

Directors Report and Accounts

InterCity East Coast Ltd
2938984

31 March 1996



Registered Office:
Sea Containers House
20 Upper Ground
London
SE1 9PF

INTERCITY EAST COAST LTD

Directors' Report

The Directors submit their report and the accounts for the year ended 31 March 1996. The Company commenced trading on 1 April 1995

Principal activity

The Company was incorporated on 9 June 1994 as InterCity East Coast Ltd. Under the Railways Act 1993 the British Railways Board (the Board) vested the business, assets and liabilities of the East Coast division of the Board in the Company on 1 April 1995. The Company commenced trading on that date.

The principal activity of the Company during the year ended 31 March 1996 was the operation of passenger railway services.

Results

| | 31.3.96 | 31.3.95 |
|---|--------------|----------|
| | £000 | £000 |
| Profit for the year ended 31 March 1996 | 14463 | 0 |
| Dividends paid/proposed | 0 | 0 |
| Transfer to reserves | <u>14463</u> | <u>0</u> |

The Directors do not propose the payment of a dividend.

Business review and prospects

The Company was owned by the Board throughout the year ending 31 March 1996 and was sold to Great Northern Railways Ltd. on 28th April 1996.

During the year under review passenger volumes continued to grow reflecting growth in the transport sector. The Company continued to focus on improving customer service with the introduction of a new Telesales unit and enhanced services on board trains.

The UK passenger train speed record was broken on a special run reaching 154 mph and Railtrack in particular improved its equipment reliability delivering significant improvement in train running performance. This was all delivered whilst maintaining the highest safety standards with no fatal injuries to passengers or staff.

Directors and their interests

The Directors of the Company who served during the year ended 31 March 1996 and during the period to the date of these accounts were as follows:

| | <u>Date of Appointment</u> | <u>Date of Resignation</u> |
|------------------|----------------------------|----------------------------|
| Dr. P. King | 09-06-94 | 28-04-96 |
| B. R. Burdsall | 09-06-94 | 28-04-96 |
| C. R. B. Goldson | 22-03-95 | 28-04-96 |
| P. Pacey | 22-03-95 | 28-04-96 |
| R. M. Porter | 08-12-95 | 12-12-95 |
| M. Wright | 20-02-96 | 28-04-96 |
| D.G. Benson | 28-04-96 | |
| C.W.M. Garnett | 28-04-96 | |
| D.J. O'Sullivan | 28-04-96 | |
| M. J. L. Stracey | 28-04-96 | |

None of the Directors had a beneficial interest in any shares of the Company or of any other group undertaking. No Director had a material interest in any contract with the Company or with the Board.

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 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, subject to any material departures disclosed and explained in the financial statements ;
- 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. 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.

Employees

InterCity East Coast Ltd is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. 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.

As at 31 March 1996 the Company employed 4 registered disabled persons(1995 nil). Its policy is to continue to employ those who become disabled in service, together with some recruitment where circumstances permit. Training is adjusted to cater for an individual disability and the disabled share the same conditions of service as other staff in relation to career development and promotion.

Fixed assets

Changes in the tangible fixed assets of the Company are as detailed in note 9 to the accounts.

Post balance sheet events

On 28 April 1996 the Company was sold to Great Northern Railway Company Limited, whose ultimate parent Company is Sea Containers Ltd., under a seven year franchise from the Office of Passenger Rail Franchising.

Charitable contributions

The Company made charitable donations of £10,700 during the year ended 31 March 1996 (1995 nil).

No political contributions were made by the Company during the year ended 31 March 1996(1995 nil).

Auditors

Price Waterhouse were appointed auditors of the Company on 29 March 1995 and have agreed to resign as auditors at the forthcoming A.G.M..

On behalf of the Directors.

A handwritten signature in cursive script, appearing to read "D. J. O'Sullivan".

D. J. O'Sullivan
Secretary
31 January 1997

Price Waterhouse



**AUDITORS' REPORT TO THE SHAREHOLDERS OF
INTERCITY EAST COST LTD**

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

31 January 1997

INTERCITY EAST COAST LTD

PROFIT AND LOSS ACCOUNT

| Notes | Year ended 31 March 1996 | | | Period ended 31 March 1995 |
|-------|--|---|-----------------|-------------------------------------|
| | Before Exceptional Items £'000 | Exceptional Items (see note 4) £'000 | Total £'000 | £'000 |
| 2 | Turnover | | 235912 | 0 |
| | Passenger income | | 235912 | 0 |
| | Revenue grant | | 84241 | 0 |
| | Other income | | <u>42856</u> | <u>0</u> |
| | | | 363009 | 0 |
| | Operating expenditure | <u>(345354)</u> | <u>(347668)</u> | <u>0</u> |
| 3(a) | Operating profit / (loss) | <u>17655</u> | <u>15341</u> | 0 |
| | | | <u>15341</u> | 0 |
| | Profit on ordinary activities before interest | | 15341 | 0 |
| 5 | Net interest payable and similar charges | | <u>(878)</u> | <u>0</u> |
| | Profit on ordinary activities before taxation | | 14463 | 0 |
| 6 | Tax on profit on ordinary activities | | <u>0</u> | <u>0</u> |
| | Profit for the year ended 31 March 1996 | | 14463 | 0 |
| 7 | Dividends | | 0 | 0 |
| 15 | Transfer to reserves | | <u>14463</u> | <u>0</u> |

There are no other recognised gains and losses other than the profit for the year ended 31 March 1996
The notes on pages 8 to 17 form part of these accounts

INTERCITY EAST COAST LTD

**BALANCE SHEET
as at 31 March 1996**

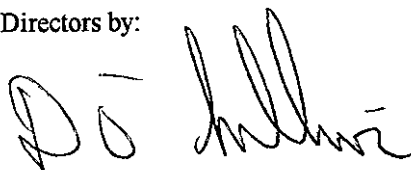
| Notes | 31 March 1996 £'000 | 31 March 1996 £'000 | 31 March 1995 £'000 |
|-----------------------------|---|---------------------------|---------------------------|
| FIXED ASSETS | | | |
| 9 | Tangible Fixed Assets | | |
| | Buildings | 44 | 0 |
| | Plant and Equipment | 687 | 0 |
| 10 | Investments | <u>0</u> 731 | <u>0</u> 0 |
| CURRENT ASSETS | | | |
| 11 | Stocks | 2975 | 0 |
| 12 | Debtors and Prepayments | 32674 | 0 |
| | Cash at bank and in hand | 14033 | 0 |
| | | <u>49682</u> | <u>0</u> |
| 13(a) | CREDITORS: Amounts falling due within one year | <u>(49061)</u> | <u>0</u> |
| | NET CURRENT LIABILITIES | <u>621</u> | <u>0</u> |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | <u>1352</u> | <u>0</u> |
| 13(b) | CREDITORS: Amounts falling due after more than one year | (351) | 0 |
| | | <u>1001</u> | - |
| CAPITAL AND RESERVES | | | |
| 14 | Called up share capital | - | 0 |
| 15 | Profit and loss account | 1001 | 0 |
| 15 | EQUITY SHAREHOLDERS' FUNDS | <u>1001</u> | <u>0</u> |

Approved by the Board of Directors on 30 January 1997.

Signed on behalf of the Board of Directors by:

D. J. O Sullivan Director

31 January 1997



The notes on pages 8 to 17 form part of these accounts

INTERCITY EAST COAST LTD

**NOTES TO THE ACCOUNTS
for the year ended 31 March 1996**

1. ACCOUNTING POLICIES

The Directors submit their second report and the audited financial statements of the Company for the year ended 31 March 1996. The Company commenced trading on 1 April 1995.

The accounting policies adopted by the Company are set out below.

(a) BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) TURNOVER

i) Passenger income represents agreed amounts attributed to the Company by the income allocation systems of the Board (to 23 July 1995) and the Board's subsidiary, Rail Settlement Plan Limited (from 23 July 1995) 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) Revenue grant relates to the Company's allocation from the Board of grants in respect of passenger services operated by the Company.

iii) Other income arises from the provision on ancilliary services to external parties and BR companies.

(c) FIXED ASSETS AND DEPRECIATION

Buildings and infrastructure are capitalised at cost including expenditure on additions, alterations and replacement, subject to a minimum monetary level of £10,000.

Plant and equipment are capitalised at cost subject to a minimum monetary level of £5,000.

Capital grants are credited to deferred grant income on the balance sheet and released to the profit and loss account over the estimated useful economic lives of the related assets.

Depreciation is provided on a straight line basis over periods related to the estimated useful economic lives of assets and commences from the beginning of the year following acquisition. The lives used for the major categories of assets are:

| | |
|---------------------|-------------|
| Buildings | 30-40 years |
| Plant and equipment | 3-20 years |

(d) LEASING

The capital element (above the minimum monetary level) of finance leasing obligations for plant and equipment assets is included in fixed assets and depreciated in the same way as owned assets.

The capital element of leasing liabilities is included within creditors. The liability is stated at the deemed capital portion of the annual lease payments calculated on the annuity method, with the remainder of the annual payment, representing interest, being shown within interest payable and similar charges in the profit and loss account.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

(e) TAXATION

The company is assessable to taxation in accordance with the Taxes Acts. Deferred Tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and tax computations) is calculated on the liability method. Provision is only made for timing differences which in the opinion of the Directors will probably reverse.

(f) STOCKS

Stock is stated at the lower of cost and net realisable value.

Modification Parts and Consumables are written off to profit and loss and not carried as Stock in the Balance Sheet.

(g) DEFERRED MAINTENANCE POLICY

In accordance with the Rolling Stock leases the Company is obliged to maintain these assets in a fully serviceable and complete condition. To the extent this obligation has not been met provision is made against the liability accruing.

(h) INVESTMENTS

Investments are included at cost.

(i) PENSIONS

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, calculated across the Board as a whole. These surpluses are credited over the estimated average remaining service lives of employees in the scheme.

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

2 TURNOVER

Turnover originates wholly in the United Kingdom

| | | Year Ended 31 March 1996 | |
|--|--------------------|-----------------------------|----------------------|
| | | Turnover | Profit before Tax |
| | | £'000 | £'000 |
| Turnover and profit / (loss) before tax by class of business can be analysed as follows: | | | |
| | Passenger Services | 339261 | 17895 |
| | Train Maintenance | 11914 | 1058 |
| | Catering | 11834 | (3612) |
| | Interest | - | (878) |
| | | <u>363009</u> | <u>14463</u> |

3(a) OPERATING PROFIT / (LOSS)

Year Ended
31 March 96
£'000

Period Ended
31 March 95
£'000

The following amounts have been charged
in arriving at the operating profit / (loss):

| | | |
|-------------------------------------|--------|---|
| Depreciation | 293 | 0 |
| Auditors' remuneration | | |
| Audit fees | 35 | 0 |
| Non audit fees | 3 | 0 |
| Access charges payable to Railtrack | 151777 | 0 |
| Operating lease rentals (note 8) | | |
| Rolling Stock charge | 53549 | 0 |
| Other plant and equipment | 35 | 0 |
| Rents receivable | 1427 | 0 |

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

| | Year Ended 31 March 96 £'000 | Period Ended 31 March 95 £'000 |
|---|------------------------------------|--------------------------------------|
| 3(b) DIRECTORS' EMOLUMENTS | | |
| Directors' fees | 126 | 0 |
| Pension contributions | 3 | 0 |
| | <u>129</u> | <u>0</u> |
| | £'000 | £'000 |
| Emoluments, excluding pension contributions, of the Chairman | 0 | 0 |
| Emoluments, excluding pension contributions, of the highest paid Director | 81 | 0 |

The emoluments, excluding pension contributions, of the other Directors fell into the following scales:

| | | |
|-------------------|---|---|
| £0 - 5,000 | 5 | 2 |
| £40,001 - £45,000 | 1 | 0 |

| | £'000 | £'000 |
|----------------------------|--------------|----------|
| 3(c) EMPLOYEE COSTS | | |
| Wages and salaries | 49494 | 0 |
| Social security costs | 3790 | 0 |
| Other pension costs | <u>968</u> | <u>0</u> |
| | <u>54252</u> | <u>0</u> |

The average number of persons employed by the Company during the year ended 31 March 1996 was 2897. (1995 nil)

4 EXCEPTIONAL ITEMS

The following exceptional items have been included in arriving at operating profit

| | £'000 | £'000 |
|--------------------------------------|-------------|----------|
| Costs of voluntary severance schemes | 1779 | 0 |
| Privatisation costs | <u>535</u> | <u>0</u> |
| Net Exceptional Loss | <u>2314</u> | <u>0</u> |

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

| | | Year Ended 31 March 1996 £'000 | Period Ended 31 March 1995 £'000 |
|----------|--|--------------------------------------|--|
| 5 | NET INTEREST PAYABLE AND SIMILAR CHARGES | | |
| | Interest Receivable | | |
| | Bank deposits and short term loans | 10 | 0 |
| | Group and fellow subsidiary undertakings | 87 | 0 |
| | Interest Payable | | |
| | Loans and bank overdrafts wholly repayable within five years | (974) | 0 |
| | Finance charges - finance leases | (1) | 0 |
| | Net interest payable | <u>(878)</u> | <u>0</u> |

6 TAX on PROFIT on ORDINARY ACTIVITIES

There is no charge for taxation, based on indications from the Department of Transport about the level of unutilised tax losses and the amounts of the tax written down values of assets to be allocated to the Company by the Secretary of State for Transport. (See also note 21.)

7 DIVIDENDS

| | | |
|----------|----------|----------|
| Paid | 0 | 0 |
| Proposed | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

8 OPERATING 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 £147.1m for the year ending 31 March 1997 and thereafter it 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 estimated variable charge for the year ending 31 March 1997 is £15.7m.

The Company has signed contracts which commit it to lease rolling stock from Eversholt Leasing Limited and Angel Train Contracts Limited over the next 7 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 | Other £000 |
|----------------------------|-----------------------|---------------|
| Under one year | 0 | 0 |
| Between one and five years | 0 | 15 |
| Five years and over | <u>54061</u> | <u>0</u> |
| | <u>54601</u> | <u>15</u> |

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

9 TANGIBLE FIXED ASSETS

| | <u>Buildings</u> | <u>Plant & Equipment</u> | | Total |
|--|--------------------|------------------------------|--------|-------|
| | Short Leasehold | Owned | Leased | |
| | £'000 | £'000 | £'000 | £'000 |
| COST OR VESTED AMOUNT | | | | |
| At 31 March 1995 | 0 | 0 | 0 | 0 |
| Assets vested as at 1 April 1995 | 0 | 1211 | 39 | 1250 |
| Additions | 44 | 459 | 0 | 503 |
| Disposals | 0 | (198) | (6) | (204) |
| At 31 March 1996 | 44 | 1472 | 33 | 1549 |
| ACCUMULATED DEPRECIATION | | | | |
| At 31 March 1995 | 0 | 0 | 0 | 0 |
| Depreciation vested as at 1 April 1995 | 0 | 647 | 39 | 686 |
| Charge for period | 0 | 293 | 0 | 293 |
| Disposals | 0 | (155) | (6) | (161) |
| At 31 March 1996 | 0 | 785 | 33 | 818 |
| NET BOOK VALUE | | | | |
| At 31 March 1995 | 0 | 0 | 0 | 0 |
| At 31 March 1996 | 44 | 687 | 0 | 731 |

The vested amount represented the original cost and accumulated depreciation of assets transferred to the Company by the Board see note 21 .

Assets with a net book value of £ nil are held under finance leases.

10 INVESTMENTS

In accordance with a Direction from the Secretary of State for Transport a 4 pence share in each of the following companies was transferred from the 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.

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

| | 31 March 1996 £'000 | 31 March 1995 £'000 |
|---|---------------------------|---------------------------|
| 11 STOCKS | | |
| Raw materials | 2844 | 0 |
| Work in progress | <u>131</u> | |
| | <u>2975</u> | |
| 12 DEBTORS AND PREPAYMENTS | | |
| Trade debtors | 12129 | 0 |
| Amounts owed by group undertakings - Subsidiaries | 10845 | 0 |
| - Parent undertaking | 300 | 0 |
| Other debtors | 7610 | 0 |
| Prepayments and accrued income | 1790 | 0 |
| | <hr/> | <hr/> |
| | 32674 | 0 |
| 13 CREDITORS | | |
| 13(a) <u>Falling due within one year</u> | | |
| Deferred season ticket income | 1733 | 0 |
| Trade creditors | 21193 | 0 |
| Amounts owed to group undertakings - Subsidiaries | 7382 | 0 |
| - Parent undertaking | 11969 | 0 |
| Other creditors | 4260 | 0 |
| Corporation Tax | 0 | 0 |
| Other taxation and social security | 1230 | 0 |
| Accruals and other deferred income | 1291 | 0 |
| Leasing liabilities | 3 | 0 |
| | <hr/> | <hr/> |
| | 49061 | 0 |

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

| | 31 March 1996 £'000 | 31 March 1995 £'000 |
|--|---------------------------|---------------------------|
| 13(b) <u>Creditors falling due after more than one year</u> | | |
| Leasing liabilities | 10 | 0 |
| Provision for Claims | 341 | 0 |
| | 351 | 0 |
| 13(c) <u>Finance Debt</u> | | |
| Repayable: Finance Leases | | |
| Under 1 year | 3 | 0 |
| Between 1 and 2 years | 6 | 0 |
| Between 2 and 5 years | 4 | 0 |
| | 13 | 0 |

| | Number of Shares | 31 March 1996 £ | 31 March 1995 £ |
|-----------------------------------|---------------------|-----------------------|-----------------------|
| 14 CALLED UP SHARE CAPITAL | | | |
| Ordinary shares of £ 1 each: | | | |
| Authorised | <u>10000</u> | <u>10000</u> | <u>10000</u> |
| Issued and fully paid | <u>1</u> | <u>1</u> | <u>1</u> |

One ordinary share of £1 each was issued for cash on incorporation.

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

**15 RECONCILIATION OF
MOVEMENT IN EQUITY
SHAREHOLDERS'
FUNDS**

Year to 31 March 1996

| | Share Capital £'000 | Profit and Loss Account £'000 | Total £'000 |
|---|---------------------------|-------------------------------------|----------------|
| At 31 March 1995 | 0 | 0 | 0 |
| Amounts transferred at vesting 1.4.1995 | 0 | (13462) | (13462) |
| Profit for the year ended 31 March 1996 | 0 | 14463 | 14463 |
| At 31 March 1996 | <u>0</u> | <u>1001</u> | <u>1001</u> |

16 CAPITAL COMMITMENTS

31 March
1996
£'000

Capital expenditure for which contracts have been placed but which is not otherwise provided for in these financial statements

-

Capital expenditure authorised by the Directors but for which contracts have not been placed at the balance sheet date.

-

17 CONTINGENT LIABILITIES

There are no contingent liabilities that the Directors are aware of.

18 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. The BRPS was last valued for the purposes of assessing the appropriate pension cost for the Board as a whole as at 1 April 1994 by R. Watson and Sons, independent qualified actuaries. Further details of this valuation are given in the financial statements of the Board.

The charge to the profit and loss account in the year ended 31 March 1996 was £968,000

INTERCITY EAST COAST LTD
NOTES TO THE ACCOUNTS (continued)

19 ULTIMATE PARENT UNDERTAKING

Pre-sale the Company's ultimate parent undertaking was the British Railways Board, a statutory corporation incorporated under the terms of the Transport Act 1962 in Great Britain. This is the only group of which this Company is a member for which group accounts are prepared. Copies of the above group accounts are available from: The Secretary, British Railways Board, PO Box 100,24 Eversholt Street, London, NW1 1DZ.

Post-sale, 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 Great Northern Railways Ltd a company registered in England and Wales. The parent company of the largest U. K. group that includes the Company is Sea Containers U. K. Ltd a company registered in England and Wales.

20 CASH FLOW STATEMENT

The Board's financial statements for the year ended 31 March 1996 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS 1 whereby it is not required to publish its own statement of cash flows.

21 VESTED ASSETS AND LIABILITIES

Under a direction issued in accordance with Section 85 the Railways Act 1993, the Board entered into a transfer scheme to vest the following assets and liabilities to the Company with effect from 1 April 1995.

| | <u>£'000</u> |
|---|----------------|
| Fixed assets | 564 |
| Current assets: Amounts due from the Board and subsidiaries | 19550 |
| Other current assets | 5357 |
| Current liabilities | <u>(38933)</u> |
| | <u>(13462)</u> |

The value at which the assets and liabilities were vested are those at which the assets and liabilities were included in the accounting records of the Board at 1 April 1995.

The Department of Transport has indicated that it is the intention of the Secretary of State for Transport to allocate to the Company an amount of the unutilised tax losses of the British Railways Board at 1 April 1995 equivalent to the taxable trading profit of the Company for the period ended 31 March 1996. The allocation of these unutilised tax losses is yet to occur. (see also note 6)

In accordance with the Finance Act 1994, the Secretary of State for Transport has the power to allocate further unutilised tax losses to the Company up until the date that the Company ceases to be publicly owned. Any unutilised tax losses so allocated can only be set off against trading profits made while the Company remains in public ownership.