FB PROPERTIES LIMITED

FINANCIAL STATEMENTS

31 MARCH 1999

Company Registered Number: 2094289

FINANCIAL STATEMENTS

31 March 1999

Contents

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 1999.

Principal activities

The principal activity of the company is that of property development.

There will be no changes in the activity of the company for the foreseeable future .

Ultimate parent company

The ultimate parent company is FirstGroup plc.

Financial matters

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

Directors

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

T Smallwood (Chairman)
R A Lewis
M Lockhead
J A Osbaldiston

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

	Ordinary shares		Share options under savings related share option scheme		Share options under performance share plan	
Director	At end of year 5p shares	At beginning of year 5p shares	At end of year 5p shares	At beginning of year 5p shares	At end of year 5p shares	At beginning of year 5p shares
R A Lewis	3,314	-	1,111	1,111	18,326	12,146

During the year 6,180 5p shares were granted to R A Lewis under the performance share plan. No share options were exercised in the year.

Information, including details of exercise prices, relating to the savings related share option scheme and the performance share plan are given in note 28 to the financial statements of FirstGroup plc. There is no contract or arrangements with the company or any of its fellow group undertakings, other than service contracts in which any of the directors is materially interested and which is significant in relation to the business of the company or any of its fellow group undertakings taken as a whole.

DIRECTORS' REPORT (continued)

The interests of Messrs Smallwood, Lockhead and Osbaldiston in the ordinary shares of FirstGroup plc are disclosed in the directors' report of FirstGroup plc.

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

Year 2000

An executive committee sponsored by the Group Finance Director was established with responsibility to ensure that all operating companies within the Group have identified the systems (including those using embedded chips) which require change and are associated with business criticality. The work to date has been reviewed by external consultants and formally reported to the board.

The company has made appropriate plans to ensure that all changes required will be successfully implemented by mid 1999. Currently we are on schedule and it is anticipated that all critical systems will be compliant by mid 1999. This includes the underlying hardware and operating software.

The costs of the programme do not have a material impact on the accounts.

Auditors

During the year KPMG Audit plc resigned as auditors. There being a casual vacancy, the directors appointed Deloitte & Touche as auditors. In accordance with section 385 of the Companies Act 1985, a resolution concerning the reappointment and remuneration of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

B Howell
Secretary

32a Weymouth Street
London
W1N 3FA

19th August 1999

DIRECTORS' RESPONSIBILITIES

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

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

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

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 5 to 15, which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditor

Hill House
1 Little New Street
London
EC4A 3TR

19th August 1999

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Notes	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Turnover			
- continuing operations	2	-	1,137
Operating costs			
- General	3	(412)	(1,951)
Operating loss			
- continuing operations		(412)	(814)
Loss on ordinary activities before taxation	2,6	(412)	(814)
Tax credit on loss on ordinary activities	7	550	242
Retained profit /(loss) for the financial year	15	138	(572)

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

BALANCE SHEET

At 31 March 1999

	Notes	31 March 1999 £000	31 March 1999 £000	31 March 1998 £000	31 March 1998 £000
Assets employed:					
Fixed assets					
Tangible assets	8		47		7
Current assets					
Stocks	9	8,024		5,934	
Debtors	10	30		54	
Cash at bank and in hand		2,526		1,838	
		10,580		7,826	
Creditors: amounts falling due within one year	11	(23,834)		(21,190)	
Net current liabilities			(13,254)		(13,364)
Total assets less current liabilities			(13,207)		(13,357)
Provisions for liabilities and charges	12		(44)		(32)
			(13,251)		(13,389)
Financed by:					
Capital and reserves					
Called up share capital	14		10		10
Profit and loss account	15		(13,261)		(13,399)
Equity shareholders' funds			(13,251)		(13,389)

These financial statements were approved by the board of directors on 19th August 1999 and were signed on its behalf by:

J A Osbaldiston Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1999

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Profit /(loss) for the financial year	138	(572)
Shareholders' funds at beginning of year	(13,389)	(12,817)
Shareholders' funds at end of year	(13,251)	(13,389)

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

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

The ultimate parent company has agreed to provide FB Properties Limited with necessary working capital for at least one year from the date the balance sheet was signed and accordingly these accounts have been prepared on a going concern basis.

(b) Fixed assets and depreciation

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

Other plant and equipment - 3 to 8 years straight line

(c) 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.

(d) Stocks

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

NOTES TO THE ACCOUNTS (continued)

31 March 1999

1 **Principal accounting policies** (continued)

(e) **Taxation**

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

(f) **Pension costs**

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

2 **Turnover and loss before taxation**

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

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

3 **Operating costs**

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Changes in stocks property development Work in progress	-	1,833
Amounts written off WIP	100	17
Staff costs	177	139
External charges	118	(48)
Depreciation and other amounts written off tangible fixed assets	17	10
	412	1,951

4 Employee numbers and costs

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

	Year to 31 March 1999	Year to 31 March 1998
Administration	5	5

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Wages and salaries	154	121
Social security costs	15	11
Other pension costs	8	7
	177	139

5 Directors' remuneration

The total remuneration of the directors was as follows:

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Aggregate emoluments (excluding pension contributions)	150	113

One director was a member of the pension scheme during the year, (1998 one).

6 Loss on ordinary activities before taxation

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- audit fee	-	8
Depreciation and other amounts written off tangible fixed assets	17	10
Amounts written off WIP	100	17
Rentals payable under operating leases		
- plant and machinery	-	15
Net rents receivable from property	-	(85)

There is no audit fee in the current year as the cost is borne by the ultimate parent company, FirstGroup plc.

7 Tax credit on loss on ordinary activities

	Year to 31 March 1999 £000	Year to 31 March 1998 £000
UK Corporation tax at 31%		
Prior year	(485)	-
Group relief receivable	(77)	(275)
Transfer to/(from) deferred tax		
Current year	1	33
Prior year	11	-
	(550)	(242)

The tax credit does not bear a normal relationship to the loss for the year owing to an adjustment in respect of prior years.

NOTES TO THE ACCOUNTS (continued)

31 March 1999

8 Tangible fixed assets

	Other plant and equipment £000
Cost	
At 1/4/98	28
Additions	57
At end of year	85
Depreciation	
At 1/4/98	21
Charge for year	17
At end of year	38
Net book value	
At 31 March 1999	47
At 31 March 1998	7

9 Stocks

	31 March 1999 £000	31 March 1998 £000
Property development work in progress	8,024	5,934

10 Debtors

	31 March 1999 £000	31 March 1998 £000
Amounts due within one year		
Other debtors	-	9
Other prepayments and accrued income	30	45
	30	54

NOTES TO THE ACCOUNTS (continued)

31 March 1999

11 Creditors

	31 March 1999 £000	31 March 1998 £000
Amounts falling due within one year		
Amounts owed to group undertakings	23,439	20,552
Corporation tax	-	473
Accruals and deferred income	395	165
	23,834	21,190

The bank overdraft incurs interest at 1% above the bank base rate and is repayable on demand. The overdraft is secured by guarantee.

12 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	32
Transfer from profit and loss account	12
At end of year	44

13 Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below. The amounts unprovided represent contingent liabilities and are calculated using a tax rate of 31% (1998 - 31%).

	31 March 1999		31 March 1998	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	(2)	-	(2)
Other timing differences	44	-	32	-
	44	(2)	32	(2)

NOTES TO THE ACCOUNTS (continued)

31 March 1999

14 Called up share capital

	31 March 1999	31 March 1998
	£	£
Authorised, allotted, called up and fully paid		
8000 ordinary "A" shares of £1 each	8,000	8,000
2000 ordinary "B" shares of £1 each	2,000	2,000
	10,000	10,000

There are no differences between the rights attached to each class of share.

15 Reserves

	Profit and loss account
	£000
At beginning of year	(13,399)
Retained profit for the year	138
At end of year	(13,261)

16 Commitments

Capital expenditure

The company had no capital commitments at 31 March 1999 or at 31 March 1998.

Operating leases

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

	31 March 1999 Other	31 March 1998 Other
	£000	£000
Operating leases which expire:		
Within one year	-	6
From two to five years	-	5
	-	11

17 Contingent liabilities

The company is a member of a 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 H M Customs and Excise.

The company is a member of a banking group covering a number of subsidiary undertakings. All members of the banking group are jointly and severally liable in respect of any amounts owed to HSBC Midland Bank plc. The amounts of bankoverdraft guaranteed is £2.1m (1998: nil). The amount of bank loan guaranteed at the year end is £161m (1998: £67.4m)

18 Pension scheme

The company is a member of two defined benefit pension schemes, which are funded. One of these is the Rider Pension Scheme and details on that scheme are given in the accounts of Yorkshire Rider Limited. Details of the other scheme of which the company is a member are given in the accounts of First Bristol Buses Limited.

19 Ultimate parent company

The ultimate parent company and controlling entity is FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstGroup plc can be obtained from the Corporate Headquarters of this company at 32a Weymouth Street, London, W1N 3FA.

20 Related Party Transactions

The company is taking advantage of the exemption granted by Financial Reporting Standard No. 8 ,"Related Party Transactions", not to disclose transactions to group companies which are related parties.