

Company No. 2938984

**GREAT NORTH EASTERN RAILWAY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**3 January 1998**



GREAT NORTH EASTERN RAILWAY LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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# GREAT NORTH EASTERN RAILWAY LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 Weeks to 3 January 1998.

### 1. PRINCIPAL ACTIVITY

The principal activity of the Company is the operation of passenger railway services. The Company intends to continue similar operations in 1998.

### 2. RESULTS, DIVIDEND AND TRANSFERS TO RESERVES

The Company made a profit after taxation of £9,180,000 (9 months to 4 January 1997, loss of £5,814,000).

The Directors do not recommend the payment of a dividend for the 52 weeks ended 3 January 1998.

The profit of £9,180,000 was transferred to reserves (9 months to 4 January 1997 : loss of £5,814,000).

### 3. 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.

### 4. DIRECTORS AND THEIR INTERESTS

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

	<b>Date of Appointment</b>
D G Benson	28 April 1996
C W M Garnett	28 April 1996
D J O'Sullivan	28 April 1996
M J L Stracey	28 April 1996

None of the directors had any interests in the Company's shares or those of its immediate parent company during the 52 weeks ended 3 January 1998.

**DIRECTORS' REPORT**

**5. EMPLOYEES**

Great North Eastern Railway Ltd 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.

**6. CHARITABLE CONTRIBUTIONS**

The Company made no charitable donations during the 52 weeks ended 3 January 1998 (9 months to 4 January 1997 : £nil ).

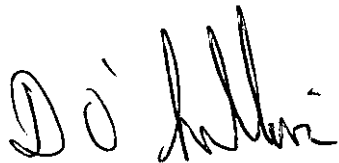
No political contributions were made by the Company during the 52 weeks ended 3 January 1998 (9 months to 4 January 1997 : £nil ).

**7. 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 31 December 1997 were 27.

On behalf of the Directors.



D. J. O'Sullivan  
Secretary

29 April, 1998

## GREAT NORTH EASTERN RAILWAY LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each 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 a 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.

GREAT NORTH EASTERN RAILWAY LIMITED

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

We have audited the financial statements on pages 7 to 19 which have been prepared under the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 5, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 affairs of the Company as at 3 January 1998 and of its profit for the 52 weeks ended 3 January 1998 and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors  
Hill House  
1 Little New Street  
London  
EC4A 3TR

*30 April*, 1998

GREAT NORTH EASTERN RAILWAY LIMITED

**PROFIT AND LOSS ACCOUNT**  
**52 weeks ended 3 January 1998**

	Note	52 weeks ended 3 January 1998 £000	9 Months ended 4 January 1997 £000
Turnover	1 (b)		
Passenger income		279,290	194,655
Other income		<u>44,392</u>	<u>35,919</u>
		323,682	230,574
Operating expenditure		<u>(366,229)</u>	<u>(280,763)</u>
Loss from trading		(42,547)	(50,189)
Revenue grant	1 (c)	57,768	49,815
Profit/(loss) on operations before exceptional items		15,221	(374)
Exceptional items	4	<u>(1,975)</u>	<u>(5,457)</u>
Profit/(loss) on operations before interest and tax		13,246	(5,831)
Net interest (payable)/receivable and similar charges	6	<u>(66)</u>	<u>17</u>
Profit/ (loss) on ordinary activities before taxation	5 (a)	13,180	(5,814)
Tax on profit/(loss) on ordinary activities	7	<u>(4,000)</u>	<u>-</u>
Profit/ (loss) on ordinary activities after taxation		<u>9,180</u>	<u>(5,814)</u>

All activities derive from continuing operations.

There are no other recognised gains or losses other than the profit for the 52 weeks to 3 January 1998.  
 (9 months to 4 January 1997 : £nil ).

A reconciliation of the movement in shareholders funds is given in note 21.

The notes on pages 9 to 19 form part of these accounts.

GREAT NORTH EASTERN RAILWAY LIMITED

BALANCE SHEET

As at 3 January 1998

		3 January 1998		4 January 1997	
		£000	£000	£000	£000
	Note				
<b>FIXED ASSETS</b>					
Tangible assets	9	2,636		1,349	
Investments	10	-		-	
			2,636		1,349
<b>CURRENT ASSETS</b>					
Stocks	11	4,961		3,574	
Debtors	12	33,088		31,582	
Cash at bank and in hand	13	17,647		10,750	
			55,696		45,906
CREDITORS : Amounts falling due within one year	14	(53,687)		(51,787)	
NET CURRENT ASSETS / (LIABILITIES)			2,009		(5,881)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,645		(4,532)
CREDITORS : Amounts falling due after more than one year	15		(1)		(4)
			4,644		(4,536)
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		277		277
Profit and loss account	17		4,367		(4,813)
Equity shareholder's funds			4,644		(4,536)

These financial statements were approved at a meeting of the Board of Directors held on 29 April 1998.

Signed on behalf of the Board of Directors.

D. J. O'SULLIVAN

Director



**NOTES TO THE ACCOUNTS**  
**52 weeks ended 3 January 1998**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**(a) Accounting convention**

The financial statements, which comprise the financial statements of the Company are prepared under the historical cost convention.

**(b) Turnover**

- (i) 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.

- (ii) Other income relates to the provision of ancillary services to external parties.

**(c) 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.

**(d) 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

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 3 January 1998**

**1. ACCOUNTING POLICIES (continued)**

**(e) Leased assets**

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.

**(f) Investments**

Investments held as fixed assets are stated at cost.

**(g) Stocks**

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

**(h) Taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

**(i) 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 less a proportion of any actuarial surpluses. These surpluses are credited over the estimated average remaining service lives of employees in the scheme.

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS  
52 weeks ended 3 January 1998

2. ULTIMATE PARENT COMPANY

The Company's ultimate parent holding company 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 Ltd 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. Ltd 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.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The emoluments of the directors of the Company totalled £153,681, including pension contributions. (9 months to 4 January 1997 : £97,200 ).

The emoluments, excluding pension contributions, of the highest paid director were £141,984 (9 months to 4 January 1997 : £80,000).

As a member of the Sea Containers Defined Benefit Scheme, the accrued pension of the highest paid director currently stands at £6,393.33 per annum.

	52 weeks ended 03.01.98	9 mths ended 04.01.97
Employee costs for the period were as follows :	<u>£000</u>	£000
Wages and salaries	47,230	37,732
Social security costs	3,614	2,900
Other pensions costs	1,420	1,044
	<u>52,264</u>	<u>41,676</u>
	No.	No.
Average number of employees	<u>2,521</u>	<u>2,755</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS  
52 weeks ended 3 January 1998

4. EXCEPTIONAL ITEMS

	52 weeks ended 03.01.98 £000	9 mths ended 04.01.97 £000
Cost of voluntary severance schemes	<u>1,975</u>	<u>5,457</u>

5. TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) Profit/(loss) on ordinary activities before taxation is after charging/(crediting) :

	52 weeks ended 03.01.98 £000	9 mths ended 04.01.97 £000
Access charges	142,029	109,383
Rentals under operating leases :		
Rolling stock	53,070	41,520
Other plant and equipment	200	77
Property leases	453	334
Depot/station leases	3,765	3,249
Depreciation	254	147
Rents receivable	(2,229)	(1,584)

The audit fee for the 52 weeks ended 3 January 1998 is borne by the ultimate parent company.

GREAT NORTH EASTERN RAILWAY LIMITED

**NOTES TO THE ACCOUNTS**  
52 weeks ended 3 January 1998

(b) Analysis of turnover and profit / (loss) by activity before interest and tax.

	52 weeks ended 3 January 1998		9 months ended 4 January 1997	
	Turnover £000	Profit/(loss) £000	Turnover £000	Profit/(loss) £000
Passenger services	292,855	21,257	205,957	(2,815)
Train Maintenance	18,413	(78)	15,302	935
Catering	12,414	(7,933)	9,315	(3,951)
	323,682	13,246	230,574	(5,831)

Turnover originates wholly in the U.K.

**6. NET INTEREST (PAYABLE)/RECEIVABLE AND SIMILAR CHARGES**

	52 weeks ended 03.01.98 £000	9 months ended 04.01.97 £000
<b>Interest receivable</b>		
Bank deposits and short term loans	673	289
<b>Interest payable</b>		
Loans and bank overdrafts wholly repayable within five years	(738)	(271)
Finance charges - finance leases	(1)	(1)
<b>NET INTEREST (PAYABLE)/RECEIVABLE</b>	<b>(66)</b>	<b>17</b>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS  
52 weeks ended 3 January 1998

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	52 weeks ended 03.01.98 £000	9 months ended 04.01.97 £000
Provision for U.K Corporation Tax at 31.49% (9 Months to 4 January 1997; 33%)	<u>4,000</u>	—

The above is a payment in respect of Group relief.

8. 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 £145.6m for the 53 Weeks Ending 9 January 1999 thereafter 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 Eversholt Leasing Limited and Angel Train Contracts Limited over the next 6 years. 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
Under one year	-	-	-
Between one and five years	-	-	210
Five years and over	55,880	405	-

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS  
52 weeks ended 3 January 1998

9. TANGIBLE FIXED ASSETS

	Assets under construction £000	Plant and owned £000	machinery leased £000	Buildings short leasehold £000	Total £000
Cost at 5 January 1997	572	1,640	33	48	2,293
Additions	1098	813	-	79	1,990
Disposals	-	(122)	(13)	-	(135)
Transfers	(336)	(113)	-	-	(449)
Cost at 3 January 1998	<u>1,334</u>	<u>2,218</u>	<u>20</u>	<u>127</u>	<u>3,699</u>
Accumulated Depreciation at 5 January 1997	-	907	33	4	944
Charge for the period	-	236	-	18	254
Disposals	-	(122)	(13)	-	(135)
Transfers	-	-	-	-	-
Accumulated Depreciation at 3 January 1998	<u>-</u>	<u>1,021</u>	<u>20</u>	<u>22</u>	<u>1,063</u>
Net book value at 3 January 1998	<u>1,334</u>	<u>1,197</u>	<u>-</u>	<u>105</u>	<u>2,636</u>
Net book value at 4 January 1997	<u>572</u>	<u>733</u>	<u>-</u>	<u>44</u>	<u>1,349</u>

GREAT NORTH EASTERN RAILWAY LIMITED

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 3 January 1998**

**10. INVESTMENTS**

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 Ltd	4
Rail Settlement Plan Ltd	4
Rail Staff Travel Ltd	4

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

**11. STOCKS**

	<b>03.01.98</b>	<b>04.01.97</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	4,171	3,540
Work in progress	790	34
	<u>4,961</u>	<u>3,574</u>

**12. DEBTORS**

	<b>03.01.98</b>	<b>04.01.97</b>
	<b>£000</b>	<b>£000</b>
Trade Debtors	4,740	7,147
Amounts due from group undertakings	2,301	162
Other debtors	20,137	17,547
Prepayments and accrued income	5,910	6,726
	<u>33,088</u>	<u>31,582</u>



GREAT NORTH EASTERN RAILWAY LIMITED

**NOTES TO THE ACCOUNTS**  
52 weeks ended 3 January 1998

<b>13. CASH AT BANK AND IN HAND</b>	<b>03.01.98</b> <b>£000</b>	<b>04.01.97</b> <b>£000</b>
Cash at bank and in hand	15,233	8,450
Season ticket bond deposit	<u>2,414</u>	<u>2,300</u>
	<u>17,647</u>	<u>10,750</u>
<b>14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>03.01.98</b> <b>£000</b>	<b>04.01.97</b> <b>£000</b>
Trade creditors	26,695	26,259
Amounts due to group undertakings	5,619	3,385
Other creditors	7,550	10,600
Taxation and social security	3,421	3,372
Accruals and deferred income	10,402	8,171
	<u>53,687</u>	<u>51,787</u>
<b>15. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>03.01.98</b> <b>£000</b>	<b>04.01.97</b> <b>£000</b>
Obligations under finance leases	<u>1</u>	<u>4</u>
Total liabilities repayable within :		
One year	-	6
One to two years	1	3
Two to five years	-	1
Total liabilities to end of leasing terms	<u>1</u>	<u>10</u>
Less : Amounts repayable within one year	-	6
Amounts repayable after more than one year	<u>1</u>	<u>4</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS  
52 weeks ended 3 January 1998

16. CALLED UP SHARE CAPITAL

16a Issued Share Capital

	Authorised		Issued and Fully Paid	
	No. of	Value	No. of	Value
	Shares	£000	Shares	£
	000			
At 3 January 1998	<u>17,750</u>	<u>17,750</u>	<u>276,501</u>	<u>276,501</u>

17. PROFIT AND LOSS ACCOUNT

	£000
At 5 January 1997	(4,813)
Profit for the period	9,180
At 3 January 1998	<u>4,367</u>

18. CAPITAL COMMITMENTS

	03.01.98	04.01.97
	£000	£000
Expenditure contracted for	193	226
Expenditure approved by the directors but not contracted for	8,249	2,084
	<u>8,442</u>	<u>2,310</u>

19. 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 28 April 1996.

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.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS 52 weeks ended 3 January 1998

### 19. Pension Schemes Continued

The valuation discloses a funding level of 113% and a surplus of £11.652m and values the assets at £103.574m.

This valuation was agreed before the abolition of ACT credits. Watson Wyatt recommend that the funding level should not be reduced to below 105%.

The amount charged to the profit and loss account for the 52 weeks ended 4 January 1998 was £1.42m.

Pension increases are guaranteed index-linked whilst salary increases have been assumed in line with inflation of 3%.

The assets of the Scheme are held separate 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.

### 20. CASH FLOW STATEMENT

The financial statement of Sea Containers U.K. Ltd for the year ended 31 December 1997 contain a statement of consolidated cash flows. The Company has taken advantage of the exemption granted by FRS1 (revised) whereby it is not required to publish its own statement of cash flows.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	52 weeks ended	9 months ended
	03.01.98	04.01.97
	£000	£000
Opening shareholders' funds	(4,536)	1,001
Issue of shares	0	277
Profit/(loss) for the period	<u>9,180</u>	<u>(5,814)</u>
Closing shareholders' funds	<u>4,644</u>	<u>(4,536)</u>

### 22. CONTINGENT LIABILITIES

There are no contingent liabilities.

### 23. 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.

GREAT NORTH EASTERN RAILWAY LIMITED

**REPORT AND FINANCIAL STATEMENTS 1997  
OFFICERS AND PROFESSIONAL ADVISORS**

**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**

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**AUDITORS**

Deloitte and Touche  
Chartered Accountants  
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EC4A 3TR