

**MERSEYRAIL ELECTRICS 2002
LIMITED**

Report and Financial Statements

For the 52 weeks ended 5 January 2008

THURSDAY



AQVEXZ5A

A27

24/04/2008

485

COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Statement of total recognised gains and losses	8
Balance sheet	9
Notes to the accounts	10

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Heath
Dominic Booth
Peter Morton
Kevin Thomas
Bartholomeus Schmeink (The Netherlands)
Alan Wilson
David Temple
Lesley Batty

SECRETARY

Serco Corporate Services Limited

REGISTERED OFFICE

Rail House
Lord Nelson Street
Liverpool
Merseyside
L1 1JF

BANKERS

National Westminster Bank
Liverpool

Bank of Scotland
Leeds

Anglo Irish Bank
London

ING Bank Rotterdam
Rotterdam

SOLICITORS

Burges Salmon Solicitors
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Liverpool
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 week period from 7 January 2007 to 5 January 2008

PRINCIPAL ACTIVITIES

In 2003 Merseyrail were awarded a 25-year concession to provide rail services on behalf of Merseytravel, the Merseyside Passenger Transport Executive. This singled out Merseyrail amongst other Train Operating Companies (TOCs) where average length contracts are between 7-10 years. For this reason, Merseyrail are now in the enviable position of being able to take a long-term perspective on the investment and development of rail passenger services which exceeds the expectations of not only the people of Merseyside, but also the wider public transport community. Merseyrail is a 50/50 Joint venture between Serco Group Plc and NedRailways BV.

Merseyrail is an urban network of vital importance to the transport infrastructure of Liverpool and Merseyside and is one of the most intensively used Networks in the UK with almost 800 train services daily (Monday to Friday) with a reduced service of 350 train services at the weekend. There are approximately 107,000 passenger journeys each weekday, with 35 million passenger journeys per annum. Around 50% of passengers are daily users.

The business operates 75 route miles in the Merseyside area bisected by the river Mersey. The network has 67 stations, 66 of which are managed by Merseyrail, with termini stations at Southport, Ormskirk, Kirkby, and Hunts Cross to the North and New Brighton, West Kirkby, Chester, and Ellesmere Port on the Wirral side of the river. The network also includes 6.5 miles of underground track and 5 underground stations.

The business operates with a fleet of 59 class 507/508 electric trains which have recently undergone an extensive refurbishment. This included improved seating, advanced passenger information systems and on board CCTV security cameras.

In view of the ongoing regeneration of the city and the developments related to the European Capital of Culture for 2008, rail will play a major role in the economic life of the region and be a vital part in the urban transport network which is already "multi-modal" with combined tickets valid on trains, buses and ferries.

BUSINESS REVIEW

The Directors are satisfied with the performance of the company during the year. Turnover was £116,091,000, which was an increase of 5.7% on the previous year (2007 £109,845,000). Operating profit was £8,185,000, which was an increase of 28% on the previous year (2007 £6,408,000).

In 2007 the company has invested almost £2 million pounds in capital improvements across the Network. At the year end, the company had a cash balance of over £7 million pounds with a further £1 million pounds on short term investment. The overall performance has included a Free Cash Flow (measured as operating cash flow plus investment income less tax paid and capital spend) of £8,306,000. This performance is 38.5% better than 2006 (£5,997,000).

Train Service performance continued to improve during the year with the rail industry measure of performance – Public Performance Measurement (PPM) at 93.1% for the year to 5th January 2008 and 94.3% for the final period in the year. Merseyrail rank in the top 3 of train operators for performance both nationally and also when compared to other Regional Operators.

In 2006 Merseyrail piloted an innovative retail/ticket office concept, MtoGo, at our Moorfields station. This provides customers with the opportunity to purchase food and beverages as well as a rail ticket, in a single location. This concept was successfully rolled out to two further locations during 2007.

On the security front, the 'Secure Stations Scheme' provides an incentive to train operators to improve security and provide reassurance to passengers and staff. The Scheme is directed by the Department for Transport and the British Transport Police. So far 85% of the stations we manage are accredited under this scheme, the highest percentage of any train operator in the UK. Merseyrail were an award winner in the Secure Stations Scheme which is sponsored by the British Transport Police and the Department of Transport in the category "Innovative use of legislation" for the work we have done on enforcement of by-laws and section 30 (Anti Social Behaviour) orders.

Since 2004 we have reduced assaults on staff and passengers by more than 60%. As a result passengers now demand that we tackle the lower level anti-social behavior of a small minority of our passengers. Tackling lower level incidents helps to reduce the more serious crimes occurring. Since February 2007 we are using the existing railway by-laws in order to ensure a safe, pleasant and comfortable environment for our passengers. A protocol was established with local Magistrates Courts and specially trained and equipped by-law enforcement officers travel on our trains to enforce these by-laws. Public support for our campaign has been considerable.

DIRECTORS' REPORT (continued)**BUSINESS REVIEW (continued)**

The number of cases of people being cautioned for breaking the by-laws has declined after a gradual build up from February to May 2007. The recent national publicity for our approach has helped to raise the profile and change people's behavior. From a peak of 306 in May 2007, the number of incidents recorded has declined to 36 in December 2007.

During 2007 Merseyrail have been working with our Joint Venture partners to establish our carbon footprint and examine ways of reducing our impact on the environment. In February 2007 our train maintenance depot at Birkenhead North was awarded ISO14001 which is the international accreditation for the Environmental Management Systems. In 2008, we will continue to focus on opportunities for reducing our energy usage, monitoring and reducing our waste and maintaining our ISO14001 accreditation.

OUTLOOK

Throughout 2008 we will continue, in partnership with Merseytravel, to make improvements to the Network and our service, to enable us to meet the challenges of 2008 when Liverpool is European Capital of Culture. There is a significant calendar of events and we see this as an opportunity to raise our profile both nationally and locally as the preferred transport option for the Merseyside area, as an 'Official Supporter' of Liverpool '08.

One of our key business goals for 2008 is to increase our passengers' satisfaction across our network and we hope to see this improvement reflected in higher National Passenger Survey scores. We will be focusing on getting closer to our customers, and in particular improving our knowledge of their expectations and perception of our service.

PRINCIPAL RISKS AND UNCERTAINTIES

The 25 year concession means that the business has certainty and is therefore able to take a long-term view on investment. However, throughout this period there is limited scope for fares increases, and therefore effective cost management remains a crucial element of the management of Merseyrail, to allow us to remain competitive.

In common with most train operators the main competitor to the business is the car, taxis and, bus operators. To mitigate the risks from these pressures, the company works with our partners to ensure that Merseyrail's services meet or exceed the requirements of our stakeholders. The directors want Merseyrail to be the transport provider of choice in the region.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the period after taxation was £6,608,000 (2007 - £4,836,000)

A dividend of £6,194,000 for the period has been paid (2007 - £6,004,000)

DIRECTORS AND THEIR INTERESTS

The directors who served during this period and thereafter are listed below

Richard Emmerink	(resigned 23 April 2007)
Peter van Toor	(resigned 24 January 2008)
Hendrikus Verwer	(resigned 1 November 2007)
Andrew Heath	
Ian McLaren	(resigned 9 February 2007)
Lee Bartholomew	(resigned 29 November 2007)
Kevin Thomas	(appointed 23 April 2007)
Nicholas Brown	(resigned 29 November 2007)
Dominic Booth	(appointed 29 January 2007)
Peter Morton	(appointed 5 March 2007)
Bartholomeus Schmeink	(appointed 1 November 2007)
Alan Wilson	(appointed 29 November 2007)
David Temple	(appointed 24 January 2008)
Lesley Batty	(appointed 21 February 2008)

No directors had any beneficial interest in the issued share capital of the company or the immediate parent company at 5 January 2008 or 7 January 2007.

CHARITABLE CONTRIBUTIONS

During the period, the company made charitable donations and sponsorship payments of £78,194 (2007 £85,789) principally to local charities and groups serving the communities in which the company operates.

DIRECTORS' REPORT (continued)

EMPLOYEE INVOLVEMENT AND DISABLED EMPLOYEES

The company gives full and fair consideration to applications for employment from disabled people having regards to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment, and training, career development and promotion is, as far as possible, identical for all employees in accordance with their skills and abilities.

The company also has a policy of communicating and consulting with its managers and employees to ensure their active involvement.

AUDITORS

A resolution for the reappointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DISCLOSURE TO THE AUDITORS

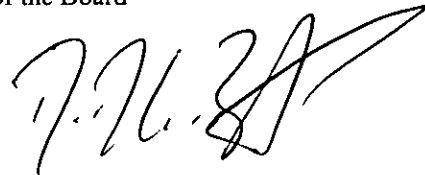
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board

Director


17/4/08

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing these 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 UK Accounting Standards have been followed, 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 that 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERSEYRAIL ELECTRICS 2002 LIMITED

We have audited the financial statements of Merseyrail Electrics 2002 Limited for the 52 week period ended 5 January 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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 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 Annual Report and the financial statements in accordance with applicable United Kingdom law (United Kingdom Generally Accepted Accounting Practice) 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 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 if, 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 5 January 2008 and of the company's profit for the 52 week period from 7 January 2007 to 5 January 2008,
- 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Liverpool
United Kingdom

17 April 2008

PROFIT AND LOSS ACCOUNT
52 weeks ended 5 January 2008

		52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
	Note		
TURNOVER	2	116,091	109,845
Cost of sales		<u>(107,906)</u>	<u>(103,437)</u>
OPERATING PROFIT	3	8,185	6,408
Interest receivable and similar income	4	370	281
Interest payable and similar charges	5	(202)	(120)
Other finance income	20	<u>853</u>	<u>300</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,206	6,869
Tax on profit on ordinary activities	7	<u>(2,598)</u>	<u>(2,033)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX FOR THE PERIOD	18	<u>6,608</u>	<u>4,836</u>

All amounts relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ended 5 January 2008

	Note	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Profit for the financial period attributable to the members		6,608	4,836
Actuarial (loss)/gain relating to pension scheme	20	(1,650)	5,576
Deferred tax attributable to actuarial gain/(loss)		462	(1,673)
Total recognised gains and losses for the period		<u>5,420</u>	<u>8,739</u>

MERSEYRAIL ELECTRICS 2002 LIMITED

BALANCE SHEET 5 January 2008

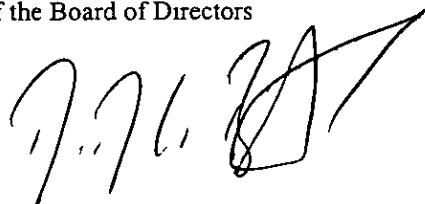
	Note	5 January 2008 £'000	6 January 2007 £'000
FIXED ASSETS			
Intangible assets	9	3,216	3,373
Tangible assets	10	8,654	7,797
		<u>11,870</u>	<u>11,170</u>
CURRENT ASSETS			
Stocks	11	1,083	1,072
Debtors	12	8,311	8,393
Investments	13	1,000	-
Cash at bank and in hand		7,493	7,613
		<u>17,887</u>	<u>17,078</u>
CREDITORS: amounts falling due within one year	14	<u>(19,534)</u>	<u>(17,629)</u>
NET CURRENT LIABILITIES		<u>(1,647)</u>	<u>(551)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,223</u>	<u>10,619</u>
CREDITORS: amounts falling due after more than one year	15	(3,691)	(4,083)
PROVISIONS FOR LIABILITIES	16	<u>(48)</u>	<u>(134)</u>
NET ASSETS BEFORE PENSION LIABILITY		6,484	6,402
Pension liability	20	<u>(2,956)</u>	<u>(2,100)</u>
NET ASSETS AFTER PENSION LIABILITY		<u>3,528</u>	<u>4,302</u>
CAPITAL AND RESERVES			
Called-up share capital	17	-	-
Profit and loss account	18	3,528	4,302
TOTAL EQUITY SHAREHOLDERS' FUNDS	18, 19	<u>3,528</u>	<u>4,302</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

17/4/08

Director



NOTES TO THE ACCOUNTS

52 weeks ended 5 January 2008

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current period and previous period.

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable law and United Kingdom accounting standards.

Turnover

Passenger income is included in turnover.

Concession payments relate to amounts received from Merseyside Passenger Transport Executive (PTE) under the Concession Agreement to operate Merseyrail trains. Other turnover arises from the provision of ancillary services to external parties.

All turnover is recognised at the point at which the service is provided.

Goodwill and intangible fixed assets

For acquisition of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 25 years. The directors regard 25 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Other intangible fixed assets are capitalised in the year they are incurred and amortised over their useful economic lives. The concession costs incurred in the period ended 3 January 2004 (shown in note 9) are amortised over the life of the concession (25 years).

Tangible fixed assets and depreciation

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

Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life at the following annual rate:

Leasehold buildings	2% - 10% per annum
Plant and machinery, motor vehicles and fixtures and fittings	4% - 33% per annum

Taxation

Current taxation is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. 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.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over the lease term. Rental costs under operating leases are charged to profit and loss account in equal amounts over the periods of the leases.

Stocks

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

Current asset investments

Investments held as current assets are stated at the lower of cost and market value at the balance sheet date.

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

1. ACCOUNTING POLICIES (continued)

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Pension costs

Pension costs are accounted for in accordance with Financial Reporting Standard 17 "Retirement Benefits". For the defined benefit pension scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit pension scheme is funded, with the assets held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Cashflow statement

The company is exempt under Financial Reporting Standard 1 from including a Cashflow Statement in its accounts as it is a wholly owned subsidiary of Merseyrail Services Holding Company Limited, a company incorporated in the United Kingdom, which has included a Consolidated Cashflow Statement in its financial statements.

2. TURNOVER

All turnover originates in the United Kingdom and derives from passenger income and other services.

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

3. OPERATING PROFIT

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Operating profit is stated after charging:		
Depreciation and amortisation		
- intangible fixed assets	157	157
- tangible fixed assets	971	718
Operating lease rentals		
- plant and machinery	11,530	11,494
- access charges payable to Network Rail	21,130	18,689
- land and buildings	7,974	7,784
	<u>41,762</u>	<u>39,748</u>
The analysis of auditors' remuneration is as follows		
Fees payable to the company's auditors for the audit of the company's annual accounts	44	42
Fees payable to the company's auditors and their associates for other services to the group		
- the audit of the group financial statements pursuant to legislation	2	2
	<u>46</u>	<u>40</u>

There were no non-audit services provided during the period (2007 same)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Bank interest	367	277
Other interest	3	4
	<u>370</u>	<u>281</u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Other interest	8	9
Loan interest	90	8
Finance lease interest	104	103
	<u>202</u>	<u>120</u>

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Directors' remuneration		
Other emoluments	392	358
Pension contributions	31	39
	<u>423</u>	<u>397</u>
Remuneration of the highest paid director	<u>100</u>	<u>135</u>

The company contributed £6,000 (2007 £1,000) to the pension scheme of the highest paid director

The number of directors who were members of the defined benefit pension scheme at the period end was 1 (2007 - 1)

	52 weeks ended 5 January 2008 No.	52 weeks ended 6 January 2007 No.
Average number of persons employed (including directors)		
Operational	861	884
Engineering and maintenance	132	130
Administration and support	141	145
	<u>1,134</u>	<u>1,159</u>
	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Staff costs during the period (including directors)		
Wages and salaries	30,865	29,803
Social security costs	2,224	2,167
Pension costs – defined benefit scheme	2,891	2,820
Pension costs – personal pension schemes	23	37
	<u>36,003</u>	<u>34,827</u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Corporation tax		
United Kingdom corporation tax at 30% (2007 30%)		
based on the profit for the period	(2,483)	(1,933)
Adjustment in respect of prior period	(201)	37
	<u>(2,684)</u>	<u>(1,896)</u>
Deferred tax		
Timing differences	(239)	(133)
Adjustment in respect of prior period	325	(4)
	<u>(2,598)</u>	<u>(2,033)</u>
Total tax on profit on ordinary activities		
	<u><u>(2,598)</u></u>	<u><u>(2,033)</u></u>

The current corporation tax charge on profit on ordinary activities is lower (2007 lower) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2007 30%) The differences are explained below

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Profit on ordinary activities before tax	<u>9,206</u>	<u>6,869</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2007 30%)	(2,762)	(2,061)
Effects of		
Expenses not deductible for tax purposes	104	(88)
Short term timing differences	41	(66)
Capital allowances in excess of depreciation	134	200
Adjustment in respect of prior period	(201)	119
	<u>(2,684)</u>	<u>(1,896)</u>
Current tax charge for the period		
	<u><u>(2,684)</u></u>	<u><u>(1,896)</u></u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Movement on deferred taxation balance in the period:

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Opening (liability)/asset	(134)	76
Prior year adjustment	325	(77)
Current year movement	(239)	(133)
Closing liability	<u>(48)</u>	<u>(134)</u>

Analysis of deferred tax balance:

	5 January 2008 £'000	6 January 2007 £'000
Capital allowances in excess of depreciation	(129)	(200)
Short term timing difference	81	66
	<u>(48)</u>	<u>(134)</u>

8. EQUITY DIVIDENDS

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Equity dividends paid of £3,097,000 per share (2007 £3,002,000)	<u>6,194</u>	<u>6,004</u>

9. INTANGIBLE FIXED ASSETS

	Concession costs £'000	Goodwill £'000	Total £'000
Cost			
At 7 January 2007 and 5 January 2008	<u>726</u>	<u>3,190</u>	<u>3,916</u>
Amortisation			
At 7 January 2007	101	442	543
Charge for the year	29	128	157
At 5 January 2008	<u>130</u>	<u>570</u>	<u>700</u>
Net book value			
At 5 January 2008	<u>596</u>	<u>2,620</u>	<u>3,216</u>
At 6 January 2007	<u>625</u>	<u>2,748</u>	<u>3,373</u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

10. TANGIBLE FIXED ASSETS

	Leasehold land and buildings £'000	Assets in the course of construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 7 January 2007	2,287	158	5,182	1,610	9,237
Additions	-	1,506	118	204	1,828
Disposals	-	-	(36)	-	(36)
Transfers	303	(1,023)	194	526	-
	<u>2,590</u>	<u>641</u>	<u>5,458</u>	<u>2,340</u>	<u>11,029</u>
At 5 January 2008					
Accumulated depreciation					
At 7 January 2007	53	-	1,030	357	1,440
Charge for the year	89	-	606	276	971
Disposals	-	-	(36)	-	(36)
	<u>142</u>	<u>-</u>	<u>1,600</u>	<u>633</u>	<u>2,375</u>
At 5 January 2008					
Net book value					
At 5 January 2008	<u>2,448</u>	<u>641</u>	<u>3,858</u>	<u>1,707</u>	<u>8,654</u>
At 6 January 2007	<u>2,234</u>	<u>158</u>	<u>4,152</u>	<u>1,253</u>	<u>7,797</u>

The cost of assets held by the company under finance leases at 5 January 2008 was £2,543,000 (2007 - £2,543,000)

The accumulated depreciation provided for on those assets at 5 January 2008 was £568,000 (2007 - £327,000)

11. STOCKS

	5 January 2008 £'000	6 January 2007 £'000
Raw materials and consumables	912	942
Work in progress	171	130
	<u>1,083</u>	<u>1,072</u>

12. DEBTORS

	5 January 2008 £'000	6 January 2007 £'000
Trade debtors	1,553	2,815
VAT	1,959	1,823
Other debtors	2,339	479
Prepayments and accrued income	2,460	3,276
	<u>8,311</u>	<u>8,393</u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

13. INVESTMENTS

	5 January 2008 £'000	6 January 2007 £'000
Short term deposits and investments	1,000	-
	<u>1,000</u>	<u>-</u>

Short term investments comprise of a deposit for 1 month which is readily convertible to known amounts of cash

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	5 January 2008 £'000	6 January 2007 £'000
Trade creditors	10,170	8,224
Amounts owed to parent undertaking	650	650
Corporation tax payable	1,206	945
Other creditors	4,966	4,008
Other taxation and social security	211	176
Accruals and deferred income	1,939	3,234
Obligations under finance leases	241	241
Bank loans	151	151
	<u>19,534</u>	<u>17,629</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	5 January 2008 £'000	6 January 2007 £'000
Obligations under finance leases	1,734	1,975
Bank loans	1,957	2,108
	<u>3,691</u>	<u>4,083</u>
Obligations under finance leases		
Within one year	241	241
Within two to five years	965	965
After five years	769	1,010
	<u>1,975</u>	<u>2,216</u>
Loans are repayable as follows		
Within one year	151	151
Within two to five years	606	606
After five years	1,351	1,502
	<u>2,108</u>	<u>2,259</u>

Bank loans are secured on the assets to which they relate

The bank loans bear interest at a fixed rate of 6.6945%

MERSEYRAIL ELECTRICS 2002 LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 5 January 2008

16. PROVISIONS FOR LIABILITIES AND CHARGES

	5 January 2008 £'000	6 January 2007 £'000
Deferred tax provision (see note 7)	48	134

17. CALLED-UP SHARE CAPITAL

	5 January 2008 £	6 January 2007 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Called-up, allotted and fully paid 2 ordinary shares of £1 each	2	2

18. RESERVES

	Profit and loss account £'000
As at 7 January 2007	4,302
Profit for the financial period	6,608
Dividends paid (see note 8)	(6,194)
Actuarial gains and losses (net)	(1,188)
As at 5 January 2008	3,528

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Profit for the financial period	6,608	4,836
Dividends paid (see note 8)	(6,194)	(6,004)
Other recognised gains and losses relating to the period (net)	(1,188)	3,903
Net (reduction)/addition to shareholders' funds	(774)	2,735
Opening shareholders' funds	4,302	1,567
Closing shareholders' funds	3,528	4,302

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

20 PENSION ARRANGEMENTS

Pension Commitments

The Company operates a Section of the Railways Pension Scheme ("the Section") This provides benefits for employees based on final pensionable pay The members are expected to meet 40% of the cost of the emerging benefits

The last formal valuation of the Section took place at 31 December 2004 At that date, the market value of the Section's assets was £69.13m, and this represented 83% of the value of the Section's liabilities assessed using the following principal actuarial assumptions

	% per annum
Investment return	6.49
Pay growth	3.70
Inflation and pension increases	2.70

The employer made contributions of £2,583,000 in the period (2007 - £2,265,000)

Actuarial Assumptions

The full actuarial valuation at 31 December 2004 was updated to 5 January 2008 and 6 January 2007 by a qualified actuary, using the following assumptions in relation to future experience

	5 January 2008	6 January 2007	7 January 2006
Discount rate	5.80%	5.20%	4.80%
Rate of increase in salaries	4.20%	3.90%	3.70%
Rate of increase in deferred pensions	3.20%	2.90%	2.70%
Rate of increase in pensions in payment	3.20%	2.90%	2.70%
Inflation assumption	3.20%	2.90%	2.70%

In addition to the above rates of increase in salaries, a scale of promotional salary increases is assumed

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

20. PENSION ARRANGEMENTS (continued)

Fair Value of assets and expected rates of return

The assets in the scheme and the expected rates of return were

	5 January 2008 Long term rate of return expected	5 January 2008 Value £'000	6 January 2007 Long term rate of return expected	6 January 2007 Value £'000	7 January 2006 Long term rate of return expected	7% January 2006 Value £'000
Equities	7.95%	61,640	7.95%	61,322	7.00%	50,812
Bonds/Gilts	5.80%	9,590	5.20%	8,236	4.80%	9,333
Property	5.75%	8,640	5.75%	7,989	5.35%	8,987
Cash and Other	5.00%	9,430	5.00%	3,820		-
		<hr/>		<hr/>		<hr/>
Total market value of assets		89,300		81,367		69,132
Present value of scheme liabilities		(96,141)		(86,367)		(83,000)
Members' share of deficit		2,736		2,000		5,547
		<hr/>		<hr/>		<hr/>
Deficit in scheme		(4,105)		(3,000)		(8,321)
Related deferred tax asset		1,149		900		2,496
		<hr/>		<hr/>		<hr/>
Net pension liability		(2,956)		(2,100)		(5,825)

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

20. PENSION ARRANGEMENTS (continued)

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000	Year ended 7 January 2006 £'000			
Amounts included within operating profit:						
Current service cost	2,891	2,820	2,720			
Total included within operating profit	2,891	2,820	2,720			
Amounts included as other finance (income)/costs.						
Expected return on scheme assets	(3,590)	(2,760)	(2,528)			
Interest cost on scheme liabilities	2,737	2,460	2,210			
Net finance return	(853)	(300)	(318)			
History of experience gains and losses						
	52 weeks ended 5 January 2008 £'000	52 weeks ended 5 January 2008 %	52 weeks ended 6 January 2007 £'000	52 weeks ended 6 January 2007 %	Year ended 7 January 2006 £'000	Year ended 7 January 2006 %
Difference between actual and expected return on scheme assets						
- <i>monetary amount and percentage of closing scheme assets</i>	(88)	0 0	3,523	7 0	4,819	11 6
Experience gains arising on scheme liabilities						
- <i>monetary amount and percentage of closing scheme liabilities</i>	(440)	0 0	53	0 0	(609)	(1 2)
Effect of changes in assumptions underlying the present value of scheme liabilities						
- <i>monetary amount and percentage of closing scheme liabilities</i>	(1,122)	2 2	2,000	3 8	(4,380)	(8 8)
Total actuarial gains and losses recognised in the STRGL						
- <i>monetary amount and percentage of closing scheme liabilities</i>	(1,650)	(2 0)	5,576	6 0	(170)	(0 3)

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

20. PENSION ARRANGEMENTS (continued)

Analysis of the movement in the scheme deficit during the period	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000	Year ended 7 January 2006 £'000
Opening deficit in the scheme	(3,000)	(8,321)	(7,800)
Current service cost	(2,891)	(2,820)	(2,720)
Contributions	2,583	2,265	2,051
Other finance income	853	300	318
Actuarial (losses)/gains	(1,650)	5,576	(170)
Closing deficit in the scheme	<u>(4,105)</u>	<u>(3,000)</u>	<u>(8,321)</u>
Profit and loss reserve note			
	5 January 2008 £'000	6 January 2007 £'000	7 January 2006 £'000
Profit and loss reserve excluding pension liability	6,484	6,402	7,392
Pension provision	<u>(2,956)</u>	<u>(2,100)</u>	<u>(5,825)</u>
Profit and loss reserve including pension liability	<u>3,528</u>	<u>4,302</u>	<u>1,567</u>

21. OPERATING LEASE COMMITMENTS

At 5 January 2008 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings 5 January 2008 £'000	Other 5 January 2008 £'000	Land and buildings 6 January 2007 £'000	Other 6 January 2007 £'000
Leases which expire				
Within one year	-	-	-	20,584
Within two to five years	7,709	20,694	7,473	-
After five years	400	11,524	394	11,437
	<u>8,109</u>	<u>32,218</u>	<u>7,867</u>	<u>32,021</u>

22. CAPITAL COMMITMENTS

	5 January 2008 £'000	6 January 2007 £'000
Contracted for but not provided in the financial statements	<u>310</u>	<u>752</u>

NOTES TO THE ACCOUNTS
52 weeks ended 5 January 2008

23. RELATED PARTY TRANSACTIONS

The Company's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the effect of the transactions with them are summarised below

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
Serco Group plc		
Other trading transaction income salary recharges	(65)	(64)
Executive salaries and expense recharges (includes non directors)	260	44
Insurance costs	-	1,791
Dividends paid and proposed	3,097	3,002
Other trading transaction costs	957	1,206

All of the above expenses/(income) were payable to/(receivable from) Serco Group plc and its subsidiaries which are related parties by virtue of Serco Group plc owning 50% of the issued share capital of the Company. At the period end, the Company owed Serco Group plc £7,829 (2007 £32,000). At the year end, the Company was owed £65,430 by Serco Group plc (2007 £nil)

	52 weeks ended 5 January 2008 £'000	52 weeks ended 6 January 2007 £'000
NV Nederlandse Spoorwegen		
Other trading transaction income salary recharges	(4)	(73)
Executive salaries and expense recharges (includes non directors)	241	279
Insurance costs	857	-
Dividends paid and proposed	3,097	3,002
Other trading transaction costs	12	-

All of the above expenses were payable to NV Nederlandse Spoorwegen and its subsidiaries which are related parties by virtue of NV Nederlandse Spoorwegen owning 50% of the issued share capital of the Company. At the period end, the Company was owed £nil by NV Nederlandse Spoorwegen (2007 £19,000)

24. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The immediate parent company of Merseyrail Electrics 2002 Limited is Merseyrail Services Holding Company Limited. Copies of the financial statements are available from Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ.

The ultimate and controlling parties of Merseyrail Electrics 2002 Limited are NV Nederlandse Spoorwegen and Serco Group plc. Copies of the financial statements of NV Nederlandse Spoorwegen are available from Laan Van Puntenburg 100, 3511 ER, Utrecht, Netherlands. Copies of the financial statements of Serco Group plc are available from Dolphin House, Windmill Road, Sunbury-on-Thames, Middlesex, TW16 7HT. The parent undertaking of the smallest group, which includes the company and for which group accounts are prepared is Merseyrail Services Holding Company Limited, a company incorporated in the UK. Copies of the financial statement of Merseyrail Services Holding Company Limited are available from Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ.