

2007

Annual Report

Strategic Rail Authority
Annual Report and Accounts
period ended 30 November 2006

Accounts of the Strategic Rail Authority

Prepared pursuant to Schedule 14, paragraph 12 of the Transport Act 2000,
for the period ended 30 November 2006 together with the Report of the
Comptroller and Auditor General thereon.

Prepared pursuant to Schedule 14,
paragraph 12 of the Transport Act 2000.
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Foreword

I am presenting these accounts in my capacity as Additional Accounting Officer of the Rail Group within the Department for Transport, following approval by Treasury and the DfT Board, for the final dissolution of the SRA.

History of the SRA and its Statutory background

The SRA (the “Authority”) was a non-departmental public body created by the Transport Act 2000. The following were vested to the SRA either as part of the Transport Act 2000 or under transfer schemes empowered by this Act on 1 February 2001:

- The activities, assets, rights and liabilities of OPRAF. The legal powers of the Franchising Director were transferred to the Authority;
- The activities, assets, rights and liabilities of the British Transport Police;
- All of the subsidiaries of the British Railways Board which includes BRB (Residuary) Limited, the subsidiary which contains the assets and liabilities (other than cash and debt) which historically belonged to the British Railways Board;
- The assets, rights and liabilities of the consumer licensing functions formerly undertaken by the Office of the Rail Regulator;
- The assets, rights and liabilities of the Rail Passengers’ Council and its regional committee structure formerly undertaken by the Office of the Rail Regulator; and
- The assets, rights and liabilities of the freight grants section formerly provided by the predecessors to DfT.

Network Rail Limited acquired Railtrack plc on 3 October 2002. As part of the arrangements for establishing Network Rail, the SRA had certain rights and obligations relating to Network Rail. Compliance with UK accounting standards led to the inclusion of Network Rail as a quasi subsidiary of the SRA in previous years.

The SRA issued a notice to terminate the Connex South Eastern franchise in June 2003. On 9 November 2003 the SRA took over the activities of Connex South Eastern by virtue of a transfer scheme in accordance with the Transport Act 2000. These activities were operated by a subsidiary called South Eastern Trains Limited, which is wholly owned by South Eastern Trains (Holdings) Limited, which was itself wholly owned by the SRA.

On 1 July 2004 the functions and activities of the British Transport Police (BTP) were transferred to the British Transport Police Authority. This was a new non departmental public body, sponsored by the Department for Transport.

On 7 April 2005 the Railways Act 2005 was passed. This paved the way for the abolition of the SRA. Consequently during 2005/06 functions were progressively transferred from the SRA to its successor bodies. This included the majority of the subsidiaries of the SRA, and the Railway Passenger Council (RPC) which is a new non-departmental public body sponsored by the Department for Transport.

On 1 April 2006 the franchising activities of South Eastern Trains Ltd were transferred to London & South Eastern Railway (LSEr) under a statutory transfer scheme. South Eastern Trains Ltd itself was transferred to BRB (Residuary) Ltd under a statutory transfer scheme on the same date.

On 30 November 2006 the SRA was formally abolished under an abolition order, cited as the Railways (Abolition of the Strategic Rail Authority) Order 2006. This came into force on the 1 December 2006. The SRA's remaining financial assets and liabilities were transferred to BRB (Residuary) Ltd, a company owned wholly by the Department for Transport, prior to the abolition order coming into effect.

Accounting Requirements

The accounts have been prepared in accordance with the Accounts Direction set out in Appendix 1 of this document. This requires that government guidance on the preparation of accounts is followed. This guidance provides that where there is a machinery of government change, the transfer of balances should be accounted for under merger accounting principles. The abolition of the SRA and the transfer of substantially all of its functions has been considered a machinery of government change, and therefore these accounts have been prepared under merger accounting principles. As a consequence the 2005/06 results have been amended to take account of the transfer of responsibility for network grant to DfT on 1 April 2006.

Going concern

As at the 30 November 2006, substantially all of the functions of the SRA had been transferred to successor bodies. The SRA was abolished on the 1 December 2006, and therefore it is not appropriate to prepare the accounts on a going concern basis. All transfers of assets, rights and liabilities of the SRA have been at their book value and consequently no adjustment has been required to the value of assets and liabilities in the accounts. Balances at 30 November 2006 were transferred under a statutory transfer scheme to BRB (Residuary) Ltd.

Results for the year

The annual report and accounts have been prepared to meet the requirements of the Railways Act 1993 section 75 and the Transport Act 2000. Details of the financial results are set out on pages 9 to 33. The result was a surplus for the year of £2.6m. These results have arisen largely due to timing differences. After adjusting for timing differences the Authority lived within the targets agreed with the Department for Transport.

Activities

The SRA operated the statutory closures process from 1 April 2006 until 30 November 2006. This responsibility was taken on by the Department for Transport on 1 December 2006. In the period there were 31 determinations made covering the normal range of activities. Of particular note were activities around London Bridge and Blackfriars to help facilitate the delivery of the Thameslink Programme, and Poole

which enabled the redevelopment of the stations and surrounding areas to proceed.

Research and Development

The Authority did not undertake any research and development work in the year.

Charitable donations

The Authority did not make any charitable donations in the year.

Remuneration Report

During the period of these accounts the Authority's Accounting Officer was Chief Executive of the SRA, and a member of its Board. There were in addition two non-executive Board members throughout the period. Contracts of Board Members complied with the provision in the Combined Code regarding remuneration policy, service contracts and compensation with the exception of performance related pay and notice periods. Full details of Board Members' remuneration, benefits and contract expiry dates are given in note 5(e) to the financial statements. Their remuneration is determined by the Secretary of State for Transport.

At the 1st April 2006 there were 5 members of staff. This had reduced to 1 part time member of staff by 30 November 2006. Their remuneration was set by the Chief Executive under a pay remit agreed with the Department for Transport.

Chairman and Chief Executive

Pen Kent was non-executive Chairman of the SRA during the period. The Board members were Pen Kent, Jeremy Mayhew and Nick Newton. Nick Newton was the Chief Executive.

The Chief Executive of the Authority was also the Accounting Officer. The responsibilities of the Accounting Officer are set out in the Authority's Financial Framework which is available on the DfT website (www.dft.gov.uk).

Statement of Board Members' responsibilities

Together with the Chairman, the Board had the following responsibilities:

- Maintain regularity, propriety and value for money in the Authority's activities;
- Ensure that high standards of corporate governance were observed;
- Establish the overall strategic direction of the organisation (which latterly had been focussed around the closure of the SRA);
- Ensure that the organisation operated within its overall limits of authority, and had taken account of any guidance issued by the Government; and
- In preparing the accounts, select suitable accounting policies and ensure that these were applied correctly, consistently and using reasonable judgements and estimates.

Audit Committee

Given the size of the SRA during 2006, the Board also functioned as the SRA's Audit Committee. The Committee's role was to assist in discharging responsibilities for ensuring that:

- Proper accounting records were maintained to provide accurate and up-to-date information on the Authority;
- The published financial statements represented a true and fair reflection of the Authority's financial position;
- Appropriate accounting policies and financial controls were in place; and
- An appropriate and effective framework for identifying and managing the material risks to the business was in place.

Throughout the period external and internal auditors had independent access to the Chairman and Members of the Committee.

Auditors

The Comptroller and Auditor General is the statutory auditor of the Authority. The audit of the Authority was undertaken by PricewaterhouseCoopers LLP on behalf of the Comptroller and Auditor General.

Equal opportunities and employee involvement

The Authority valued its employees and recognised their role in enabling the organisation to achieve its objectives. This has been reflected in the Board's commitment to effective employee communications and equal opportunities.

The Authority's policy was to recruit, develop and employ staff on the basis of the suitability of their qualifications and experience for the work to be performed, regardless of sex, marital status, creed, race, nationality or disability.

Environmental Management Policy

The Authority had environmental management policies in place during the year and recognised the role of business in contributing to increased environmental awareness. Features during the period include:

- Paper and cardboard recycling;
- Waste compaction;
- Green Travel; and
- PC recycling.

Better Payment Practice

The Authority's policy was to pay bills in accordance with agreed settlement terms in line with the principles of the CBI Prompt Payers Code, which aims to encourage best practice in dealing with the payment of bills. Average creditor days in 2006/07 were 23 days.

Signed for and on behalf of the Board on 22 March 2007.



Mike Mitchell
Director General
Rail Group

Statement of Accounting Officers responsibilities

The Chief Executive was responsible to the Board for the day-to-day operations and management of the SRA. The Chief Executive was designated by the Accounting Officer of the Department for Transport as the Accounting Officer for the SRA. The Accounting Officer is responsible for ensuring regularity, propriety and good value for money in the management of public funds and all other resources for which he is responsible; and for the day to day operations and management of the organisation.

The Accounting Officer of the SRA was responsible for preparing financial statements which give a true and fair view, and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer was aware, there is no relevant audit information of which the SRA's Auditors are unaware. Further, the Accounting Officer took all the steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the SRA's auditors were aware of that information.

In exercising these responsibilities the Accounting Officer was required to:

- In accordance with the Financial Framework between the Authority and the Department for Transport to meet the requirements of the Transport Act 2000 and to follow the Accounts Direction.
- In accordance with the Transport Act 2000 to prepare in respect of each financial year a statement of accounts giving a true and fair view of the state of

affairs and the income and expenditure of the Authority.

- Ensure that the relevant guidance for NDPBs is followed, including the Financial Reporting Manual.

In preparing the accounts, the Accounting Officer is required to comply with the Accounts Direction, and in particular to:

- a) observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- b) make judgements and estimates on a reasonable basis
- c) state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts
- d) prepare the accounts on a going concern basis

Statement on Internal Control

1. Scope of Responsibility

During the period to 30th November 2006 Nick Newton as Accounting Officer, together with the rest of the SRA Board were responsible for maintaining a sound system of internal control, safeguarding public funds and departmental assets in accordance with the responsibilities assigned in Government Accounting.

Following the abolition of the SRA on 1st December 2006, as Accounting Officer for Rail I assumed Accounting Officer responsibilities for the completion of the final accounts of the SRA. I have taken assurances from the former Accounting Officer and the Board regarding the internal control environment within the SRA.

2. The Purpose of the System of Internal Control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve the policies, aims and objectives of the SRA; it can therefore provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on a continuous process, designed to identify and prioritise the risks to the achievement of the SRA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the SRA for the whole of the period ended 30 November 2006 and accorded with Treasury guidance.

3. The Risk and Control Framework

The SRA had throughout its existence a framework for the management of risks and controls, which involved the SRA Board, Executive, Audit function and senior managers. This framework allowed for the orderly transfer of SRA functions and activities to successor organisations (under the provisions of the Railway Act 2005), and prescribed the required governance and control mechanisms additional to the existing risk management framework.

During the period to 30 November 2006, the risk and control framework operated by the SRA was adapted to reflect the significantly reduced remaining responsibilities. In this period the Board met periodically and the residual risks to the organisation were reported at each meeting.

4. Review of Effectiveness of Internal Control

I have responsibility for reviewing the effectiveness of the SRA's system of internal control during and the period leading up to closure of the SRA. My review of the effectiveness of the SRA's system of internal control is informed by assurances received from the former Accounting Officer who was in place until 30 November 2006, the Board and from key personnel within the Finance team responsible for maintaining the accounts.

In this period I believe that we maintained reasonable levels of internal control, commensurate with a small residual organisation facing imminent closure.

The Certificate and Report of the Comptroller and Auditor General

to the Houses of Parliament and the Strategic Rail Authority

I have audited the financial statements for the period ended 30 November 2006 on pages 9 to 33 under the Transport Act 2000. These comprise the Income and Expenditure account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Strategic Rail Authority, the Chief Executive and Auditors

The Strategic Rail Authority and Chief Executive are responsible for the preparation of the financial statements in accordance with the Transport Act 2000 and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officers responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements are properly prepared in accordance with the provisions of the Transport Act 2000 and the Secretary of State's directions made thereunder. I also report whether in all material respects the expenditure and income reported within the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if in my opinion the information given in the Foreword is not consistent with the financial statements, if the Strategic Rail Authority has not kept proper accounting records, if I have not received all the information and explanations we require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 7 reflects the Strategic Rail Authority's compliance with HM Treasury's guidance on the Statement of Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on Internal Control cover all risks and controls, or form an opinion on the effectiveness of the Strategic Rail Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

My 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 Strategic Rail Authority and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Strategic Rail Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which we considered necessary in order to provide me 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, and that, in all material respects, the expenditure and income reported within the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Transport Act 2000 and directions made thereunder by the Secretary of State, of the state of the Strategic Rail Authority's affairs as at 30 November 2006 and of the surplus for the period then ended;
- in all material respects the expenditure and income reported within the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the financial statements have been properly prepared in accordance with the Transport Act 2000 and the directions made thereunder by the Secretary of State.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
23 March 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria London SW1W 9SP

Income and Expenditure Account

for period ended 30 November 2006

		Total for period to 30 November 2006	Total for year to 31 March 2006 Restated
	Note	£m	£m
Income			
Trading income	2 (a)	–	464.4
Government Grant	2 (b)	5.1	89.0
	3	5.1	553.4
Operating expenditure	4	(2.4)	(476.1)
Authority surplus	3, 5	2.7	77.3
Profit on disposal of fixed assets		–	1.4
Notional cost of capital		0.4	2.4
Surplus on ordinary activities before interest		3.1	81.1
Net Interest	6	(0.1)	5.5
Surplus on ordinary activities before taxation		3.0	86.6
Taxation	7	–	–
Surplus on ordinary activities after taxation		3.0	86.6
Less notional cost of capital		(0.4)	(2.4)
Result for the period	16	2.6	84.2

Statement of Total Recognised Gains and Losses	30 November 2006	31 March 2006 Restated
	£m	£m
Result for the period	2.6	84.2
Deferred tax on pension asset/liability	–	2.0
Actuarial gain recognised in the pension scheme	–	9.4
Total gain recognised relating to the period	2.6	95.6
Prior year adjustment	8.3	–
Total gains recognised since last annual report	10.9	95.6

1 As a result of the Railways Act 2005, the majority of the SRA's activities were transferred to other public bodies. Due to its closure all activities have been treated as discontinued operations.

2 The comparatives for 2006 included the results of South Eastern Trains Limited.

3 Restatement relates to the prior year adjustment (see note 19).

Balance Sheet

as at 30 November 2006

		30 November 2006	31 March 2006
	Note	£m	Restated £m
Fixed assets			
Tangible Assets	8	–	43.3
Intangible Assets			
Intellectual property		–	–
Goodwill		–	–
Total fixed assets		–	43.3
Current Assets			
Stocks	10	–	4.3
Debtors falling due within one year	11	5.1	55.9
Cash		0.5	6.0
		5.6	66.2
Less:			
Creditors falling due within one year	12(a)	(1.2)	(88.6)
Net Current Assets (Liabilities)		4.4	(22.4)
Total Assets less Current Liabilities		4.4	20.9
Less:			
Creditors falling due after more than one year	12(b)	–	(5.2)
Provisions for liabilities and charges	13	(4.0)	(18.8)
Net Assets (Liabilities)		0.4	(3.1)
Pension Liability	21	–	(17.7)
Net Assets (Liabilities)		0.4	(20.8)
Reserves			
I & E Reserve	16,17	0.4	(20.8)
Total Reserves		0.4	(20.8)

Signed on behalf of the Board on 22 March 2007



Mike Mitchell
Accounting Officer



Doug Sutherland
Chairman (BRB (Residuary) Ltd)

Cash Flow Statement

		30 November 2006	31 March 2006
	Note	£m	£m
Net cash inflow/(outflow) from operating activities	18 (a)	(5.4)	8.2
Returns on investments and servicing of finance			
Other interest received		-	3.8
Interest paid in respect of finance leases		-	(0.2)
Other interest paid		(0.1)	(1.3)
Net cash inflow/(outflow) from returns on investments and servicing of finance		(0.1)	2.3
Capital expenditure and financial investment			
Purchase of assets		-	(10.9)
Sale/transfer of assets		-	2.7
Net cash inflow/(outflow) from capital expenditure and financial investment		-	(8.2)
Acquisitions and disposals			
Net cash transferred on disposal		2.9	-
Net cash inflow from acquisitions and disposals		2.9	-
Management of liquid resources			
Decrease in cash on deposit	18 (b)	0.9	6.4
Net cash inflow from management of liquid resources		0.9	6.4
Financing			
Repayment of loans and leases		-	(1.2)
Net cash outflow from financing		-	(1.2)
Increase/(decrease) in cash at bank and in hand		(1.7)	7.5

Statement of Accounting Policies

(i) Form of Accounts

The SRA is required to comply with the Accounts Direction from The Secretary of State for Transport dated June 2006 as shown on page 34 which states that the SRA's financial statements should be presented in the form of group accounts, prepared in accordance with applicable accounting standards, and includes several additional requirements. The Authority is made up of the core Authority (as defined by Transport Act 2000), all subsidiaries and joint ventures. The accounts have been prepared under the historical cost convention. As there are no additional subsidiaries in addition to the Authority these accounts are prepared only for the Authority.

These accounts follow the requirements of the Financial Reporting Manual (FRM). It requires the use of merger accounting where there are machinery of government changes, and this has been adopted for the transfer of activities from the SRA to successor bodies. Use of merger accounting has the effect of removing the transferred activities from the SRA's financial history.

Due to the closure of the SRA the accounts have been prepared on a break up basis. However as all activities have transferred under statutory transfer schemes at book values this has not had a material effect on the book value of assets and liabilities in the accounts.

(ii) Income

Income is the aggregate gross income of the Authority and its subsidiary undertakings, after eliminating intra-group income, and net of value added tax. It includes grant from the Department for Transport under the Transport Act 2000. With the exception of Grant in Aid (see below) income is recognised in the period to which it relates. Income excludes work performed on the Group's own assets.

(iii) Grant in Aid

Grant in Aid is the grant paid to the Authority by the Department for Transport as voted by Parliament for the purposes of the Authority as defined by the Transport Act 2000. Grant in Aid is recognised on a cash basis. Grant in Aid received for capital assets, both tangible and intangible and investments, is credited to the Capital Grant reserve. All other Grant in Aid is credited to the Income and Expenditure Account.

(iv) Pension Schemes

Defined Benefit Schemes

Contributions to pension schemes are paid in accordance with the rules of each scheme. The pension liabilities and assets are recorded in line with FRS 17, with a valuation undertaken by an independent actuary. FRS 17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is included within net interest. The change in the value of assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the Statement of Total Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Defined Contribution Schemes

Pension contributions are charged to the Income and Expenditure Account as incurred.

(v) Foreign Currency

Transactions in foreign currency are translated at the exchange rate ruling at the date of the transaction, unless related or matching forward foreign exchange contracts have been entered into, in which case the rates specified in the relevant contracts are used. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the date of the Balance Sheet. Any exchange gain or loss is included in the Income and Expenditure Account.

Statement of Accounting Policies

(vi) Taxation

The Authority and all subsidiary undertakings are assessable to taxation in accordance with the Taxes Acts and tax is recognised in the financial statements where a charge is forecast to arise.

Deferred taxation is provided on timing differences arising from the different treatments for accounts and taxation purposes of transactions and events recognised in the financial statements of the current year and previous years. Deferred taxation is calculated at the rates at which it is estimated the tax will arise. Deferred taxation is not discounted.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the Balance Sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

(vii) Cost of Capital

In accordance with the Accounts Direction and the (FRM), a charge/credit of 3.5% of net assets/liabilities of the Group is made to the surplus/deficit before interest and taxation. This is added back, to determine retained surplus/deficit on ordinary activities after taxation.

(viii) Fixed Assets

Fixed assets include land, buildings, and plant and equipment required for the ongoing operations of the Authority.

Assets are capitalised at cost subject to a minimum monetary level of £1,000 except freehold office buildings which are held at valuation.

Depreciation

Depreciation is provided on a straight-line basis over periods representing the estimated useful economic lives of assets and commences in the accounting period following entry into service. The lives used for the major categories of assets are:

Owner Occupied Buildings	30–40 years
Short Leasehold Improvements	Life of Lease or useful economic life, whichever is the shorter
Plant and Equipment	3–12 years

Depreciation is not provided on investment properties, in accordance with SSAP19, which does not require depreciation of investment properties where the unexpired lease term is 20 years or more.

No depreciation is charged on capital work in progress.

(ix) Research and Development Expenditure

Development expenditure is capitalised within fixed assets if it meets the following criteria:

- There is a clearly defined project;
- The expenditure is separately identifiable;
- The outcome of the project has been assessed with reasonable certainty as to its technical feasibility and is resulting in a product or service that will eventually be brought into use; and
- Adequate resources exist, or are expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Research and general development expenditure is charged to the Income and Expenditure Account as incurred.

Statement of Accounting Policies

(x) Leasing

The capital element (above the minimum monetary level of £1,000) of finance leasing obligations and hire purchase obligations for plant and equipment assets is included in fixed assets and depreciated in the same way as owned assets.

The capital element of leasing liabilities is included within creditors. The liability is stated at the deemed capital portion of the annual lease payments calculated on the annuity method, with the remainder of the annual payment, representing interest, being shown within interest payable and similar charges in the Income and Expenditure Account.

Rentals under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the operational lease term.

(xii) Grants

Grants paid are recognised in the Income and Expenditure Account in the period in which the activity to which they relate has been performed. A provision is made for grants where the obligation exists at the Balance Sheet date.

(xiii) Stocks

Stocks and work in progress, other than on long term contracts, are stated at the lower of estimated replacement cost and estimated net realisable value. The value of estimated replacement cost is not considered to be materially different from cost. Raw materials include amounts incurred in respect of the rights to utilise stocks of replacement spares.

1. Strategic Rail Authority

Background

In January 2004 the Government announced that it would undertake a Rail Review. It announced the outcome of this Review in July 2004. At this point the Government announced its intention to abolish the Strategic Rail Authority and to transfer its functions to a number of successor bodies. To that end the Government introduced a Railways Bill to Parliament in November 2004, and this gained royal assent on 7 April 2005. Substantially all of the SRA's direct activities were transferred to successor organisations between 1 April 2005 and 31 March 2006. The SRA transferred its investment in South Eastern Trains to BRB (Residuary) Ltd on 1 April 2006.

Transfers

The Railways Act 2005 gives the Secretary of State a number of powers. These powers become effective by using commencement orders. The first of these were made on 8 June 2005 and as a consequence the Secretary of State has the powers to make transfer schemes. Transfer schemes are used to transfer the staff, property, rights, assets, liabilities and obligations from the SRA to designated public sector bodies. The transfer schemes have the effect of a successor body "stepping into the shoes" of the current organisation. Transfer schemes have been used to transfer the SRA's rights, assets, liabilities and obligations to successor bodies.

Current position

On 1 April 2005 the SRA ceased to be responsible for certain performance related activities, as Network Rail took on its new responsibilities for rail performance management as set out in the White Paper. A phased transfer of activity from the SRA to the Department for Transport took place between June 2005 and November 2006. In addition transfer schemes were completed for transfers to the Scottish Executive, the Office of Rail Regulation and Passenger Focus (formerly the Rail Passengers' Council).

On 30 November 2006 the SRA was formally abolished under an abolition order, cited as the Railways (Abolition of the Strategic Rail Authority) Order 2006. This came into force on the 1 December 2006. The SRA's remaining financial assets and liabilities were transferred to BRB (Residuary) Ltd, a company owned wholly by the Department for Transport, prior to the abolition order coming into effect.

Impact on the accounts

The accounts have been prepared in accordance with the Accounts Direction set out in Appendix 1 of this document. These require that Government guidance on the preparation of accounts is followed. This guidance provides that where there is a machinery of Government change, the transfer of balances should be accounted for using merger accounting principles. The decision to abolish the SRA and the consequential transfer of substantially all of its functions has been considered a machinery of Government change, and therefore these accounts have been prepared under merger accounting principles. Adopting merger accounting principles has the effect of showing in the accounts for both the current year and the prior year only those activities that had not transferred from the SRA during the period. This impacts both the current year result and the prior year position. The accounts for 2005/06 were prepared on this basis, being adjusted to take account of the transfers of activity which took place in 2005/06. This has also affected the accounts to 30 November 2006 with the transfer of Network Grant activity. This has had the effect of further adjusting the results for 2005/06. These accounts will be the final set of accounts for the SRA and no further accounts will be produced.

Notes to the Accounts

2. Income

(a) Trading Income

	30 November 2006	31 March 2006
	£m	£m
Passenger income (fare box)	–	348.7
Government Subsidy	–	83.0
Miscellaneous income	–	32.7
	–	464.4

(b) Government Grant

	30 November 2006	31 March 2006 Restated
	£m	£m
Grant received in respect of current period from Department for Transport	5.1	516.0
Grant received from other sources	–	–
Total Grants Received	5.1	516.0
Activities transferred to successor bodies	–	(427.0)
Grant included within income	5.1	89.0

3. Segmental Analysis

	30 November 2006			31 March 2006 Restated		
	Total Income	Operating Surplus	Net Operating Assets	Total Income	Operating Surplus (Deficit)	Net Operating Liabilities
	£m	£m	£m	£m	£m	£m
Strategic Rail Authority	5.1	2.7	0.4	89.0	84.4	(3.4)
South Eastern Trains Limited	–	–	–	464.4	(7.1)	(17.4)
Total	5.1	2.7	0.4	553.4	77.3	(20.8)

The above tables represent the amounts included stated after consolidation eliminations.

Income originates wholly in the United Kingdom. The SRA's key activities are described in the foreword of this report. South Eastern Trains Limited operated trains in Kent, South East London and parts of Sussex. It is a subsidiary of South Eastern Trains (Holdings) Limited, which was a wholly owned subsidiary of the SRA. South Eastern Trains (Holdings) limited was transferred to BRB (Residuary) Limited on 1 April 2006 via a transfer scheme effected by the Secretary of State for Transport.

4. Analysis of Operating Expenditure

	Total 30 November 2006	Total 31 March 2006 Restated
	£m	£m
Staff costs (note 5(g))	0.2	137.8
Materials, supplies and services	2.2	316.5
Estate management cost	–	15.2
Amortisation of goodwill	–	0.4
Depreciation	–	7.1
Amortisation of grants	–	(0.9)
Operating expenditure	2.4	476.1

5. Operating Result

	30 November 2006	31 March Restated
	£m	£m
Auditors' remuneration and expenses	–	0.4
Depreciation on owned assets	–	7.1
Amortisation of grant	–	(0.9)
Amortisation of goodwill	–	0.4
Rolling stock lease rentals	–	90.8

The Comptroller and Auditor General is the statutory auditor of the Authority. The audit of the Authority was undertaken by PricewaterhouseCoopers LLP on behalf of the Comptroller and Auditor General. In the period to 30 November 2006 PricewaterhouseCoopers LLP have undertaken no non-audit work (2006: £15,000). The audit fee in respect of the current year amounts to £25,000, and there was an overprovision for audit fees in the prior year of £79,500.

(b) Charitable donations

During the period the Authority made no charitable donations (2006: £nil).

(c) Statement of losses and special payments.

In the period the Authority had no losses or special payments (2006 – £0.3m).

Notes to the Accounts

(d) Operating lease commitments

At the period end the Authority was committed to make payments in the forthcoming year in respect of non cancellable operating leases as follows:

Rolling Stock	30 November 2006	31 March 2006
	£m	£m
Leases expiring within one year	–	–
Leases expiring between one and five years	–	–
Leases expiring in more than five years	–	92.3
	–	92.3

Other	30 November 2006	31 March 2006
	£m	£m
Leases expiring within one year	–	0.7
Leases expiring between one and five years	–	0.5
Leases expiring in more than five years	–	102.2
	–	103.4

Total	30 November 2006	31 March 2006
	£m	£m
Leases expiring within one year	–	0.7
Leases expiring between one and five years	–	0.5
Leases expiring in more than five years	–	194.5
	–	195.7

Notes to the Accounts

(e) Board Members of the Authority

The salaries, allowances and severance terms of the Authority's Board Members are determined, under provisions in Schedule 14 to the Transport Act 2000, by The Secretary of State.

	30 November 2006	31 March 2006
	£000	£000
Executive Board Members' Salaries	66	216
Benefits	2	14
Termination payment	12	12
Fees paid to Non-Executive Board Members	28	193
	108	435
Payments to pension plans included within the above	–	–

	Age	Contract Expiry Dates	Salary £000	Taxable Benefits in kind £000	Total £000	Pensions Contributions £000	Termination £000	Total £000
Nick Newton	60	30/11/2006	66	–	66	2	12	80
Total Executive			66	–	66	2	12	80
Pen Kent	69	30/11/2006	14	–	14	–	–	14
Jeremy Mayhew	48	30/11/2006	14	–	14	–	–	14
Total Non-Executive			28	–	28	–	–	28
Total Board Members			94	–	94	2	12	108

Nick Newton was appointed to the board and as Chief Executive officer on 11 September 2004. His appointment to the board will cease on the date his role as Chief Executive ends.

The contact expiry dates for Pen Kent and Jeremy Mayhew were extended to 30 November. Pen Kent was Chairman of the Board from 1 April 2006 to 30 November 2006.

The terms and conditions of Board Members' contracts are set by the Secretary of State. All non-Executive Board Members are contracted for 4 days each month. The terms of appointment have no provision for earlier termination except in specified circumstances.

Notes to the Accounts

(f) Staff numbers

The average number of staff employed during the year excluding Board Members, was as follows:

	Average number employed	Average number employed
	30 November 2006	31 March 2006
Strategic Rail Authority	4	174
South Eastern Trains	–	3,841
Total Authority	4	4,015

Average staff numbers are based on the actual employees of the Authority and reflect the transfer of functions and staff to successor bodies. The cost of these employees is not fully reflected in the accounts due to the adoption of merger accounting.

In addition, there were 3 SRA Board Members (1 Executive, 2 Non-Executive) at 30 November 2006 and 3 (1 Executive, 2 Non-Executive) at 31 March 2006.

(g) Total staff costs

	30 November 2006	31 March 2006
	£m	£m
Salaries and wages	0.2	114.6
Employer's liability for social security costs	–	9.3
Pensions		
Employer's liability for current service pension costs	–	13.7
Employer's liability for past service pension costs	–	–
Other costs	–	0.2
	0.2	137.8

The cost of temporary and contract staff for the Authority was £nil (2006: £9.3m).

(h) Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is intended to cover a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or an arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Nick Newton is not a member of the Principal Civil Service Pension Scheme, he is a member of the Railways Pension Scheme. The cash equivalent transfer value at 30 November 2006 is £nil (31 March 2006 – £1,192,000), as Nick Newton reached retirement age and has begun drawing down his pension

Notes to the Accounts

6. Net Interest

	30 November 2006	31 March 2006
	£m	£m
Interest receivable on		
Short term deposits	–	3.8
Expected return on pension scheme assets	–	19.5
Interest receivable	–	23.3
Interest payable on		
Bank loans and overdrafts	0.1	1.3
Leases	–	0.2
Interest on pension scheme liabilities	–	16.3
Interest payable and similar charges	0.1	17.8
Net interest (payable)/receivable	(0.1)	5.5

Notes to the Accounts

7. Taxation

In accordance with the Taxes Acts, it has been determined with the agreement of the Inland Revenue that the activity that the Authority undertakes in its statutory capacity of franchise administration and grant provision is not subject to tax. There is no tax effect in respect of transfer schemes under the Transport Act 2000 as a result of Schedule 26 of the Act and Schedule 24 of the Finance Act 1994, or the Railways Act 2005.

The tax charge for the Authority is £nil (2006: £nil).

	Authority	
	30 November 2006	31 March 2006
	£m	£m
Analysis of charge / credit in year		
Current UK Corporation Tax at 30%	–	–
Over provision in respect of prior years	–	–
Total current tax	–	–
Deferred tax at 30%		
Timing differences arising in the year – other	–	–
Credit in respect of prior years	–	–
Total deferred tax	–	–
Tax charge / credit on loss on ordinary activities	–	–

Current factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Authority	
	30 November 2006	31 March 2006
	£m	£m
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	–	–
Accelerated capital allowances	–	–
Tax losses brought forward utilised in year	–	–
Tax losses carried forward	–	–
Tax losses carried back	–	–
Short term timing differences – goodwill amortisation	–	–
Other short term timing differences	–	–
Adjustments in respect of prior years	–	–
Permanent differences	–	–
Total current tax credit	–	–

The surpluses and losses used to calculate the tax charge are the reported losses of the Authority (excluding non-taxable statutory activities) before consolidation adjustments.

8. Tangible Assets

	Buildings	Plant and Equipment	IT Equipment	Total
Costs	£m	£m	£m	£m
Gross book values at 1 April 2006	17.7	46.0	6.1	69.8
Additions	–	–	–	–
Disposals	(17.7)	(46.0)	(6.1)	(69.8)
Gross book values at 30 November 2006	–	–	–	–
Depreciation				
Accumulated depreciation at 1 April 2006	7.0	14.6	4.9	26.5
Disposals	(7.0)	(14.6)	(4.9)	(26.5)
Depreciation provided during period	–	–	–	–
Accumulated depreciation at 30 November 2006	–	–	–	–
Net book values at 30 November 2006	–	–	–	–
Net book values at 1 April 2006	10.7	31.4	1.2	43.3

The net book value of tangible fixed assets includes an amount of £nil (2006: £5.5m) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the period on assets held under finance leases was £nil (2006: £1.1m).

9. Investments

South Eastern Trains Limited, South Eastern Trains (Holdings) Limited and DOA Limited were all transferred to BRB (Residuary) Ltd under a statutory transfer scheme on 1st April 2006.

Notes to the Accounts

10. Stocks

	30 November 2006	31 March 2006
	£m	£m
Raw materials and consumables	–	4.3
	–	4.3

11. Debtors

	30 November 2006	31 March 2006 Restated
	£m	£m
Trade debtors	1.6	17.5
Other debtors	3.5	14.4
Prepayments and accrued income	–	24.0
Debtors falling due within one year	5.1	55.9

Trade debtors relate primarily to balances with other bodies in the public sector.

Other debtors comprise a loan with a limited liability company, the shares of which are wholly owned by the Department for Transport.

Notes to the Accounts

12. Creditors

(a) Creditors falling due within one year

	30 November 2006	31 March 2006
	£m	£m
Loans	–	5.0
Trade creditors	–	21.0
Accruals and deferred income	1.2	7.5
Payroll, taxation and social security	–	7.0
Receipts in advance	–	41.1
Leasing liabilities	–	1.0
Other	–	6.0
	1.2	88.6

(b) Creditors falling due after more than one year

	30 November 2006	31 March 2006
	£m	£m
Leasing liabilities	–	4.8
Other accruals and deferred income	–	0.4
	–	5.2

13. Provisions for Liabilities and Charges

	Provision 1 April 2006	Utilised	Charged/ (Released)	Disposal	Provision 30 November 2006
	£m	£m	£m	£m	£m
Redundancy	6.3	(0.7)	(2.0)	–	3.6
Rolling Stock	12.1	–	–	(12.1)	–
Other	0.4	–	–	–	0.4
Authority	18.8	(0.7)	(2.0)	(12.1)	4.0

The redundancy provision relates to the organisational restructuring within the Authority. The remaining balance relates primarily to early retirement commitments and annual payments that will be made until the affected staff reach retirement age.

The rolling stock provision related to South Eastern Trains limited, and this was disposed as referred to in note 1 to the accounts.

Notes to the Accounts

14. Financial Instruments

The treasury operations were governed by the Transport Act 2000 as supplemented by the Financial Framework agreed with the Department for Transport, which was approved by HM Treasury.

The financial instruments comprise cash deposits, overnight borrowings, finance leases and other items such as trade debtors, trade creditors and provisions. Short term debtors and creditors are excluded. The main purpose of these financial instruments was to finance operations.

The main risks arising from the financial instruments were interest rate risk and, to a lesser degree, liquidity risk and foreign currency risk. The policies for managing these risks were set to achieve compliance with the Authority's regulatory framework.

The Authority financed its operations through a mixture of Grant in Aid, and to a much smaller extent, finance leases. Cash was deposited in accordance with the Authority's regulatory framework against an approved list of counterparties within defined limits at fixed rates for periods not exceeding four weeks. No interest rate swaps were permitted.

The Authority maintained short-term liquidity by judicious management of its cash deposits.

(a) Interest rate risk profile

The interest rate profile of the Authority's financial assets and liabilities as at 30 November 2006 is set out below. All the balances are held in sterling:

Financial Assets	Fixed Rate	Floating Rate	Total
	£m	£m	30 November 2006 £m
Cash at bank	–	–	0.5
Cash on deposit	–	–	–
	–	–	0.5

	Fixed Rate	Floating Rate	Total
	£m	£m	31 March 2006 £m
Cash at bank	–	2.2	2.2
Cash on deposit	–	3.8	3.8
	–	6.0	6.0

Financial liabilities	Fixed Rate	Floating Rate	Total
	£m	£m	30 November 2006 £m
Leasing liabilities (see note 12)	–	–	–
Provision for liabilities and charges (see note 13)	–	4.0	4.0
	–	4.0	4.0

Notes to the Accounts

	Fixed Rate	Floating Rate	Total 31 March 2006
	£m	£m	£m
Leasing liabilities (see note 12)	–	5.8	5.8
Provision for liabilities and charges (see note 13)	–	18.8	18.8
	–	24.6	24.6

All borrowings are denominated in sterling. The floating rate borrowings are all referenced to (LIBOR).

15. Deferred Taxation

No provision has been made for deferred taxation as there are no timing differences or capital allowances that will give rise to a deferred taxation liability in the future.

16. Reserve movement

	30 November 2006
	£m
Income and Expenditure reserve	
Balance at 1 April 2006 as disclosed	(29.1)
Prior year adjustment	8.3
Balance at 1 April 2006 – restated	(20.8)
Result for period	2.6
SET disposal	17.7
DOA disposal	0.9
Balance at 30 November 2006	0.4

The prior year's reserves of the SRA were not affected by the merger accounting adjustment referred to in note 1 of the accounts.

Notes to the Accounts

17. Reconciliation of movements in reserves

	30 November 2006	31 March 2006
	£m	£m
Result for the period	2.6	84.2
SET and DOA disposal	18.6	–
SET pensions adjustment	–	(1.5)
Pension valuation	–	7.4
Amortisation of Capital Grant reserve	–	(0.9)
Net increase in reserves for the period	21.2	89.2
Opening reserves	(20.8)	(110.0)
Closing reserves	0.4	(20.8)

18. Cashflow

(a) Reconciliation of operating profit to net cash inflow from operating activities

	30 November 2006	31 March 2006 Restated
	£m	£m
Operating surplus/(deficit)	2.7	77.3
Movement in Revenue Grant reserve	–	–
Movement in Capital Grant reserve	–	0.9
Depreciation and amortisation	–	6.1
(Increase)/decrease in stock	–	(2.3)
(Increase)/decrease in debtors	21.4	(29.1)
Increase/(decrease) in creditors and provisions	(29.5)	(44.7)
Net cash inflow/(outflow) from operating activities	(5.4)	8.2

(b) Reconciliation of net cash flow to movement in net debt

	30 November 2006	31 March 2006
	£m	£m
Increase/(decrease) in cash on deposit	(3.8)	(6.4)
Increase/(decrease) in cash in the period	(1.7)	7.5
Change in net debt resulting from cash flows	(5.5)	1.1
Non cash movement	–	–
Movement in net debt in the period	(5.5)	1.1
Net debt at 1 April 2006	6.0	4.9
Net debt at 30 November 2006	0.5	6.0

Notes to the Accounts

(c) Analysis of Net Debt

	1 April 2006	Cash flow	Non Cash Movements	30 November 2006
	£m	£m	£m	£m
Cash on deposit	3.8	(3.8)	–	0.0
Cash at bank and in hand	2.2	(1.7)	–	0.5
Total	6.0	(5.5)	–	0.5

19. Prior year adjustment

During 2006 an adjustment was made to the intercompany account of one of the SRA's wholly owned subsidiaries relating to irrecoverable vat. The corresponding entry was not processed in the Authority's records. The 2006 comparatives have been restated to reflect the processing of this entry.

	Income and Expenditure Account	Debtors
	£m	£m
Balance at 1 April 2006 as disclosed	(29.1)	47.6
Prior year adjustment	8.3	8.3
1 April 2006 restated	(20.8)	55.9

20. Post balance sheet events

The SRA was abolished on 1st December 2006 in accordance with an order made under the Railways Act 2005. Its remaining assets and liabilities have been transferred to BRBR (Residuary) Ltd (see note 1).

Notes to the Accounts

21. Pension Schemes

The Financial Reporting Advisory Board announced that FRS17 is to apply in full to NDPB's for financial year ends after 31 March 2004 and requires the Authority's share of any deficits or recoverable surpluses in the pension funds to be recognised in the balance sheet.

At 30th November there are no pension schemes where the SRA is the employer.

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme exists for all members of the Civil Service and was available to all employees of the Authority. Most staff members of the SRA participated in this scheme. The scheme is a defined benefit scheme backed by Government. The charge to the Income and Expenditure Account in the 8 months ending on 30 November 2006 was £nil (2006: £0.5m).

This scheme is unfunded and benefits are met by central Government as they become payable. The scheme has therefore been treated as a defined contribution scheme.

Railways Pension Scheme

The SRA operated one section of the Railways Pension Scheme until 31 March 2006. At this date it was transferred to LSER. The South Eastern Trains Shared Cost Section has most of the employees that were transferred from Connex to South Eastern Trains. It is a defined benefit scheme and although it is part of the industry wide Railways Pension Scheme, its assets and liabilities are identified separately from the remainder of the scheme. Further details are given below.

The last actuarial review for funding purposes of the Connex South Eastern Shared Cost Section was carried out as at 31 December 2004 by independent qualified actuaries Watson Wyatt Partners using the projected unit method. Assets and accrued liabilities were valued using the market related method.

The market value of assets at 31 December 2004 was £234.9m. The market value of assets was estimated to be lower than the corresponding value of the projected accrued liabilities after allowing for future salary increases, but before allowing for agreed future contribution reductions, by approximately 2%

Member contribution rates were 6.5% to 30 June 2005, increasing to 7.5% in the period to 30 June 2006, and will be 9.76% thereafter. Employer rates were 9.75% to 30 June 2005, increasing to 11.25% in the period to 16 June 2006, and will be 14.34% in the next period to 30 June 2006, and 14.64% thereafter

The scheme actuary estimated that after allowing for these contributions the market value of assets would exceed the corresponding value of projected accrued liabilities by approximately 2.5%.

The fund is open to new members.

Notes to the Accounts

Financial assumptions:

The latest actuarial valuation for the section as at 31 December 2004 was updated to 31 March 2006 by an independent qualified actuary using the following assumptions, as set out in the table below.

	31 March 2006	31 March 2005	31 March 2004
	%pa	%pa	%pa
Inflation	2.85	2.8	2.7
Rate of increase in salaries	4.35	4.3	4.2
Rate of increase of pensions in payment	2.85	2.8	2.7
Rate of increase for deferred pensioners	2.85	2.8	2.7
Discount rate	4.95	5.4	5.5

The assets in the scheme and the expected rates of return for the scheme was

	30 November 2006	Net Assets 31 March 2006	31 March 2005	Expected rate of return	
	£m	£m	£m	31 March 2006	31 March 2005
				%pa	%pa
Equities	–	236.8	183.7	7.6	8.1
Bonds	–	30.3	24.1	4.6	5.0
Property	–	28.4	21.6	6.1	6.5
Other	–	17.6	11.7	4.5	4.7
Total market value of assets	–	313.1	241.1	7.0	7.5
Present value of scheme liabilities	–	(355.2)	(294.5)		
Total deficit	–	(42.1)	(53.4)		
Member's share of deficit	–	16.8	21.4		
Pension scheme deficit attributable to the employer before deferred tax	–	(25.3)	(32.0)		
Deferred tax	–	7.6	9.6		
Pension scheme deficit attributable to the employer after deferred tax	–	(17.7)	(22.4)		

Components of defined benefit cost for the period ended 30 November 2006:

Analysis of Amounts Charged to Operating Profit:	30 November 2006	31 March 2006
	£m	£m
Current service cost	–	13.5
Past service costs	–	–
Total charge/(credit) to operating profit	–	13.5

Notes to the Accounts

Analysis of the amount charged to other finance income:	30 November 2006	31 March 2006
	£m	£m
Interest on Fund liabilities	–	16.3
Expected return on Fund assets	–	(18.3)
Interest on employee share of deficit	–	(1.2)
Net charge/(credit) to other finance income	–	(3.2)

Analysis of the amount recognised in STRGL:	30 November 2006	31 March 2006
	£m	£m
Gain/(loss) on assets	–	47.8
Experience gain/(loss) on liabilities	–	(1.7)
Gain/(loss) on change of assumptions	–	(30.9)
Movement of employee share of deficit	–	(5.8)
Total gain/(loss) recognised in STRGL before adjustment for tax	–	9.4

Experience gains and losses:	30 November 2006	31 March 2006
	£m	£m
Gain/(loss) on section assets		
(i) Amount	–	47.8
(ii) % of section assets at end of period	n/a	15%
Experience gain/(loss) on section liabilities		
(i) Amount	–	(1.7)
(ii) % of section liabilities at end of period	n/a	0%
Total actuarial gain (loss) recognised in STRGL		
(i) Amount	–	9.4
(ii) % of section liabilities at end of period	n/a	3%

Analysis of the movement in employers' share of surplus/(deficit) in the Section during the period	30 November 2006	31 March 2006
	£m	£m
Surplus/(deficit) in employers share in the Section at beginning of period	(25.3)	(32.0)
Contributions paid	–	7.6
Current service cost	–	(13.5)
Past service cost	–	–
SET disposal	25.3	–
Other finance income/(charge)	–	3.2
Actuarial gain/(loss)	–	9.4
Surplus/(deficit) in employers share in the Section at end of period	–	(25.3)

Notes to the Accounts

Analysis of the movement in surplus/(deficit) in the Section during the period:	30 November 2006 £m	31 March 2006 £m
Surplus/(deficit) in the Section at beginning of period	(42.1)	(53.4)
Contributions paid	–	7.6
Current service cost	–	(13.5)
Past service cost	–	–
SET disposal	42.1	–
Other finance income/(charge)	–	2.0
Actuarial gain/(loss)	–	15.2
Surplus/(deficit) in the Section at end of period	–	(42.1)

Analysis of pension liability	30 November 2006 £m	31 March 2006 £m
Balance at 1 April	(17.7)	(32.0)
Items charged to Income and Expenditure reserve	–	(2.7)
Employees share of deficit	–	(5.8)
Gain/(loss) on assets	–	47.8
Experience gain/(loss) on liabilities	–	(1.7)
Gain/(loss) on change of assumptions	–	(30.9)
Result for period before deferred tax	(17.7)	(25.3)
SET disposal	17.7	–
Deferred tax	–	7.6
Result for the period after deferred tax	–	(17.7)

22. Related Party Transactions

The SRA was a Non-Departmental Public Body set up under the Transport Act 2000, and was sponsored by the Department for Transport.

There were no related party transactions during the period.

Appendix 1

Accounts Direction

1. In this accounts direction:

- a) 'accounts' and 'annual accounts' refer to the annual accounts of the Strategic Rail Authority, comprising the Strategic Rail Authority and its subsidiaries;
- b) the Strategic Rail Authority itself, without any of its subsidiaries, is referred to as the 'SRA'; and
- c) the Strategic Rail Authority itself and its subsidiaries is referred to as 'the Authority'.

2. The annual accounts of the Authority shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year-end. Subject to this requirement, the annual accounts for 2005/06 and subsequent years shall be prepared in accordance with:

- (a) the accounting and disclosure requirements given in *Government Accounting* and in the Treasury guidance *Financial Reporting Manual*, as amended or augmented from time to time, and subject to Schedule 1 to this direction;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Authority and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

3. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State and further explanations of Treasury requirements are set out in Schedule 2.

4. This direction shall be reproduced as an appendix to the annual accounts.

5. This direction replaces that dated 2 July 2003.

Signed by the authority of the Secretary of State an officer in the Department for Transport 15 June 2006

Schedule 1

1. The annual accounts shall be consolidated accounts prepared in accordance with section 227(2) and Schedule 4A of the Companies Act 1985 except that, where the Act refers to "parent company", this shall be taken to mean the Authority (i.e. the SRA itself and all its subsidiaries other than Network Rail).

2. Stocks and work in progress shall be included in the balance sheets at the lower of estimated replacement cost and estimated net realisable value.

3. Central government grants used to pay for fixed assets, stocks or work in progress shall be credited to a grant reserve. This is different from the requirement in accounting standards that such grants must be credited to deferred income.

4. Revaluation gains on fixed assets, stocks or work in progress, to the extent that the assets were financed by central government grants, shall be taken to the grant reserve in the balance sheets, without passing through the income and expenditure account. To the extent that the assets were financed by funds from other sources, revaluation gains shall be taken to the revaluation reserve in the balance sheets. This is different to the requirement of the Companies Act that all revaluation gains must be taken to one separate reserve.

5. On the disposal of fixed assets, stock or work in progress, any amount in the grant reserve relating to the assets shall be transferred directly to the general reserve in the balance sheets, without passing through the income and expenditure account.

6. On the disposal of a fixed asset financed wholly by central government grants, the profit or loss on disposal shall be offset in the income and expenditure account by an equal and opposite amount transferred to or from the general reserve. Where central government grants were only used to finance a part of the cost of the asset, the amount of the transfer to or from the general reserve shall be reduced in proportion.

7. Expenditure in the income and expenditure account for the group shall include a notional cost of capital calculated as 3.5% of the average of the group's net assets during the year (not including donated assets). This amount shall be reversed after the line showing the surplus or deficit for the year.

8. The foreword and balance sheets shall each be signed and dated by the Authority's chairman on behalf of the board members, and by the Authority's accounting officer.

Schedule 2

Additional disclosure requirements

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraphs 1, 2 and 3 of this direction.

1. The foreword

A statement on the group's policy for conserving energy, reducing waste and minimising the release of greenhouse gases.

2. The income and expenditure account or the notes thereto

(a) the following income:

- (i) grants;
- (ii) proceeds on the disposal of development properties;
- (iii) proceeds on the disposal of fixed assets;

- (iv) rents and maintenance charges receivable;
 - (v) joint venture profits.
- (b) the following expenditure:
- (i) amounts payable to the franchisee in Scotland in respect of the franchise agreement;
 - (ii) book value of development properties sold;
 - (iii) movements in provisions for losses on development properties;
 - (iv) joint venture losses;
 - (v) estate management costs;
 - (vi) debts written off and movements in provisions for bad and doubtful debts.
- 3. The notes to the annual accounts**
- (a) a note explaining that grant from Scottish Ministers can only be used to finance the following:
- (i) passenger rail services that both start and end in Scotland and are provided under a franchise agreement;
 - (ii) services that either start or end in Scotland and are provided under a franchise agreement by a person who also provides services of the type in (i) above; and
 - (iii) services of type (i) or (ii) above where the services are provided or secured by the Authority or the group as operator of last resort;
- (b) an analysis of grants from:
- (i) the Department for Transport;
 - (ii) Scottish Ministers;
- (iii) other sources, identified as to each source; in which analysis, for each of the totals for (i) to (iii) above, there shall be shown:
 - (i) the amount that the Authority and the group is entitled to receive for the year;
 - (ii) the amount received during the year;
 - (iii) the amount released to the income and expenditure account for the year;
 - (iv) the amount used to acquire or improve fixed assets in the year;
 - (v) movements on amounts carried forward in the balance sheets; and for each source, the note shall make it possible to reconcile any of the amounts in (i) to (v) above, to each of the other amounts;
- (c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and Expenditure account;
- (d) an analysis of interest payable as follows:
- (i) premium payable on premature redemption of loans;
 - (ii) interest payable on loans from government departments and Scottish Ministers, showing the amount of interest payable to each creditor;
 - (iii) interest payable on other loans repayable after more than one year, and on any part of a loan that is repayable after more than one year, and imputed interest on finance lease obligations payable after more than one year;
 - (iv) other interest payable;
- (e) a report on the emoluments of the SRA's chief executive and of each individual SRA board and senior manager during the year (with separate disclosure where more than one person occupied an office). The report shall include full details of all elements in the remuneration package of each person, such as fees, salary, annual bonuses, payment on termination of office, other taxable benefits, pension contributions, and the performance related elements of these (for which the basis on which the performance is measured shall be explained). For each SRA board member, the report shall also show the time commitment in terms of days per month;
- (f) if an SRA board member, the SRA chief executive or a senior manager of the SRA has been appointed for a fixed term or is on a fixed-term service contract, the term shall be stated together with details of any predetermined compensation on termination of office;
- (g) a statement of the pension entitlements earned by the SRA's chief executive and by each individual SRA board member and senior manager during the year, disclosed on a basis recommended for non-departmental public bodies by the Treasury, or on a basis recommended for listed companies by the Faculty of Actuaries and the Institute of Actuaries;
- (h) details of all Authority and group employees, other than the SRA's board members and non-executive directors of subsidiaries, showing:
- (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Authority and the group, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised);

Appendix 1

Accounts Direction

- (ii) the total amount of loans to employees;
 - (iii) employee costs during the year, showing separately:
 - (1) wages and salaries;
 - (2) early retirement costs;
 - (3) social security costs;
 - (4) contributions to pension schemes;
 - (5) payments for unfunded pensions;
 - (6) other pension costs;
 - (7) amounts recoverable for employees on secondment or loan to other organisations.
- (The above analysis shall be given separately for the following categories:
- (I) employed directly by the Authority and the group;
 - (II) staff on secondment or loan to the Authority and the group, agency staff and temporary staff;
 - (III) employee costs that have been capitalised); (i) an analysis of liquid resources, as defined by accounting standards, identifying any amount for which the use of funds by the Authority or the group is restricted to specific functions;
 - (i) an analysis of liquid resources, as defined by accounting standards, identifying any amount for which the use of funds by the Authority or the group is restricted to specific functions;
 - (j) in the note on debtors, the amounts for prepayments, payments on account and amounts due from the franchisee in Scotland in respect of the franchise agreement, shall each be identified separately;
 - (k) in the note on creditors, amounts due to the franchisee in Scotland in respect of the franchise agreement shall be identified separately;
- (l) particulars of indebtedness to government departments and Scottish Ministers, including details of repayment terms, maturity dates and interest rates;
 - (m) a statement showing the movements during the year on long term loans given by the Authority and the group, and on current asset investments held by the Authority and the group;
 - (n) a statement of outstanding commitments for loans granted and for committed lending in future periods;
 - (o) a statement of losses and special payments during the year, being transactions of a type which parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100,000, with separate disclosure and particulars of any individual amounts in excess of £100,000. Disclosure shall also be made of any loss or special payment of £100,000 and below if it is considered material in the context of the group's operations;
 - (p) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Authority or the group), between the Authority or the group and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
 - (i) transactions and balances of £5,000 and below are not material;
 - (ii) parties related to board members and key managers are as notified to the Authority by each individual board member or key manager;
 - (iii) the following are related parties:
 - (1) group subsidiary and associate undertakings (except where the group owns or controls 90% or more of the undertaking);
 - (2) pensions funds for the benefit of employees of the Authority or the group (although there is no requirement to disclose details of contributions to such funds);
 - (3) board members and key managers of the SRA;
 - (4) members of the close family of board members and key managers of the SRA;
 - (5) companies in which a board member or a key manager of the SRA is a director;
 - (6) partnerships and joint ventures in which a board member or a key manager of the SRA is a partner or venturer;
 - (7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager of the SRA is a trustee or committee member;
 - (8) companies, and subsidiaries of companies, in which a board member or a key manager of the SRA has a controlling interest;
 - (9) settlements in which a board member or a key manager of the SRA is a settlor or beneficiary;
 - (10) companies, and subsidiaries of companies, in which a Member of the close family of a board member or of a key manager of the SRA has a controlling interest;
 - (11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager of the SRA is a partner or venturer;

(12) settlements in which a member of the close family of a board member or of a key manager of the SRA is a settler or beneficiary;

(13) the Department for Transport, as the sponsor department. For the purposes of this sub-paragraph:

(i) A key manager is as defined in sub-paragraph 3(e), above;

(ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children; and

(iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

Note on sub-paragraphs 3(e), 3(f), 3(g) and 3(p): under the Data Protection Act 1998 and the Human Rights Act 1998, the reporting entity needs to obtain consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, or if for any other reason information is not available, this shall be stated in the note.

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