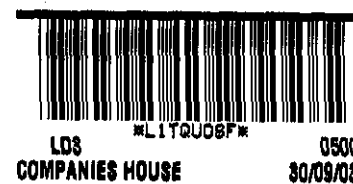


**GREAT NORTH EASTERN RAILWAY LIMITED**

**Report and Financial Statements**

**52 Weeks ended 4 January 2003**



**GREAT NORTH EASTERN RAILWAY LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2002**

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# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2002**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

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

#### **SECRETARY**

J D Salter

#### **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  
London

# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the 52 weeks ended 4 January 2003.

### **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 2003.

On 17 October 2000 a Great North Eastern Railway train derailed near to Hatfield. Gauge corner cracking was identified as the cause of this incident and Network Rail Infrastructure Ltd (formerly 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. A further accident occurred at Great Heck near Selby on 28 February 2001 caused by a Land Rover on the track resulting in the derailment of a train. The problems caused by these incidents were further exacerbated by flooding in late 2000 and the delayed upgrade to Leeds station during 2001.

Great North Eastern Railway is currently pursuing claims against Network Rail Infrastructure Ltd (now a subsidiary of Network Rail Ltd), various insurers and other parties. The recovery of the claims is the subject of negotiation but the directors believe that the amounts included within the accounts are virtually certain to be recovered under contractual and other arrangements and through settlement of the claims.

### **RESULTS, DIVIDEND AND TRANSFERS TO RESERVES**

The company made a profit after taxation of £41,209,000 (52 weeks ended 5 January 2002: £20,780,000).

The directors recommend the payment of a final dividend of £18,600,000, which together with the dividend of £26,900,000 paid during the year gives a total dividend for the 52 weeks ended 4 January 2003 of £45,500,000. (52 weeks ended 5 January 2002: £35,200,000).

### **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

None of the directors had any interests in the company's shares or those of its immediate parent company during the 52 weeks ended 4 January 2003. 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 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.

# GREAT NORTH EASTERN RAILWAY LIMITED

## 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 no charitable donations during the 52 weeks ended 4 January 2003 (52 weeks ended 5 January 2002: £2,800).

### PAYMENT OF CREDITORS

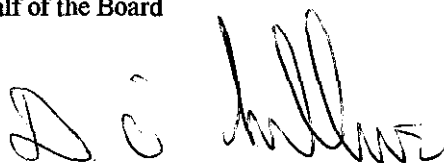
The company seeks to agree payment terms, which are normal for the industry with suppliers at the time of agreeing the terms of the transaction and seeks to make payment in accordance with those terms.

Creditor days at 4 January 2003 were 27 (5 January 2002: 33).

### 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

Director

2 May 2003

# **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 52 weeks ended 4 January 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, statement of accounting policies and the related notes 1 to 23. 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.

### **Fundamental uncertainty**

In forming our opinion, we have considered the accounting and disclosure for incident related claims as referred to in note 3 to the accounts. Great North Eastern Railway Limited is currently pursuing claims against Network Rail infrastructure Ltd, various insurers and other parties. The recovery of the claims is the subject of negotiation but the directors believe that the amounts included within the accounts are virtually certain to be recovered under contractual and other arrangements and through settlement of the claims. In addition the directors believe that none of the amounts receivable under these claims are payable to a third party. In view of the significance of these matters we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
GREAT NORTH EASTERN RAILWAY LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 4 January 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche*

***Deloitte & Touche***

Chartered Accountants and  
Registered Auditors  
London

2 May 2003



# GREAT NORTH EASTERN RAILWAY LIMITED

## PROFIT AND LOSS ACCOUNT

52 weeks ended 4 January 2003

	Note	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
<b>TURNOVER</b>			
Passenger income		362,016	326,971
Other operating income		48,434	42,421
		<u>410,450</u>	<u>369,392</u>
Operating expenditure (including exceptional income accounted for as compensation from Network Rail Infrastructure Ltd – see note 3)	4	(353,199)	(344,098)
Profit from trading		57,251	25,294
Revenue grant		629	3,088
		<u>57,880</u>	<u>28,382</u>
<b>OPERATING PROFIT</b>			
	4		
Interest receivable and similar income	5	1,234	1,038
Interest payable and similar charges	6	(325)	(414)
		<u>58,789</u>	<u>29,006</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Tax on profit on ordinary activities	7	(17,580)	(8,226)
		<u>41,209</u>	<u>20,780</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD</b>			
Dividends	8	(45,500)	(35,200)
Retained loss withdrawn from reserves	18	(4,291)	(14,420)
		<u><u>(45,500)</u></u>	<u><u>(35,200)</u></u>
		<u><u>(4,291)</u></u>	<u><u>(14,420)</u></u>

All operations arise from continuing activities.

### 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

4 January 2003

	Note	4 January 2003 £'000	5 January 2002 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	11,980	10,469
Investments	11	-	-
		<u>11,980</u>	<u>10,469</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,624	5,251
Debtors	13	38,843	50,596
Cash at bank and in hand	14	39,694	19,726
		<u>83,161</u>	<u>75,573</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(93,447)</u>	<u>(79,681)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(10,286)</u>	<u>(4,108)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,694	6,361
<b>CREDITORS: amounts falling due after one year</b>	16	<u>(1,325)</u>	<u>(1,701)</u>
<b>NET ASSETS</b>		<u>369</u>	<u>4,660</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	277	277
Profit and loss account	18	92	4,383
<b>TOTAL EQUITY SHAREHOLDER'S FUNDS</b>	20	<u>369</u>	<u>4,660</u>

These financial statements were approved by the Board of Directors on 2 May 2003.

Signed on behalf of the Board of Directors



D J O'Sullivan

Director

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 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 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.

#### 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 reduced to zero from April 2002.

#### Cash flow statement

A cash flow statement has not been produced as the company's ultimate parent undertaking, Sea Containers Limited, 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.

#### Deferred taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 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

	52 weeks ended 4 January 2003 £	52 weeks ended 5 January 2002 £
<b>Directors' remuneration</b>		
Total emoluments for the period and emoluments of the highest paid director (excluding pension)	267,415	289,588
Total pension costs and pension costs in respect of the highest paid director	<u>27,494</u>	<u>17,955</u>
	No	No
Number of directors who are members of a defined benefit scheme	<u>1</u>	<u>1</u>

The amount of the accrued pension of the highest paid director at 4 January 2003 was £27,257 (5 January 2002: £22,343).

The remaining 3 directors are remunerated through other group companies and the remuneration and pension disclosures for these directors can be found in the relevant financial statements.

<b>Employees</b>	No	No
Average number of persons employed in the period		
Operations	2,381	2,204
Ticket Retailing	341	335
Administration	314	294
	<u>3,036</u>	<u>2,833</u>
<b>Staff costs incurred during the period in respect of these employees were:</b>	£'000	£'000
Wages and salaries	71,636	61,416
Social security costs	5,143	4,467
Other pension costs	-	29
	<u>76,779</u>	<u>65,912</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 3. INCIDENT RELATED CLAIMS

As a result of various incidents including the crashes at Hatfield and Selby and gauge corner cracking, Great North Eastern Railway has made several substantial claims against Network Rail Infrastructure Ltd (formerly Railtrack plc), various insurers and other parties involved. The recovery of the claims is the subject of negotiation but the directors believe that the amounts included within the accounts are virtually certain to be recovered under contractual and other arrangements and through settlement of the claims. The likelihood of recovery of these amounts has been further enhanced by the recent decision by the Rail Regulator, in the arbitration appeal hearing between GNER and Network Rail Infrastructure Ltd, that a Network Change had occurred. The Strategic Rail Authority has claimed a financial interest in part of the compensation payable by Network Rail Infrastructure Ltd. The directors have received legal advice that none of the amounts receivable under these claims are payable to the Strategic Rail Authority.

Great North Eastern Railway has withheld payment of certain Network Rail Infrastructure Ltd invoices during the period. Full contractual payments by both parties resumed from March 2002. The total amount claimed and the amounts withheld are considered to be commercially sensitive and in accordance with the principles of FRS12 "Provisions, contingent liabilities and contingent assets", these amounts have not been separately disclosed to avoid prejudicing the outcome of negotiations. All of the amounts claimed and withheld from Network Rail Infrastructure Ltd are included net within operating expenditure and together with other trading balances with Network Rail Infrastructure Ltd are included within trade creditors in these financial statements.

Network Rail Infrastructure Ltd is a subsidiary of Network Rail Ltd, a company guaranteed by the Strategic Rail Authority. The directors have no reason to believe that Network Rail Infrastructure Ltd will not be able to settle the claims, once agreement on the value is reached.

### 4. OPERATING PROFIT

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
<b>Operating profit is after charging/(crediting):</b>		
Access charges	93,775	101,784
Rentals under operating leases:		
Rolling stock	59,876	55,698
Other plant and equipment	470	362
Property leases	663	507
Depot/station leases	3,220	3,480
Depreciation – owned assets	1,325	1,414
Depreciation – assets held under finance leases	880	672
Rents receivable	(2,888)	(2,890)

The audit fee for the 52 weeks ended 4 January 2003 and for the preceding financial period was borne by the ultimate parent company.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 4. OPERATING PROFIT (continued)

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

	52 weeks ended 4 January 2003		52 weeks ended 5 January 2002	
	Turnover £'000	Operating Profit £'000	Turnover £'000	Operating Profit £'000
Passenger income and other services	395,631	56,547	354,773	26,172
Train maintenance	14,819	1,333	14,619	2,210
	<u>410,450</u>	<u>57,880</u>	<u>369,392</u>	<u>28,382</u>

Turnover originates wholly in the U.K.

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
Bank interest	<u>1,234</u>	<u>1,038</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
Bank overdraft	-	29
Finance leases	162	164
Performance bond	163	221
	<u>325</u>	<u>414</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
UK corporation tax 30% (52 weeks ended 5 January 2002 : 30%)	17,460	8,535
Adjustment in respect of prior periods	120	(309)
	<u>17,580</u>	<u>8,226</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 7. 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 :

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
Profit on ordinary activities before tax	58,789	29,006
Tax on profit on ordinary activities at 30%	17,637	8,702
Factors affecting the charge for the period :		
Capital allowances for the period in excess of depreciation	(257)	(176)
Other timing differences	72	(4)
Expenses not deductible for tax purposes	8	13
Adjustments to tax charge in respect of prior periods	120	(309)
Total amount of current tax	<u>17,580</u>	<u>8,226</u>

### 8. DIVIDENDS

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
Paid - £97.29 per ordinary share (52 weeks ended 5 January 2002: £127.30 per ordinary share)	26,900	35,200
Proposed - £67.27 per ordinary share (52 weeks ended 5 January 2002: £nil per ordinary share)	18,600	-
Total paid and proposed £164.56 per ordinary share (52 weeks ended 5 January 2002: £127.30 per ordinary share)	<u>45,500</u>	<u>35,200</u>

### 9. OPERATING AND OTHER LEASE COMMITMENTS

The company has signed contracts with Network Rail Infrastructure Ltd 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 Network Rail Infrastructure Ltd. The company is committed to pay a fixed charge of £95.5m for the 52 weeks ending 3 January 2004, including £12.0m in respect of station and depot leases. Thereafter most of this charge will be indexed annually by a percentage equal to RPI plus 5%. The variable charges cover track usage and traction current and are primarily dependent on train miles run.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 9. OPERATING AND OTHER LEASE COMMITMENTS (Continued)

The company has signed contracts which commit it to lease rolling stock from HSBC and Angel Train Contracts Limited until April 2005. Similarly other new contracts are at present being negotiated following the award of an additional two years franchise. A new contract was negotiated for the provision of an additional Eurostar train set to operate between Leeds and Kings Cross from June 2002.

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	-	650	45
Within two to five years	63,919	-	292
	<u>63,919</u>	<u>650</u>	<u>337</u>



**GREAT NORTH EASTERN RAILWAY LIMITED**

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 4 January 2003**

**10. TANGIBLE FIXED ASSETS**

	<b>Buildings- short leasehold £'000</b>	<b>Plant and machinery £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 6 January 2002	3,670	10,781	694	15,145
Additions	1,039	3,308	1,685	6,032
Disposals	-	(1,071)	(268)	(1,339)
Funded disposals	(277)	(1,001)	(464)	(1,742)
Transfers	141	200	(341)	-
	<u>4,573</u>	<u>12,217</u>	<u>1,306</u>	<u>18,096</u>
<b>At 4 January 2003</b>				
<b>Accumulated depreciation</b>				
At 6 January 2002	572	4,104	-	4,676
Charge for the period	463	1,742	-	2,205
Disposals	-	(765)	-	(765)
	<u>1,035</u>	<u>5,081</u>	<u>-</u>	<u>6,116</u>
<b>At 4 January 2003</b>				
<b>Net book value</b>				
At 4 January 2003	<u>3,538</u>	<u>7,136</u>	<u>1,306</u>	<u>11,980</u>
At 5 January 2002	<u>3,098</u>	<u>6,677</u>	<u>694</u>	<u>10,469</u>

Assets under construction relates to various station and other capital improvement projects, some of which are the subject of negotiation with Network Rail infrastructure Ltd with regard to funding. Funded disposals relate to assets for which final agreements have been negotiated with Network Rail infrastructure Ltd and HSBC for which ownership is transferred. Transfers relate to the capitalisation of assets under construction. The assets under construction balance of £1,306,000 at 4 January 2003 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 £2,549,000 (5 January 2002: £2,610,000) in respect of assets held under finance leases.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 11. 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.

### 12. STOCKS

	4 January 2003 £'000	5 January 2002 £'000
Raw materials and consumables	4,597	5,227
Work-in-progress	27	24
	<u>4,624</u>	<u>5,251</u>

### 13. DEBTORS

	4 January 2003 £'000	5 January 2002 £'000
Trade debtors	24,399	29,079
Amounts owed by group undertakings	1,345	6,448
Other debtors	4,462	4,564
Prepayments and accrued income	8,637	10,505
	<u>38,843</u>	<u>50,596</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 14. CASH AT BANK AND IN HAND

	4 January 2003 £'000	5 January 2002 £'000
Cash at bank and in hand	36,863	16,795
Season ticket bond deposit	2,831	2,931
	<u>39,694</u>	<u>19,726</u>

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

	4 January 2003 £'000	5 January 2002 £'000
Obligations under finance leases and hire purchase contracts	1,010	672
Trade creditors (see note 3)	36,166	49,433
Amounts owed to group undertakings	1,948	1,794
Dividends payable	18,600	-
Taxation and social security	3,104	3,048
Other creditors	16,846	11,341
Accruals and deferred income	15,773	13,393
	<u>93,447</u>	<u>79,681</u>

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

	4 January 2003 £'000	5 January 2002 £'000
Obligations under finance leases and hire purchase contracts - between one and two years	1,010	672
- between two and five years	315	1,029
	<u>1,325</u>	<u>1,701</u>

### 17. CALLED UP SHARE CAPITAL

	4 January 2003 £'000	5 January 2002 £'000
<b>Authorised:</b>		
17,750,000 Ordinary shares of £1 each	17,750	17,750
<b>Called up, allotted and fully paid:</b>		
276,501 Ordinary shares of £1 each	<u>277</u>	<u>277</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 18. RESERVES

	Profit and loss account £'000
At 6 January 2002	4,383
Profit for the financial period before dividends	41,209
Dividends paid	(45,500)
	<hr/>
At 4 January 2003	92
	<hr/> <hr/>

### 19. CAPITAL COMMITMENTS

	4 January 2003 £'000	5 January 2002 £'000
Expenditure contracted for but not provided	150	76
	<hr/>	<hr/>

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

	52 weeks ended 4 January 2003 £'000	52 weeks ended 5 January 2002 £'000
Profit for the financial period	41,209	20,780
Dividends	(45,500)	(35,200)
	<hr/>	<hr/>
Net reduction in equity shareholder's funds	(4,291)	(14,420)
Opening equity shareholder's funds	4,660	19,080
	<hr/>	<hr/>
Closing equity shareholders' funds	369	4,660
	<hr/> <hr/>	<hr/> <hr/>

### 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 shared cost section of the above scheme was carried out by Watson Wyatt Partners as at 31 December 2001. The valuation assumes that contributions will be at a rate of 7.5% for employers from March 2003 until September 2003 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 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 52 weeks ended 5 January 2002 was £nil (52 weeks ended 5 January 2002: £29,000).

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 21. PENSION SCHEMES (continued)

In 2002 the normal pension cost charge was offset by the employer pension contribution holiday effective from 1 September 2000 to 28 February 2003.

#### FRS 17

The Railway Pension Scheme is a multi-employer scheme. However, since the assets and liabilities of the GNER section are separately identifiable, we have been required to present the full FRS 17 transitional disclosures below. GNER's main obligation in respect of the RPS is to pay contributions as agreed with the scheme actuary and trustees. The directors and trustees are currently considering options, which increase future contribution rates, as part of a range of measures to address the deficit. However, these measures will extend over a number of years, beyond the end of the current franchise, which expires in April 2005. GNER has no obligations in relation to the pension scheme, beyond the end of its current franchise and any increased pension contributions will be considered when negotiating a new franchise agreement.

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. These further disclosures are included below.

A full actuarial valuation was carried out by Watson Wyatt Partners as at 31 December 2001 and updated to 4 January 2003 by Mercer Human Resources. The major assumptions used by the actuary were (in nominal terms):

	At 4 January 2003	At 5 January 2002
Rate of increase in salaries	3%	4%
Rate of increase of pensions in payment and deferment	2.2%	2.5%
Discount rate	5.6%	5.75%
Inflation assumption	2.2%	2.5%

The assets and liabilities of the GNER section of the Railways Pension Scheme at 4 January 2003 are shown below:

	Expected rate of return at 4 January 2003	4 January 2003 £'000	Expected rate of return at 5 January 2002	5 January 2002 £'000
Equities	7.0%	114,555	7.3%	149,600
Bonds	5.6%	10,857	5.75%	12,700
Cash and other assets	4.0%	822	4.0%	500
		126,234		162,800
Actuarial value of liabilities		(135,009)		(154,467)
(Deficit) / Surplus in the Scheme		(8,775)		8,333
40% attributable to members		3,510		(3,333)
Company share of (deficit) / surplus		(5,265)		5,000
Related deferred tax liability		1,580		(1,500)
		(3,685)		3,500

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 21. PENSION SCHEMES (continued)

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.

As noted above, the company enjoyed a pensions contribution holiday during 2002. This ended on 28 February 2003 and it is likely that future contribution rates will be increased further, as part of a range of measures to address the deficit.

The employees' share is also likely to be addressed by increased future rates for employee contributions.

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

	4	5
	January	January
	2003	2002
	£'000	£'000
Profit and loss reserves in the financial statements as at year end	92	4,383
(Deficit) /surplus in relation to the GNER section of the Railways Pension Scheme	(3,685)	3,500
	<hr/>	<hr/>
Profit and loss reserves as adjusted	(3,593)	7,883
	<hr/>	<hr/>

### AMOUNTS INCLUDED IN OPERATING PROFIT

	52 weeks ended 4 January 2003 £'000
Current Service Cost	4,879
Past Service Cost	-
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Total Operating Charge	4,879
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### AMOUNTS INCLUDED IN OTHER FINANCE INCOME

	52 weeks ended 4 January 2003 £'000
Expected return on scheme assets	6,911
Interest on pension liabilities	(5,382)
	<hr/>
Net finance return	1,529
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# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 4 January 2003

### 21. PENSION SCHEMES (continued)

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

	52 weeks ended 4 January 2003 £'000
Actual return less expected return on assets	(26,287)
Experience gains on liabilities	8,123
Changes in assumptions	11,840
	<hr/>
Actuarial loss recognised	(6,324)
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#### HISTORY OF THE EXPERIENCE GAINS AND LOSSES RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks ended 4 January 2003 £'000
Difference between expected and actual returns on scheme assets	(26,287)
Percentage of scheme assets	(21%)
Experience gains and losses on scheme liabilities	8,124
Percentage of scheme liabilities	6%
	<hr/>
Total actuarial gain or loss recognised in the statement of total recognised gains and losses	(6,324)
Percentage of scheme liabilities	(5%)
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#### ANALYSIS OF THE MOVEMENT IN THE SCHEME SURPLUS / DEFICIT DURING THE YEAR

	52 weeks ended 4 January 2003 £'000
Opening surplus in the scheme	5,000
Current service cost	(4,879)
Employer share of surplus refund	(591)
Net return on assets	1,529
Actuarial loss	(6,324)
	<hr/>
Closing deficit in the scheme	(5,265)
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# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **NOTES TO THE ACCOUNTS**

**52 weeks ended 4 January 2003**

### **22. 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.

### **23. 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.