

DIRECTORS' REPORT AND ACCOUNTS

West Anglia Great Northern Railway Limited

COMPANY No. 3007944

31 March 1999

Registered Office

Hertford House
1 Cranwood Street
London, EC1V 9QS



DIRECTORS' REPORT AND ACCOUNTS

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

Contents

	Page
Directors' Report	2
Auditors' Report to the Members of West Anglia Great Northern Railway Limited	5
Profit and Loss Account and Statement of Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Accounts	8

WEST ANGLIA GREAT NORTHERN RAILWAY 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 Kings Cross and Peterborough, and Liverpool Street and Kings Lynn.

BUSINESS REVIEW AND PROSPECTS

During 1998/9 passenger income grew by 15.9% to £166,861,000.

The results from the fast Kings Cross to Cambridge train and the Liverpool Street to Stansted Airport service were again very encouraging. Further changes were made to the summer timetables, introduced in June 1998, which more closely met the requirements of our customers, improved the punctuality of trains and contributed to income growth.

The prospects for 1999/2000 remain promising, particularly with the continuing growth expected at Stansted Airport, from the introduction of more routes from new operators.

RESULTS AND DIVIDENDS

Details of the results are set out on page 6. The Company made distributable profits of £ 9,527,000 in the year. Interim dividends of £6,700,000 have been paid in the year with a final dividend of £2,100,000 proposed.

DIRECTORS AND THEIR INTERESTS

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

R L Howells, Chairman
E A R Cameron
G R Fearnley
R Lockett
H B Nichol
M A Powles
R F Smyth

All served as Directors throughout the year, except Messrs. R F Smyth and E A R Cameron, who were appointed on 28th September 1998 and 4th May 1999 respectively. Messrs. N J Wood and D H Burton resigned as Directors on 24th October 1998 and 4th June 1999 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.

WEST ANGLIA GREAT NORTHERN RAILWAY 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

West Anglia Great Northern Railway 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 34 days purchases (1998 : 38 days).

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

DIRECTORS' REPORT (CONTINUED)

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made charitable donations of £3,150 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 £1,200,000 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.

A handwritten signature in black ink, appearing to read 'J P Simon', with a horizontal line underneath.

J P Simon
Secretary

19 July 1999

**AUDITORS' REPORT TO THE MEMBERS OF
WEST ANGLIA GREAT NORTHERN RAILWAY 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 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 implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

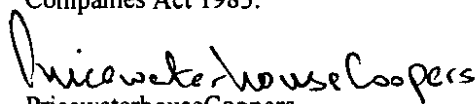
Basis of opinion

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

19 July 1999

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

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

		Year ended 31 March 1999	Year ended 31 March 1998
	Notes	£'000	£'000
Turnover	2		
Passenger income		166,861	143,988
Revenue grant		35,934	54,897
Other income		<u>11,046</u>	<u>6,875</u>
		213,841	205,760
Operating expenses	3	(203,420)	(194,574)
Operating profit	3	10,421	11,186
Interest receivable & similar income	6	2,838	2,305
Interest payable	6	<u>(1)</u>	<u>(7)</u>
Profit on ordinary activities before taxation		13,258	13,484
Taxation	7	<u>(3,731)</u>	<u>(4,008)</u>
Profit on ordinary activities after taxation		9,527	9,476
Dividends: paid		(6,700)	(7,500)
proposed		(2,100)	(650)
Retained profit for the year	17	<u><u>727</u></u>	<u><u>1,326</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**

	1999 £'000	1998 £'000
Profit on ordinary activities after taxation	<u>9,527</u>	<u>9,476</u>
Total recognised gains for the year	9,527	9,476
Prior year adjustment	287	-
Total recognised gains since last Annual Report	<u><u>9,814</u></u>	<u><u>9,476</u></u>

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

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

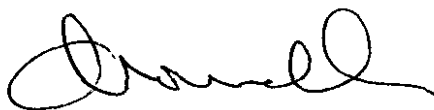
BALANCE SHEET
as at 31 March 1999

		31 March 1999 £'000	31 March 1998 £'000
Fixed assets	Notes		
Tangible fixed assets	8	5,443	1,610
Investments	9	-	-
		<u>5,443</u>	<u>1,610</u>
Current assets			
Stocks and work in progress	10	1,744	1,513
Debtors and prepayments	11	14,733	12,434
Cash at bank and in hand	12	<u>43,404</u>	<u>48,092</u>
		59,881	62,039
Creditors: Amounts falling due within one year	13	<u>(53,081)</u>	<u>(52,786)</u>
Net current assets		<u>6,800</u>	<u>9,253</u>
Total assets less current liabilities		12,243	10,863
Creditors: Amounts falling due after more than one year	14	(326)	(152)
Provisions for liabilities and charges	15	<u>(479)</u>	<u>-</u>
Net assets		<u><u>11,438</u></u>	<u><u>10,711</u></u>
Capital and reserves			
Called up share capital	16	2,375	2,375
Share premium account	17	7,125	7,125
Profit and loss account	17	<u>1,938</u>	<u>1,211</u>
Equity shareholders' funds	17	<u><u>11,438</u></u>	<u><u>10,711</u></u>

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

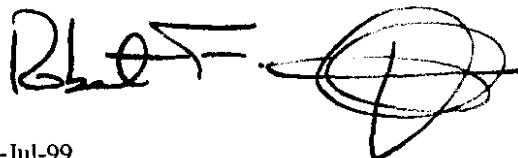
On behalf of the Board

Chairman:



R L Howells

Finance Director



R F Smyth

Date: 19-Jul-99

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

WEST ANGLIA GREAT NORTHERN RAILWAY 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

Capital grants are credited to deferred grant income on the balance sheet, and released to the profit and loss account over the estimated useful lives of the related assets.

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.

WEST ANGLIA GREAT NORTHERN RAILWAY 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 the 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

	1999 £'000	1998 £'000
(i) Operating expenses comprise :		
Cost of sales (including exceptional restructuring costs)	187,197	178,964
Distribution costs	10,058	9,222
Administrative Expenses	6,165	6,388
	<u>203,420</u>	<u>194,574</u>

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS (continued)

(ii) Operating profit is stated after charging / (crediting):	1999	1998
	£'000	£'000
Auditors' remuneration		
Audit services	20	45
Non-audit services	25	50
Access charges payable to Railtrack PLC	87,187	86,672
Operating lease rentals:		
Rolling stock charges	41,597	38,647
Other plant and equipment	673	124
Other	272	272
Depreciation: Owned assets	438	162
Rents receivable	(965)	(852)
Exceptional items - Restructuring costs	36	614

4 DIRECTORS' EMOLUMENTS	1999	1998
	£'000	£'000
Aggregate emoluments	450	329
Compensation for loss of office	-	107
	<u>450</u>	<u>436</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.

The emoluments excluding pension contributions of the highest paid director were £101,000 (1998: £98,000). His accrued pension and accrued lump sum benefit as at 31 March 1999 were £41,995 and £48,983 respectively.

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

5 EMPLOYEES	1999	1998
	£'000	£'000
Staff costs:		
Wages and salaries	32,689	30,767
Social security costs	2,484	2,307
Other pension costs	185	1,022
	<u>35,358</u>	<u>34,096</u>

The average number of persons employed by the Company during the year including directors was:	1999	1998
	Number	Number
Operations	1,327.00	1,348
Management and administration	99	90
	<u>1,426</u>	<u>1,438</u>

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS (continued)

6 INTEREST RECEIVABLE AND PAYABLE

	1999 £'000	1998 £'000
a) Interest receivable:		
Bank deposits	2,738	2,277
Inter-group interest	68	3
Other	32	25
	<u>2,838</u>	<u>2,305</u>
b) Interest payable:		
Finance charges - finance leases	1	5
Other interest payable	-	2
	<u>1</u>	<u>7</u>

7 TAXATION

	1999 £'000	1998 £'000
UK Corporation tax at 31%	-	4,003
Group relief payable at 31%	3,290	-
Deferred taxation at 30%	479	-
Tax charge on franked investment income	-	5
Prior year	(38)	-
	<u>3,731</u>	<u>4,008</u>

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 1998	913	1,177	336	2,426
Additions	<u>105</u>	<u>4,131</u>	<u>34</u>	<u>4,270</u>
At 31 March 1999	<u>1,018</u>	<u>5,308</u>	<u>370</u>	<u>6,696</u>
Depreciation				
At 1 April 1998	216	367	233	816
Charge for the year	<u>99</u>	<u>302</u>	<u>36</u>	<u>437</u>
At 31 March 1999	<u>315</u>	<u>669</u>	<u>269</u>	<u>1,253</u>
Net book value				
At 31 March 1999	<u>703</u>	<u>4,639</u>	<u>101</u>	<u>5,443</u>
At 31 March 1998	<u>697</u>	<u>810</u>	<u>103</u>	<u>1,610</u>

WEST ANGLIA GREAT NORTHERN RAILWAY 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>1,744</u>	<u>1,513</u>

11 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	6,838	6,292
Amounts due from fellow subsidiary undertaking	402	475
Other debtors	4,425	4,326
Prepayments and accrued income	<u>3,068</u>	<u>1,341</u>
	<u>14,733</u>	<u>12,434</u>

12 CASH AT BANK AND IN HAND

Cash at bank and in hand includes an amount of £20,094,000 (1998: £18,647,000) 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
Obligations under hire purchase and finance leases	12	12
Trade creditors	15,274	16,706
Amounts due to group undertakings:		
to parent undertaking	294	1,321
to fellow subsidiary undertaking	112	62
Other creditors	4,332	4,099
Corporation tax payable	267	3,676
Group relief payable	3,290	-
Other taxation and social security	833	1,305
Proposed dividend	2,100	650
Deferred season ticket income	20,140	19,646
Accruals and other deferred income	<u>6,427</u>	<u>5,309</u>
	<u>53,081</u>	<u>52,786</u>

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS (continued)

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1999 £'000	1998 £'000
Obligations under hire purchase and finance leases	15	26
Other creditors	213	-
Deferred grants	<u>98</u>	<u>126</u>
	<u>326</u>	<u>152</u>

Obligations under hire purchase and finance leases are due as follows:

	1999 £'000	1998 £'000
Within 1 year	12	12
Within 1 - 2 years	15	12
Within 2 - 5 years	<u>-</u>	<u>14</u>
	<u>27</u>	<u>38</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

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

	Capital allowances in advance of Depreciation £'000	Other Timing Differences £'000	Total £'000
At 1 April 1998	-	-	-
Profit and loss account	232	247	479
At 31 March 1999	<u>232</u>	<u>247</u>	<u>479</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: £525,000).

16 CALLED UP SHARE CAPITAL

	Authorised		Issued	
	Number of shares	£	Number of shares	£
Ordinary shares of 25p each				
At 1 April 1998 and 31 March 1999	<u>9,500,000</u>	<u>2,375,000</u>	<u>9,500,000</u>	<u>2,375,000</u>

WEST ANGLIA GREAT NORTHERN RAILWAY 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 shareholder's funds :					
As originally stated	2,375	7,125	924	10,424	6,584
Prior year adjustment *	-	-	287	287	901
Restated	<u>2,375</u>	<u>7,125</u>	<u>1,211</u>	<u>10,711</u>	<u>7,485</u>
Share issue	-	-	-	-	1,900
Retained profit for the year	-	-	727	727	1,326
Closing shareholder's funds	<u>2,375</u>	<u>7,125</u>	<u>1,938</u>	<u>11,438</u>	<u>10,711</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 £901,000 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 £614,000.

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	-	1,433	-	81
Between one and five years	272	45,444	-	1,038
Over five years	<u>-</u>	<u>-</u>	<u>272</u>	<u>42,345</u>
	<u>272</u>	<u>46,877</u>	<u>272</u>	<u>43,464</u>

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

WEST ANGLIA GREAT NORTHERN RAILWAY 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 the 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
West Anglia Great Northern Railway Limited	5 January 1997	54,000	58,900	109%

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 valuations 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 prepayments to be written off evenly over the remaining franchise period. Contributions of £877,000 (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.

WEST ANGLIA GREAT NORTHERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS (continued)

19 DIRECTORS' INTERESTS

Messrs R L Howells, G R Fearnley and E A R 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 R Lockett, H B Nichol, M A Powles and R F Smyth, 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
R Lockett	27 February 1997	14,286	392p	27 February 2000 to 26 February 2004
	11 September 1997	3,383	286.5p	11 September 2000 to 10 September 2004
	1 July 1998	12,418	470p	1 July 2001 to 30 June 2005
	11 June 1999	16,458	405p	11 June 2002 to 10 June 2006
H B Nichol	5 June 1996	10,000	205p	5 June 1999 to 4 June 2003 *
	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

* Exercised in full on 21 June 1999 and sold in the market at 395p per share

During the period the Company entered into a number of transactions in which Directors had an interest by nature of their management responsibilities and shareholdings. The costs charged to the Company related to the provision of bus and coach hire on a contractual basis, and were as follows:

Companies connected with Mr. G Fearnley	£2,790
Companies connected with Mr. R Howells	£13,949

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.