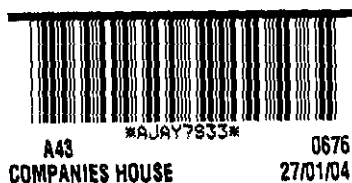


**GREAT EASTERN RAILWAY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2003**



**Company Registered  
Number: 3007936**

# **GREAT EASTERN RAILWAY LIMITED**

## **FINANCIAL STATEMENTS**

**31 March 2003**

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**DIRECTORS' REPORT**

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The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 March 2003.

**Principal activities**

The principal activity of the company during the year was the operation of commuter passenger railway services between Braintree, Ipswich, Clacton, Southend and London.

**Review of the business and future prospects**

These accounts reflect the company's seventh year of trading. During the year we have continued to meet the requirements of the franchise awarded to FirstGroup plc, our parent company, by the Strategic Rail Authority (SRA). The franchise was awarded based on the level of Government subsidy required or premium payment offered and the commitment to improve the quality of service. The subsidy reduces over the period of the franchise from a receipt of £29m in 1997/98 to a payment of £9.5m in the final year 2003/04. The premium paid by the company to the SRA in 2002/03 was £5.0m (2002: £0.4m).

Recent growth in passenger income has been encouraging and in the year reached £180.7m (2002: £170.0m).

The moving annual average punctuality percentage for the year was 89.6%. This is above the Passenger Charter trigger of 87%.

The franchise is scheduled to end on 31 March 2004. It is the intention of the SRA to integrate the services provided by the company into the Greater Anglia franchise. FirstGroup has not been included on the shortlist of preferred bidders for this franchise.

**Results and dividends**

The results for the year are given in the profit and loss account on page 7.

The directors recommend payment of a dividend for the year of £31.5m (6,300p per share) (2002: £nil (nil p per share)). The retained loss for the year was £17.0m (2002: retained profit of £17.3m).

**Creditors**

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. At 31 March 2003 the company had 14 days' (2002: - 14 days') purchases outstanding.

## DIRECTORS' REPORT (Continued)

**Directors**

The directors who held office during the year are as follows

	<u>Date of appointment</u>	<u>Date of resignation</u>
RW Breakwell		
NK Chevis		
LT Steel		
Dr M Mitchell		
TA Weal		20 February 2003
DK Finch		
DA Kaye		
MH Rowe		7 April 2002
C Burrows		
DC Gausby		
P Furze-Waddock		
DP Fox		
DT Wood	20 February 2003	
SL Rees	18 April 2002	

None of the directors held any shares in the company or any other group company at any time during the year except as noted below.

Director	Ordinary 5p shares At 1 April 2002 (or at date of appointment)	Additions	Disposals	At 31 March 2003
RW Breakwell	-	18,431	7,480	10,951
NK Chevis	-	9,033	3,557	5,476
LT Steel	205	36	-	241
DK Finch	-	-	-	-
C Burrows	2,405	-	-	2,405
DA Kaye	1,525	-	-	1,525
DC Gausby	212	-	-	212
DP Fox	-	51	-	51
P Furze-Waddock	5,000	37	-	5,037
DT Wood	284	37	-	321
SL Rees	130	-	-	130

Director	Long Term Incentive Plan				
	At 1 April 2002	Granted during the year	Lapsed or waived	Exercised	At 31 March 2003
RW Breakwell	46,722	-	16,745	18,431	11,546
NK Chevis	32,686	-	13,123	8,970	10,593
DK Finch	21,186	-	10,593	-	10,593
C Burrows	23,092	-	11,546	-	11,546
DA Kaye	16,524	-	8,262	-	8,262

## DIRECTORS' REPORT (Continued)

## Directors (continued)

Director	Share options under executive share option schemes				
	At 1 April 2002	Granted during the year	Lapsed or waived	Exercised	At 31 March 2003
RW Breakwell	13,853	-	-	-	13,853
NK Chevis	15,584	20,684	-	-	36,268
DK Finch	18,470	24,535	-	-	43,005
C Burrows	13,276	17,613	-	-	30,889
DA Kaye	13,276	19,331	-	-	32,607
P Furze-Waddock	11,544	15,316	-	-	26,860

Director	Deferred Shares				
	At 1 April 2002	Granted during the year	Lapsed or waived	Exercised	At 31 March 2003
RW Breakwell	8,756	9,247	-	-	18,003
NK Chevis	6,515	10,587	-	-	17,102
DK Finch	4,800	11,660	-	-	16,460
C Burrows	6,756	9,247	-	-	16,003
DA Kaye	4,224	9,247	-	-	13,471
DC Gausby	313	1,233	-	-	1,546
P Furze-Waddock	-	4,795	-	-	4,795

Director	Share options under savings related share option schemes				
	At 1 April 2002	Granted during the year	Lapsed or waived	Exercised	At 31 March 2003
NK Chevis	-	1,968	-	-	1,968
LT Steel	323	-	323	-	-
DA Kaye	323	-	323	-	-
DC Gausby	323	-	323	-	-
P Furze-Waddock	-	4,921	-	-	4,921

The interests of Dr M Mitchell are disclosed in the accounts of FirstGroup plc. A summary of the performance criteria of the long term incentive plan (LTIP) and details of the share option and share schemes operated by the group, including exercise prices, expiry dates and dates from which options may be exercised are given in note 31 of the financial statements of FirstGroup plc.

There is no contract or arrangement with the company or any of its fellow group undertakings, other than service contracts, in which any of the directors is materially interested and which is significant in relation to the business of the company or any of its fellow group undertakings taken as a whole.

**DIRECTORS' REPORT (Continued)**

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**Employee involvement**

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives. The briefing meetings enable senior management to consult employees and ascertain their views on matters likely to affect their interests. It is FirstGroup policy to encourage greater employee involvement in the business through the promotion of employee directors who will represent the interest of the employees on the Board. Mr Darren Wood sits on the Board as a director of the company.

FirstGroup plc, the company's ultimate parent company, is committed to wide employee share ownership and has established both a Save As You Earn Scheme and a Buy As You Earn Scheme to enable employees to acquire shares in the Group. The company participates in the ThinkFirst survey which attempts to gauge the job satisfaction of FirstGroup employees.

**Disabled persons**

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements that have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

**Charitable and political donations**

The company made various donations to UK charities totalling £nil (2002: - £275) during the year. There were no payments made for political purposes.

**Auditors**

The Company has passed an elective resolution dispensing with the requirement to appoint auditors annually. Deloitte & Touche have indicated their willingness to continue as auditors of the Company and are therefore deemed to be re-appointed for a further term. Deloitte & Touche has informed the Directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the Directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

By order of the Board



DA Kaye  
Director

Third Floor  
Macmillan House  
Paddington Station  
London W2 1FG

30th July 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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United Kingdom company law requires the directors to prepare financial statements for each financial year that 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 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 have general responsibility for taking such steps as are reasonably open to them for the system of internal control, to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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We have audited the financial statements of Great Eastern Railway Ltd for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**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 year 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.

**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 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**

Chartered Accountants and Registered Auditors  
London

30 July 2003



## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Notes	Year to 31 March 2003 £000	Year to 31 March 2002 £000
<b>Turnover</b>	2,3	187,688	179,764
Operating costs			
- General		(167,947)	(156,445)
- Employees' profit sharing scheme		-	(164)
Total operating costs	4	(167,947)	(156,609)
<b>Operating profit</b>		19,741	23,155
Income from fixed asset investments	5	22	-
Net interest receivable	8	1,190	1,813
<b>Profit on ordinary activities before taxation</b>	2,9	20,953	24,968
Tax on profit on ordinary activities	10	(6,413)	(7,636)
<b>Profit on ordinary activities after taxation and for the year</b>		14,540	17,332
Equity dividends paid and proposed	11	(31,500)	-
<b>Retained (loss)/profit for the financial year</b>	18	(16,960)	17,332

No statement of total recognised gains and losses is given as all gains or losses for the current and preceding years passed through the profit and loss account.

The results for both years relate to the continuing operations of the company and no operations have been acquired or discontinued in either year.

## BALANCE SHEET

At 31 March 2003

	Notes	Year to 31 March 2003 £000	Year to 31 March 2002 £000
<b>Fixed assets</b>			
Tangible fixed assets	12	1,439	2,878
<b>Current assets</b>			
Stocks	13	623	463
Debtors	14	41,209	58,987
Cash at bank and in hand		26,257	32,621
		<u>68,089</u>	<u>92,071</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(67,793)</u>	<u>(74,751)</u>
<b>Net current assets</b>		<b>296</b>	<b>17,320</b>
<b>Total assets less current liabilities</b>		<u><b>1,735</b></u>	<u><b>20,198</b></u>
<b>Creditors: amounts falling due after more than one year</b>	15	(18)	(15)
<b>Provisions for liabilities and charges</b>	16	(764)	(2,270)
<b>Net Assets</b>		<u><b>953</b></u>	<u><b>17,913</b></u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Called up share capital	17	500	500
Profit and loss account	18	453	17,413
<b>Equity shareholders' funds</b>		<u><b>953</b></u>	<u><b>17,913</b></u>

These financial statements were approved by the Board of Directors on 30<sup>th</sup> July 2003 and were signed on its behalf by:

  
David Gausby, Finance Director

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

31 March 2003

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	Year to 31 March 2003 £000	Year to 31 March 2002 £000
<hr/>		
Profit for the financial year	14,540	17,332
Dividends	(31,500)	-
(Reductions in)/additions to shareholders' funds	<hr/> (16,960)	<hr/> 17,332
Shareholders' funds at beginning of year	17,913	581
Shareholders' funds at end of year	<hr/> <b>953</b> <hr/>	<hr/> <b>17,913</b> <hr/>

## NOTES TO THE ACCOUNTS

31 March 2003

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**1. Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

**(b) Fixed assets and depreciation**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives or the length of the outstanding franchise whichever is the shorter:

Leasehold improvements	- over the length of the franchise
Other plant and equipment	- 3 to 8 years straight line

**(c) Deferred income - grants**

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

**(d) Leases and hire purchase**

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

**(e) Government grants, subsidies and premium**

Amounts receivable from or payable to the SRA are described in the franchise agreement. The financial support receivable from or premium paid to the SRA is included in turnover, in line with the industry consensus.

**(f) Stocks**

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

NOTES TO THE ACCOUNTS (continued)

31 March 2003

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**1. Principal accounting policies (continued)**

**(g) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**(h) Pension Costs**

Retirement benefits are provided for most of the employees of the company by means of a defined benefit pension scheme. This is funded by contributions from the company and employees. The company's contributions are charged to the profit and loss account, based on recommendations by an independent actuary, in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees. Further details are given in note 21.

**2. Turnover and profit on ordinary activities before taxation**

Turnover represents the amounts receivable for services supplied to customers during the year.

The whole of the turnover and profit before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the provision of passenger transport services.

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

3. Turnover	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Passenger income	180,745	170,018
Other income	11,901	10,141
Revenue premium	(4,958)	(395)
	<u>187,688</u>	<u>179,764</u>
4. Operating costs	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Materials and consumables	2,519	2,563
Staff costs (see Note 6)	34,969	32,495
External charges	129,039	120,975
Depreciation and other amounts written off tangible fixed assets	1,459	1,403
Profit on disposal of fixed assets	(37)	(983)
Amortisation of capital grants	(2)	(8)
Employee Share Ownership Plan charge	-	164
	<u>167,947</u>	<u>156,609</u>

## 5. Fixed Asset Investments

The Company holds a four pence share in the following companies:

ATOC Ltd  
 Rail Settlement Plan Ltd  
 Rail Staff Travel Ltd

## 6. Employee numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Commercial	627	610
Operations	448	431
Fleet	164	151
Administration	48	48
	<u>1,287</u>	<u>1,240</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

**6. Employee numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Wages and salaries	31,790	29,705
Social security costs	2,086	2,056
Other pension costs	1,093	734
	<u>34,969</u>	<u>32,495</u>

**7. Directors' remuneration**

The remuneration of the directors during the year was as follows:

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Aggregate directors' emoluments	595	526
Pension contribution	31	25
	<u>626</u>	<u>551</u>

Details of directors' share options are given in the Directors' Report. Retirement benefits are accruing to five of the directors under the Great Eastern Railway defined benefit scheme. The retirement benefits of six directors are disclosed in the accounts of other group companies.

The emoluments of the highest paid director amounted to:

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Aggregate emoluments	128	184
Company pension contributions to salary related contracted out scheme	8	8
	<u>136</u>	<u>192</u>
Accrued pension at end of the year	7	72
Accrued lump sum at end of the year	16	43

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

**8. Net interest receivable**

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Income from short term deposits	2,192	2,636
Bank interest paid	(642)	(463)
Interest payable to group companies	(360)	(360)
	<u>1,190</u>	<u>1,813</u>

**9. Profit on ordinary activities before taxation**

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Profit on ordinary activities before taxation is stated after charging/(crediting): Auditors' remuneration		
- Deloitte & Touche audit fee	44	42
Depreciation and other amounts written off owned tangible fixed assets	1,459	1,403
Profit on disposal of fixed assets	(37)	(983)
Rentals payable under operating leases		
- plant and machinery	28,857	27,180
- other assets	35,156	35,617
Net rents receivable from property	<u>(844)</u>	<u>(879)</u>



## NOTES TO THE ACCOUNTS (continued)

31 March 2003

## 10. Tax on profit on ordinary activities

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Current Taxation		
UK corporation tax charge for the year	6,546	7,610
Adjustments in respect of prior years	(2)	(384)
Total current taxation	6,544	7,226
Deferred taxation		
Origination and reversal of timing differences	(189)	(37)
Adjustment in respect of prior years	58	447
Total deferred taxation	(131)	410
Tax on profit on ordinary activities	<u>6,413</u>	<u>7,636</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 30%. The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

	Year to 31 March 2003 %	Year to 31 March 2002 %
Standard rate of taxation	30.0	30.0
Factors affecting charge		
Disallowable expenses	0.3	0.2
Capital allowances in excess of depreciation	1.0	0.4
Other timing differences	(0.1)	(0.2)
Adjustments to the tax charge in respect of prior periods	0.0	(1.5)
Current taxation rate for the year	<u>31.2</u>	<u>28.9</u>

## 11. Equity dividends

	Year to 31 March 2003 £000	Year to 31 March 2002 £000
Ordinary shares of £1 each		
- Final paid 6,300p (2002: nil) per share	<u>31,500</u>	<u>-</u>
	<u>31,500</u>	<u>-</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

## 12. Tangible fixed assets

	Leasehold improvements £000	Other Plant and equipment £000	Total £000
<b>Cost</b>			
At beginning of year	1,377	4,703	6,080
Additions	7	276	283
Disposals	(84)	(260)	(344)
At end of year	<u>1,300</u>	<u>4,719</u>	<u>6,019</u>
<b>Depreciation</b>			
At beginning of year	769	2,433	3,202
Charge for year	261	1,198	1,459
Disposals	-	(81)	(81)
At end of year	<u>1,030</u>	<u>3,550</u>	<u>4,580</u>
<b>Net book value</b>			
At 31 March 2003	<u>270</u>	<u>1,169</u>	<u>1,439</u>
At 31 March 2002	<u>608</u>	<u>2,270</u>	<u>2,878</u>

## 13. Stock

	31 March 2003 £000	31 March 2002 £000
Spare parts and consumables	<u>623</u>	<u>463</u>

There is no material difference between the balance sheet value of the stocks and their replacement cost.

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

## 14. Debtors

	31 March 2003 £000	31 March 2002 £000
<b>Amounts due within one year</b>		
Trade debtors	5,579	6,731
Amounts owed by group undertakings	28,734	50,148
Other debtors	1,959	910
Prepayments and accrued income	4,310	700
Deferred tax asset (see note 19)	617	486
	<u>41,199</u>	<u>58,975</u>
<b>Amounts due after more than one year</b>		
Other debtors	10	12
	<u>41,209</u>	<u>58,987</u>

## 15. Creditors

	31 March 2003 £000	31 March 2002 £000
<b>Amounts falling due within one year</b>		
Trade creditors	24,930	31,259
Amounts owed to group undertakings	35	195
Corporation tax	4,167	3,691
Other tax and social security	1,282	795
Other creditors	33,571	33,775
Accruals and deferred income	3,808	5,036
	<u>67,793</u>	<u>74,751</u>
<b>Amounts falling due after more than one year</b>		
Accruals and deferred income	18	15
	<u>67,811</u>	<u>74,766</u>

## 16. Provision for liabilities and charges

	Passenger Compensation £000	Other £000	Total £000
Balance at 1 April 2002	1,430	840	2,270
Provided in the period	807	378	1,185
Utilised in the period	(859)	(304)	(1,163)
Released in the period	(1,110)	(418)	(1,528)
Balance at 31 March 2003	<u>268</u>	<u>496</u>	<u>764</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

**16. Provision for liabilities and charges (Continued)**

The movement on the passenger charter provision arose because the Company moved out of charter earlier than forecast and therefore the cost of compensation was reduced.

**17. Called up share capital**

	31 March 2003 £000	31 March 2002 £000
<b>Authorised:</b>		
500,000 Ordinary shares of £1 each	500	500
<b>Allotted, called up and fully paid:</b>		
500,000 Ordinary shares of £1 each	500	500

**18. Profit and loss account**

	31 March 2003 £000	31 March 2002 £000
At beginning of year	17,413	81
Retained (loss)/profit for the year	(16,960)	17,332
At end of year	453	17,413

**19. Commitments****Capital expenditure**

There were no non-cancellable capital commitments at the end of the year for which no provision has been made (2002: nil).

**Operating leases**

Commitments for payments in the next year under operating leases are as follows:

	31 March 2003		31 March 2002	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	443	70,873	-	1
From two to five years	-	-	392	63,969
	<u>443</u>	<u>70,873</u>	<u>392</u>	<u>63,970</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

**20. Deferred taxation**

The movement on the deferred tax balance was:

	Total £000
Balance at 1 April 2002	(486)
Profit and loss charge for year	(131)
Balance at 31 March 2003	<u>(617)</u>

The deferred tax asset consists of the following amounts:

	31 March 2003 £000	31 March 2002 £000
Capital allowances in excess of depreciation	(49)	(86)
Other timing differences	<u>(568)</u>	<u>(400)</u>
Total deferred tax asset	<u>(617)</u>	<u>(486)</u>

The balance is included in note 14 within debtors.

**21. Pension scheme**

The company is a member of the Railway Pension Fund, a defined benefit scheme, which is funded. All eligible employees are offered membership.

The valuation of the scheme was carried out by independent actuaries at 31 December 2001 in respect of the costs used in these accounts. At the date of this actuarial valuation, the market value of the scheme's assets totalled £79.9m. The actuarial value of these assets was sufficient to cover 98% of the benefits which had accrued to the scheme's members.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The schemes' assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme.

The actuarial assumptions used in determining the costs used in these accounts were that the rate of return on new investments will be 6.3% per annum and the rate of return on existing investments will be 5.6% (past service); the rate of earnings increase will be 4% per annum and the rate of inflation will be 2.5% per annum. The valuation was made using the projected unit method.

The total pension cost in the year was £1,093k (2002 - £734k), all of which relates to defined benefit schemes.

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

## 21. Pension scheme (continued)

## Additional FRS 17 disclosures

The additional disclosures required by FRS 17 during the transitional period for the defined benefit scheme are set out below. They are based on the most recent actuarial valuation described above, which have been updated at 31 March 2003 by independent professional qualified actuaries to take account of the requirements of FRS 17.

The main financial assumptions used in this update were as follows:

	31 March 2003	31 March 2002
Rate of increase in salaries	3.6 %	4.0 %
Rate of increase of pensions in payment	2.1 %	2.5 %
Discount rate	5.7 %	6.0 %
Inflation assumption	2.1 %	2.5 %

The value of the Scheme's assets and the expected rates of return as at 31 March 2003 were:

	31 March 2003 Expected rate of return	31 March 2003 Value £000	31 March 2002 Expected rate of return	31 March 2002 Value £000
Equities	8.8 %	50,200	8.0 %	69,000
Bonds	4.5 %	6,300	5.1 %	8,300
Property	6.7 %	5,000	6.6 %	4,900
		<u>61,500</u>		<u>82,200</u>

	2003 £000	2002 £000
Total fair value of assets	61,500	82,200
Present value of scheme liabilities	(77,700)	(81,600)
Employees' share of deficit/(surplus)	6,500	(200)
(Deficit)/surplus in the scheme	(9,700)	400
Related deferred tax asset/(liability)	2,910	(120)
Net pension (liability)/asset	<u>(6,790)</u>	<u>280</u>

If FRS 17 had been adopted in these financial statements, the company's net assets and profit and loss reserve at 31 March 2003 would have been as follows:

	2003 £000	2002 £000
Net assets excluding pension liability/asset	953	17,913
Pension (liability)/asset	(6,790)	280
Net (liabilities)/assets including pension liability/asset	<u>(5,837)</u>	<u>18,193</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

## 21. Pension scheme (continued)

	2003	2002
	£000	£000
Profit and loss reserve excluding pension liability/asset	453	17,413
Pension reserve	(6,790)	280
Profit and loss reserve	<u>(6,337)</u>	<u>17,693</u>

Analysis of amount that would have been charged to operating profit:

	2003
	£000
Current service costs	3,500
Past service costs	-
Gain/(loss) on settlements and curtailments	-
Total operating charge	<u>3,500</u>

Analysis of amount that would have been credited to net finance charges:

	2003
	£000
Expected return on pension scheme assets	(3,700)
Interest on pension scheme liabilities	3,100
Net return	<u>(600)</u>

Analysis of the actuarial gain that would have been recognised in the statement of total recognised gains and losses ("STRGL"):

	2003
	£000
Actual return less expected return on pension scheme assets	(15,400)
Experience gains and losses arising on scheme liabilities	7,500
Changes in assumptions underlying the present value of scheme liabilities	(300)
Actuarial loss recognised in STRGL	<u>(8,200)</u>

Movement in scheme surplus/(deficit) during the year:

	2003
	£000
Surplus at 1 April 2002	400
Movement in year:	
Current service cost	(3,500)
Contributions	1,000
Net finance income	600
Actuarial loss	(8,200)
Deficit at 31 March 2003	<u>(9,700)</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 2003

**21. Pension scheme (continued)**

History of experience gains and losses	2003
Difference between the expected and actual return on scheme assets:	
Amount (£000)	(15,400)
Percentage of scheme assets (%)	25.0
Experience gains and losses on scheme liabilities:	
Amount (£000)	7,500
Percentage of the present value of scheme liabilities (%)	9.7
Total actuarial gain in the statement of total recognised gains and losses:	
Amount (£000)	(8,200)
Percentage of the present value of scheme liabilities (%)	10.6

**22. Rail Passenger Partnership**

The Company has signed Deeds Of Amendment with the SRA and is to receive funding from the Rail Passenger Partnership for the following projects:

Additional train services to Sudbury  
 Additional train services to Southminster  
 Additional cycle parking at stations  
 Improvements at Burnham on Crouch station

**23. Related party transactions**

The company has taken advantage of the exemption provided by FRS 8 "Related party disclosures" not to disclose related party transactions with entities that are part of the group headed by FirstGroup plc.

**24. Ultimate and immediate parent company and controlling party**

The ultimate parent company and ultimate and immediate controlling party is FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstGroup plc can be obtained from the London office of this company at Third Floor, Macmillan House, Paddington Station, London W2 1FG.