

**Company Registration No. 3937800**

**Railway Safety**

**(a company limited by guarantee)  
Report and Financial Statements**

**31 March 2005**



# **Railway Safety**

## **Report and financial statements 2005**

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# **Railway Safety**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

P Duff

A Litherland

I Thompson

#### **Secretary**

L Crawford

#### **Registered office**

40 Melton Street

London

NW1 2EE

#### **Bankers**

HSBC Bank plc

100 Old Broad Street

London

EC2N 1BG

#### **Solicitors**

Simmons and Simmons

21 Wilson Street

London

EC2M 2TX

#### **Auditors**

Deloitte & Touche LLP

Chartered Accountants

London

# **Railway Safety**

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 March 2005.

### **Principal activity and future prospects**

At midnight on 31 March 2003, Railway Safety transferred all items except current assets and current liabilities under section 2.1(A) of the Business Transfer Agreement ("BTA") to the Rail Safety and Standards Board Ltd ("RSSB") for £1.

Railway Safety ceased trading from this date, but has been kept in existence in order to deal with any insurance claims which may result from the period to 31 March 2003. The directors do not anticipate any change in the company's activities in 2005.

### **Dividends and transfers to reserves**

The company is a not for profit organisation and therefore the directors are not recommending a dividend. The result for the year to be transferred to reserves is £nil (2003/04: £nil).

### **Directors and their interests**

The following executive directors all served throughout the year:

I Thompson  
A Litherland  
P Duff

No directors at 31 March 2005 had any interest in any group companies.

### **Auditors**

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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



L Crawford  
Secretary

18 July 2005

## **Railway Safety**

### **Statement of directors' responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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 Railway Safety**

We have audited the financial statements of Railway Safety for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes 1 to 11. 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

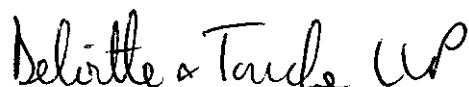
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

18 July 2005

## Railway Safety

### Profit and loss account Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Operating loss	2	-	(18)
Tax credit on loss on ordinary activities	4	-	18
Retained result		-	-

There are no recognised gains and losses for the current or preceding year other than those shown above. Consequently no statement of total recognised gains and losses is presented.

All transactions in both the current and prior year are attributable to discontinued operations.

## Railway Safety

### Balance sheet 31 March 2005

	Note	2005 £'000	2004 £'000
<b>Current assets</b>			
Debtors	5	5,337	5,510
Cash at bank and in hand		-	129
		<u>5,337</u>	<u>5,639</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(5,337)</u>	<u>(5,639)</u>
<b>Net current liabilities</b>		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Profit and loss account		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

These financial statements were approved by the Board of Directors on 18 July 2005.

Signed on behalf of the Board of Directors



P Duff  
Director



## **Railway Safety**

### **Cash flow statement Year ended 31 March 2005**

	<b>Note</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Operating activities</b>			
Net cash outflow from operating activities	8	(129)	(1,080)
<b>Taxation paid</b>		-	(20)
<b>Decrease in cash</b>	9,10	(129)	(1,100)

# Railway Safety

## Notes to the accounts Year ended 31 March 2005

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies are consistent with those adopted in the prior year and are described below:

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Turnover

Turnover represents amounts derived from the provision of safety related manuals to the rail industry and auditing of vehicle acceptance bodies net of value added tax. Under Licence Condition 6 Railway Safety is allowed to recover the reasonable costs of providing goods and services to third parties.

#### Deferred Taxation

Deferred tax 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 accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net 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 timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### 2. Operating loss

	2005 £'000	2004 £'000
Other operating income	-	(18)

Other operating income represents the reversal of amounts directly contributed by Network Rail Infrastructure Limited for the operation of Railway Safety.

The audit fee for both the current and prior year has been borne by another group company.

## Railway Safety

### Notes to the accounts Year ended 31 March 2005

#### 3. Directors' emoluments and staff costs

	2005 £'000	2004 £'000
Total directors' emoluments	-	-

The executive directors and other staff of Railway Safety were employed by Network Rail Infrastructure Limited and seconded to Railway Safety up until 31 March 2003. The costs of their employment were charged to Railway Safety up until that date. The directors received no remuneration for their services to Railway Safety in the year ended 31 March 2005 (2003/04: £nil). There were no employees in either in the current or prior year.

#### 4. Tax credit on loss on ordinary activities

	2005 £'000	2004 £'000
Analysis of credit in year		
<i>Current UK corporation tax at 30%</i>		
Adjustment in respect of prior years	-	(18)
Total current tax credit for the year	-	(18)
Total tax credit for the year	-	(18)

## Railway Safety

### Notes to the accounts Year ended 31 March 2005

The tax credit for the prior year was lower than that resulting from applying the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	-	(18)
Tax credit on loss on ordinary activities at standard rate of 30%	-	(5)
Factors affecting the charge:		
Permanent differences	-	5
Adjustment in respect of prior years	-	(18)
Current tax credit for the year	-	(18)

#### 5. Debtors

	2005 £'000	2004 £'000
Trade debtor – Network Rail Infrastructure Limited	5,337	5,510

#### 6. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Surplus income repayable to Network Rail Limited	5,337	5,337
Corporation tax	-	302
	5,337	5,639

#### 7. Related party transactions

During the year the following related party transactions took place:

Network Rail Infrastructure Limited settled the company's corporation tax liability of £302,000.

At 31 March 2005, the company had deferred income of £5,337,000 (2004: £5,337,000) (note 6) from Network Rail Limited.

At 31 March 2005, the company was owed £5,337,000 (2004: £5,510,000) by Network Rail Infrastructure Limited (note 5), which is the sole member of the company.

## Railway Safety

### Notes to the accounts Year ended 31 March 2005

#### 8. Reconciliation of operating loss to net cash outflow from operating activities

	2005 £'000	2004 £'000
Operating loss	-	(18)
(Increase)/decrease in debtors	(129)	21,604
Decrease in creditors	-	(22,666)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(129)</b>	<b>(1,080)</b>

#### 9. Analysis of net funds

	2004 £'000	Cash flows £'000	2005 £'000
Cash at bank and in hand	129	(129)	-

#### 10. Reconciliation of net cashflow to movement in net funds

	2005 £'000	2004 £'000
Decrease in cash in year	(129)	(1,100)
Opening funds	129	1,229
<b>Closing funds</b>	<b>-</b>	<b>129</b>

#### 11. Ultimate parent company and controlling entity

The Company is limited by guarantee with Network Rail Infrastructure Limited the sole member of the Company. The liability of the member is limited with the member undertaking to contribute up to £1 to the Company's assets in case of the Company being wound up.

Under the terms of the Tripartite Agreement between the company, Railtrack Group PLC and Railtrack PLC, dated 22 December 2000, updated for the advent of Network Rail, Network Rail Limited is responsible for the appointment of directors of the company and therefore the company is the legal subsidiary of Network Rail Limited.

However, appointment can only be made after consultation with the Rail Regulator and the railway industry. In addition the majority of the company's income arises from track access charges via Network Rail Infrastructure Limited which is a subsidiary of Network Rail Limited, and no benefit flows to Network Rail Limited as a result of Railway Safety's activities. Accordingly, severe long-term restrictions hinder the ability of Network Rail Limited to exercise rights over Railway Safety, with the result that Network Rail Limited is prevented from controlling the company and therefore does not consolidate Railway Safety within its group accounts.