

DIRECTORS' REPORT AND ACCOUNTS

**LTS Rail Limited**

COMPANY No. 2938993

31 March 1999

Registered Office

Central House  
Cliftown Road  
Southend on Sea  
Essex SS1 1AB



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## **DIRECTORS' REPORT AND ACCOUNTS**

### **LTS RAIL LIMITED**

#### **Contents**

	<b>Page</b>
Directors' Report	2
Auditors' Report to the Members of LTS Rail Limited	5
Profit and Loss Account and Statement of Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Accounts	8

## **LTS RAIL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999**

The Directors submit their report and accounts for the year ended 31 March 1999.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company during the last financial year was the operation of passenger railway services between London Fenchurch Street and Shoeburyness.

#### **BUSINESS REVIEW AND PROSPECTS**

During 1998/9 passenger income grew by 8.4% to £65,748,000 and the prospects for 1999/2000 are encouraging. Delivery of 44 new four car electrical multiple units did not commence during the year as planned and was delayed until 11 May 1999. The first unit is currently undergoing rigorous testing prior to acceptance. However, all are expected to be in service by 31st December 1999

Construction was completed during the year of a new station at West Ham which connects with the Jubilee Line extension and will allow LTS customers direct access to the Millennium Dome and the West End of London. The new station opened on 31 May 1999.

Automatic ticket barriers were installed at Fenchurch Street, Limehouse, Grays and Basildon during the year. Installation of ticket barriers at all other stations served by LTS, together with the installation of closed circuit television is in progress.

#### **RESULTS AND DIVIDENDS**

Details of the results are set out on page 6. The Company made distributable profits of £10,401,000 in the year. Interim dividends of £8,250,000 have been paid in the year with a final dividend of £1,500,000 proposed.

#### **DIRECTORS AND THEIR INTERESTS**

The Directors of the Company at the date of this report were as follows:-

R L Howells - Chairman  
K Bird  
E A R Cameron  
A N Chivers  
G R Fearnley  
H B Nichol  
M A Powles  
R F Smyth

All served as Directors throughout the year, except Messrs R F Smyth, A N Chivers and E A R Cameron, who were appointed on 28 September 1998, 9 December 1998 and 4 May 1999 respectively. Messrs N J Wood and R H McClean resigned on 24 October 1998 and 30 November 1998 respectively.

The interests of the Directors in the share capital and contractual arrangements with the Company and other group undertakings are disclosed in note 19.

## **LTS RAIL LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare accounts 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 of the Company for that year. In preparing these accounts 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 accounts;
- \* prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **EMPLOYEES**

LTS Rail Limited is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Company uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors which affect the Company's performance and prospects.

The Company's policy is to continue to employ those who become disabled in service, together with some recruitment of disabled persons where circumstances permit. Training is adjusted to cater for an individual disability and the disabled share the same conditions of service as other staff in relation to career development and promotion.

#### **SUPPLIER PAYMENT POLICY**

It is the policy of the Company to agree terms of payment with suppliers, or to make suppliers aware of standard payment terms, at the time that orders for goods and services are placed, and to settle accounts with suppliers in accordance with those terms, subject to the satisfactory provision of the goods and services. Trade creditors at 31 March 1999 represented 33 days purchases (1998 : 35 days).

**LTS RAIL LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made charitable donations of £3,554 during the year.

**YEAR 2000**

Significant progress was made during the year towards addressing Year 2000 issues. Changes have been made to the Company's accounting, payroll and inventory systems, and personal computers throughout the Company have been replaced where necessary. The total investment made by the Company amounts to £100,000 and this work is now substantially complete.

**AUDITORS**

During the course of the year Solomon Hare resigned as auditors and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy caused by their resignation. A resolution to re-appoint PricewaterhouseCoopers as the Auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board.



J.P.Simon  
Secretary

19 July 1999

**Auditors' Report to the Members of**

**LTS RAIL LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

**Respective responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

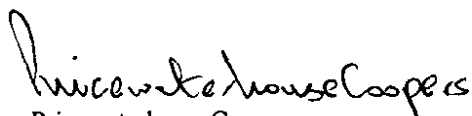
**Basis of opinion**

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 judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

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



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6NN

16 July 1999

**LTS RAIL LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1999**

		<b>Year ended 31 March 1999</b>	<b>Year ended 31 March 1998</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<b>2</b>		
Passenger income		65,748	60,637
Revenue grant		25,872	27,728
Other income		<u>4,870</u>	<u>3,192</u>
		96,490	91,557
Operating expenses	<b>3</b>	<u>(83,767)</u>	<u>(84,940)</u>
<b>Operating profit</b>	<b>3</b>	12,723	6,617
Interest receivable and similar income	<b>6</b>	1,968	1,686
Interest payable	<b>6</b>	<u>-</u>	<u>(4)</u>
<b>Profit on ordinary activities before taxation</b>		14,691	8,299
Taxation	<b>7</b>	<u>(4,290)</u>	<u>(2,914)</u>
<b>Profit on ordinary activities after taxation</b>		10,401	5,385
Dividends: paid		(8,250)	(4,250)
proposed		<u>(1,500)</u>	<u>(3,700)</u>
<b>Retained profit/(loss) for the year</b>	<b>17</b>	<u><u>651</u></u>	<u><u>(2,565)</u></u>

All amounts relate to continuing operations.

Comparative figures for the year ended 31 March 1998 have been restated (see note 17).

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 1999**

	<b>1999 £'000</b>	<b>1998 £'000</b>
Profit on ordinary activities after taxation	<u>10,401</u>	<u>5,385</u>
Total recognised gains for the year	10,401	5,385
Prior Year Adjustment	586	-
<b>Total recognised gains since last Annual Report</b>	<u><u>10,987</u></u>	<u><u>5,385</u></u>

The notes on pages 8 to 16 form part of these accounts.

LTS RAIL LIMITED

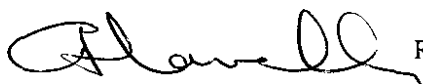
BALANCE SHEET  
as at 31 March 1999

		31 March 1999 £'000	31 March 1998 £'000
<b>Fixed assets</b>	Notes		
Tangible fixed assets	8	4,850	1,581
Investments	9	<u>-</u>	<u>-</u>
		<u>4,850</u>	<u>1,581</u>
<b>Current assets</b>			
Stocks	10	438	537
Debtors	11	8,746	4,804
Cash at bank and in hand	12	<u>25,580</u>	<u>33,148</u>
		34,764	38,489
<b>Creditors: Amounts falling due within one year</b>	13	<u>(33,311)</u>	<u>(34,510)</u>
<b>Net current assets</b>		<u>1,453</u>	<u>3,979</u>
<b>Total assets less current liabilities</b>		6,303	5,560
<b>Creditors: Amounts falling due after more than one year</b>	14	(19)	(69)
<b>Provisions for liabilities and charges</b>	15	<u>(142)</u>	<u>-</u>
<b>Net assets</b>		<u><u>6,142</u></u>	<u><u>5,491</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
Share premium account	17	3,000	3,000
Profit and loss account	17	<u>2,142</u>	<u>1,491</u>
<b>Equity shareholders' funds</b>	17	<u><u>6,142</u></u>	<u><u>5,491</u></u>

Comparative figures as at 31 March 1998 have been restated (see note 17)

On behalf of the Board

Chairman:



R L Howells

Managing Director:



K Bird

Date: 19 July 1999

The notes on pages 8 to 16 form part of these accounts.



**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 1999**

**1 ACCOUNTING POLICIES**

**a) Basis of preparation**

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

**b) Turnover**

- (i) Passenger income represents amounts agreed as attributed to the Company by the income allocation systems of the Rail Settlement Plan Limited, mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors, and released to the profit and loss account over the period of the relevant season ticket.
- (ii) Revenue grant relates to amounts receivable from the Office of Passenger Rail Franchising (OPRAF). Income is recognised on an accruals basis.
- (iii) Other income is derived from ticket commissions, station trading income, depot and station access payments, performance regime payments, and the provision of goods or services to other train operating companies and excludes VAT. It is recognised on an accruals basis.

**c) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:-

Leasehold improvements	Shorter of the period of lease or franchise period
Plant and equipment	3 - 20 years (average 5 years)
Motor vehicles	4 years

**d) Leased assets**

Assets held under finance leases are included as tangible fixed assets and depreciated over their expected useful lives. The corresponding obligations relating to finance leases, net of finance charges allocated to future periods, are included in creditors. Finance costs are allocated to the profit and loss account on a straight line basis.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**(e) Taxation**

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is calculated using the liability method in respect of timing differences arising from the difference between the accounting and tax treatment of various items. Provision is made where the timing differences are expected to reverse in the foreseeable future.

**f) Stocks**

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

**g) Investments**

Fixed asset investments are stated at cost less provision for any impairment.

**h) Pensions**

The charge to the profit and loss account for defined benefit pension schemes reflects the cost of pension obligations spread evenly over the working lives of the employees, as recommended by the pension scheme's actuaries, subject to the limit that the cost during the franchise period shall not exceed the total cash contributions projected to be made during this period. Contributions to defined contribution schemes and to personal pension arrangements are expensed as incurred.

**i) Restructuring Costs**

Provision has been made for restructuring costs only when the Company is committed to incurring such costs and they can be reliably estimated, in accordance with FRS 12. This represents a change of accounting policy from prior years, when such costs were provided for when the Directors decided to undertake a restructuring. Comparative figures have been restated accordingly (see note 17).

**2 TURNOVER**

All turnover was generated in the United Kingdom from the Company's principal activity, the operation of passenger rail services.

**3 OPERATING PROFIT**

i) Operating expenses comprise :	1999 £'000	1998 £'000
Cost of sales (including exceptional restructuring costs)	73,760	76,397
Distribution costs	4,763	4,081
Administrative expenses	5,244	4,462
	<u>83,767</u>	<u>84,940</u>

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

ii) Operating profit is stated after charging / ( crediting ) :	1999	1998
	£'000	£'000
Auditors' remuneration		
Audit services	18	30
Non-audit services	18	41
Access charges payable to Railtrack PLC	35,989	35,955
Operating lease rentals:		
Rolling stock charges	14,759	17,223
Other plant and equipment	221	73
Other	79	129
Depreciation: Owned assets	266	108
Rents receivable	(944)	(884)
Exceptional items - Restructuring costs	205	203

<b>4 DIRECTORS' EMOLUMENTS</b>	1999	1998
	£'000	£'000
Aggregate emoluments	211	231
Compensation for loss of office	-	68
	<u>211</u>	<u>299</u>

The emoluments of the Chairman and one other director for services performed in connection with the Company were paid by Prism Rail PLC, the Company's parent undertaking, and recharged to the Company as part of a management charge.

Similarly, the emoluments of four other directors were paid by West Anglia Great Northern Railway Limited, a fellow subsidiary, and the proportion relating to services performed in connection with the Company recharged to the Company as part of a management charge.

The emoluments excluding pension contributions of the highest paid director were £108,000 (1998: £97,000). His accrued pension and accrued lump sum benefit as at 31 March 1999 were £40,770 and £39,107 respectively.

Retirement benefits accrued during the year to two directors under a defined benefit scheme in respect of services provided to the Company.

<b>5 EMPLOYEES</b>	1999	1998
	£'000	£'000
Staff costs:		
Wages and salaries	12,268	12,400
Social security costs	947	944
Other pension costs	59	348
	<u>13,274</u>	<u>13,692</u>

The average number of persons employed by the Company during the year including directors was:

	1999	1998
	Number	Number
Operations	573	598
Management and administration	32	46
	<u>605</u>	<u>644</u>

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

<b>6 INTEREST RECEIVABLE AND PAYABLE</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
a) Interest receivable:		
Bank deposits	1,868	1,661
Income from other investments	-	25
Other	100	-
	<u>1,968</u>	<u>1,686</u>

b) Interest payable:		
Inter-group interest	-	3
Other interest payable	-	1
	<u>-</u>	<u>4</u>

<b>7 TAXATION</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
UK Corporation tax at 31%	963	2,478
Group relief payable at 31%	3,386	-
Deferred taxation at 30%	142	-
Tax charge on franked investment income	-	5
(Over)/under provision for group relief payable in previous years	(201)	431
	<u>4,290</u>	<u>2,914</u>

<b>8 TANGIBLE FIXED ASSETS</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 1998	378	1,461	1,839
Additions	<u>281</u>	<u>3,254</u>	<u>3,535</u>
At 31 March 1999	<u>659</u>	<u>4,715</u>	<u>5,374</u>
<b>Depreciation</b>			
At 1 April 1998	45	213	258
Charge for the year	<u>23</u>	<u>243</u>	<u>266</u>
At 31 March 1999	<u>68</u>	<u>456</u>	<u>524</u>
<b>Net book value</b>			
At 31 March 1999	<u>591</u>	<u>4,259</u>	<u>4,850</u>
At 31 March 1998	<u>333</u>	<u>1,248</u>	<u>1,581</u>

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**9 INVESTMENTS**

The Company held the following unlisted investments at 31 March 1999 and 31 March 1998:

	Country of registration	Number of shares held	Class of share	Proportion held
ATOC Ltd	England	1	Ordinary (4p)	4%
Rail Settlement Plan Ltd	England	1	Ordinary (4p)	4%
Rail Staff Travel Ltd	England	1	Ordinary (4p)	4%

These investments are shown at cost.

**10 STOCKS**

	1999 £'000	1998 £'000
Engineering spares and consumable supplies	<u>438</u>	<u>537</u>

**11 DEBTORS**

	1999 £'000	1998 £'000
Trade debtors	4,032	2,175
Amounts due from group undertakings:		
parent undertaking	344	2
fellow subsidiary undertaking	349	235
Other debtors	1,783	1,730
Prepayments and accrued income	<u>2,238</u>	<u>662</u>
	<u>8,746</u>	<u>4,804</u>

**12 CASH AT BANK AND IN HAND**

Cash at bank and in hand includes an amount of £15,460,000 (1998: £15,038,000) held in a designated account to support a season ticket bond provided by the Company's bankers to the Director of Passenger Rail Franchising in support of the Company's franchise obligations.

**13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1999 £'000	1998 £'000
Amounts due to group undertakings:		
to parent undertaking	-	325
to fellow subsidiary undertakings	461	574
Trade creditors	6,271	6,722
Other creditors	1,417	1,826
Corporation tax payable	963	79
Group relief payable	3,595	2,687
Other taxation and social security	290	533
Proposed dividend	1,500	3,700
Deferred season ticket income	14,774	15,047
Accruals and other deferred income	<u>4,040</u>	<u>3,017</u>
	<u>33,311</u>	<u>34,510</u>

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

<b>14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Other creditors	<u>19</u>	<u>69</u>

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

Provision for liabilities and charges represent deferred taxation provisions. The movement during the year was as follows:

	<b>Capital Allowances In advance of depreciation</b>	<b>Other Timing Differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 1998	-	-	-
Profit and loss account	138	4	142
At 31 March 1999	<u>138</u>	<u>4</u>	<u>142</u>

At 31 March 1999 deferred tax assets relating to accelerated capital allowances and other timing differences not recognised in the accounts amounted to nil (1998: £425,000).

**16 CALLED UP SHARE CAPITAL**

	<b>Authorised</b>		<b>Issued</b>	
	<b>Number of shares</b>	<b>£</b>	<b>Number of shares</b>	<b>£</b>
Ordinary shares of 25p each				
At 1 April 1998 and 31 March 1999	<u>4,000,000</u>	<u>1,000,000</u>	<u>4,000,000</u>	<u>1,000,000</u>

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital	Share premium	Profit and loss account	1999	1998
	£'000	£'000	£'000	£'000	£'000
Opening shareholders funds:					
As originally stated	1,000	3,000	905	4,905	6,467
Prior year adjustment*	-	-	586	586	789
Restated	<u>1,000</u>	<u>3,000</u>	<u>1,491</u>	<u>5,491</u>	<u>7,256</u>
Share issue	-	-	-	-	800
Retained profit / (loss) for the year	-	-	651	651	(2,565)
Closing shareholder's funds	<u>1,000</u>	<u>3,000</u>	<u>2,142</u>	<u>6,142</u>	<u>5,491</u>

\* As explained in note 1 (i), following the publication of FRS 12, the Company has changed its policy for accounting for restructuring costs. Restructuring provisions amounting to £789,000 which were set up in the profit and loss account for the year ended 31 March 1997 have been released as a prior year adjustment, and the profit and loss account for the year ended 31 March 1998 has been restated to include a charge for restructuring costs of £203,000.

**18 FINANCIAL COMMITMENTS**

**(a) Operating lease and similar commitments**

The Company has the following annual commitments due under operating leases which expire as follows:

	1999		1998	
	Land & buildings	Other	Land & buildings	Other
	£'000	£'000	£'000	£'000
Under one year	-	2,582	-	-
Between one and five years	81	9,975	109	15,657
Over five years	<u>-</u>	<u>9,329</u>	<u>-</u>	<u>92</u>
	<u>81</u>	<u>21,886</u>	<u>109</u>	<u>15,749</u>

The Company has contracts with Railtrack PLC for access to the railway infrastructure (track, stations and depots), which are due to expire on 25 March 2003, 26 January 2004 and 31 March 2001 respectively.

**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**(b) Pension commitments**

All Company employees are offered membership of the Railways Pension Scheme, an industry-wide scheme, which was established with effect from 1 October 1994 when British Rail Pension Scheme was partitioned. Until 1 September 1998, all employees who joined the scheme became members of a shared cost section, providing defined benefits. On that date this shared cost section was closed to new joiners and the Company established a defined contribution section for them instead.

The latest actuarial valuation of the shared cost section was :

	Valuation Date	Accrued Liabilities and Reserves £'000	Assets £'000	Funding Level
LTS Rail Limited	26 May 1996	19,000	21,800	114%

This valuation was carried out by the Scheme's independent actuaries and contribution rates have been determined using the projected unit method. The principal assumptions underlying this latest valuation were that the long term average return on investments would exceed price inflation by 4% per annum, that future pensionable pay awards would exceed price inflation by 2% per annum, and that dividend growth on UK equities would be 0.5% per annum less than the rate of price inflation.

Since then a new valuation has been carried out by the Scheme's independent actuaries at 31 December 1998 and is currently in the course of finalisation. However, the Scheme's actuaries, Watson Wyatt have published the actuarial basis and the assumptions on which the 1998 valuation is being calculated.

The Company's own independent actuaries, Bacon & Woodrow, have considered the impact of this revised basis and assumptions on the funding levels of the Company's shared cost section, also taking into account other relevant changes since the last valuation date. They have advised that the revised funding level will be such as to permit substantially all employers' contributions made during the financial year to be treated as pre-payments to be written off evenly over the remaining franchise period. Contributions of £294,000 ( 1998 - nil) have therefore been treated accordingly and are included in prepayments and accrued income in note 11.

Under, the defined contribution section of the Scheme for staff joining on or after 1 September 1998, employers' contributions have been fixed at 7.5% of pensionable pay.



**LTS RAIL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**19 DIRECTORS' INTERESTS**

Messrs R L Howells, G R Fearnley, and EAR Cameron have interests in the shares of the ultimate parent company Prism Rail PLC, and are also Directors of that company. Their interests in the shares of Prism Rail PLC are disclosed in the accounts of that company.

Messrs K Bird, H B Nichol, M A Powles, R F Smyth and A N Chivers together with other senior management of the Company, have been granted options over shares of Prism Rail PLC, under the Prism Rail PLC 1996 Unapproved Employee Share Option Scheme as follows :-

	Date of grant	Number of shares	Exercise Price	Exercise date
K Bird	5 June 1996	50,000	205p	5 June 1999 to 4 June 2003 * (i)
	11 September 1997	22,742	286.5p	11 September 2000 to 10 September 2004
	1 July 1998	17,055	470p	1 July 2001 to 30 June 2005
	11 June 1999	20,988	405p	11 June 2002 to 10 June 2006
H B Nichol	5 June 1996	10,000	205p	5 June 1999 to 4 June 2003 * (ii)
	18 July 1996	10,000	265p	18 July 1999 to 17 July 2003
	11 September 1997	16,392	286.5p	11 September 2000 to 10 September 2004
	1 July 1998	12,293	470p	1 July 2001 to 30 June 2005
	11 June 1999	16,522	405p	11 June 2002 to 10 June 2006
M A Powles	1 July 1998	15,505	470p	1 July 2001 to 30 June 2005
	11 June 1999	17,836	405p	11 June 2002 to 10 June 2006
R F Smyth	11 June 1999	18,519	405p	11 June 2002 to 10 June 2006
A N Chivers	11 June 1999	14,723	405p	11 June 2002 to 10 June 2006

\* i) Exercised 12,500 on 7 July 1999 and sold in the market at 390p per share.

\* (ii) Exercised in full on 21 June 1999 and sold in the market at 395p per share.

**20 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption (under Financial Reporting Standard 8) from providing details of related party transactions with group related parties as they are incorporated within the accounts of its parent company, Prism Rail PLC. Copies of that company's accounts can be obtained from its registered office at 32 Ludgate Hill, London, EC4M 7DR

**21 ULTIMATE PARENT UNDERTAKING**

The Company's controlling party and ultimate parent undertaking is Prism Rail PLC.

**22 CASH FLOW STATEMENT**

The Company has used the exemption under Financial Reporting Standard 1 (revised 1996) not to prepare a cash flow statement as a consolidated cash flow statement is included in the accounts of its ultimate parent company.