

NedRailways Northern Rail Limited

**Director's report and financial
statements**

Registered number 5157396

Year ended 31 December 2007

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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is to act as a holding company. The company owns a 50% stake in a joint venture company (Northern Rail Holdings Limited) owned in equal share with a Serco Group plc subsidiary company, which operates the Northern Rail franchise, through its subsidiary Northern Rail Limited.

Business review

Trading for the period has been satisfactory. The results for the period are set out on page 5.

Dividends

Details of dividends declared in the year are given in note 7 to the financial statements.

Directors and their interests

The director who held office during the period was as follows:

AJM Valk

The director who held office at the end of the financial period had no disclosable interest in the shares of the company.

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board


AJM Valk
Director

8-10 New Fetter Lane
LONDON
EC4A 1RS

30 June 2008

Statement of director's responsibilities in respect of the Director's Report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of NedRailways Northern Rail Limited

We have audited the financial statements of Nedrailways Northern Rail Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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 and 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of NedRailways Northern Rail Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

30 June 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Administrative expenses	3	(1,645)	(32,604)
Other income		29,882	-
Operating profit/(loss)		28,237	(32,604)
Income from shares in participating interests		10,000,000	6,793,500
Other interest receivable and similar income	4	101,636	81,731
Interest payable and similar charges	5	(84,705)	(69,816)
Profit on ordinary activities before taxation		10,045,168	6,772,811
Tax on profit on ordinary activities	6	(11,517)	6,124
Profit on ordinary activities after taxation		10,033,651	6,778,935

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

There are no recognised gains and losses other than those reflected in the results set out above

Balance sheet
at 31 December 2007

	Note	31 December 2007	31 December 2006
		£	£
Fixed Assets			
Investments	8	1	1
Current assets			
Debtors	9	30,846	21,569
Cash at bank and in hand		1,651,219	1,671,630
		<u>1,682,065</u>	<u>1,693,199</u>
Creditors: amounts falling due within one year	10	<u>(1,510,217)</u>	<u>(55,002)</u>
Net current assets		<u>171,848</u>	<u>1,638,197</u>
Total assets less current liabilities		<u>171,849</u>	<u>1,638,198</u>
Creditors: amounts falling due after more than one year	11	-	(1,500,000)
Net assets		<u>171,849</u>	<u>138,198</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	171,848	138,197
Equity shareholders' funds	14	<u>171,849</u>	<u>138,198</u>

These financial statements were approved by the board of directors on 30 June 2008 and were signed on its behalf by


A.M. Valk
Director

Notes

(forming part of the financial statements)

1 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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The financial statements are prepared on a going concern basis which assumes the company will continue to trade

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of NedRailways BV, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of NedRailways BV, within which this company is included, can be obtained from the address given in note 17

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

Investments

Investments are stated at cost less provision for any impairments in carrying value

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2 Profit on ordinary activities before taxation

Audit fees in an amount of £3,150 (2006 £3,000) are borne by the company's immediate parent undertaking

The company had no employees during the year

The director received no remuneration in the year

Notes (continued)

3 Staff costs

The company had, including directors, an average of one employee during the period (2006 two)

The director received no remuneration during the year

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Wages and salaries	1,316	15,996
Social security costs	329	11,946
	<u>1,645</u>	<u>27,942</u>

4 Other interest receivable and similar income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Bank interest receivable	101,636	81,731
	<u>101,636</u>	<u>81,731</u>

5 Interest payable and similar charges

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
On loans from group undertakings	84,705	69,816
	<u>84,705</u>	<u>69,816</u>

Notes (continued)

6 Tax on profit on ordinary activities

Analysis of charge in period

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
<i>Foreign tax</i>		
Current tax charge/(credit) on income for the period	11,518	(6,124)
	<hr/>	<hr/>
Tax charge/(credit) on profit on ordinary activities	11,518	(6,124)
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is different to that calculated by applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	10,045,168	6,772,811
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	3,013,550	2,031,843
<i>Effects of</i>		
Non-taxable amounts	(3,000,000)	(2,038,050)
Different tax rates on overseas earnings	(2,032)	83
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	11,518	(6,124)
	<hr/>	<hr/>

Notes (continued)

7 Dividends

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Final dividend paid	10,000,000	6,793,500

8 Investments

The investments are

	31 December 2007	31 December 2006
	£	£
Investment in Northern Rail Holdings Limited	1	1

Northern Rail Holdings Limited is incorporated in the UK. Its principal activity is that of a holding company. NedRailways Northern Rail Limited holds 50% of the ordinary issued share capital.

9 Debtors

	31 December 2007	31 December 2006
	£	£
Interest receivable	30,846	21,569
	<u>30,846</u>	<u>21,569</u>

10 Creditors: amounts falling due within one year

	31 December 2007	31 December 2006
	£	£
Dutch corporation tax payable	5,393	55,002
Amounts payable to group undertakings	4,824	-
Loan payable to parent undertaking	1,500,000	-
	<u>1,510,217</u>	<u>55,002</u>

Notes (continued)

11 Creditors: amounts falling due after more than one year

The creditors due after more than one year relate to a long term loan repayable to NedRailways BV, the company's immediate parent undertaking

Analysis of debt:	31 December 2007 £	31 December 2006 £
Debt can be analysed as falling due		
Between 1 and 2 years	-	1,500,000
	<u>-</u>	<u>1,500,000</u>
	<u>-</u>	<u>1,500,000</u>

Interest is payable at a fixed rate of 5% per annum

12 Share capital

	31 December 2007 £	31 December 2006 £
Authorised		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

13 Reserves

	Profit and loss account £
At beginning of year	138,197
Profit for the year	10,033,651
Dividend paid	(10,000,000)
	<u>171,848</u>
At end of year	171,848

Notes (continued)

14 Reconciliation of movements in equity shareholders' funds

	31 December 2007 £000	31 December 2006 £000
Profit for the financial year	10,033,651	6,778,935
Dividends paid	(10,000,000)	(6,793,500)
	<hr/>	<hr/>
Net addition/(reduction) to equity shareholders' funds	33,651	(14,565)
Opening equity shareholders' funds	138,198	152,763
	<hr/>	<hr/>
Closing equity shareholders' funds	171,849	138,198
	<hr/>	<hr/>

15 Related party disclosures

The company is controlled by NedRailways BV. The ultimate controlling party is NV Nederlandse Spoorwegen, which owns 100% of the voting rights.

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the company are consolidated is that headed by NV Nederlandse Spoorwegen, incorporated in The Netherlands. The smallest group in which they are consolidated is that headed by NedRailways BV. The consolidated accounts of these groups are available to the public and may be obtained from Laan van Puntenburg 100, 3511 ER Utrecht, The Netherlands.