

West Anglia Great Northern Railway Limited

Directors' Report and Accounts

For the nine months ended 31 December 2000

Company number: 3007944

Registered office:

Hertford House
1 Cranwood Street
London
EC1V 9GT



West Anglia Great Northern Railway Limited

Directors' Report and Accounts

Contents

	Page
Directors' Report	3
Statement of Directors' Responsibilities	8
Auditors' Report	9
Profit and Loss Account	10
Balance Sheet	11
Notes to the Accounts	12

West Anglia Great Northern Railway Limited

Directors' Report

The Directors present their Report and Accounts for the nine months ended 31 December 2000.

Principal activities

The principal activity of the company during the last financial period was the operation of passenger railway services between Kings Cross and Peterborough, and Liverpool Street and Kings Lynn.

Review of business developments and prospects

The company was acquired by National Express Group PLC on September 19th 2000. Over the first six months, significant passenger revenue growth was achieved through service enhancement and attractive marketing campaigns. The post Hatfield disruption presented serious challenges to our operations. Following Hatfield we have initiated marketing campaigns to stimulate growth, at the same time we are vigorously pursuing recovery of losses arising as a consequence of the Hatfield incident from both Railtrack and our insurers.

The Great Northern route part of the WAGN franchise was to be surrendered to the SRA with effect from 1st April 2001. However, following a delay to the Thameslink refranchising process, the Strategic Rail Authority (SRA) reversed its decision and the Great Northern franchise will now remain an integral part of WAGN until the normal termination date for the franchise of 14th April 2004. However, the SRA have an option for early termination from October 2002.

Results and dividend

The loss for the period attributable to the shareholders amounts to £484,000, (year to 31.3.00: profit of £7,094,000). An interim dividend of £3,500,000 was paid, (year to 31.3.00: final dividend of £4,000,000 proposed).

West Anglia Great Northern Railway Limited

Directors' Report

Directors

The Directors of the Company, including the dates of any appointments/resignations, during the year are listed below:

	Date of Appointment	Date of Resignation
M. Adams		19.09.2000
D.D.G. Booth	30.10.2000	
R.H. Brown	19.09.2000	
E.A.R. Cameron		19.09.2000
G.R. Fearnley		19.09.2000
R.L. Howells		19.09.2000
R. Lockett		
A.J. McDonald	19.09.2000	
R. O'Toole	19.09.2000	
M.A. Powles		
W.P. Rollason	19.09.2000	
P.M. White	19.09.2000	
J.P. Simon		10.10.2000

Directors' interests

Messrs. P.M. White, R.H. Brown, W.P. Rollason and R. O'Toole are directors of the ultimate parent company, and their interests in the share capital of that company are shown in the accounts of National Express Group PLC.

The Directors in office at 31 December 2000 and their families had the following beneficial interest in the share capital of National Express Group PLC and the following beneficial interest in the share capital of Prism Rail PLC at 1 April 2000.

West Anglia Great Northern Railway Limited

Directors' Report

	Ordinary Shares		At 1 April 2000	Share options				At 31 December 2000
	At 1 April 2000	At 31 December 2000		Granted during period		Exercised during period		
D. D. G. Booth	-	-	-	21,144	5	21,144	6	-
R. Lockett	87	39	14,286	3		46,545	6	-
			3,383	4				
			12,418	2				
			16,458	1				
A. J. McDonald	-	-	-	3,783	7	-		3,783
				26,217	8	-		26,217
M. A. Powles	31	-	15,505	2		38,938	6	-
			17,836	1	5,597	5		

Options granted under the Prism Rail 1996 Unapproved Employee Share Option Scheme:

Following the acquisition of Prism Rail PLC, all employees and/or directors holding shares and share options under this Scheme which remained unexercised as of 22/09/00 were offered two alternatives:

- (i) exercise of option and acceptance of the offer (£2.825 per Prism share, 0.375 NEG share per Prism share and £0.40 dividend per Prism share):or
- (ii) cash cancellation (£6.225 per Prism share).

1. Granted on 11/06/99 at £4.05
2. Granted on 01/07/98 at £4.70
3. Granted on 27/02/97 at £3.92
4. Granted on 11/09/97 at £2.865
5. Granted on 20/06/00 at £4.02
6. Exercise of options and acceptance of offer was accepted on the following dates:

Adams	25/09/00
Booth	05/10/00
Cameron	28/09/00
Fearnley	02/10/00
Lockett	10/10/00
Powles	03/10/00
Simon	26/09/00

Everyone holding Prism options took the cash cancellation offer.

Options Granted Under National Express Group PLC Executive Share Option Scheme:

7. Granted on 26/09/00 at £7.93
8. Granted on 26/09/00 at £7.93 (Unapproved)

There were no shares held by the directors in West Anglia Great Northern Railways Limited as at 31st December 2000.

West Anglia Great Northern Railway Limited

Directors' Report

Employee involvement

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.

It is policy to continue to employ those who become disabled in service, together with some recruitment 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.

Charitable and political contributions

The company made charitable donations of £300 (31 March 2000: £2,175) during the year.

It is the Company's policy not to make political contributions and accordingly none were made in the year.

Supplier payment policy

It is the policy of the company to pay its suppliers within contractual and invoiced terms. Trade creditor days of the Company for the year ended 31 December 2000 were 62 days based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors (31 March 2000: 31 days).

West Anglia Great Northern Railway Limited

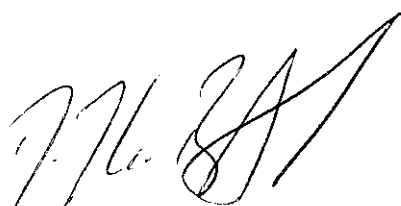
Directors' Report

Auditors

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board



D Booth

Director 31-5-01

Registered Office:
Hertford House
1 Cranwood Street
London
EC1V 9GT

Date approved by the Directors: 31-5-01

West Anglia Great Northern Railway Limited

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial period 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 period.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that these accounts comply with the above requirements.

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 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.

Report of the auditors' to the members of West Anglia Great Northern Railway

We have audited the accounts on pages 10 to 24 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 12 to 14.

Respective responsibilities of Directors and Auditors

As described on page 8, the Company's Directors are responsible for the preparation of the accounts 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 accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

Date approved: 31-5-01

West Anglia Great Northern Railway Limited

Profit and Loss Account

For the nine months ended 31 December 2000

	Note	9 months ended 31 December 2000 £000	Year ended 31 March 2000 £000
Turnover	2		
Passenger Income		137,737	185,771
Revenue Grant		10,645	27,000
Other operating income		10,865	11,399
		<u>159,247</u>	<u>224,170</u>
Operating costs	3	<u>(161,100)</u>	<u>(215,528)</u>
Operating (loss)/profit	3	(1,853)	8,642
Net interest receivable	6	<u>1,160</u>	<u>1,719</u>
(Loss)/Profit on ordinary activities before taxation		(693)	10,361
Taxation on (loss)/profit on ordinary activities	7	<u>209</u>	<u>(3,267)</u>
(Loss)/Profit on ordinary activities after taxation		(484)	7,094
Dividends		<u>(3,500)</u>	<u>(4,000)</u>
Retained (Loss)/Profit for the financial period/year		(3,984)	3,094

All activities relate to continuing operations.

There are no recognised gains or losses other than the (loss)/profit attributable to the shareholders of the Company stated above.

West Anglia Great Northern Railway Limited

Balance Sheet

As at 31 December 2000

	Note	31 December 2000 £000	31 March 2000 £000
Fixed assets			
Tangible assets	8	13,738	10,547
Investments	9	-	-
Current assets			
Stocks	10	2,510	2,290
Debtors	11	96,082	20,012
Cash at bank and in hand		155	34,735
		<u>98,747</u>	<u>57,037</u>
Creditors: amounts falling due within one year	12	<u>(101,864)</u>	<u>(51,959)</u>
Net current (liabilities)/assets		<u>(3,117)</u>	<u>5,078</u>
Total assets less current liabilities		<u>10,621</u>	<u>15,625</u>
Creditors: amounts falling due after more than one year	13	(73)	(72)
Provisions for liabilities and charges	14	-	(1,021)
		<u>10,548</u>	<u>14,532</u>
Capital and reserves			
Share capital	15	2,375	2,375
Share premium account	16	7,125	7,125
Profit and loss account	16	1,048	5,032
Equity shareholders' funds		<u>10,548</u>	<u>14,532</u>

On behalf of the board:

..... Director
Date: 31-12-01

The notes on pages 12 to 24 form part of the accounts.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

1. Accounting policies

(a) Fundamental accounting concept

The accounts have been prepared on a going concern basis as the ultimate parent company has provided support to the Company and has undertaken to continue to do so for the foreseeable future.

(b) Basis of preparation

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

(c) 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 Strategic Rail Authority (SRA). 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.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

(d) 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.

(e) 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 improvement	10 – 15 years
Plant and equipment	5 – 10 years
Motor vehicles	3 years

(f) 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, excluding 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.

(g) Grants

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

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

(h) Pension

The charge to the profit and loss account for defined benefit pension schemes reflect 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.

2. Turnover

All turnover originates in the United Kingdom.

The Directors consider that the whole of the activities of the Company constitute a single class of business.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

3. Operating profit

	9 months ended 31 December 2000 £000	Year ended 31 March 2000 £000
Operating expenses comprises:		
Cost of sales	131,043	191,052
Distribution costs	13,340	17,073
Administrative expenses	16,717	7,403
	<u>161,100</u>	<u>215,528</u>
	£000	£000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	1,366	1,226
Operating lease rentals		
- rolling stock charges	34,734	45,133
- other plant and equipment	2,637	650
Rents receivable	(917)	(1,108)
Exceptional items - restructuring costs	-	552
Auditors' remuneration – audit fees	35	19
- other services	3	27
Access charges payable to Railtrack plc	<u>53,969</u>	<u>96,353</u>

The results for the period ended 31 December 2000 reflect the reassessment of the carrying values of the net assets following the acquisition of WAGN by National Express Group PLC, resulting in charges against turnover of £2,109,000 and cost of sales of £5,634,000.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

4. Directors' emoluments

	9 months ended 31.12.00	Year ended 31.3.00
	£000	£000
Aggregate emoluments in respect of qualifying services to the company	373	591
Compensation for loss of office	-	993
	<u>373</u>	<u>1,584</u>

The emoluments excluding pension contributions of the highest paid director were £229,000 (31 March 2000: £219,000). His accrued pension and accrued lump sum benefit as at 31 December 2000 were £492 and £500 respectively.

The Directors of National Express Group PLC received no remuneration in respect of their services to this company.

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

5. Staff costs

	9 months ended 31.12.00	Year ended 31.3.00
	£000	£000
Wages & salaries	31,550	37,852
Social security costs	2,476	3,194
Other pension costs	1,190	450
	<u>35,216</u>	<u>41,496</u>

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

The average number of employees (including directors) during the year was as follows:

	9 months ended 31.12.00 No.	Year ended 31.3.00 No.
Managerial and administrative	113	78
Operational	1,570	1,579
	<u>1,683</u>	<u>1,657</u>

6. Interest

	9 months ended 31.12.00 £000	Year ended 31.3.00 £000
Interest receivable		
Bank deposits	903	1,484
Other interest receivable	257	236
	<u>1,160</u>	<u>1,720</u>
Interest payable		
Finance lease charges	-	(1)
	<u>-</u>	<u>(1)</u>
 Net interest receivable	 <u>1,160</u>	 <u>1,719</u>

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

7. Taxation

The tax (credit)/charge on (loss)/profit on ordinary activities before taxation is made up as follows:

	9 months ended 31.12.00 £'000	Year ended 31.3.00 £'000
UK Corporation tax	812	-
Deferred tax	(1,021)	542
Group relief payable	-	2,682
Prior years	-	43
	<u>(209)</u>	<u>3,267</u>

8. Tangible assets

	Short Leasehold Improvements £'000	Motor vehicles £'000	Plant & Equipment £'000	Total £'000
Cost				
At 1 April 2000	3,043	343	9,587	12,973
Additions	2,487	-	2,072	4,559
Disposals	-	(63)	(3)	(66)
At 31 December 2000	<u>5,530</u>	<u>280</u>	<u>11,656</u>	<u>17,466</u>
Depreciation				
At 1 April 2000	670	223	1,533	2,426
Charge for the period	584	33	749	1,366
Disposals	-	(63)	(1)	(64)
At 31 December 2000	<u>1,254</u>	<u>193</u>	<u>2,281</u>	<u>3,728</u>
Net book value				
At 31 December 2000	<u>4,276</u>	<u>87</u>	<u>9,375</u>	<u>13,738</u>
At 31 March 2000	<u>2,373</u>	<u>120</u>	<u>8,054</u>	<u>10,547</u>

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

9. Investments

The company held the following investments at the 31 March 2000 and at the 31 December 2000:

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

The principal activity of the above companies is to provide a range of services to all passenger rail operators, each of which have an equal share in the companies.

10. Stocks

	31.12.00	31.3.00
	£'000	£'000
Engineering spares and consumable supplies	2,510	2,290

11. Debtors

	31.12.00	31.3.00
	£000	£000
Trade debtors	47,141	9,054
Amounts due from group undertakings	29,142	3,435
Other debtors	5,612	2,090
Corporation tax recoverable	884	248
ACT recoverable	267	267
Prepayments and accrued income	13,036	4,918
	96,082	20,012

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

12. Creditors: amounts falling due within one year

	31.12.00	31.3.00
	£000	£000
Trade creditors	29,153	16,679
Bank overdraft	363	-
Amounts due to group undertakings	3,673	1,033
Other creditors	11,385	1,627
Social security and other taxation	2,293	914
Group tax relief payable	294	1,071
Accruals and deferred income	30,360	5,862
Deferred season ticket income	24,343	20,773
Proposed dividend	-	4,000
	<u>101,864</u>	<u>51,959</u>

13. Creditors: amounts falling due after more than one year

	31.12.00	31.3.00
	£000	£000
Deferred grants	<u>73</u>	<u>72</u>

14. Deferred taxation

The amounts of deferred tax provided and unprovided in the accounts are as follows:

	Provided		Unprovided	
	31.12.00	31.3.00	31.12.00	31.3.00
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	-	572	861	-
Short term timing differences	-	449	374	-
	<u>-</u>	<u>1,021</u>	<u>1,235</u>	<u>-</u>

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

15. Share capital

Authorised

	31.12.00	31.3.00
	£000	£000
9,500,000 Ordinary shares of 25p each	2,375	2,375

Allotted, called up and fully paid

	31.12.00	31.3.00
	£000	£000
9,500,000 Ordinary shares of 25p each	2,375	2,375

16. Reserves

	Share Capital £'000	Share Premium £'000	Profit and Loss account £'000	Total £'000
At 1 April 2000	2,375	7,125	5,032	14,532
Retained loss for the period	-	-	(3,984)	(3,984)
At 31 December 2000	2,375	7,125	1,048	10,548

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

17. Reconciliation of Movements in Shareholders' Funds

	31.12.00 £000	31.3.00 £000
(Loss)/Profit attributable to members of the Company	(3,984)	3,094
Net movement in shareholders' funds	(3,984)	3,094
Shareholders' funds at 1 April	14,532	11,438
Shareholders' funds at 31 December	10,548	14,532

19. Capital Commitments

	31.12.00 £000	31.3.00 £000
Contracted	686	-

20. Operating lease commitments

	Land & buildings 31.12.00 £'000	Other 31.12.00 £'000	Land & buildings 31.3.00 £'000	Other 31.3.00 £'000
Leases which expire:				
Between one and five years	697	129,989	272	49,979
Over five years	271	-	-	-
	968	129,989	272	49,979

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

For the nine months ended 31 December 2000

21. Pension schemes

The majority of employees are members of the appropriate shared-cost section of the Railways Pension Scheme ("RPS"), a defined benefit scheme. The last actuarial valuation for the RPS sections of the train operating companies were at 31 December 1998. The aggregate market value of the assets in these schemes at the date of the last actuarial valuation was £599m. The actuarial value of the assets for the schemes represented a range of approximately 104% to 123% of the liability for the benefits that had accrued to that date, after making full allowance for future earning increase. Any available surpluses are dealt with in accordance with recognised distribution limits.

The principal assumptions made when valuing the schemes are that the rate of investment returns will be 6.75% per annum and that earnings will increase at 4.5% per annum.

The regular pension costs for each section is based on the results of the most recent actuarial valuation and makes allowance for the fact that the shared cost section has been re-opened to new entrants. The variation from regular pension cost, which recognises the employers' share of the excess of assets over liabilities of each shared cost section, is spread over the remaining respective franchise periods. A prepayment of £388,000 (2000: £1,543,000) is included in prepayments and accrued income, note 11.

22. Cash flow statement

The Company has taken advantage of the exemption granted by FRS No. 1 (Revised), "Cash flow statements", whereby it is not required to publish its own statement of cash flows.

The financial statements of National Express Group PLC for the year ending 31 December 2000 contain a consolidated statement of cash flows.

23. Related party transactions

The Company has taken advantage of the exemption in paragraph 3c of FRS No. 8, "Related Party Disclosures", from disclosing transactions with related parties that are part of the Group or investees of the Group.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the nine months ended 31 December 2000

24. Ultimate parent and controlling undertaking

The Company is a wholly owned subsidiary of, and is controlled by, National Express Group PLC, a company registered in England and Wales.

The results of the Company are included in the consolidated accounts of National Express Group PLC for the year ending 31 December 2000.

Copies of these accounts are available from:-

The Secretary
National Express Group PLC
75 Davies Street
London
W1K 5HT

25. Post Balance Sheet Event

The Great Northern route part of the WAGN franchise was to be surrendered to the Strategic Rail Authority (SRA) with effect from 1st April 2001. However, following a delay to the Thameslink refranchising process, the SRA reversed its decision and the Great Northern franchise will now remain an integral part of WAGN until the normal termination date for the franchise of 14th April 2004. However, the SRA have an option for early termination from October 2002.