013 £m	2012 £m
Total fair value of assets	194.9	188.4	179.9
Present value of scheme liabilities	<u>(216.4)</u>	<u>(210.2)</u>	<u>(190.3)</u>
Deficit in the scheme	(21.5)	(21.8)	(10.4)
Related deferred tax asset	<u>4.3</u>	<u>5.0</u>	<u>2.5</u>
Net pension liability	<u>(17.2)</u>	<u>(16.8)</u>	<u>(7.9)</u>

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

23. Pension schemes (continued)

Analysis of amount charged to operating profit:

	2014 £m	2013 £m
Current service costs	1.6	1.7

Amounts charged to profit on ordinary activities before taxation:

	2014 £m	2013 £m
Expected return on pension scheme assets	12.5	12.0
Interest on pension scheme liabilities	(9.2)	(8.6)
Net return credited as finance income	3.3	3.4
Current service cost (chargeable as operating cost)	(1.6)	(1.7)
Net pension credit	1.7	1.7

Amounts recognised in the statement of total recognised gains and losses:

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	0.8	2.7
Experience gains and losses arising on scheme liabilities	(3.1)	(0.2)
Changes in assumptions underlying the present value of scheme liabilities	(1.4)	(18.3)
	(3.7)	(15.8)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is a charge of £43.1 million (2013: £39.4 million).

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

	2014 £m	2013 £m
At 31 March 2013	210.2	190.3
Current service cost	1.6	1.7
Employee contributions	0.4	0.5
Interest cost	9.2	8.6
Actuarial loss	4.5	18.5
Benefits paid	(9.5)	(9.4)
At 29 March 2014	216.4	210.2

First Manchester Limited

Notes to the Financial Statements (continued) 52 weeks ended 29 March 2014

23. Pension schemes (continued)

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

	2014 £m	2013 £m
At 31 March 2013	188.4	179.9
Expected return on scheme assets	12.5	12.0
Employer contributions	2.3	2.7
Employee contributions	0.4	0.5
Actuarial gain	0.8	2.7
Benefits paid	(9.5)	(9.4)
	<u>194.9</u>	<u>188.4</u>
At 29 March 2014	<u>194.9</u>	<u>188.4</u>

History of experience gains and losses

	2014	2013	2012	2011	2010
Present value of defined benefit obligations (£m)	(216.4)	(210.2)	(190.3)	(183.9)	(191.0)
Fair value of scheme assets (£m)	<u>194.9</u>	<u>188.4</u>	<u>179.9</u>	<u>183.9</u>	<u>175.2</u>
Deficit in the scheme (£m)	<u>(21.5)</u>	<u>(21.8)</u>	<u>(10.4)</u>	<u>-</u>	<u>(15.8)</u>

Experience adjustments on scheme liabilities

Amount (£m)	3.1	0.2	(5.0)	0.7	20.8
Percentage of scheme liabilities (%)	<u>1.4</u>	<u>0.1</u>	<u>(2.6)</u>	<u>0.4</u>	<u>10.9</u>

Experience adjustments on scheme assets

Amount (£m)	0.8	2.7	12.3	0.7	35.9
Percentage of scheme assets (%)	<u>0.4</u>	<u>1.4</u>	<u>6.8</u>	<u>0.4</u>	<u>20.5</u>

The estimated amounts of contributions expected to be paid to the scheme during the current financial period is £6.1 million (2013: £2.5 million).

UK Bus Pension Scheme

The group operates a defined benefit pension scheme under which benefits provided are based on employees' number of periods' service and either career average or final salary. The company is a participating employer within the scheme.

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 deficit on the UK Bus Pension scheme of £92.7 million (2013: £111.0 million) 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 financial statements of FirstGroup plc.

First Manchester Limited

Notes to the Financial Statements (continued) **52 weeks ended 29 March 2014**

23. Pension schemes (continued)

The total contributions paid to the scheme in the period was £1.8 million (2013: £1.5 million) and the total estimated employer contributions expected to be paid to the scheme during the current financial period is £2.0 million (2013: £1.4 million). At 29 March 2014 £32,000 (2013: £22,000) was outstanding as at that date.

FirstGroup Pension Scheme

The group operates a defined benefit pension scheme under which benefits provided are based on employees' number of periods' service and either career average or final salary. The company is a participating employer within the scheme.

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 deficit on the FirstGroup Pension scheme of £10.1 million (2013: £7.3 million) 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 financial statements of FirstGroup plc.

The total contributions paid to the scheme in the period was £138,000 (2013: £113,000) and the total estimated employer contributions expected to be paid to the scheme during the current financial period is £107,000 (2013: £110,000). At 29 March 2014 £nil (2013: £nil) was outstanding as at that date.

24. Acquisitions

On 9 February 2013, the company acquired the trade and fixed assets - excluding the fleet of 41 vehicles - of Rusholme depot from an existing bus operator, Finglands Coachways Limited, for a purchase price of £0.1million. Assets with a net book value of £25,000 were transferred as set out in note 12. The goodwill has been included within note 11. Separate results for the comparative period are not available.

25. Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with wholly owned 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 parent company is First North West Limited.

Copies of the financial statements of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, Paddington, London, W2 6LG.