

GROUP FINANCIAL
STATEMENTS

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

YEAR ENDED 31 MARCH 2014

COMPANY NO. 04655675

RAIL SAFETY AND STANDARDS BOARD LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2014

Company registration
number: 04655675

Registered office: Block 2, Angel Square
1 Torrens Street
London EC1V 1NY

Directors: Paul Thomas CB (Non-executive Chairman)
Len Porter (Chief Executive - resigned 31st March 2014)
Chris Fenton (Chief Executive Designate from 6th January
2014, Chief Executive from 8th March 2014)
Anson Jack (Executive)

Jeremy Candfield (Non-executive)
Neil McDonald (Non-executive)
Paul Kirk (Non-executive)
Malcolm Brown (Non-executive)
Alan Emery (Non-executive)
Charles Horton (Non-executive)
Gareth Llewellyn (Non-executive)
Steve Murphy (Non-executive) from 11th November 2013
Tony Collins (Non-executive) resigned 8th October 2013
David Higgins (Non-executive) resigned 28th February 2014

Secretary: Elizabeth Fleming

Bankers: HSBC
100 Old Broad Street
London EC2N 1BG

Solicitors: Winckworth Sherwood
Solicitors and Parliamentary Agents
Minerva House
5 Montague Close
London
SE1 9BB

Auditors: UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

RAIL SAFETY AND STANDARDS BOARD LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2014

INDEX	PAGE
Strategic Report	2 - 16
Report of the Directors	17 – 20
Report of the independent auditors	21 - 22
Principal accounting policies	23 - 25
Consolidated Income and expenditure account	26
Balance sheets	27
Cash flow statement	28
Statement of recognised gains and losses	29
Notes to the financial statements	30 - 47

RAIL SAFETY AND STANDARDS BOARD LIMITED

STRATEGIC REPORT

For the year ended 31 March 2014

Principal activity

The principal activity of RSSB is to help the industry understand risk, guide standards, manage research, development and innovation and collaborate to improve.

The rail industry in Britain is made up of many different organisations, but they all form a system and share a common purpose, to move people and freight safely and efficiently by rail. RSSB brings all parts of this system together to support shared decisions, products and services, to help industry drive out unnecessary cost, improve business performance and develop long-term strategy.

Our activities involve:

- **Understanding risk** – Using safety intelligence from across the rail industry and elsewhere with the latest risk modelling to inform members and support safe decision making.
- **Guiding standards** – Creating, reviewing and simplifying GB standards to align with European requirements; managing the Rule Book and making it easier for the railway to deliver efficiently and safely.
- **Managing research, development and innovation** – Undertaking, commissioning and managing research and innovation programmes to address current needs, provide knowledge for decision making now and for the future, and promoting step changes to deliver the Rail Technical Strategy.
- **Collaborating to improve** – As an independent cross-industry body with a critical mass of technical expertise, supporting activities which require collaboration. These range from supplier assurance schemes (RISQS, RISAS) to confidential reporting (CIRAS), from health and wellbeing strategies to sustainability principles.

The principal activity of the subsidiary company, Railways Documentation and Drawing Services Limited (RDDS), is to act as custodian of the library of the British Railways Board's Traction and Rolling Stock drawings and documents and to provide copies of such to persons and organisations entitled to receive them.

Business Review

- **Introduction**

In April 2013, RSSB marked 10 years serving the rail industry. In that time it has provided information and knowledge that have helped underpin some of the mainline railway's most sensitive safety-critical decision making addressing a broad range of risks.

In addition industry's achievements, supported by RSSB, have been based on sharing research and knowledge; smarter standards and rules; and the desire to reduce duplication and red tape.

RSSB is a listening organisation that has helped its members to save time and money in challenging and diverse areas under the leadership of Len Porter.

In 2013, the board was asked to seek a replacement, as Len Porter had decided to retire. The successful candidate announced in September 2013 was Chris Fenton, formerly Director of Marketing and Strategy at Amey, he joined the company in January 2014.

The Railway Technical Strategy (RTS) presents a shared industry vision of a technically enhanced railway for Britain, and outlines the major challenges and opportunities anticipated over the next 30 years. It is designed to support industry decision-making about how the whole system can deliver in the future, and has informed the Industry Strategic Business Plan (ISBP) for Control Period 5 2014-19 published in January 2013.

- **Railway Documentation and Drawing Services Limited**

In September 2013 the Secretary of State for Transport transferred property, rights, and liabilities of the Railway Documentation and Drawing Services Limited to RSSB, following the abolition of British Railways Board Residuary.

- **Strategic Review of RSSB**

The external element of the Strategic Review is coming to an end with RSSB consulting the industry and Regulator on Changes to the Constitution, a five year strategic business plan for 2014 to 2019 and moving to a 5-year funding arrangement for RSSB starting in 2014. At the end of the year, there was significant support for these changes and they were implemented on 1 April 2014.

In parallel, the company executive initiated an internal change process, to build on the feedback from the consultation and to identify opportunities to increase the efficiency and quality of RSSB products and work in support of the membership.

- **Modernising Safety Co-operation**

RSSB has been working with our members to review and develop proposals for the improvement of safety co-operation arrangements between companies at route, multi-route (national operators) and railway system level. Extensive work has been undertaken with the main system safety groups Operations Focus Group (OFG), Community Safety Steering Group (CSSG), and Safety Policy Group (SPG), to determine the complete profile of their activities, sub-groups, projects, products, and services. Toward the end of the year the Board endorsed the industry agreement to migrate all the work of these groups into a new System Safety Risk Group (SSRG) which would take on an overseeing role for the industry in all areas of system safety – reporting to the RSSB Board. The necessary enabling work is underway and the other groups have now been closed down.

- **European Legislation**

RSSB published guidance on safety assurance for GB railways in 2013. This aims to assist members in their continuous improvement of safety management, particularly in achieving cost savings through greater effectiveness, and less reliance on external assessments - ultimately resulting in fewer accidents.

RSSB has developed up to date guidance that takes account of current EU legislation, including ROGS (Derived from the Railway Safety Directive and, the Commission Regulation 352/2009 on the Common Safety Method on Risk Evaluation and Assessment (CSM REA). Research activity has supported the development of guidance and tools to support the management of change in the railway.

RSSB's new practitioner-level guidance for applying the CSM REA was published in the autumn. All of the guidance will be published as Rail Industry Guidance Notes later in 2014.

- **Standards**

- *Governance*

The Railway Group Standards Code (the Code) and the Standards Manual (the Manual) set out the governance arrangements for the management of Railway Group Standards, Rail Industry Standards, and Rail Industry Guidance Notes. These have been revised to reflect the significant changes contained in the amendments to ROGS and the Railways (Interoperability) Regulations 2011, as well as responding to the recommendations for the management of cross-industry standards contained in the ORR review of RSSB. These were published on 2 March 2013 and came into force on 3 June 2013.

- *Train Driver Selection*

A new issue of *RIS-3751-TOM Train Driver Selection* was approved by the Traffic Operations and Management Standards Committee and published in June for implementation by 30 September 2013. This Rail Industry Standard (RIS) specifies a selection process that includes core safety critical selection criteria and recommended methods for assessing these criteria. Selection is now done through an updated and more comprehensive process that is compliant with the requirements of the Train Driving Licences and Certificates Regulations 2010. The new process has been through a rigorous cross-industry evaluation and there is strong statistical evidence to show it is an improvement on the previous process.

- *The New Approach to the Rule Book*

Under the leadership of the RSSB board, the industry completed a four-year project to transform the content and presentation of the rules published in the industry Rule Book (GE/RT8000). The final documents of the project came into force from 7 December 2013.

- **Supporting front line staff**

- *Off the rails - road driving and fatigue*

In response to a spate of accidents involving staff driving to or from worksites, research was carried out which highlighted the issue of fatigue at the wheel. A survey to better understand road driving risk across a representative sample of employers identified 500 road traffic collisions, 100 injuries and five fatalities in one year. These figures, compared to data in the industry's Safety Management Information System (SMIS) for the same period, showed under-reporting.

RED 35 DVD, inspired by real events, examined the issue illustrating vividly how ignoring the effects of fatigue can all too easily result in tragedy for staff, their families, and other road users. Outputs from the research (T997 Managing occupational road risk associated with road vehicle driver fatigue) have included a manager's good practice guide, posters, leaflets, and driver's guides. They were designed to complement the RED DVD. The aim was to support individuals and their managers and raise awareness of the risks.

- *Right Track Magazine*

Four issues of the rail industry's own operational safety learning magazine Right Track sponsored by OFG were published in 2013. It is aimed at all people with operating roles, is posted on Opsweb (www.opsweb.co.uk) and sent out to rail companies.

- *CIRAS*

A comprehensive business review of CIRAS was initiated at the start of 2013 and a number of changes are being progressively introduced including a brand refresh and the CIRAS members' subscription levy and future funding of the scheme.

- **Systems interfaces**

The five system interface committees (SIC), facilitated by RSSB, continue to progress a broad range of research and other initiatives to improve the working of the industry at the interface.

The Vehicle/Train Energy System Interface Committee (V/TE SIC) has worked on the implementation strategy for the Energy Technical Specification for Interoperability (TSI) and commissioned knowledge searches into biofuels, energy risks, and energy storage techniques, to improve understanding and development of smart grid technology and intelligent traffic management systems (FuTRO).

The Vehicle/Structures Systems Interface Committee (V/S SIC) held a seminar 'Engaging with Gauging' on 1 October 2013, showcasing some of the work it has recently undertaken.

The Vehicle/Track Systems Interface Committee (V/T SIC) held its annual seminar on 24 October 2013. Industry research was presented on T963 *Improving wheelset life by better understanding the causes of wheel damage*, T774 *Research into the effects of human factors in axle inspection* and T797 *Performance and installation criteria for sanding systems*. Other items of note were Track-Ex (track design, maintenance and renewal software) training and development and the European DynoTRAIN Project T888 *Railway Vehicle Dynamics and Track Interactions: Total Regulatory Acceptance for the Interoperable Network* which concluded in September 2013. This project was also steered by the Vehicle/Vehicle System Interface Committee (V/V SIC) with full implementation leading to potential savings of €20-50m per annum across the European Union.

The Vehicle/Train Control and Communications System Interface Committee (V/TC&C SIC) is developing a strategy for future control command and communications systems to support the Rail Technical Strategy. Through a series of sub-groups it undertakes a wide portfolio of work including the strategic consolidation of the ERTMS, considering the future of the European Train Control System (ETCS), automatic train operation, driver advisory systems and future communications working together. Working with the Defect

Reporting and Corrective Action System (DRACAS) Steering Group, V/TC&C SIC has determined a DRACAS architecture that is being used to implement the first stage of a whole-industry Control Command and Signalling (CCS) DRACAS by the ERTMS Programme.

- **Technical Strategy and innovation**

- *Technical Strategy Leadership Group*

The technical strategy leadership group picked up the challenges defined in the Rail Technical Strategy 2012 and began significant programmes of work to explore develop potential transformational solutions in the areas of infrastructure, control, energy. TSLG is facilitated and hosted by RSSB and works to a strategic direction endorsed by the Rail Delivery Group

- *Rail Delivery Group*

The Rail Delivery Group (RDG) established a Technology and Operations Steering Group which RSSB sits on. The group is supported by a seconded member of RSSB staff.

The Enabling Innovation Team (EIT), set up in October 2012, was created by RSSB to support the rail industry to accelerate the uptake of innovation. Employed by RSSB it reports to TSLG through a core group of TSLG members that direct and supervise its activities. The team supports practical cross-industry innovation projects, by connecting cross industry challenges with innovative ideas and proposals and is an essential contributor to the delivery of the Rail Technical Strategy 2012. Toward the end of 2013 RSSB moved to combine the EIT with the strategic research team under the banner of 'FutureRailway' which is being used by the technical strategy leadership group to promote collaborative activity combining the research development and innovation capabilities of Network Rail and RSSB.

During the year EIT supported the Department for Transport in developing proposals to integrate and incentivise innovation within passenger franchises as part of the DfT's current re-franchising round.

- *Capability and route mapping linked to the Rail Technical Strategy*

The EIT, the Railway Industry Association (RIA) and the Technology Strategy Board (TSB) are working to map capabilities and markets for the rail sector – including heavy rail, metro, light rail, and tram. This project will give rise to a route map for the development of the UK railway sector. This will focus on exploiting and developing UK capabilities, overcoming barriers to innovation, increasing the uptake of UK rail products and services in international markets, improving the performance of the GB railway system, and achieving our long-term ambitions for the UK's future railways. A number of regional workshops and webinars to support the project were held during 2013.

- *Testing and trialling voucher scheme*

A voucher scheme, for small and medium-sized enterprises (SME) and universities to access testing facilities and expertise at special rates, was launched in summer 2013 by the EIT. Research for the Technical Strategy Leadership Group suggested general awareness of facilities and the role of testing in innovation was low. Two schemes were introduced to give a boost to innovative ideas and developments for any rail environment offering subsidised access to Network Rail at Long Marston trialling facilities.

- *Competitions*

The EIT launched a number of significant 'Competitions' to seek out innovative solutions and innovators. All competition winners put up 50% of the cost of projects, so the industry money is doubled through this approach. Among those launched in 2013 were:

The Radical Train - Aimed at making a marked difference in the performance of trains on Britain's railways and re-thinking the fundamentals about rolling stock.

Customer experience - This competition attracted 16 finalists covering a range of services to the passenger and freight customer.

Remote condition monitoring - Remote condition monitoring (RCM) is already used on both trains and rail infrastructure. The future railway will be under more pressure to carry more

passengers and freight, making RCM a necessity. This competition targeted 10 unsolved challenges and aims to offer innovators the opportunity to prove their solutions on the operational railway.

Aesthetics of overhead line electrification - The EIT worked with HS2 to promote a competition through the Royal Institute of British Architects (RIBA). It seeks ideas from around the world to improve the appearance of overhead line electrification which can be beneficial in addressing local concerns about visual appearance of railway investment.

- **Safety performance and risk management**

Rail continues to be the safest form of land transport in Britain and the industry's performance continues to meet the requirement of ensuring that safety is generally maintained and, where reasonably practicable, continuously improved. Rail is still attracting more passengers and freight on to its network.

RSSB supports the industry in managing system safety through an auditable trail from data to taking decisions affecting safety. The data side includes the collection, analysis and sharing of information about safety related events – including analysis through SMIS and sharing the information in publications such as the Annual Safety Performance Report published in June 2013.

Although 2012/13 recorded a historically low number of passenger fatalities, overall there was an increase in the level of passenger harm, due to a rise in major injuries, mostly as a result of slips, trips and falls in stations. This area continues to be an area for industry focus, and a number of co-operative activities have been introduced to consider potential activities.

- *Safety Risk Model*

The industry's Safety Risk Model (SRM) which identifies all significant risks affecting the system saw a further partial update from version 7 to version 7.5 at the start of 2013. 53 hazardous events were identified as having a potential change in risk based on recent data compared to the version 7 risk results. Version 8 of the SRM was developed for

release later in 2014 to show the overall change in risk that has been achieved during Control Period 4.

- *Learning from operational experience*

Learning from operational incidents is a key benefit from data collection. In the last 10 years there has been a rise in the number of incidents where trains strike animals. At the request of the Operations Focus Group a special topic report on the risk posed from animals on the line and improvements in rolling stock crashworthiness was prepared and published in June 2013. The report identified that removing animal carcasses following a strike could pose a potential health risk to employees. A RSSB Workforce Health and Wellbeing project is underway to help members better understand and tackle such health issues.

Industry is significantly more engaged in the management of health and has an increasing appetite to share good practice. The *Learning from Operational Experience* Annual Report was published in June 2013.

During the summer of 2013 there were notable train accidents in Spain (79 fatalities), France (6 fatalities), Switzerland (1 fatality) and Canada (40+ fatalities). Each attracted a large amount of public and media attention and raised the question of how well the GB mainline railway is protected against these types of train accidents. To understand this, the RSSB Board reviewed all overseas railway accidents in past two years with over 5 fatalities. While it was shown that the GB railway has measures in place which largely mitigate the types of accidents that have occurred, complacency is recognised as a danger, and the work of RSSB in watching and learning from other accidents is part of the approach to be seeking continuous reductions in risk. The findings from this review were outlined in a letter to Patrick McLoughlin MP, Secretary of State for Transport from Len Porter, Chief Executive, in October 2013.

- *Level crossing risk*

Britain's level crossings are among the safest in the world according to international indicators. There is a substantial body of work supporting continued risk management, education, and enforcement to ensure this risk reduction

continues. The average number of fatalities each year to members of the public at level crossings over the last 10 years is just over nine, and the majority of these arise from errors or deliberate violations by level crossing users and this is a justified source of both industry and public concern. During the year the House of Commons Transport Committee initiated an inquiry into the issues around level crossings. RSSB was called to provide verbal evidence alongside RAIB, ORR, the Heritage Railway Association and Network Rail.

- *Platform-train interface strategy*

Following an accident at Liverpool James Street in October 2011 and other platform-train interface (PTI) related incidents there has been increased focus on improving the management of the PTI. There is currently a wide range of activities being undertaken by individual companies, RSSB, DfT, and ORR relating to understanding and improving the management of the PTI, particularly focused on responding to the recommendations made by the RAIB. At the same time a number of major investment projects are making decisions about platform configurations that raise issues for the future flexibility of network operations and how best to design the interface to deal with increasing numbers of passengers and more frequent trains.

In May 2013, the RSSB board agreed that proposals for a GB strategy on PTI should be coordinated by RSSB.

- **Suppliers to the rail industry**

RSSB has facilitated cooperation between two major supplier assurance schemes, Railway Industry Supplier Approval Scheme (RISAS) and Link-up, to remove the duplication borne by industry suppliers and customers in relation to the assurance of wheelset component and bogie overhaul.

Backed by RDG, the RSSB board has recently set up the Railway Industry Supplier Qualification Scheme (RISQS), to govern Link-Up, using similar principles to the scheme governance of RISAS.

The ORR has written in support of RISAS as the only industry scheme to provide the right level of approval of suppliers of safety critical products and services.

- **Sustainability**

- *Rail's carbon footprint*

Through the Sustainable Rail Programme (SRP), the rail industry has identified potential cost savings of £360m by the end of CP6 by making smart interventions to reduce carbon. Over the last two years industry has already made significant progress in implementing its Carbon Management Framework (launched in the Initial Industry Plan for CP5):

Research by RSSB for the SRP has identified four key network-level interventions that together could help save over 1m tonnes of CO2 and over £100m in CP5 (rising to 2.8m tonnes of CO2 and over £350m by the end of CP6 in 2024). The interventions are:

- Adopting energy efficient driving across the network, and in particular installing driver advisory systems (DAS)
- Installing the automatic shutdown of hotel loads
- Ensuring weight reduction is specified in new trains
- Enabling regenerative braking on the Class 92 fleet

There are also widespread opportunities around LED lighting at stations and depots as well as many other opportunities that may work in specific cases though not at the network level.

The four key interventions, when considered alongside the decarbonisation of electricity generation and the electrification of the network outlined in the High Level Output Specification (HLOS), could lead to overall traction carbon reductions of 38% per passenger km and 10% per net freight km. These have now been adopted as industry ambitions in the Industry Strategic Business Plan.

RAIL SAFETY AND STANDARDS BOARD LIMITED

STRATEGIC REPORT

For the year ended 31 March 2014

Principal Risks

The directors have judged that the principal risk to RSSB is events that could harm the reputation of the company for impartiality and independence. To manage this risk there are a number of governance and management arrangements including the board, its sub-committees and the various committees that supervise and direct RSSB work and which ensure RSSB's work ties in with industry needs.

At the end of the financial year RSSB is awaiting the result of the triennial valuation of its pension fund as of 31 December 2013. A significant amount of preparatory work has been done on the options for addressing any shortfall including pre-consultation with a bespoke committee of staff representatives. The implementation of the response to the review will have to be completed by early 2015 and is not expected to have a material impact on the company.

Financial performance and year end position

RSSB's financial performance reflects the wider development of its business in particular its activities to encourage innovation in the rail industry and carry out research and development on its behalf.

The company has been able to fund this increased activity in part by drawing down on its accumulated reserve leading to an operating loss of £2.9m (2012/13 operating profit of £2.4m).

RSSB's income is generated chiefly by member levies and grants from the Department of Transport. Income rose by just under £2.9m on 2012/13 with stable membership and reduced R&D income offset by increased income for innovation activities.

Expenditure rose to £39.1m (2012/13 £30.9m). This was largely driven by an increase in the activities undertaken by the Innovation business unit whose expenditure rose to £4.6m against £0.7m in 2012/13 and a noticeable increase in R&D activity with expenditure of £11.8m in year against £8.7m in 2012/13. Expenditure on core member funded activities also increased by around £1.1m

Expenditure on outside expertise and third party collaborations rose sharply to £11m (2012/13 £5.1m) which is intrinsically linked to the business models of the Innovation and R&D business units.

By contrast despite the increase in activity payroll costs only rose by £1.8m to £19.9m (2012/13 £18.1m) accounting for just over 50% of RSSB's total operating expenditure compared to 58% in 2012/13 and historically higher levels in previous years.

RAIL SAFETY AND STANDARDS BOARD LIMITED

STRATEGIC REPORT

For the year ended 31 March 2014

RSSB's balance sheet reflects the accounting treatment of moneys received from the Department of Transport for Innovation activity. The agreed commitments to utilise the funds are only recognised in the Income and expenditure Account when the corresponding expenditure occurs with the balance of funds held in the balance sheet as deferred income.

Consequently though cash balances are significant at £48.3m (2012/13 £38.3m) net current assets are only £12.2m (2012/13 £13.3m).

There was a slight reduction in the pension liability as calculated under the requirements of Financial Reporting Standard 17. The net liability reduced to £11.8m (2012/13 £12.4m).

Overall group net assets remained positive at £1.8m (2012/13 £3.1m)

Employee matters

RSSB has applied the Equality Act 2010 throughout the financial year. The Company has a robust recruitment process that encourages and monitors applications from people with disabilities and anyone else covered by the act.

For existing employees identified with a disability reasonable adjustments are made to ensure they can work safely and effectively. For employees with a disability applying for internal promotions we have given additional time on case studies or psychometric testing.

The Company is reviewing all of its policies and a new Information and Consultation policy will be implemented shortly. RSSB consults with the unions on all decisions that will impact employees. Regular communications are published on company performance and a formal policy will reinforce best practice.

The executive meets regularly with a committee of staff representatives and these meetings address issues relating to pay, welfare, terms and conditions of service and equality.

Going Concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

RAIL SAFETY AND STANDARDS BOARD LIMITED

STRATEGIC REPORT

For the year ended 31 March 2014

ON BEHALF OF THE BOARD



Christopher Fenton

Chief Executive

Date: 3rd July 2014

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2014

Directors

The membership of the Board is set out below.

The following directors served during the year:

Executive Directors:

- Len Porter, Chief Executive (resigned 31st March 2014)
- Chris Fenton, (Chief Executive Designate from 6th January 2014, Chief Executive from 8th March 2014)
- Anson Jack, Deputy Chief Executive

Industry nominated non-executive directors:

- Jeremy Candfield, nominated by suppliers, Director General, Railway Industry Association
- Neil McDonald, nominated by non-passenger train operators, Managing Director (Industrial Business Segment), DB Schenker Rail (UK) Ltd
- Paul Kirk, nominated by infrastructure contractors, Paul Kirk and Associates Ltd
- Malcolm Brown, nominated by rolling stock owners, Chief Executive, Angel Trains Ltd
- Charles Horton, nominated by passenger train operators, Managing Director, Southeastern
- Gareth Llewellyn, nominated by Network Rail and other infrastructure managers, Director of Safety and Sustainable Development, Network Rail
- Steve Murphy, nominated by passenger train operators, Chief Operating Officer, Arriva UK Trains Ltd (from 11th November 2013)
- Tony Collins, nominated by passenger train operators, Chief Executive, Virgin Trains (resigned 8th October 2013)
- David Higgins, nominated by Network Rail and other infrastructure managers, Chief Executive, Network Rail (resigned 28th February 2014)

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2014

Independent non-executive Directors:

- Paul Thomas – Board Chairman
- Alan Emery

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. All three committees shall consist solely of non-executive directors of the company.

Audit Committee

The membership of the Audit Committee consists of not less than three non-executive directors of the company. The Audit Committee reviews the accounting policies and procedures of the company; its internal control systems, including risk management; and its compliance with statutory requirements. It may also consider any matter raised by the external auditors.

Membership of the Audit Committee during the year was as follows:

- Paul Kirk (Chairman)
- Neil McDonald
- Jeremy Candfield
- Malcolm Brown (appointed 7th November 2013)
- Charles Horton (appointed 7th November 2013)
- Tony Collins (resigned 8th October 2013)

Remuneration Committee

The membership of the Remuneration Committee consists of not less than three non-executive directors of the company. 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 £120,000 per annum increased annually from 2013 in line with published inflationary indicators.

Membership of the Remuneration Committee during the year was as follows:

- Alan Emery (Chairman)
- Paul Thomas
- Jeremy Candfield

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2014

- Charles Horton

Appointments Committee

The membership of the Appointments Committee consists of not less than three non-executive directors of the company (at least two of whom shall be non-industry directors). 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 £120,000 increased annually from 2013 in line with published inflationary indicators.

Membership of the Appointments Committee during the year is as follows:

- Paul Thomas (Chairman)
- Alan Emery
- Neil McDonald
- David Higgins (resigned 28th February 2014)

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

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

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 surplus or deficit 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.
- 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RAIL SAFETY AND STANDARDS BOARD LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2014

Statement of disclosure to auditors

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 and 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.

Auditors

UHY Hacker Young were reappointed as the auditors at the Annual General Meeting held on 12 November 2013 special notice pursuant to Section 485 having been given.

ON BEHALF OF THE BOARD



Christopher Fenton

Chief Executive

Date: 3rd July 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RAIL SAFETY AND STANDARDS BOARD LIMITED

We have audited the group and parent company financial statements (the 'financial statements') of Rail Safety and Standards Board Limited for the year ended 31 March 2014 set out on pages 23 to 47. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RAIL SAFETY AND STANDARDS BOARD LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jack Easton (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

3 July 2014

Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London
E1W 1YW

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 March 2014

BASIS OF PREPARATION

The group financial statements consolidate those of the company (RSSB) and of its subsidiary undertaking Railway Documentation and Drawing Services (RDDS) and are drawn up to 31 March 2014.

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

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The group financial statements include the results of the company and those of its subsidiary RDDS. The net assets of both entities have been consolidated into the group results using acquisition accounting.

INCOME

Income comprises members' levies, grants from the Department for Transport, and various items of miscellaneous income.

The Constitution Agreement of the company sets out the funding arrangements for members and levies are recognised in the year to which they relate.

RSSB receives several grants from the Department for Transport and their treatment reflects the conditions relating to each grant. The Research and Development grant has been recognised fully in the year whereas, the Innovation grant is treated as deferred income until the matching expenditure occurs.

RSSB provides services to Network Rail on the New Systems programme; this income is recognised in line with the costs incurred.

The total amount receivable by the company for goods supplied and services provided, excludes VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Capitalisation

Expenditure on assets, except software in excess of £500 is capitalised.

Expenditure on software is expensed except for major items over £10k which may be capitalised. The internal costs where measurable, are taken into account in assessing the cost of software assets.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all fixed assets over their expected useful economic lives. A straight line method of depreciation is used for all assets. The useful economic lives generally applicable are:

Servers	Five years on a straight-line basis
Desktop and laptop computers	Three years on a straight line basis
Fixtures and fittings	Five years on a straight-line basis
Software applications	Four years on a straight-line basis
Safety Management Information System (SMIS) (Software)	Five years on a straight-line basis
Plant and machinery	Five years on a straight-line basis
Leasehold improvements	Over the life of the lease on a straight-line basis

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the income and expenditure 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 is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

PROVISIONS

Provisions are recognised when the Group has a present obligation arising from a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

RETIREMENT BENEFIT SCHEMES

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. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

RESERVE

RSSB's reserve arises from prior surpluses. The funding of these surpluses has different sources which would affect the way the reserve would be allocated if a decision was taken to run it down.

For example the RSSB Board decided in 2005 that part of the reserve would be clearly linked to Research and Development. Also surpluses arising from DfT grants and CIRAS are restricted in use. During the year a decision was taken to fund additional R&D by running down the DfT grant reserve.

All elements of the reserve are impacted by those transactions which affect the valuation of the pension fund and which under Financial Reporting Standard 17 are required to be taken directly to the reserve (see note 10).

RAIL SAFETY AND STANDARDS BOARD LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2014

	Note	Group Year ended 31 March 2014 £'000	Group Year ended 31 March 2013 £'000
Operating income	1	36,175	33,295
Operating expenses	1/3	(39,113)	(30,898)
Operating (loss) / profit attributable to ordinary activities		(2,938)	2,397
Interest receivable		337	320
Other finance income	2/14	260	150
(Loss) / profit on ordinary activities before taxation		(2,341)	2,867
Tax	4	(86)	(72)
(Loss) / profit for the year	5	(2,427)	2,795

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

GROUP BALANCE SHEET AS AT 31 MARCH 2014

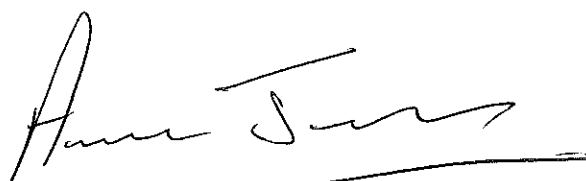
	Note	Group 31 March 2014 £'000	Company 31 March 2014 £'000	Group 31 March 2013 £'000	Company 31 March 2013
Fixed Assets					
Tangible fixed assets	6	2,329	2,329	2,592	2,592
		2,329	2,329	2,592	2,592
Current assets					
Debtors	7	8,035	8,001	1,944	1,900
Cash at bank	12/13	48,277	48,147	38,320	38,240
		56,312	56,148	40,264	40,140
Creditors: amounts falling due within one year	8	(44,151)	(44,107)	(26,981)	(26,963)
Net current assets		12,161	12,041	13,283	13,177
Total asset less current liabilities		14,490	14,370	15,875	15,769
Provision for liabilities and charges	9	(863)	(810)	(351)	(300)
Pension liability	14	(11,830)	(11,830)	(12,400)	(12,400)
Net assets		1,797	1,730	3,124	3,069
Reserve					
Income & expenditure reserve	10	1,797	1,730	3,124	3,069
		1,797	1,730	3,124	3,069

The financial statements were approved by the Board of Directors on 3rd July 2014.



Christopher Fenton

Chief Executive



Anson Jack

Deputy Chief Executive

Company registration number 04655675

RAIL SAFETY AND STANDARDS BOARD LIMITED

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2014

	Note	Group 31 March 2014 £'000	Group 31 March 2013 £'000
Net Cash Flow from operating activities	11	10,581	20,284
Taxation			
UK Corporation tax paid		(75)	(22)
Returns on Investments and servicing of finance			
Interest received		337	320
Capital Expenditure			
External and internal costs	6	(886)	(1,186)
Increase in cash	13	9,957	19,396

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 2014

	Note	Group Year ended 31 March 2014 £'000	Group Year ended 31 March 2013 £'000
(Loss)/Profit for the year		(2,427)	2,795
(Loss)/Gain on pension assets	14	(710)	690
Gain/(Loss) on pension liabilities	14	1,810	(6,850)
Total loss recognised		(1,327)	(3,365)

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

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

1 INCOME AND EXPENDITURE ON OPERATING ACTIVITIES

Income	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Membership Levy	19,102	19,102
Department for Transport grant for R&D	9,955	10,899
Department for Transport grant for Innovation	4,546	670
CIRAS membership levy	676	676
RDDS activities	161	164
Publications	131	110
New Systems	1,158	1,062
*Funding from European Union	52	118
**Miscellaneous income	394	494
Total income from operating activities	36,175	33,295

* £15k is attributable to Research and Development activities.

** This comprises income arising from running training courses, conferences and other ad hoc activities. Some £118k (2013: £103k) of miscellaneous income is attributable to Research and Development.

All income arose from UK operations.

Expenses by activity	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Member funded activities	20,736	19,628
Research and Development	11,805	8,655
Innovation	4,546	670
CIRAS	867	785
RDDS	147	155
New Systems	1,012	1,005
Total expenses from operating activities	39,113	30,898

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

INCOME AND EXPENDITURE ON OPERATING ACTIVITIES (Continued)

Expenditure by function	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Staff payroll costs	19,905	18,060
Other staff costs and staff travel	1,465	1,487
Bought in technical services/third party collaborations *	10,955	5,097
Property costs including rent	2,189	1,837
Loss on write off of fixed assets	161	-
IT external expenditure and communication (includes cost of Safety Management Information System)	1,803	1,669
Professional fees including insurance/legal/accountancy/tax	456	381
Publications and event management	689	873
Miscellaneous goods and services	254	263
Non-property lease rentals	95	104
Depreciation	994	972
RDDS	147	155
Total	39,113	30,898

* The increase reflects the nature of the work carried out by the R&D and Innovation business areas whose activities expanded in 2013/14.

Auditors' remuneration included above:

Fees payable for the audit of the company's annual accounts	28	35
Other audit related services including taxation service	15	12
	43	47

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

2 OTHER FINANCE INCOME

Analysis of the amount credited/(charged) to other finance income

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Interest on pension liabilities	(2,130)	(2,000)
Expected return on pension assets	2,390	2,150
Net profit on other finance income	260	150

3 DIRECTORS AND EMPLOYEES

Staff payroll costs during the year were as follows:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Salaries	14,861	13,719
Social security	1,559	1,481
Pension contributions*	3,485	2,860
	19,905	18,060

*The increase reflects the introduction of a salary sacrifice scheme by which the company pays employee pension contributions in return for lower gross salaries.

	2014 Number	2013 Number
Staff employed	252	234

The average number of staff employed is calculated using the actual numbers of employees at the end of each period and using the total number of periods as the base for calculating the year's average.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Emoluments	737	706
Amounts paid to third parties in respect of Directors' services	88	81
Pension contributions	37	26
	862	813

During the period three directors participated in the company defined benefit pension scheme.

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Emoluments	361	341
Pension contributions	29	26
	390	367

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

4 TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
UK corporation tax at 23% (2013: 24%)	86	72
Adjustments in respect of prior years	-	-
Total current tax charge	86	72

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained as follows:

Profit on ordinary activities before tax	(2,341)	2,867
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 23% (2013: 24%)	(538)	688
Effect of:		
Adjustment for results from not-for-profit activities	628	(609)
Adjustments in respect of prior years	-	-
Tax losses utilised (RDDS)	(1)	(2)
Difference in tax rates	(3)	(5)
Current tax charge for period	86	72

5 HOLDING COMPANY PROFIT/(LOSS)

Of the (£2,427k) group loss for the financial year (2013: Group profit of £2,795k), (£2,439k) (2013: Profit of £2,786k) is dealt with in the account of the company itself.

RDDS made a profit of £12k for the financial year (2013:£9.1k).

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement for the company alone.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

6 TANGIBLE FIXED ASSETS

Group	Servers	Leasehold Improvement	Desktops & Laptops	Software	Plant & Machinery	Fixtures & Fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	964	1,217	384	4,983	16	348	7,912
Additions	14	-	90	782	-	-	886
Disposals	(27)	-	(172)	(568)	-	-	(767)
Total as at 31 March 2014	951	1,217	302	5,197	16	348	8,031
Depreciation							
At 1 April 2013	(735)	(808)	(356)	(3,136)	(5)	(280)	(5,320)
Eliminated on Disposal	24	-	172	416	-	-	612
Depreciation expense for the year	(119)	(203)	(29)	(574)	(3)	(66)	(994)
Total as at 31 March 2014	(830)	(1,011)	(213)	(3,294)	(8)	(346)	(5,702)
Net Book value at 31 March 2014	121	206	89	1,903	8	2	2,329
Net Book value at 31 March 2013	229	409	28	1,847	11	68	2,592

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

7 DEBTORS

	Group 31 March 2014 £'000	Company 31 March 2014 £'000	Group 31 March 2013 £'000	Company 31 March 2013 £'000
Trade debtors*	6,738	6,711	1,482	1,447
Other debtors	163	163	161	161
Prepayments and accrued income**	1,134	1,127	301	292
	8,035	8,001	1,944	1,900

*The increase arose due to the late payment of some invoices relating to the 2014/15 membership levy.

**The increase arose due to timing differences on the payment of some property related charges.

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 March 2014 £'000	Company 31 March 2014 £'000	Group 31 March 2013 £'000	Company 31 March 2013 £'000
Trade creditors*	1,436	1,405	571	570
Corporation tax	94	92	80	80
Other taxation (VAT) and social security	903	903	756	756
Inter-company creditor	-	12	-	-
Accruals and deferred income	41,718	41,695	25,574	25,557
	44,151	44,107	26,981	26,963

*The increase reflects a small number of high value invoices received close to year end.

Accruals and deferred income comprises:

- Accruals for cost of work done but not yet invoiced and staff pay £4,980k (2013: £3,978k).
- Cash held on behalf of third parties £121k (2013: £165k) and deferred income £36,615k (2013: £21,408k).

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Deferred income relates to member funding for 2014/15 that has already been invoiced (£6.7m). This arises because funding is payable quarterly in advance so invoices relating to the first quarter of 2014/15 were invoiced in the last quarter of 2013/14.

Deferred income also includes £29.7m (2013: £16.0m) of DfT grant funding for Innovation received but not yet recognised as the corresponding expenditure, though planned has yet to occur.

9 PROVISIONS FOR LIABILITIES AND CHARGES

	Company £000	RDDS Library £000	Group £000
At 1 April 2013	300	51	351
Provision in the period	510	2	512
As at 31 March 2014	810	53	863

Dilapidations

In 2011/12 RSSB began to provide for the potential costs of the make good requirement in the lease of our current premises. The lease expires in April 2015 and the estimated charge for the year is £150k.

Potential liabilities

RSSB is in discussion with the former building manager regarding the level of service charge due up until August 2013. A claim has been made by the former building manager but is not substantiated. Discussions are ongoing. The provision of £145k is the directors' best estimate of the potential maximum liability based on current information.

RSSB is also in discussion with a key licensor of information technology services about whether RSSB has been in breach of its licence terms. Though no formal claim has yet been made against RSSB there have been significant professional costs incurred in investigating this claim and these are likely to continue. A prudent estimate of £18k has therefore been made of likely third party professional costs.

Re-organisation

RSSB's current five year business plan came to an end in March 2014 and a new plan covering the next five years has been produced co-inciding with the appointment of a new chief executive officer (CEO). The plan will require RSSB to re-structure to meet its objectives and the new CEO has laid out a framework for these changes. At this stage the amounts required to effect the plan are still to be estimated but some specific costs relating to redundancies can be reasonably assessed at £197k.

RDDS Library

On 30 September 2013 the Secretary of State for Transport transferred the property rights and liabilities of the British Rail Board Residuary, with respect to the documentation managed by RDDS, to RSSB. The consequence of this transfer is that RSSB no longer has an obligation via this deed. However, in the new Constitution Agreement of RSSB that came into effect on 1st April 2014, there is a new function of RSSB in the 'Shall' category (clause 2.3(a) (v)) the effect of which is that RSSB would need to get the agreement of both members and the Office of Rail Regulation to a change in the Constitution were it to propose to cease the function of managing RDDS. In light of this change of status the Directors of RDDS will be reviewing during 2014 whether it is appropriate to alter the provisions for the orderly disposal of the documents in the library

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

10 RESERVE

The profit on ordinary activities retained in the reserve is to be allocated as follows:

	Member funded	R&D	R&D Grant	Innovati on	CIRAS	RDDS	General	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	2,666	3,000	8,924	20	728	14	(12,228)	3,124
Profit for the year	(643)	-	(1,717)	108	(187)	12	-	(2,427)
Decrease in pension liability	-	-	-	-	-	-	1,100	1,100
Retained reserves carried forward at 31 March 2014	2,023	3,000	7,207	128	541	26	(11,128)	1,797

The table provides information on the composition of the income and expenditure reserve. RSSB receives funding for different activities and these are displayed in the table.

- "Member funded" relates to activities funded by RSSB members.
- "R&D" is a reserve created by the RSSB board in case of a shortfall in funding for R&D activities.
- "R&D grant" consists of surpluses arising on funds provided by the Department for Transport for R&D activities.
- "Innovation" consists of the interest on cash balances held by RSSB for Innovation activities.
- "CIRAS" consists of surpluses arising on CIRAS member funded activities.
- "General" consists of items of a RSSB-wide nature which cannot be allocated to a particular business area.

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

11 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Group 31 March 2014 £'000	Group 31 March 2013 £'000
Operating profit	(2,938)	2,397
Depreciation	994	972
Loss on write off of fixed assets	161	-
Decrease/(Increase) in debtors	(6,091)	661
Increase/(Decrease) in creditors	17,170	15,752
Difference between pension charge and cash contributions	790	350
Increase/(Decrease) in provisions	512	152
Miscellaneous adjustments	(17)	-
Net cash inflow/(outflow) from operating activities	10,581	20,284

12 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Group 31 March 2014 £'000	Group 31 March 2013 £'000
Increase in cash in the year	9,957	19,396
Net funds at 1 April	38,320	18,924
Net funds at 31 March 2014	48,277	38,320

13 ANALYSIS OF CHANGES IN NET FUNDS

	31 March 2013 £'000	Cash inflow £'000	31 March 2014 £'000
Cash in hand	38,320	9,957	48,277

Cash

Group cash balances of £48,277k (2013: £38,320k) include cash received in advance of £31.6m (2013: £22m)

14 RETIREMENT BENEFIT SCHEMES

Information about the Scheme

- 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 Scheme is a defined benefit final salary scheme and is open to new members.
- The Scheme is a shared cost arrangement whereby the Company is only responsible for a share of the cost (60%).
- Employer contributions are 15% of Section Pay (60% of the long-term future service joint contribution rate determined at the 31 December 2010 valuation).

Financial assumptions

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

	31 March 2014	31 March 2013
	% pa	% pa
Discount rate	4.3	4.3
Price inflation	3.35	3.4
Increases to deferred pensions (CPI measure)	2.35	2.5
Pension increases (CPI measure)	2.35	2.5
Salary increases *	3.35	3.65
* plus 0.75% pa promotional salary scale		

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Fair value of assets and expected rate of return

	At 31 March 2014		At 31 March 2013	
	Fair value £'000	Long-term rate of return expected	Fair value £'000	Long-term rate of return expected
Equities	60,830	6.6	57,120	6.8
Government Bonds	460	3.4	680	2.8
Non-Government Bond	1,080	4.3	680	4.1
Property	-	-	-	-
Other assets	310	2.85	260	2.4
Total	62,680	6.5	58,740	6.7

Pension scheme liability at the end of the year

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Actuarial valuation of pension liabilities	(82,400)	(79,410)
Members' share of deficit	7,890	8,270
Adjusted value of section liabilities	(74,510)	(71,140)
Closing value of section assets	62,680	58,740
Pension scheme liability to be recognised in the balance sheet	(11,830)	(12,400)

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of Pension Scheme Liability

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening pension scheme liability	(12,400)	(6,040)
Employer contributions	1,590	1,490
Employer's share of service cost	(2,380)	(1,840)
Interest on pension liabilities	(2,130)	(2,000)
Expected return on pension assets	2,390	2,150
Actuarial gain recognised in the STRGL	1,100	(6,160)
Closing pension scheme liability	(11,830)	(12,400)

Components of defined benefit cost

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Current service cost	2,380	1,840
Total charged to operating profit	2,380	1,840

Analysis of the amount charged to other finance charge:

Interest on pension liabilities	(2,130)	(2,000)
Expected return on pension assets	2,390	2,150
Net credit/(debit) to other finance charge	260	150

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of return on assets	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Expected Return on Section Assets	2,390	2,150
Gain/(Loss) on Section Assets	(710)	690
Actual Return on Section Assets	1,680	2,840

The following two tables show the movement in the assets and the liability of the Section as a whole. Some of the figures therefore differ from those in the other disclosures, which reflect the Company's share of the costs and liabilities associated with the Section

Reconciliation of Section liabilities	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening Section liabilities	79,410	63,070
Service cost	3,920	3,020
Interest cost	3,550	3,330
(Gain)/loss on Section liabilities	(2,950)	11,460
Actual benefit payments	(1,530)	(1,470)
Closing Section liabilities	82,400	79,410

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of value of assets	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening value of Section assets	58,740	53,000
Expected return on assets	3,980	3,580
Gain/(Loss) on assets	(1,170)	1,150
Employer contributions	1,590	1,490
Employee contributions	1,070	990
Actual benefit payments	(1,530)	(1,470)
Closing value of Section assets	62,680	58,740
Analysis of the amounts recognised in the Statement of Recognised Gains and Losses (STRGL)	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Gain/(Loss) on pension assets	(710)	690
Gain/(Loss) on pension liabilities	1,810	(6,850)
Total gain/(loss) recognised in STGRL	1,100	(6,160)

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Historic information

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Section liabilities	(82,400)	(79,410)	(63,070)	(54,850)	(64,030)
Section assets	62,680	58,740	53,000	47,230	42,350
Deficit	(19,720)	(20,670)	(10,070)	(7,620)	(21,680)
Experience (gain)/loss on Section liabilities	(280)	(100)	2,610	(1,110)	(1,140)
Experience (gain)/loss on Section assets	710	(690)	1,460	170	(4,940)

RAIL SAFETY AND STANDARDS BOARD LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 March 2014

15 LEASING COMMITMENTS

The annual cost of operating leases classified by expiry date is:

	Year ended 31 March 2014		Year ended 31 March 2013	
	Other	Land and buildings	Other	Land and buildings
	£'000	£'000	£'000	£'000
In one year or less	3	911	-	-
Between one and five years	-	-	83	911
More than five years	-	-	-	-
	3	911	83	911

16 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

RSSB is a member owned company set up to provide services to the GB rail industry. Many of RSSB's transactions are with its members, particularly with Network Rail. Most board members are appointed from within the industry and hence work for companies with which RSSB transacts again particularly Network Rail. However our board members from member companies play no role in selecting suppliers in the award of contracts to particular parties.

The Directors are confident that sufficient governance is in place to ensure an objective process in the selection of suppliers.

Directors are also asked to declare their interests at Board meetings and to keep the company secretary informed of any likely interests which may affect their legal duty to act in the best interests of RSSB.

17 POST BALANCE SHEET EVENTS

There have been no post balance sheet events to report.

