

NORTH WESTERN TRAINS COMPANY LIMITED

FINANCIAL STATEMENTS

**Year Ended
31 March 2000**

**Company Registered Number
3007946**



Financial Statements
Year Ended 31 March 2000

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NORTH WESTERN TRAINS COMPANY LIMITED

DIRECTORS' REPORT

31 March 2000

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

Principal Activities

The company operates passenger railway services across the North West of England and into other major conurbation's.

Our Aim

The aim of the Company is to provide a modern and relevant train service which meets the needs of the public in the area we serve. We will do this by providing a consistent, reliable train service which routinely exceeds our Charter Standards. We will meet our commitments as a Franchise Operator and will actively seek to grow the business in any way which adds value to our shareholders.

Our Objectives

To run a safe railway – We will continue to review the risks to our business and will adopt appropriate control measures to mitigate these. We have set out and will follow the Safety Management System in our Railway Case.

To be "The Public's Transport" – We want to be recognised as modern, clean and punctual and we want our customers to be greeted by friendly, helpful staff.

To look after our people – We will endeavour to treat our employees individually and will provide training, support and encouragement. Managers will get to know all their employees and a system of appraisals and feedback has been set up.

To contain the company's financial position – We will keep tight control on our costs and actively seek ways to grow our income.

Review of the business

The Company continues to provide passenger railway services in line with those of the prior year whilst having sustained a decline in contribution from the Revenue grant of £10.9m.

The loss for the financial period of £9.9m is stated after giving effect to the £10.9m decline in Revenue grant, restructuring and exceptional costs of £2.9m and Employee Share Option Scheme charges of £0.4m.

The Company continues to deliver its principal commitments already made in the franchise agreement of:

- £1.5 million vehicle refurbishment programme due for completion December 2000
- Delivery of £70 million fleet of new 100 mph diesel multiple units
- £5 million investment in station enhancements
- £0.75 million per annum extra investment on station security
- Improved communications network to be complete by Oct 2000 and CCTV in Merseyrail Passenger Transport Executive area now complete

DIRECTORS' REPORT
31 March 2000

The Company also continues to deliver commitments made at the time of the acquisition by First Group plc of:

- £1.2 million will be made available to spend on additional passenger benefits
- Internal CCTV and forward facing external cameras will be fitted to the new vehicles
- £100,000 will be spent on wheelchair access at core stations to be complete by May 2000
- The refurbishment of the GMPTE class 150 fleet to be fully funded by the Company
- Company contribution of 50% of the refurbishment of the MPTE Class 142 fleet
- The purchase of tickets will be made available on the Internet from May 2000
- Bicycle facilities at core stations have been improved

Financial Matters

The results for the year are given in the profit and loss account on page 8.

The directors do not recommend payment of a final dividend.

The retained loss for the year was £9.852m (year ended 31 March 1999 £7.477m)

Fixed assets

In the opinion of the directors, there were no material differences between the market values of the Company's properties and their net book values.

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. At 31 March 2000 the Company has 28 days (1999 – 39 days) purchases outstanding.

NORTH WESTERN TRAINS COMPANY LIMITED

DIRECTORS' REPORT

31 March 2000

Directors

The directors who held office during the year (together with those subsequently appointed) are as follows:

| | |
|---------------|---------------------------|
| Mr N Chevis | |
| Mr R George | Resigned 12 January 2000 |
| Dr M Mitchell | |
| Mr D Franks | |
| Mr D Kaye | |
| Mr V Barker | Appointed 17 June 1999 |
| Mr P Bunting | Appointed 19 May 1999 |
| Mr S Rees | Appointed 6 October 1999 |
| Mr P Randall | Resigned 20 August 1999 |
| Mr D Finch | Appointed 1 December 1999 |
| Mr D Goodwin | Appointed 12 January 2000 |
| Mr P Savage | Resigned 21 April 1999 |
| Mr E Soloman | Appointed 17 June 1999 |

None of the directors held any shares in the company at any time during the year.

The directors who held office at the end of the year had the following interests in ordinary shares of FirstGroup plc

| Director | Ordinary Shares | | Share options under savings related share option scheme | | Share options under long term incentive plan | |
|------------|-----------------------------|-----------------------------------|---------------------------------------------------------|-----------------------------------|----------------------------------------------|-----------------------------------|
| | At end of Year 5p shares | At beginning of year 5p shares | At end of year 5p shares | At beginning of year 5p shares | At end of year 5p shares | At beginning of year 5p shares |
| N Chevis | - | - | - | - | 25,284 | 17,270 |
| D Kaye | 288 | 228 | 1,475 | 1,111 | - | - |
| M Mitchell | 115,327 | 115,369 | 4,867 | 4,694 | 53,328 | 34,304 |
| H Goodwin | 375 | - | 323 | - | - | - |
| P Bunting | 75 | - | 323 | - | - | - |
| D Franks | - | - | - | - | 7,377 | - |
| D Finch | - | - | - | - | 6,557 | - |

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

There is no contract or arrangements with the Company or any of its fellow group undertakings, other than service contracts, in which any of the directors is materially interested and which is significant in relation to the business of the Company or any of its fellow group undertakings taken as a whole.

DIRECTORS' REPORT

31 March 2000

Employees

The Company is committed to employee involvement and uses a variety of methods to inform, consult and involve its employees. Management is responsible for ensuring that employees at all levels are knowledgeable about the progress and development of the company locally and of the Group. A Company newsletter is distributed quarterly.

The Company has extended employee involvement by the appointment of an employee director nominated by the workforce.

The Group is committed to wide employee share ownership and has established an Employee Share Ownership Plan ("ESOP") which eligible employees of the Company can participate in. The board of FirstGroup plc has resolved to allocate 5% of the Group's consolidated profit before taxation to ESOP. The trustees will use this to acquire shares in FirstGroup plc which will then be appropriated to participating employees of subsidiary undertakings.

The Group has a savings related option scheme, details of which are given in FirstGroup's financial statements, note 31.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory and medical requirements which have to be met for certain types of staff. Wherever reasonable and practical, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Year 2000

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

NORTH WESTERN TRAINS COMPANY LIMITED

DIRECTORS' REPORT

Auditors

The Company has passed an elective resolution dispensing with the requirement to appoint auditors annually; Deloitte & Touche have expressed their willingness to continue in office as auditors and are therefore deemed to be re-appointed for a further term.

Milford House
1 Milford Street
Swindon
SN1 1HL

By order of the board

A handwritten signature in black ink, appearing to be 'K. Ash', is written over a circular stamp or seal.

Director

27th July 2000

NORTH WESTERN TRAINS COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES

31 March 2000

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NORTH WESTERN TRAINS COMPANY LIMITED
31 March 2000**

We have audited the financial statements on pages 8 to 21.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and Accounting Standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

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



Deloitte & Touche
Chartered Accountants and
Registered Auditors

Hill House
1 Little New Street
London
EC4A 3TR

27th July 2000

NORTH WESTERN TRAINS COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 March 2000

| | Notes | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|----------------------------------------------------|-------|-----------------------------------|-----------------------------------|
| Turnover | | | |
| - Continuing Operations | | 234,334 | 244,701 |
| Operating Cost | | | |
| - General | | (244,967) | (249,450) |
| - Restructuring | | (2,932) | (4,849) |
| - Employees' profit sharing scheme | | (400) | (400) |
| Total Operating Costs | 3 | <u>(248,299)</u> | <u>(254,699)</u> |
| Loss on ordinary activities before interest | | | |
| - Continuing operations | | (13,965) | (9,998) |
| Net interest payable | 6 | <u>(1,002)</u> | <u>(488)</u> |
| Loss on ordinary activities before taxation | 7 | (14,967) | (10,486) |
| Tax on loss on ordinary activities | 8 | <u>5115</u> | <u>3,009</u> |
| Loss for the financial period retained | 17 | <u>(9,852)</u> | <u>(7,477)</u> |

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

NORTH WESTERN TRAINS COMPANY LIMITED

BALANCE SHEET As at 31 March 2000

| | Note | 31 March 2000 | | 31 March 1999 | |
|----------------------------------------------------------------|------|------------------------|------------------------|------------------------|-----------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Assets employed : | | | | | |
| Fixed assets | | | | | |
| Tangible assets | 9 | | 3833 | | 2,870 |
| Current assets | | | | | |
| Stocks | 11 | 1,351 | | 1,509 | |
| Debtors | 12 | 21,929 | | 19,183 | |
| Cash at bank and in hand | | <u>352</u> | | <u>2,218</u> | |
| | | 23,632 | | 22,910 | |
| Creditors: amounts falling due within one year | 13 | <u>(44,383)</u> | | <u>(32,076)</u> | |
| Net current liabilities | | | <u>(20,751)</u> | | <u>(9,166)</u> |
| Total assets less current liabilities | | | <u>(16,918)</u> | | <u>(6,296)</u> |
| Creditors: amounts falling due after More than one year | 13 | | <u>(692)</u> | | <u>(1,053)</u> |
| Provisions for liabilities and charges | 14 | | <u>(26)</u> | | <u>(435)</u> |
| Net liabilities | | | <u>(17,636)</u> | | <u>(7,784)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 500 | | 500 |
| Profit and loss account | 17 | | <u>(18,136)</u> | | <u>(8,284)</u> |
| Equity shareholders' funds | | | <u>(17,636)</u> | | <u>(7,784)</u> |

These financial statements were approved by the Board of Directors on 27th July 2000 and were signed on its behalf by:



David Franks
Director

NORTH WESTERN TRAINS COMPANY LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 2000

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| Loss for the financial period | (9,852) | (7,477) |
| Shareholders' funds at beginning of year | (7,784) | (307) |
| Shareholders' funds at end of year | <u>(17,636)</u> | <u>(7,784)</u> |

NOTES TO THE ACCOUNTS
At 31 March 2000

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Basis of preparation

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

Firstgroup Plc has agreed to provide North Western Trains Ltd with necessary working capital for at least one year from the date of signing of these accounts 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 assets over their useful estimated life as follows.

| | |
|----------------------------|------------------------------|
| Short leasehold properties | - period of lease |
| Plant and equipment | - 3 to 8 years straight line |

(c) Leasing and hire purchase commitments

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 useful lives or lease term, as appropriate.

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.

(d) Government grants and subsidies

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Financial support receivable from SSRA, formerly OPRAF, is shown in turnover.

(e) Stocks

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

NOTES TO THE ACCOUNTS

At 31 March 2000

(f) 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 probable that a liability or asset will crystallise.

(g) Pension costs

Retirement benefits are provided for most employees for the Company by means of a defined benefit pension scheme. This is 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

Turnover represents the amounts receivable for services supplied to customers during the year.

The whole of turnover and loss before taxation derives from the Company's principal activities within the United Kingdom. The Company has one principal class of business, namely the provision of passenger transport services.

Turnover can be analysed as follows:

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|--------------------|--------------------------------------------|--------------------------------------------|
| Passenger services | 59,513 | 56,383 |
| Revenue grant | 162,893 | 173,803 |
| Other | <u>11,928</u> | <u>14,515</u> |
| | <u>234,334</u> | <u>244,701</u> |

NOTES TO THE ACCOUNTS
At 31 March 2000

3 Operating costs

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Materials and consumables | 8,274 | 9,895 |
| Staff costs | 53,211 | 58,848 |
| External Charges | 186,008 | 185,587 |
| Depreciation and other amounts written off | 806 | 369 |
| Tangible fixed assets | <u>248,299</u> | <u>254,699</u> |

4 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £000 |
|-------------------|--------------------------------------------|-------------------------------------------|
| Operations | 1845 | 924 |
| Fleet | 236 | 314 |
| Customer Services | 0 | 1,184 |
| Other | 90 | 106 |
| | <u>2,171</u> | <u>2,528</u> |

The Customer Services department was transferred to the Operations department during the year.

The aggregate payroll costs were as follows:

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|-----------------------|--------------------------------------------|--------------------------------------------|
| Wages and salaries | 46,712 | 49,028 |
| Social security costs | 3,454 | 3,629 |
| Other pension costs | 1,394 | 1,342 |
| Redundancy costs | 1,651 | 4,849 |
| | <u>53,211</u> | <u>58,848</u> |

NOTES TO THE ACCOUNTS
At 31 March 2000

5 Directors' remuneration

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|--------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Aggregate emoluments (excluding pension contributions) | 387 | 210 |
| Compensation for loss of office | 0 | 267 |
| | <u>387</u> | <u>477</u> |

Retirement benefits accrue to six directors (1999- six directors) under defined benefit schemes.

The emoluments of the highest paid director amounted to:

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|--------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Aggregate emoluments (excluding pension contributions) | <u>112</u> | <u>47</u> |
| Defined benefit pension scheme | | |
| Accrued pension at end of period | 2 | 2 |
| Accrued lump sum at end of period | 1 | 1 |

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

NORTH WESTERN TRAINS COMPANY LIMITED

NOTES TO THE ACCOUNT At 31 March 2000

6 Net interest payable and similar charges

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|-----------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Interest receivable | | |
| Bank deposits and short-term loans | <u>48</u> | <u>169</u> |
| Interest payable | | |
| Amounts payable to Group undertakings | (1,050) | (653) |
| Finance charges payable under finance leases and hire purchase contracts | 0 | (4) |
| | <u>(1,050)</u> | <u>(657)</u> |
| Net interest payable | <u>(1,002)</u> | <u>(488)</u> |

7 Loss on ordinary activities before taxation

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Loss on ordinary activities before taxation is stated after charging: | | |
| Depreciation written off tangible fixed assets | | |
| - Owned assets | 800 | 365 |
| - Leased assets | 6 | 4 |
| Auditors' remuneration | | |
| - Deloitte & Touche audit fee | 36 | 41 |
| - Deloitte & Touche and associates non audit fees | 16 | 0 |
| Hire of rolling stock | 32,938 | 30,416 |
| Railtrack charges | | |
| - track access | 105,816 | 108,738 |
| - other operating leases and charges | 14,885 | 12,514 |

NOTES TO THE ACCOUNTS
At 31 March 2000

8 Tax on loss on ordinary activities

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| UK corporation tax at 30% (1999 – 31%) : | | |
| Current period | 0 | 0 |
| Prior period UK corporation tax at 30% (1999 – 31%) | 8 | (311) |
| Group Relief receivable | (4,486) | (3,141) |
| Transfer to/(from) deferred tax : | | |
| Current period | 103 | (45) |
| Prior period | (740) | 488 |
| | (5,115) | (3,009) |

No charge for UK Corporation tax arises for both the current and preceding year as the Company made a taxable loss which is surrendered to group companies for which payment will be received.

9 Tangible fixed assets

| | Short Leasehold Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|------------------------|---------------------------------------|---------------------------------|----------------|
| Cost: | | | |
| At beginning of period | 1,916 | 1,975 | 3,891 |
| Additions | 282 | 1,487 | 1,769 |
| Disposals | 0 | (60) | (60) |
| At end of period | <u>2,198</u> | <u>3,402</u> | <u>5,600</u> |
| Depreciation: | | | |
| At beginning of period | 381 | 640 | 1,021 |
| Charge for the period | 324 | 482 | 806 |
| Disposals | 0 | (60) | (60) |
| At end of period | <u>705</u> | <u>1,062</u> | <u>1,767</u> |
| Net book value: | | | |
| At 31 March 2000 | <u>1,493</u> | <u>2,340</u> | <u>3,833</u> |
| At 31 March 1999 | <u>1,535</u> | <u>1,335</u> | <u>2,870</u> |

The net book value of the Company's plant and equipment includes £0 (1999- £6000) in respect of assets held under finance leases and hire purchase contracts.

NORTH WESTERN TRAINS COMPANY LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

10 Fixed asset investments

The company holds a 4 pence share, which it acquired for nil consideration on 2 February 1996, in each of the following companies, which are all registered in England and Wales:

ATOC Limited
Rail Settlement Plan Limited
Rail Staff Travel Limited

11 Stocks

| | 31 March 2000 £'000 | 31 March 1999 £'000 |
|-------------------------------|------------------------|------------------------|
| Raw materials and consumables | <u>1,351</u> | <u>1,509</u> |

12 Debtors

| | 31 March 2000 £'000 | 31 March 1999 £'000 |
|--------------------------------------|------------------------|------------------------|
| Amounts due within one year | | |
| Trade debtors | 16,164 | 9,717 |
| Amounts owed from group undertakings | 0 | 312 |
| Other debtors | 4,394 | 4,103 |
| Prepayments and accrued income | 1,108 | 1,576 |
| Group relief recoverable | 0 | 3452 |
| | 21,666 | 19,160 |
| Amounts due after one year | | |
| Other debtors | 21 | 23 |
| Deferred tax asset(see note 15) | 242 | 0 |
| | <u>21,929</u> | <u>19,183</u> |

NOTES TO THE ACCOUNTS

At 31 March 2000

13 Creditors

| | 31 March 2000 | 31 March 1999 |
|--------------------------------------------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Amounts falling due within one year : | | |
| Obligations under finance leases and hire purchase contracts | 0 | 4 |
| Trade creditors | 18,422 | 20,332 |
| Amounts owed to group undertakings | 14,537 | 118 |
| Other taxes and social security costs | 1,075 | 1,126 |
| Other creditors | 1,285 | 1,222 |
| Accruals and deferred income | 9,064 | 9,274 |
| | <u>44,383</u> | <u>32,076</u> |
| Amounts falling due after more than one year : | | |
| Obligations under finance leases and hire purchase contracts | 0 | 1 |
| Claims provision | 229 | 252 |
| Deferred income | 463 | 800 |
| | <u>692</u> | <u>1,053</u> |

Finance lease and hire purchase contract liabilities are secured on the assets to which they relate. The contracts are on normal commercial terms at negotiated terms at negotiated rates.

14 Provisions for liabilities and charges

| | Deferred Tax | Warranty |
|------------------------------------|---------------------|------------------|
| | £'000 | £'000 |
| At beginning of year | 395 | 40 |
| Release to profit and loss account | (637) | (14) |
| At end of year | <u>(242)</u> | <u>26</u> |

The deferred tax debtor has been transferred to debtors due after one year.

NOTES TO THE ACCOUNTS
At 31 March 2000

15 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 30%. (1999 – 30%)

| | 31 March 2000 Provided £'000 | 31 March 2000 Un-provided £'000 | 31 March 1999 Provided £'000 | 31 March 1999 Un-provided £'000 |
|--------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|
| Accelerated capital allowances | 60 | 0 | 518 | 0 |
| Other timing differences | (302) | 0 | (123) | 0 |
| | <u>(242)</u> | <u>0</u> | <u>395</u> | <u>0</u> |

16 Called up share capital

| | Year to 31 March 2000 £'000 | Year to 31 March 1999 £'000 |
|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| Authorised | | |
| Ordinary shares of £1 each | <u>500</u> | <u>500</u> |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | <u>500</u> | <u>500</u> |

The number of ordinary shares of £1 each in issue at the end of the period was 500,000 (1999 – 500,000)

17 Reserves

| | Profit and loss Account £'000 |
|------------------------------|----------------------------------------------|
| At beginning of period | (8,284) |
| Retained loss for the period | (9,852) |
| At end of period | <u>(18,136)</u> |

NOTES TO THE ACCOUNTS
At 31 March 2000

18 Commitments

Capital expenditure

Capital commitments at the end of the period for which no provision has been made are as follows:

| | 31 March 2000 | 31 March 1999 |
|---------------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Contracted for but not provided | <u>1,952</u> | <u>270</u> |

Operating leases

| | Land & Building | Other |
|------------------------|----------------------------|-----------------------|
| | 31 March 2000 | 31 March 2000 |
| | £'000 | £'000 |
| Within one year | 102 | 1,020 |
| From one to five years | 305 | 155,427 |
| Over five years | 0 | 0 |
| | <u>406</u> | <u>156,447</u> |

The Company has signed contracts which commit it to lease rolling stock from Angel Train Contracts Limited, Forward Trust Limited and Porterbrook Leasing Company Limited over the next seven months to four years. These contracts can be terminated by agreement with the relevant rolling stock Company.

The Company has signed contracts with Railtrack plc for access to the railway infrastructure (track, stations and depots). These contracts are for a period of a further four years and may be terminated by joint agreement between the company and Railtrack.

19 Contingent liabilities

First Group plc has provided performance bonds of £7 million, backed by the Group's bankers, to the Director of Passenger Rail Franchising in support of the Group's Franchise obligations at North Western Trains Company Limited. The Company has in turn counter indemnified the Group's bankers in respect of any claim which the Director of Passenger Rail Franchising may make.

NORTH WESTERN TRAINS COMPANY LIMITED

The company was 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 **At 31 March 2000**

20 Pension commitments

The Company is a member of a funded defined benefit pension scheme. All eligible employees are offered membership of the scheme. A valuation of the scheme was carried out by independent actuaries at 31st December 1998. At the date of this actuarial valuation, the market value of the scheme's assets totalled 113.4m. The scheme's actuaries Watson & Wyatt estimated the market value of the assets notionally attributable to the North Western Trains section to have a surplus of £17.8m over the market value of reserves required to meet benefit and contribution commitments. The actuarial value of these assets was sufficient to cover 107% of the benefits which had accrued to the scheme's members. The surplus of £17.8m is being utilised by increasing the benefits offered to members as well as a reduction in the Company's contribution to the scheme. From May 2000 until November 2003, the Company's contributions have been reduced to nil and employee contributions have been frozen at 5% of eligible pay.

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

The actuarial assumptions used in these accounts were that the rate of return on investments will be 8.5% per annum; the rate of earnings increase will be 6.5% per annum. The rate of dividend growth will be 4% behind the rate of inflation in each year; and the rate of inflation will be 4.5% per annum. The evaluation was made using the projected unit method.

21 Related party transactions

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions that are part of the FirstGroup plc.

22 Ultimate holding company

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