

**RT GROUP HOLDINGS LIMITED (formerly
Railtrack Holdings Limited)**

Report and Financial Statements

31 March 2003

**Deloitte & Touche LLP
London**



RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)**REPORT AND FINANCIAL STATEMENTS 2003**

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RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

Simon Osborne

COMPANY SECRETARY

Comat Registrars Limited

REGISTERED OFFICE

PO Box 36833
180 Strand
London
WC2R 1BL

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITY

The Company's principal activity is as a holding company.

SIGNIFICANT TRANSACTIONS AND FUTURE PROSPECTS

On 21 October 2002 Railtrack Holdings Limited changed its name to RT Group Holdings Limited.

RT Group Holdings Limited is a subsidiary undertaking of Railtrack Group PLC, which is in voluntary liquidation. Prior to the liquidation RT Group Holdings Limited's principal activity was to act as an intermediary holding company. Following the voluntary liquidation of the parent, RT Group Holdings Limited has conducted all business in connection with the gradual winding down and disposal of the RT Group operations. This business includes making payments to various advisers.

The Company is not expected to trade in the future.

PROFITS AND DIVIDENDS

The profit after tax for the year was £85,503,000 (2002: £nil). Full details of the results are set out on page 5. The Director ~~recommends the payment of~~ a dividend of £74,000,000 (2002: £nil).
declared on 27 March 2003

DIRECTORS AND THEIR INTERESTS

The following Directors served throughout the period, except as noted:

S K Osborne
D A Harding (resigned 19 November 2002)
P F Worthington (appointed 5 November 2002, resigned 31 March 2003)

S K Osborne is a Director of the Company's ultimate parent company, RT Group PLC (in members' voluntary liquidation), and his interest in the shares of that company are as follows:

No.

As at 31 March 2002 and 31 March 2003

782

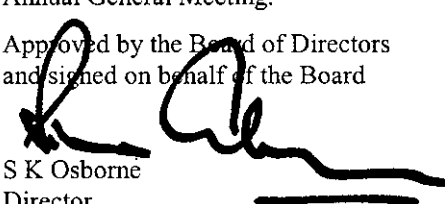
P F Worthington was appointed as Joint Company Secretary on 11 October 2002. S K Osborne and P F Worthington resigned as Company Secretaries on 31 March 2003, when Comat Registrars Limited was appointed.

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


S K Osborne
Director

7th November 2003

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

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;
- prepare the financial statements 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)**

We have audited the financial statements of RT Group Holdings Limited (formerly Railtrack Holdings Limited) for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 12. 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 affairs of the company as at 31 March 2003 and of its profit 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

7 November 2003

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)
PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Note	2003 £'000	2002 £'000
TURNOVER		-	-
Administrative expenses		(7,737)	-
OPERATING LOSS	3	(7,737)	-
Profit on sale of investments	6	15,594	-
Income from group undertakings		76,908	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		84,765	-
Interest receivable		738	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		85,503	-
Tax charge on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		85,503	-
Dividends	5	(74,000)	-
RETAINED PROFIT FOR THE YEAR		11,503	-
Retained profit brought forward		-	-
Retained profit carried forward		<u>11,503</u>	<u>-</u>

All results derived from discontinued operations.

There are no recognised gains or losses for either year other than those shown above, accordingly no statement of total recognised gains and losses is prepared.

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

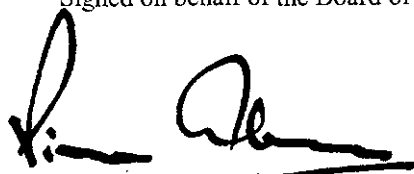
BALANCE SHEET

31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	6	-	1
CURRENT ASSETS			
Debtors	7	2,606	-
Investments	8	7,792	-
Cash at bank and in hand		108,692	-
		119,090	-
CREDITORS: amounts falling due within one year	9	(107,587)	(1)
NET CURRENT ASSETS		11,503	(1)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		11,503	-
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account		11,503	-
EQUITY SHAREHOLDERS' FUNDS		11,503	-

These financial statements were approved by the Board of Directors on **7th Nov.** 2003.

Signed on behalf of the Board of Directors



S K Osborne
Director

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)
CASH FLOW STATEMENT
Year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	I	<u>27,127</u>	<u>-</u>
Returns on investments and servicing of finance			
Interest received		738	-
Dividends received		<u>76,908</u>	<u>-</u>
Net cash outflow from returns on investments and servicing of finance		<u>77,646</u>	<u>-</u>
Capital expenditure and financial investment			
Purchase of subsidiary undertaking under temporary control		(29,000)	-
Proceeds from capital reduction		19,186	-
Sale of subsidiary undertaking under temporary control		<u>13,570</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>3,756</u>	<u>-</u>
Net cash inflow before use of liquid resources and financing		<u>108,529</u>	<u>-</u>
Increase in cash	III	<u><u>108,529</u></u>	<u><u>-</u></u>

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)
NOTES TO THE CASH FLOW STATEMENT
31 March 2003
I. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating loss	(7,737)	-
Investment write off	2,022	-
Increase in debtors	(581)	-
Increase in creditors	33,423	-
	<u>27,127</u>	<u>-</u>
Net cash inflow from operating activities	<u>27,127</u>	<u>-</u>

II. ANALYSIS OF NET FUNDS

	At 1 April 2002 £'000	Cash flows £'000	At 31 March 2003 £'000
Cash at bank and in hand	-	108,692	108,692
Bank overdraft	-	(163)	(163)
	<u>-</u>	<u>108,529</u>	<u>108,529</u>

III. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
Increase in cash in the year	108,529	-
Change in net debt resulting from cash flows and movement in net funds in the year	108,529	-
Net funds at 1 April	-	-
Net funds at 31 March	<u>108,529</u>	<u>-</u>

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidation

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 229 of the Companies Act 1985. The non dormant subsidiaries are held under temporary control and the undertakings have not been previously included in consolidated group accounts prepared by RT Group Holdings Limited, and the inclusion of the dormant subsidiaries are not material for the purpose of giving a true and fair view. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments in subsidiaries

Investments held as fixed assets are stated at cost less provision for any impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The remuneration paid to the directors of the company was as follows:

	2003 £'000	2002 £'000
Emoluments	1,848	-
Remuneration of the highest paid director:		
Emoluments	1,213	-
Average monthly number of persons (including executive directors) employed during the year:		
	2003 No.	2002 No.
Administrative	23	-
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,086	-
Social security costs	268	-
Pension costs	147	-
	3,501	-

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

3. OPERATING LOSS

Operating loss is after charging:

	2003 £'000	2002 £'000
Auditors' remuneration		
- Non audit fee	97	-
Amounts written off investments	2,022	-
	<u>2,119</u>	<u>-</u>

In the current and preceding year the audit fees were borne by another Group company.

4. TAX CHARGE ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom Corporation Tax at 30% (2002 – 30%) based on the profit for the year	-	-
	<u>-</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	85,503	-
	<u>85,503</u>	<u>-</u>
Tax on profit on ordinary activities at standard rate of Corporation Tax in the UK of 30% (2002 – 30%)	25,651	-
Effects of:		
UK dividend income	(23,073)	-
Profit on disposal covered by losses	(5,053)	-
Non-deductible expenditure	803	-
Group relief surrendered for nil consideration	1,672	-
	<u>1,349</u>	<u>-</u>
Current tax charge	-	-
	<u>-</u>	<u>-</u>

5. DIVIDENDS

	2003 £'000	2002 £'000
Final proposed £37,000,000 per ordinary share (2001 - £nil)	74,000	-
	<u>74,000</u>	<u>-</u>

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. INVESTMENTS HELD AS FIXED ASSETS

	£'000
At 1 April 2002	1
Disposals	(1)
	<hr/>
At 31 March 2003	-
	<hr/> <hr/>

The company's subsidiaries at 31 March 2003 are set out below:

Name of company	Country of incorporation and operation	Principal activity	Capital held
RT Group Services Limited (formerly Railtrack Group Services Limited and Railtrack Communications Limited)	United Kingdom	Dormant	100%
RT Group Strategic Management Solutions Limited (formerly Railtrack Strategic Management Solutions Limited)	United Kingdom	Dormant	100%
Watertrack Limited	United Kingdom	Dormant	100%

On 24 December 2002, the Company disposed of its 100% interest in RT Group Developments Limited (formerly Railtrack Developments Limited) for consideration of £16,845,000 along with a further £5 million placed in Escrow. A profit on disposal of £15,594,000 was recognised and £1,250,000 of costs paid. The £5 million placed in Escrow has not been recognised within these accounts and represents a contingent asset of the company.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 229 of the Companies Act 1985. The dormant subsidiaries are not material for the purpose of giving a true and fair view.

7. DEBTORS

	2003 £'000	2002 £'000
Deferred consideration	2,025	-
Amounts owed by subsidiary undertakings	150	-
Other debtors	431	-
	<hr/>	<hr/>
	2,606	-
	<hr/> <hr/>	<hr/> <hr/>

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)
NOTES TO THE ACCOUNTS
Year ended 31 March 2003
8. INVESTMENTS HELD AS CURRENT ASSETS

	£'000
At 1 April 2002	-
Additions	29,000
Capital reduction of Ultramast Limited	(19,186)
Amounts written off	(2,022)
	<hr/>
At 31 March 2003	7,792
	<hr/> <hr/>

The company's subsidiaries at 31 March 2003 are set out below:

Name of company	Country of incorporation and operation	Principal activity	Capital held
Ultramast Services Limited (formerly RT Group Telecom Services Limited and Railtrack Telecom Services Limited)	United Kingdom	Telecommunications	100%
Ultramast Limited	United Kingdom	Telecommunications	100%

On 3 February 2003, the Company acquired a 50% interest in the ordinary share capital of Ultramast Limited, a company incorporated in Great Britain, from Ultramast Services Limited (formerly RT Group Telecom Services Limited and Railtrack Telecom Services Limited) for £29,000,000.

On 24 February 2003 Ultramast Limited made a capital reduction in respect of 867 of its issued shares resulting in RT Group Holdings Limited receiving £19,186,000 and the company assuming a 100% interest in Ultramast Limited.

On 15 May 2003 the Company disposed of its 100% interest in Ultramast Limited and Ultramast Services Limited for consideration of £7,792,000.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 229 of the Companies Act 1985. The non dormant subsidiaries are held under temporary control and the undertakings have not been previously included in consolidated group accounts prepared by RT Group Holdings Limited.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Bank overdraft	163	-
Trade creditors	68	-
Amount owed to group undertakings	31,474	1
Accruals and deferred income	1,882	-
Dividend payable	74,000	-
	<hr/>	<hr/>
	107,587	1
	<hr/> <hr/>	<hr/> <hr/>

RT GROUP HOLDINGS LIMITED (formerly Railtrack Holdings Limited)**NOTES TO THE ACCOUNTS**
Year ended 31 March 2003**10. CALLED UP SHARE CAPITAL**

As at 31 March 2002 and 2003	Number of shares	£'000
Authorised:		
Ordinary shares of £1 each	500,000	500
Called up, allotted and fully paid		
Ordinary shares of £1 each	2	-

11. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

In the opinion of the Company's Director the immediate and ultimate parent company and controlling entity is RT Group PLC (in members' voluntary liquidation) a company registered in England and Wales.

12. RELATED PARTY TRANSACTIONS

The aggregate amounts of the Company's transactions with its active subsidiaries and immediate parent in the year were:

- (a) RT Group Developments Limited £18,500,000 (2002 - £nil) dividends received;
- (b) Ultramast Services Limited £58,408,000 (2002 - £nil) dividends received and £29,000,000 (2002 - £nil) purchase of 50% interest in Ultramast Limited;
- (c) Ultramast Limited £nil (2002 - £nil); and
- (d) RT Group plc £74,000,000 (2002 - £nil) dividend paid.

At the financial year end, the aggregate amount due to/(from) the active subsidiaries were:

- (a) RT Group Developments Limited £nil (2002 - £nil)
- (b) Ultramast Services Limited £nil (2002 - £nil);
- (c) Ultramast Limited £150,000 (2002 - £nil); and
- (d) RT Group plc £(31,474,000) (2002 - £nil).