

TRAM OPERATIONS LIMITED

Report and Financial Statements

31 March 2000

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2000

Directors' report	2
Statement of directors' responsibilities	5
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Reconciliation of movements in shareholders' funds	9
Notes to the accounts	10

TRAM OPERATIONS LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The company is involved in providing Mobilisation Services to the concessionaire Tramtrack Croydon Limited, in respect of the continued development of the Croydon Tramlink Project.

REVIEW OF THE BUSINESS

The company is continuing to make progress in providing Mobilisation Services and is expected to provide phased and full services to the Concessionaire Tramtrack Croydon Limited during the next financial year.

FINANCIAL MATTERS

The results for the year are given in the profit and loss account on page 7.

The directors do not recommend payment of a final dividend (1999 Nil).

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. The company makes infrequent purchases from third party suppliers and hence there are no applicable trade creditor days.

DIRECTORS

The directors who held office during the year are as follows:

R A Duncan	
P G Hendy	
J A Storey	(resigned 22 January 2000)
A Depledge	
J H Rymer	
M G Steward	
A Neale	(appointed 13 September 1999, resigned 25 November 1999)
M J Reeves	(appointed 4 October 1999)
M A Wadsworth	(appointed 4 November 1999)
D L Quinn	(appointed 22 January 2000)
A M Wlodarski	(appointed 7 February 2000)

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

DIRECTORS' REPORT

DIRECTORS (continued)

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

Directors	Ordinary shares	
	At the end of year 5p shares	At beginning of the year 5p shares
P G Hendy	537,936	1,280,943
J H Rymer	24,410	24,202
M G Steward	14,007	35,000
D L Quinn	350	-

Directors	Shares options under saving related shares option scheme			
	At beginning of the year	Granted during the year	Adjustment for bonus element of rights issue	Total at end of year
J H Rymer	-	311	12	323
M A Wadsworth	-	103	4	107

Directors	Share options under long term incentive plan			
	At beginning of the year	Granted during the year	Adjustment for bonus element of right issue	Total at end of year
P G Hendy	34,304	13,170	1,756	49,230

Information stated at the beginning of the year are the interests at the start of the financial year or the date of appointment, if later. The interests of Mr R A Duncan in the ordinary shares of FirstGroup plc are disclosed in the directors' report of FirstGroup plc.

The number of options and the exercise prices were varied during the year to take account of the dilutive effect of the FirstGroup plc right issue.

The market price of FirstGroup plc shares at 31 March 2000 was 174p and the range during the year was 152p to 399p.

Information, including details of exercise prices, relating to the savings related share 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 arrangement 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 undertaking taken as a whole.

TRAM OPERATIONS LIMITED

DIRECTORS' REPORT

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.

AUDITORS

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually, Deloitte & Touche have indicated their willingness to continue as auditors of the company and are therefore deemed to be reappointed for a further term.

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



David Quinn

Secretary

2 November 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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; subject to any material departures disclosed and explained in the financial statements; and
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS of

TRAM OPERATIONS LIMITED

We have audited the financial statements on pages 7 to 15 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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 statements and to report our opinion to you.

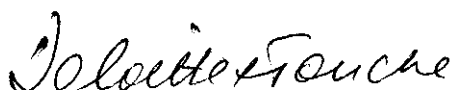
Basis of opinion

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 the company's affairs as at 31 March 2000 and of the profit 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

2 November 2000

TRAM OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2000

	Note	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
TURNOVER			
Continuing operations	2	<u>3,988</u>	<u>783</u>
Operating costs			
General	3	<u>(3,534)</u>	<u>(670)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		454	113
Tax on profit on ordinary activities	7	<u>(133)</u>	<u>(19)</u>
PROFIT FOR THE FINANCIAL YEAR	14	<u>321</u>	<u>94</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.

TRAM OPERATIONS LIMITED

BALANCE SHEET

31 March 2000

	Note	31 March 2000 £'000	31 March 1999 £'000
FIXED ASSETS			
Tangible assets	8	276	70
		<u>2,964</u>	<u>70</u>
CURRENT ASSETS			
Debtors	9	4,456	266
Cash at bank and in hand		1	77
		<u>4,457</u>	<u>343</u>
CREDITORS: amounts falling due within one year	10	(4,250)	(251)
NET CURRENT ASSETS		<u>207</u>	<u>92</u>
Total assets less current liabilities		<u>483</u>	<u>162</u>
		<u>483</u>	<u>162</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	483	162
Equity shareholders' funds		<u>483</u>	<u>162</u>

These financial statements were approved by the Board of Directors on 2 November 2000.

Signed on behalf of the Board of Directors

D. L. Quinn

David Quinn

Director

TRAM OPERATIONS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS 31 March 2000

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Profit for the financial year	321	94
Net additions to shareholders' funds	321	94
Shareholders' funds at beginning of year	162	68
Shareholders' funds at end of year	483	162

TRAM OPERATIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

1. 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.

Basis of preparation

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

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Other plant and equipment 3 to 8 years straight line

Investments

Fixed asset investments are shown at cost less provision for impairment.

Leases and hire purchase

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.

Taxation

The charge for taxation is based on the profit 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 is probable that a liability or asset will crystallise.

Pension costs

Retirement benefits are provided for most employees of the company by means of two defined benefit pension schemes. These are 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 AND PROFIT BEFORE TAXATION

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

The whole of the turnover and profit 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.

TRAM OPERATIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

3. OPERATING COSTS

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Staff costs	2,156	337
External charges	1,335	321
Depreciation and other amounts written off tangible fixed assets	43	12
	<u>3,534</u>	<u>670</u>

4. EMPLOYEE NUMBERS AND COSTS

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

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Drivers	55	3
Maintenance and traffic	29	3
Administration and branch	16	6
	<u>100</u>	<u>12</u>

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Wages and salaries	1,891	303
Social security costs	175	33
Other pension costs	29	1
	<u>2,095</u>	<u>337</u>

TRAM OPERATIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

5. DIRECTORS' REMUNERATION

The remuneration of the directors during the year was as follows:

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Aggregate emoluments (excluding pension contributions)	153	35
Company pension contributions to final salary scheme	13	3
	<u>166</u>	<u>38</u>

Retirement benefits accrue to 5 directors under defined benefit schemes (1999 - 1).

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Deloitte & Touche audit fee	9	1
Depreciation and other amounts written off tangible fixed assets		
Owned assets	43	12
Rentals payable under operating leases		
Plant and machinery	3	-
	<u>55</u>	<u>13</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year to 31 March 2000 £'000	Year to 31 March 1999 £'000
UK corporation tax at 30% (1999 - 31%)		
Current year	-	55
Prior years	(1)	(13)
Group relief	111	-
Transfer to/(from) deferred tax		
Current year	23	(23)
	<u>133</u>	<u>19</u>

The charge for UK corporation tax for both the current and preceding year has been reduced by the availability of group loss relief for which payment will be made.

TRAM OPERATIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

8. TANGIBLE FIXED ASSETS

	Other plant and equipment £'000
Cost	
At beginning of year	93
Additions	250
Intra group transfers	-
	<hr/>
At end of year	343
	<hr/>
Depreciation	
At beginning of year	23
Charge for year	43
Intra group transfers	1
	<hr/>
At end of year	67
	<hr/>
Net book value	
At 31 March 2000	276
	<hr/>
At 31 March 1999	70
	<hr/>

9. DEBTORS

	31 March 2000 £'000	31 March 1999 £'000
Amounts due within one year		
Trade debtors	1,825	264
Amounts owed from group undertakings	2,492	-
Other debtors	58	-
Other prepayments and accrued income	81	2
	<hr/>	<hr/>
	4,456	266
	<hr/>	<hr/>

TRAM OPERATIONS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2000

10. CREDITORS

	31 March 2000 £'000	31 March 1999 £'000
Amounts falling due within one year		
Bank overdraft	3,684	-
Trade creditors	208	-
Amounts owed to group undertakings	188	12
Corporation tax	-	32
Other tax and social security	-	180
Accruals and deferred income	170	27
	<u>4,250</u>	<u>251</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000
At beginning of year	(23)
Transfer from profit and loss account	23
At end of year	<u>-</u>

12. 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%.

	31 March 2000		31 March 1999	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	-	23	-	-
Other timing differences	-	-	(23)	-
	<u>-</u>	<u>23</u>	<u>(23)</u>	<u>-</u>

13. CALLED UP SHARE CAPITAL

	31 March 2000	31 March 1999
Authorised		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

The number of ordinary shares of £1 each in issue at the end of the year was 2 (1998 - 2).

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

14. RESERVES

	Profit and loss account £'000
At beginning of year	162
Retained loss for the year	321
	<hr/>
At end of year	483
	<hr/>

15. COMMITMENTS

The company had no capital commitments at 31 March 2000 or at 31 March 1999.

16. OPERATING LEASES

Commitments for payments in the next year under operating leases are as follows:

	31 March 2000 £'000	31 March 1999 £'000
Operating leases which expire:		
Within one year	6	-
From one to five years	6	-
	<hr/>	<hr/>
	12	-
	<hr/>	<hr/>

17. CONTINGENT LIABILITIES

The company is 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 HM Customs and Excise.

18. PENSION SCHEME

The company is a member of two defined benefit pension schemes, which are funded. All eligible employees are offered membership of the relevant scheme. The benefits of the schemes are detailed in the accounts of Centrewest London Buses Limited.

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose related party transactions as it is a wholly owned subsidiary.

20. ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate 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 of this company at 32a Weymouth Street, London, W1N 3FA. The company's immediate controlling party is CentreWest Limited. CentreWest Limited is a wholly owned subsidiary of FirstGroup plc and therefore does not prepare consolidated accounts.