

Network Rail Infrastructure Limited

Regulatory Financial Statements

Year ended 31 March 2007

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Directors' Review

The Directors of Network Rail Infrastructure Limited ("the Company") are pleased to present the Regulatory Financial Statements for the year ended 31 March 2007. These are the third Regulatory Financial Statements produced in the five year Control Period covered by the Office of Rail Regulation ("ORR") Access Charges Review 2003 Final Conclusions ("ACR 2003").

The basis of preparation of these financial statements has differences to that used to prepare the statutory financial statements which are explained in detail below and in the Accounting Policies note.

The following commentary of the Financial Performance, Regulatory Asset Base, Capital Expenditure and Debt refers to Great Britain only.

Financial Performance

The year under review, in financial terms, has been a year of solid and anticipated progress. We have continued the efficiency drive towards meeting the ORR target of 31% and made further inroads in terms of establishing a robust unit costing framework for our key areas of investment and maintenance spend. We are still ahead of our targeted efficiencies but the further efficiencies required in years 4 and 5 of the Control Period will become progressively tougher to deliver. We remain committed to the delivery of these financial targets, as outlined in our recently published Business Plan and remain confident that they will be substantially achieved.

Statement 1 details the Company's financial performance against the ORR's determination for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 and the aggregate for the Control Period to date (CPTD).

Operating expenditure

Operating expenditure totalled £1,221m (£3,652m CPTD), £58m greater than the determination in the year of £1,163m but an £81m saving against the CPTD of £3,733m.

Controllable operating expenditure saw savings principally as a result of the continued reduction of agency staff and contractors and consultants, partly off-set by the related increase in staff costs.

Non controllable operating expenditure costs were 25% more, in real terms, than 2005/06 and are currently 39% worse than the ORR determination which is primarily due to the increasing costs of electricity. Additional expenditure was also made on British Transport Police as part of a programme to make stations safer for the travelling public.

Maintenance

Maintenance costs of £1,146m (£3,736m CPTD) were £21m (£78m CPTD) less than the ORR's determination of £1,167m (£3,814m CPTD).

Maintenance costs continue to reduce with more maintenance work being delivered for less money. Expenditure has reduced as a result of embedding the more favourable commercial terms established last year. Benefits were felt from enhanced planning and subsequent sharing of overheads as the capital investment portfolio delivered by maintenance increased. Additionally we continued to release labour and specialist contractors and rely more on our own in-house staff. Work on the maintenance unit cost (MUC) structure has continued during 2006/07, with consistency of methodology and data input now being the key focus. Progressing this, and increasing the 53% coverage of the MUC framework, will continue during 2007/08.

Schedule 4

Total Schedule 4 costs were £94m (£230m CPTD), £6m in excess of the ORR's determination of £88m, but CPTD costs are £9m less than the determination of £239m.

This was as a result of reprofiling expenditure on investment schemes in the ORR determination from earlier years in the Control Period.

Total Schedule 4 revenues were £87m, in line with the determination of £88m.

Schedule 8

Although there was no significant reduction in train delays this year attributable to Network Rail this year's performance was better than the ORR's target of 10.6m minutes. This has resulted in Schedule 8 income receivable of £87m (£252m CPTD) compared to the ORR determination which assumed costs of £15m (£48m CPTD), an overall saving of £102m (£300m CPTD). A large number of initiatives have contributed to this notable improvement. The decisions to bring rail maintenance contracts in-house and to introduce integrated control centres with train operators are worthy of specific mention. Both of these changes have streamlined day to day decision making in the interests of passengers.

Total schedule 8 revenues were £8m, £7m lower than the determination of £15m.

Other income

Total single till income totalling £778m (£2,341m CPTD) was £20m less than assumed in the ACR 2003 for 2006/07 and also in the CPTD. Shortfalls in income from property, stations and depots were partly offset by additional open access income.

Grant and rebate

Actual grant income and deferred grant income from the Department for Transport and Transport Scotland totalled £3,227m (£7,476m CPTD). The current year is £481m more than the ORR determination but the CPTD figure is significantly less than that initially assumed in the ACR 2003. This is because some of the allowed income for 2004/05 and 2005/06 was reprofiled to later years. The shortfall in these two years was financed through additional borrowings.

The additional grant received in the current year was offset by a £600m rebate paid by the Company to the train operating companies in respect of fixed track access charges. The amount payable matched an identical sum Network Rail received from the Department for Transport.

In the year Network Rail started to repay the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR2003 and the actual net debt at that date. As a result, a rebate of £101m was paid to the Department for Transport in the year.

Regulatory Asset Base ("RAB")

The RAB at 31 March 2007 totalled £25,266m and this figure is provided in Statement 2a. This has been calculated and presented in the format laid out in the Regulatory Accounting Guidelines. The closing RAB from last years regulatory accounts (£23,028m in 2005/06 prices) is uplifted to 2006/07 prices (£23,920m). Amortisation on the opening RAB at the start of the Control Period of £1,209m is provided on a 7% reducing balance basis.

There is also an adjustment to the opening RAB for the year to reflect the impact of the signalling review published in December 2005 and agreed corrections to the associated

capitalised financing. This resulted in an increase of £38m in the RAB for 2006/07.

An additional adjustment was made for EC4T reflecting an agreed change. This change corrected an anomaly noted in the calculation of EC4T for Control Period 3.

An agreed £48m correction to the capex outturn in 2003/04 to reflect capitalised financing charges for the current and previous year was also made to the RAB this year.

The allowances for renewals (£2,426m) and enhancements (£326m) from the Final Conclusions are added to the RAB (in 2006/07 prices), and amortisation is provided on additions in this Control Period over 30 years resulting in a £352m reduction to the RAB. The underspend variance on emerging cost enhancements (Power Supply Upgrade, Southern Region New Trains Programme and Thameslink) is added to the value of the RAB in accordance with the policy set out in paragraph 3.31 of the Regulatory Accounting Guidelines (RAGs). The impact of this year's emerging cost overspend was £29m (excluding the effect of capitalised financing). This was offset by corrections made to the capitalised financing relating to the prior years of the Control Period resulting in a net decrease of £13m to the RAB value. Further schemes totalling £145m (including the effect of capitalised financing) of enhancements not funded in the ORR determination have been proposed for logging up in the RAB, although the ORR has yet to give its approval to all of these schemes.

The net addition to the RAB in respect of renewals and enhancements for 2006/07 was £2,532m (including the effect of capitalised financing) giving a closing RAB valuation of £25,266m. This valuation is reconciled to the Railway Network fixed asset valuation presented in the statutory accounts for the year ended 31 March 2007 in Appendix A. The full value of the £3,667m deferred revenue grant is included in the statutory railway network fixed asset valuation at 31 March 2007.

Investment

Statement 3 contains detail of capital expenditure against the ORR determination. Actual renewals totalled £2,764m, £338m more than the ORR determination largely as a result of retiming expenditure within the Control Period, partly offset by efficiency savings we are making. Enhancement expenditure was £389m, comprising £255m of enhancements within the ACR 2003 (£71m less than the determination) and £134m outside the determination to give a net overspend of £63m (excluding the effect of capitalised financing) compared to the determination.

Assessing the efficiency of our renewals programme is complex. The level and nature of activity that is required over the Control Period is not constant and trends in expenditure alone cannot provide an indication of efficiency. Our efficiency assessment draws on both unit cost indices and budget variance analysis.

The increasing use of innovative delivery and contracting mechanisms, as well as the contribution from high-output plant and equipment, is laying solid foundations to deliver further efficiencies in the medium to long term. We have continued developing and populating our Cost Analysis Framework, which increasingly will provide consistent volume and unit cost collection, to produce a central database of all emerging actual data.

In addition to the expenditure noted above we have spent a further £20m this year on enhancements schemes financed by our Outperformance Fund to improve the rail network.

We reported last year that it was becoming increasingly apparent that we will struggle to meet the ORR target on track renewals, and the year under review has borne this out. Although progress has been made in improving the track renewals performance delivered by Network Rail and its supply base, it is recognised that further steps need to be taken to continue to drive performance towards world class standards and help us to realise our

targets.

On 6 June 2007 the ORR concluded that weakness in the planning and execution of the Portsmouth resignalling scheme by Network Rail caused us to be in breach of Condition 7 of our network licence.

We have consulted the affected train operating companies to identify a suitable time to complete the project that will have the least impact on services. The project should be completed by the end of October 2007.

The ORR is currently considering whether a fine should be levied against the company for this breach.

Debt

Debt at 31 March 2007 was £18,572m. The debt to RAB ratio at 31 March 2007 was 73.5% and reflects the reprofiling of grant income discussed above. The Network Rail Business Plan published on 3 April 2007 forecasts further increases in debt in 2007/08.

Network Rail's principal financing vehicle is Network Rail Infrastructure Finance PLC ("NRIF"), a special purpose financing company, which acts as the issuer under Network Rail's Debt Issuance Programme ("DIP") and is not a member of the Network Rail group, although for accounting purposes NRIF is treated as a subsidiary in the consolidated accounts of Network Rail Infrastructure Limited ("NRIL").

The DIP is supported by a financial indemnity from the Secretary of State for Transport which expires in 2052. As at 31 March 2007, all of Network Rail's debt sits under the DIP other than £4.9bn equivalent of medium term notes which sits under Network Rail MTN Finance PLC. Within the DIP is a £20bn note programme which has been highly rated (AAA by Standard and Poors, Aaa by Moody's and AAA by Fitch).

The DIP allows access, through a single platform, to the widest possible sources of funding, at the lowest possible cost, including the long term capital markets. This gives Network Rail a stable base for funding a continuing programme of long term investment in the national rail network.

During the year ended 31 March 2007, £3bn of bonds have been issued under the DIP in a number of currencies (£ Sterling, US Dollars, Australian Dollars, Japanese Yen, Norwegian Krone and Swiss Francs) and in a number of maturities. All non-sterling public issuance under the programme was swapped into fixed sterling interest rates as at the balance sheet date to protect against movements in interest and foreign exchange rates.

The Company had £5bn of undrawn committed facilities available at 31 March 2007 through the DIP working capital facility (£1bn) and the Secretary of State for Transport standby facility A (£4bn). The Secretary of State for Transport standby facility is undrawn and will only be called upon as a last resort.

In April 2007 Network Rail launched a new programme of RPI index-linked bond issuance under the Company's Debt Issuance Programme. The majority of Network Rail's revenues are linked to inflation so aligning debt cost to income is a prudent, cost effective way of financing the railways over the long term.

Statement under Condition 29 of the Network Licence

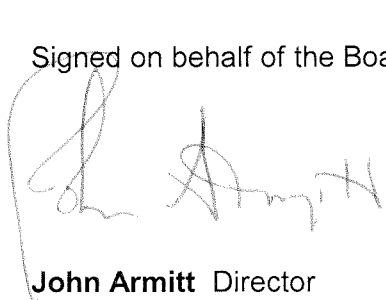
Under Condition 29 of Network Rail's network licence, the licence holder shall provide, from time to time as requested by the ORR and in any event every year in the regulatory financial statements it prepares pursuant to Condition 22, confirmation that, in respect of

the financial year to which the statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 29.1 and (where applicable) with Condition 29.2 of this Condition and, if so requested by the ORR, evidence in support of that confirmation.

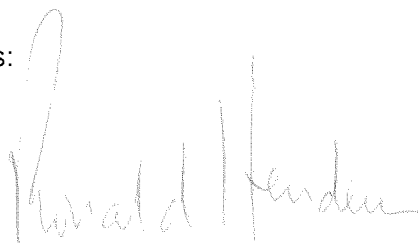
In this regard, the debt to RAB ratio at 31 March 2007 of 73.5% complies with the limits set out in Condition 29 of our network licence. We can also confirm that, as forecast in the aforementioned Business Plan, the debt to RAB ratio is likely to remain compliant in the current financial year.

The directors' report and the regulatory financial statements were approved by the Board of Directors on 20 June 2007.

Signed on behalf of the Board of Directors:

Handwritten signature of John Armitt in black ink.

John Armitt Director

Handwritten signature of Ron Henderson in black ink.

Ron Henderson Director

Statement of Directors' Responsibilities

The directors are responsible for preparing regulatory financial statements in accordance with Condition 22 of the Network Licence dated 31 March 1994, as amended.

In preparing those regulatory financial statements, the directors are required by Condition 22 to:

- prepare the regulatory financial statements in respect of the financial year ended 31 March 2002 and (save as otherwise provided in Condition 22 or the Regulatory Accounting Guidelines) on a consistent basis in respect of each financial year;
- prepare the regulatory financial statements such that, insofar as reasonably practical, the definition of items in primary statements; the valuation of assets and liabilities; the treatment of income and expenditure as capital or revenue; adjustments in respect of the provision, utilisation, depreciation and amortisation of assets and liabilities; and any other relevant accounting policies shall be consistent with:
 - (i) the ORR's valuation of the Regulatory Asset Base for the purpose of determining access charges; and
 - (ii) the Determination Assumptions for the corresponding period as defined in Condition 22; (and so that where the presentation of an item in the primary statements departs from the basis for the Regulatory Asset Base or the Determination Assumptions, a reconciliation shall be included by way of a note);
- include, as a primary statement, a statement of regulatory financial performance comparing income, expenditure, profits and losses for the period with the Determination Assumptions;
- include all details reasonably necessary to reconcile items included in the primary financial statements with any corresponding items in annual statutory accounts for the same period;
- include narrative explaining the material variances from the previous year and from the Determination Assumptions; and
- include the confirmation required under Condition 29.3 that the licence holder shall provide, from time to time as requested by the ORR and in any event every year in the regulatory financial statements it prepares pursuant to Condition 22, confirmation that, in respect of the financial year to which the statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 29.1 and (where applicable) with Condition 29.2 and, if so requested by the ORR, evidence in support of that confirmation.

In addition the directors are responsible for selecting suitable accounting policies where these are not directed by Regulatory Accounting Guidelines and for making judgements and estimates that are reasonable and prudent.

The board of directors is also required to approve formally the regulatory financial statements by signing the directors' report on the regulatory financial statements.

In accordance with the Regulatory Accounting Guidelines the statutory financial statements are included as an attachment to these regulatory financial statements to enable a comparison. It should be noted that these statutory financial statements, which do not form a part of the regulatory financial statements, are covered by a separate audit engagement and opinion and are included for information only.

Independent Auditors' Report to the Company and the ORR

We have audited the regulatory financial statements of Network Rail Infrastructure Limited for the year ended 31 March 2007 which comprise the statement of financial performance, the statement of RAB adjustments and accruals, the statements analysing capital expenditure, operating, maintenance and renewals expenditure and income, the accounting policies and the related Appendices A, B, C, D and E for Great Britain. The statements of financial performance, the statements of RAB adjustments and accruals, the statements analysing capital expenditure, operating, maintenance and renewals expenditure and income for Scotland and England & Wales have also been audited.

This report is made, in accordance with our terms of engagement dated 18 June 2007, solely to the Company and the Office of Rail Regulation ("ORR"), in order to meet the requirement of Condition 22.9 of Network Rail Infrastructure Limited's network licence dated 31 March 1994 as amended on 2 July 2004 and 12 April 2007 ("Condition 22"). Our audit work was undertaken so that we might state to the Company and the ORR those matters we are required to state to them by Condition 22 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 ORR for our audit work, for this report or for the opinions we have formed.

Basis of Preparation

The regulatory financial statements are separate from the statutory financial statements and have been prepared under the accounting policies set out herein which differ from International Financial Reporting Standards ("IFRS"). Financial information other than that prepared on the basis of IFRS or UK Generally Accepted Accounting Principles ("UK GAAP") does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 1985.

Respective responsibilities of directors and auditors

The nature, form and content of the regulatory financial statements are determined by the requirements of the ORR. It is not appropriate for the auditors or the directors to assess whether the nature of the information being reported upon is suitable or appropriate for the ORR's purposes. Accordingly, we make no such assessment.

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the regulatory financial statements in accordance with Condition 22 and the Regulatory Accounting Guidelines issued thereunder on 3 April 2007. Our responsibility, as set out in our terms of engagement, is to audit the regulatory financial statements in accordance with those terms, relevant International Standards on Auditing (UK & Ireland), and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities', Condition 22 and the Regulatory Accounting Guidelines.

We report to you our opinion as to whether the regulatory financial statements present fairly the regulatory financial performance of Network Rail Infrastructure Limited for the year ended 31 March 2007 and the regulatory financial position as at that date in accordance with the requirements of Condition 22 and the Regulatory Accounting Guidelines and have been prepared in accordance with those same requirements. We also report to you if, in our opinion, the Company has not kept proper accounting records,

the regulatory financial statements are not in agreement with the underlying accounting records and regulatory returns, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the regulatory financial statements.

Basis of audit opinion

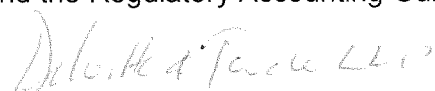
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the regulatory financial statements. It does not include an assessment of whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by the Regulatory Accounting Guidelines. Where the Regulatory Accounting Guidelines do not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the regulatory financial statements are consistent with those used in the preparation of the statutory financial statements of Network Rail Infrastructure Limited.

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 regulatory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated whether the presentation of information in the regulatory financial statements was adequate overall to comply with the Regulatory Accounting Guidelines.

Our opinion on the regulatory financial statements is separate from our opinion on the statutory financial statements of the Company on which we reported on 24 May 2007, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory" audit) was made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditors' report and for no other purpose. In these circumstances, 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 Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Opinion

In our opinion the regulatory financial statements fairly present, in accordance with the Regulatory Accounting Guidelines, the regulatory financial performance of Network Rail Infrastructure Limited for the year ended 31 March 2007 and the Regulatory Asset Base as at that date, and have been prepared in accordance with the requirements of Condition 22 and the Regulatory Accounting Guidelines.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
20 June 2007

Accounting Policies

Basis of preparation

Regulatory financial statements are required to be prepared by Network Rail Infrastructure Limited under the terms of its Network Licence dated 31 March 1994, as amended ("the Licence"). The form of the regulatory financial statements is specified in Condition 22 of the Licence and the statements must be prepared in accordance with detailed Regulatory Accounting Guidelines issued by ORR under Condition 22 on 3 April 2007.

The accounting policies adopted in presenting these regulatory financial statements are consistent with the Regulatory Accounting Guidelines issued by the ORR on 3 April 2007. These are consistent with those detailed in the Company's statutory financial statements for the year ended 31 March 2007 which were approved by the Directors on 24 May 2007 and will be filed with the Registrar of Companies in July 2007 with the following exceptions:

Inflation

Each year the opening Regulatory Asset Base ("RAB") is inflated to bring its valuation up to current prices. The statutory accounts are prepared on an historical cost basis modified to include fixed assets at valuation and no adjustment is made to opening balances at the start of each financial year to reflect inflation.

Depreciation and amortisation

In the statutory accounts the average railway network fixed asset valuation is depreciated on a straight line basis over its estimated remaining weighted average useful economic life (currently 25 years). No depreciation is provided in these regulatory financial statements. The RAB is amortised as detailed in the ORR Access Charges Review 2003 Final Conclusions. The opening RAB at 1 April 2004 is subject to amortisation on a 7% reducing balance basis while additions to the RAB in respect of renewals and enhancements subsequent to 1 April 2004 in the Control Period are amortised over 30 years.

Reactive works on structures and operational property

Certain reactive and cyclical works on structures and operational property are recorded in the ACR 2003 as renewals. Therefore, in these regulatory financial statements they have been disclosed as renewals to give the most appropriate comparison with the ACR 2003. In the statutory accounts, such amounts are recorded as maintenance within operating costs as they do not represent capital expenditure in accordance with IAS 16 '*Property, Plant & Equipment*'. An adjustment has also been made for WCRM feeder stations which are treated as operating expenditure in the determination and as fixed asset additions in the statutory accounts.

Debt

In accordance with the RAGs Condition 29.4, debt is calculated by reference to the principal amount outstanding of any such financial indebtedness. No mark to market value is used to calculate its amount. Where financial indebtedness is denominated in a foreign currency, hedged by a derivative, the principal amount is calculated by reference to the sterling amount payable under the relevant derivative.

Capitalised interest

Interest is capitalised into the cost of projects in the statutory accounts in accordance with IAS 16 '*Property, Plant & Equipment*' and IAS 23 '*Borrowing Costs*'. In these regulatory financial statements capitalised interest is excluded from all balances and where appropriate capitalised financing is added in the calculation of the RAB.

Accounting Policies continued

Basis of disaggregation

No segmental analysis is provided in the statutory financial statements because Network Rail operates one class of business, that of managing the national rail infrastructure, and undertakes that class of business in one geographic location, Great Britain.

However, a proportion of Network Rail's expenditure on operating, maintaining, renewing and enhancing the network is directly attributable to specific geographical areas, including Scotland. Other costs are incurred centrally. These other costs have been allocated to Scotland on the basis outlined in Annex E of the Regulatory Accounting Guidelines.

No ACR was performed separately for Scotland for Control Period 3. Instead, the ORR have supplied Indicative ACR 2003 data against which to evaluate the performance of the Scottish operations.

Statement 1: GB Regulatory financial performance

in £m 2006/07 prices

	Actual	2006/07 ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure (see Appendix B)	1,221	1,163	(58)
Maintenance expenditure (see Appendix B)	1,146	1,167	21
Schedule 4 costs	94	88	(6)
Schedule 8 (income)/costs	(87)	15	102
Return on the RAB (as per ACR 2003)	1,591	1,591	-
Amortisation	1,561	1,561	-
Gross revenue	5,526	5,585	59
Other income	(778)	(798)	(20)
Net revenue	4,748	4,787	39
Variable charge income including Schedule 4 and 8 access charges	(493)	(430)	63
Total net revenue recovered through fixed track access charges and grants	4,255	4,357	102
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	493	430	63
Fixed charges (net of £600m rebate) ¹	1,362	1,976	(614)
Total track access charges	1,855	2,406	(551)
Grants	2,866	2,385	481
Total revenue	4,721	4,791	(70)
C) Reconciliation to total income:			
Other income	778	798	(20)
Deferred grants ²	361	361	-
Schedule 4 costs	(94)	(88)	(6)
Schedule 8 income/(costs)	87	(15)	102
Total income (see Statement 5)	5,853	5,847	6

¹ Actual Fixed charges for 2006/07 are calculated net of £600m rebate.

² Actual Grants received for 2006/07 includes £126m of deferred grants from earlier in the Control Period and £235m capital return on the outstanding value of the grant.

Statement 1: GB Regulatory financial performance continued

in £m 2006/07 prices

	Actual	2005/06 ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure	1,174	1,242	68
Maintenance expenditure	1,238	1,268	30
Schedule 4 costs	74	80	6
Schedule 8 (income)/costs	(88)	16	104
Return on the RAB (as per ACR 2003)	1,605	1,605	-
Amortisation	1,561	1,561	-
Gross revenue	5,564	5,772	208
Other income	(793)	(793)	-
Net revenue	4,771	4,979	208
Variable charge income including Schedule 4 and 8 access charges	(464)	(422)	42
Total net revenue recovered through fixed track access charges and grants	4,307	4,557	250
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	464	422	42
Fixed charges (net of £250m rebate) ¹	701	955	(254)
Total track access charges	1,165	1,377	(212)
Grants ²	2,060	3,605	(1,545)
Total revenue	3,225	4,982	(1,757)
C) Reconciliation to total income:			
Other income	793	793	-
Deferred grants	-	-	-
Schedule 4 costs	(74)	(80)	6
Schedule 8 income/(costs)	88	(16)	104
Total income	4,032	5,679	(1,647)

¹ Actual Fixed charges for 2005/06 are calculated net of £250m rebate (2005/2006 prices).

² Grant income as stated in the ACR 2003 for 2005/06 includes £1,816m of deferred grants that were not received in that financial year.

Statement 1: GB Regulatory financial performance continued

in £m 2006/07 prices

	Actual	2004/05 ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure	1,257	1,328	71
Maintenance expenditure	1,352	1,379	27
Schedule 4 costs	62	71	9
Schedule 8 (income)/costs	(77)	17	94
Return on the RAB (as per ACR 2003)	1,446	1,446	-
Amortisation	1,543	1,543	-
Gross revenue	5,583	5,784	201
Other income	(770)	(770)	-
Net revenue	4,813	5,014	201
Variable charge income including Schedule 4 and 8 access charges	(440)	(414)	26
Total net revenue recovered through fixed track access charges and grants	4,373	4,600	227
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	440	414	26
Fixed charges (net of £250m rebate) ¹	669	942	(273)
Total track access charges	1,109	1,356	(247)
Grants ²	2,189	3,659	(1,470)
Total revenue	3,298	5,015	(1,717)
C) Reconciliation to total income:			
Other income	770	770	-
Deferred grants	-	-	-
Schedule 4 costs	(62)	(71)	9
Schedule 8 income/(costs)	77	(17)	94
Total income	4,083	5,697	(1,614)

¹ Actual Fixed charges for 2004/05 are calculated net of £250m rebate (2004/2005 prices).

² Grant income as stated in the ACR 2003 for 2004/05 includes £1,729m of deferred grants that were not received in that financial year.

Statement 1: GB Regulatory financial performance continued

in £m 2006/07 prices

	Actual	Cumulative ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure	3,652	3,733	81
Maintenance expenditure	3,736	3,814	78
Schedule 4 costs	230	239	9
Schedule 8 (income)/costs	(252)	48	300
Return on the RAB (as per ACR 2003)	4,642	4,642	-
Amortisation	4,665	4,665	-
Gross revenue	16,673	17,141	468
Other income	(2,341)	(2,361)	(20)
Net revenue	14,332	14,780	448
Variable charge income including Schedule 4 and 8 access charge supplements	(1,397)	(1,266)	131
Total net revenue recovered through fixed track access charges and grants	12,935	13,514	579
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	1,397	1,266	131
Fixed charges (net of £1,100m rebate) ¹	2,732	3,873	(1,141)
Total track access charges	4,129	5,139	(1,010)
Grants ²	7,115	9,649	(2,534)
Total revenue	11,244	14,788	(3,544)
C) Reconciliation to total income:			
Other income	2,341	2,361	(20)
Deferred grants ³	361	361	-
Schedule 4 costs	(230)	(239)	9
Schedule 8 income/(cost)	252	(48)	300
Total income	13,968	17,223	(3,255)

¹ Actual Fixed charges for the Control Period to date are calculated net of £1,100m of rebates (nominal prices).

² Grant income as stated in the ACR 2003 for 2004/05 and 2005/06 includes £1,729m and £1,816m of deferred grants respectively that were not received in those financial years.

³ Actual Grants received for 2006/07 includes £126m of deferred grants from earlier in the Control Period and £235m capital return on the outstanding value of the grant.

Statement 2a: GB RAB (Regulatory financial position)

in £m 2006/07 prices unless stated

	Movements in the year 2006/07			
	Indexation	Adjustment	Capitalised financing (return)	Total as at 31/03/07
A) Calculation of the regulatory accounts GB				
<u>RAB at 31 March 2007</u>				
Opening RAB for the year (2005/06 prices)				23,028
Indexation	892			892
Opening RAB (2006/07 prices)				23,920
Amortisation on 1 April 2004 RAB		(1,209)	-	(1,209)
Opening RAB after amortisation		(1,209)	-	22,711
Adjustments				
Signalling review		69	(31)	38
Capex outturn 2003/04		-	(48)	(48)
EC4T adjustment		29	4	33
RAB after prior year adjustments	892	(1,111)	(75)	22,734
Renewals and enhancements (see Statement 3 for more detail)				
Renewals in ACR 2003		2,426	-	2,426
Enhancements in ACR 2003		326	-	326
Variance on emerging cost enhancements ¹		29	(42)	(13)
Investments not funded in ACR 2003		134	11	145
Total enhancements		489	(31)	458
Total renewals and enhancements		2,915	(31)	2,884
Amortisation on post April 2004 investment in ACR 2003		(352)	-	(352)
Net addition to the RAB from renewals and enhancements		2,563	(31)	2,532
Closing RAB at 31 March 2007				25,266

B) Adjustments to the RAB at 1 April 2009²

Revenue deferral	3,415
Asset stewardship index forecast for 1 April 2009	339
Volume incentive forecast for 1 April 2009	338
Total adjustments	4,092

¹ Capitalised financing for variance on emerging cost enhancements includes a reduction of £44m to correct prior years undercapitalisation of financing charges.

² Adjustments to the RAB refer to the forecast amount earned over the entire Control Period to be added at 1 April 2009.

Statement 2b: GB RAB and net debt analysis (Regulatory financial position)

in £m 2006/07 prices unless stated

	Control Period summary			
	2004-05	2005-06	2006-07	Total
A) Calculation of the regulatory accounts GB RAB at 31 March 2007				
Opening RAB for the year ¹ (2005/06 prices)	19,225	20,960	23,028	
Indexation	745	812	892	
Opening RAB (2006/07 prices)	19,970	21,772	23,920	19,970
Amortisation on 1 April 2004 RAB	(1,398)	(1,301)	(1,209)	(3,908)
Opening RAB after amortisation	18,572	20,471	22,711	16,062
Adjustments				
Signalling review	-	(144)	38	(106)
Capex outturn 2003/04	(338)	-	(48)	(386)
Opening net debt at 1 April 2004	(369)	369	-	-
Investments disallowed by ORR	-	(17)	-	(17)
EC4T adjustment	-	-	33	33
RAB after prior year adjustments	17,865	20,679	22,734	15,586
Renewals and enhancements (see Statement 2a for more detail)				
Renewals in ACR 2003	3,191	2,945	2,426	8,562
Enhancements in ACR 2003	1,155	446	326	1,927
Variance on emerging cost enhancements	(350)	87	(13)	(276)
Investments not funded in ACR 2003	55	25	145	225
Total enhancements	860	558	458	1,876
Total renewals and enhancements	4,051	3,503	2,884	10,438
Amortisation on post April 2004 investment in ACR 2003	(144)	(262)	(352)	(758)
Net addition to the RAB from renewals and enhancements	3,907	3,241	2,532	9,680
Closing RAB at 31 March 2007	21,772	23,920	25,266	25,266
B) Adjustments to the RAB at 1 April 2009²				
Revenue deferral				3,415
Asset stewardship index forecast for 1 April 2009				339
Volume incentive forecast for 1 April 2009				338
Total adjustments				4,092
C) Net debt analysis				
Net debt ³	16,648	18,688	18,572	
Net debt to RAB ratio	76.5%	78.1%	73.5%	

Statement 2b: GB RAB and net debt analysis (Regulatory financial position) continued

¹ The opening RAB at 1 April 2004 (2003/04 prices) was £18,143m.

² Adjustments to the RAB refer to the forecast amount earned over the entire Control Period to be added at 1 April 2009.

³ Of the total net debt balance at 31 March 2007 detailed above, £13,603m is owed to Network Rail Infrastructure Finance PLC, the special purpose financing vehicle that Network Rail has established to facilitate its long term Debt Issuance Programme and £4,883m is owed to Network Rail MTN Finance PLC.

Statement 3: GB Analysis of RAB capital expenditure

in £m 2006/07 prices unless stated

	Net spend in the year		
	Actual	ACR 2003	Difference
A) Renewals included in ACR 2003	2,764	2,426	(338)
B) Enhancements included in ACR 2003			
<i>Health and safety schemes</i>			
Train protection schemes	11	39	28
Light Maintenance Depot pollution prevention	24	-	(24)
Level crossings	4	-	(4)
Workforce safety	4	-	(4)
Other Safety & Environment plan schemes	9	107	98
<i>Total health and safety schemes</i>	52	146	94
<i>Emerging cost enhancements (transition schemes)</i>			
Power Supply Upgrade (PSU)	26	14	(12)
Southern Region New Trains Programme (non-PSU)	10	9	(1)
Thameslink development	16	-	(16)
<i>Total emerging cost enhancements</i>	52	23	(29)
Telecoms enhancements	7	34	27
West Coast Route Modernisation enhancements	144	123	(21)
Total enhancements in ACR 2003	255	326	71
C) Investments not included in ACR 2003			
<i>Government sponsored schemes</i>			
Disability Discrimination Act compliance	18	-	(18)
Kings Cross	6	-	(6)
Other	1	-	(1)
<i>Total government sponsored schemes</i>	25	-	(25)
<i>Network Rail sponsored schemes</i>			
East Midlands Parkway	2	-	(2)
NDS fleet maintenance facility	1	-	(1)
Other (schemes less than £1m)	13	-	(13)
<i>Total Network Rail sponsored schemes</i>	16	-	(16)
<i>Network Rail Discretionary Fund</i>			
Coventry PSB Resignalling	4	-	(4)
Bristol Parkway platform	2	-	(2)
Other	5	-	(5)
<i>Total Network Rail Discretionary Fund spend</i>	11	-	(11)

Statement 3: GB Analysis of RAB capital expenditure continued

Schemes promoted by third parties

Project Evergreen 2	69	-	(69)
Bristol Depot	9	-	(9)
Coventry car park	2	-	(2)
Cricklewood sidings	1	-	(1)
Virgin West coast	1	-	(1)
<i>Total schemes promoted by third parties</i>	82	-	(82)
Total investments not included in ACR 2003 allowance¹	134	-	(134)
Total renewals and enhancements	3,153	2,752	(401)

¹ Separate notes are provided in addition to the regulatory accounts, showing the break down between schemes and outputs.

Statement 4a: GB Summary analysis of operating, maintenance & renewals expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Actual	ACR 2003	Difference
Renewals			
Non-WCRM renewals			
Track	897	747	(150)
Structures	377	348	(29)
Signalling ¹	436	450	14
Telecoms	181	292	111
Electrification	86	97	11
Plant and machinery	84	65	(19)
Operational property	208	194	(14)
Other (inc IT)	150	111	(39)
Total non-WCRM renewals	2,419	2,304	(115)
Total WCRM renewals	345	191	(154)
Total renewals	2,764	2,495	(269)
Total maintenance (see statement 4b)	1,146	1,167	21
Operating expenditure (see statement 4c)			
Controllable operating expenditure	878	917	39
Non-controllable operating expenditure	343	246	(97)
Total operating expenditure	1,221	1,163	(58)
Total operating, maintenance and renewals expenditure	5,131	4,825	(306)

¹ The signalling allowance in the ACR 2003 is stated after taking account of the ORR's signalling review published in December 2005. This has the effect of increasing the ACR 2003 by £69m (£38m including the impact of capitalised financing) 2006/07.

Statement 4b: GB Analysis of maintenance expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Actual	ACR 2003 ¹	Difference
Analysis of maintenance expenditure			
Permanent way ²	423		
Signalling and telecoms ²	142		
Electrification and plant ²	61		
Structures inspections ²	40		
Other	480		
Total maintenance	1,146	1,167	21

¹ ACR 2003 did not break down maintenance expenditure. Therefore, no detailed comparatives to actual expenditure are included.

² These costs only include direct costs.

Statement 4c: GB analysis of operating expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Operating expenditure	Maintenance expenditure	Total
Total payroll costs	809	592	1,401
Other controllable operating expenditure			
Contracted services			
- agency	81	1	82
- contractors and consultants	20	3	23
- maintenance contractors	-	183	183
Total contracted services	101	187	288
Employee related expenses	61	12	73
Accommodation and corporate office expenses	54	8	62
Plant	47	181	228
Materials	-	189	189
IT	39	1	40
Other ¹	170	205	375
Total other controllable operating expenditure	472	783	1,255
Less:			
Other operating income	(108)	(41)	(149)
Own work capitalised	(295)	(188)	(483)
Total controllable operating expenditure²	878	1,146	2,024
Non-controllable operating expenditure			
Traction electricity costs	181	-	181
Cumulo rates	75	-	75
BT Transport Police costs	60	-	60
Rail Safety and Standards Board levy	9	-	9
ORR licence fee	18	-	18
Total non-controllable operating expenditure	343	-	343
Total operating expenditure	1,221	1,146	2,367

¹ Other controllable operating expenditure includes Network Rail Insurance Limited's total loss from operations of £20m.

² Controllable operating expenditure includes £183m of signallers/LX keeper costs, £29m of operation delivery costs and £35m of control costs.

Statement 5: GB analysis of income

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	ACR 2003	Difference
Franchised track access income			
Fixed charges	1,362	1,976	(614)
Gross variable charge income			
- usage charge	229	192	37
- capacity charge	7	-	7
- traction electricity (incl. electrification usage charge)	162	135	27
- Schedule 4 net income	(7)	-	(7)
- Schedule 8 net income	95	-	95
- other contractual receipts	-	-	-
Total gross variable charge income	486	327	159
Total franchised track access income	1,848	2,303	(455)
Grant income	2,866	2,385	481
Deferred grants	361	361	-
Total grant income	3,227	2,746	481
Total franchised track access and grant income	5,075	5,049	26
Other single till income			
Property income	254	260	(6)
Freight income	95	97	(2)
Open access income	62	49	13
Stations income	306	309	(3)
Depots income	49	55	(6)
Other	12	28	(16)
Total other single till income	778	798	(20)
Total income	5,853	5,847	6

Statement 6: GB Other information

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	ACR 2003 ¹	Difference
Analysis of Schedule 4 net income			
Income	87	88	(1)
Costs	(94)	(88)	(6)
Net costs	(7)	-	(7)
Analysis of Schedule 8 net income			
Income	8	15	(7)
Costs ²	87	(15)	102
Net income	95	-	95
Analysis of freight income			
Variable track access	95		
Capacity charge	4		
Performance regime	(11)		
Cancellations	1		
Traction electricity	5		
Other	1		
Total freight income	95	97	(2)

¹ ACR 2003 did not break down freight income. Therefore, no detailed comparatives to actual expenditure are included.

² Actual costs are amounts receivable due to performance exceeding the ACR 2003 determination.

Appendix A: Reconciliation of RAB to Statutory Railway Network Fixed Assets Valuation

At 31 March 2007

	£m	£m
RAB valuation at 31 March 2007 (Statement 2a)		25,266
Differences between RAB valuation and statutory railway network fixed assets valuation		
Capital grants carried as deferred income in statutory accounts	1,037	
Adjustment to recognise deferred revenue grant	3,667	
Reported as investment properties in statutory accounts	(948)	
Adjustment to reflect differences in the projected net cash flow to that stated in the determination	(1,295)	
Impact of achieving Asset Stewardship Incentive Index target	339	
Impact of achieving Volume Incentive target	256	
Other	(18)	
		3,038
Railway network valuation per the statutory accounts at 31 March 2007		28,304

Appendix B: Reconciliation of Operating and Maintenance Expenditure between Regulatory Statements and Statutory Accounts

Year ended 31 March 2007

	Operating expenditure £m	Maintenance expenditure £m	Total £m
Operating and maintenance expenditure for year ended 31 March 2007 per the regulatory statements (Statement 1)	1,221	1,146	2,367
Differences between regulatory expenditure and statutory expenditure			
Depreciation	1,086	-	1,086
Reactive maintenance expenditure ¹	-	102	102
Capital grants amortised	(31)	-	(31)
Outperformance fund expenditure	1	14	15
Wayleaves	(11)	-	(11)
West Coast feeder stations	(13)	-	(13)
Safety and Environment Plan (S&E)	(3)	3	-
Other	2	-	2
	1,031	119	1,150
Operating and maintenance expenditure for year ended 31 March 2007 per the statutory accounts	2,252	1,265	3,517

¹This includes £55m stations maintenance and £57m operational property maintenance.

Appendix C: Reconciliation of Regulatory Income to Statutory Turnover

Year ended 31 March 2007

	£m	£m
Regulatory income for year ended 31 March 2007 (Statements 1 and 5)		5,853
Differences between regulatory income and statutory turnover		
Property sales	(47)	
Wayleaves	(11)	
		(58)
Turnover per the statutory accounts for year ended 31 March 2007		5,795

Appendix D: Reconciliation of Regulatory Debt to Statutory Net Debt

At 31 March 2007

	£m	£m
Regulatory debt at 31 March 2007 (Statement 2b)		18,572
Differences between regulatory debt and statutory net debt		
Impact of IAS32 and IAS39:		
Change in fair value of hedges	(112)	
Foreign exchange differences	(155)	
Investment in CTRL	89	
		(178)
Net debt per the statutory accounts at 31 March 2007		18,394

Appendix E: Reconciliation of Regulatory Capital Expenditure to Statutory Capital Expenditure

Year ended 31 March 2007

	£m	£m
Regulatory capital expenditure for the year ended 31 March 2007 (Statement 3)		3,153
Differences between regulatory capital expenditure and statutory capital expenditure		
Third party funded enhancements	144	
Reactive maintenance	(102)	
Capitalised interest	75	
Outperformance funded enhancements	20	
Enhancement expenditure not meeting ORR criteria	17	
West Coast feeder stations	13	
Other	6	
		173
Capital expenditure per the statutory accounts for the year ended 31 March 2007		3,326

DISAGGREGATED FINANCIAL INFORMATION

Statement 1: Scotland Regulatory financial performance

in £m 2006/07 prices

	Actual	2006/07 Indicative ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure	107	114	7
Maintenance expenditure	108	107	(1)
Schedule 4 costs	3	9	6
Schedule 8 income	(3)	-	3
Return on the RAB (as per Indicative ACR 2003)	165	165	-
Amortisation	166	166	-
Gross revenue	546	561	15
Other income	(59)	(58)	1
Net revenue	487	503	16
Variable charge income including Schedule 4 and 8 access charges	(26)	(29)	(3)
Total net revenue recovered through fixed track access charges and grants	461	474	13
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	26	29	(3)
Fixed charges	133	133	-
Total track access charges	159	162	(3)
Grants	326	340	(14)
Total revenue	485	502	(17)
C) Reconciliation to total income:			
Other income	59	58	1
Deferred grants ¹	20	20	-
Schedule 4 costs	(3)	(9)	6
Schedule 8 income	3	-	3
Total income (see Statement 5)	564	571	(7)

¹ Actual Grants received for 2006/07 includes £7m of deferred grants from earlier in the Control Period and £13m capital return on the outstanding value of the grant.

Statement 2a: Scotland RAB (Regulatory financial position)

in £m 2006/07 prices unless stated

	Movements in the year 2006/07			Total as at
	Indexation	Adjustment	Capitalised financing (return)	31/03/07
A) Calculation of the regulatory accounts				
Scotland RAB at 31 March 2007				
Opening RAB for the year (2005/06 prices)				2,455
Indexation	95		-	95
Opening RAB (2006/07 prices)				2,550
Amortisation on 1 April 2004 RAB		(135)	-	(135)
Opening RAB after amortisation		(135)	-	2,415
Adjustments				
Capex outturn 2003/04		-	(6)	(6)
EC4T adjustment		2	-	2
RAB after prior year adjustments	95	(133)	(6)	2,411
Renewals and enhancements (see Statement 3 for more detail)				
Renewals in Indicative ACR 2003		242	-	242
Enhancements in Indicative ACR 2003		-	-	-
Variance on emerging cost enhancements		-	-	-
Investments not funded in Indicative ACR 2003		2	-	2
Total enhancements		2	-	2
Total renewals and enhancements		244	-	244
Amortisation on post April 2004 investment in Indicative ACR 2003		(31)	-	(31)
Net addition to the RAB from renewals and enhancements		213	-	213
Closing RAB at 31 March 2007				2,624
B) Adjustments to the RAB at 1 April 2009¹				
Revenue deferral				381
Asset stewardship index forecast for 1 April 2009				38
Volume incentive forecast for 1 April 2009				34
Total adjustments				453

¹ Adjustments to the RAB refer to the forecast amount earned over the entire Control Period to be added at 1 April 2009.

Statement 3: Scotland Analysis of RAB capital expenditure

in £m 2006/07 prices unless stated

	Net spend in the year		
	Actual	Indicative ACR 2003	Difference
A) Renewals included in Indicative ACR 2003	296	242	(54)
B) Enhancements included in Indicative ACR 2003			
<i>Health and safety schemes</i>			
Train protection schemes	1	-	(1)
Light Maintenance Depot pollution prevention	2	-	(2)
Other Safety & Environment plan schemes	2	-	(2)
<i>Total health and safety schemes</i>	5	-	(5)
Telecoms enhancements	1	-	(1)
West Coast Route Modernisation enhancements	12	-	(12)
Total enhancements in Indicative ACR 2003	18	-	(18)
C) Investments not included in Indicative ACR 2003 allowance			
<i>Government sponsored schemes</i>			
Disability Discrimination Act compliance	1	-	(1)
<i>Total government sponsored schemes</i>	1	-	(1)
<i>Network Rail Discretionary Fund</i>			
Other (schemes less than £1m)	1	-	(1)
<i>Total Network Rail Discretionary Fund spend</i>	1	-	(1)
Total investments not included in Indicative ACR 2003 allowance	2	-	(2)
Total renewals and enhancements	316	242	(74)

¹ Separate notes are provided in addition to the regulatory accounts, showing the break down between schemes and outputs.

² There was no expenditure in Scotland during the year under the categories: Emerging cost enhancement, Network Rail sponsored schemes or Schemes promoted by third parties.

Statement 4a: Scotland Summary analysis of operating, maintenance & renewals expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Actual	Indicative ACR 2003	Difference
Renewals			
Non-WCRM renewals			
Track	84	74	(10)
Structures	65	35	(30)
Signalling ¹	32	38	6
Telecoms	46	29	(17)
Electrification	10	10	-
Plant and machinery	4	7	3
Operational property	14	19	5
Other (inc IT)	13	11	(2)
Total non-WCRM renewals	268	223	(45)
Total WCRM renewals	28	19	(9)
Total renewals	296	242	(54)
Total maintenance (see statement 4b)	108	107	(1)
Operating expenditure (see statement 4c)			
Controllable operating expenditure	81	90	9
Non-controllable operating expenditure	26	24	(2)
Total operating expenditure	107	114	7
Total operating, maintenance and renewals expenditure	511	463	(48)

¹ The signalling review published in December 2005 has no impact upon the Indicative ACR 2003 allowance.

Statement 4b: Scotland Analysis of maintenance expenditure

in £m 2006/07 prices unless stated

	Spend in the year		Difference
	Actual	Indicative ACR 2003 ¹	
Analysis of maintenance expenditure			
Permanent way ²	45		
Signalling and telecoms ²	13		
Electrification and plant ²	4		
Structures inspections ²	6		
Other	40		
Total maintenance	108	107	(1)

¹ Indicative ACR 2003 did not break down maintenance expenditure. Therefore, no detailed comparatives to actual expenditure are included.

² These costs only include direct costs.

Statement 4c: Scotland analysis of operating expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Operating expenditure	Maintenance expenditure	Total
Total payroll costs	74	55	129
Other controllable operating expenditure			
Contracted services			
- agency	7	-	7
- contractors and consultants	2	-	2
- maintenance contractors	-	14	14
Total contracted services	9	14	23
Employee related expenses	6	1	7
Accommodation and corporate office expenses	5	1	6
Plant	4	16	20
Materials	-	13	13
IT	4	-	4
Other ¹	16	29	45
Total other controllable operating expenditure	44	74	118
Less:			
Other operating income	(9)	(2)	(11)
Own work capitalised	(28)	(19)	(47)
Total controllable operating expenditure²	81	108	189
Non-controllable operating expenditure			
Traction electricity costs	10	-	10
Cumulo rates	7	-	7
BT Transport Police costs	6	-	6
Rail Safety and Standards Board levy	1	-	1
ORR licence fee	2	-	2
Total non-controllable operating expenditure	26	-	26
Total operating expenditure	107	108	215

¹ Other controllable operating expenditure includes the Scotland share of Network Rail Insurance Limited's total loss from operations of £2m.

² Controllable operating expenditure includes £16m of signallers/LX keeper costs, £2m of operation delivery costs and £2m of control costs.

Statement 5: Scotland Analysis of income

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	Indicative ACR 2003	Difference
Franchised track access income			
Fixed charges	133	133	-
Gross variable charge income			
- usage charge	12	12	-
- capacity charge	-	-	-
- traction electricity (incl. electrification usage charge)	7	8	(1)
- Schedule 4 net income	4	-	4
- Schedule 8 net income	3	-	3
- other contractual receipts	-	-	-
Total gross variable charge income	26	20	6
Total franchised track access income	159	153	6
Grant income	326	340	(14)
Deferred grants	20	20	-
Total grant income	346	360	(14)
Total franchised track access and grant income	505	513	(8)
Other single till income			
Property income	18	18	-
Freight income	10	10	-
Open access income	-	-	-
Stations income	25	24	1
Depots income	5	6	(1)
Other	1	-	1
Total other single till income	59	58	1
Total income	564	571	(7)

Statement 6: Scotland Other information

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	Indicative ACR 2003 ¹	Difference
Analysis of Schedule 4 net income			
Income	7	9	(2)
Costs	(3)	(9)	6
Net income	4	-	4
Analysis of Schedule 8 net income			
Income	-	-	-
Costs ²	3	-	3
Net income	3	-	3
Analysis of freight income			
Variable track access	10		
Capacity charge	-		
Performance regime	(1)		
Cancellations	-		
Traction electricity	1		
Other	-		
Total freight income	10	10	-

¹ Indicative ACR 2003 did not break down freight income. Therefore, no detailed comparatives to actual expenditure are included.

² Actual costs are amounts receivable due to performance exceeding the Indicative ACR 2003 determination.

Statement 1: England & Wales Regulatory financial performance

in £m 2006/07 prices

	Actual	2006/07 Indicative ACR 2003	Difference
A) Comparison of overall performance			
Operating expenditure	1,114	1,049	(65)
Maintenance expenditure	1,038	1,060	22
Schedule 4 costs	91	79	(12)
Schedule 8 (income)/costs	(84)	15	99
Return on the RAB (as per Indicative ACR 2003)	1,426	1,426	-
Amortisation	1,395	1,395	-
Gross revenue	4,980	5,024	44
Other income	(719)	(740)	(21)
Net revenue	4,261	4,284	23
Variable charge income including Schedule 4 and 8 access charges	(467)	(401)	66
Total net revenue recovered through fixed track access charges and grants	3,794	3,883	89
B) Comparison of track access charges and grants			
Split of track access charges as per 10 March 2004 ORR statement			
Variable charges	467	401	66
Fixed charges (net of £600m rebate) ¹	1,229	1,843	(614)
Total track access charges	1,696	2,244	(548)
Grants	2,540	2,045	495
Total revenue	4,236	4,289	(53)
C) Reconciliation to total income:			
Other income	719	740	(21)
Deferred grants ²	341	341	-
Schedule 4 costs	(91)	(79)	(12)
Schedule 8 income/(costs)	84	(15)	99
Total income (see Statement 5)	5,289	5,276	13

¹ Actual Fixed charges for 2006/07 are calculated net of £600m rebate.

² Actual Grants received for 2006/07 includes £119m of deferred grants from earlier in the Control Period and £222m capital return on the outstanding value of the grant.

Statement 2a: England & Wales RAB (Regulatory financial position)

in £m 2006/07 prices unless stated

Movements in the year 2006/07

	Indexation	Adjustment	Capitalised financing (return)	Total as at 31/03/07
A) Calculation of the regulatory accounts				
England & Wales RAB at 31 March 2007				
Opening RAB for the year (2005/06 prices)				20,573
Indexation	797		-	797
Opening RAB (2006/07 prices)		-	-	21,370
Amortisation on 1 April 2004 RAB		(1,074)	-	(1,074)
Opening RAB after amortisation		(1,074)	-	20,296
Adjustments				
Signalling review		69	(31)	38
Capex outturn 2003/04		-	(42)	(42)
EC4T adjustment		27	4	31
RAB after prior year adjustments	797	(978)	(69)	20,323
Renewals and enhancements (see Statement 3 for more detail)				
Renewals in Indicative ACR 2003	2,184		-	2,184
Enhancements in Indicative ACR 2003	326		-	326
Variance on emerging cost enhancements ¹	29		(42)	(13)
Investments not funded in Indicative ACR 2003	132		11	143
Total enhancements	487		(31)	456
Total renewals and enhancements	2,671		(31)	2,640
Amortisation on post April 2004 investment in Indicative ACR 2003	(321)		-	(321)
Net addition to the RAB from renewals and enhancements		2,350	(31)	2,319
Closing RAB at 31 March 2007				22,642

B) Adjustments to the RAB at 1 April 2009²

Revenue deferral	3,034
Asset stewardship index forecast for 1 April 2009	301
Volume incentive forecast for 1 April 2009	304
Total adjustments	3,639

¹ Capitalised financing for variance on emerging cost enhancements includes a reduction of £44m to correct prior years undercapitalisation of financing charges.

² Adjustments to the RAB refer to the forecast amount earned over the entire Control Period to be added at 1 April 2009.

Statement 3: England & Wales Analysis of RAB capital expenditure

in £m 2006/07 prices unless stated

	Net spend in the year		
	Actual	Indicative ACR 2003	Difference
A) Renewals included in Indicative ACR 2003	2,468	2,184	(284)
B) Enhancements included in Indicative ACR 2003			
<i>Health and safety schemes</i>			
Train protection schemes	10	39	29
Light Maintenance Depot pollution prevention	22	-	(22)
Level crossings	4	-	(4)
Workforce safety	4	-	(4)
Other Safety & Environment plan schemes	7	107	100
<i>Total health and safety schemes</i>	<i>47</i>	<i>146</i>	<i>99</i>
<i>Emerging cost enhancements (transition schemes)</i>			
Power Supply Upgrade (PSU)	26	14	(12)
Southern Region New Trains Programme (non-PSU)	10	9	(1)
Thameslink development	16	-	(16)
<i>Total emerging cost enhancements</i>	<i>52</i>	<i>23</i>	<i>(29)</i>
Telecoms enhancements	6	34	28
West Coast Route Modernisation enhancements	132	123	(9)
Total enhancements in Indicative ACR 2003	237	326	89
C) Investments not included in Indicative ACR 2003 allowance			
<i>Government sponsored schemes</i>			
Disability Discrimination Act compliance	17	-	(17)
Kings Cross	6	-	(6)
Other	1	-	(1)
<i>Total government sponsored schemes</i>	<i>24</i>	<i>-</i>	<i>(24)</i>
<i>Network Rail sponsored schemes</i>			
East Midlands Parkways	2	-	(2)
NDS fleet maintenance facility	1	-	(1)
Other (schemes less than £1m)	13	-	(13)
<i>Total Network Rail sponsored schemes</i>	<i>16</i>	<i>-</i>	<i>(16)</i>
<i>Network Rail Discretionary Fund</i>			
Coventry PSB Resignalling	4	-	(4)
Bristol Parkway platform	2	-	(2)
Other	4	-	(4)
<i>Total Network Rail Discretionary Fund spend</i>	<i>10</i>	<i>-</i>	<i>(10)</i>

Statement 3: England & Wales Analysis of RAB capital expenditure continued

Schemes promoted by third parties

Project Evergreen 2	69	-	(69)
Bristol Depot	9	-	(9)
Coventry car park	2	-	(2)
Cricklewood sidings	1	-	(1)
Virgin West Coast	1	-	(1)
<i>Total schemes promoted by third parties</i>	82	-	(82)
Total investments not in Indicative ACR 2003 allowance	132	-	(132)
Total renewals and enhancements	2,837	2,510	(327)

¹ Separate notes are provided in addition to the regulatory accounts, showing the break down between schemes and outputs.

Statement 4a: England & Wales Summary analysis of operating, maintenance & renewals expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Actual	Indicative ACR 2003	Difference
Renewals			
Non-WCRM renewals			
Track	813	673	(140)
Structures	312	313	1
Signalling ¹	404	412	8
Telecoms	135	263	128
Electrification	76	87	11
Plant and machinery	80	58	(22)
Operational property	194	175	(19)
Other (inc IT)	137	100	(37)
Total non-WCRM renewals	2,151	2,081	(70)
Total WCRM renewals	317	172	(145)
Total renewals	2,468	2,253	(215)
Total maintenance (see statement 4b)	1,038	1,060	22
Operating expenditure (see statement 4c)			
Controllable operating expenditure	797	827	30
Non-controllable operating expenditure	317	222	(95)
Total operating expenditure	1,114	1,049	(65)
Total operating, maintenance and renewals expenditure	4,620	4,362	(258)

¹ The signalling allowance in the Indicative ACR 2003 is stated after taking account of the ORR's signalling review published in December 2005. This has the effect of increasing the Indicative ACR 2003 by £69m (£38m including the impact of capitalised financing) for 2006/07.

Statement 4b: England & Wales Analysis of maintenance expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Actual	Indicative ACR 2003 ¹	Difference
Analysis of maintenance expenditure			
Permanent way ²	378		
Signalling and telecoms ²	129		
Electrification and plant ²	57		
Structures inspections ²	34		
Other	440		
Total maintenance expenditure	1,038	1,060	22

¹ Indicative ACR 2003 did not break down maintenance expenditure. Therefore, no detailed comparatives to actual expenditure are included.

² These costs only include direct costs.

Statement 4c: England & Wales analysis of operating expenditure

in £m 2006/07 prices unless stated

	Spend in the year		
	Operating expenditure	Maintenance expenditure	Total
Total payroll costs	735	537	1,272
Other controllable operating expenditure			
Contracted services			
- agency	74	1	75
- contractors and consultants	18	3	21
- maintenance contractors	-	169	169
Total contracted services	92	173	265
Employee related expenses	55	11	66
Accommodation and corporate office expenses	49	7	56
Plant	43	165	208
Materials	-	176	176
IT	35	1	36
Other ¹	154	176	330
Total other controllable operating expenditure	428	709	1,137
Less:			
Other operating income	(99)	(39)	(138)
Own work capitalised	(267)	(169)	(436)
Total controllable operating expenditure²	797	1,038	1,835
Non-controllable operating expenditure			
Traction electricity costs	171	-	171
Cumulo rates	68	-	68
BT Transport Police costs	54	-	54
Rail Safety and Standards Board levy	8	-	8
ORR licence fee	16	-	16
Total non-controllable operating expenditure	317	-	317
Total operating expenditure	1,114	1,038	2,152

¹ Other controllable operating expenditure includes the England & Wales share of Network Rail Insurance Limited's total loss from operations of £18m.

² Controllable operating expenditure includes £167m of signallers/LX keeper costs, £27m of operation delivery costs and £33m of control costs.

Statement 5: England & Wales Analysis of income

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	Indicative ACR 2003	Difference
Franchised track access income			
Fixed charges	1,229	1,843	(614)
Gross variable charge income			
- usage charge	217	180	37
- capacity charge	7	-	7
- traction electricity (incl. electrification usage charge)	155	127	28
- Schedule 4 net income	(11)	-	(11)
- Schedule 8 net income	92	-	92
- other contractual receipts	-	-	-
Total gross variable charge income	460	307	153
Total franchised track access income	1,689	2,150	(461)
Grant income	2,540	2,045	495
Deferred grants	341	341	-
Total grant income	2,881	2,386	495
Total franchised track access and grant income	4,570	4,536	34
Other single till income			
Property income	236	242	(6)
Freight income	85	87	(2)
Open access income	62	49	13
Stations income	281	285	(4)
Depots income	44	49	(5)
Other	11	28	(17)
Total other single till income	719	740	(21)
Total income	5,289	5,276	13

Statement 6: England & Wales Other information

in £m 2006/07 prices unless stated

	Receipts in the year		
	Actual	Indicative ACR 2003 ¹	Difference
Analysis of Schedule 4 net income			
Income	80	79	1
Costs	(91)	(79)	(12)
Net costs	(11)	-	(11)
Analysis of Schedule 8 net income			
Income	8	15	(7)
Costs ²	84	(15)	99
Net income	92	-	92
Analysis of freight income			
Variable track access	85		
Capacity charge	4		
Performance regime	(10)		
Cancellations	1		
Traction electricity	4		
Other	1		
Total freight income	85	87	(2)

¹ Indicative ACR 2003 did not break down freight income. Therefore, no detailed comparatives to actual expenditure are included.

² Actual costs are amounts receivable due to performance exceeding the Indicative ACR 2003 determination.