

Merseyside Passenger Transport Executive

Accounts

For The Year Ended 31 March 2010

Merseyside Passenger Transport Executive

Statement Of Responsibilities For The Statement Of Accounts

The Executive's Responsibilities

The Executive is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Executive, that officer is the Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

Responsibilities of The Director of Resources

The Director of Resources is responsible for the preparation of the Executive's Statement of Accounts which are required to present fairly the financial position of the Executive at the accounting date and its income and expenditure for the year end 31 March 2010.

In preparing this statement of accounts the Director of Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code

The Director of Resources has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE EXECUTIVE

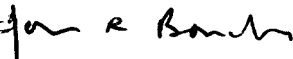
We certify that the Statements of Accounts set out on pages D15 to D51 have been prepared in accordance with the accounting policies adopted by the Executive.



N Scales

DIRECTOR GENERAL

Date: 21/6/10



J R Barclay

DIRECTOR OF RESOURCES

Date: 21/6/10

Independent Auditor's Report to the Directors of Merseyside Passenger Transport Executive

Opinion on the Financial Statements

I have audited the accounting statements of Merseyside Passenger Transport Executive and group for the year ended 31 March 2010. The accounting statements comprise the Group and Executive Income and Expenditure Accounts, the Group and Executive Balance Sheets, the Group and Executive Cash Flow Statements, the Group and Executive Statement of Total Recognised Gains and Losses and the related notes. These accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the Directors of Merseyside Passenger Transport Executive in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the accounting statements in accordance with the Accounts and Audit Regulations 2003 as amended.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Executive and its income and expenditure for the year. I also report to you whether, in my opinion, the information which comprises the Directors' Report, is consistent with the accounting statements.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLANCE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Executive's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Directors' Report and consider whether it is consistent with the audited accounting statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Executive and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Executive in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Executive's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements.

Opinion

In my opinion:-

- the Executive and group accounting statements give a true and fair view of the state of affairs of Merseyside Passenger Transport Executive and its Group as at 31 March 2010 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Executive;
- information which comprises the Directors' Report is consistent with the accounting statements.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Executive's Responsibilities

The Executive is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Executive for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies and published in January 2009. I report if significant matters have come to my attention which prevent me from concluding that the Executive has made such proper arrangements. I am not required to consider, nor have I considered, whether the aspects of the Executive's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, I am satisfied that, in all significant respects, Merseyside Passenger Transport Executive made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A handwritten signature in black ink that reads "Julian Farmer". The signature is written in a cursive style with a large, sweeping initial 'J' and a long horizontal stroke at the end.

Julian Farmer

Officer of the Audit Commission

The Heath Technical Business Park, Runcorn, Cheshire, WA7 4QF

30 September 2010

Merseyside Passenger Transport Executive

Directors' Report (Explanatory Foreword) (Continued)

4. Capital invested during the year totalled £20.6m which included ongoing progress with the programme to enhance the facilities at many rail stations, and substantial progress in Merseytravel's programme to improve integrated public transport along major corridors and centres in Merseyside at an estimated cost of £100m. This Capital outlay was financed by a capital grant from the Authority (£19.8m); and other Executive funding resources (£0.8m).
5. TWA powers were granted by the Government (SI 2005 No 120) for the construction and operation of Merseytram Line One. During 2005/06 the Government withdrew its £170m funding contribution, effectively stalling the good progress made on the development of Merseytram. TWA powers were to expire in 2010 but were extended as the result of implementing related works along part of the Merseytram route. Alternative means of financing are being explored.
6. The total reserves stood at a negative £11.5m as at 31 March 2010.

The Executive's Medium Term Financial Strategy aims to maintain Merseytravel working balances of £2.1m along with capital reserves totalling £5m between the Authority and Executive. As at 31 March 2010 an analysis of the (£11.5m) negative balance held in reserves is as follows:-

	£m	
Capital Reserve	6.3	
Working Balances	1.7	
Various Operational Reserves	18.6	
Pensions Reserve	(58.1)	(the consequence of a statutory override: see below)
Revaluation Reserve	20.0	
	<hr/>	
	(11.5)	
	<hr/>	

Pension costs (£5.6m) are charged to the income and expenditure account in line with FRS 17 and then reversed out below the surplus/deficit for the year when applying the statutory override provided by Regulation 7A (2) of the Accounts and Audit Regulations 2003, as amended.

7. Principal risks and uncertainties facing the Executive were identified in the Medium Term Financial Strategy as follows:-
 - (i) Compliance Risk

If Merseytravel has to utilise scarce reserves and working balances in order to mitigate against over-spending or shortfalls in revenue generation, then there is the risk of not achieving Merseytravel's financial objectives.
 - (ii) Energy Shocks

Typical risks here include further increases in fuel cost which will have a direct impact upon the cost basis of Mersey Tunnels, Ferries and the supported bus network. Conversely, high petrol costs could impact the organisation in a number of ways, eg greater use of concessionary travel (and hence cost) or a slight downturn in discretionary travel traffic.
 - (iii) Population Demographics

The impact of the post-war baby boom will result in more people being eligible for concessionary travel, even allowing for the recent changes in eligibility. For forecasting purposes, the increase in eligible people will result in additional bus and rail patronage. This forms part of the cost basis which needs to be refined in the light of experience.

Merseyside Passenger Transport Executive

Directors' Report (Explanatory Foreword) (Continued)

(iv) Industry Consolidation/Transition

It is possible that further consolidation of bus operators could take place. There is no intelligence to suggest that this is happening either with the big operators or indeed with the smaller operators who predominantly provide contracts to Merseytravel. The risk with consolidation is that the supply side can result in fewer operators, resulting in less price competition for tenders.

(v) Consumer Demand Shifts

A prolonged period of recession could clearly impact upon consumer choice especially with regards to discretionary spending rather than 'routine' commuter expenditure.

(vi) Global Financial Shocks

The consequences of shocks affecting interest rates; currency rates; unemployment and economic growth.

Types of measures that a new Government might bring in during 2010/11 and beyond in order to control public sector borrowing and expenditure currently cannot be assessed.

8. For 2009, Merseytravel adopted, as its chosen charity, Claire House and for the period 1 January to 31 December 2009 £2,500 was paid to the Charity as a Merseytravel donation. Further monies were raised and paid to charity, but these were not from Merseytravel's funds. With effect from 1 January 2010 Sundown's was the adopted charity.
9. There were no political donations made by Merseytravel during 2009/10.
10. Regarding future developments the following are planned. However, timing and priority will be dependent upon Government support for LTP3:-

New and Improved Facilities

- Construct a new landing stage at Pier Head to complement the new terminal building
- Provide new passenger facilities at Liverpool Lime Street station
- Enhance access into Liverpool City Centre
- Upgrade Park and Ride facilities at Bidston, Birkenhead North and Broadgreen.
- Enhance access at many stations
- Development proposals to extend the network initially to Headbolt Lane, Kirkby and Wrexham
- Develop proposals to reopen the Halton Curve to introduce a service between Lime Street, Liverpool South Parkway, Runcorn and Chester.

Safe and Secure Network

- Increase CCTV on bus and rail services and continue to work with partners to reduce the number of incidents on the transport network.

Better Services

- Help protect the environment by reducing carbon emissions and operating sustainably
- Use the new powers of the Local Transport Act to improve and more fully integrate the transport network
- Work with our bus and rail operator colleagues to improve the reliability of transport information.

Merseyside Passenger Transport Executive

Directors' Report (Explanatory Foreword) (Continued)

Value for Money

- Continue to develop service efficiencies and operate responsibly
- Keep supported bus fares at the current level for as long as possible
- Work with bus and rail operators to improve the reliability of transport information
- Support economic regeneration partnerships and initiatives

11. There were no R&D activities during 2009/10 by Merseytravel. The organisation is however undergoing an organisational development process designed to completely reshape the organisation within a project called "One Team One Family", the critical success factors identified as part of the reshaping are:-

- Making the customer at forefront of what we do;
- One integrated organisation making it easier to deliver our mission;
- Delivering value for money for the people we serve;
- Continuing to learn and improve as individuals and as an organisation so we can be the best we possibly can;
- Using ICT to help us achieve our goals and deliver improved services to our customers.

12. The Executive's employment policy is designed to provide equal opportunities irrespective of colour, ethnic or national origin, sex or marital status, nationality or disability. Every consideration is given to the training and career development of disabled employees who, subject only to their aptitudes and abilities, are treated equally with other employees.

The Directors endeavour to make employees aware of the financial and economic factors affecting the performance of the Executive. Methods of communication used include Connect (a Merseytravel staff magazine), the intranet, notice board bulletins and senior and middle management meetings at which information is provided to and by, both the Directors and employees.

Health and Safety at work matters continue to receive special attention and the Transport Executive complies with the law in all its requirements.

The possession of the Investors in People award affirms the Transport Executive's commitment to its employees.

13. Where systems hold monetary values, primarily accounting and payroll systems, EPOS tills etc, assurances are being sought that upgrades will be available in the event of the UK joining EMU. There were no direct costs relating to EMU in 2009/10.

14. The financial results of the Executive and the Group (comprising of the Executive, Mersey Ferries Group and Merseyside Passenger Transport Services Ltd, GSM Group and Rtig Ltd) are shown on pages D20 to D51.

15. The Directors who served during the year were:-

N Scales	Director General
J R Barclay	Director of Resources
A G Stilwell	Director of Operations
E Chandler	Director of Corporate Development
F Rogers	Director of Customer Services

The Executive is a statutory body created by the Transport Act 1968 and does not have share capital in its own right. The Executive does however have a number of subsidiary companies and no director had at any time during the year any interest in their share capital.

16. Details of additions and disposals of fixed assets are shown in the notes to the accounts (note 12a).

Merseyside Passenger Transport Executive

Directors' Report (Explanatory Foreword) (Continued)

17. The Audit Commission have been appointed as auditors to the Executive, under the provisions of Section 2 Schedule 2 and Section 30 of the Audit Commission Act 1998.

18. **Corporate Governance**

The Executive is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, directors are responsible for putting in place proper arrangements for the governance of the Executive's affairs and the stewardship of the resources at its disposal.

These arrangements include putting in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, the Executive is in the process of further developing its risk management strategy.

In addition, the Executive's Chief Internal Auditor reviews Corporate Governance independently to provide assurance on the adequacy and effectiveness of its principles and the extent of compliance.

19. **Publishing Statements of Accounts**

FRS21 requires a disclosure note giving details of when the accounts will be published; the means of issue; and the Authorising Officer. As from 30/06/10 the Executive's accounts will be placed on Merseytravel's website (www.merseytravel.gov.uk). This has been authorised by J R Barclay the Director of Resources.

Merseyside Passenger Transport Executive

Statement Of Accounting Policies

1. Introduction

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2006. These regulations require that the accounts of an Executive shall be prepared so as to be no less informative than if the disclosure requirements of the Companies Act 2006 were, so far as appropriate, applicable to Executives.

2. Statements of Standard Accounting Practice

The accounts have been prepared in accordance with the various Statements of Standard Accounting Practice and Financial Reporting Standards which have been issued.

3. Consolidation of Accounts

The following subsidiary companies are grouped with the Executive's accounts on the subsidiary undertaking basis (ie line by line consolidation):-

Trading

Merseyside Passenger Transport Services Ltd
Mersey Ferries Ltd. (MFL has wholly owned subsidiaries: The Beatles Story, Spaceport Ltd and U534 Ltd)
Real Time Information Group Ltd
The Global Smart Media Ltd Group and all other subsidiaries

Non-Trading/Dormant

Merseytravel Ltd
Merseytravel Facilities Management Ltd
Merseytravel Commercial Services Ltd
Merseyside Rapid Transit Ltd
Liverpool South Parkway Ltd
Merseytram 2005 Ltd
Former Spaceport Ltd
Former U534 Ltd
Gemtex Ltd – Struck off during 2009/10

In addition to the above subsidiaries, the Executive has a business relationship with Accrington Technologies Ltd (ATL). The Executive's accounts include ATL as a partly owned subsidiary. Further disclosures are provided in the notes to the balance sheet.

4. Tangible and Intangible Fixed Assets

All transactions relating to fixed assets are accounted for on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Executive and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to the revenue account.

Goodwill, as an intangible asset, has arisen from the purchase of The Beatles Story. An independent valuer has valued the company and goodwill is reflected in the accounting statements as being the monies used to purchase the company that exceed the book value of the company from its accounts.

5. Asset Valuation

The majority of fixed assets with a value of £7,500 (ie deminimis threshold for capitalisation purposes) or more were valued, during a quinquennial valuation as at 31 March 2009. All valuations were on the following basis:-

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in respect of current use;
- non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value;

Merseyside Passenger Transport Executive

Statement Of Accounting Policies (Continued)

For each of the five years between formal valuations the historical value of all new capital investment, regardless of the £7,500 threshold, will be assumed to be at current values with appropriate adjustments being made in the accounts at the next formal quinquennial valuation.

The surpluses arising on the valuation of fixed assets have been credited to the fixed asset revaluation reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.

Under FRS11 (Impairment of Fixed Assets and Goodwill), the valuation of fixed assets must be adjusted to reflect impairment along with a disclosure note explaining the nature and extent of the impairment.

6. Depreciation and Amortisation

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation according to the following policy:

- newly acquired assets are depreciated as from the year of purchase
- depreciation is calculated using the straight-line method using the following asset lives which were provided by the District Valuer as part of his asset valuation exercise:-

<u>Assets</u>	<u>Asset Lives in Years</u>
Merseytravel Headquarters	50
Freehold and Leasehold Buildings	
- Various turning circles	8-15 *
- Various bus stations	31-40 *
- Various ferry buildings etc	16-51 *
- Other buildings	27-41 *
Vessels	10-19 *
Passenger Vehicles	10
Vehicles	5
Equipment/Computer Equipment	4-12 *

(* Different asset lives provided for individual assets)

All other assets have been fully depreciated.

Capital Grants are released to the I&E Account over a period of years on the same basis as that used for depreciation purposes.

The Executive's Group accounts includes an amount for Goodwill covering the purchase of The Beatles Story. Goodwill is amortised over 20 years on a straight-line basis.

7. Revenue Expenditure funded from Capital under Statute (formerly known as deferred charges)

These charges represent expenditure which may properly be capitalised, but which do not represent tangible fixed assets. At 31 March 2010 deferred charges, in respect of rail investment and other costs where the ownership of the asset being improved resides with a third party, were 100% funded by capital grants received from the Merseyside Integrated Transport Authority leaving a nil balance in the accounts of the Executive.

Merseyside Passenger Transport Executive

Statement Of Accounting Policies (Continued)

8. Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the Income and Expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

9. Revenue Grants

All revenue grants are credited to revenue in the same year as the related expenditure.

10. Reserves

Ten reserves exist:

- a capital reserve to smooth fluctuations in the spending programme for capital projects (the reserve generally holds funding for projects that have slipped into a future year);
- a pensions reserve to neutralise the additional charges expected in 2009/10 arising due to the application of FRS17;
- a rail reserve to smooth fluctuations in performance bonuses awarded;
- an insurance (excess payments) reserve;
- a fixed asset revaluation reserve;
- a concessionary travel reserve to smooth fluctuations in monies paid to operators arising from changes in patronage and operator mileage;
- a restructuring reserve to fund the objectives of the Executive's 'One Team One Family initiative';
- A new headquarters fit-out reserve to "smooth" fluctuations in cash flow whilst 24 Hatton Garden is being disposed;
- A land compensation reserve to cover potential liability arising from blight etc; and
- A reserve to provide cover for losses arising amongst the Executive's trading subsidiaries

11. Use Made of Usable Capital Receipts

The Executive's capital receipts are used to offset net book value losses which may arise on disposal of assets.

12. Consumable Stores

Given that Executive stores are generally expected to have a speedy turnover, consumable stores have been valued on the basis of cost.

13. Creditors

Provision has been made for known liabilities, committed expenditure, goods received and work carried out by 31 March 2010.

14. Debtors

Provision has been made for all debts due at 31 March 2010. Where the actual amount has not yet been determined, the amount due has been estimated on the basis of the latest available information. Following the requirements of FRS26, where debtors are to be considered both individually and collectively for impairment, a provision amounting to £229k (consolidated accounts provision £230k) has been made against debts where the recovery is doubtful, the net amount being shown in the Balance Sheet.

Merseyside Passenger Transport Executive

Statement Of Accounting Policies (Continued)

15. **Central Administration Costs**

Central Administration Costs incurred by the Passenger Transport Executive are apportioned at the end of the year on the basis of both time allocation for salaries and unit usage.

16. **Provisions**

Provisions are calculated using the most current information available as at 31 March 2010. This covers anticipated liabilities arising from the affects of a job evaluation exercise and unrecoverable recharges in respect of Paradise Street Interchange.

17. **Pensions**

The employees of the Executive are members of a Local Government Superannuation Scheme: The Merseyside Pension Fund. The pension cost charged to the accounts (£2.6m) is equal to the contributions paid to the funded pension scheme for these employees. Further costs arise (£1.3m) in respect of a tranche of early retirements prior to bus deregulation on 26 October 1986.

Pension costs have been charged to the I&E account in line with FRS17 and reversed out below the surplus/deficit for the year applying to the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulations 2003, as amended.

18. **Creditors**

Generally the Executive aims to pay all of its undisputed creditors within 30 days. Within Merseytravel's Performance Plan a "payment within 30 days" target of 100% has been set, against which the actual performance was 97.5%. This compares to a performance of 97.7% of undisputed creditors paid within 30 days during the year 2008/09.

19. **Estimation Techniques**

A consequence of being required to close Merseytravel's accounts (including both the Executive and Authority) earlier is that less opportunity exists to utilise actual values of transactions following in the following year to be accrued in the current year's accounting statements. More reliance is now placed on estimation techniques including:

- (a) Details of capital accruals will be provided/agreed with the appropriate project manager/supervisor;
- (b) Bus operator payments will be accrued on an actual basis where details are known during the closure of accounts period. In the event of operator returns not being available in time, estimated accruals will be made on the basis of known contractual liabilities;
- (c) On occasions there are delays in the receipt of income analysis returns from departments and this could have an impact upon closure of accounts. Where this arises at year end, actual cash banked will determine the volume of income received and previous periods income analysis returns will provide a basis for estimating the proportion by which the cash will be allowed to various accounts;
- (d) Accruals for period 13's rail performance regime will be on an estimated basis derived from an average of the previous 12 periods;
- (e) In the unlikely event that support service recharge timesheets are not available for year end, the previous year's basis for apportionment will be used for the current year; and
- (f) Where invoices are not available for gas, electricity, water, bus stop maintenance, etc accruals will be made on the basis of usage trends noted from previous periods.

Merseyside Passenger Transport Executive

Statement Of Accounting Policies (Continued)

20. Financial Instruments

Under FRS 25 preference shares are required to be shown as liabilities rather than shareholder funds. Although this does not affect the Executive's accounts, the consolidated group position will be affected in that a wholly owned subsidiary, Merseyside Passenger Transport Services Ltd, has 375 £1 5% non-cumulative preference shares. As a result of this shareholder funds for the subsidiary are reduced by £375. Preference shares are also held in the Global Smart Media Group.

Whether financial instruments be assets or liabilities, they are classified and measured as follows:-

(a) Financial Assets: Loans and receivables

These are defined as financial assets that have fixed or determinate payments and that are not quoted in an active market (eg, bank deposits, temporary loans, etc.) Loans and receivables are carried at amortised cost whilst the Income & Expenditure account bears interest receivable, impairment costs and any gain or loss on derecognition.

(b) Financial Assets: Available for sale

These include equity shareholdings and quoted investments which are carried at their fair value with movements in fair value taken to the Statement of Total Recognised Gains & Losses. Interest and dividends income are credited to the Income & Expenditure Account alongside gains/losses on derecognition.

(c) Financial Liabilities: Non-Trading

This category includes operational creditors and borrowings, and are carried at amortised cost with the Income & Expenditure Account being charged with interest payable.

(d) Financial Liabilities: Trading or derivations with a negative value

Although the Passenger Transport Executive is not expected to take on liabilities for the purpose of trading, it's recognised that there might be exceptional instances when the Executive holds liabilities that qualify for this treatment. In such instances, all gains/losses are posted to the Income & Expenditure Account when they arise.

When old debt is repaid and replaced with new debt, a test for "modification" or "extinguishment" is carried out to determine the accounting treatment of loan premiums or discounts on the repaid loans. If repaid loans pass the "modification" test (ie, old debt replaced with new debt via the existing lender; the terms of the loan are not substantially different; the exchange is made on the same day; and the net present values of cashflows between the two loans is plus/minus 10%), premiums/discounts may be amortised over the life of the loan.

Should the repaid loan be deemed to be "extinguished" (ie the criteria above are not met), the premium/discount will be charged to the Income & Expenditure Account.

There were no premiums/discounts prior to 1 April 2007.

"Soft loans" comprise of loans where the Executive makes loans to third parties at rates below the prevailing market rate or are interest-free. There is a requirement for a calculation of the "fair value" of the loan (net present value of future cash receipts discounted using prevailing market rates of interest) and for the difference between the fair value and actual amounts charged to be debited to the Income & Expenditure Account. For the purposes of this accounting policy, the Executive's "soft loans" are deemed to be de-minimis (threshold £7.5k) and no adjustment is made.

Merseyside Passenger Transport Executive

Statement Of Accounting Policies (Continued)

Loan transaction costs are required to be applied to adjust the loan's initial carrying amount and then be amortised over the life of the loan. The Executive, if it were to carry external loans, would arrange such loans through the PWLB and fees arising would be considered de-minimis and consequently charged direct to the Income & Expenditure Account in the year in which they arise.

In the context of financial instruments, "impairment" represents the "provisions for bad debtors".

Collateral held by the Executive is required to be disclosed, being financial assets held as security. No such collateral is currently being held by the Executive.

It is also required that a value for financial guarantees be calculated at fair value. Such a calculation requires the value of a financial guarantee, at inception, to be estimated by considering the "probability" of the guarantee being called in. No such financial guarantees are currently held by the Executive.

Merseyside Passenger Transport Executive

Annual Governance Statement

1. Scope of Responsibility

The Executive is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Executive also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Executive is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Executive's functions and which includes arrangements for the management of risk.

The Executive has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA's/SoLACe Framework Delivering Good Governance in Local Government.

A copy of the code will be available on our website or can be obtained direct from Merseytravel. This statement explains how Merseytravel has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Executive is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Executive to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Executive's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework was put in place by the Executive during the year ended 31 March 2010 and operated up to the date of approval of the statement of accounts.

3. Governance Framework

3.1 Corporate Policy and Performance

A 5 year LTP (Local Transport Plan), approved by the ITA and Executive as well as by Merseyside's Five District Councils and Government, sets out an integrated transport vision for Merseyside along with policies, aims and objectives to fulfil the vision. The LTP is the accepted bidding document upon which the Government provides resources to finance capital investment for public transport and infrastructure.

The LTP is reviewed and published annually as the APR (Annual Progress Report). Merseytravel's organisational development programme has undertaken significant service reviews during 2009/10 and re-structured and integrated service provision.

Merseyside Passenger Transport Executive

Annual Governance Statement (Continued)

3.2 Facilitation of Policy and Decision Making

The LTP is the key statutory strategic transport document. It is augmented by a number of central policy documents covering many areas of the organisation's activities.

Policy and decision making is facilitated through a hierarchy of management. Generally the Authority approves macro-policies for Management and provides the Executive with the resources to implement those policies. Business areas within the Executive will develop detailed plans/projects and report to Management Team for refinement and approval. These projects will await deliberation and approval by the Authority and/or Executive.

The Executive undertakes widespread and detailed consultation exercises to inform the decision making process.

3.3 Risk Management

Merseytravel produces both a Corporate Risk Register and a Divisional Risk Register to identify and manage the risks to the achievement of the organisations objectives.

Business and departmental risks are integrated within business plans produced for the organisation. These are incorporated into a Risk Register which allows a range of risks to be identified, including an evaluation of the impact and mitigating factors. The Risk Register, which has to be approved by the Executive and ITA, is a key management tool for ensuring effective delivery of the corporate objectives.

A Medium Term Financial Strategy is produced which reviews a range of risk issues that could impact upon the achievement of the financial and corporate objectives

Large scale projects undertake their own specific risk assessment and produce separate risk registers.

3.4 Compliance

The LTP is the central focus of corporate policy, which is ultimately approved by Central Government. All new development is required to comply with the LTP's policies, aims and objectives.

Risk Management is exercised in respect of both delivery dates and financial management in that a degree of over programming is permitted in Merseytravel's Budget to absorb natural slippage (unforeseen events etc). The Medium Term Financial Strategy reviews the levels of over-programming and the adequacy of the balance of reserves. From a financial perspective, fairly robust estimates are provided to avoid funding problems. In the event of an inadequate provision of funds, Merseytravel has the added security of being able to purposely delay other schemes in the programme.

A review group has been established to identify and promote good governance practice throughout the organisation.

3.5 VFM Use of Resources

For major investments the Government's funding regime requires sight of business cases, projections of patronage, costings, etc. To meet these requirements a substantial amount of research and evaluation is required to ensure VFM.

Merseytravel's Business Planning and Performance Management processes have been reviewed and amended during 2009/2010 to reflect Merseytravel's strategic priorities and help ensure that proper arrangements exist to secure year on year improvements to services.

Merseyside Passenger Transport Executive

Annual Governance Statement (Continued)

In addition pressure is exerted on all divisions via corporate set targets for budget reductions to stimulate reassessment of divisional costs and resource use, in delivering corporate aims. Development options are subjected to Management Team review and approval following assessment against corporate goals and resource availability.

3.6 Financial Management

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within Merseytravel. In particular, the system includes:-

- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly-defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

3.7 The Internal Audit Function

Internal Audit is concerned with the adequacy and effectiveness of systems of internal control and whether they are managed, maintained, complied with and function effectively. To this end, Internal Audit will evaluate controls that promote:-

- compliance with policies, plans, laws, regulations and procedures;
- accomplishment of objectives and goals;
- reliability and integrity of information, both financially and operationally;
- economy, efficiency and effectiveness of the use of resources;
- safe-guarding of the organisation's assets.

3.8 Standards

To fulfil its function, Internal Audit operates to standards detailed in the Internal Audit Manual. This meets the standards established by the Code of Practice for Internal Audit issued by CIPFA. The Audit Commission review the work and standards of Internal Audit as part of their annual review of Merseytravel's financial control. Their opinion is reported in their annual audit letter to the Executive.

3.9 Reporting Process

Internal Audit has been positioned in the Chief Executives Division as this is considered to be the best location to position a governance unit that will be an independent, proactive, suitably authorised and resourced operation to influence and guide the organisation's governance processes. The Head of Governance as well as reporting to the Chief Executive/Director General will have unrestricted access to report to the Chair of the Executive Audit Committee, (chaired by a Non Executive Director) and the Chair of the ITA, as appropriate, if he/she believes the circumstances so warrant.

3.10 The Executive has established a Standards Committee that is charged with:-

- (a) promoting and maintaining high standards of conduct by Elected Members and Co-opted Members of the Executive;
- (b) assisting Elected Members and Co-opted Members of the Executive to observe the Executive's Code of Conduct;

Merseyside Passenger Transport Executive

Annual Governance Statement (Continued)

- (c) monitoring and keeping under review the Executive's Code and, where necessary, make recommendations on any required amendments;
 - (d) advising, training or arranging to train Members and Co-opted Members of the Executive on matters relating to the Executive's Code of Conduct;
 - (e) considering guidance issued by the Standards Board on matters relating to the Conduct of Members; and
 - (f) exercising any other functions conferred upon Standards Committee by law, including the granting of dispensations where appropriate.
 - (g) carrying out local investigations of allegations of misconduct of members following a referral by the Standards Boards.
- 3.11 Key behaviours for Managers and staff have been produced and widely deployed across the organisation. Key behaviours for Members have also been developed.
- 3.12 The Year Book displays how Merseytravel is governed and the procedures followed to ensure that decisions are efficient, transparent and accountable to local people. This information is available to staff on the intranet
- 3.13 Merseytravel's Legal and Administration Officer, Secretary to the Executive, has been appointed Monitoring Officer, whose functions include maintaining Merseytravel's Standing Orders, supporting the Standards Committee and ensuring lawfulness and fairness of decision making.
- 3.14 The Executive has established a member led Corporate Development and Audit Committee to consider the organisation's assurance statements, including the Annual Governance Statement and any actions required to improve it.
- 3.15 The Executive has a Local Confidential Reporting Code and a Complaint Handling system to receive and investigate any complaints raised.
- 3.16 The Executive has commenced an active Organisational Development Programme that identifies the development needs of members and senior officers in relation to their strategic roles, and seeks to provide support by appropriate training.
- 3.17 The Director of Resources has been approved as the officer with Section 151 responsibilities as stated in the Local Government Finance Act 1972. This includes being responsible to the Executive for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- 3.18 Managers are required to complete a statement of assurance regarding the effectiveness of the internal controls on their critical business systems and wider corporate governance issues.

4. Review of Effectiveness

The ITA has responsibility for conducting at least annually a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Management within the Executive' who have responsibility for the development and maintenance of the governance environment, supported by Internal Audit as described above, the comments made by the external auditors and other review agencies and inspectorates.

Annual Governance Statement (Continued)

The review is an aggregation of ongoing processes and one-off specific exercises.

- The Executive's Business Planning and Performance Management processes make a significant contribution to the review process. This aligns divisional and corporate objectives and requires regular reviews of key actions designed to achieve those objectives. The process incorporates high level reporting, which highlights those areas where objectives are at risk and facilitates the direct communication of action for rectification. These processes have been reviewed and amended during 2009/2010 to reflect the organisation's strategic priorities and help ensure that proper arrangements exist to secure year on year improvements to services.
- Internal Audit allocates significant resource to reviewing the Executive's Critical Financial Systems and in its Annual Report to the Executive provides an opinion on the overall system of internal control. This report provides assurance that no significant control issues had been identified through the work of Internal Audit during the year.
- The Executive receives and reviews external reports from a variety of sources that informs them on the position of the Executive in achieving its objectives and the internal control framework.
- A Risk Management Forum is responsible for developing the organisation's approach to embedding risk management into the structure and processes used.
- The Audit Commission undertakes specific annual reviews of the organisation and reports at the highest level. Recommendations are agreed and support the organisations continuous improvement.

We have been advised as to the implications of the result of the review of the effectiveness of the Governance Framework by the review group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

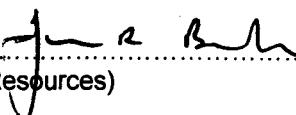
5. **Significant Governance Issues**

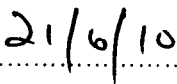
In undertaking the review of internal control and governance issues the organisation gives due recognition to activities that have been commenced to develop new initiatives and/or improve existing activities but have yet to be fully developed and deployed. Such actions will be monitored and reported upon if progress is recognised to be faltering.

No significant new governance issues have been identified in the system of internal control and governance framework.

We will continue to work to identify any further enhancements to our governance arrangements.

Signed 
(Chief Executive & Director General)

Signed 
(Director of Resources)

Dated 

Merseyside Passenger Transport Executive
Income and Expenditure Account

2008/09 Net Expenditure	M.P.T.E	2009/10			Note No
		Expenditure	Income	Net	
£000	Statement of Expenditure:-	£000	£000	£000	
18041	Bus Services	28,187	9,910	18,277	
82344	Rail Services	86,963	-	86,963	
48468	Concessionary Travel	72,672	21,323	51,349	2
13444	Other Services	31,798	20,715	11,083	
1404	Pension Increases and Other Costs	2,646	-	2,646	
2166	Pensions: Current and Past Service Costs	1,392	-	1,392	27
2083	Pensions: Net Interest Costs and Return on Assets	11,162	6,969	4,193	27
(1)	Interest Payable/Receivable	212	212	-	3
-	Depreciation/Amortised Grants	3,565	3,565	-	
-	Impairment of Fixed Assets and Amortisation of Grants	159	159	-	
-	Sale of Assets/Amortisation	-	-	-	
-	Revenue Expenditure funded by Capital under statute/ amortised grants	9,887	9,887	-	
2982	Grant to Mersey Ferries Limited	2,566	-	2,566	
200	Grant to Merseyside Passenger Transport Services Ltd	191	-	191	
<u>163</u>	Losses attributable to Other Subsidiary Companies	<u>578</u>	<u>-</u>	<u>578</u>	
171294	Net Operating Expenditure	251,978	72,740	179,238	
7	Taxation	6	-	6	4
<u>171301</u>	Profit/loss on ordinary activities after taxation	<u>251,984</u>	<u>72,740</u>	<u>179,244</u>	
	Adjustments:-				
-	Interdepartmental Charges	(15,100)	(15,100)	-	
678	Provisions made/brought into account	-	-	-	
3480	Transfers to Concessionary Travel, OTOF and other Reserves	8,422	-	8,422	
1000	Transfers to Capital Reserve	2,500	-	2,500	
<u>(4249)</u>	Transfers from Pensions Reserve	<u>-</u>	<u>5,585</u>	<u>(5,585)</u>	27
172210	Amounts to be met from MITA Revenue Support and Other Grants	247,806	63,225	184,581	
	Sources of Finance:-				
(87500)	Revenue Support Grant from MITA	-	93,200	(93,200)	
(78607)	Special Rail Grant	-	85,276	(85,276)	
(6519)	Concessionary Travel Grant	-	6,673	(6,673)	
(58)	European Union Grants	-	24	(24)	
<u>(143)</u>	Urban/Rural Bus Grants	<u>-</u>	<u>147</u>	<u>(147)</u>	
(617)		247,806	248,545	(739)	
	Net Deficit/(Surplus):-				
(617)	Operating deficit/(Surplus) for the year			(739)	
<u>(383)</u>	Brought Forward			<u>(1,000)</u>	
<u>(1000)</u>	Operating Deficit/(Surplus) Carried Forward			<u>(1,739)</u>	

There are no acquired or discontinued operations in 2009/10, however The Beatles Story was acquired during the preceding year (29/02/08).

Merseyside Passenger Transport Executive
Consolidated Income and Expenditure Account

2008/09 Net Expenditure	Consolidated Group Accounts	2009/10			Note No
		Expenditure	Income	Net	
£000		£000	£000	£000	
	Statement of Expenditure:-				
3,126	Mersey Ferries Group	10,489	7,584	2,905	
18041	Bus Services	28,187	9,910	18,277	
82344	Rail Services (including Rolling Stock)	98,287	11,324	86,963	
48468	Concessionary Travel	72,671	21,323	51,348	2
13,644	Other Services	31,989	20,715	11,274	
1404	Pension Increases and Other Costs	2,646	-	2,646	
2166	Pensions: Current and Past Service Costs	1,392	-	1,392	27
2083	Pensions: Net Interest Costs and Return on Assets	11,162	6,969	4,193	27
(1)	Interest Payable/Receivable	212	212	-	3
-	Depreciation/Amortised Grants	3,825	3,825	-	
-	Impairment of Fixed Assets and Amortisation of Grants	159	159	-	
-	Sale of Assets/Amortisation	-	-	-	
-	Revenue Expenditure funded by Capital under statute/ amortised grants	9,887	9,887	-	
194	Global Smart Media Group	223	-	223	
(6)	Real Time Information Group	205	202	3	
171463	Net Operating Expenditure	271,334	92,110	179,224	
80	Taxation	6	-	6	4
171543	Profit/loss on ordinary activities after taxation	271,340	92,110	179,230	
	Adjustments:-				
-	Interdepartmental Charges	(15,100)	(15,100)	-	
-	Ferries Inter-Company Charges	(130)	(130)	-	
678	Provisions made/brought into account	-	-	-	
3643	Transfers to Concessionary Travel and Other Reserves	9,000	-	9,000	
1000	Transfers to Capital Reserve	2,500	-	2,500	
(4249)	Transfers from Pensions Reserve	-	5,585	(5,585)	27
172615	Amounts to be met from MITA Revenue Support and Other Grants	267,610	82,465	185,145	
	Sources of Finance:-				
(87500)	Revenue Support Grant from MITA	-	93,200	(93,200)	
(78607)	Special Rail Grant	-	85,276	(85,276)	
(6519)	Concessionary Travel Grant	-	6,673	(6,673)	
(58)	European Union Grants	-	24	(24)	
(143)	Urban/Rural Bus Grants	-	147	(147)	
(212)		267,610	267,785	(175)	
	Net Deficit/(Surplus):-				
(212)	Operating deficit/(Surplus) for the year			(175)	
(383)	Brought Forward			(595)	
(595)	Operating Deficit/(Surplus) Carried Forward			(770)	

Merseyside Passenger Transport Executive**Statement of Total Recognised Gains and Losses**

2008/09	Executive	2009/10	Note No
£000		£000	
617	General surplus/(deficit) for the year	739	
3644	Movements in Earmarked Reserves	8999	25
(1939)	Movements in Pensions Reserve*	(606)	25 & 27
(1188)	Pensions Actuarial Gain/(Loss)*	(10605)	27
2303	Pensions Adjustment made in 2008/09*	-	
2820	Total increase/(decrease) in revenue resources	(2212)	
-	Increase/(decrease) in usable capital receipts	-	
1000	Increase/(decrease) in capital resources	2500	25
1000	Total increase/(decrease) in Capital resources	2500	
19966	Gains on re-evaluation of fixed assets	-	12
-	Impairment losses (on re-evaluation of fixed assets)	-	
-	Amortised Deferred Capital Grants	-	
19966	Total increase in unrealised value of fixed assets	-	
-	Value of assets sold	-	
-	Capital receipts applied during the year	-	
-	Amortised Deferred Capital Grants	-	
-	Total decrease in amount set aside to Finance capital investment	-	
24403	Overall total recognised gains and losses	1027	25

Merseyside Passenger Transport Executive

Statement of Total Recognised Gains and Losses

2008/09	Group	2009/10	Note No
£000		£000	
212	General surplus/(deficit) for the year	175	
4366	Movements in Earmarked Reserves	9393	25
(1939)	Movements in Pensions Reserve*	(606)	25 & 27
(1188)	Pensions Actuarial Gain/(Loss)*	(10605)	27
2303	Pensions Adjustment made in 2008/09*	-	
3542	Total increase/(decrease) in revenue resources	(1818)	
-	Increase/(decrease) in usable capital receipts	-	
1000	Increase/(decrease) in capital resources	2500	25
1000	Total increase/(decrease) in Capital resources	2500	
19966	Gains on re-evaluation of fixed assets/investments	-	12
-	Impairment losses (on re-evaluation of fixed assets)	-	
-	Amortised Deferred Capital Grants	-	
19966	Total increase in unrealised value of fixed assets	-	
-	Value of assets sold	-	
-	Capital receipts applied during the year	-	
-	Amortised Deferred Capital Grants	-	
-	Total decrease in amount set aside to Finance capital investment	-	
24720	Overall total recognised gains and losses	857	25

Merseyside Passenger Transport Executive

Balance Sheet

As at 31/03/09			As at 31/03/10		Note No.
Executive £000	Consolidated £000		Executive £000	Consolidated £000	
		Intangible Assets:			
-	2663	Goodwill	-	2534	
		Net Fixed Assets:			
19142	19142	Freehold Property	23,623	23,623	
68375	69081	Leasehold Property	65,425	66,160	
6487	9173	Plant & Machinery	11,293	14,068	
9115	9115	Vessels	8,778	8,778	
10	10	Ancillary Vehicles	24	24	
1639	1639	Assets Under Construction	2,529	2,529	
330	330	Non-Operational Assets	330	330	
		Assets for sale	60	60	
105,098	108490	Total Long Term Assets:	112,062	115,572	12 & 14
4303	230	Long Term Investments & Loans:	4,387	419	16 & 17
		Current Assets:			
43	412	Consumable stores	49	549	
4379	5334	Debtors	8,194	8,955	15
23501	23400	Investments	29,800	29,800	
17	31	Petty Cash Imprests	16	34	
9798	9956	Cash in hand	12,057	12,404	
37738	39133		50,116	51,742	
		Creditors:			
(21025)	(22426)	Amounts due within one year	(21,532)	(23,778)	18
(101)	(101)	Internal loans due within one year	(106)	-	
16612	16606	Net current assets	28,478	27,964	
126013	127989	Total Assets plus net Current Assets	144,927	146,489	
(65)	(1024)	Creditors falling due after one year	(521)	(521)	18
(4302)	(4408)	Internal loans due after 1 year	(4,196)	(5,385)	
(46938)	(46938)	Net Pensions Liabilities	(58,149)	(58,149)	27
(893)	(1786)	Provisions	(893)	(1,694)	19
(85132)	(85132)	Deferred Capital Grants	(92,295)	(92,295)	22 & 23
-	299	Minority Interest	-	575	
(1293)	(1293)	Contributions/Receipts Unapplied	(456)	(456)	24
(12610)	(12293)	Funds Balances & Reserves	(11,583)	(11,436)	
19966	19966	Revaluation Reserve	19,966	19,966	25
(32576)	(32259)	Reserves	(31,549)	(31,402)	25
(12610)	(12293)	Total Net Worth	(11,583)	(11,436)	

Merseyside Passenger Transport Executive
Cash Flow Statement

2008/09			2009/10		Note No.
Executive £000	Consolidated £000		Executive £000	Consolidated £000	
		<u>Operating Activities</u>			
		<u>Expenditure</u>			
(14789)	(17636)	Employment Costs	(15,938)	(18,714)	
-	(11595)	Rolling Stock Operating Lease	-	(11,324)	
<u>(194425)</u>	<u>(200052)</u>	Other Operating Costs	<u>(216,594)</u>	<u>(216,869)</u>	
(209214)	(229283)		(232,532)	(246,907)	
		<u>Income</u>			
87500	87500	Revenue Support Grant	93,200	93,200	
78607	78607	Special Rail Grant	85,276	85,276	
6519	6519	DfT Concessionary Travel Grant	6,673	6,673	
47810	65651	Charges for Goods & Services	55,579	69,564	
143	143	Govt and European Union Grants Applied to Revenue	147	147	
11365	9137	Net Cash Inflow/(Outflow) from Operating Activities	8,343	7,953	
		<u>Returns on Investments and</u>			
		<u>Servicing of Finance</u>			
237	1	Interest Receivable	212	-	
(236)	-	Interest Payable	(212)	-	
		<u>Taxation</u>			
-	-	Income Tax deducted from interest receivable etc	-	-	
		<u>Capital Expenditure and</u>			
		<u>Financial Investment</u>			
		<u>Expenditure</u>			
(20259)	(20603)	Tangible Fixed Assets	(11,778)	(11,896)	
(20434)	(20434)	Capital Grants Paid, etc	(7,868)	(7,868)	
		<u>Income</u>			
313	313	Sale of Fixed Assets	-	-	
29572	29572	Capital Grants/Contributions received	19,961	19,961	
-	2793	<u>Acquisition & Disposals in</u>	-	(276)	
		<u>Respect of Subsidiary</u>			
		<u>Companies</u>			
<u>558</u>	<u>779</u>	Sub Total	<u>8,658</u>	<u>7,874</u>	
		<u>Management of Liquid</u>			
		<u>Resources</u>			
(700)	(700)	Net Increase/(Decrease) in monies held by ITA	(6,400)	(6,400)	
		<u>Financing</u>			
-	-	New Loans	-	977	
-	-	Repayments of Amounts Borrowed	-	-	
-	-	Capital Element of Finance Lease Payments	-	-	
<u>(142)</u>	<u>79</u>	Increase/(Decrease) in Cash	<u>2,258</u>	<u>2,451</u>	29

Merseyside Passenger Transport Executive

Notes To The Financial Statements

1. Directors' Emoluments

Remuneration was paid to the Directors through the accounts of the Merseyside Integrated Transport Authority for both 2008/09 and 2009/10. Consequently no emoluments feature in the accounts of the Executive.

2. Concessionary Travel

Merseyside continues to benefit from one of the most generous concessionary travel schemes in the country outside London. Approximately 300,000 elderly and disabled persons enjoy free travel on bus, train and ferry services throughout Merseyside at all times, except during the weekday morning peak period as far as the elderly are concerned.

Estimates of the amount of travel made by concessionary travellers are determined by continuous surveys of all bus, train and ferry services undertaken by Merseytravel's team of Traffic Investigators, which are then used as a basis for reimbursing public transport operators.

3. Interest Payable/Receivable

	2008/09		2009/10	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
On bank and short-term loans etc	-	-	-	-
Interest receivable against car loans etc	(1)	(1)	-	-
On inter-company loan (TBS)	(236)	-	(212)	-
On MITA loan (TBS)	236	-	212	-
	_____	_____	_____	_____
	(1)	(1)	-	-
	_____	_____	_____	_____

4. Taxation

Corporation tax chargeable against interest received and rental income in the year at a rate of 30% and 28% for 2008/09 and 2009/10 respectively. The Executive's 2009/10 accounts show a tax neutral position with trading losses negating taxable income. Figures shown against taxation (£6k) represent taxation paid by the employer for certain employee benefits deemed by the Inland Revenue and Customs to be taxable.

5. Auditor's Remuneration

Audit fees for the audit of the Executive's accounts by the District Auditor are estimated to be £131k (compared to £90k for 2008/09).

6. Remuneration of Senior Staff

An Executive was required to disclose details of the remuneration for 2008/09 of senior staff earnings in excess of £50k in the following format:-

Total Annual Remunerations	Nos of Employees in 2008/09
£50,000 to £59,999	4
£60,000 to £69,999	7
Greater than £70,000	NIL

Merseyside Passenger Transport Executive

Notes to the Financial Statements

With effect from 1 April 2009 the Accounts and Audit Regulations (as amended) require additional disclosures as follows:-

Post Title	Salary	Other Payments Including Fees and Allowances	Overtime	Sub-total	Compensation for loss of office	Total	Pension Contributions	Total Remuneration including Pensions
	£	£	£	£	£	£	£	£
Head of CE/DG's office	57,164	-	-	57,164		57,164	9,318	66,482
Corporate Relations Manager	12,068	-	-	12,068	56,009	68,077	1,967	70,044
Head of Ferries	72,595	2,170	-	74,765		74,765	11,996	86,761
Marketing Manager	34,646	-	-	34,646	66,227	100,873	5,628	106,501
Head of Hub Development	58,339	-	-	58,339		58,339	9,509	67,848
Facilities Manager	56,440		-	56,440	66,390	122,830	8,870	131,700
Head of LTP Support	65,676	-	-	65,676		65,676	10,705	76,381
Head of ICT	34,530	-	-	34,530	70,088	104,618	5,628	110,246
Head of Human Resources	54,417	1,347	-	55,764		55,764	8,870	64,634
Head of Legal and Committee	52,336	1,492	-	53,828		53,828	8,870	62,698
Office Services Manager	34,024	-	-	34,024	41,966	75,990	4,088	80,078
Accounting Manager	65,682	-	-	65,682		65,682	10,706	76,388
Head of Asset Management	65,682	-	-	65,682		65,682	10,706	76,388
Data Compliance Manager	35,981	10,678	4,356	51,015	-	51,015	7,877	58,892
Hubs Operational Supervisor	26,655	11,354	729	38,738	37,417	76,155	5,537	81,692
Data Compliance Officer	16,572	5,502	4,086	26,160	28,882	55,042	4,014	59,056
Int Transport Team Leader	44,247	1,809	-	46,056	11,030	57,086	7,212	64,298
	787,054	34,352	9,171	830,577	378,009	1,208,586	131,501	1,340,087

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

7. Staff Numbers and Costs

	2008/09		2009/10	
	Executive Number	Consolidated Number	Executive Number	Consolidated Number
The number of persons employed by the Executive (expressed as whole time equivalents) as at 31 March was:-	492	582	494	587
Analysis:-				
Operations	173	242	178	245
Catering/Retail	46	55	42	54
Management and Administration	273	285	274	288
	£000	£000	£000	£000
The aggregate payroll cost for current employees was as follows:-				
Salaries and Wages	12138	14495	12,903	15,189
National Insurance	857	1024	885	1,044
Superannuation *	1794	2117	1,863	2,178
	<u>14789</u>	<u>17636</u>	<u>15,651</u>	<u>18,411</u>

* The Merseyside Pension Fund administers, on the Executive's behalf, a Superannuation scheme that provides for the cost of meeting the future pension liabilities of the Executive's workforce. The contribution rate is determined by the Fund's actuary based on triennial valuations.

8. Operating Surplus

This is stated after charging:-	2008/09		2009/10	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
Depreciation of tangible fixed assets:-				
Owned Assets	4301	4301	3,565	3,565
Directors Emoluments (Note 1)	-	-	-	-
Auditor's Remuneration (Note 5)	90	105	131	131
Pension Increases	1277	1277	1,302	1,302
Pension Costs : FRS17	4269	4269	5,585	5,585
	<u>9937</u>	<u>9952</u>	<u>10,583</u>	<u>10,583</u>

9. Operations

FRS 3 requires income and expenditure to be split between Continuing, Acquired and Discontinued operations. For this purpose all operations during the year ended 31 March 2010 are "Continuing" in nature.

10. Refinancing

FRS4 requires the recognition of gains and losses arising from the re-purchase or early settlement of borrowing in the Summary Revenue Operating Account. For the purpose of satisfying the requirements of FRS4, the Executive has no outstanding external loans and consequently is not in a position to re-purchase or arrange early settlement of debt. There is however an internal loan, set up to facilitate the financing of the acquisition of The Beatles Story by Mersey Ferries Ltd. The Beatles Story, as part of the Executive's Group Accounts, has an external loan, but there are no plans for early settlement of the debt.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

11. **Related Party Transactions**

FRS8 requires disclosures to draw attention to the possibility that the reported financial positions and results may have been affected by the existence of related parties and by material transactions with them. These transactions are summarised as follows:-

(a) **Integrated Transport Authority (ITA)**

A statutory relationship exists between the Executive and the Authority in which the Executive is required to implement and administer transport policies determined by the Authority. Revenue (including Special Rail and Concessionary Travel Grants) and Capital Support Grants are provided by the Authority (£185m and £20m respectively in 2009/10 and £173m and £29m respectively in 2008/09).

(b) **Directors and ITA members**

All directors' emoluments and member allowances are met in full by the ITA. Within Merseytravel, directors have a dual role as chief officers of both the Executive and Authority. In addition, the Chief Executive/Director General chairs PTEG (a national PTE group that co-ordinates the activities of the Metropolitan PTEs).

(c) **Directors to the Executive's Subsidiary Companies**

Note 3 to the Statement of Accounting Policies and Notes 16 and 17 to the Notes to the Financial Statements list the Executive's subsidiary companies and their current operational status. The Executives' directors are also directors to the companies, with remuneration payable by the Authority and not the subsidiaries. The Objectives of the subsidiary companies are compatible with the objectives of the Executive. In the case of the active subsidiaries, two members of the Authority are co-directors, who receive an amount of £4.5k each per annum as remuneration from the company.

(d) **Subsidiary Companies**

Note 17 (see below) provides details of two ventures involving investment in Smartcard technology along with trading results to 31 March 2010. Directors of the Executive are board members of both companies but do not receive emoluments/fees. Executive loans outstanding in the accounts of the two companies as at 31/03/10 were as follows: GSM £1,396k (cumulative redeemable preference shares) and ATL £438k.

(e) **European Union**

Participation in fuel and energy saving projects generate various grants for the Executive. There are minor controlling influences upon the Executive in that certain procedural requirements have to be met to ensure benefits can be claimed and received.

(f) **Merseyside Pension Fund**

For 2009/10 the Executive paid an employers contribution equivalent to 16.3% of pensionable pay along with a fixed contribution of £1.3m into the Merseyside Pension Fund. These payments are determined by the Fund's Actuary based upon triennial valuations. There are minor controlling influences upon the Executive in that certain procedural requirements have to be met to ensure benefits can be claimed and received.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

(g) Bus & Rail Companies

Procured Services under the Transport Act 1985 and the Railways Act 1993, along with payments for Merseytravel's concessionary and prepaid travel schemes resulted in payments of £90m and £64m to rail and bus companies respectively in 2009/10 (£88m and £77m to rail and bus companies respectively in 2008/9). Other than statutory requirements upon the Executive, there are no controlling influences by Bus and Rail Companies upon the organisation.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

12. Tangible Assets/Intangible Assets

(a) Fixed Assets (Executive)

Executive	Land & Buildings Freehold	Land & Buildings Leasehold*	Plant & Machinery	Vessels	Vehicles	Assets Under Construction	Non-Operational Assets	Assets for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost</u>									
Value as at 1 April 2009	19,142	68,375	6,487	9,115	10	1639	330	-	105098
Adjustments in respect of FRS11	-	-	-	-	-	-	-	(159)	(159)
Assets brought into operation	-	1690	-	-	-	(1690)	-	-	-
Re-classification	4,485	(4,485)	-	-	-	-	-	-	-
<u>Additions</u>	576	1,248	6,033	16	16	2,580	-	219	10,688
Revaluation during year	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
<u>Value as at 31 March 2010</u>	24,203	66,828	12,520	9,131	26	2,529	330	60	115,627
<u>Depreciation</u>									
Value as at 1 April 2009	-	-	-	-	-	-	-	-	-
Adjustments in respect of FRS11 **	-	-	-	-	-	-	-	-	-
<u>Depreciation for Year</u>	580	1,403	1,227	353	2	-	-	-	3,565
Disposals	-	-	-	-	-	-	-	-	-
<u>Value as at 31 March 2010</u>	580	1,403	1,227	353	2	-	-	-	3,565
<u>Net Book Value as at 31 March 2010</u>	23,623	65,425	11,293	8,778	24	2,529	330	60	112,062

* The net book value for "Land and Buildings Leasehold" of £65m relates to long-term leases (15 years or more). Under "Land and Buildings: Leasehold" is included the new Liverpool 1 Interchange. The Executive occupies the new Liverpool 1 Interchange under a licence under the same terms as the draft lease.

** Assets for sale refer to a number of "green" buses.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

12. Tangible Assets/Intangible Assets

(b) Fixed Assets (Group)

Executive	Land & Buildings Freehold	Land & Buildings Leasehold*	Plant & Machinery	Vessels	Vehicles	Assets Under Construction	Non-Operational Assets	Assets for Sale	Total
	£000	£000	£000	£000	£000	£000	£000		£000
<u>Cost</u>									
Value as at 1 April 2009	19,142	69,081	9,173	9,115	10	1,639	330	-	108,490
Adjustments **	-	-	-	-	-	-	-	(159)	(159)
Assets brought into operation	-	1,690	-	-	-	(1,690)	-	-	-
Re-classification	4,485	(4,485)	-	-	-	-	-	-	-
<u>Additions</u>	576	1,322	6,337	16	16	2,580	-	219	11,066
Revaluation during year	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
<u>Value as at 31 March 2010</u>	24,203	67,608	15,510	9,131	26	2,529	330	60	119,397
<u>Depreciation</u>									
Value as at 1 April 2009	-	-	-	-	-	-	-	-	-
<u>Adjustments</u> in respect of FRS11 **	-	-	-	-	-	-	-	-	-
<u>Depreciation for Year</u>	580	1,448	1,442	353	2	-	-	-	3,825
Disposals	-	-	-	-	-	-	-	-	-
<u>Value as at 31 March 2010</u>	580	1,448	1,442	353	2	-	-	-	3,825
<u>Net Book Value as at 31 March 2010</u>	23,623	66,160	14,068	8,778	24	2,529	330	60	115,572

* The net book value for "Land and Buildings Leasehold" of £66m relates to long-term leases (15 years or more). Under "Land and Buildings: Leasehold" is included the new Liverpool 1 Interchange. The Executive occupies the Liverpool ONE Interchange under a licence under the same terms as the draft lease.

** Adjustments for impairments of fixed assets.

The Directors are not aware of any material change in the value of fixed assets, these valuations have not been updated since the quinquennial valuation carried out March 2009.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Cont'd)

(c) Capital Commitments

As at 31 March 2010 the Executive was contractually committed to further capital works which amounted to approximately £32.3m. Major contracts included the following schemes:-

	£m
Various Bus Corridors	10.2
Gilmoor Park and Ride	2.5
SET Project	0.3
Smartcard Development	0.6
Pier Head Landing Stage	8.2
Pier Head Terminal Improvements	0.4
LTP Support Unit	2.4
HQ Building Project	0.8
ICT	3.1
Hall Road Rail Station	0.7
Central Station	0.8
Newton le Willows Rail Station	0.7
Station Improvements	1.6
	<hr/>
	32.3
	<hr/>

These commitments will be financed by a contribution of MITA grants and contributions from partners.

(d) Fixed assets of the Executive and as at 31 March 2010 are as follows:-

HQ Buildings (Hatton Garden, Beetham Court)
Bus Stations at St Helens, Heswall, Queen Square (Liverpool), Paradise Street (Liverpool), Woodside, Birkenhead, Huyton, Bootle New Strand, Kirkby, Prescot, Halewood and Earlestown
An interchange at Liverpool South Parkway
Five bus turning circles
One rail station car park
Three Ferry terminals including Spaceport at Seacombe and the U534 U-Boat at Woodside (a temporary arrangement exists until the Pier Head Landing Stage is replaced)
Three Ferries

(e) As at 31 March 2010 the fixed assets of the Executive were in at least the same state of repair as they were when the District Valuer last carried out his formal valuation. Downward adjustments in value in respect of "assets for sale" relate to an agreed sale price for eco buses.

(f) Goodwill of £2.5m relates to the acquisition, by Mersey Ferries Ltd, of the Beatles Story. The goodwill is amortised over 20 years.

13. **Leases**

The Executive's policy is generally to acquire vehicles, plant, furniture and equipment through operating leases. The Executive currently has just one operating lease for vehicles resulting in an annual payment to leasing companies of £168k in 2009/10 compared to £168k for 2008/09. As at 31 March 2010, future commitments for operating leases are £Nil. It is the Executive's intention to enter into further operating leases in the future, however, there is no commitment as at 31 March 2010 to do so. The Executive has not entered into any finance leasing arrangements. The capital value of leased equipment at 31 March 2010 stood at zero however there are some leasehold properties held with peppercorn rent arrangements in place.

A "Master Operating Lease Agreement" for rolling stock with Angel Trains operates through one of the Executive's subsidiary companies. The consolidated position is as follows: payments in 2009/10 £11.3m; in 2010/11 £11.9m; for two to five years £37.2m; and £26.2m thereafter. All leasing payments relating to rolling stock are reimbursed by a train operating company.

Merseyside Passenger Transport Executive

Notes to the Financial Statements (Continued)

14. **Fixed Asset Valuation**

The majority of the freehold and leasehold properties which comprise the Executive's property portfolio were valued in a quinquennial valuation as at 31 March 2009 by external independent valuers. The valuers were:-

- Christopher Smith MRICS, District Valuer Service
- J Kent Tech RICS and JF Russell MRICS, Asset Value Team with the District Valuer Service

on the undermentioned basis in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors:

- Plant and machinery is included in the valuation of the buildings
- The majority of properties regarded by the Executive as operational were valued on the basis of depreciated replacement cost as market value could not be assessed.

The Beatles Story and Gemtex Ltd are subsidiaries of the Mersey Ferries Ltd and Beatles Memorabilia were valued as at the purchase date (29/02/08) by E G Owen (expert on Rock and Roll memorabilia), Fame Bureau Ltd London.

15. **Debtors**

	2008/09		2009/10	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
Due within one year:				
Trade Debtors	1012	1502	1,603	1,766
Provision for Doubtful Debts	<u>(161)</u>	<u>(167)</u>	<u>(229)</u>	<u>(230)</u>
	851	1335	1,374	1,536
Other Debtors	919	1051	847	742
Prepayments and Accrued Income	1227	1541	4,647	5,351
Taxation (VAT)	<u>1382</u>	<u>1407</u>	<u>1,326</u>	<u>1,326</u>
	<u>4379</u>	<u>5334</u>	<u>8,194</u>	<u>8,955</u>

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Continued)

16. Investments and Loans

	2008/09	2009/10
	£	£
Shareholdings in wholly owned subsidiary companies:-		
<u>Merseytravel Ltd</u> (Co. No. 02027686)		
- 2 £1 Ordinary Shares	2	2*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year	-	-
- Status: Dormant		
<u>Merseyside Rapid Transit Ltd</u> (Co. No. 3364584)		
- 1 £1 Ordinary Shares	1	1*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year	-	-
- Status: Dormant		
<u>Merseytravel Facilities Management Ltd</u> (Co. No. 3880267)		
- 1 £1 Ordinary Shares	1	1*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year	-	-
- Status: Dormant		
<u>Merseytravel Commercial Services Ltd</u> (Co. No. 3884483)		
- 1 £1 Ordinary Shares	1	1*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year	-	-
- Status: Dormant		
<u>Merseyside Passenger Transport Services Ltd</u> (Co. No. 1065002)		
- 25 £1 Ordinary Shares and	25	25*
375 £1 5% Non-Cumulative Preference Shares	375	375*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year	-	-
- Status: Active, included in PTE consolidation		
<u>Merseytram 2005 Ltd</u> (Co No 5416198)		
- 1 £1 ordinary shares	1	1*
- Aggregated capital and reserves equates to nominal value of the share holdings	-	-
- Profit & Loss for the year	-	-
- Status: Dormant	-	-
<u>Liverpool South Parkway Ltd</u> (Co. No. 5059232)		
- One £1 Ordinary Share	1	1*
- Aggregated Capital and Reserves equates to the nominal value of the share holdings		
- Profit and Loss for the Year	-	-
- Status: Dormant		
Carried Forward	407	407

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Continued)

16. Investments and Loans (Cont'd)

	2008/09	2009/10
	£	£
Shareholdings in wholly owned subsidiary companies:-		
Brought Forward	407	407
<u>Gemtex Associates Ltd</u> (Co. No. 4331950)		
- 1000 £1 Ordinary Shares (Company wound up during 2009)	1000	-
- Aggregated capital and reserves equates to the nominal value of the share holdings and the Profit and Loss Reserve		
- Profit and Loss for the year	-	-
- Status: Wound up and struck off during 2009		
- Accounting year end: N/A **		
<u>The Beatles Story Ltd</u> (Co. No. 2275265)		
- 290,000 £1 Ordinary Shares (investment shown against MFL Ltd)	-	-
- Aggregated capital and reserves equates to the nominal value of the share holdings and the P&L Reserve		
- Outturn for the year = a profit of £7k		
- Status: Active		
- Accounting year end: 31 December (for 2008/09) 31 March thereafter. Included in MFL consolidation.		
<u>U534 Ltd</u> (Co. No. 6678337)		
- 1 £1 Ordinary Shares	1	1
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit for the year = £82k		
- Status: Active. Included in MFL consolidation.		
<u>Spaceport Ltd</u> (Co. No. 6678336)		
- 1 £1 Ordinary Shares and	1	1
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Loss for the year = £288k		
- Status: Active. Included in MFL consolidation.		
<u>Livesmart Ltd</u> (Co. No. 4992246)		
- 100 £1 Ordinary Shares equivalent to a 51% stake (held by GSM)	100	-
- 1,396,131 £1 Preference Shares (value offset by retained losses)	-	-
- Aggregated Capital and Reserves equates to the nominal value of the share holdings		
- Profit and Loss for the Year (grouped with GSM P&L)	-	-
- Status: Active		
- Accounting year end: 31 July (2008/09) 31 March thereafter		
- Included in GSM Ltd consolidation		
Carried Forward	1509	409

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Continued)

16. Investments and Loans (Cont'd)

	2008/09	2009/10
	£	£
Shareholdings in wholly owned subsidiary companies:-		
Brought Forward	1509	409
<u>Global Smart Media (GSM) (IPR) Ltd</u> (Co. No. 5138008)		
- 100 £1 Ordinary Shares (held by GSM)	100	-
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year (grouped with GSM P&L)	-	-
- Status: Active		
- Accounting year end: 31 July (2008/09) 31 March thereafter		
- Included in GSM Ltd consolidation		
<u>Applied Card Technologies Ltd</u> (Co. No. 4476799)		
- GSM has a 26% stake in ATL Ltd which means that the Executive has a stake of just under 23%.		
- Status: Active		
- Accounting year end: 30 June **		
<u>Real Time Information Group</u> (Co. No. 5037998)		
- 1 £1 Ordinary Shares	1	1*
- Aggregated capital and reserves equates to the nominal value of the share holdings		
- Profit and Loss for the year = £7,001		
- Status: Active		
- Included in PTE consolidation		
<u>Mersey Ferries Ltd</u> (Co. No. 2495472)		
- A Company Limited by guarantee and not having a share capital	-	
- Trading deficit	2,982,000	2,566,000*
- Executive Grants	(2,982,000)	(2,566,000)*
- Aggregated Capital and Reserves	-	
- Profit and Loss for the Year	-	
- Status: Active		
- Investment in a subsidiary (The Beatles Story)	4,403,350*	4,302,040*
- Included in PTE consolidation		
<u>Global Smart Media Ltd</u> (Co. No. 4852017)		
- 17648 ordinary shares equivalent to a 87.9% stake		
- GSM's investments in Applied Card Technologies Ltd	229,379	229,379
- Status: Active		
- Accounting year end: 31 July (2008/09) 31 March thereafter		
- Included in PTE consolidation		
<u>Accrington Technologies Ltd (ATL)</u> (Co. No. 5089372)		
- 500 £1 ordinary shares equivalent to a 50.1% stake	500	500*
- Status: Active. Included in PTE consolidation		
Long term Loans: Pier Head Matou Restaurant	-	190,000
Long term Investments and Loans	4,634,839	4,722,329
<u>Analysis</u>		
Executive	4,403,350	4,302,948
Group	231,489	419,381
Total	4,634,839	4,722,329

* Items relating to the Executive. All other items relate to the Group.

** The reason for these subsidiaries/associates having a different year-end in 2008/09 to the parent company is that these companies are managed in partnership with the private sector and a degree of independence by partners was deemed necessary. For 2009/10 their year-ends were harmonised to the Executive's 31 March.

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Continued)

16. **Investments** (Cont'd)

The Executive's wholly owned subsidiary, Merseyside Passenger Transport Services Limited, manages the lease for Beetham Court for the provision of offices for the Executive employees and the operation of a "Master Operating Lease Agreement", for rolling stock, with Angel Trains and Merseyrail Electrics 2002 Ltd. Any deficit arising from the company's operations is funded by a grant from the Executive.

The Executive's ferry operation was transferred to Mersey Ferries Limited, on 19 June 1990. However, the ferry infrastructure and vessels were retained by the Executive. The principal activity of this company is to provide water transport (of any form) in and around Merseyside for the benefit of the public and provide ferry services including carrying out statutory and other obligations in relation to the provision of cross-river services. Any deficit arising from the company's operations is funded by grant from the Executive, so during the year to 31 March 2010 the company made neither profit nor loss.

Further wholly owned subsidiaries are Merseytravel Ltd, Merseytravel Facilities Management Ltd, Merseytram 2005 Ltd, Merseytravel Commercial Services Ltd, Merseyside Rapid Transit Ltd and Liverpool South Parkway Ltd which were dormant to the period ended 31 March 2010. Consolidated Accounts of the Executive and its trading subsidiary companies have been prepared.

The Executive's subsidiary, Mersey Ferries Ltd, acquired Gemtex Ltd and The Beatles Story as wholly owned subsidiaries (a total of £290k shares apportioned in two lots of £145k shares being A and B shares) on 29 February 2008. During 2009/10 Gemtex Ltd was wound up with its Beatles Story holdings transferring to Mersey Ferries Ltd. In addition, U-534 Ltd and Spaceport Ltd are also subsidiaries to Mersey Ferries Ltd. The consolidated accounts for Mersey Ferries Ltd are used for the Executive's consolidated accounts.

The Executive also owns Real Time Information Group Ltd as part of an initiative to develop passenger real time information.

The Global Smart Media Group includes Livesmart Ltd, Global Smart Media (PR) Ltd and Applied Card Technologies Ltd., a group of companies developing a Liverpool Visitor Smartcard. This product will allow the holder entry to various visitor attractions and includes use of specified public transport. This product is based upon the ITSO Industry Standard and the opportunity is being taken to integrate the Visitor Smartcard with SAS technology (see below). The Executive's group accounts include the trading results of the GSM Ltd Group.

To further explore the Smartcard concept for both concessionary and prepaid travel on public transport a 51/49 partly owned subsidiary arrangement was formed to develop and market a new form of security control for Smartcard based ticketing. This is achieved by use of a new product called SAS (Security and Access Module Array System) and is based on the ITSO Industry Standard. The subsidiary company is called Accrington Technologies Ltd (ATL). The Executive's Group accounts include the trading results for ATL.

With the exception of Global Smart Media Ltd and Accrington Technologies Ltd, the accounts of all other subsidiary companies in note 17 can be acquired from 24 Hatton Garden, Liverpool, L3 2AN. There has not been any qualification to the audit opinion in respect of these accounts.

The name and address of the Ultimate Parent undertaking for which group accounts are drawn up, and of which the entity is a member, is the Merseyside Integrated Transport Authority, 24 Hatton Garden, Liverpool, L3 2AN.

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Continued)

17. Global Smart Media Ltd (GSM)

Disclosures required by FRS6 are as follows:-

During the year, the Executive purchased additional shares in Livesmart Ltd as follows:-

267,508 £1 cumulative redeemable preference shares which raises the Executive's holding in this type of share to 1,396,131 £1 shares at 31 March 2010.

On 14 April 2008, Global Smart Media Limited and its subsidiary Livesmart Limited underwent a capital re-organisation. Under the terms of the re-organisation, Global Smart Media Limited assumed responsibility for the Merseyside Passenger Transport Executive Debenture Loan from Livesmart Limited which was converted into Ordinary "A" Share Capital in Global Smart Media Limited. Amounts due to Global Smart Media Limited by Livesmart Limited were rescheduled and made repayable in annual instalments commencing December 2011 with the balance repayable in December 2014. Merseyside Passenger Transport Executive is the ultimate parent company through increasing its shareholding to 87.9%. The re-organisation has enabled Livesmart Limited to attract new investment which will enable it to continue to deliver the existing range of loyalty, membership and ticketing products throughout the Liverpool city region, using smartcard technology and the internet, and position it for national expansion.

The fair value of the asset, as at 31 March 2010, is taken to be NIL, and the fair value of the consideration is £30k (payment to previous shareholders), however a restructuring took place along with an injection of working capital costing up to a maximum of £1.5m, and subject to meeting certain covenants.

18. Creditors

The Accounting Policies refer to a Performance Plan target in respect of undisputed creditor payments made within 30 days. Actual performance is as follows:-

	2008/09	2009/10
Total number of invoices paid	21,174	19,597
Invoices paid within 30 days	20,677	19,098
Actual proportion paid within 30 days	97.7%	97.5%
Target	100%	100%

	2008/09		2009/10	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
Due within one year:				
Trade Creditors	16,622	17,949	16,288	18,473
Deferred Income	4,395	4,395	4,937	4,937
Taxation (Corporation Tax)	-	73	-	-
Tax (Income Tax and National Insurance)	8	9	307	368
Internal loans due within 1 year	101	101	106	-
	21,126	22,527	21,638	23,778
Due after one year:				
Claims not met by Insurance/provision for early retirements	65	69	521	521
External loans	-	955	-	1,189
Internal loans	4,302	4,408	4,196	4,196
Total Creditors	25,493	27,959	26,355	29,684

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

There also exists an arrangement for certain uninsured employer liabilities and currently there are three claims relating to asbestos exposure. An estimate has been included in the accounts.

19. **Provisions**

In accordance with FRS12, provision is made for anticipated liabilities arising from an estimated liability for the affects of job harmonisation costs and a likely write-off against certain rechargeable charges. No analysis is provided between the different sums provided as disclosure could seriously prejudice the position of Merseytravel during the course of negotiations with third parties.

Total Provisions	2008/09		2009/2010	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
Opening Balance	214	3,835	893	1,786
Movement during the year				
- Additions	679	708	-	-
- Drawings	-	(7)	-	(92)
- Reversed (unused)	-	(2,750)	-	-
Closing Balance	893	1,786	893	1,694
To be utilised between 1 and 5 years	<u>893</u>	<u>1,786</u>	<u>893</u>	<u>1,694</u>

20. **Contingent Assets and Liabilities**

Under the franchise agreement with SNR, in respect of Merseyrail Electrics, there is a contingent provision for MEL surpluses above a certain threshold being shared between the franchisee (SNR) and franchisor (MPTE). The franchisor's share for 2009/10 was a nominal £0.8m, and the benefits shared are required to be in the form of passenger improvements to the service, at the franchisee's expense. The total balance remaining as at 31 March 2010 is £69k. Agreed committed expenditure includes strengthening services on the Chester Line and Ormskirk Line, promotion/opportunities associated with the Year of the Environment, and further improvements at LSP. Discussions were ongoing with the franchisee to determine the best use and maximum benefits to the travelling public for investing the remaining £69k.

21. **Post Balance Sheet Events**

In his budget statement on 22 June, the Chancellor announced that the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases under the Local Government Pensions Scheme are expected to be a slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations (ie £206m: see Page D44 note 27) by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

Post Balance Sheet events up to and including the accounts publication date have been considered and included in these accounts.

Merseyside Passenger Transport Executive**Notes To The Financial Statements (Cont'd)**22. **Capital Grants and Contributions**

	2008/09		2009/10	
	Executive £000	Consolidated £000	Executive £000	Consolidated £000
Opening Balance at 1 April	99,572	99,572	85,132	85,132
Grants/contributions deferred during year	30,943	30,943	20,774	20,774
	130,515	130,515	105,906	105,906
Impairment of Fixed Assets	(25,225)	(25,225)	(159)	(159)
Disposal of Assets	(313)	(313)	-	-
Grant to Fund Rail Projects & other deferred Expenditure	(15,543)	(15,543)	(9,887)	(9,887)
Released to Revenue Account	(4,302)	(4,302)	(3,565)	(3,565)
Carried Forward at 31 March	85,132	85,132	92,295	92,295

The grant to Network Rail plc was to finance capital expenditure on improvements to the Merseyrail Infrastructure.

23. **Applied Grants and Contributions from Public Funds (serving both the Executive's and Consolidated Accounts)**

	2008/09	2009/10
	£000	£000
<u>Integrated Transport Authority:</u>		
Special Rail Grant	78,607	85,276
Revenue Grant	87,500	93,200
Capital Grants	29,144	19,846
Concessionary Travel Grant	6,519	6,673
<u>European Union</u>		
Revenue Grant	58	24
Capital Grant	-	-
<u>Urban/Rural Bus Grants</u>	143	147
Total	201,971	205,166

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

24. Grants/Contributions Deferred (serving both the Executive's and Consolidated Accounts)

Grants	Brought Forward 01/04/09	Application of Unapplied Resources Brought Forward	Additions 2009/10	Applied/ Released to Revenue/ Reserve 2009/10	Carried Forward 31/03/09
	£000	£000	£000	£000	£000
<u>Grants/Contributions/ Reserves Applied</u>					
Integrated Transport Authority	85,132	-	19,846	(12,683)	92,295
European Union	-	24	-	(24)	-
Contributions/Receipts	-	928	-	(928)	-
Capital Reserve	-	-	-	-	-
Urban/Rural Bus Grants	-	-	147	(147)	-
	<u>85,132</u>	<u>952</u>	<u>19,993</u>	<u>(13,782)</u>	<u>92,295</u>
<u>Grants/Contributions/ Reserves Unapplied</u>					
Integrated Transport Authority	52	(24)	115	-	143
European Union	1,241	(928)	-	-	313
Contributions/Receipts	3,826	-	2,500	-	6,326
Capital Reserve					
	<u>5,119</u>	<u>(952)</u>	<u>2,615</u>	<u>-</u>	<u>6,782</u>
Total Capital Resources	<u>90,251</u>	<u>-</u>	<u>22,608</u>	<u>(13,782)</u>	<u>99,077</u>

SSAP4 (Accounting for Government Grants) requires that Capital Grants should be credited to a Grants Deferred account and written off to the revenue account, over the useful life of the asset, to match the depreciation of the asset to which it relates.

25. Reserves

Opening Balance 1/4/08	Movement 2008/09	Closing Balance 31/3/09	Executive	Opening Balance 1/4/09	Movement 2009/10	Closing Balance 31/3/10
£000	£000	£000		£000	£000	£000
383	617	1,000	Operating Surplus	1000	739	1,739
5,892	3,644	9,536	Earmarked Reserves	9536	8,999	18,535
(46,114)	(824)	(46,938)	Pensions Reserve	(46938)	(11,211)	(58,149)
-	19,966	19,966	Revaluation Reserve	19966	-	19,966
2,826	1,000	3,826	Capital Reserve	3826	2,500	6,326
<u>(37,013)</u>	<u>24,403</u>	<u>(12,610)</u>		<u>(12610)</u>	<u>1,027</u>	<u>(11,583)</u>

Movements in 2009/10 are analysed as follows:-

	£000
Opening balance 01/04/09	(12,610)
Additions during the year	12,238
Drawings during the year - Pensions	(11,211)
Reversed (unused) balances	-
	<u>(11,583)</u>
To be utilised between 1 and 5 years	46,566
To be utilised after 5 years	(58,149)
	<u>(11,583)</u>

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

25. **Reserves** (Cont'd)

Opening Balance 1/4/08	Movement 2008/09	Closing Balance 31/3/09	Group	Opening Balance 1/4/09	Movement 2009/10	Closing Balance 31/3/10
£000	£000	£000		£000	£000	£000
383	212	595	Operating Surplus	595	175	770
5,892	4,366	10,258	Earmarked Reserves	10258	9,393	19,651
(46,114)	(824)	(46,938)	Pensions Reserve	(46938)	(11,211)	(58,149)
-	19,966	19,966	Revaluation Reserve	19966	-	19,966
2,826	1,000	3,826	Capital Reserve	3826	2,500	6,326
(37,013)	24,720	(12,293)		(12293)	857	(11,436)

Movements in 2009/10 are analysed as follows:-

	£000
Opening balance 01/04/09	(12,293)
Additions during the year	12,238
Drawings during the year	(11,381)
Reversed (unused) balances	-
	(11,436)
To be utilised between 1 and 5 years	46,713
To be utilised after 5 years	(58,149)
	(11,436)

For subsidiary undertakings, the aggregated amounts for capital and reserves, as at 31 March 2010, were as follows:-

	£000
Spaceport Ltd	(431)
U-534 Ltd	63
Accrington Technologies Ltd	1
The Beatles Story	283
Real Time Information Group	(4)
The Global Smart Media Group	93
	5
The Executive	(11,583)
Adjustments on Consolidation	142
	(11,436)

26. **Finance Leases (serving both the Executive's and Consolidated Accounts)**

	Due Within One Year
	£000
At 1 April 2009	-
Repaid	-
At 31 March 2010	-

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

27. Pensions Liabilities

In accordance with the requirements of the Accounting Standard: Retirement Benefits (FRS 17) the Executive has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained in Accounting Policy No 17 the Executive participates in the Local Government Pension Scheme which is administered by the Merseyside Pension Fund. The scheme is of a defined type whereby benefits are based on employee pensionable remuneration and length of service. The Fund had its last full actuarial valuation as at 31 March 2008 (effective from 1 April 2008). In addition the Executive has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme.

The Executive's assets and liabilities are:

	<u>2008/09</u>	<u>2009/10</u>
	£000	£000
Share of liabilities in Merseyside Pensions Fund	(161,157)	(205,621)
Estimated liabilities for discretionary added years	-	
	-----	-----
Total liabilities	(161,157)	(205,621)
Share of assets in Merseyside Pensions Fund	114,219	147,472
	-----	-----
Net pensions surplus/(deficit)	(46,938)	(58,149)
	-----	-----
Present Value of Funded Pensions Liabilities	(152,976)	(196,133)
Present Value of Unfunded Pensions Liabilities	(8,181)	(9,488)
	-----	-----
	(161,157)	(205,621)
	-----	-----
Fair Value of Plan Assets	114,219	147,472
	-----	-----
Net pensions surplus/(deficit)	(46,938)	(58,149)
	-----	-----

- NB: (a) Deferred taxation has been ignored.
(b) Revenue account items and movement in reserves items are required for 2009/10.
(c) Compensatory added years benefits which are recharged to the Executive have been included in the liabilities for the purpose of FRS 17 calculations.
(d) There have not been any specific investigations in relation to whether the average age of the membership has increased, however, there is a belief that there have not been any substantial changes since the actuarial valuation.
(e) The Accounts and Audit Regulations 2006 (SI 2006 No. 564) allows FRS17 costs to be neutralised in the same way as FRS17 costs are neutralised for Local Authorities.
(f) These accounting statements include the Pension Fund's March 2010 figure reflects the actual Fund balance as at 31 March 2010 as opposed to a partial actual and estimated outturn for the year. The 2008/09 figures were also prepared on the same basis using actuals as at 31 March 2009.

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

(g) "Medium Cohort" mortality projections were adopted, which are often used for funding and expensing for UK pension schemes generally. Adjustments were made to the standard tables to allow for the experience of local authority funds generally, as follows:-

- Non-retired members (retiring in the future in normal health): PA92MC YOB Tables + 2 years.
- Current pensioners (retired in normal health): PA92MC YOB Tables + 2 years.
- Life expectancy

	<u>Male Years</u>	<u>Female Years</u>
- Future pensioner aged 65 in 20 years time	21.3	24.1
- Current pensioner aged 65	20.4	23.2

(h) Analysis of the Executive's share of the Pension Fund's assets are as follows:-

	2008/09		2009/10	
	£000	%	£000	%
Equities	61,221	(53.6)	93,792	(63.6)
Government Bonds	20,217	(17.7)	17,844	(12.1)
Other Bonds	5,483	(4.8)	9,733	(6.6)
Property	10,622	(9.3)	9,291	(6.3)
Cash/liquidity	4,797	(4.2)	3,834	(2.6)
Other	<u>11,879</u>	<u>(10.4)</u>	<u>12,978</u>	<u>(8.8)</u>
Total	<u>114,219</u>	<u>(100)</u>	<u>147,472</u>	<u>(100)</u>

(i) Analysis of the movement in deficit during the year:-

	2008/09	2009/10
	£000	£000
Deficit at 1 April	(46,114)	(46,938)
Current Service Cost	(2,166)	(1,328)
Employer/Employee Contributions	4,613	4,979
Past Service/Curtailment Cost	-	(64)
Net Interest/Return on Assets*	(2,083)	(4,193)
Actuarial Gain or (loss)**	<u>(1,188)</u>	<u>(10,605)</u>
Deficit at 31 March	<u>(46,938)</u>	<u>(58,149)</u>
* Expected Return on Assets	9,311	6,969
Interest on Pension Liabilities	<u>(11,394)</u>	<u>(11,162)</u>
Net Gain/(Loss)	<u>(2,083)</u>	<u>(4,193)</u>
** Asset Gain/(Loss)	(34,709)	30,537
Liability Gain/(Loss)	33,521	(41,142)
Change in Assumptions	-	-
Other	-	-
Net Loss	<u>(1,188)</u>	<u>(10,605)</u>

(j) The FRS17 charge to the Income and Expenditure Account for 2009/10 is £5.585m (2008/09 £4.249m), analysed as follows:-

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

Current Service Costs	£1.328m
Interest Costs	£11.162m
Curtailement	£0.064m
Return on Assets	(£6.969m)
	<u>£5.585m</u>
Reserve Balance 01/04/09	£46.938m
Transfer from reserve	£5.585m
Actuarial Losses	£10.605m
Employer's Contributions	(£4.979m)
Reserve Balance 31/03/10	<u>£58.149m</u>
Movement on Reserve	<u>£11.211m</u>

(k) The FRS17 charge to the Statement of Total Recognised Gains and Losses for 2009/10 is £10.605m (2008/09 £0.824m).

(l) The estimated contribution to be paid to Merseyside Pension Fund for 2010/11 is £3.4m.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The pension liabilities have been valued by William M Mercer Ltd an independent firm of actuaries. The main assumptions used in the calculations are:

	<u>2008/09</u>	<u>2009/10</u>
- rate of inflation	3.3% pa	3.3% pa
- rate of increase in salaries	4.55% pa	4.55% pa
- rate of increase in pensions	3.3% pa	3.3% pa
- rate for discounting scheme liabilities	7.1% pa	5.6% pa

Assets in the Merseyside Pension Fund are valued at fair value, principally market value for investments, and included the following assumptions:-

	Expected Rate of Return on Assets	Split of Assets between Investment Categories
<u>2008/09</u>		
Equity investments	7.5%	53.6%
Government Bonds	4.0%	17.7%
Other Bonds	6.0%	4.8%
Property	6.5%	9.3%
Cash/Liquidity	0.5%	4.2%
Other	7.5%	<u>10.4%</u>
		<u>100.0%</u>
<u>2009/10</u>		
Equity investments	7.5%	63.6%
Government Bonds	4.5%	12.1%
Other Bonds	5.2%	6.6%
Property	6.5%	6.3%
Cash/Liquidity	0.5%	2.6%
Other	7.5%	<u>8.8%</u>
		<u>100%</u>

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

The expected rate of return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The Executive's long term pensions deficit represents an under funding of approximately 28% (29% for 2008/09) against the organisation's share of liabilities in Merseyside Pension fund (market value of the total fund at 31 March 2010 was estimated to be £4,400m). Part of this deficit represents the residual liability that originated with the early retirements and ill health retirements of some 2,000 bus operations employees, in 1986, just prior to bus deregulation.

At that time, agreement was reached with the Merseyside Pensions Fund to pay-off the shortfall in the Fund by annual instalments. Currently these instalments are in the region of £1.3m pa, to be paid over the next decade.

28. Financial Instruments

The Executive's activities expose it to a variety of financial risks:-

- credit risk – the possibility that other parties might fail to pay amounts due to the Executive;
- liquidity risk – the possibility that the Executive might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Executive as a result of changes in such measures as interest rates and stock market movements.

The Executive's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Directorate, under policies approved by the Executive in its treasury management strategy.

(a) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Executive's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. The Executive has a policy of spreading of its surplus balances over several source institutions.

(b) Liquidity risk

As the Executive has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a future risk that the Executive will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates, however this risk is several decades in the future and will be significantly covered by Minimum Revenue Provision (MRP) balances.

(c) Market risk

(i) **Interest rate risk**

The Executive is exposed to marginal risk in terms of its exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or Statement of Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income & Expenditure Account. Movements in the fair value of fixed rate investments will be reflected in the Statement of Recognised Gains and Losses.

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

(ii) **Price risk**

The Executive does not generally invest in equity shares but the Group Accounts do reflect shareholdings in a number of associates.

As the shareholdings have arisen in the acquisition of specific interests, the Group is not in a position to limit its exposure to price movements by diversifying its portfolio.

The shares are all classified as 'Long Term investments', meaning that all movements in price will impact on gains and losses recognised in the Statement of Recognised Gains and Losses.

(iii) **Foreign exchange risk**

The Executive has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

In all cases, the carrying value of financial instruments is a reasonable approximation to fair value.

Financial Instruments

The borrowings and investments in the balance sheet are made up of the following categories:-

2008/09			2009/10	
MPTE	Group		MPTE	Group
£000	£000		£000	£000
(4,302)	(4,302)	<u>Long Term</u>		
(46,938)	(46,938)	Financial Liabilities at amortised cost	(4,196)	(4,196)
-	-	Net Pensions Liabilities	(58,149)	(58,149)
		Financial Liabilities at fair value through profit and loss	-	-
(51,240)	(51,240)	Total Borrowings	(62,345)	(62,345)
-	-	Loans & Receivables	-	-
-	230	Unquoted equity investment at cost	-	229
4,303	-	Long term loans	4,387	190
4,303	230	Total Investments	4,387	419
-	299	<u>Current</u>		
-	955	Minority Shareholding	-	575
101	101	Financial Liabilities at amortised cost (TBS)	-	967
		Financial Liabilities at amortised cost	106	106
101	1,355	Total Borrowings	106	1,648
23,400	23,400	Loans & Receivables	29,800*	29,800*
-	-	Available-for-Sale financial assets	-	-
101	101	Unquoted equity investment at cost	106	-
23,501	23,501	Total Investments	29,906	29,800

* Represents proportion of deposits with banks and financial institutions on-lent by the Executive to the Authority.

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

The gains and losses recognised in the Income & Expenditure Account and Statement of Recognised Gains and Losses, in relation to financial instruments, are made up as follows:-

2008/09			2009/10	
MPTE	Group		MPTE	Group
£000	£000		£000	£000
		<u>Financial Liabilities</u>		
		<u>Liabilities Measured at Amortised Cost</u>		
-	-	Interest Expense	-	-
-	-	Losses on Derecognition	-	-
-	-	Impairment Losses	-	-
-	-	Interest Payable & Similar Charges	-	-
-	-	Interest Income	-	-
-	-	Gains on Derecognition	-	-
-	-	Interest & Investment Income	-	-
(33,521)	(33,521)	Revaluation Liabilities (pensions)	(41,142)	(41,142)
34,709	34,709	Revaluation Assets (pensions)	30537	30537
-	-	Amounts Recycled to the I & E a/c after impairment	-	-
1,188	1,188	(Surplus) /Loss Arising on Revaluation of Financial Assets	(10,605)	(10,605)
1,188	1,188	<u>Net Gain/Loss for the Year</u>	(10,605)	(10,605)
		<u>Financial Assets</u>		
		<u>Liabilities Measured at Amortised Cost</u>		
-	-	Interest Expense	221	-
-	-	Losses on Derecognition	-	-
161	167	Impairment Losses (Debtors)	229	230
161	167	Interest Payable & Similar Charges	450	230
(1)	(1)	Interest Income	(221)	-
-	-	Gains on Derecognition	-	-
(1)	(1)	Interest & Investment Income	(221)-	-
-	-	Gains on Revaluation	-	-
-	-	Losses on Revaluation	-	-
-	-	Amounts Recycled to the I & E a/c after impairment	-	-
-	-	Surplus Arising on Revaluation of Financial Assets	-	-
160	166	<u>Net Gain/Loss for the Year</u>	229	230
		<u>Liabilities Measured at Amortised Cost</u>		
-	-	Interest Expense	-	-
-	-	Losses on Derecognition	-	-
-	-	Impairment Losses	-	-
-	-	Interest Payable & Similar Charges	-	-
-	-	Interest Income	-	-
-	-	Gains on Derecognition	-	-
-	-	Interest & Investment Income	-	-
-	-	Gains on Revaluation	-	-
-	-	Losses on Revaluation	-	-
-	-	Amounts Recycled to the I & E a/c after impairment	-	-
-	-	Surplus Arising on Revaluation of Financial Assets	-	-
-	-	<u>Net Gain/Loss for the Year</u>	-	-

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

29. Cash Flow

(a) Reconciliation of net revenue surplus (deficit), to the net inflow/outflow from operating activities.

2008/09			2009/10	
Executive £000	Consolidated £000		Executive £000	Consolidated £000
617	212	Net Revenue Surplus/(deficit)	739	175
-	-	Add Back:	-	-
-	140	Depreciation/Amortised Grants etc	-	-
-	-	MFL/TBS Written down Goodwill	-	129
-	-	Leasing Charges	-	-
-	-	Taxation	-	-
(1)	(1)	Interest Receivable/Payable	-	-
4643	4827	Contribution to Capital and other earmarked Reserves	11,500	11,893
-----	-----		-----	-----
5259	5178		12,239	12,197
		(Increase)/Decrease in:		
3837	3364	Debtors	(3,709)	(3,621)
(2)	(110)	Stock	(6)	(137)
(7996)	(6935)	Creditors	967	749
679	(2049)	Provisions/Contributions	-	(92)
9590	9691	Less Debtors/Creditors that do not relate to operating activities	(1,148)	(1,143)
-	-	Less contribution to reserves relating to TBS and Gemtex Ltd Shareholder funds		
(2)	(1)	Rounding	-	-
-----	-----		-----	-----
11365	9138	Net Cash Inflow/(Outflow) from Operating Activities	8,343	7,953
-----	-----		-----	-----

(b) Reconciliation of net cashflow to movement in net debt.

2008/09			2009/10	
Executive £000	Consolidated £000		Executive £000	Consolidated £000
558	779	Increase/(Decrease) in cash at 31 March	8,658	8,851
(700)	(700)	Cash used to manage liquid resources	(6,400)	(6,400)
-----	-----		-----	-----
(142)	(79)	Change in net debt	2,258	2,451
9957	9908	Net debt brought forward at 1 April	9,815	9,987
-----	-----		-----	-----
9815	9987	* Net funds carried forward at 31 March	12,073	12,438
-----	-----		-----	-----
9815	9987	* Represented by:- Cash in hand (including Petty Cash)	12,073	12,438
-----	-----		-----	-----

Merseyside Passenger Transport Executive

Notes To The Financial Statements (Cont'd)

(c) Analysis of the Balances of Cash as shown in the Balance Sheet.

2008/09			Executive	2009/10		
Opening Balance	Closing Balance	Movement During Year		Opening Balance	Closing Balance	Movement During Year
£000	£000	£000		£000	£000	£000
16	17	1	Petty Cash	17	16	(1)
9,941	9,798	(143)	Cash in Hand	9798	12,057	2,259
—	—	—		—	—	—
9,957	9,815	(142)		9815	12,073	2,258
—	—	—		—	—	—

2008/09			Consolidated Accounts	2009/10		
Opening Balance	Closing Balance	Movement During Year		Opening Balance	Closing Balance	Movement During Year
£000	£000	£000		£000	£000	£000
30	31	1	Petty Cash	31	34	3
9,878	9,956	78	Cash in Hand	9956	12,404	2,448
—	—	—		—	—	—
9,908	9,987	79		9987	12,438	2,451
—	—	—		—	—	—

(d) Analysis of Capital Grants/Contributions serving both the Executive's and Consolidated Accounts

2008/09		2009/10
£000		£000
29,144	Merseyside Integrated Transport Authority – Grants	19,846
-	Merseyside Integrated Transport Authority – Loans	-
428	Department for Transport Grant	-
-	European Union Grants	115
-	CCUK Ltd	-
—		—
29,572		19,961
—		—

Merseyside Passenger Transport Executive

Glossary To The Financial Statements

Glossary of Acronyms used in these Accounts

CIPFA	Chartered Institute of Public Finance Accountants
TWA	Transport and Works Act
LTP	Local Transport Plan
EPOS	Electronic Point of Sale
EMU	Economic and Monetary Union
FRS	Financial Reporting Standard
SSAP	Statement of Standard Accounting Practice
SOLACE	Society of Local Authority Chief Executives
MFL	Mersey Ferries Ltd
ATL	Accrington Technologies Ltd
GSM	Global Smart Media Ltd
PWLB	Public Works Loan Board
(M)PTE	(Merseyside) Passenger Transport Executive
(M)ITA	(Merseyside) Integrated Transport Authority
TBS	The Beatles Story
PTEG	Passenger Transport Executives Group
SNR	Serco Ned Rail
MEL	Merseyrail Electrics Ltd
ITSO	Integrated Transport Smartcard Organisation
LSP	Liverpool South Parkway
JVC	Joint Venture Company
BVPP	Best Value Performance Plan
APR	Annual Performance Review
VFM	Value For Money
IT	Information Technology
I&E a/c	Income and Expenditure Account
OTOF	One Team, One Family (Organisation Development Initiative)
DfT	Department for Transport
MRP	Minimum Repayment of Principal
CoDE	CIFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom (SORP 2009)