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DIRECTORS' REPORT AND ACCOUNTS

ATOC Limited

31 March 1996



ATOC LIMITED

DIRECTORS' REPORT

The Directors submit their report and the accounts for the period which commenced on the date of incorporation on 12 June 1995 and ended on 31 March 1996 ("the Period"). ATOC Limited ("the Company") commenced trading on 14 July 1995.

Principal Activity

The Company was incorporated on 12 June 1995 as ATOC Limited. By virtue of a Transfer Scheme made on 14 July 1995 pursuant to section 85(1) of the Railways Act 1993 the British Railways Board ("BRB") vested the business, assets and liabilities of that part of its undertaking which immediately before the transfer date consisted of the operation, administration and development of a secretariat carried on under the title "ATOC Secretariat".

The principal activity of the Company during the Period was the provision of a secretariat for the Association of Train Operating Companies and its associated schemes, companies and structures.

Results

	£'000
Profit for the period	12
Dividends paid/proposed	NIL
	<hr/>
Transfer to reserves	<hr/> 12

The Directors do not propose the payment of a dividend.

Business Review and Prospects

During the period covered by this Report the business of the Company was established, an administrative/secretarial function being assembled compatible with the Company's function to provide services to ATOC Schemes and connected companies (including personnel and a legal entity for contract purposes). There is a possibility that some functions currently undertaken externally under contract will be handled by the Company itself and that staff might transfer between connected companies which could result in changes to the structure of the Company during the current financial year.

Directors and their Interests

The Directors of the Company during the Period were as follows:

	Date of Appointment
Peter Graham Hewett	12.06.95
David Garth Griffin-Smith	12.06.95
James Charles Mellish Gordon	10.07.95
Christopher John Gervase Tibbits	Chairman* 10.07.95

* C. J. G. Tibbits was elected Chairman at the first meeting of the Directors on 11 April 1996.

ATOC LIMITED

DIRECTORS' REPORT

None of the Directors had a beneficial interest in any shares of the Company or any other group undertaking. No Director had a material interest in any contract with the Company or with BRB.

The appointment, removal and terms of employment of the Directors of the Company were determined by BRB during the Period.

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 and of the profit and 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;
- 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.

Employees

ATOC Limited is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company is committed to ensuring all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

As at 31 March 1996 the Company employed 38 people.

Fixed Assets

Changes in the tangible fixed assets of the Company are as detailed in note 5 to the accounts.

Charitable Contributions

No political or charitable donations were made by the Company during the Period.

ATOC LIMITED

DIRECTORS' REPORT

Directors' and Officers' Liability Insurance


The Directors and other officers of the Company had insurance during the Period which, subject to the terms of the policy, indemnified them against any personal liability and defence costs which might have resulted from claims brought against them in their capacity as Directors and officers of the Company.

Auditors

Price Waterhouse were appointed auditors of the Company on 11 April 1996 and have indicated their willingness to continue in office. In accordance with section 384 of the Companies Act 1985, a resolution re-appointing them as auditors will be proposed at the next Annual General Meeting.

On behalf of the Directors.

By Order of the Board



.....
P. G. Hewett
Secretary

Registered Office
Euston House
London NW1

19 in 1996

Registered Number 3069033

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF ATOC LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 were 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 1996 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
LONDON
Chartered Accountants
and Registered Auditors

19 September 1996

ATOC LIMITED

PROFIT AND LOSS ACCOUNT
for the period ended 31 March 1996

Notes		Period to 31 March 1996 £'000
1	Turnover	1,198
	Operating expenditure	<u>1,186</u>
2 (a)	Operating profit and profit on ordinary activities before taxation	12
3	Taxation on profit on ordinary activities	-
	Profit for the period	<u>12</u>
9	Transfer to reserves	<u>12</u>

There are no other recognised gains and
losses other than the profit for the period

The notes on pages 7 to 14 form part of these accounts

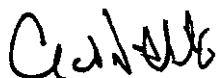
ATOC LIMITED

**BALANCE SHEET
as at 31 March 1996**

Notes		31 March 1996 £'000
	FIXED ASSETS	
5	Tangible fixed assets	<u>9</u>
	CURRENT ASSETS	
6	Debtors	631
7	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>628</u>
	NET CURRENT ASSETS	<u>3</u>
	TOTAL ASSETS LESS CURRENT LIABILITIES	<u><u>12</u></u>
	CAPITAL AND RESERVES	
8	Called up share capital	-
9	Profit and loss account	<u>12</u>
9	SHAREHOLDERS' FUNDS	<u><u>12</u></u>

On behalf of the Directors

Chairman:



Director:



Date:

19.9.96

19/9/96

The notes on pages 7 to 14 form part of these accounts

ATOC LIMITED

NOTES TO THE ACCOUNTS for the period ended 31 March 1996

ACCOUNTING POLICIES

The Company was incorporated on 12 June 1995 and commenced trading on 14 July 1995.

The accounting policies adopted by the Company are set out below.

(a) BASIS OF ACCOUNTING

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

(b) FIXED ASSETS AND DEPRECIATION

Plant and equipment is capitalised at cost subject to a minimum monetary level of £5,000.

Depreciation is provided on a straight line basis over periods related to the estimated useful economic lives of assets and commences from the beginning of the year following entry into service. The lives used for the assets are:

Plant and equipment 3-20 years

(c) LEASING

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(d) TAXATION

The Company is assessable to taxation in accordance with the Taxes Acts. No provision is made for deferred taxation unless it is expected that a liability will crystallise within the foreseeable future.

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

ACCOUNTING POLICIES (continued)

(e) PENSIONS

The Railways Pension Scheme provides pension benefits to the substantial majority of current employees on a defined benefit basis.

The contributions to the pension scheme are paid in accordance with its rules. The charge to the profit and loss account reflects the regular service cost of such obligations less a proportion of any actuarial surpluses, calculated across the British Railways Board and its Subsidiaries as a whole. These surpluses are credited over the estimated average remaining service lives of employees in the scheme.

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

1 TURNOVER

Turnover originates in the United Kingdom and all relates to continuing activities.

The Directors consider that the whole of the activities of the Company constitute a single class of business.

2(a) OPERATING PROFIT

1995/96
£'000

The following amounts have been charged in arriving at the operating profit:

Auditors' remuneration

Audit fees

18

Operating lease rentals (note 4)

17

1995/96
£

2(b) Directors' emoluments

Salary and taxable benefits

53,653

Pension contributions

5,138

58,791

The above emoluments relate to amounts paid in respect of one Director. The Director estimates that 95% of this amount relates to time spent on the Association of Train Operating Companies and its associated schemes.

The emoluments of the other Directors were paid by British Railways Board. The Directors estimate that the emoluments paid by British Railways Board relating to services provided to the Company were insignificant.

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

	1995/96 £'000
2(c) Employee costs	
Wages and salaries	621
Social security costs	29
Other pension costs	<u>16</u>
	<u>666</u>

The average number of persons employed by the Company during the period was 31.

3 TAXATION

There is no charge for taxation, based on indications from the Department of Transport about the level of unutilised tax losses and the amounts of the tax written down values of assets to be allocated to the Company by the Secretary of State for Transport. (see also note 13)

4 OPERATING LEASE COMMITMENTS

The Company has the following annual commitments due under operating leases which expire as follows:

Office Equipment and Motor Vehicles	£'000
Within two to five years	<u>36</u>

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

5 TANGIBLE FIXED ASSETS

	Plant and Equipment £'000	Total £'000
COST		
Additions	9	9
At 31 March 1996	<u>9</u>	<u>9</u>
ACCUMULATED DEPRECIATION		
Charge for period	-	-
At 31 March 1996	<u>-</u>	<u>-</u>
NET BOOK AMOUNT		
At 31 March 1996	<u>9</u>	<u>9</u>

31 March
1996
£'000

6 DEBTORS

Amounts owed by group undertakings	<u>631</u>
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ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

	31 March 1996 £'000	
7 CREDITORS		
<u>Falling due within one year</u>		
Amounts owed to group undertakings	100	
Other tax and social security costs	190	
Other creditors	191	
Accruals and deferred income	147	
	<hr/> 628 <hr/>	
	31 March 1996 £	12 June 1995 £
8 CALLED UP SHARE CAPITAL		
Authorised	<u>100.00</u>	<u>100.00</u>
Issued and fully paid	<u>1.04</u>	<u>1.00</u>

The British Railways Board subscribed for one £1 Ordinary Share at incorporation of the Company on 12 June 1995.

At an Extraordinary General Meeting of the Company held on 7 November 1995 it was resolved that the one issued £1 Ordinary Share be sub-divided into twenty-five 4p Ordinary Shares and these shares were subsequently transferred to the twenty-five Train Operating Companies.

In addition, one further 4p share was issued to European Passenger Services Limited on 1 February 1996.

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

9 RECONCILIATION OF
MOVEMENT IN
SHAREHOLDERS'
FUNDS

Period to 31 March
1996

	Profit and Loss Account £'000	Total £'000
Amounts transferred at vesting	-	-
Profit for the period	12	12
	<hr/>	<hr/>
At 31 March 1996	<u>12</u>	<u>12</u>

10 PENSION SCHEMES

The majority of the Company's employees are members of the Railways Pension Scheme (RPS), a funded defined benefit scheme. The RPS was established with effect from 1 October 1994 when the British Rail Pension Scheme (BRPS) was partitioned. The BRPS was last valued for the purposes of assessing the appropriate pension cost for the British Railways Board as a whole as at 1 April 1995 by R. Watson and Sons, independent qualified actuaries. Further details of this valuation are given in the financial statements of the British Railways Board.

The charge to the profit and loss account in the period was £16,000.

11 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is the British Railways Board, a statutory corporation incorporated under the terms of the Transport Act 1962 in Great Britain. This is the only group of which this Company is a member for which group accounts are prepared. Copies of the above group accounts are available from: The Secretary, British Railways Board, PO Box 100, 24 Eversholt Street, London, NW1 1DZ.

ATOC LIMITED

NOTES TO THE ACCOUNTS (continued)

12 CASH FLOW STATEMENT

The British Railways Board's financial statements for the year ended 31 March 1996 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS 1 whereby it is not required to publish its own statement of cash flows.

13 VESTED ASSETS AND LIABILITIES

Under a direction issued in accordance with Section 85 the Railways Act 1993, the British Railways Board entered into a transfer scheme to vest the following assets and liabilities to the Company with effect from 14 July 1995.

	£'000
Current assets:	
Amounts due from British Railways Board and subsidiaries	261
Current liabilities	<u>(261)</u>
	<u>-</u>
Reserve arising on vesting	<u>-</u>

The value at which the assets and liabilities were vested are those at which the assets and liabilities were included in the accounting records of the British Railways Board at 14 July 1995.

The Department of Transport has indicated that it is the intention of the Secretary of State for Transport to allocate to the Company an amount of the unutilised tax losses of the British Railways Board equivalent to the taxable trading profit of the Company for the period ended 31 March 1996. The allocation of these unutilised tax losses is yet to occur. (see also note 3)

In accordance with the Finance Act 1994, the Secretary of State for Transport has the power to allocate further unutilised tax losses to the Company up until the date that the Company ceases to be publically owned. Any unutilised tax losses so allocated can only be set off against trading profits made while the Company remains in public ownership.