

FB PROPERTIES LIMITED

FINANCIAL STATEMENTS

31 MARCH 1997



**Company Registered
Number: 2094289**

FB PROPERTIES LIMITED

FINANCIAL STATEMENTS

31 March 1997

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 1997.

Principal activities

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

Review of the business

The company continues to develop and market its property portfolio and renewed growth in the property market increases opportunities for profitable disposal of existing properties and new property dealing opportunities.

Financial matters

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

Creditors

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. During the year responsibility for payment of trade creditors of the company was changed so that they are now accounted for by FirstBus Group Limited, though all costs are recharged to the company. At 31 March 1996 the company had 57 days' purchases outstanding.

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 the ordinary shares of FirstBus plc:

Director	Ordinary shares		Share options under Savings related share option scheme	
	At end of year	At beginning of year	At end of year	At beginning of year
	5p shares	5p shares	5p shares	5p shares
R A Lewis	-	-	1,111	1,070

DIRECTORS' REPORT (continued)

Directors (continued)

Information, including details of exercise prices, relating to the Savings related share option scheme is given in note 29 to the financial statements of FirstBus plc.

There is no contract or arrangement 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.

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

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution concerning the reappointment and remuneration of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Oldmixon Crescent
Weston-super-Mare
North Somerset
BS24 9AY

By order of the board



R A Lewis
Director

22 August 1997

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 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.

FB PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 16.

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 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 Pembroke Road
Clifton
Bristol
BS8 3BG

22 August 1997

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1997

	Notes	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Turnover			
- continuing operations	2	116	186
Operating costs	3	(1,932)	(418)
Loss on ordinary activities before taxation			
- continuing operations	2,6	(1,816)	(232)
Tax on loss on ordinary activities	7	187	(787)
Retained loss for the financial year	15	(1,629)	(1,019)

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

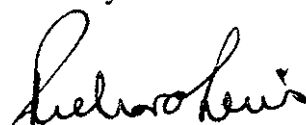
BALANCE SHEET

At 31 March 1997

	Notes	31 March 1997		31 March 1996	
		£000	£000	£000	£000
Assets employed:					
Fixed assets					
Tangible assets	8		17		15
Current assets					
Stocks	9	7,839		9,162	
Debtors	10	22		102	
		<u>7,861</u>		<u>9,264</u>	
Creditors: amounts falling due within one year	11	<u>(20,695)</u>		<u>(20,418)</u>	
Net current liabilities			(12,834)		(11,154)
Total assets less current liabilities			<u>(12,817)</u>		<u>(11,139)</u>
Provisions for liabilities and charges	12		-		(49)
			<u>(12,817)</u>		<u>(11,188)</u>
Financed by:					
Capital and reserves					
Called up share capital	14		10		10
Profit and loss account	15		(12,827)		(11,198)
Equity shareholders' funds			<u>(12,817)</u>		<u>(11,188)</u>

These financial statements were approved by the board of directors on 22 August 1997 and were signed on its behalf by:

R A Lewis



Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1997

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Loss for the financial year	(1,629)	(1,019)
Shareholders' funds at beginning of year	(11,188)	(10,169)
Shareholders' funds at end of year	<u>(12,817)</u>	<u>(11,188)</u>

NOTES TO THE ACCOUNTS

31 March 1997

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.

The ultimate holding company has included within its financial statements a consolidated Cash Flow Statement in accordance with FRS No. 1 (revised). Therefore, the company is not required to give its own separate Cash Flow Statement.

FRS No. 8 has been adopted for the first time in preparing these accounts.

The ultimate holding company has agreed to provide FB Properties Limited with necessary working capital for at least one year from 22 August 1997 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.

NOTES TO THE ACCOUNTS (continued)

31 March 1997

1 Principal accounting policies (continued)**(d) Stocks**

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

(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 1997 £000	15 months to 31 March 1996 £000
Change in stocks of property development work in progress	1,323	(436)
Staff costs	143	174
External charges	460	679
Depreciation and other amounts written off tangible fixed assets	6	1
	<u>1,932</u>	<u>418</u>

NOTES TO THE ACCOUNTS (continued)

31 March 1997

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 1997	15 months to 31 March 1996
Administration	5	9
	<u>5</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Wages and salaries	126	127
Social security costs	12	13
Other pension costs	5	5
Redundancy costs	-	29
	<u>143</u>	<u>174</u>

5 Directors' remuneration

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

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Aggregate emoluments (excluding pension contributions)	86	116
Compensation for loss of office	-	29
	<u>86</u>	<u>145</u>

Retirement benefits accrue to one director under a defined benefit scheme.

Details of directors' options are given in the Directors' report.

NOTES TO THE ACCOUNTS (continued)

31 March 1997

6 Loss on ordinary activities before taxation

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- audit fee	8	14
- non audit	-	5
Depreciation and other amounts written off tangible fixed assets	6	1
Rentals payable under operating leases		
- plant and machinery	18	24
Net rents receivable from property	(116)	(186)

7 Tax on loss on ordinary activities

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Group relief receivable	(137)	-
Transfer from deferred tax		
Current year	(50)	-
Prior years	-	787
	<u>(187)</u>	<u>787</u>

No charge for UK corporation tax arises for both the current year and the preceding period as the company made a taxable loss which is to be surrendered to group companies for which payment will be received in respect of the current year.

NOTES TO THE ACCOUNTS (continued)

31 March 1997

8 Tangible fixed assets

	Other plant and equipment £000
Cost	
At beginning of year	20
Additions	10
Disposals	(2)
	<hr/>
At end of year	28
	<hr/>
Depreciation	
At beginning of year	5
Charge for year	6
Disposals	-
	<hr/>
At end of year	11
	<hr/>
Net book value	
At 31 March 1997	17
	<hr/>
At 31 March 1996	15
	<hr/>

9 Stocks

	31 March 1997 £000	31 March 1996 £000
Property development work in progress	7,839	9,162
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

31 March 1997

10 Debtors

	31 March 1997 £000	31 March 1996 £000
Amounts due within one year		
Trade debtors	9	25
Amounts owed from group undertakings	-	62
Other debtors	4	14
Other prepayments and accrued income	8	1
Deferred tax asset	1	-
	<u>22</u>	<u>102</u>

The deferred tax asset represents the taxation of certain timing differences which are expected to reverse without replacement in the foreseeable future.

11 Creditors**Amounts falling due within one year**

	31 March 1997 £000	31 March 1996 £000
Bank overdraft	3,390	133
Trade creditors	-	45
Amounts owed to group undertakings	17,006	20,164
Other creditors	-	9
Accruals and deferred income	299	67
	<u>20,695</u>	<u>20,418</u>

NOTES TO THE ACCOUNTS (continued)

31 March 1997

12 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	49
Transfer to profit and loss account	(50)
	<hr/>
At end of year	(1)
	<hr/>

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 33% (31 March 1996 - 33%).

	31 March 1997		31 March 1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Other timing differences	(1)	-	49	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 Called up share capital

	31 March 1997 £	31 March 1996 £
Authorised		
Ordinary "A" shares of £1 each	8,000	8,000
Ordinary "B" shares of £1 each	2,000	2,000
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Ordinary "A" shares of £1 each	8,000	8,000
Ordinary "B" shares of £1 each	2,000	2,000
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

31 March 1997

15 Profit and loss account

£000

At beginning of year	(11,198)
Retained loss for the year	(1,629)
	<hr/>
At end of year	(12,827)
	<hr/>

16 Commitments**Capital expenditure**

The company had no capital commitments at 31 March 1997 or at 31 March 1996.

Operating leases

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

	31 March 1997	31 March 1996
	Other	Other
	£000	£000
Operating leases which expire:		
Within one year	-	4
From two to five years	11	6
	<hr/>	<hr/>
	11	10
	<hr/>	<hr/>

17 Contingent liabilities

The company has guaranteed the bank overdrafts of certain fellow subsidiary undertakings. The amount outstanding at the end of the year under the guarantees was £Nil (31 March 1996 - £Nil).

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.

NOTES TO THE ACCOUNTS (continued)

31 March 1997

18 Pension scheme

The company is a member of two defined benefit pension schemes, which are funded. All eligible employees are offered membership of the relevant scheme. The valuations of the schemes were carried out by independent actuaries at 6 April 1992 and 31 March 1994 in respect of the costs used in these accounts.

Contributions are paid to the schemes at rates recommended by the actuaries and the assets of the schemes are held in separately administered trusts. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the schemes.

The actuarial assumptions used in determining the costs used in these accounts were that the rate of return on investments will be 10.5% (9.0%) per annum; the rate of earnings increase will be 7.5% (6.5%) per annum; and the rate of dividend growth will be 6% (4.5%) per annum after allowing for no increase in the first year. The amounts in brackets are in respect of the scheme valued in March 1994. The valuations were made using the projected unit method.

The two defined benefit pension schemes have been valued as at 31 March 1995 and 6 April 1995. These valuations, which overall are in line with expectations, will form the basis of future years' charges.

The actuarial assumptions used in these recent actuarial valuations were that the rate of return on investments will be 9.5% per annum; the rate of earnings increase will be 6% per annum; the rate of dividend growth will be 5% per annum; and the rate of inflation will be 4.5% per annum. The valuations were made using the projected unit method.

19 Ultimate holding company

The ultimate holding company is FirstBus plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstBus plc can be obtained from the Company Secretary of this company at Oldmixon Crescent, Weston-super-Mare, North Somerset, BS24 9AY.