

Amending

Registered number
3101807

GNER Holdings Limited
Report and Financial Statements
31 December 2006

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GNER Holdings Limited
Report and financial statements
Contents

	Page
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

GNER Holdings Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2006

1 ACTIVITIES

The Company acts as a holding company for Great North Eastern Railway Limited (GNER), which operates the Intercity East Coast Main Line rail service. In March 2005, the Strategic Rail Authority signed a new Franchise Agreement with GNER. The Franchise Agreement provided for GNER to pay a premium each year to the Department for Transport. During 2006 it became apparent that, due to a combination of circumstances unforeseen at the time of signing the Franchise Agreement, GNER would not be able to continue to meet the agreed premium payments.

In March 2006 the Office of Rail Regulation announced plans to allow another Train Operating Company, Grand Central Railways, access to the East Coast Main Line used by GNER. As GNER failed in a legal challenge, Grand Central Railways will be commencing services later in 2007, with routes to London, from Sunderland / Hartlepool and Bradford / Halifax. When this competing operation commences, it will have an adverse effect on GNER's revenue growth.

On 15 October 2006, Sea Containers Ltd, the Company's ultimate parent and certain of Sea Containers Ltd's subsidiaries each filed for Chapter 11 protection under the US federal bankruptcy laws.

In December 2006 GNER signed a Franchise Management Agreement with the Department for Transport. This provides for GNER to continue operating the service and earn an incentive payment, while the Inter-City East Coast franchise is re-let. Due to the financial position of its parent company, GNER was not in a position to submit a bid as part of the franchise re-let process. Consequently, it will cease operating the franchise when the new Franchise Operator commences trading. This is expected to be towards the end of 2007.

Further information is included in Note 1 to the financial statements.

2 REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company made a profit after taxation of £1,319,000 in the current year (2005 - £33,862,000 profit).

The directors do not recommend a dividend (2005 - £55 million per share).

The directors expect similar results in 2007, subject to the effect of the commencement of Grand Central Railways.

Further information on the future prospects of the Company are set out in note 1 to the financial statements.

3 EVENTS SINCE THE BALANCE SHEET DATE

In April 2007, the Company announced its participation in the Inter-City East Coast franchise bid being prepared by Inter City Railways Ltd, a company jointly owned by the Stagecoach Group and the Virgin Group.

The Company's subsidiary, GNER, has continued to invest in the operation of the Franchise, in particular, replacement of the engines and a full refurbishment of the interior of its HST fleet. GNER is expecting to commence half-hourly services between London and Leeds in May 2007 and is continuing to invest in upgrades to its Stations.

GNER Holdings Limited
Directors' Report

4 DIRECTORS AND THEIR INTERESTS

The directors who served during the year and thereafter and their interests in the share capital of the Company were as follows

C W M Garnett	(Resigned 31 August 2006)
I C Durant	
J B Sherwood	(Resigned 20 March 2006)
R D Mackenzie	(Appointed 2 May 2006)

None of the directors had any notifiable interests in the shares of the Company or of other group companies during the year or at the year end (2005 none)

5 AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) 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 S 234ZA of the Companies Act 1985

Deloitte & Touche LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985

By order of the board



R D Mackenzie
Director
Sea Containers House
20 Upper Ground
London SE1 9PF

11 MAY 2007

GNER Holdings Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP")

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of the affairs of the company and of the profit or loss of the company for that period, and comply with UK GAAP and the Companies Act 1985. 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 GNER Holdings Limited

We have audited the financial statements of GNER Holdings Limited ("the Company") for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 13. 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 law and United Kingdom Accounting Standards (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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board except that the scope of our work was limited as explained below. 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 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. However, the evidence available to us was limited because, as described in note 1, the Company's ultimate parent, Sea Containers Limited ("SCL") and two of its subsidiaries have sought protection from their creditors under Chapter 11 of Title 11 of the US Bankruptcy Code. Under the protection of Chapter 11, SCL and two of its subsidiaries are currently in discussions with their creditors regarding repayment with an intention to agree a restructuring of its financial obligations and to emerge from Chapter 11 protection under the US federal bankruptcy laws in due course.

As the future of the SCL group is dependent on third parties, and limited information was available to the directors of SCL group companies about the possible outcome of the ongoing negotiations with those third parties, the companies in the group have been unable to prepare detailed profit and cash flow forecasts. As a result, the directors of the Company have not been able to assess the recoverability of inter-company debtors. In addition, negotiations are ongoing with the trustees of certain pension schemes in the SCL group and the directors have not been able to assess the extent to which the Company may be required to contribute to any pension deficits.

The Company has also announced that, whilst its trading subsidiary Great North Eastern Railways Ltd will cease trading when the Inter-City East Coast franchise is re-let, the Company is to participate in the franchise bid by Inter-City Railways Limited, a Company jointly owned by the Stagecoach group and the Virgin group. Because these negotiations with group creditors and pension trustees are ongoing, and the results of the franchise bid are unknown, we have been unable to obtain sufficient appropriate audit evidence over intra-group balances, pension liabilities, the outcome of the Company's franchise bid and the appropriateness of the going concern basis and, given the significance of these items, we have been unable to form a view on the financial statements.

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 GNER HOLDINGS LIMITED

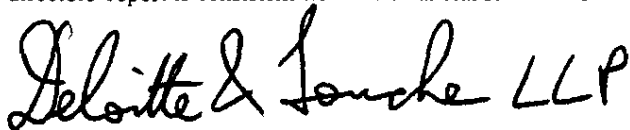
Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2006 in accordance with United Kingdom Generally Accepted Accounting Practice, and the profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985

In respect of the limitation of our work referred to above

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- We were unable to determine whether proper accounting records have been kept

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the directors' report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

11 May 2007

GNER Holdings Limited
Profit and Loss Account
for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Dividend income		-	35,740
Administrative expenses	4	1,319	(1,878)
Profit on ordinary activities before taxation		<u>1,319</u>	<u>33,862</u>
Taxation	5	-	-
Profit for the financial year	11	<u>1,319</u>	<u>33,862</u>

All activities as of now are continuing

Statement of Total Recognised Gains and Losses

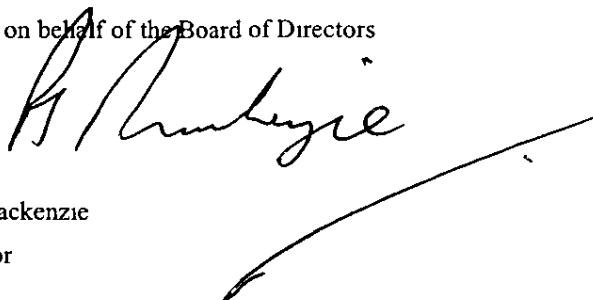
The Company has no recognised gains or losses other than those reflected in the profit and loss account for the years ended 31 December 2006 and 31 December 2005

GNER Holdings Limited
Balance Sheet
as at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	6	5,382	5,382
Current assets			
Debtors	7	34,562	36,258
Total assets less current liabilities		<u>39,944</u>	<u>41,640</u>
Creditors: amounts falling due after more than one year	8	-	(3,015)
Net assets		<u>39,944</u>	<u>38,625</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	39,944	38,625
Shareholders' funds		<u>39,944</u>	<u>38,625</u>

These financial statements were approved at a meeting of the Board of Directors held on

Signed on behalf of the Board of Directors



R D Mackenzie
Director

11 MAY 2007

GNER Holdings Limited
Notes to the financial statements
for the year ended 31 December 2006

1 Accounting policies

Accounting convention and basis of consolidation

The financial statements are prepared under the historical cost convention. The financial statements of the subsidiary companies have not been consolidated with those of the Company as it is exempt under Section 228 of the Companies Act 1985 as the Company is a wholly owned subsidiary of a company incorporated in Great Britain which prepares consolidated financial statements. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group. The accounting policies adopted have been applied consistently in both the current and prior year.

Going concern

The Company is a member of the Sea Containers Ltd ("SCL") group of companies and is reliant on SCL and Sea Containers Services Limited for financial, administrative and management support.

On 3 October 2006 the common shares of SCL (ticker symbol SCRA and SCRB) and its senior notes were suspended from trading on the NYSE and the NYSE Arca. On 15 October 2006, SCL and two of its subsidiaries, Sea Containers Services Ltd and Sea Containers Caribbean Inc, voluntarily filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code with the US Bankruptcy Court for the District of Delaware. Filing for Chapter 11 is an action by SCL in the United States to seek protection from its creditors and was undertaken principally because of a maturing \$115m public note obligation on 15 October 2006 which SCL was unable to pay. Under Chapter 11, the directors are left in place to manage SCL under US Court supervision.

SCL has not generated positive cash flows from operations for the six months ended 30 June 2006 and during the year ended 31 December 2005 and has suffered from material asset impairments. In addition to the public note payment default, SCL is in default under many of its secured credit facilities due to breaches of certain financial covenants and other requirements contained in these facilities. Since filing for Chapter 11, SCL has been in discussions generally with creditors regarding repayment and a Committee of creditors has formed to represent creditor's interests, with the intention that SCL agrees to a restructuring of its financial obligations and emerges from Chapter 11 in due course.

The future of the SCL group is dependent on third parties, and as limited information was available to the directors of SCL group companies about the potential outcome of the ongoing negotiations with those third parties, the companies in the group have been unable to prepare detailed profit and cash flow forecasts. As they were unable to prepare such forecasts, the directors of the Company have not been able to assess the recoverability of inter-company debtors. In addition, negotiations are ongoing with the trustees of certain pension schemes in the SCL group and the directors have not been able to assess the extent to which the Company may be required to contribute to any pension deficits.

As described in the directors' report, in December 2006 Great North Eastern Railways Ltd ("GNER"), the Company's trading subsidiary, entered into a franchise management agreement with the Department for Transport ("DfT"). Under the terms of this agreement, GNER will continue to operate the service on behalf of the DfT and earn an incentive payment until the Inter-City East Coast franchise has been re-let. In April 2007, the Company announced its participation in the Inter-City East Coast franchise bid being prepared by Inter City Railways Ltd ("ICR"), a company jointly owned by the Stagecoach Group and the Virgin Group. If ICR wins the franchise then, subject to the successful outcome of SCL's negotiations with its creditors, the directors of the Company intend that the Company will continue to trade. If ICR does not win the franchise then it is likely that the Company will cease trading.

GNER Holdings Limited
Notes to the financial statements
for the year ended 31 December 2006

1 Accounting policies (continued)

Going concern (continued)

On the basis of discussions with the directors of ICR and SCL about the prospects of ICR's franchise bid and SCL's negotiations with its creditors, the directors of the Company believe that it is appropriate to prepare these financial statements on the going concern basis. However, the material uncertainties around the franchise bid and the eventual outcome of the negotiations with the group's creditors and the impact of these on the Company cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect any adjustments that may be necessary were the going concern basis to be inappropriate.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Exchange gains or losses on the above translations, and conversion of foreign currency transactions arising in the ordinary course of trading, which are translated at the average exchange rate for the year, are included in the profit / (loss) on operations before interest and taxation.

Taxation

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The Company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as the Company's intermediate parent undertaking, Sea Containers U.K. Ltd, publishes a consolidated cash flow statement.

2 Ultimate parent company and controlling party

The immediate parent company is Sea Containers British Isles Limited.

The smallest group for which consolidated financial statements are prepared is Sea Containers U.K. Limited. Copies of its accounts can be obtained from the company's registered office at 20 Upper Ground, London SE1 9PF.

The largest group for which consolidated financial statements are prepared is the ultimate parent and controlling company is Sea Containers Ltd, a company incorporated in Bermuda. Copies of its accounts can be obtained from its registered office at 22 Victoria Street, Hamilton, Bermuda.

3 Information regarding Directors and Employees

All of the directors were employed by other companies within the group and it is not practicable to apportion their total emoluments as regards to their services to this company. All of the directors were members of a defined benefit pension scheme.

GNER Holdings Limited
Notes to the financial statements
for the year ended 31 December 2006

4 Operating profit

The auditors' remuneration is paid by Sea Containers UK Limited

Administrative expenses include a credit of £3,015,000 (2005 - £nil), which relates to the release of an intercompany balance

5 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £'000	2005 £'000
Current tax charge:		
Current tax on income for the year	-	-
	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	-	-
Total tax charge on profit on ordinary activities	-	-

(b) Factors affecting current tax charge

The difference between the effective statutory rate and the actual current tax charge is reconciled as follows

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	1,319	33,862
Profit on ordinary activities multiplied by the applicable statutory rate 30% (2005 - 30%)	396	10,159
Non deductible expenses	509	563
Non taxable dividend received from UK subsidiary undertaking	-	(10,722)
Non taxable income	(905)	-
Total current tax charge	-	-

(c) Factors that may affect future tax charges

There are no significant factors that may affect future tax charges

There are no timing differences on which deferred tax should be recorded

GNER Holdings Limited
Notes to the financial statements
for the year ended 31 December 2006

6 Investments

	£'000
Cost	
At 1 January and 31 December 2006	<u>5,382</u>
Provision for impairment	
At 1 January and 31 December 2006	<u>-</u>
Net book value	
At 1 January and 31 December 2006	<u>5,382</u>

Subsidiary	Place of incorporation	Holding %	Cost of investment £'000	Principal activities
Great North Eastern Railway Limited	England & Wales	100	5,277	Rail services
GNER Italia Srl	Italy	65	105	Non trading
Great South East Railway Limited	England & Wales	71	-	Non trading
Great South Western Railway Limited	England & Wales	50	-	Non trading
The London & Western Railway Company Limited	England & Wales	50	-	Non trading
			<u>5,382</u>	

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the accounts

7 Debtors

	2006 £'000	2005 £'000
Amounts due from group undertakings	<u>34,562</u>	<u>36,258</u>

The amount due from group undertakings above, of £34,562,000 (2004 £36,258,000) is due in greater than one year

8 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed to parent and group undertakings	<u>-</u>	<u>3,015</u>

GNER Holdings Limited
Notes to the financial statements
for the year ended 31 December 2006

9 Guarantee

On 10 June, 2003, Sea Containers British Isles Limited, the immediate parent company, entered into a one-year US\$158,000,000 credit agreement (subsequently reduced to \$120,000,000) with a syndicate of banks led by Citigroup secured on various assets being sold by Sea Containers Ltd, the Company's ultimate parent company, and by fellow subsidiary companies. The facility is guaranteed by Sea Containers Ltd, GNER Holdings Limited and by other group companies which have also provided additional security.

In December 2003, the repayment period for the loan was extended to 31 October 2004, in November 2004 the repayment period was again extended to 2 July 2007.

On 21 November 2005, the balance outstanding was fully repaid and the credit agreement was cancelled on 31 January 2006.

10 Share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 Profit and loss account

	2006 £'000	2005 £'000
At 1 January	38,625	114,763
Profit for the year	1,319	33,862
Dividends paid	-	(110,000)
At 31 December	<u>39,944</u>	<u>38,625</u>

12 Related parties

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as it is a subsidiary undertaking which is at least 90% controlled by the ultimate parent undertaking.

13 Events since the balance sheet date

In April 2007, the Company announced its participation in the Inter-City East Coast franchise bid being prepared by Inter City Railways Ltd, a company jointly owned by the Stagecoach Group and the Virgin Group.

The Company's subsidiary, GNER, has continued to invest in the operation of the Franchise, in particular, replacement of the engines and a full refurbishment of the interior of its HST fleet. GNER is expecting to commence half-hourly services between London and Leeds in May 2007 and is continuing to invest in upgrades to its Stations.

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GNER Holdings Ltd
Standard Trial Balance

LFT40325-O

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C 0011 C112

Standard Trial Balance for periods 200600 through 12		Debit	Credit	Foreign
240	OTHER RECEIVABLES			
FT599	vat inputs	29 48		
240	OTHER RECEIVABLES	29 48		
250	INVESTMENTS IN GROUP COMPANIES			
40315	GNER ITALIA	105530 79		
40326	Inter City East Coast	5276500 99		
250	INVESTMENTS IN GROUP COMPANIES	5382031 78		
270	INTERCOMPANY BALANCES_SCL GROUP			
40301	Sea Containers British Isles	2 00		
40326	Inter City East Coast		3015265 82	
50460	Ferry & Ports Holdings Ltd	96837614 20		
504602	Ferry & Ports Holdings Ltd		64710070 20	
270	INTERCOMPANY BALANCES_SCL GROUP	29112280 18		
440	DEFERRED COSTS			
FT698P181	GREATER WESTERN RAIL BID	500000 00		
440	DEFERRED COSTS	500000 00		
640	CURRENT TAXATION			
FT659	Foreign			
B	Balance Sheet	171000 00		
FT659	Foreign	171000 00		
FT999	Miscellaneous		171910 00	
640	CURRENT TAXATION		910 00	

29-Oct-2007
10 39 19

GNER Holdings Ltd
Standard Trial Balance

LFT40325-O

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NQ011 C112

Standard Trial Balance for periods 200600 through 12

		Debit	Credit	Foreign
860	ORDINARY SHARE CAPITAL			
FT999	Miscellaneous		2 00	
860	ORDINARY SHARE CAPITAL		2 00	
880	RETAINED EARNINGS BROUGHT FORWARD		35721003 03	
900	FASB 52 OPENING BALANCE			
FT999	Miscellaneous	0 01		
900	FASB 52 OPENING BALANCE	0 01		
910	FASB 52 CURRENT YEAR MOVEMENT			
FT999	Miscellaneous		0 01	
910	FASB 52 CURRENT YEAR MOVEMENT		0 01	

727573 59

0 00 ###

29-Oct-2007
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GNER Holdings Ltd
Standard Trial Balance

LFT40325-O

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C'YQ0112
C112

Standard Trial Balance for periods 200600 through 12

	Debit	Credit	Foreign
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031 OVERHEADS

FT499 MISCELLANEOUS PROFIT AND LOSS

FRANCHISE write off franchise costs

FT499 MISCELLANEOUS PROFIT AND LOSS

727573 59

727573 59

031 OVERHEADS

727573 59

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Standard Trial Balance for periods 200600 through 12

	Debit	Credit	Foreign
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