

FIRSTBUS INVESTMENTS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2000



**Company Registered
Number: 2205797**

FINANCIAL STATEMENTS

31 March 2000

Contents	Pages
Directors' report	1-2
Directors' responsibilities	3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movement in shareholders' funds	7
Statement of total recognised gains and losses	8
Notes to the accounts	9-13

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2000.

Principal activities and future prospects

The company continued to invest in a joint venture which has been awarded a franchise to operate 88 bus routes in Hong Kong. During the year the company acquired an investment in intermediate holding companies, First Group Acquisition Inc. and First PTS Inc. via its 75% interest in FirstGroup Investment Partnership. The company's share in the assets, liabilities, income and expenditure of the Partnership is included in these accounts.

Since the year-end the company has transferred its investment in the joint venture to a fellow subsidiary company. The company will continue to act as an intermediate holding company for the foreseeable future.

Financial matters

The results for the year are given in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (1999 – nil). The retained loss for the year was £7,645k (1999 – nil).

Directors

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

S J Hebborn (appointed 1 September 1999)
 M Lockhead
 J A Osbaldiston
 T Smallwood (Chairman; resigned 30 September 1999)

The directors who held office at the end of the year had the following interests in the 5p ordinary shares of FirstGroup plc at the end of the year, and at the beginning of the year or at date of appointment, if later:

		Ordinary shares	
		31 March 1999	31 March 2000
		or date of appointment	
S J Hebborn		68	68
		Share options under	
		long term incentive plan	
	31 March 1999	Granted	Adjustment *
	or date of appointment		31 March 2000
S J Hebborn	22,912	-	846
			23,758

*Adjustment for bonus element of rights issue

DIRECTORS' REPORT

The number of share options and the exercise price were varied during the year to take account of the dilutive effect of the FirstGroup plc rights issue. These adjustments were agreed by the Inland Revenue.

Information, including details of exercise prices, relating to the savings related share option scheme and the long term incentive plan are given in note 31 to the financial statements of FirstGroup plc.

17,100,000 £1 ordinary shares were issued during the year for a consideration of £10 per share.

The market price of FirstGroup plc shares at 31 March 2000 was 174p and the range during the year was 152p to 399p.

The interests of Messrs 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 share in FirstBus Investments Limited or any other group company, except as disclosed above, at any time during the year.

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.

Year 2000

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

Auditors

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

32a Weymouth Street
London
W1N 3FA

By order of the board


M Lockhead
Director

4 December 2000

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 OF FIRSTBUS INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 13, which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

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



Deloitte & Touche
Chartered Accountants and
Registered Auditors

Hill House
1 Little New Street
London
EC4A 3TR

¹⁸ December 2000

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2000

	Notes	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Operating costs		(162)	-
Operating loss	2	(162)	-
Interest payable and similar charges	4	(10,780)	-
Loss on ordinary activities before taxation		(10,942)	-
Tax on loss on ordinary activities	5	3,297	-
Retained loss for the financial year		(7,645)	-

BALANCE SHEET

At 31 March 2000

	Notes	31 March 2000		31 March 1999	
		£000	£000	£000	£000
Assets employed:					
Fixed assets					
Investments	6		448,330		206
Current assets					
Debtors	7	-		2,000	
Cash at bank and in hand		8,916		-	
Creditors: amounts falling due within one year	8	<u>(292,203)</u>		<u>(206)</u>	
Net current (liabilities)/assets			<u>(283,287)</u>		<u>1,794</u>
Total assets less current liabilities			<u>165,043</u>		<u>2,000</u>
Financed by:					
Capital and reserves					
Called up share capital	9		19,100		2,000
Share Premium	10		153,900		-
Profit and loss account	11		<u>(7,957)</u>		<u>-</u>
Equity shareholders' funds			<u>165,043</u>		<u>2,000</u>

These financial statements were approved by the board of directors on 4th December 2000 and were signed on its behalf by:



M Lockhead
Director

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 March 2000

	Notes	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Loss for the financial year		(7,645)	-
Issue of shares		171,000	-
Foreign exchange translation differences		(312)	-
Net addition to shareholders' funds		163,043	-
Shareholders' funds at beginning of year		2,000	2,000
Shareholders' funds at end of year		165,043	2,000

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2000

Notes	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Loss for the year attributable to shareholders	(7,645)	-
Foreign exchange translation differences	(312)	-
Total recognised gains and losses	<u>(7,957)</u>	<u>-</u>

NOTES TO THE ACCOUNTS

31 March 2000

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 and in accordance with applicable accounting standards.

(b) Fixed asset investments

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

Where any entity is considered a "Joint Arrangement that is Not an Entity" (JANE), the balance sheet and the profit and loss account includes the company's proportionate interest in the assets, liabilities and expenditure of the JANE in accordance with FRS 9.

(c) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Exchange differences arising from the translation at the closing rate of investments in subsidiaries and associated undertakings are taken to reserves as are exchange differences arising on foreign currency borrowings which finance these investments.

(d) Taxation

The charge for taxation is based on the profit or 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.

2 Operating Loss

There were no employees during the current or prior year.

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

NOTES TO THE ACCOUNTS (continued)

31 March 2000

3 Directors' remuneration

The directors received remuneration from FirstGroup plc, but it is not considered practicable to allocate this between services provided to that company, and services provided in their capacity as directors to FirstBus Investments Limited.

4 Interest payable and similar charges

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Amounts payable to group undertakings	10,780	-

5 Tax on loss on ordinary activities

	Year to 31 March 2000 £000	Year to 31 March 1999 £000
Group relief receivable	(3,297)	-

No charge for UK corporation tax arises for the current year as the company made a taxable loss which is to be surrendered to group companies for which payment will be received.

NOTES TO THE ACCOUNTS (continued)

31 March 2000

6 Fixed asset investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning of year	-	206	206
Addition	448,965	-	448,965
Foreign exchange movement	(844)	3	(841)
At end of year	448,121	209	448,330

The subsidiary undertakings acquired in September 1999 and held at the end of the year were as follows:

FirstGroup Acquisitions, Inc
First PTS, Inc

Both companies incorporated in the United States of America are wholly owned subsidiaries of the FirstGroup Investment Partnership. The company has a 75% interest in FirstGroup Investment Partnership and the above investment in subsidiary undertakings reflects its share in the assets held in the Partnership. The remaining 25% interest in FirstGroup Investment Partnership is held by a fellow group subsidiary.

All shares held in subsidiary undertakings are ordinary shares.

Group accounts are not presented as the company is a wholly owned subsidiary undertaking of FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Accordingly, these accounts present information about the company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared because the company is exempt under s228 Companies Act 1985.

NOTES TO THE ACCOUNTS (continued)

31 March 2000

7 Debtors

31 March 2000	31 March 1999
£000	£000

Amounts due within one year

Amount due from parent undertaking	-	2,000
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8 Creditors

31 March 2000	31 March 1999
£000	£000

Amounts falling due within one year

Amounts owed to parent undertaking	280,927	206
Amounts owed to subsidiary undertakings	11,276	-
	292,203	206

9 Called up share capital

31 March 2000	31 March 1999
number	number
(000)	(000)

Authorised

Ordinary shares of £1 each	20,000	2,000
	£000	£000

Ordinary shares of £1 each	20,000	2,000
	number	number
	(000)	(000)

Allotted, called up and fully paid

Ordinary shares of £1 each	19,100	2,000
	£000	£000
Ordinary shares of £1 each	19,100	2,000

17,100,000 £1 ordinary shares were issued during the year for a consideration of £10 per share.

NOTES TO THE ACCOUNTS (continued)

31 March 2000

10 Share Premium account

	£000
At beginning of year	-
Shares issued in year	153,900
	<u>153,900</u>

11 Profit and loss account

	£000
At beginning of year	-
Retained loss for the year	(7,645)
Foreign exchange differences	(312)
	<u>(7,957)</u>

12 Commitments

The company had no capital or any other commitments at 31 March 2000 or at 31 March 1999.

13 Ultimate parent company

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

14 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.