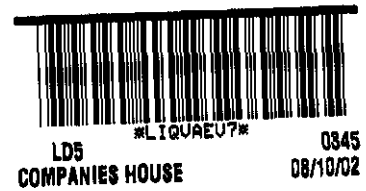


Company Registration No. 2938984

GREAT NORTH EASTERN RAILWAY LIMITED

Report and Financial Statements

52 Weeks ended 5 January 2002



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

GREAT NORTH EASTERN RAILWAY LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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GREAT NORTH EASTERN RAILWAY LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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

GREAT NORTH EASTERN RAILWAY LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks to 5 January 2002.

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 2002.

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 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 Railtrack plc, 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 £20,780,000 (52 weeks to 6 January 2001: £18,618,000).

A final dividend of £35,200,000 was paid for the period ended 5 January 2002 (52 weeks ended 6 January 2001: £4,200,000).

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 5 January 2002. 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.

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 charitable donations of £2,800 during the 52 weeks ended 5 January 2002 (52 weeks to 6 January 2001: £1,000).

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 5 January 2002 were 33 (6 January 2001: 22).

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

2 May 2002

GREAT NORTH EASTERN RAILWAY LIMITED

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.

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 period ended 5 January 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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 Railtrack plc, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 5 January 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Sewell & Tauke

Deloitte & Touche

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

3 May 2002

GREAT NORTH EASTERN RAILWAY LIMITED

PROFIT AND LOSS ACCOUNT 52 weeks ended 5 January 2002

	Note	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
TURNOVER			
Passenger income		326,971	327,504
Other operating income		42,421	58,035
		<u>369,392</u>	<u>385,539</u>
Operating expenditure (including exceptional income accounted for as compensation from Railtrack plc – see note 3)	4	(344,098)	(368,217)
Profit from trading		25,294	17,322
Revenue grant		3,088	8,870
		<u>28,382</u>	<u>26,192</u>
OPERATING PROFIT			
	4	28,382	26,192
Interest receivable and similar income	5	1,038	641
Interest payable and similar charges	6	(414)	(461)
		<u>1,038</u>	<u>641</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
		29,006	26,372
Tax on profit on ordinary activities	7	(8,226)	(7,754)
		<u>20,780</u>	<u>18,618</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD			
		20,780	18,618
Dividends	8	(35,200)	(4,200)
		<u>(35,200)</u>	<u>(4,200)</u>
Retained (loss) / profit (withdrawn from) / transferred to reserves	19	(14,420)	14,418
		<u>(14,420)</u>	<u>14,418</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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.

GREAT NORTH EASTERN RAILWAY LIMITED

BALANCE SHEET 5 January 2002

	Note	5 January 2002 £'000	6 January 2001 £'000
FIXED ASSETS			
Tangible assets	10	10,469	11,285
Investments	11	-	-
		<u>10,469</u>	<u>11,285</u>
CURRENT ASSETS			
Stocks	12	5,251	5,221
Debtors	13	50,596	40,019
Cash at bank and in hand	14	19,726	10,528
		<u>75,573</u>	<u>55,768</u>
CREDITORS: amounts falling due within one year	15	<u>(79,681)</u>	<u>(45,574)</u>
NET CURRENT (LIABILITIES) / ASSETS		(4,108)	10,194
TOTAL ASSETS LESS CURRENT LIABILITIES		6,361	21,479
CREDITORS: amounts falling due after one year	16	<u>(1,701)</u>	<u>(2,399)</u>
TOTAL ASSETS		<u><u>4,660</u></u>	<u><u>19,080</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	277	277
Profit and loss account	19	4,383	18,803
TOTAL EQUITY SHAREHOLDERS' FUNDS	21	<u><u>4,660</u></u>	<u><u>19,080</u></u>

These financial statements were approved by the Board of Directors on 2 May 2002.

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 5 January 2002

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 reduces 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

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.

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.

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52 weeks ended 5 January 2002 £	52 weeks ended 6 January 2001 £
Directors' remuneration		
Total emoluments for the period and emoluments of the highest paid director (excluding pension)	289,588	334,223
Total pension costs for the period and pension costs of the highest paid director	17,955	17,400
Emoluments and pension costs of other directors are borne by another group company.		
	No	No
Number of directors who are members of a defined benefit scheme	<u>4</u>	<u>4</u>
The amount of the accrued pension of the highest paid director at 5 January 2002 was £22,343 (6 January 2001: £18,216).		
Employees	No	No
Average number of persons employed in the period	<u>2,833</u>	<u>2,685</u>
Staff costs incurred during the period in respect of these employees were:	£'000	£'000
Wages and salaries	61,416	55,341
Social security costs	4,467	4,005
Other pension costs	29	400
	<u>65,912</u>	<u>59,746</u>

3. INCIDENT RELATED CLAIMS

As a result of various incidents including the crashes at Hatfield and Selby, gauge corner cracking and the Leeds First Project, Great North Eastern Railway has made several claims against 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.

Great North Eastern Railway has withheld payment of certain Railtrack plc invoices during the period. 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 disclosed to avoid prejudicing the outcome of negotiations. All of the amounts claimed from Railtrack plc are included within operating expenditure and together with other trading balances with Railtrack plc are included as a net amount in these financial statements.

On 7 October 2001 Railtrack plc was placed in special railway administration. Subsequent to this, statements have been made that all Railtrack plc creditors will be paid. The directors have no reason to believe that Railtrack plc will not be able to settle the claims, once agreement on the value is reached.

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 5 January 2002

4. OPERATING PROFIT

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
Operating profit is after charging/(crediting):		
Access charges	101,784	109,366
Rentals under operating leases:		
Rolling stock	55,698	53,287
Other plant and equipment	362	302
Property leases	507	484
Depot/station leases	3,480	4,190
Depreciation	2,086	1,091
Rents receivable under operating leases	(2,890)	(2,822)
	<u> </u>	<u> </u>

The audit fee for the 52 weeks ended 5 January 2002 is borne by the ultimate parent company.

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

	52 weeks ended 5 January 2002		52 weeks ended 6 January 2001	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Passenger income and other services	354,773	26,172	375,013	24,942
Train maintenance	14,619	2,210	10,526	1,250
	<u>369,392</u>	<u>28,382</u>	<u>385,539</u>	<u>26,192</u>

Turnover originates wholly in the United Kingdom.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
Bank interest	1,038	641
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
Loans	-	127
Bank overdraft	29	50
Finance leases	164	65
Performance bond	221	219
	<u>414</u>	<u>461</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
United Kingdom corporation tax at 30% (52 weeks ended 6 January 2001: 30%)	8,535	7,754
Adjustment in respect of prior years	(309)	-
	<u>8,226</u>	<u>7,754</u>

8. DIVIDENDS

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
Final proposed - £127.30 per ordinary share (52 weeks ended 6 January 2001: £15.19 per ordinary share)	35,200	4,200
	<u>35,200</u>	<u>4,200</u>

9. 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 £92.6m for the 52 weeks ending 4 January 2003, 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.

Following the award of an additional 2 years onto the existing franchise new contracts are at present being negotiated.

The company has signed contracts which commit it to lease rolling stock from HSBC and Angel Train Contracts Limited until April 2003. Similarly new contracts are at present being negotiated following the award of an additional two years franchise. A new contract is also being 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 which expire as follows:

	Rolling stock £'000	Property £'000	Other £'000
Between one and five years	<u>58,706</u>	<u>418</u>	<u>471</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

10. TANGIBLE FIXED ASSETS

	Buildings- short leasehold £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 7 January 2001	407	8,483	5,015	13,905
Additions	50	1,073	874	1,997
Disposals	-	(37)	(417)	(454)
Funded disposals	-	-	(303)	(303)
Transfers	3,213	1,262	(4,475)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 5 January 2002	3,670	10,781	694	15,145
Accumulated depreciation				
At 7 January 2001	126	2,494	-	2,620
Charge for the period	446	1,640	-	2,086
Disposals	-	(30)	-	(30)
	<hr/>	<hr/>	<hr/>	<hr/>
At 5 January 2002	572	4,104	-	4,676
Net book value				
At 5 January 2002	<hr/> 3,098	<hr/> 6,677	<hr/> 694	<hr/> 10,469
At 6 January 2001	<hr/> 281	<hr/> 5,989	<hr/> 5,015	<hr/> 11,285

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 £694,000 at 5 January 2002 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 £2,610,000 (6 January 2001: £3,280,000) in respect of assets held under finance leases.

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

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

	5 January 2002 £'000	6 January 2001 £'000
Raw materials and consumables	5,227	5,178
Work-in-progress	24	43
	<u>5,251</u>	<u>5,221</u>

13. DEBTORS

	5 January 2002 £'000	6 January 2001 £'000
Trade debtors	29,079	7,146
Amounts owed by group undertakings	6,448	4,434
Other debtors	4,564	20,998
Prepayments and accrued income	10,505	7,441
	<u>50,596</u>	<u>40,019</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 5 January 2002

14. CASH AT BANK AND IN HAND

	5 January 2002 £'000	6 January 2001 £'000
Cash at bank and in hand	16,795	7,605
Season ticket bond deposit	2,931	2,923
	<u>19,726</u>	<u>10,528</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	5 January 2002 £'000	6 January 2001 £'000
Obligations under finance leases and hire purchase contracts	672	671
Trade creditors	49,433	23,988
Amounts owed to group undertakings	1,794	2,428
Taxation and social security	3,048	2,825
Other creditors	11,341	2,260
Accruals and deferred income	13,393	13,402
	<u>79,681</u>	<u>45,574</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	5 January 2002 £'000	6 January 2001 £'000
Obligations under finance leases and hire purchase contracts - between one and five years	1,701	2,399
	<u>1,701</u>	<u>2,399</u>

17. DEFERRED TAXATION

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

	Provided		Unprovided	
	5 January 2002 £'000	6 January 2001 £'000	5 January 2002 £'000	6 January 2001 £'000
Depreciation in excess of capital allowances	(25)	-	-	228
Provisions	25	-	93	108
	<u>-</u>	<u>-</u>	<u>93</u>	<u>336</u>

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

18. CALLED UP SHARE CAPITAL

	5 January 2002 £'000	6 January 2001 £'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

19. RESERVES

	Profit and loss account £'000
At 7 January 2001	18,803
Profit for the financial period	20,780
Dividends paid	(35,200)
At 5 January 2002	4,383

20. CAPITAL COMMITMENTS

	5 January 2002 £'000	6 January 2001 £'000
Expenditure contracted for	76	1,087

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 5 January 2002 £'000	52 weeks ended 6 January 2001 £'000
Profit for the financial period	20,780	18,618
Dividends	(35,200)	(4,200)
Net (reduction in) / addition to equity shareholders' funds	(14,420)	14,418
Opening equity shareholders' funds	19,080	4,662
Closing equity shareholders' funds	4,660	19,080

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2002

22. 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 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 5 January 2002 was £29,000 (52 weeks ended 6 January 2001: £400,000).

In 2001 the normal pension cost charge was offset by the employer pension contribution holiday effective from 1 September 2000 to 28 February 2003.

Watson Wyatt Partners are preparing a further independent actuarial valuation of the scheme for funding purposes as at 31 December 2001. The results of this valuation were not known at the time of preparation of these accounts.

FRS 17

In November 2000 the Accounting Standards Board issued FRS 17 'Retirement Benefits' replacing SSAP 24 'Accounting for Pensions Costs'. FRS 17 is fully effective for periods ending on or after 22 June 2003, though certain disclosures are required in the transition period, for periods ending on or after 22 June 2001. These further disclosures are included below.

The actuarial valuation of the GNER section of the Railways Pension Scheme was updated to 5 January 2002 by Watson Wyatt Partners. The principal actuarial assumptions used as at 5 January 2002 are shown below.

Rate of increase in salaries	4%
Rate of increase of pensions in payment and deferment	2.5%
Discount rate	5.75%
Inflation assumption	2.5%
Rate of return on Scheme assets	7.3%

GREAT NORTH EASTERN RAILWAY LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 5 January 2002

22. PENSION SCHEMES (continued)

The assets and liabilities of the GNER section of the Railways Pension Scheme at 5 January 2002 are shown below:

	5 January 2002 £'000
Equities	149,600
Bonds	12,700
Cash and other assets	500
	<hr/>
	162,800
Actuarial value of liabilities	(157,800)
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Surplus in the Scheme	5,000
Related deferred tax liability	(1,500)
	<hr/>
	3,500
	<hr/> <hr/>

The surplus shown above is the company's share of the surplus, which represents 60% of the total surplus identified by Watson Wyatt Partners, in accordance with the scheme rules.

As noted above, the company is currently enjoying a pensions contribution holiday, which is expected to fully utilise the surplus before the end of the franchise period.

The employee's share, which is included within liabilities in the above, is currently being utilised to provide enhanced benefits and allow a part reduction in employee contributions.

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

	5 January 2002 £'000
Profit and loss reserves in the financial statements as at year end	4,383
Surplus in relation to the GNER section of the Railways Pension Scheme	3,500
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Profit and loss reserves as adjusted	7,883
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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.

24. 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.