

FINANCIAL STATEMENTS

**FOR THE RAIL SAFETY AND
STANDARDS BOARD LIMITED**

YEAR ENDED 31 MARCH 2006

COMPANY NO. 04655675

RAIL SAFETY AND STANDARDS BOARD LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2006

Company registration number:	04655675
Registered office:	Evergreen House 160 Euston Road London NW1 2DX
Directors:	Lord Tunncliffe (non-executive chairman) Len Porter (chief executive) Stuart Boner (non-executive) Jeremy Candfield (non-executive) Iain Coucher (non-executive) Professor Tom Cox (non-executive) Sir Frank Davies (non-executive) Tim Gilbert (non-executive) Peter Hutchinson (non-executive) Anson Jack (executive) Aidan Nelson (executive) Richard Profit (non-executive) Adrian Shooter (non-executive) Paul Thomas (non-executive)
Secretary:	John Bradley
Bankers:	HSBC 100 Old Broad Street London EC2N 1BG
Solicitors:	Winckworth Sherwood 35 Great Peter Street London SW1P 3LR
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP

RAIL SAFETY AND STANDARDS BOARD LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2006

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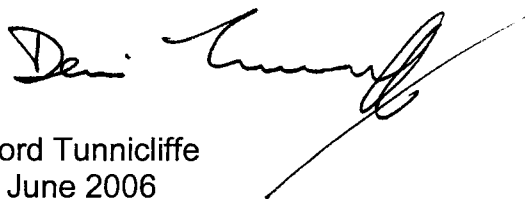
RAIL SAFETY AND STANDARDS BOARD LIMITED

CHAIRMAN'S STATEMENT

I am delighted to introduce Rail Safety and Standards Board (RSSB)'s financial statements for the year to 31 March 2006.

This year marks the end of the 3-year transitional period where RSSB's budget was funded by the Strategic Rail Authority and approved by the Office of Rail Regulation.

From the year beginning 1 April 2006 onwards, RSSB is funded by a levy on its membership against a budget approved by the Members in general meeting. The Research & Development (R&D) function will be directly funded by the Department for Transport in 2006-07.



Lord Tunncliffe
1 June 2006

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2006.

Principal activity

Rail Safety and Standards Board builds industry-wide consensus and facilitates the resolution of difficult cross-industry issues. The company provides; knowledge, analysis, a substantial level of technical expertise, powerful information and risk management tools. This delivers a unique mix to the industry across a whole range of subject areas.

The principal activity of the company is working with industry partners to:

- Continuously improve the level of safety in the rail industry.
- Drive out unnecessary cost, and
- Improve business performance.

RSSB will do this at the same time as seeking to continuously drive down its own costs whilst striving to deliver better value for money to its Members (a list of whom is available on the RSSB website).

Business review

During the year RSSB published a 3-year business plan covering the period from 1 April 2006 to 31 March 2009, which was approved by the Members in general meeting. The plan sets out the activities to be undertaken by the company and the resources required to deliver these. The company will report progress against these objectives.

The budget for 2006-07 for the company was also approved by the Members in general meeting and a letter of comfort was received from the Department for Transport agreeing a further year's funding for the R&D function.

A series of changes to the Constitution Agreement were approved by the Members in general meeting on 14 December 2005 and hence in future years the RSSB budget will be approved by the Board.

RSSB made charitable donations totalling £2,507 through the matched fundraising scheme which allows money raised by staff for a registered charity through sponsored or fundraising events or activities to be matched by the company.

The budgeted expenditure approved for 2005-06 was £37.7m. Funding of £32.9m was received for this budget to reduce reserves. The overall result for the year was a surplus of £230k against this funding.

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

The budgeted expenditure approved for 2006-07 for the core of the company is £19.9m. Members will pay subscriptions of £17.9m against this budget so it is anticipated that the company will record a deficit in the year compared to funding.

Result for the year

The directors consider both the result for the year and the year-end financial position to be satisfactory.

Directors

The membership of the Board is set out below.

Lord Tunnicliffe is RSSB's non-executive chairman.

The executive directors are:

- Len Porter, chief executive
- Aidan Nelson, director, Policy & Strategic Initiatives
- Anson Jack, director, Standards

RSSB's industry nominated non-executive directors are:

- Tim Gilbert, engineering director of Porterbrook Leasing Company Limited
- Iain Coucher, deputy chief executive of Network Rail
- Jeremy Candfield, director general of the Rail Industry Association (appointed 1 April 2006)
- Adrian Shooter, chairman of Chiltern Railways
- Stuart Boner, engineering director, English, Welsh & Scottish Railways Ltd (appointed 21 September 2005)
- Peter Hutchinson, managing director, Balfour Beatty Rail Ltd (appointed 21 September 2005)

RSSB's independent non-executive directors are:

- Professor Tom Cox, professor of organisational psychology at the University of Nottingham (current appointment expires 31 March 2007)
- Sir Frank Davies, former chairman, Health and Safety Commission (appointment expired 31 March 2006, reappointed until 31 March 2008)
- Richard Profit, former group director of Safety Regulation for the Civil Aviation Authority (current appointment expires 31 March 2007)
- Paul Thomas, director of Environment, Health, Safety & Quality, British Nuclear Fuels Ltd (appointed 14 October 2005 for a three-year term)

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

Other Directors who served during the year are:

- Allen Johnson chief operating office of English, Welsh & Scottish Railway Ltd (resigned 1 June 2005)
- Dr John Penney, independent railway consultant (appointment expired 31 March 2006)
- Robert Andrews, director of safety development, Strategic Rail Authority (resigned effective 14 July 2005)
- Andrew Rose, chief operating office of Balfour Beatty Rail Limited (resigned effective 5 May 2005)
- David Waboso, executive director (technical) of the Strategic Rail Authority (resigned effective 4 April 2005)

Risk Management

The process of corporate risk management is that the executive directors of RSSB meet annually in a workshop facilitated by the Chief Executive's Office to review the existing corporate risk log and to incorporate appropriate changes.

All areas of corporate risk are considered, including reputation, technical competence, financial, staff retention, leadership, the influence of emerging legislation, the validity of Railway Group Standards, IT and corporate memory, data accuracy, effectiveness of Research & Development, funding and insurance. Each area of risk is recorded in a risk log.

Existing and new controls that mitigate each risk area are considered to ensure that the residual risk is minimized, and assessed in terms of likelihood and consequence. Both likelihood and consequence are scored on a scale of one to five for each risk area, and the scores are added so that the risk areas can be ranked in terms of their significance. The most significant risk areas are identified for special consideration.

The results of this review are summarised in papers that are submitted to the Audit Committee and to the RSSB Board. Any changes deemed necessary following discussions at these meetings are introduced into the risk log. Should any new or enlarged risk arise during the intervening period the director level workshop is re-convened. The controls are reviewed frequently to ensure they are operating effectively to keep levels of risk as low as possible.

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

Health and safety

It is the directors' intention that the company will adopt good practice health and safety standards for its own staff, contractors and visitors to its premises.

RSSB complies with legislation by conducting business in a manner that demonstrates proper consideration for safety and health, hygiene and fire prevention. RSSB has a clearly stated policy that sets out the objectives, organisation structure and arrangements for safety.

RSSB identifies potential hazards and puts in place systems to control risks to as low a level as is reasonably practicable.

RSSB is committed to achieving continuous improvement in the prevention of personal injury, ill health and fatalities to staff, contractors and visitors. This is achieved by providing safe and hygienic accommodation and by implementing systems to ensure that the safety of staff, when working away from RSSB premises, is as high as is reasonably practicable.

RSSB regularly monitors managers' performance against their objectives and annually reviews the RSSB health and safety policy statement.

Where it is essential, staff have the safety competency to perform their jobs; to this end RSSB ensures that appropriate safety training is provided.

All employees have a responsibility to take care of their own safety, and, by setting a good example by their own approach, to encourage good practice throughout the industry. RSSB encourages and welcomes suggestions from staff and contractors that will assist the company in improving its management of health and safety.

In addition the company seeks to ensure the personal safety of its staff during emergencies and so maintains a set of policies covering business continuity and disaster recovery.

Corporate governance

The Board considers that good corporate governance is central to achieving the company's objectives and safeguarding stakeholder interests. The company is also committed to the highest standards of business behaviour.

The Constitution Agreement requires the Board to appoint and maintain an Audit Committee, a Remuneration Committee and an Appointments Committee having the membership and duties as set out below.

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

Audit Committee

The membership of the Audit Committee consists of five non-executive directors of the company. The Audit Committee reviews the accounting policies and procedures of the company, its internal financial control systems and its compliance with statutory requirements and may also consider any matter raised by the company's external auditors.

Membership of the Audit Committee is as follows:

- Peter Hutchinson (chairman) *
- Professor Tom Cox *
- Paul Thomas *
- Tim Gilbert *
- Richard Profit

* all appointed on 9 March 2006 .

Other directors who served on the Audit Committee in the year were;

- Dr John Penney
- Sir Frank Davies
- Iain Coucher

All of whom stood down on 9 March 2006.

Remuneration Committee

The membership of the Remuneration Committee consists of five non-executive directors of the company (a majority of whom are non-industry directors). The Remuneration Committee considers and makes recommendations to the Board on the remuneration of all executive directors of the company and all senior employees of the company who are not directors and whose annual base salary (excluding employer pension contributions, bonuses, travel expenses, car allowances and other benefits in kind) is in excess of £100,000 per annum.

Membership of the Remuneration Committee is as follows:

- Richard Profit (chairman)
- Professor Tom Cox
- Adrian Shooter
- Lord Tunnicliffe
- Sir Frank Davies (appointed 1 June 2005)

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

Other directors who served during the year are;

- Allen Johnson (resigned 1 June 2005)

Appointments Committee

The membership of the Appointments Committee consists of five non-executive directors of the company. The Appointments Committee considers and makes recommendations to the Board on the appointment of all directors of the company (other than industry directors) and all senior employees of the company who will not be directors and whose annual base salary (excluding employer pension contributions, bonuses, travel expenses, car allowances and other benefits in kind) will be in excess of £100,000 per annum.

Membership of the Appointments Committee is as follows:

- Lord Tunnicliffe (chairman)
- Sir Frank Davies
- Tim Gilbert
- Iain Coucher (appointed 4 May 2005)
- Richard Profit (appointed 4 May 2005)

The Audit Committee meets regularly and the Remuneration and Appointments Committees meet as required. All Committees report to the Board.

Financial instruments

RSSB seeks to minimise its financial risk and so does not use any complex financial instruments. The cash balance is held with HSBC and the investment income is earned through HSBC placements on the money market. No other treasury activity is undertaken.

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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, subject to any material departures disclosed and explained in the financial statements

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- There is no relevant audit information of which the company's auditors are unaware.
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information, and
- To establish that the auditors are aware of that information.

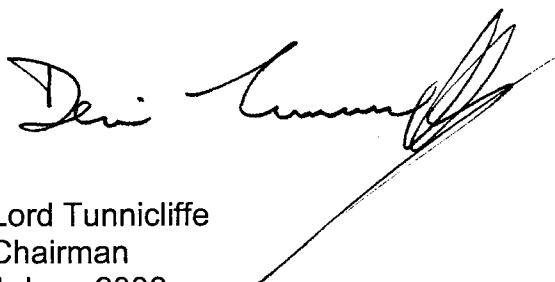
The maintenance and integrity of the Rail Safety & Standards Board Ltd website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP were reappointed auditors at the Annual General Meeting held on 13 October 2005. Special notice pursuant to Section 388(3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting to be held on 29 June 2006.

BY ORDER OF THE BOARD



Lord Tunnicliffe
Chairman
1 June 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RAIL SAFETY AND STANDARDS BOARD LIMITED**

We have audited the financial statements of Rail Safety and Standards Board Limited for the year ended 31 March 2006 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and notes 1 to 18. 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 Directors' Report and the financial statements in accordance with United Kingdom law and 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, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Chairman's Statement and Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RAIL SAFETY AND STANDARDS BOARD LIMITED

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Chairman's Statement and the Directors' Report is consistent with the financial statements for the year ended 31 March 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London
1 June 2006

RAIL SAFETY AND STANDARDS BOARD LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

As an undertaking trading not-for-profit the company has prepared an income and expenditure account in accordance with S262 (2) of the Companies Act 1985.

The Constitution Agreement of the company sets out the funding arrangements.

The principal accounting policies, which are unchanged, are set out below.

INCOME

Income from third parties is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. In addition RSSB provides services such as the work on New Systems, Vehicle Acceptance Bodies and other technical work. This income is recognised in line with the costs incurred.

Funding is amounts receivable from the SRA (replaced by the Department for Transport) via Network Rail and this is shown separately.

EXPENDITURE

In accordance with the VAT agreement with HM Customs & Excise, expenditure is shown including the irrecoverable element of VAT.

The Constitution Agreement mandates RSSB, in consultation with its Members, representatives of other stakeholders, the Health & Safety Executive and the SRA (replaced by the Department for Transport) and within the constraints imposed by funding available to develop and implement a programme of health and safety related research and development.

This research and development expenditure is charged to the income and expenditure account in the period in which it is incurred.

RAIL SAFETY AND STANDARDS BOARD LIMITED

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS AND DEPRECIATION

Expenditure on fixed assets in excess of £5,000 is capitalised and then depreciated over their expected future economic life. Items under £5,000 are charged through the income and expenditure account in the period in which the expenditure is incurred. However where the asset is a minor part of larger infrastructure which has not been capitalised then it is also charged to the income and expenditure account in full.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Information technology	Five years on a straight-line basis
Desktop and laptop computers	Three years on a straight line basis
Plant and machinery	Five years on a straight-line basis
Fixtures and fittings	Five years on a straight-line basis
Motor vehicles	Four years on a straight-line basis

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

RAIL SAFETY AND STANDARDS BOARD LIMITED

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFIT SCHEMES

Defined contribution scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The company has adopted the full provisions of FRS 17 Retirement Benefits. Scheme assets are measured at 'fair values'. Scheme liabilities are measured on an actuarial basis using the 'projected unit' method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

RAIL SAFETY AND STANDARDS BOARD LIMITED**INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Income	1	33,881	43,547
Operating expenses		(34,520)	(33,974)
Operating (deficit)/surplus		(639)	9,573
Interest receivable		806	524
Other finance income	2	270	160
Surplus on ordinary activities before taxation	1	437	10,257
Tax on surplus on ordinary activities	4	(207)	(135)
Surplus on ordinary activities after taxation, retained and transferred to reserves	9	230	10,122

All transactions arise from continuing operations.

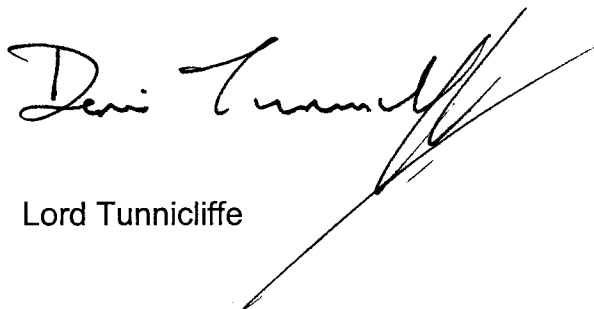
The accompanying accounting policies and notes form an integral part of these financial statements.

RAIL SAFETY AND STANDARDS BOARD LIMITED

BALANCE SHEET AS AT 31 MARCH 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed Assets			
Tangible fixed assets	5	-	-
Current assets			
Debtors	6	5,579	903
Cash at bank and in hand		21,338	20,123
		<u>26,917</u>	<u>21,026</u>
Creditors: amounts falling due within one year	7	<u>(12,024)</u>	<u>(5,403)</u>
Net current assets		14,893	15,623
Provisions for liabilities and charges	8	-	(340)
Net assets excluding pension liability		14,893	15,283
Pension liability	15	<u>(1,950)</u>	<u>(690)</u>
Net Assets		<u>12,943</u>	<u>14,593</u>
Reserves			
Income and expenditure account	9	12,943	14,593
		<u>12,943</u>	<u>14,593</u>

The financial statements were approved by the Board of Directors on 1 June 2006


Lord Tunnicliffe


Len Porter

The accompanying accounting policies and notes form an integral part of these financial statements.

RAIL SAFETY AND STANDARDS BOARD LIMITED**CASH FLOW STATEMENT**

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash inflow from operating activities	10	539	16,303
Taxation			
UK Corporation tax paid		(130)	(50)
Returns on investments and servicing of finance		806	524
Increase in cash	11/12	<u>1,215</u>	<u>16,777</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

RAIL SAFETY AND STANDARDS BOARD LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2006

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Surplus for the year	230	10,122
Gain on pension assets	2,260	580
Experience (loss) on pension liabilities	(1,050)	(240)
(Loss) on change in pension assumptions	(3,090)	(250)
Total (loss)/gain recognised before adjustment for tax	(1,650)	10,212
Prior year adjustment		(1,070)
		9,142

The accompanying accounting policies and notes form an integral part of these financial statements.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

1 INCOME AND SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

The income and surplus on ordinary activities before taxation is attributable to:

	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
Funding	32,900	40,400
Income from New Systems	645	2,699
Books and publications	60	166
Conferences	138	107
Other income	138	175
	<u>33,881</u>	<u>43,547</u>

All income arose from UK operations.

The surplus on ordinary activities before taxation of £437k (2005: £10.257k) is stated after charging

	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
Auditors' remuneration:		
Audit services	25	27
Non-audit services	41	19
Hire of plant and machinery under operating leases	2	2
Property	771	795
Other operating lease rentals	24	18
	<u> </u>	<u> </u>

2 OTHER FINANCE INCOME

Analysis of the amount charged to other finance income

	Year ended 31 March 2006	Year ended 31 March 2005
	£000	£000
Interest on pension liabilities	(860)	(730)
Expected return on pension assets	1,130	890
Net credit to other finance income	<u>270</u>	<u>160</u>

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Wages and salaries	8,650	9,579
Social security costs	798	887
Other pension costs	943	890
	<u>10,391</u>	<u>11,356</u>

The average number of employees of the company during the year to 31 March 2006

	2006 Number	2005 Number
Staff employed	<u>173</u>	<u>164</u>

Remuneration in respect of directors was as follows:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Emoluments	879	1,076
Pension contributions to money purchase pension schemes	8	10
Pension contributions to defined benefit pension schemes	46	49
	<u>933</u>	<u>1,135</u>

During the period three directors participated in defined benefit pension schemes and one director participated in money purchase pension schemes.

The non-executive directors receive fees (which in 9 cases were paid to their primary employers) and do not receive any other remuneration. Amounts paid to third parties on behalf of non-executive directors totalled £133k.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Emoluments	245	243
Pension contributions to defined benefit pension schemes	13	13
	<u>258</u>	<u>256</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the surplus for the period and represents

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
UK Corporation tax at 30%	212	135
Adjustments in respect of prior years	(5)	-
Total current tax charge	<u>207</u>	<u>135</u>

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 30%. The differences are explained as follows;

Effect of:

Surplus on ordinary activities before tax	<u>437</u>	<u>10,257</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30%	131	3,077
Adjustment for income/(deficit) from not-for-profit activities	111	(2,920)
Adjustment for differences in tax rates	(35)	(22)
Current tax charge for period	<u>207</u>	<u>135</u>

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

5 TANGIBLE FIXED ASSETS

There were no additions to fixed assets in the year ended 31 March 2006 (year ended 31 March 2005; nil).

6 DEBTORS

	31 March 2006 £'000	31 March 2005 £'000
Trade debtors	4,548	500
VAT debtor	176	77
Other debtors	75	94
Prepayments and accrued income	780	232
	<u>5,579</u>	<u>903</u>

Trade debtors is amounts receivable in funding from Network Rail and the SRA for additional activities undertaken in the period and Member subscriptions for 2006-07 which were invoiced before 31 March 2006.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2006 £'000	31 March 2005 £'000
Trade creditors	1,159	445
Corporation tax	212	135
Other taxation and social security	-	216
Other creditors	6,011	953
Accruals	4,642	3,654
	<u>12,024</u>	<u>5,403</u>

Included in the other creditors are Membership subscriptions for 2006-07 and amounts totalling £1,059k held by RSSB on behalf of third parties.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

These third party amounts are as follows:

Name	31 March	31 March
	2006	2005
	£'000	£'000
CIRAS funding	611	304
System Interface Committees	389	433
Yellow book	59	55
	<u>1,059</u>	<u>792</u>

8 PROVISIONS FOR LIABILITIES AND CHARGES

The provision was for restructuring costs in 2004-05 was as a result of the Standards Review in 2005.

9 RESERVES

The surplus on ordinary activities retained in reserves is to be allocated as follows:

	Income account £'000
At 1 April 2005	14,593
Surplus on ordinary activities after tax	230
Gain on pension assets	2,260
Experience loss on pension liabilities	(1,050)
Loss on change in pension assumptions	(3,090)
Retained reserves carried forward	<u>12,943</u>

RAIL SAFETY AND STANDARDS BOARD LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 March 2006

10 NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 March 2006 £'000	31 March 2005 £'000
Operating (deficit)/surplus	(639)	9,573
(Increase)/decrease in debtors	(4,675)	6,841
Increase /(decrease) in creditors	6,543	(321)
Difference between pension charge and cash contributions	(350)	(130)
(Decrease)/Increase in provisions	(340)	340
Net cash inflow from operating activities	<u>539</u>	<u>16,303</u>

11 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	31 March 2006 £'000	31 March 2005 £'000
Increase in cash in the year/period	1,215	16,777
Net funds at 1 April	<u>20,123</u>	<u>3,346</u>
Net funds at 31 March	<u>21,338</u>	<u>20,123</u>

12 ANALYSIS OF CHANGES IN NET FUNDS

	31 March 2005 £'000	Cash flow £'000	31 March 2006 £'000
Cash in hand	<u>20,123</u>	<u>1,215</u>	<u>21,338</u>

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2006 and at 31 March 2005.

14 CONTINGENT ASSETS/LIABILITIES

There were no contingent liabilities at 31 March 2006 and at 31 March 2005.

15 RETIREMENT BENEFIT SCHEMES

Information about the Scheme

- Defined Benefit. The Rail Safety and Standards Board Section is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme.
- The last full actuarial valuation upon which the FRS17 figures have been based was 31 December 2004.
- Employer contributions for the period ending 31 March 2006 were 14.25% of Section Pay. A lump sum contribution of £307,100 was paid in March 2006. The rate of 14.25% of Section Pay is expected to continue until 31 December 2008 when the employer contribution rate would have reverted to 60% of the long-term joint contribution rate of 22.1% of Section Pay (based on the 2001 formal valuation). Contributions are currently under review following the actuarial valuation as at 31 December 2004, and a revised contribution pattern must be agreed by 30 June 2006.
- The Section is open to new members.
- The calculation was based upon asset values at 28 February 2006 and adjusted for contributions paid in March 2006.

Financial assumptions

The assumptions provided and used by the actuaries are set out in the table below.

	31 March 2006 % pa	31 March 2005 % pa
Inflation	2.9	2.7
Rate of increase in salaries *	4.4	4.2
Rate of increase in pensions in payment	2.9	2.7
Rate of increase in deferred pensioners	2.9	2.7
Discount rate	5.0	5.4

* plus 0.75% pa promotional salary scale

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

Fair value of assets and expected rate of return

	31 March 2006		31 March 2005	
	Fair value £000	Expected rate of return % p.a.	Fair value £000	Expected rate of return % p.a.
Equities	25,950	8.0	18,880	8.0
Bonds	3,160	4.4	2,310	5.1
Property	2,510	6.2	1,680	6.6
Other	480	3.9	280	3.7
Total	32,100	7.4	23,150	7.6

Components of defined benefit cost of the year ended 31 March 2006 (2005: year ended 31 March 2005)

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Current service cost	(1,070)	(960)
Total charged to operating profit	(1,070)	(960)
Analysis of the amount charged to other finance income:		
Interest on section liabilities	(860)	(730)
Expected return on section assets	1,130	890
Net other finance income	270	160
Analysis of the amounts recognised in the Statement of Recognised Gains and Losses (STRGL)		
Gain on assets	2,260	580
Experience loss on liabilities	(1,050)	(240)
Loss on change of assumptions	(3,090)	(250)
Total gain/(loss) recognised in STGRL	(1,880)	90

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

Experience gains and losses

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Gain/(loss) on Section assets		
Amount	2,260	580
% of Section assets at the end of the period	7%	3%
Experience loss on Section liabilities		
Amount	(1,050)	(240)
% of Section liabilities at the end of the period	3%	1%
Total actuarial gain/(loss) recognised in Statement of recognised gains and losses		
Amount	1,880	90
% of Section liabilities at the end of period	6%	-

Reconciliation to the balance sheet

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Actuarial valuation of section liabilities	(35,350)	(24,300)
Members' share of deficit	1,300	460
Adjusted value of section liabilities	(34,050)	(23,840)
Fair value of section assets	32,100	23,150
Pension scheme liability to be recognised in the balance sheet	(1,950)	(690)

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

Analysis of the movement in the surplus/(deficit) in the Section during the period

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Deficit in the Section at the beginning of the year	(690)	(1,070)
Own contributions paid	1,420	1,090
Current service cost	(1,070)	(960)
Other finance income/(charge)	270	160
Actuarial (loss)/gain	(1,880)	90
Deficit in the Section at the end of the year	(1,950)	(690)

* the section commenced on 1 April 2003 with no assets and no liabilities

16 LEASING COMMITMENTS

Operating lease payments amounting to £802k are due within one year (31 March 2005; £789k). The leases to which these amounts relate expire as follows:

	Year ended 31 March 2006		Year ended 31 March 2005	
	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000
In one year or less	-	-	6	771
Between one and five years	7	795	12	-
	7	795	18	771

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

17 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The funding for RSSB for 2005-06 was agreed by the Office of Rail Regulation and was paid by the SRA (superseded by the DfT) via train operators and Network Rail Infrastructure Ltd. However the Constitution Agreement of RSSB requires it to be independent of any one Member. In the directors' opinion there are no related parties for this purpose.

18 ULTIMATE PARENT UNDERTAKING

RSSB is a not-for-profit company. The company is limited by guarantee and is governed by its Members, a Board and advised by an Advisory Committee. It is independent of any single railway company and of their commercial interests.