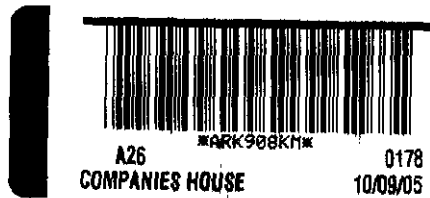


Company Registration No. 2938984

**GREAT NORTH EASTERN RAILWAY LIMITED**

**Report and Financial Statements**

**53 Weeks ended 8 January 2005**



**GREAT NORTH EASTERN RAILWAY LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 8  
JANUARY 2005**

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**GREAT NORTH EASTERN RAILWAY LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 8  
JANUARY 2005**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

I C Durant  
C W M Garnett  
J N Metcalfe  
S M Mills

**SECRETARY**

J D Salter

**REGISTERED OFFICE**

Sea Containers House  
20 Upper Ground  
London  
SE1 9PF

**BANKERS**

Barclays Bank plc  
Barclays Corporate  
Piccadilly Corporate  
50 Pall Mall  
London  
SW1A 1QA

National Westminster Bank plc  
City of London Office  
P O Box 12264  
3rd Floor  
1 Princes Street  
London  
EC2R 8PB

Bank of Scotland  
Fourth Floor  
Lisbon House  
116 Wellington Street  
Leeds  
LS1 4LT

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Leeds

# GREAT NORTH EASTERN RAILWAY LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 53 weeks ended 8 January 2005.

### PRINCIPAL ACTIVITY AND REVIEW OF DEVELOPMENTS

The principal activity of the company is the operation of passenger railway services. The company intends to continue similar operations in 2005. In March 2005, the Strategic Rail Authority signed a new Franchise Agreement with Great North Eastern Railway Limited for a term of seven years from 1 May 2005, with automatic renewal for a further three years, subject to Great North Eastern Railway Limited meeting certain performance targets.

As disclosed in prior years, the Strategic Rail Authority claimed a financial interest in part of the compensation payable by Network Rail Infrastructure Ltd in relation to the incident at Hatfield. This claim was satisfactorily settled in July 2004.

### RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The company made a profit after taxation of £14,319,000 (52 weeks ended 3 January 2004: £32,373,000). The directors recommend the payment of a total dividend for the 53 weeks ended 8 January 2005 of £26,900,000 (52 weeks ended 3 January 2004: £19,829,000).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the period and to the date of these accounts, except as noted, were as follows:

D G Benson	(Resigned 28 October 2004)
I C Durant	(Appointed 28 October 2004)
C W M Garnett	
J N Metcalfe	(Appointed 28 October 2004)
S M Mills	(Appointed 28 October 2004)
D J O'Sullivan	(Resigned 10 January 2005)

None of the directors had any interests in the company's shares or those of its immediate parent company during the 53 weeks ended 8 January 2005. The interests of the directors in the shares of the ultimate parent company at the year end, Sea Containers Ltd, are not given as the company is a wholly owned subsidiary of a parent company incorporated outside Great Britain.

### EMPLOYEES

Great North Eastern Railway Limited is a non-discriminatory employer operating an Equal Opportunities Policy, which aims to eliminate unfair discrimination, harassment and victimisation. The company is committed to ensuring that 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.

The company uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors, which affect the company's performance and prospects.

### EMPLOYMENT OF DISABLED PERSONS

The company has continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

# GREAT NORTH EASTERN RAILWAY LIMITED

## DIRECTORS' REPORT (continued)

### CHARITABLE CONTRIBUTIONS

The company made charitable donations totalling £3,690 during the 53 weeks ended 8 January 2005 (52 weeks ended 3 January 2004: £nil).

### PAYMENT OF CREDITORS

The company seeks to agree payment terms, which are normal for the industry with suppliers at the time of agreeing the terms of the transaction and seeks to make payment in accordance with those terms.

Creditor days at 8 January 2005 were 27 (3 January 2004: 27).

### AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the general meeting at which these accounts are presented.

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



S M Mills

Director

29 April 2005

# GREAT NORTH EASTERN RAILWAY 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  
GREAT NORTH EASTERN RAILWAY LIMITED**

We have audited the financial statements of Great North Eastern Railway Limited for the 53 weeks ended 8 January 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 25. 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 period 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 8 January 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte → Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Leeds

6 May 2005

# GREAT NORTH EASTERN RAILWAY LIMITED

## PROFIT AND LOSS ACCOUNT 53 weeks ended 8 January 2005

	Note	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
<b>TURNOVER</b>	1		
Passenger income		423,513	381,460
Other operating income		51,889	47,623
		<u>475,402</u>	<u>429,083</u>
Operating expenditure	3,4	(454,928)	(384,054)
<b>OPERATING PROFIT</b>	4	20,474	45,029
Net interest receivable	5	939	927
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>21,413</u>	<u>45,956</u>
Tax on profit on ordinary activities	6	(7,094)	(13,583)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD</b>		14,319	32,373
Dividends	7	(26,900)	(19,829)
<b>Retained (loss) / profit transferred to reserves</b>	18	<u>(12,581)</u>	<u>12,544</u>

All activities relate to continuing operations.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than those appearing in the profit and loss account in both the current and preceding financial period and therefore no statement of recognised gains and losses has been presented.



# GREAT NORTH EASTERN RAILWAY LIMITED

## BALANCE SHEET

8 January 2005

	Note	8 January 2005 £'000	3 January 2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	13,623	10,845
Investments	10	-	-
		<u>13,623</u>	<u>10,845</u>
<b>CURRENT ASSETS</b>			
Stocks	11	4,304	4,225
Debtors	12	72,745	42,149
Cash at bank and in hand	13	26,380	56,284
		<u>103,429</u>	<u>102,658</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(116,567)</u>	<u>(99,774)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		(13,138)	2,884
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		485	13,729
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(153)</u>	<u>(816)</u>
<b>NET ASSETS</b>		<u>332</u>	<u>12,913</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	277	277
Profit and loss account	18	55	12,636
<b>TOTAL EQUITY SHAREHOLDER'S FUNDS</b>	20	<u>332</u>	<u>12,913</u>

These financial statements were approved by the Board of Directors on 29 April 2005.

Signed on behalf of the Board of Directors



S M Mills

Director

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below. These have been applied consistently throughout the period and the preceeding period.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Turnover**

Passenger income represents agreed amounts attributed to the company by the income allocation systems of Rail Settlement Plan Limited mainly in respect of passenger receipts. Income is attributed principally on models of certain aspects of passenger behaviour and to a lesser extent from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket.

#### **Cash flow statement**

A cash flow statement has not been produced as the company's ultimate parent undertaking, Sea Containers Ltd, publishes a consolidated cashflow statement.

#### **Tangible fixed assets**

Tangible fixed assets are included in the balance sheet at historical cost.

Depreciation is provided on the cost of assets in use on the straight line basis to write off the assets over their estimated useful lives. Depreciation commences in the financial period following the asset becoming operational. The principal asset lives used are set out below:

Buildings on short term lease	2-15 years
Plant and machinery	3-20 years

Assets in the course of construction are held on the balance sheet at cost until they are complete. They are then transferred to the appropriate asset class at cost, net of any funding received from third parties.

#### **Leases**

The capital cost of assets leased for substantially the whole of their estimated useful lives (including assets under construction where a leasing agreement has been made) is included in tangible fixed assets with a corresponding liability within loans and leasing liabilities.

The excess of the lease payments over the recorded liability is treated as interest charges, which are amortised to give a constant rate of charge on the remaining balance of the obligation.

Payments under operating leases are charged to the profit and loss account as incurred.

#### **Investments**

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

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 1. ACCOUNTING POLICIES (continued)

#### Pension costs

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.

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
<b>Directors' remuneration</b>	<b>2005</b>	<b>2004</b>
Total directors' emoluments for the period (excluding pension)	367	289
Total directors' pension costs	31	24
	<u>Number</u>	<u>Number</u>
Number of directors who are members of a defined benefit scheme	3	1
	<u>£'000</u>	<u>£'000</u>
Remuneration of the highest paid director	£'000	£'000
Emoluments of the highest paid director (excluding pension)	302	289
Pension costs in respect of the highest paid director	25	24

The amount of the accrued pension of the highest paid director at 8 January 2005 was £36,667 (3 January 2004: £32,476).

DG Benson, IC Durant and DJ O'Sullivan were remunerated through other group companies and the remuneration and pension disclosures for these directors can be found in the financial statements of the ultimate parent company. It is not practicable to ascertain what proportion of their emoluments relate to the company.

<b>Employees</b>	<b>Number</b>	<b>Number</b>
Average number of persons employed in the period		
Operations	2,372	2,365
Ticket Retailing	311	323
Administration	370	319
	<u>3,053</u>	<u>3,007</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs incurred during the period in respect of these employees were:		
Wages and salaries	75,921	72,201
Social security costs	5,868	5,551
Other pension costs	6,164	3,312
	<u>87,953</u>	<u>81,064</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 3. INCIDENT RELATED CLAIMS

As a result of various incidents including those at Hatfield and Selby and gauge corner cracking, Great North Eastern Railway Limited made several substantial claims against Network Rail Infrastructure Ltd (formerly Railtrack plc), various insurers and other parties involved. Great North Eastern Railway Limited withheld payment of certain Network Rail Infrastructure Ltd invoices during 2001 and 2002. Full contractual payments by both parties resumed from March 2002. In December 2003 Great North Eastern Railway Limited and Network Rail Infrastructure Ltd reached agreement settling all Great North Eastern Railway Limited's claims arising out of the Hatfield incident and relieving Great North Eastern Railway Limited from any obligation to repay amounts previously withheld, other than £4,500,000 of track access charges over withheld.

The Strategic Rail Authority claimed a financial interest in part of the compensation payable by Network Rail Infrastructure Ltd. Final settlement of this claim by the Strategic Rail Authority was reached in July 2004. (Further information is disclosed in note 15).

A further claim against a supplier, Railcare Limited, relating to a derailment at Sandy in 1998 was successfully concluded and the settlement of £2,703,000 has been included in other income.

### 4. OPERATING PROFIT

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Operating profit is after charging/(crediting):		
Access charges	86,046	100,510
Rentals under operating leases:		
Rolling stock	66,889	62,872
Other plant and equipment	243	262
Property leases	758	1,026
Depot/station leases	3,255	3,244
Depreciation – owned assets	3,007	2,524
Depreciation – assets held under finance leases	1,327	1,045
Rents receivable	(3,502)	(3,004)

The audit fee for the 53 weeks ended 8 January 2005 and for the preceding financial period was borne by the ultimate parent company.

Operating expenditure in the profit and loss account consists of £412,199,000 (2003 £346,508,000) in respect of cost of sales and £42,729,000 (2003 £37,546,000) in respect of administrative expenses. Gross profit for the year was £63,203,000 (2003 £82,575,000).

Analysis by activity of turnover and profit before interest and tax:

	53 weeks ended 8 January 2005		52 weeks ended 3 January 2004	
	Turnover	Operating Profit	Turnover	Operating Profit
	£'000	£'000	£'000	£'000
Passenger income and other services	461,762	18,978	413,448	44,360
Train maintenance	13,640	1,496	15,635	669
	<u>475,402</u>	<u>20,474</u>	<u>429,083</u>	<u>45,029</u>

Turnover originates wholly in the U.K.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 5. NET INTEREST

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Interest payable and similar charges	(745)	(429)
Less: Interest receivable and similar income	1,684	1,356
	<u>939</u>	<u>927</u>

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
<i>Interest payable and similar charges</i>		
Bank loans	222	31
Finance leases	232	229
Performance bond	291	155
Other interest	-	14
	<u>745</u>	<u>429</u>

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
UK corporation tax 30% (52 weeks ended 3 January 2004 : 30%)	6,965	13,756
Adjustment in respect of prior periods	339	448
Total current tax charge	<u>7,304</u>	<u>14,204</u>
Deferred tax	(210)	(621)
	<u>7,094</u>	<u>13,583</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the current tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows :

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Profit on ordinary activities before tax	<u>21,413</u>	<u>45,956</u>
Tax on profit on ordinary activities at 30%	6,424	13,787
Factors affecting the charge for the period :		
Capital allowances for the period less than depreciation	636	139
Other timing differences	(141)	(179)
Expenses not deductible for tax purposes	46	9
Adjustments to tax charge in respect of prior periods	<u>339</u>	<u>448</u>
Total amount of current tax	<u>7,304</u>	<u>14,204</u>

### 7. DIVIDENDS

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Paid - £Nil per ordinary share (52 weeks ended 3 January 2004: £71.71 per ordinary share)	-	19,829
Proposed - £97.29 per ordinary share (52 weeks ended 3 January 2004: £Nil per ordinary share)	<u>26,900</u>	<u>-</u>
Total paid and proposed £97.29 per ordinary share (52 weeks ended 3 January 2004: £71.71 per ordinary share)	<u>26,900</u>	<u>19,829</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 8. OPERATING AND OTHER LEASE COMMITMENTS

At the balance sheet date the company's committed obligations under operating leases were to the end of the franchise on 30 April 2005. Subsequent to the year end the company has signed a new franchise agreement with the Strategic Rail Authority. Consequently the company is committed to paying charges for the full year and as a result, the full annual values of operating lease commitments have been disclosed below.

The company has contracts with Network Rail Infrastructure Ltd for access to the railway infrastructure (track, station and depots), which consist of fixed and variable charges. They may be terminated by joint agreement between the company and Network Rail Infrastructure Ltd. The company is committed to pay a fixed charge of £84m for the 52 weeks ending 7 January 2006, including £15m in respect of station and depot leases. The variable charges cover track usage and traction current and are primarily dependent on train miles run.

The company has contracts, which commit it to lease rolling stock from HSBC Rail (UK) Limited, Angel Trains Contracts Limited and Porterbrook Leasing Company Limited until April 2005. Following the successful retention of the Inter-city East Coast franchise, these contracts have been extended for a short period on equivalent terms, while they are renegotiated.

These contracts can be terminated by agreement with the relevant rolling stock company.

The company has the following annual commitments due under operating leases:

	Rolling stock £'000	Property £'000	Other £'000
Leases which expire:			
Within one year	69,376	838	-
Within two to five years	-	-	246
	<u>69,376</u>	<u>838</u>	<u>246</u>

**GREAT NORTH EASTERN RAILWAY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**53 weeks ended 8 January 2005**

**9. TANGIBLE FIXED ASSETS**

	Buildings- short leasehold £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 4 January 2004	4,803	13,170	2,550	20,523
Additions	775	1,106	5,950	7,831
Disposals	-	(1,667)	-	(1,667)
Funded disposals	-	-	(24)	(24)
Transfers	63	1,898	(1,961)	-
	<u>5,641</u>	<u>14,507</u>	<u>6,515</u>	<u>26,663</u>
<b>Accumulated depreciation</b>				
At 4 January 2004	1,815	7,863	-	9,678
Charge for the period	864	3,470	-	4,334
Disposals	-	(972)	-	(972)
	<u>2,679</u>	<u>10,361</u>	<u>-</u>	<u>13,040</u>
<b>Net book value</b>				
At 8 January 2005	<u>2,962</u>	<u>4,146</u>	<u>6,515</u>	<u>13,623</u>
At 3 January 2004	<u>2,988</u>	<u>5,307</u>	<u>2,550</u>	<u>10,845</u>

Assets under construction relates to various station and other capital improvement projects. Funded disposals relate to assets for which final agreements have been negotiated with Network Rail Infrastructure Ltd for which ownership is transferred. Transfers relate to the capitalisation of assets under construction. The assets under construction balance of £6,515,000 at 8 January 2005 represents ongoing capital projects.

The net book value of the company's plant and machinery includes £875,000 (3 January 2004: £1,597,000) in respect of assets held under finance leases.



# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 10. INVESTMENTS HELD AS FIXED ASSETS

In accordance with a direction from the Secretary of State for Transport one 4 pence share in each of the following companies was transferred from the British Railways Board to the company for nil consideration on 28 April 1996.

	% Holding
ATOC Limited	4
Rail Settlement Plan Limited	4
Rail Staff Travel Limited	4

ATOC Limited is the contracting arm of ATOC, the Association of Train Operating Companies. Rail Settlement Plan Limited operates the income allocation and settlement routines on behalf of ATOC. Rail Staff Travel Limited manages staff travel arrangements in the industry on behalf of ATOC.

Genius Limited, a company limited by guarantee, was incorporated to manage the development of software used to control the location of rolling stock in the railway industry. Great North Eastern Railway Limited is one of twenty two members and has a limited guarantee liability of £1.00.

Tribute Limited, a company limited by guarantee, was incorporated to hold under licence, acquire, manage and develop software systems. Great North Eastern Railway Limited is one of ten members and has a limited guarantee liability of £1.00.

RITC Limited, a private company limited by shares, is the national training organisation for the rail industry and as such has been granted Government recognition to represent the industry on education and training. Great North Eastern Railway Limited has a limited liability of £1.00.

### 11. STOCKS

	8 January 2005 £'000	3 January 2004 £'000
Raw materials and consumables	4,304	4,225
	<u>4,304</u>	<u>4,225</u>

### 12. DEBTORS

	8 January 2005 £'000	3 January 2004 £'000
Trade debtors	23,278	24,187
Amounts owed by group undertakings	36,038	2,020
Other debtors	3,913	5,672
Prepayments and accrued income	8,685	9,649
Deferred Taxation	831	621
	<u>72,745</u>	<u>42,149</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 13. CASH AT BANK AND IN HAND

	8 January 2005 £'000	3 January 2004 £'000
Cash at bank and in hand	22,366	53,266
Season ticket bond deposit	4,014	3,018
	<u>26,380</u>	<u>56,284</u>

### 14. DEFERRED TAXATION

The amounts of deferred tax asset provided in the accounts are:

	8 January 2005 £'000	3 January 2004 £'000
Deferred taxation asset b/fwd	621	-
Credit for the year	210	621
	<u>831</u>	<u>621</u>

The deferred tax asset is made up of the following :

Depreciation in excess of capital allowances	347	13
Other timing differences	484	608
	<u>831</u>	<u>621</u>

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	8 January 2005 £'000	3 January 2004 £'000
Overdrafts and bank loans	1,823	361
Obligations under finance leases and hire purchase contracts	622	1,272
Trade creditors	39,826	37,681
Amounts owed to group undertakings	2,153	3,853
Dividends proposed	26,900	-
Taxation and social security	4,067	3,447
Other creditors	22,896	36,534
Accruals and deferred income	18,280	16,626
	<u>116,567</u>	<u>99,774</u>

Included within other creditors in the prior year was a provision of £17,000,000 for a claim made by the Strategic Rail Authority in relation to compensation recognised by Great North Eastern Railway Ltd in its settlement with Network Rail Infrastructure Ltd. This was not disclosed in accordance with the provisions of FRS 12 "Provisions, contingent liabilities and contingent assets" to avoid prejudicing the outcome of negotiations. Final settlement of this claim was reached in July 2004. £17,000,000 was charged against the provision in the year with a balance of £nil being held at 8 January 2005.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	8 January 2005 £'000	3 January 2004 £'000
Bank Loan	-	226
Obligations under finance leases and hire purchase contracts		
- between one and two years	-	590
- between two and five years	-	-
Grants not yet credited to the profit and loss account	153	-
	<u>153</u>	<u>816</u>

### 17. CALLED UP SHARE CAPITAL

	8 January 2005 £'000	3 January 2004 £'000
<b>Authorised:</b>		
17,750,000 Ordinary shares of £1 each	<u>17,750</u>	<u>17,750</u>
<b>Called up, allotted and fully paid:</b>		
276,501 Ordinary shares of £1 each	<u>277</u>	<u>277</u>

### 18. RESERVES

	Profit and loss account £'000
At 4 January 2004	12,636
Loss for the financial period	<u>(12,581)</u>
At 8 January 2005	<u>55</u>

### 19. CAPITAL COMMITMENTS

	8 January 2005 £'000	3 January 2004 £'000
Expenditure contracted for but not provided	<u>270</u>	<u>474</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Profit for the financial period	14,319	32,373
Dividends	(26,900)	(19,829)
<b>Net (reduction) / increase in equity shareholder's funds</b>	<b>(12,581)</b>	<b>12,544</b>
Opening equity shareholder's funds	12,913	369
<b>Closing equity shareholders' funds</b>	<b>332</b>	<b>12,913</b>

### 21. 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.

An independent actuarial valuation of the Great North Eastern Railway Limited shared cost section of the above scheme was carried out by Watson Wyatt Partners as at 31 December 2001. The valuation assumed that contributions would be at a rate of 7.5% for employers from March 2003 until September 2003 and 5% for members until September 2003, and then revert to the normal joint rate. A further independent valuation of the scheme as at 31 December 2004 is currently underway but the results of this valuation are not known at the time of preparation of these financial statements.

Pension increases are guaranteed index-linked whilst salary increases have been assumed to be in line with forecast inflation of 2.5%.

The assets of the Scheme are held separately to the assets of the company.

The assets of the Pension Fund are invested through a number of pooled investment funds, which allows the Scheme to hold a broader range of investments.

The valuation discloses a funding level of 97.4% and a deficit of £4.3m and values the assets at £162.3m.

The amount charged to the profit and loss account for the 53 weeks ended 8 January 2005 was £6.2m (52 weeks ended 3 January 2004: £3.3m).

#### FRS 17

The Railway Pension Scheme is a multi-employer scheme. However, since the assets and liabilities of the Great North Eastern Railway Limited section are separately identifiable, we have been required to present the full FRS 17 transitional disclosures below. Great North Eastern Railway Limited's main obligation in respect of the RPS is to pay contributions as agreed with the scheme actuary and trustees. The directors and trustees have increased contribution rates, as part of a range of measures to address the deficit. However, these measures will extend over a number of years. At the balance sheet date, Great North Eastern Railway Limited had no obligations in relation to the pension scheme, beyond the end of its current franchise on 30 April 2005. Future obligations, including increased pension contributions, were considered when negotiating the new franchise agreement, which commences on 1 May 2005.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 21. PENSION SCHEMES (continued)

In November 2000 the Accounting Standards Board issued FRS 17 'Retirement Benefits' replacing SSAP 24 'Accounting for Pensions Costs'. The full implementation of FRS 17 has now been deferred until 2005, but certain disclosures are required in the transition period, for periods ending on or after 22 June 2001. With effect from the 52 weeks ending 7 January 2006, Great North Eastern Railway Ltd, in common with other train operating companies, intends to account for its obligations over the franchise period under the rail franchise defined benefit pension scheme. The Directors anticipate that this will result in a reduced impact on profit and loss reserves.

A full actuarial valuation was carried out by Watson Wyatt Partners as at 31 December 2001 and updated to 8 January 2005 by Mercer Human Resources. The major assumptions used by the actuary were (in nominal terms):

	At 8 January 2005	At 3 January 2004	At 4 January 2003
Rate of increase in salaries	3.25%	3.25%	3%
Rate of increase of pensions in payment and deferment	2.75%	2.75%	2.2%
Discount rate	5.3%	5.4%	5.6%
Inflation assumption	2.75%	2.75%	2.2%

The assets and liabilities of the Great North Eastern Railway Limited section of the Railways Pension Scheme at 8 January 2005 are shown below:

	Expected rate of return at 8 January 2005	8 January 2005 £'000	Expected rate of return at 3 January 2004	3 January 2004 £'000	Expected rate of return at 4 January 2003	4 January 2003 £'000
Equities	7.0%	147,358	7.25%	136,935	7.0%	114,555
Bonds	5.3%	25,456	5.4%	14,879	5.6%	10,857
Cash and other assets	4.0%	96	4.0%	608	4.0%	822
		<u>172,910</u>		<u>152,422</u>		<u>126,234</u>
Actuarial value of liabilities		<u>(186,743)</u>		<u>(168,545)</u>		<u>(135,009)</u>
Deficit in the Scheme		(13,833)		(16,123)		(8,775)
40% attributable to members		<u>5,493</u>		<u>6,408</u>		<u>3,510</u>
Company share of deficit		(8,340)		(9,715)		(5,265)
Related deferred tax asset		<u>2,502</u>		<u>2,915</u>		<u>1,580</u>
		<u>(5,838)</u>		<u>(6,800)</u>		<u>(3,685)</u>

The deficit shown above is the company's share of the deficit, which, in accordance with the scheme rules, represents 60% of the total scheme deficit identified by Mercer Human Resources.

The employees' share is also being addressed by increased rates for employee contributions.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 21. PENSION SCHEMES (continued)

Had the company adopted FRS 17 in full, profit and loss reserves would have been stated as follows:

	8 January 2005 £'000	3 January 2004 £'000
Profit and loss reserves in the financial statements as at year end	55	12,636
Deficit in relation to the Great North Eastern Railway Limited section of the Railways Pension Scheme	(5,838)	(6,800)
Profit and loss reserves as adjusted	<u>(5,783)</u>	<u>5,836</u>

The amounts accounted for under FRS 17 had it been adopted in full would have been as follows:

#### AMOUNTS INCLUDED IN OPERATING PROFIT

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Current Service Cost	4,975	3,961
Total Operating Charge	<u>4,975</u>	<u>3,961</u>

#### AMOUNTS INCLUDED IN OTHER FINANCE INCOME

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Expected return on scheme assets	6,511	5,164
Interest on pension liabilities	(5,504)	(4,536)
Net finance return	<u>1,007</u>	<u>628</u>

#### ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Actual return less expected return on assets	4,162	11,464
Experience gains and losses on liabilities	-	(866)
Changes in assumptions	(3,818)	(14,740)
Actuarial loss recognised	<u>344</u>	<u>(4,142)</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 8 January 2005

### 21. PENSION SCHEMES (continued)

#### HISTORY OF THE EXPERIENCE GAINS AND LOSSES RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000	52 weeks ended 4 January 2003 £'000
Difference between expected and actual returns on scheme assets	4,162	11,464	(26,287)
Percentage of scheme assets	2%	8%	(21%)
Experience gains and losses on scheme liabilities	-	(866)	8,123
Percentage of scheme liabilities	0%	(1%)	6%
<b>Total actuarial gain or loss recognised in the statement of total recognised gains and losses</b>	<b>344</b>	<b>(4,142)</b>	<b>(6,324)</b>
Percentage of scheme liabilities	0%	(2%)	(5%)

#### ANALYSIS OF THE MOVEMENT IN THE SCHEME DEFICIT DURING THE YEAR

	53 weeks ended 8 January 2005 £'000	52 weeks ended 3 January 2004 £'000
Opening deficit in the scheme	(9,715)	(5,265)
Current service cost	(4,975)	(3,961)
Contributions	4,999	3,025
Net return on assets	1,007	628
Actuarial gain/(loss)	344	(4,142)
<b>Closing deficit in the scheme</b>	<b>(8,340)</b>	<b>(9,715)</b>

### 22. GUARANTEE

The company has undertaken since 1996 to reimburse the Strategic Rail Authority its costs in the event that Great North Eastern Railway Limited breaches its franchise agreement to the extent that the Strategic Rail Authority must award the franchise to another operator. The undertaking is secured by a surety bond issued by an insurance company in the amount of £17,750,000, which the company has guaranteed.

### 23. EVENTS AFTER THE BALANCE SHEET DATE

On 18 March 2005, the Strategic Rail Authority signed a new Franchise Agreement with Great North Eastern Railway Limited to operate the Inter City East Coast Franchise for a term of seven years from 1 May 2005, with automatic renewal for a further three years, subject to Great North Eastern Railway Limited meeting certain performance targets. All conditions precedent have been met to allow the new franchise to start on schedule on 1 May 2005.

On 27 April 2005 the company issued an additional 5 million ordinary shares of £1 each at par.

# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**53 weeks ended 8 January 2005**

### **24. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS8 whereby, as a member of a group, it is not required to disclose intra group related party transactions.

### **25. ULTIMATE PARENT COMPANY**

The company's ultimate parent holding company and controlling party is Sea Containers Ltd, a company incorporated in Bermuda. Copies of its accounts can be obtained from the company's registered office at 41 Cedar Avenue, Hamilton, Bermuda. The immediate parent company is GNER Holdings Limited, a company registered in England and Wales. The smallest group of which this company is a member and for which group accounts are prepared is Sea Containers U.K. Limited, a company registered in England and Wales. Copies of the group accounts may be obtained from the company's registered office at 20 Upper Ground, London SE1 9PF.