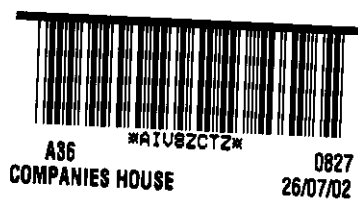


**Anglia Railways Train Services Limited**

Report and Financial Statements

Year ended

31 March 2002



# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

## **Annual report and financial statements for the year ended 31 March 2002**

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Directors and company information

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### **Directors**

J Long	Chairman
T Clarke	Managing Director
J Smith	Director
J Ellis	Director
J Morgan	Director
S Taylor	Human Resources Director
R Drake	Finance Director

### **Secretary and registered office**

M D Steinkopf, 15-25 Artillery Lane, London, E1 7HA

### **Company number**

3006570

### **Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

## **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

### **Report of the directors for the year ended 31 March 2002**

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The Directors submit their report together with the audited financial statements for the year ended 31 March 2002.

#### **Principal activities**

Anglia Railways Train Services Limited is a wholly owned subsidiary of GB Railways Group plc. It operates a franchise to operate passenger train services in Eastern England, including the InterCity route from London to Ipswich and Norwich and connecting local services in East Anglia and the London Crosslink service between East Anglia and Surrey and Hampshire. The Anglia Railways franchise currently expires 1 April 2004.

#### **Results and dividends**

The loss for the financial year amounted to £1,437,000 (2001 - £1,050,000 loss).

The Company did not pay an interim dividend during the year (2001 – nil) and the Directors do not recommend payment of a final dividend (2001 - nil).

#### **Business review and prospects**

Anglia Railways continued to suffer the ensuing consequences of the Hatfield accident, with passenger income in the first six months of the year showing no growth compared to the same period the year before. Toward the end of the summer we had started to see renewed growth in all sectors of our market but this stalled following the events of 11 September 2001, which had the effect of deterring passengers, particularly those taking long-distance journeys, for a couple of months. We have since seen growth return. Passenger revenue for the year at £63.9m is 6% higher than in 2001 (£60.3m). This reflects 4% growth on the Norwich to London mainline route and 15% on the local services. The very strong growth in the local services reflects Anglia's commitment to the region and the continued development of these services.

Two significant matters impacted on the results in the year.

First, as a result of a Regulatory review which took effect at the beginning of the financial year, Anglia Railways' track access payments to Railtrack were substantially reduced. Under our franchise agreement any change resulting from a Regulatory review is offset on a "no net gain, no net loss" basis by equivalent changes to the subsidy payment. Consequently, before the effects of the financial restructuring of Anglia Railways described below, the Company would have paid premiums to the Strategic Rail Authority ("SRA") of £9.4m compared to receiving a subsidy of £19.1m in 2001.

Second, near the end of the year Anglia Railways executed a Deed of Amendment to its Franchise Agreement. Under the terms of the Deed of Amendment the SRA made additional payments in the year of £3.8m to eliminate Anglia Railways' negative net worth and ensure that it traded at a break-even level. The Deed of Amendment provides that the SRA will ensure Anglia Railways continues to break-even until the end of the franchise. The result of the payments under the Deed of Amendment and the effect of the no net gain, no net loss provisions relating to the Regulatory review, meant that in the year the Company paid a net premium to the SRA of £5.6m.

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

### Report of the directors for the year ended 31 March 2002 (*Continued*)

The Anglia Railways' team continues to pursue opportunities to enhance the Anglia Railways franchise. With the support of the SRA's Rail Passenger Partnership ("RPP") Programme we increased weekday services between Ipswich and Cambridge/Peterborough, and an additional service between Norwich and Cromer was introduced. Winter Sunday services between Ipswich and Felixstowe were also re-instated for the first time since the 1960's.

On 30 September 2002, Anglia Railways will launch an hourly service between Cambridge and Norwich. This is funded with the largest RPP grant to any operator. We are leasing four additional trains for this service.

During the year we completed installation of cycle parking at all our stations, under a £75,000 programme funded by the SRA, local authorities, and Railtrack. We also produced a new cycle information leaflet and cycle users web site. Our initiatives were recognised when Anglia was named Best Train Operator in the Cycle Mark 2001 awards.

Stations, too, enjoyed targeted upgrades. A new £3.2m multi-storey car park at Ipswich, financed by Railtrack, opened on time and on budget. The new car park has been well received, with occupancy exceeding expectations.

We also completed the extension to the car park at Stowmarket and opened a new ticket-office at London Liverpool Street Station. Our popular and successful telephone sales office at Norwich was expanded, with the installation of new equipment.

The Anglia Railways team was delighted to receive the 2002 Association of Train Operating Companies award for Innovation in Customer Service and, jointly with Norfolk County Council, the HSBC / Rail Business Integrated Transport award (where Anglia Railways was also runner up as Train Operator of the Year). This follows on from last year when Anglia Railways was named both UK and European Train Operator of the Year.

In the most recent six monthly report published by the SRA on train operator performance, Anglia Railways received the best rating by passengers of any train operator on the UK mainland, with an overall customer satisfaction rating of 90% (against a national average of 73%).

#### Directors and their interests

The Directors of the Company during the year and their beneficial interests in the ordinary share capital of the parent company were as follows:

	Ordinary shares 75p each	
	31 March 2002	31 March 2001
T Clarke	-	-
J Ellis	-	-
J Long	390,000	390,000
J Morgan	144,237	150,000
J Smith	-	-
S Taylor	-	-
R Drake	-	-

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

## **Report of the directors for the year ended 31 March 2002 (Continued)**

### **Directors and their interests (continued)**

The Directors participate in one or more of the parent company, GB Railways Group plc, share option schemes. Details are as follows:-

	J Morgan		J Ellis		T Clarke		J Smith		Market value at date of grant (p)	Period of exercise
	Number granted	Exercise price (p)	Number granted	Exercise price (p)	Number granted	Exercise price (p)	Number granted	Exercise price (p)		
<b>Approved Share Option Scheme 1998</b>										
Brought forward	14,457	207.5	-	-	-	-	-	-	207.5	13/10/01-11/10/08
<b>Total carried forward</b>	<b>14,457</b>		<b>-</b>		<b>-</b>		<b>-</b>			
<b>Unapproved Share Option Scheme 1998</b>										
Brought forward	25,543	207.5	10,000	207.5	-	-	-	-	207.5	13/10/01-11/10/08
Brought forward	10,000	105.0	-	-	-	-	-	-	105.0	18/01/03-18/01/10
<b>Total carried forward</b>	<b>35,543</b>		<b>10,000</b>		<b>-</b>		<b>-</b>			
<b>Shadow Share Scheme 1997</b>										
Brought forward	-	-	-	-	47,500	100.0	47,500	100.0	100.0	31/05/00-30/05/07
<b>Total carried forward</b>	<b>-</b>		<b>-</b>		<b>47,500</b>		<b>47,500</b>			

No options were exercised during the year.

The interests of Mr J Long and Mr R Drake in the share option schemes of GB Railways Group plc are disclosed in the accounts of that company.

The options granted incorporate performance target requirements which must be achieved before the exercise of the share option is permitted. The performance target requires an increase in total shareholder return of GB Railways Group plc cumulatively over any three consecutive years of at least 9 percentage points more than the Retail Price Index.

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

### Report of the directors for the year ended 31 March 2002 (*Continued*)

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

#### Employee policies

All disabled employees and prospective employees who are disabled are given full and fair consideration for vacancies for which they have applied, given due regard to their particular aptitudes and ability. As and where it is appropriate employees are retrained within the scope of their ability if they become disabled during their employment with the Company. For the purposes of recruitment, training, development and promotion, disabled employees are considered and treated on an equal basis with all other employees.

A series of verbal and written briefs and newsletters informs employees as to the nature and demands of the business. A suggestion scheme and bonus scheme link the employees and business closely together. The Company consults with employees and, where applicable, with their union representatives prior to making decisions that affect them.

The Company has established training programmes covering safety and customer service which are a key factor in ensuring a safe, efficient and effective delivery of the business.

At the beginning of 1998 the Company introduced a Profit-Sharing Employee Share Scheme and invited all Anglia Railways employees to receive free shares in GB Railways Group plc, Anglia Railways' parent company.

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

### Report of the directors for the year ended 31 March 2002 (*Continued*)

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#### Supplier payment policy

The Company agrees payment terms with suppliers at the commencement of business. Payments are made in accordance with these terms provided that all relevant conditions of supply have been met. The number of creditor days represented by trade creditors at the year end was 47 (2001 – 51).

#### Auditors

A resolution to reappoint BDO Stoy Hayward will be proposed at the Annual General Meeting.

#### By order of the Board

A handwritten signature in black ink, appearing to read 'M D Steinkopf', written in a cursive style.

M D Steinkopf

**Company Secretary**

17 June 2002

# ANGLIA RAILWAYS TRAIN SERVICES LIMITED

## Report of the independent auditors

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### To the shareholders of Anglia Railways Train Services Limited

We have audited the financial statements of Anglia Railways Train Services Limited for the year ended 31 March 2002 on pages 7 to 20 which have been prepared under the accounting policies set out on pages 9 and 10.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

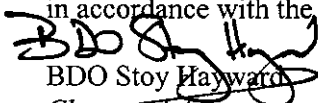
#### *Basis of audit opinion*

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.

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2002 and of the result of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
BDO Stoy Hayward  
Chartered Accountants and Registered Auditors  
London  
17 June 2002



# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

## **Profit and loss account for the year ended 31 March 2002**

	Note	2002 £'000	2001 £'000
<b>Turnover</b>			
Passenger and other income	2	70,899	66,777
Payments (to) / from the SRA	2	(5,599)	19,069
Operating expenditure		(66,415)	(86,605)
<b>Operating loss</b>	3	(1,115)	(759)
Loss on disposal of fixed assets		(4)	-
Income from other investments	6	-	60
Interest payable	7	(532)	(602)
Interest receivable and similar income	8	247	269
<b>Loss on ordinary activities before taxation</b>		(1,404)	(1,032)
Taxation on loss on ordinary activities	9	(33)	(18)
<b>Loss on ordinary activities after taxation</b>		(1,437)	(1,050)
Dividends		-	-
<b>Accumulated loss for the year</b>	17	(1,437)	(1,050)

All amounts relate to continuing activities.

There are no other recognised gains and losses other than the loss for the year.

The notes on pages 9 to 20 form part of these financial statements.

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

## **Balance sheet at 31 March 2002**

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	1,677	1,819
Investments	11	-	-
		<u>1,677</u>	<u>1,819</u>
<b>Current assets</b>			
Stocks	12	515	550
Debtors	13	7,709	6,564
Cash at bank and in hand		6,709	7,304
		<u>14,933</u>	<u>14,418</u>
<b>Creditors: amounts falling due within one year</b>	14	16,610	14,800
<b>Net current liabilities</b>		<u>(1,677)</u>	<u>(382)</u>
<b>Net assets</b>		<u>-</u>	<u>1,437</u>
<b>Capital and reserves</b>			
Called up share capital	16	3,250	3,250
Profit and loss account	17	(3,250)	(1,813)
<b>Equity shareholders' funds</b>	18	<u>-</u>	<u>1,437</u>

The financial statements were approved by the board on 17 June 2002.



R Drake  
Finance Director

The notes on pages 9 to 20 form part of these financial statements.

# ANGLIA RAILWAYS TRAIN SERVICES LIMITED

## Notes forming part of the financial statements for the year ended 31 March 2002

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Turnover*

Turnover represents passenger income, franchise premiums and subsidies and other related income.

Passenger income is attributed by the income allocation systems of Rail Settlement Plan Limited. 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 tickets.

Payments to and from the SRA relate to the agreed allocation from the Strategic Rail Authority of grants, incentives and no net loss no net gain payments as a result of the Regulator's review in respect of passenger services operated by Anglia Railways Train Services Limited.

#### *Fixed assets and depreciation*

Depreciation is provided on a straight line basis over periods related to the estimated useful economic lives of assets. The lives used for plant and equipment are 3-10 years, property related expenditure lives are up to 40 years.

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Leasing*

The capital element 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 finance 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 as incurred over the lease term.

#### *Stocks*

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

#### *Investments*

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

# ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

## 1 Accounting policies (*Continued*)

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

The recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences. Deferred tax balances are not discounted.

### *Pensions*

The "Anglia Railways Shared Cost Section" is a segregated part of the Railways Pension Scheme where contribution rates are calculated individually for each employer's section. This is accounted for as a defined benefit scheme.

Contributions to the Railways Pension Scheme and the Company's own defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

## 2 Turnover, profit and net assets

Turnover, which is stated net of value added tax, represents amounts receivable from third parties.

All turnover, profit and net assets are attributable to the Company's principal activity, the operation of passenger rail services in the United Kingdom.

### **Turnover is analysed as follows:**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Passenger income	63,885	60,301
Other income	7,014	6,476
	<hr/>	<hr/>
	70,899	66,777
Payments (to) / from the SRA	(5,599)	19,069
	<hr/>	<hr/>
	65,300	85,846
	<hr/>	<hr/>

Where Anglia Railways provides services in competition with other rail operators its share of passenger income is determined by a survey of passenger numbers.

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 31 March 2002 *(Continued)*

## **3 Operating loss**

	2002 £'000	2001 £'000
The following amounts have been charged/(credited) in arriving at the operating loss:		
Depreciation	410	299
Auditors' remuneration - audit fees	50	53
- other services	2	9
Profit on disposal of fixed assets	-	(1)
Operating lease rentals - rolling stock charge	14,493	14,754
- buildings	3,923	3,307
- other	14,478	38,008
Compensation receivable under rail access agreements	(10,370)	(7,068)
	<u>          </u>	<u>          </u>

## **4 Directors' emoluments**

	2002 £'000	2001 £'000
Directors' fees	178	211
Pension contributions	4	4
	<u>          </u>	<u>          </u>
	182	215
	<u>          </u>	<u>          </u>
Emoluments (excluding pension contributions) of:		
Highest paid director	108	86
	<u>          </u>	<u>          </u>

One director (2001 – one) was in a defined contribution pension scheme.

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

## **5 Employee costs**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	15,996	14,689
Social security costs	1,303	1,193
Other pension costs	109	97
	<u>17,408</u>	<u>15,979</u>

The average number of persons employed by the Company during the year, including Directors, was:

	<b>Number</b>	<b>Number</b>
Operations	683	636
Management / administration	117	98
	<u>800</u>	<u>734</u>

## **6 Income from other investments**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Income from other investments	-	60
	<u>-</u>	<u>60</u>

## **7 Interest payable**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Commission on performance bond	495	585
Group interest	-	13
Corporation tax interest	32	-
Other interest payable	5	4
	<u>532</u>	<u>602</u>

## **8 Interest receivable and similar income**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposits	247	269
	<u>247</u>	<u>269</u>

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

## **9 Taxation on loss on ordinary activities**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax</i>		
Adjustment in respect of previous periods	33	18
	<u>33</u>	<u>18</u>
Taxation on loss on ordinary activities	<u>33</u>	<u>18</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	(1,404)	(1,032)
	<u>(1,404)</u>	<u>(1,032)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	(421)	(310)
Effects of:		
Expenses not deductible for tax purposes	44	2
Income not charged to tax	(3)	(20)
Depreciation for period in excess of capital allowances	38	-
Capital allowances for period in excess of depreciation	-	(10)
Accumulation of tax losses	342	338
Adjustment to tax charge in respect of previous periods	33	18
	<u>33</u>	<u>18</u>
Current tax charge for period	<u>33</u>	<u>18</u>

### *Factors that may affect future tax charges*

A deferred tax asset of £380,000 which relates to tax losses and timing differences, has not been provided as the losses are not expected to reverse against future taxable profits in the foreseeable future.

ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

10 Tangible fixed assets

	Plant and equipment £'000
<i>Cost</i>	
At 1 April 2001	2,635
Additions	272
Disposals	(81)
	<hr/>
At 31 March 2002	2,826
	<hr/>
<i>Depreciation</i>	
At 1 April 2001	816
Charge for year	410
Disposals	(77)
	<hr/>
At 31 March 2002	1,149
	<hr/>
<i>Net book value</i>	
At 31 March 2002	1,677
	<hr/>
At 31 March 2001	1,819
	<hr/>



## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

### 11 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 2 February 1996.

ATOC Limited  
Rail Settlement Plan Limited  
Rail Staff Travel Limited

### 12 Stocks

	2002 £'000	2001 £'000
Engineering stores and consumables	477	519
Catering store	38	31
	<u>515</u>	<u>550</u>

The Directors do not consider that any material difference exists between the cost stated above and the present replacement cost.

### 13 Debtors

	2002 £'000	2001 £'000
Trade debtors	4,465	3,671
Amounts owed by group undertakings	937	927
Other debtors	481	754
Prepayments and accrued income	1,826	1,212
	<u>7,709</u>	<u>6,564</u>

Included in other debtors is an amount of £10,000 (2001 - £11,000) which is due after more than one year.

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

## **14 Creditors: amounts falling due within one year**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	5,017	7,098
Amounts owed to ultimate parent company	806	337
Corporation tax	-	163
Other taxation and social security	553	503
Other creditors	482	497
Accruals and deferred income	9,752	6,202
	<u>16,610</u>	<u>14,800</u>

## **15 Deferred taxation**

The company has changed its accounting policy in respect of deferred tax following the decision to adopt FRS 19 'Deferred Tax' this year. Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The company's new accounting policy is set out in note 1. This change in accounting policy has had no effect on the results for the year.

## **16 Called up share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares of £1 each	3,250	3,250	3,250	3,250
	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>
	<b>Number</b>		<b>Number</b>	
Ordinary shares of £1 each	3,250,000	3,250,000	3,250,000	3,250,000
	<u>3,250,000</u>	<u>3,250,000</u>	<u>3,250,000</u>	<u>3,250,000</u>

## **17 Profit and loss account**

	<b>Profit and loss account</b>
	<b>£'000</b>
At beginning of year	(1,813)
Loss for the year	(1,437)
	<u>(3,250)</u>
At end of year	(3,250)

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

### 18 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss for the financial year	(1,437)	(1,050)
Net reduction in shareholders' funds	(1,437)	(1,050)
Opening shareholders' funds	1,437	2,487
Closing shareholders' funds	-	1,437

### 19 Pension scheme

The majority of the Company's employees are members of the Anglia Railways Shared Cost Section ("the Anglia Section"), part of the Railways Pension Scheme (RPS) which is a funded defined benefit scheme. Additionally the Company runs a defined contribution pension scheme which is available to all employees who are not eligible to join the defined benefit scheme.

The RPS was established with effect from 1 October 1994 when the British Rail Pension Scheme was partitioned.

"The Anglia Section" was established on 5 January 1997 and assets transferred to it in accordance with the rules of the Railways Pension Scheme Order 1994. Members pay normal contributions at the rate of 5% of Section Pay and Participating Employers at the normal rate of 1.5 times the contribution of members. A full actuarial valuation of the Section was carried out at 31 December 1998 and updated to 31 March 2002 on a FRS 17 basis by Watson Wyatt LLP, independent qualified actuaries. The major assumptions at 31 March 2002 used by the actuary were:

Rate of increase in salaries	4.00%
Rate of increase for pensions in payment	2.50%
Rate of increase for deferred pensioners	2.50%
Discount rate	5.75%
Inflation assumption	2.50%

# **ANGLIA RAILWAYS TRAIN SERVICES LIMITED**

## **Notes forming part of the financial statements for the year ended 31 March 2002 (Continued)**

### **19 Pension scheme (Continued)**

The assets in the scheme and the expected rate of return at 31 March 2002 were:

	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £'000
Equities	7.50%	31,800
Bonds	5.25%	2,400
Other - Property	6.50%	2,100
- Other	5.25%	100
Total market value of assets		36,400
Present value of scheme liabilities		(35,400)
Surplus in the scheme		1,000
Related deferred tax liability		-
Net pension asset on a FRS 17 basis		1,000

Contributions of £6,000 were made in the year to 31 March 2002 (0.1% of pensionable pay). An actuarial evaluation is presently being undertaken which may impact future levels of contributions.

The effect on the profit and loss reserve if the pension scheme asset were incorporated into the financial statements is as follows:

	31 March 20 £'000
Profit and loss reserve excluding pension asset	(3,250)
Pension reserve	1,000
Profit and loss reserve	(2,250)

Under FRS 17 any surplus or deficit in the scheme is required to be recognised in the financial statements for the year ending 31 March 2004. However, Anglia Railways executed a Deed of Amendment to its Franchise Agreement in the current year, under which the SRA is committed to providing an additional subsidy to keep Anglia Railways at zero net asset value.

In the event that there is a pension scheme surplus or deficit which affects the net asset value of Anglia Railways on the termination of the franchise, it will be fully compensated by adjustment to the subsidy payments from the SRA. There will therefore be no net asset or liability to Anglia Railways upon termination of the Franchise.

The defined contribution scheme was established on 1 September 1997. The assets of the scheme are held separately from those of the Company in an independent administered fund. The pension cost charge represents contributions payable by the Company to the fund. Members pay normal contributions at the rate of 5% of section pay and employers at the rate of 1.5 times this rate.

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

### 19 Pension scheme (*Continued*)

The total charge to the profit and loss account in the period in respect of pension schemes was :

	2002 £'000	2001 £'000
Railways Pension Scheme	6	27
Defined contribution pension scheme	103	70
	<u>109</u>	<u>97</u>

### 20 Ultimate parent company

The Company's ultimate parent company is GB Railways Group plc. It has included the Company in its group accounts, copies of which are available from its registered office: 15-25 Artillery Lane, London E1 7HA. GB Railways Group plc is the parent of both the smallest and largest groups of which the company is a member.

### 21 Operating lease commitments

As at 31 March 2002, the Company had the following annual commitments under non-cancellable operating leases which expire as follows:

	2002			2001		
	Within one year £'000	In two to five years £'000	After five years £'000	Within one year £'000	In two to five years £'000	After five years £'000
Rolling stock	61	11,953	-	6,043	7,552	-
Buildings	2	2,907	-	-	3,307	-
Other	25	15,201	-	2	37,968	-
	<u>88</u>	<u>30,061</u>	<u>-</u>	<u>6,045</u>	<u>48,827</u>	<u>-</u>

Other leases include annual commitments to Railtrack for access to the railway infrastructure.

## ANGLIA RAILWAYS TRAIN SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

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### 22 Contingent Asset

Anglia Railways is currently in negotiations with its insurer for compensation in respect of losses arising from the incident that occurred at Hatfield in October 2000. It is not practicable at this point in time to place an estimate on the amount the Company is likely to receive.

### 23 Related party transactions

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are greater than 90% owned by the Parent company, GB Railways Group plc and included in the consolidated financial statements of GB Railways Group plc.

During the year the Company entered into the following arrangements to provide goods and services to Hull Trains Company Limited, an 80% subsidiary of the ultimate parent company.

(a) Hire agreement of two class 170/2 trains	£1,539,057	(2001 - £684,534)
(b) Contract for provision of train crew	£ 360,743	(2001 - £142,688)
(c) Contract for support services	£ 517,738	(2001 - £232,485)

At 31 March 2002 £718,956 (2001 - £506,590) was due to the Company from Hull Trains Company Limited.

### 24 Cash flow statement

The Company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements" not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.