

**GREAT WESTERN TRUSTEES
LIMITED**

FINANCIAL STATEMENTS

31 MARCH 1998



**Company Registered
Number: 3161093**

GREAT WESTERN TRUSTEES LIMITED

FINANCIAL STATEMENTS

31 March 1998

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GREAT WESTERN TRUSTEES LIMITED

DIRECTORS' REPORT

31 March 1998

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 1998.

Principal activities

Great Western Trustees Limited was established by Great Western Holdings Limited (GWH) as a Trustee of the Great Western Profit Sharing Scheme and the Great Western Employee Share Ownership Trust which are approved by the Inland Revenue in accordance with Schedules 9 and 10 of the Income and Corporation Taxes Act 1988. On 10 September 1997, the Company entered into an agreement with GWH, whereby the Company has borrowed £3,300,000 for the purpose of buying 150,000 GWH Ordinary shares from employees at £22 per share. Under the terms of the loan, the Company granted to GWH an option to buy 150,000 shares at £22.

Change of ultimate holding company

With effect from 31 March 1998 Great Western Holdings Limited was acquired by FirstGroup plc, which became the ultimate holding company of Great Western Holdings Limited.

Financial matters

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

Directors

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

Brian Scott	(resigned 29.4.98)
John Sellers	(resigned 29.4.98)
Barbara Salter	
Trevor Smallwood	(appointed 31.3.98 and resigned 29.4.98)
Tony Osbaldiston	(appointed 31.3.98 and resigned 29.4.98)
Moir Lockhead	(appointed 31.3.98 and resigned 29.4.98)
Nick Chevis	(appointed 29.4.98)
Richard George	(appointed 29.4.98)

GREAT WESTERN TRUSTEES LIMITED

DIRECTORS' REPORT (continued)

31 March 1998

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

Director	Ordinary Shares	
	FirstGroup At end of year 5p shares	GWH At beginning of year 1p shares
Barbara Salter	407,065	60,800
Brian Scott	676,645	100,800
John Sellers	472,433	60,000

Information stated at the beginning of the year is the interest at the start of the financial year or the date of appointment, if later.

Mr John Sellers has an interest in some of the floating rate unsecured loan notes issued by FirstGroup plc and details of these are given in note 16 to the financial statements of FirstGroup plc.

There is no contract or arrangement with the company or any of its fellow group undertakings, other than service contracts or loan notes mentioned above, 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.

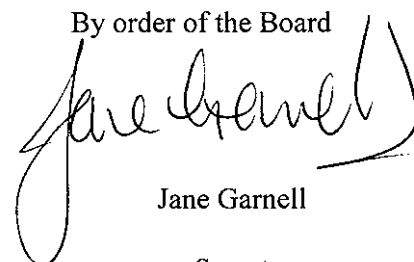
The interests of Messrs Lockhead, Osbaldiston and Smallwood in the ordinary shares of FirstGroup plc are disclosed in the directors' report of FirstGroup plc.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution concerning the appointment and remuneration of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Milford House
1, Milford Street
Swindon
SN1 1HL

By order of the Board



Jane Garnell

Secretary
28 September 1998

GREAT WESTERN TRUSTEES LIMITED

DIRECTORS' RESPONSIBILITIES

31 March 1998

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 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.

GREAT WESTERN TRUSTEES LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF GREAT WESTERN TRUSTEES LIMITED 31 March 1998

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

100 Temple Street
Bristol
BS1 6AG

28 September 1998

GREAT WESTERN TRUSTEES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1998

	Notes	Year to 31 March 1998 £	Year to 31 March 1997 £
Operating costs and operating loss - continuing operations	2	(16,361)	85
Income from shares in group undertakings		<u>346</u>	—
(Loss)/profit on ordinary activities before taxation		(16,015)	85
Tax on loss on ordinary activities - tax credit on income from shares in group undertakings		<u>(69)</u>	—
(Loss)/profit for the financial year		<u>(16,084)</u>	<u>85</u>

No 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.

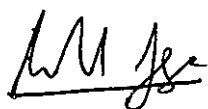
GREAT WESTERN TRUSTEES LIMITED

BALANCE SHEET

at 31 March 1998

	Notes	31 March 1998 £	31 March 1997 £
Assets employed:			
Fixed assets			
Investments	3	2,720,188	2,220
Current assets			
Debtors	4	549,978	-
Cash at bank and in hand	5	<u>16,057</u>	<u>87</u>
		566,035	87
Creditors: amounts falling due within one year	6	(3,302,220)	(2,220)
Net current liabilities		<u>(2,736,185)</u>	<u>(2,133)</u>
Total assets less current liabilities		<u>(15,997)</u>	<u>87</u>
Financed by:			
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	<u>(15,999)</u>	<u>85</u>
Equity shareholders' funds		<u>(15,997)</u>	<u>87</u>

These financial statements were approved by the board of directors on 28 September 1998 and were signed on its behalf by:



Richard George
Director



Nick Chevis
Director

GREAT WESTERN TRUSTEES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1998

	Year to 31 March 1998 £000	Year to 31 March 1997 £000
(Loss)/profit for the financial year	<u>(16,084)</u>	<u>85</u>
Net (reduction)/additions to shareholders' funds	(16,084)	85
Shareholders' funds at beginning of year	<u>85</u>	<u>-</u>
Shareholders' funds at end of year	<u>(15,999)</u>	<u>85</u>

GREAT WESTERN TRUSTEES LIMITED

NOTES TO THE ACCOUNTS

31 March 1998

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

The ultimate holding company has included within its financial statements a consolidated Cash Flow Statement in accordance with FRS No. 1 (revised). Therefore, the company is not required to give its own separate Cash Flow Statement.

2 Operating costs

	Year to 31 March 1998 £	Year to 31 March 1997 £
External charges	<u>16,361</u>	—

GREAT WESTERN TRUSTEES LIMITED

NOTES TO THE ACCOUNTS

31 March 1998

3 Investments

Year to
31 March 1998
£

Shares in group undertakings at cost

At the beginning of year	2,200
Additions	<u>3,267,966</u>
	3,270,166
Issued as options	<u>(549,978)</u>
	<u>2,720,188</u>

On 10 September 1997, the Company entered into an agreement with GWH, whereby the Company borrowed £3,300,000 for the purpose of buying GWH ordinary shares from employees at £22 per share. Under the terms of the loan, the Company granted GWH an option to buy 150,000 shares at £22. In the event 148,543 shares were purchased. The difference between the amount borrowed and the purchase price of the shares is held as cash by the Trustees' bankers.

24,999 shares were issued as options at £22 per share on 31 March. The remaining 127,984 shares in Great Western Holdings Ltd and the option continue to be held by the Trustees.

4 Debtors

31 March 1998 31 March 1997
£ £

Amounts recoverable from Group undertakings	<u>549,978</u>	<u>-</u>
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5 Cash at bank and in hand

31 March 1998 31 March 1997
£ £

Amounts held by bankers	15,714	-
Bank deposits	<u>343</u>	<u>87</u>
	<u>16,057</u>	<u>87</u>

GREAT WESTERN TRUSTEES LIMITED

NOTES TO THE ACCOUNTS (continued)

31 March 1998

6 Creditors

	31 March 1998 £	31 March 1997 £
Amounts falling due within one year		
Amounts owed to group undertakings (see note 3)	<u>3,302,220</u>	<u>2,220</u>

7 Called up share capital

	31 March 1998 £	31 March 1997 £
Authorised		
Ordinary shares of 1p each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Ordinary shares of 1p each	<u>2</u>	<u>2</u>

8 Reserves

	Profit and loss account £
At beginning of year	85
Retained loss for the year	<u>(16,084)</u>
At end of year	<u>(15,999)</u>

9 Ultimate holding company

The ultimate holding company 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 of this company at 32a Weymouth Street, London W1N 3FA.