

GB RAILWAYS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2004

Company Registered
Number: 3027949



GB RAILWAYS LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2004.

Principal activities, review of the business and future developments

The principal activity of the Company is to acquire and operate passenger rail franchises. The Company did not trade during the year.

Change of ultimate holding company

On 16 August 2003 GB Railways Limited's ultimate holding company, GB Railways Group plc, was acquired by FirstGroup plc and as a result FirstGroup plc became the ultimate holding company.

Financial matters

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

The directors do not recommend payment of a final dividend (2003 - £nil). No interim dividend (2003 - £nil) was paid in the year.

Directors and their interests

The directors who held office throughout the year (except as noted) and subsequently appointed are as follows:

J P W Long
M H Schabas
M D Steinkopf

None of the directors held any shares in the company or any other group company at any time during the year, (except as disclosed below).

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

	Ordinary shares		Share options under savings related share option scheme		Share options under long term incentive plan	
	At end of year	At beginning of year	At end of year	At beginning of year	At end of year	At beginning of year
	5p shares	5p shares	5p shares	5p shares	5p shares	5p shares
J P W Long	-	-	3,760	-	-	-
M D Steinkopf	-	-	4,085	-	-	-

The interests of Messrs Long, Schabas and Steinkopf in the ordinary shares of GB Railways Group plc are disclosed in the directors' report of GB Railways Group plc.

Charitable and political donations

The company made no donations to UK charities (2003 - £nil) during the year. There were no payments made for political purposes in either the current or prior year.

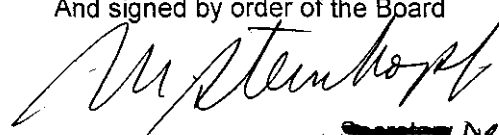
Auditors

BDO Stoy Hayward resigned as the Company's auditors on 2 October 2003. A resolution to appoint Deloitte & Touche LLP as auditors for the financial year was passed on 2 October 2003.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

15-25 Artillery Lane
London
E1 7HA

Approved by the Board of Directors
And signed by order of the Board


25 Nov Secretary DIRECTOR
2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; 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 are responsible for the system of internal control, for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GB RAILWAYS LIMITED

We have audited the financial statements of GB Railways Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, reconciliation of movement in shareholders' funds and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 1985. We also report 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

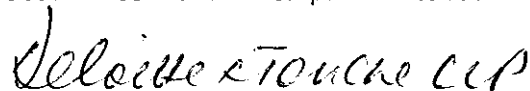
Basis of audit opinion

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 the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

25 Nov. 2004

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Turnover	2	-	-
Operating costs			
- General		-	(2)
Total operating costs	3	-	(2)
Operating loss		-	(2)
Net interest payable and similar charges	5	(9)	(1)
Loss on ordinary activities before taxation	2,6	(9)	(3)
Tax charge on loss on ordinary activities	7	(14)	(10)
Loss on ordinary activities after taxation for the financial year, transferred to reserves		(23)	(13)

All activities relate to continuing operations.

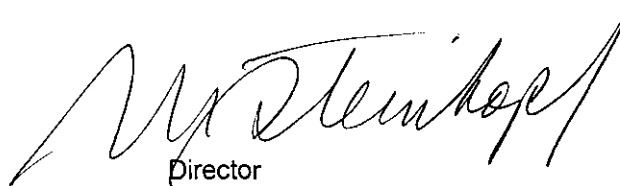
No separate statement of total recognised gains and losses is given as all gains or losses for the current and preceding year passed through the profit and loss account.

BALANCE SHEET

At 31 March 2004

	Notes	£000	2004 £000	£000	2004 £000
Assets employed:					
Current assets					
Debtors	8	492		523	
Creditors: amounts falling due within one year	9	<u>(5)</u>		<u>(13)</u>	
Net current assets			487		510
Net assets			<u>487</u>		<u>510</u>
Financed by:					
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		486		509
Equity shareholders' funds			<u>487</u>		<u>510</u>

These financial statements were approved by the Board of directors on 25 Nov 2004 and were signed on its behalf by:



Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 2004

	2004 £000	2003 £000
Loss for the financial year	(23)	(13)
Net reduction in shareholders' funds	<u>(23)</u>	<u>(13)</u>
Opening shareholders' funds	510	523
Closing shareholders' funds	<u><u>487</u></u>	<u><u>510</u></u>

NOTES TO THE ACCOUNTS

1 Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the company's financial statements:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

(b) 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. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 Turnover and loss on ordinary activities before taxation

The whole of the turnover and loss on ordinary activities before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the acquisition and operation of passenger rail franchises but did not trade during the year.

3 Operating costs

	2004 £000	2003 £000
Other external charges	-	2
	<u>-</u>	<u>2</u>

4 Directors' remuneration

The directors received no remuneration in respect of their services to the company in either the current or preceding year.

5 Interest payable and similar charges

	2004 £000	2003 £000
<i>Interest payable</i>		
Corporation tax interest	<u>9</u>	<u>1</u>

NOTES TO THE ACCOUNTS (continued)**6 Loss on ordinary activities before taxation**

	2004 £000	2003 £000
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Loss on ordinary activities before taxation is stated after charging:

Auditors' remuneration
- non audit fees

	-	2
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There are no audit fees for either the current or preceding year as they are borne by the ultimate parent company, FirstGroup plc.

7 Tax charge on loss on ordinary activities

	2004 £000	2003 £000
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Current taxation

- Adjustment in respect of prior years

	14	10
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Total current taxation and total tax charge on loss on ordinary activities

	14	10
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The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 30% (2003 – 30%). The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

	2004 %	2003 %
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Standard rate of taxation

	30.0	30.0
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Factors affecting charge

- Group relief

	(30.0)	(30.0)
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- Prior years' tax charge

	(155.6)	(333.3)
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Current taxation rate for the year

	(155.6)	(333.3)
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8 Debtors

	2004 £000	2003 £000
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Amounts due within one year

Amounts owed by group undertakings

	492	523
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NOTES TO THE ACCOUNTS (continued)**9 Creditors**

	2004 £000	2003 £000
Amounts falling due within one year		
Corporation tax	-	10
Accruals and deferred income	5	3
	<u>5</u>	<u>13</u>

10 Called up share capital

	2004 £000	2003 £000
Authorised		
1000 ordinary shares of 50p each	<u>1</u>	<u>1</u>
Allotted, called up and fully paid		
1000 ordinary shares of 50p each	<u>1</u>	<u>1</u>

11 Profit and loss account

	£000
At 1 April 2003	509
Retained loss for the year	(23)
At 31 March 2004	<u>486</u>

12 Commitments

The company had no capital or any other commitments at 31 March 2004 or at 31 March 2003.

13 Related party transactions

The company is taking advantage of the exemption under FRS 8 not to disclose transactions with group companies that are related parties.

14 Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company for which group financial statements are prepared.

The company's immediate controlling party is GB Railways Group plc.

Copies of the accounts of FirstGroup plc can be obtained on request from 3rd Floor, MacMillan House, Paddington Station, London W2 1FG.