

**GREAT NORTH EASTERN RAILWAY  
LIMITED**

**Report and Financial Statements**

**8 January 2000**

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



# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 1999**

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# **GREAT NORTH EASTERN RAILWAY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 1999**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

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

#### **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

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 8 January 2000.

### PRINCIPAL ACTIVITY

The principal activity of the company is the operation of passenger railway services. The company intends to continue similar operations in 2000. The current franchise operates until 2003. The company is in the tendering process for a renewal until the Year 2020.

### RESULTS, DIVIDEND AND TRANSFERS TO RESERVES

The company made a profit after taxation of £5,135,000 (53 weeks to 9 January 1999: £9,883,000).

A final dividend of £5,000,000 was proposed for the period ended 8 January 2000 (53 weeks ended 9 January 1999: £10,000,000).

### DIRECTORS AND THEIR INTERESTS

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

D G Benson  
C W M Garnett  
D J O'Sullivan  
M J L Stracey  
S M C Sherwood (appointed 8 November 1999)

None of the directors had any interests in the company's shares or those of its immediate parent company during the 52 weeks ended 8 January 2000.

### 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.

### 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 £3,000 to the York Minster Fund during the 52 weeks ended 8 January 2000 (53 weeks to 9 January 1999: £nil).

# GREAT NORTH EASTERN RAILWAY LIMITED

## DIRECTORS' REPORT

### PAYMENT OF CREDITORS

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

Creditor days at 8 January 2000 were 21 (9 January 1999: 22).

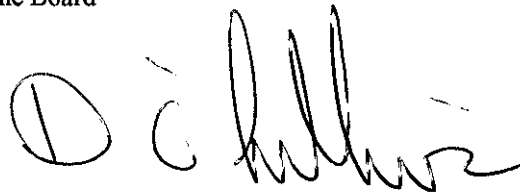
### YEAR 2000

The company and the rail industry had given high priority to the possible impact of the Year 2000 problem on certain systems and had taken positive steps to ensure that systems were Year 2000 compliant. The company is unaware of any adverse effect of the Year 2000 which has materially affected the business.

### 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

A handwritten signature in black ink, appearing to read 'D J O'Sullivan', written in a cursive style.

D J O'Sullivan

Secretary

5 May 2000

# **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.

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

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 8 January 2000 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

**Deloitte & Touche**

Chartered Accountants and  
Registered Auditors

Hill House  
1 Little New Street  
London. EC4A 3TR

*5 May* 2000

# GREAT NORTH EASTERN RAILWAY LIMITED

## PROFIT AND LOSS ACCOUNT 52 weeks ended 8 January 2000

	Note	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
<b>TURNOVER: continuing operations</b>			
Passenger income		334,298	313,534
Other operating income		37,581	42,994
		<hr/>	<hr/>
Operating expenditure	4	371,879 (383,420)	356,528 (383,933)
Loss from trading		(11,541)	(27,405)
Revenue grant		21,759	42,371
		<hr/>	<hr/>
<b>OPERATING PROFIT: continuing operations</b>	4	10,218	14,966
Exceptional items	3	(2,284)	(1,850)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		7,934	13,116
Interest receivable and similar income	5	541	1,216
Interest payable and similar charges	6	(469)	(249)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		8,006	14,083
Tax on profit on ordinary activities	7	(2,871)	(4,200)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		5,135	9,883
Dividends	8	(5,000)	(10,000)
		<hr/>	<hr/>
<b>Retained profit/(loss) transferred to/(from) reserves</b>	18	135	(117)
		<hr/>	<hr/>

### 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.



# GREAT NORTH EASTERN RAILWAY LIMITED

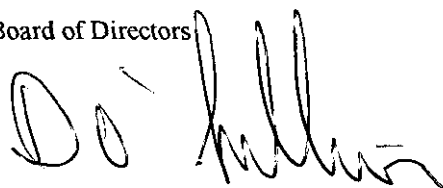
## BALANCE SHEET

8 January 2000

	Note	8 January 2000 £'000	9 January 1999 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	13,365	3,624
Investments	11	-	-
		<u>13,365</u>	<u>3,624</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,839	4,926
Debtors	13	34,319	37,581
Cash at bank and in hand	14	12,349	11,723
		<u>51,507</u>	<u>54,230</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(60,210)</u>	<u>(53,327)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(8,703)</u>	<u>903</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,662</u>	<u>4,527</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	277	277
Profit and loss account	18	4,385	4,250
		<u>4,662</u>	<u>4,527</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	20	<u>4,662</u>	<u>4,527</u>

These financial statements were approved by the Board of Directors on 5 May 2000.

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 8 January 2000

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

#### Accounting convention

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

#### Turnover

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

Other operating income relates to the provision of ancillary services to external parties.

#### Revenue grant

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

#### Tangible fixed assets

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

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

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

#### Leases

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

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

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

#### Investments

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

#### Stocks

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

#### Deferred taxation

Deferred taxation is provided 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.

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 8 January 2000**

**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 8 January 2000 £	53 weeks ended 9 January 1999 £
<b>Directors' remuneration</b>		
Total emoluments for the period and emoluments of the highest paid director (excluding pension)	246,226	196,929
Pension costs in respect of the highest paid director	12,579	12,138
Number of directors who are members of a defined benefit scheme	No 5	No 4

The amount of the accrued pension of the highest paid director at 8 January 2000 was £6,795 (9 January 1999: £4,818).

	No	No
<b>Employees</b>		
Average number of persons employed in the period	<u>2,568</u>	<u>2,554</u>
<b>Staff costs incurred during the period in respect of these employees were:</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	53,211	50,855
Social security costs	3,984	3,833
Other pension costs	2,344	1,898
	<u>59,539</u>	<u>56,586</u>

**3. EXCEPTIONAL ITEMS**

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
Cost of voluntary severance schemes	<u>2,284</u>	<u>1,850</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS 52 weeks ended 8 January 2000

### 4. OPERATING PROFIT

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
<b>Operating profit is after charging/(crediting):</b>		
Access charges	143,597	143,317
Rentals under operating leases:		
Rolling stock	53,286	54,319
Other plant and equipment	396	204
Property leases	439	445
Depot/station leases	4,010	3,739
Depreciation	637	485
Rents receivable	(2,576)	(2,220)
	<u>                    </u>	<u>                    </u>

The audit fee for the 52 weeks ended 8 January 2000 is borne by the ultimate parent company.

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

	52 weeks ended 8 January 2000		53 weeks ended 9 January 1999	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Passenger income and other services	361,625	6,492	339,485	11,332
Train maintenance	10,254	1,442	17,043	1,784
	<u>371,879</u>	<u>7,934</u>	<u>356,528</u>	<u>13,116</u>

Turnover originates wholly in the U.K.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 8 January 2000

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
Bank deposits and short term loans	541	1,216

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
Loans and bank overdrafts	469	249

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
United Kingdom corporation tax at 30% (53 weeks ended 9 January 1999 : 31%)	2,871	4,200

The tax charge is as a result of a payment for losses surrendered by other group companies.

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 8 January 2000

### 8. DIVIDENDS

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
Final proposed - £18 per ordinary share (53 weeks ended 9 January 1999: £36 per ordinary share)	<u>5,000</u>	<u>10,000</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 £147.0m for the 52 weeks ending 8 January 2001, including £9.0m in respect of station and depot leases. Thereafter most of this charge will be indexed annually by a percentage equal to RPI minus 2%. The variable charges cover track usage and traction current and are primarily dependent on train miles run.

The company has signed contracts which commit it to lease rolling stock from HSBC and Angel Train Contracts Limited over the next 4 years. 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>53,286</u>	<u>449</u>	<u>310</u>

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS 52 weeks ended 8 January 2000

### 10. TANGIBLE FIXED ASSETS

	Buildings- short leasehold £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 10 January 1999	201	3,155	1,796	5,152
Additions	37	560	10,040	10,637
Disposals	-	(433)	-	(433)
Transfers	70	653	(723)	-
	<u>308</u>	<u>3,935</u>	<u>11,113</u>	<u>15,356</u>
<b>Accumulated depreciation</b>				
At 10 January 1999	42	1,486	-	1,528
Charge for the period	37	600	-	637
Disposals	-	(174)	-	(174)
	<u>79</u>	<u>1,912</u>	<u>-</u>	<u>1,991</u>
<b>Net book value</b>				
At 8 January 2000	<u>228</u>	<u>2,281</u>	<u>10,856</u>	<u>13,365</u>
At 9 January 1999	<u>159</u>	<u>1,669</u>	<u>1,796</u>	<u>3,624</u>

### 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 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.

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.

**GREAT NORTH EASTERN RAILWAY LIMITED**

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 8 January 2000**

**12. STOCKS**

	<b>8 January 2000 £'000</b>	<b>9 January 1999 £'000</b>
Raw materials and consumables	4,721	4,599
Work-in-progress	118	327
	<u>4,839</u>	<u>4,926</u>

**13. DEBTORS**

	<b>8 January 2000 £'000</b>	<b>9 January 1999 £'000</b>
Trade debtors	24,574	20,207
Amounts owed by group undertakings	1,263	5,343
Other debtors	3,554	7,134
Prepayments and accrued income	4,928	4,897
	<u>34,319</u>	<u>37,581</u>

**14. CASH AT BANK AND IN HAND**

	<b>8 January 2000 £'000</b>	<b>9 January 1999 £'000</b>
Cash at bank and in hand	9,705	9,442
Season ticket bond deposit	2,644	2,281
	<u>12,349</u>	<u>11,723</u>

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

	<b>8 January 2000 £'000</b>	<b>9 January 1999 £'000</b>
Short term unsecured loan	5,000	-
Trade creditors	26,151	22,949
Amounts owed to group undertakings	7,180	7,675
Taxation and social security	3,062	2,945
Other creditors	7,021	6,465
Accruals and deferred income	11,796	13,293
	<u>60,210</u>	<u>53,327</u>



# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS 52 weeks ended 8 January 2000

### 16. DEFERRED TAXATION

The potential amount of deferred taxation not provided in these accounts is:

	8 January 2000 £'000	9 January 1999 £'000
Capital allowances in excess of depreciation	-	287

### 17. CALLED UP SHARE CAPITAL

	8 January 2000 £'000	9 January 1999 £'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	277	277

### 18. RESERVES

	Profit and loss account £'000
At 10 January 1999	4,250
Profit for the period	135
At 8 January 2000	4,385

### 19. CAPITAL COMMITMENTS

	8 January 2000 £'000	9 January 1999 £'000
Expenditure contracted for	2,771	1,025

# GREAT NORTH EASTERN RAILWAY LIMITED

## NOTES TO THE ACCOUNTS

52 weeks ended 8 January 2000

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 8 January 2000 £'000	53 weeks ended 9 January 1999 £'000
Profit for the financial year	5,135	9,883
Dividends	(5,000)	(10,000)
<b>Net addition to equity shareholders' funds</b>	<b>135</b>	<b>(117)</b>
Opening equity shareholders' funds	4,527	4,644
<b>Closing equity shareholders' funds</b>	<b>4,662</b>	<b>4,527</b>

### 21. PENSION SCHEMES

The majority of the company's employees are members of the Railways Pension Scheme (RPS), a funded defined benefit scheme. The RPS was established with effect from 1 October 1994 when the British Rail Pension Scheme (BRPS) was partitioned.

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

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 8 January 2000 was £2.3m (53 weeks ended 9 January 1999: £1.9m).

Pension increases are guaranteed index-linked whilst salary increases have been assumed to be in line with forecast inflation of 4.5%.

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.

### 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 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 SE1 9PF.