

GREAT NORTH EASTERN RAILWAY LIMITED

Report and Financial Statements

52 Weeks ended 6 January 2001

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



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D G Benson
C W M Garnett
D J O'Sullivan
M J L Stracey

SECRETARY

D J O'Sullivan

REGISTERED OFFICE

Sea Containers House
20 Upper Ground
London
SE1 9PF

BANKERS

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

The Royal Bank of Scotland plc
Corporate Banking Office
PO Box 450
5-10 Tower Street
London
EC3P 3HX

AUDITORS

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

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks to 6 January 2001.

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 2001.

On 17 October 2000 a Great North Eastern Railway train derailed near to Hatfield. Following this incident Railtrack Plc imposed a number of speed restrictions on the UK rail network, resulting in the cancellation of services, extended delays and significant timetable adjustments to Great North Eastern Railway services. This situation was further exacerbated by the flooding which occurred in late 2000.

An amount of £23,500,000 for the period from 17 October 2000 to 6 January 2001 has been received from Railtrack Plc under the contractual arrangements. Due to the contractual nature of this repayment, the amount is reflected as a deduction in operating expenditure in these financial statements and noted as exceptional.

Great North Eastern Railway are currently pursuing a business interruption claim with their insurers. The final value of the insurance claim for loss of profit remains unresolved. However, legal advice received by the directors to date indicates that it is virtually certain that compensation will be recoverable under the terms of the insurance policies, although the exact amount recoverable cannot presently be determined.

An amount of £17,025,000 has been recorded as an insurance receivable for business interruption.

POST BALANCE SHEET EVENT

On 28 February 2001 a Great North Eastern Railway train derailed at Great Heck near to Selby. It is not practicable, at this time, to estimate the financial effect on the company as a result of this incident.

RESULTS, DIVIDEND AND TRANSFERS TO RESERVES

The company made a profit after taxation of £18,618,000 (52 weeks to 8 January 2000: £5,135,000).

A final dividend of £4,200,000 was proposed for the period ended 6 January 2001 (52 weeks ended 8 January 2000: £5,000,000).

DIRECTORS AND THEIR INTERESTS

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

D G Benson
C W M Garnett
D J O'Sullivan
M J L Stracey
S M C Sherwood (resigned 3 October 2000)

None of the directors had any interests in the company's shares or those of its immediate parent company during the 52 weeks ended 6 January 2001. The interests of the directors in the shares of the ultimate parent company at the year end, Sea Containers Limited, are not given as the company is a wholly owned subsidiary of a parent 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.

DIRECTORS' REPORT (continued)

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.

CHARITABLE CONTRIBUTIONS

The company made charitable donations of £1,000 during the 52 weeks ended 6 January 2001 (52 weeks to 8 January 2000: £3,000).

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 6 January 2001 were 22 (8 January 2000: 21).

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors of the company and their re-appointment 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



D J O'Sullivan

Secretary

4 May

2001

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;
- 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
GREAT NORTH EASTERN RAILWAY LIMITED**

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

Fundamental Uncertainty

In forming our opinion, we have considered the issue of the insurance receivable relating to the Hatfield crash on 17 October 2000. Advice received to date indicates that it is virtually certain that compensation will be recoverable under the terms of the insurance policies, however the amount recoverable cannot presently be determined. These financial statements include a receivable of £17,025,000 disclosed as "other operating income" in respect of insurance amounts recoverable for loss of profit. The final insurance receivable could be substantially more or substantially less than this amount. Further details of the insurance issue are described in note 3. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 6 January 2001 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors

4 May 2001

PROFIT AND LOSS ACCOUNT
52 weeks ended 6 January 2001

	Note	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
TURNOVER: continuing operations			
Passenger income		327,504	334,298
Other operating income (including exceptional insurance income of £17,025,000)	3	58,035	37,581
		<u>385,539</u>	<u>371,879</u>
Operating expenditure (including exceptional income of £23,500,000 received as compensation from Railtrack Plc – see note 3)	5	(368,217)	(383,420)
Profit/(loss) from trading		17,322	(11,541)
Revenue grant		8,870	21,759
		<u>26,192</u>	<u>10,218</u>
OPERATING PROFIT: continuing operations			
Exceptional items	4	-	(2,284)
		<u>26,192</u>	<u>7,934</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			
Interest receivable and similar income	6	641	541
Interest payable and similar charges	7	(461)	(469)
		<u>26,372</u>	<u>8,006</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	8	(7,754)	(2,871)
		<u>18,618</u>	<u>5,135</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD			
Dividends	9	(4,200)	(5,000)
Retained profit transferred to reserves	20	<u>14,418</u>	<u>135</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and 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.

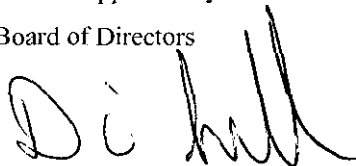
BALANCE SHEET

6 January 2001

	Note	6 January 2001 £'000	8 January 2000 £'000
FIXED ASSETS			
Tangible assets	11	11,285	13,365
Investments	12	-	-
		<u>11,285</u>	<u>13,365</u>
CURRENT ASSETS			
Stocks	13	5,221	4,839
Debtors	14	40,019	34,319
Cash at bank and in hand	15	10,528	12,349
		<u>55,768</u>	<u>51,507</u>
CREDITORS: amounts falling due within one year	16	<u>(45,574)</u>	<u>(60,210)</u>
NET CURRENT ASSETS/ (LIABILITIES)		10,194	(8,703)
TOTAL ASSETS LESS CURRENT LIABILITIES		21,479	4,662
CREDITORS: amounts falling due after one year	17	<u>(2,399)</u>	<u>-</u>
TOTAL ASSETS		<u><u>19,080</u></u>	<u><u>4,662</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	277	277
Profit and loss account	20	18,803	4,385
TOTAL EQUITY SHAREHOLDERS' FUNDS	22	<u><u>19,080</u></u>	<u><u>4,662</u></u>

These financial statements were approved by the Board of Directors on 4 May 2001.

Signed on behalf of the Board of Directors



D J O'Sullivan

Director

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001**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.

Accounting convention

The financial statements, which comprise the financial statements of the company 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.

Other operating income relates to the provision of ancillary services to external parties. The 2001 figure also includes exceptional income of £17,025,000 in respect of an insurance claim (see note 3).

Revenue grant

The revenue grant relates to the support provided by the Office of the Passenger Rail Franchising for the operation of passenger services. This grant reduces to zero over the seven years of the franchise.

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

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.

Deferred taxation

Deferred taxation is provided in full on timing differences relating to pensions and other post retirement benefits calculated at the rates at which it is expected that tax will arise. Deferred taxation is provided on other timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

Unprovided deferred tax at 8 January 2000 has been restated to reflect an amount of £430,000 on depreciation in excess of capital allowances.

Pension costs

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

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

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

	52 weeks ended 6 January 2001 £	52 weeks ended 8 January 2000 £
Directors' remuneration		
Total emoluments for the period and emoluments of the highest paid director (excluding pension)	334,223	246,226
Pension costs in respect of the highest paid director	17,400	12,579
	No	No
Number of directors who are members of a defined benefit scheme	<u>4</u>	<u>5</u>
The amount of the accrued pension of the highest paid director at 6 January 2001 was £18,216 (8 January 2000: £14,600).		
Employees	No	No
Average number of persons employed in the period	<u>2,685</u>	<u>2,568</u>
Staff costs incurred during the period in respect of these employees were:	£'000	£'000
Wages and salaries	55,341	53,211
Social security costs	4,005	3,984
Other pension costs	400	2,344
	<u>59,746</u>	<u>59,539</u>

3. INSURANCE INCOME

On 17 October 2000 a GNER train derailed near to Hatfield. Following this incident Railtrack Plc imposed a number of speed restrictions on the UK rail network, resulting in the cancellation of services, extended delays and significant timetable adjustments to GNER services. This situation was further exacerbated by the flooding which occurred in late 2000.

An amount of £23,500,000 for the period from 17 October 2000 to 6 January 2001 has been received from Railtrack Plc under contractual arrangements. Due to the contractual nature of this repayment, the amount is reflected as a deduction in operating expenditure in these financial statements and noted as exceptional.

GNER are currently pursuing a business interruption claim with their insurers. The final value of the insurance claim for loss of profit remains unresolved. However, legal advice received by the directors to date indicates that it is virtually certain that compensation will be recoverable under the terms of the insurance policies, although the exact amount recoverable cannot presently be determined.

An amount of £17,025,000 has been recorded as an insurance receivable for business interruption.

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001**4. EXCEPTIONAL ITEMS**

	52 weeks ended 6 January 2001 £'000	53 weeks ended 8 January 2000 £'000
Cost of voluntary severance schemes	-	2.284

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

5. OPERATING PROFIT

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
Operating profit is after charging/(crediting):		
Access charges (including exceptional income of £23,500,000 received as compensation from Railtrack Plc - see note 3)	109,366	143,597
Rentals under operating leases:		
Rolling stock	53,287	53,286
Other plant and equipment	302	396
Property leases	484	439
Depot/station leases	4,190	4,010
Depreciation	1,091	637
Rents receivable	(2,822)	(2,576)
	<u> </u>	<u> </u>

The audit fee for the 52 weeks ended 6 January 2001 is borne by the ultimate parent company.

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

	52 weeks ended 6 January 2001		52 weeks ended 8 January 2000	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Passenger income and other services	375,013	24,942	361,625	6,492
Train maintenance	10,526	1,250	10,254	1,442
	<u>385,539</u>	<u>26,192</u>	<u>371,879</u>	<u>7,934</u>

Turnover originates wholly in the U.K.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
Bank interest	641	541
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
Loans	127	-
Bank overdraft	50	-
Finance leases	65	-
Performance bond	219	225
Other interest	-	244
	<u>461</u>	<u>469</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
United Kingdom corporation tax at 30% (52 weeks ended 8 January 2000: 30%)	<u>7,754</u>	<u>2,871</u>

The tax charge is low due to the release of the provisions that are treated as non-taxable income.

9. DIVIDENDS

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
Final proposed - £15.19 per ordinary share (52 weeks ended 8 January 2000: £18.05 per ordinary share)	<u>4,200</u>	<u>5,000</u>

10. OPERATING AND OTHER LEASE COMMITMENTS

The company has signed contracts with Railtrack for access to the railway infrastructure (track, station and depots). These contracts are for a period of 8 years and consist of fixed and variable charges. They may be terminated by joint agreement between the company and Railtrack. The company is committed to pay a fixed charge of £145.0m for the 52 weeks ending 5 January 2002, including £11.7m in respect of station and depot leases. Thereafter most of this charge will be indexed annually by a percentage equal to RPI minus 2%. The variable charges cover track usage and traction current and are primarily dependent on train miles run.

The company has signed contracts which commit it to lease rolling stock from HSBC and Angel Train Contracts Limited over the next 4 years. During the period a contract has been signed with Eurostar for the provision of two sets of rolling stock until April 2003 with an option to extend the lease for a further year. These contracts can be terminated by agreement with the relevant rolling stock company.

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

	Rolling stock £'000	Property £'000	Other £'000
Between one and five years	<u>57,495</u>	<u>525</u>	<u>380</u>

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

11. TANGIBLE FIXED ASSETS

	Buildings- short leasehold £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 9 January 2000	308	3,935	11,113	15,356
Additions	90	3,080	4,236	7,406
Disposals	-	(1,122)	(1,395)	(2,517)
Funded disposals	-	-	(6,340)	(6,340)
Transfers	9	2,590	(2,599)	-
At 6 January 2001	407	8,483	5,015	13,905
Accumulated depreciation				
At 9 January 2000	79	1,912	-	1,991
Charge for the period	47	1,044	-	1,091
Disposals	-	(462)	-	(462)
At 6 January 2001	126	2,494	-	2,620
Net book value				
At 6 January 2001	281	5,989	5,015	11,285
At 8 January 2000	229	2,023	11,113	13,365

Assets under construction relates to various station and other capital improvement projects, some of which are the subject of negotiation with Railtrack Plc with regard to funding. Funded disposals relate to assets for which final agreements have been negotiated with Railtrack Plc and for which ownership is transferred. Transfers relate to the capitalisation of assets under construction. The assets under construction balance of £5,015,000 at 6 January 2001 represents both ongoing capital projects and capital projects for which funding negotiations are yet to be finalised and thus final accounting treatment determined.

The net book value of the company's plant and machinery includes £3,280,000 (8 January 2000: £nil) in respect of assets held under finance leases.

12. 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.

NOTES TO THE ACCOUNTS

52 weeks ended 6 January 2001

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.

13. STOCKS

	6 January 2001 £'000	8 January 2000 £'000
Raw materials and consumables	5,178	4,721
Work-in-progress	43	118
	<u>5,221</u>	<u>4,839</u>

14. DEBTORS

	6 January 2001 £'000	8 January 2000 £'000
Trade debtors	7,146	24,574
Amounts owed by group undertakings	4,434	1,263
Other debtors (including exceptional insurance income of £17,025,000 - see note 3)	20,998	3,554
Prepayments and accrued income	7,441	4,928
	<u>40,019</u>	<u>34,319</u>

15. CASH AT BANK AND IN HAND

	6 January 2001 £'000	8 January 2000 £'000
Cash at bank and in hand	7,605	9,705
Season ticket bond deposit	2,923	2,644
	<u>10,528</u>	<u>12,349</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	6 January 2001 £'000	8 January 2000 £'000
Short term unsecured loan	-	5,000
Obligations under finance leases and hire purchase contracts	671	-
Trade creditors	23,988	26,151
Amounts owed to group undertakings	2,428	7,180
Taxation and social security	2,825	3,062
Other creditors	2,260	7,021
Accruals and deferred income	13,402	11,796
	<u>45,574</u>	<u>60,210</u>

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	6 January 2001 £'000	8 January 2000 £'000
Obligations under finance leases and hire purchase contracts - between one and five years	2,399	-

18. DEFERRED TAXATION

The potential amount of deferred taxation provided and unprovided in these accounts is:

	Provided		Unprovided	
	6 January 2001 £'000	8 January 2000 £'000	6 January 2001 £'000	8 January 2000 £'000
Depreciation in excess of capital allowances	-	-	228	430
Provisions	-	-	108	-
	-	-	336	430

19. CALLED UP SHARE CAPITAL

	6 January 2001 £'000	8 January 2000 £'000
Authorised:		
17,750,000 Ordinary shares of £1 each	17,750	17,750
Called up, allotted and fully paid:		
276,501 Ordinary shares of £1 each	277	277

20. RESERVES

	Profit and loss account £'000
At 9 January 2000	4,385
Profit for the period	14,418
At 6 January 2001	18,803

21. CAPITAL COMMITMENTS

	6 January 2001 £'000	8 January 2000 £'000
Expenditure contracted for	1,087	2,771

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 6 January 2001 £'000	52 weeks ended 8 January 2000 £'000
Profit for the financial year	18.618	5.135
Dividends	(4,200)	(5,000)
Net addition to equity shareholders' funds	14.418	135
Opening equity shareholders' funds	4,662	4,527
Closing equity shareholders' funds	19,080	4,662

23. 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 shared cost section of the above scheme was carried out by Watson Wyatt as at 31 December 1998. The valuation assumes that contributions will continue at a rate of 7.5% for employers and 5% for members until September 2003, and will then revert to the normal joint rate.

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 109% and a surplus of £10.1m and values the assets at £125.9m.

The amount charged to the profit and loss account for the 52 weeks ended 6 January 2001 was £400,000 (52 weeks ended 8 January 2000: £2.3m).

In 2000 the normal pension cost charge was offset by the reversal of a restructuring provision no longer required together with the introduction of an employer pension contribution holiday from 1 September 2000 to 28 February 2003.

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 Limited, 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.

NOTES TO THE ACCOUNTS
52 weeks ended 6 January 2001

26. POST BALANCE SHEET EVENT

On 28 February 2001 a Great North Eastern Railway train derailed at Great Heck near to Selby. It is not practicable, at this time, to estimate the financial effect on the company as a result of this incident.