

Network Rail Infrastructure Limited
Regulatory Financial Statements

Year ended 31 March 2009

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Directors' Review

The Directors of Network Rail Infrastructure Limited ("the Company") are pleased to present the Regulatory Financial Statements for the year ended 31 March 2009. These are the final Regulatory Financial Statements produced in the five year Control Period covered by the Office of Rail Regulation ("ORR") Access Charges Review 2003 Final Conclusions ("ACR 2003").

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

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

Financial Performance

This year end was a significant milestone in the history of Network Rail as 31 March 2009 marked the end of the five year settlement determined by ORR; Control Period 3.

Looking back over the Control Period, it is clear that the Company has a story of success to tell. Huge progress was made towards meeting demanding efficiency challenges. The underlying cost base has been reduced by 27per cent, a hugely creditable achievement even though it fell short of the overall target of 31per cent, largely as a result of difficulties in driving down the cost of track renewals.

These regulatory financial statements show that considerable benefits have been generated, as demonstrated by improved train performance and achievement of the regulatory incentive mechanisms on asset stewardship and passenger volumes. These reflect the improvements the Company has made to its operations and performance during the control period.

The challenges of the future as the Company enters Control Period 4 are to build on its successes. The Company has embarked on an exciting transformation programme that will drive step changes to the way we address the challenges and take advantage of the opportunities that Control Period 4 offers. Our driving ambition is to develop, within the regulatory financial framework, a railway that responds even better to our customers' needs. The recently published CP4 Delivery Plan provides more details about how we will take the railway forward over the next five years.

Statement 1 Regulatory Financial Performance

This statement compares actual performance to the ACR2003 revenue assumptions using the building block approach of the regulatory settlement.

The overall picture for the control period is that the Company managed to outperform on net running costs by £739m. However due to the grant deferral in 2004-5 and 2005-6, offset by positive performance regime receipts, the Company received £3.4bn less income than determined in the ACR2003. The remaining grant deferral has been added to the Regulatory Asset Base at 1 April 2009 at £3,667m.

In the year the Company required £28m more to cover its net running costs than the determination. However, because of continued excellence in performance of the network and other variable charges, the Company received £78m more in total than the determination.

Statement 1 details the Company's financial performance against the ORR's post-efficiency determination for each of the last five years and the aggregate for the Control Period ("CP"). All results are stated in 2008/9 prices unless stated otherwise and a detailed review follows:

Operating expenditure

Operating expenditure totalled £1,309m (2007/08: £1,214m). This was £154m more than the determination for the year of £1,155m. In total, costs are £79m higher than the ORR's post efficiency determination CP total of £6,367m. The ACR 2003 splits operating expenditure into controllable and non-controllable costs and it is the latter that has exceeded the determination across the control period.

The controllable operating expenditure rose in line with inflation in the year, but non controllable operating expenditure costs remained higher than the determination and higher than 2007/08. Indeed, costs were 51.3 per cent more than the ORR determination for the year. This is primarily due to the increased costs of electricity and additional expenditure on British Transport Police as part of a programme to make stations safer for the travelling public. Total non-controllable operating expenditure increased by £91m in real terms from last year, the biggest increase is in traction electricity costs which increased by £81m in real terms.

Maintenance

Maintenance costs of £1,104m (£6,269m CP) were £43m more than the ORR's determination of £1,061m (£6,310m CP). Maintenance costs continue to reduce in real terms, a 4.1% saving in the year through a combination of tight cost management, headcount control, productivity improvements and organisational change. Overtime costs and the number of labour sub-contractors were both reduced for core work. In many instances the staff were used on other work which would otherwise have been carried out by contractors, thus minimising the loss of work for our staff.

The amount of technical training provided to front line staff was significantly increased, improving front line productivity. Implementation of a new Maintenance management organisation provided supervisors with dedicated administrative and planning support. They now spend more time on site, which has been a major factor in increasing workforce productivity during the year. The number of Delivery Units was reduced and an entire organisational layer eliminated. However, there are more opportunities to drive further productivity improvements, which will be implemented in the coming year.

Schedule 4

Total Schedule 4 costs were £74m (£437m CP), £24m less than the ORR's determination of £98m. CP costs are £15m less than the determination of £452m.

This represents a positive variance in the Control Period. This has been achieved by a pattern of longer possessions than originally anticipated when the ACR 2003 was set five years ago. The positive variance in the year arises from increased levels of investment in the network in comparison with the ACR 2003 during the financial year.

Total Schedule 4 revenues were £98m, which was the same as the determination.

Schedule 8

There has been a significant reduction in train delays attributable to Network Rail this year. Train Delay Minutes fell from 9.5m minutes to 8.9m minutes. This has resulted in Schedule 8 income receivable of £18m (£373m CP), an overall saving of £32m (£453m CP) compared to the ORR determination which assumed costs of £14m (£80m CP). This performance can be attributed both to the improvements in asset condition and also to initiatives such as integrated control centres working closely with train operators. The latter has streamlined day to day decision making in the interests of passengers.

Other income

Total single till income of £792m (£4,141m CP) was £62m less than assumed in the ACR 2003 for 2008/09 and £98m less than assumed in the CP. Over the control period relatively small shortfalls in income from stations, depots and freight have been partly offset by additional open access income.

Grant and rebate

Actual grant income and deferred grant income from the Department for Transport and Transport Scotland totalled £4,018m (£15,430m CP). The current year is £1,394m more than the original ORR determination but the CP figure is significantly less than that initially assumed in the ACR 2003. This is because some of the allowed income for 2004/05 and 2005/06 was reprofiled to later years. The shortfall in these two years was financed through additional borrowings and has been added to the ORR RAB at 1 April 2009.

The additional grant received in the current year was offset by a £1,500m rebate paid by the Company to the train operating companies in respect of fixed track access charges. The amount payable matched an identical sum Network Rail received from the Department for Transport.

Network Rail has repaid the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date. As a result, a rebate of £109m was paid to the Department for Transport in the year. The total rebate was £396m, in 08/09 prices.

Variable track access charges for the CP are £407m higher than the determination mainly due to increased usage charges arising from greater network traffic.

Regulatory Asset Base ("RAB")

The RAB at 31 March 2009 totalled £29,841m and this figure is provided in Statement 2a. This has been calculated and presented in the format laid out in the Regulatory Accounting Guidelines. The closing RAB from last year's regulatory accounts (£27,942m in 2007/08 prices) is uplifted to 2008/09 prices (£28,781m). Amortisation on the opening RAB at the start of the Control Period of £1,124m is provided on a 7 per cent reducing balance basis.

There is also an adjustment to the opening RAB for the year to reflect the impact of the signalling review published in December 2005 and agreed adjustments to the associated capitalised financing. This resulted in an increase of £245m in the RAB for 2008/09.

Capitalised financing movements with regard to the EC4T adjustment of £2m and a further £28m with regard to the capex outturn in 2003/04 were also made to the RAB.

The allowances for renewals (£2,375m) and enhancements (£253m) from the Final Conclusions are added to the RAB (in 2008/09 prices), and amortisation is provided on additions in this Control Period over 30 years resulting in a £562m reduction to the RAB. The underspend variance on emerging cost enhancements (Power Supply Upgrade, Southern Region New Trains Programme and CTRL Blockade) is added to the value of the RAB in accordance with the policy set out in paragraph 3.31 of the Regulatory Accounting Guidelines ("RAGs"). The impact of this year's emerging cost overspend was £1m (excluding the effect of capitalised financing). Further schemes totalling £935m (including the effect of capitalised financing) of enhancements not funded in the ORR determination have been proposed for logging up in the RAB, although the ORR has yet to give its approval to all of these schemes.

The net addition to the RAB in respect of renewals and enhancements for 2008/9 was £1,965m (including the effect of capitalised financing) giving a closing RAB valuation of £29,841m.

The opening Control Period 4 RAB stands at £34,454m, in 08/09 prices, because of the

addition of the deferred grant (£3,667m) from years 1 and 2 of the Control Period, the Asset Stewardship Index Incentive (£364m) and the Passenger Volume Incentive (£582m). It follows that the Debt to RAB ratio on 1 April 2009 is 61%.

This valuation is reconciled to the Railway Network fixed asset valuation presented in the statutory accounts for the year ended 31 March 2009 in Appendix A.

Investment

Statement 3 contains detail of capital expenditure against the ORR determination at levels much higher than envisaged in the ACR 2003. This shows investment at significantly higher levels than envisaged in the ACR 2003. Actual renewals totalled £3,144m, £529m more than the ORR determination. Enhancement expenditure was £1,316m, comprising £447m of enhancements within the ACR 2003 (£192m more than the 2008/09 determination) and £869m outside the determination to give an additional investment of £1,590m (excluding the effect of capitalised financing) compared to the determination for the year.

Renewals efficiency improved in the year, meeting the annual target of 5%. Prior year performance has meant that we were already 6% adrift of the ORR target and have missed the overall target by that amount. As mentioned above, driving down the cost of track renewals has proved difficult. Action taken in early 2009 to reduce volumes has provided the opportunity for us to address this in coming years

In December 2008 the West Coast Route Modernisation Programme was completed on time, a massive project and a great success for customers. The successful completion of the first major milestone on the Thameslink project is another example of our ability to manage and deliver high profile works. This milestone enabled the timetable changes in March which created capacity for almost twice as many trains through the heart of London between Blackfriars and St Pancras – and it allows Network Rail to continue transforming the line and its stations at Blackfriars, Farringdon and London Bridge for longer, more frequent trains.

In addition to the expenditure noted above we have spent a further £57m this year on enhancements schemes financed by our Outperformance Fund to improve the rail network.

Debt

Net Debt, as defined by the Regulatory Accounting Guidelines, at 31 March 2009 was £20,890m. The debt to RAB ratio at 31 March 2009 was 70.0 per cent and reflects the reprofiling of grant income discussed above. The CP4 Delivery Plan published in March 2009 indicated substantial further debt financed investment over the next five years.

The regulatory debt stands at £20,890m compared to £22,307m in the group statutory accounts. This is primarily because the regulatory debt relates to the Company rather than the group. The Company is not exposed to foreign exchange movements as the amounts lent from the financing vehicles are already swapped to sterling in line with the inter-Company loan agreements.

Network Rail's financing vehicle is Network Rail Infrastructure Finance PLC ("NRIF"), a special purpose financing Company, which acts as the issuer under Network Rail's Debt Issuance Programme ("DIP") and is not a member of the Network Rail group. Although for accounting purposes NRIF is treated as a subsidiary in the consolidated accounts of Network Rail Infrastructure Limited ("NRIL") it is not consolidated into these Regulatory Financial Statements. Net debt referred to in these statements reflects the amounts lent to NRIL by its financing vehicle.

The DIP is supported by a financial indemnity from the Secretary of State for Transport which expires in 2052.

Network Rail issued more RPI index-linked bond issuance under the Company's Debt

Issuance Programme. The majority of Network Rail's revenues are linked to inflation so aligning debt cost to income is a prudent, cost effective way of financing the railways over the long term. During the year ended 31 March 2009, £3.9bn of index-linked bonds were issued under the DIP with maturities through to 2052.

All non-sterling public issuances under the programme are swapped into sterling before amounts are transferred to NRIL.

The Company had £5bn of undrawn committed facilities available at 31 March 2009 through the DIP working capital facility (£1bn) and the Secretary of State for Transport standby facility A (£4bn). The Secretary of State for Transport standby facility is undrawn and will only be called upon as a last resort.

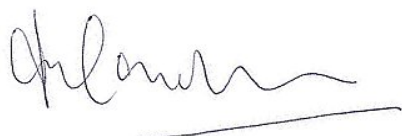
Statement under Condition 29 of the Network Licence

Under Condition 29 of Network Rail's network licence, the licence holder shall provide, from time to time as requested by the ORR and in any event every year in the regulatory financial statements it prepares pursuant to Condition 22, confirmation that, in respect of the financial year to which the statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 29.1 and (where applicable) with Condition 29.2 of this Condition and, if so requested by the ORR, evidence in support of that confirmation.

In this regard, the debt to RAB ratio at 31 March 2009 of 70.0 per cent complies with the limits set out in Condition 29 of our network licence. We can also confirm that, as forecast in the aforementioned Business Plan, the debt to RAB ratio is likely to remain compliant in the current financial year.

The directors' report and the regulatory financial statements were approved by the Board of Directors on 3 June 2009.

Signed on behalf of the Board of Directors:

A handwritten signature in dark ink, appearing to read 'Iain Coucher', with a horizontal line underneath.

Iain Coucher Director

A stylized handwritten signature in dark ink, appearing to read 'P Butcher', with a horizontal line underneath.

Patrick Butcher Director

Statement of Directors' Responsibilities

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

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

- prepare the regulatory financial statements in respect of the financial year ended 31 March 2009 and (save as otherwise provided in Condition 22 or the Regulatory Accounting Guidelines) on a consistent basis in respect of each financial year;
- prepare the regulatory financial statements such that, insofar as reasonably practical, the definition of items in primary statements; the valuation of assets and liabilities; the treatment of income and expenditure as capital or revenue; adjustments in respect of the provision, utilisation, depreciation and amortisation of assets and liabilities; and any other relevant accounting policies shall be consistent with:
 - (i) the ORR's valuation of the Regulatory Asset Base for the purpose of determining access charges; and
 - (ii) the Determination Assumptions for the corresponding period as defined in Condition 22; (and so that where the presentation of an item in the primary statements departs from the basis for the Regulatory Asset Base or the Determination Assumptions, a reconciliation shall be included by way of a note);
- include, as a primary statement, a statement of regulatory financial performance comparing income, expenditure, profits and losses for the period with the Determination Assumptions;
- include all details reasonably necessary to reconcile items included in the primary financial statements with any corresponding items in annual statutory accounts for the same period;
- include narrative explaining the material variances from the previous year and from the Determination Assumptions; and
- include the confirmation required under Condition 29.3 that the licence holder shall provide, from time to time as requested by the ORR and in any event every year in the regulatory financial statements it prepares pursuant to Condition 22, confirmation that, in respect of the financial year to which the statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 29.1 and (where applicable) with Condition 29.2 and, if so requested by the ORR, evidence in support of that confirmation.

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

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

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

Independent Auditors' Report to the company and the ORR

We have audited the regulatory financial statements of Network Rail Infrastructure Limited for the year ended 31 March 2009 which comprise the statement of financial performance, the statement of RAB adjustments and accruals, the statements analysing capital expenditure, operating, maintenance and renewals expenditure and income, the accounting policies and the related Appendices A, B, C, D and E for Great Britain. The statements of financial performance, the statements of RAB adjustments and accruals, the statements analysing capital expenditure, operating, maintenance and renewals expenditure and income for Scotland and England & Wales have also been audited.

This report is made, in accordance with our terms of engagement dated 20 May 2009, solely to the Company and the Office of Rail Regulation ("ORR"), in order to meet the requirement of Condition 22.9 of Network Rail Infrastructure Limited's network licence dated 31 March 1994 as amended on 2 July 2004 and 12 April 2007 ("Condition 22"). Our audit work was undertaken so that we might state to the Company and the ORR those matters we are required to state to them by Condition 22 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the ORR for our audit work, for this report or for the opinions we have formed.

Basis of Preparation

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

Respective responsibilities of directors and auditors

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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the regulatory financial statements in accordance with Condition 22 and the Regulatory Accounting Guidelines issued thereunder on 31 March 2008. Our responsibility, as set out in our terms of engagement, is to audit the regulatory financial statements in accordance with those terms, relevant International Standards on Auditing (UK & Ireland), and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities', Condition 22 and the Regulatory Accounting Guidelines.

We report to you our opinion as to whether the regulatory financial statements present fairly the regulatory financial performance of Network Rail Infrastructure Limited for the year ended 31 March 2009 and the regulatory financial position as at that date in accordance with the requirements of Condition 22 and the Regulatory Accounting Guidelines and have been prepared in accordance with those same requirements. We also report to you if, in our opinion, the Company has not kept proper accounting records, the regulatory financial statements are not in agreement with the underlying accounting records and regulatory returns, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Review and consider the implications for our report if we become

aware of any apparent misstatements or material inconsistencies with the regulatory financial statements.

Basis of audit opinion

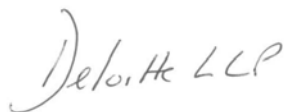
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory financial statements. It also includes an assessment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

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

Our opinion on the regulatory financial statements is separate from our opinion on the statutory financial statements of the Company on which we reported on 3 June 2009, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory" audit) was made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditors' report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Opinion

In our opinion the regulatory financial statements fairly present, in accordance with the Regulatory Accounting Guidelines, the regulatory financial performance of Network Rail Infrastructure Limited for the year ended 31 March 2009 and the Regulatory Asset Base as at that date, and have been prepared in accordance with the requirements of Condition 22 and the Regulatory Accounting Guidelines.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
3 June 2009

Accounting Policies

Basis of preparation

Regulatory financial statements are required to be prepared by Network Rail Infrastructure Limited under the terms of its Network Licence dated 31 March 1994, as amended ("the Licence"). The form of the regulatory financial statements is specified in Condition 22 of the Licence and the statements must be prepared in accordance with detailed Regulatory Accounting Guidelines issued by ORR under Condition 22 on 31 March 2009.

The accounting policies adopted in presenting these regulatory financial statements are consistent with the Regulatory Accounting Guidelines issued by the ORR on 31 March 2009. These are consistent with those detailed in the Company's statutory financial statements for the year ended 31 March 2009 which were approved by the Directors on 3 June 2009 and will be filed with the Registrar of Companies in July 2009 with the following exceptions:

Inflation

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

Depreciation and amortisation

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

Reactive works on structures and operational property

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

Debt

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

Accounting Policies continued

Capitalised interest

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

Basis of disaggregation

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

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

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

Statement 1: GB Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2008/09 ACR 2003 | Difference |
|--|--------------|---------------------|----------------|
| A) Comparison of overall performance | | | |
| Operating expenditure (see Statement 4c) | 1,309 | 1,155 | (154) |
| Maintenance expenditure (see Statements 4b & 4c) | 1,104 | 1,061 | (43) |
| Schedule 4 costs | 74 | 98 | 24 |
| Schedule 8 (income)/costs | (18) | 14 | 32 |
| Return on the RAB (as per ACR 2003) | 1,856 | 1,856 | - |
| Amortisation | 1,686 | 1,686 | - |
| Gross revenue | 6,011 | 5,870 | (141) |
| Other income | (792) | (856) | (64) |
| Net revenue | 5,219 | 5,014 | (205) |
| Variable charge income including Schedule 4 and 8 access charges | (646) | (469) | 177 |
| Total net revenue recovered through fixed track access charges and grants | 4,573 | 4,545 | (28) |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 646 | 469 | 177 |
| Fixed charges ¹ | 812 | 2,299 | (1,487) |
| Total track access charges | 1,458 | 2,768 | (1,310) |
| Grants ^{1, 2} | 3,647 | 2,253 | 1,394 |
| Total revenue | 5,105 | 5,021 | 84 |
| C) Reconciliation to total income: | | | |
| Other income | 792 | 854 | (62) |
| Deferred grants ³ | 371 | 371 | - |
| Schedule 4 costs | (74) | (98) | 24 |
| Schedule 8 income/(costs) | 18 | (14) | 32 |
| Total income (see Statement 5) | 6,212 | 6,134 | 78 |

¹ Actual Fixed charges for 2008/09 are calculated net of £1,500m rebate. This is exactly offset by an additional £1,500m of income included in Grants.

² Actual Grant income received for 2008/09 is net of a £109m rebate paid by Network Rail to reflect the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

³ Actual Grants received for 2008/09 includes £136m of deferred grants from earlier in the Control Period and £235m capital return on the outstanding value of the grant.

Statement 1: GB Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2007/08 ACR 2003 | Difference |
|--|--------------|---------------------|--------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 1,214 | 1,201 | (13) |
| Maintenance expenditure | 1,152 | 1,153 | 1 |
| Schedule 4 costs | 115 | 97 | (18) |
| Schedule 8 (income)/costs | (84) | 15 | 99 |
| Return on the RAB (as per ACR 2003) | 1,788 | 1,788 | - |
| Amortisation | 1,682 | 1,682 | - |
| Gross revenue | 5,867 | 5,936 | 69 |
| Other income | (835) | (847) | (12) |
| Net revenue | 5,032 | 5,089 | 57 |
| Variable charge income including Schedule 4 and 8 access charges | (552) | (463) | 89 |
| Total net revenue recovered through fixed track access charges and grants | 4,480 | 4,626 | 146 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 552 | 463 | 89 |
| Fixed charges ¹ | 1,475 | 2,108 | (633) |
| Total track access charges | 2,027 | 2,571 | (544) |
| Grants ^{1, 2} | 3,003 | 2,524 | 479 |
| Total revenue | 5,030 | 5,095 | (65) |
| C) Reconciliation to total income: | | | |
| Other income | 835 | 847 | (12) |
| Deferred grants ³ | 379 | 379 | - |
| Schedule 4 costs | (115) | (97) | (18) |
| Schedule 8 income/(costs) | 84 | (15) | 99 |
| Total income | 6,213 | 6,209 | 4 |

¹ Actual Fixed charges for 2007/08 are calculated net of £600m rebate (2007/08 prices). This is exactly offset by an additional £600m of income (2007/08 prices) included in Grants.

² Actual Grant income received for 2007/08 is net of a £105m rebate paid by Network Rail to reflect the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

³ Actual Grants received for 2007/08 includes £132m of deferred grants from earlier in the Control Period and £236m capital return on the outstanding value of the grant.

Statement 1: GB Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2006/07 ACR 2003 | Difference |
|--|--------------|---------------------|--------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 1,311 | 1,249 | (62) |
| Maintenance expenditure | 1,231 | 1,253 | 22 |
| Schedule 4 costs | 101 | 95 | (6) |
| Schedule 8 (income)/costs | (94) | 16 | 110 |
| Return on the RAB (as per ACR 2003) | 1,709 | 1,709 | - |
| Amortisation | 1,677 | 1,677 | - |
| Gross revenue | 5,935 | 5,999 | 64 |
| Other income | (835) | (857) | (22) |
| Net revenue | 5,100 | 5,142 | 42 |
| Variable charge income including Schedule 4 and 8 access charges | (529) | (462) | 67 |
| Total net revenue recovered through fixed track access charges and grants | 4,571 | 4,680 | 109 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 529 | 462 | 67 |
| Fixed charges ¹ | 1,463 | 2,122 | (659) |
| Total track access charges | 1,992 | 2,584 | (592) |
| Grants ^{1, 2} | 3,079 | 2,561 | 518 |
| Total revenue | 5,071 | 5,145 | (74) |
| C) Reconciliation to total income: | | | |
| Other income | 835 | 857 | (22) |
| Deferred grants ³ | 387 | 388 | (1) |
| Schedule 4 costs | (101) | (95) | (6) |
| Schedule 8 income/(costs) | 94 | (16) | 110 |
| Total income | 6,286 | 6,279 | 7 |

¹ Actual Fixed charges for 2006/07 are calculated net of £600m rebate (2006/07 prices). This is exactly offset by an additional £600m of income (2006/07 prices) included in Grants.

² Actual Grant income received for 2006/07 is net of a £105m rebate paid by Network Rail to reflect the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

³ Actual Grants received for 2006/07 includes £131m of deferred grants from earlier in the Control Period and £245m capital return on the outstanding value of the grant.

Statement 1: GB Regulatory financial performance continued

in £m 2008/09 prices

| | Actual | 2005/06 ACR 2003 | Difference |
|--|--------------|---------------------|----------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 1,261 | 1,335 | 74 |
| Maintenance expenditure | 1,330 | 1,362 | 32 |
| Schedule 4 costs | 79 | 86 | 7 |
| Schedule 8 (income)/costs | (95) | 17 | 112 |
| Return on the RAB (as per ACR 2003) | 1,722 | 1,722 | - |
| Amortisation | 1,679 | 1,679 | - |
| Gross revenue | 5,976 | 6,201 | 225 |
| Other income | (852) | (852) | - |
| Net revenue | 5,124 | 5,349 | 225 |
| Variable charge income including Schedule 4 and 8 access charges | (499) | (453) | 46 |
| Total net revenue recovered through fixed track access charges and grants | 4,625 | 4,896 | 271 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 499 | 453 | 46 |
| Fixed charges ¹ | 753 | 1,025 | (272) |
| Total track access charges | 1,252 | 1,478 | (226) |
| Grants ^{1, 2} | 2,212 | 3,872 | (1,660) |
| Total revenue | 3,464 | 5,350 | (1,886) |
| C) Reconciliation to total income: | | | |
| Other income | 852 | 852 | - |
| Deferred grants | - | - | - |
| Schedule 4 costs | (79) | (86) | 7 |
| Schedule 8 income/(costs) | 95 | (17) | 112 |
| Total income | 4,332 | 6,099 | (1,767) |

¹ Actual Fixed charges for 2005/06 are calculated net of £250m rebate (2005/06 prices). This is exactly offset by an additional £250m of income (2005/06 prices) included in Grants.

² Grant income as stated in the ACR 2003 for 2005/06 includes £1,894m of deferred grants that were not received in that financial year.

Statement 1: GB Regulatory financial performance continued

in £m 2008/09 prices

| | Actual | 2004/05 ACR 2003 | Difference |
|--|--------------|---------------------|----------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 1,351 | 1,427 | 76 |
| Maintenance expenditure | 1,452 | 1,481 | 29 |
| Schedule 4 costs | 67 | 76 | 9 |
| Schedule 8 (income)/costs | (82) | 18 | 100 |
| Return on the RAB (as per ACR 2003) | 1,552 | 1,552 | - |
| Amortisation | 1,656 | 1,656 | - |
| Gross revenue | 5,996 | 6,210 | 214 |
| Other income | (827) | (827) | - |
| Net revenue | 5,169 | 5,383 | 214 |
| Variable charge income including Schedule 4 and 8 access charges | (473) | (445) | 28 |
| Total net revenue recovered through fixed track access charges and grants | 4,696 | 4,938 | 242 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 473 | 445 | 28 |
| Fixed charges ¹ | 719 | 1,012 | (293) |
| Total track access charges | 1,192 | 1,457 | (265) |
| Grants ^{1, 2} | 2,352 | 3,930 | (1,578) |
| Total revenue | 3,544 | 5,387 | (1,843) |
| C) Reconciliation to total income: | | | |
| Other income | 827 | 827 | - |
| Deferred grants | - | - | - |
| Schedule 4 costs | (67) | (76) | 9 |
| Schedule 8 income/(costs) | 82 | (18) | 100 |
| Total income | 4,386 | 6,120 | (1,734) |

¹ Actual Fixed charges for 2004/05 are calculated net of £250m rebate (2004/05 prices). This is exactly offset by an additional £250m of income (2004/05 prices) included in Grants.

² Grant income as stated in the ACR 2003 for 2004/05 includes £1,803m of deferred grants that were not received in that financial year.

Statement 1: GB Regulatory financial performance continued

in £m 2008/09 prices

| | Actual | Cumulative ACR 2003 | Difference |
|--|---------------|------------------------|----------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 6,446 | 6,367 | (79) |
| Maintenance expenditure | 6,269 | 6,310 | 41 |
| Schedule 4 costs | 437 | 452 | 15 |
| Schedule 8 (income)/costs | (373) | 80 | 453 |
| Return on the RAB (as per ACR 2003) | 8,628 | 8,628 | - |
| Amortisation | 8,380 | 8,380 | - |
| Gross revenue | 29,787 | 30,217 | 430 |
| Other income | (4,141) | (4,239) | (98) |
| Net revenue | 25,646 | 25,978 | 332 |
| Variable charge income including Schedule 4 and 8 access charge supplements | (2,699) | (2,292) | 407 |
| Total net revenue recovered through fixed track access charges and grants | 22,947 | 23,686 | 739 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 | | | |
| ORR statement | | | |
| Variable charges | 2,699 | 2,292 | 407 |
| Fixed charges ¹ | 5,222 | 8,567 | (3,345) |
| Total track access charges | 7,921 | 10,859 | (2,938) |
| Grants ^{2, 3} | 14,293 | 15,140 | (847) |
| Total revenue | 22,214 | 25,999 | (3,785) |
| C) Reconciliation to total income: | | | |
| Other income | 4,141 | 4,239 | (98) |
| Deferred grants ⁴ | 1,137 | 1,136 | 1 |
| Schedule 4 costs | (437) | (452) | 15 |
| Schedule 8 income/(cost) | 373 | (80) | 453 |
| Total income | 27,428 | 30,842 | (3,414) |

¹ Actual Fixed charges for the Control Period are calculated net of £3,200m of rebates (nominal prices). This is exactly offset by an additional £3,200m of income (nominal prices) included in Grants.

² Grant income as stated in the ACR 2003 for 2004/05 and 2005/06 includes £1,803m and £1,894m of deferred grants respectively that were not received in those financial years.

³ Actual Grant income received in 2006/07, 2007/08 and 2008/09 is net of rebates of £105m, £105m and £109m respectively.. The rebates reflect the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

⁴ Actual Grants received in 2006/07, 2007/08 and 2008/09 include £131m, £132m and £136m respectively of deferred grants from earlier in the Control Period, and £245m, £236m and £235m respectively capital return on the outstanding value of the grant .

Statement 2a: GB RAB (Regulatory financial position)

in £m 2008/09 prices unless stated

| Movements in the year 2008/09 | | | | |
|--|--------------|----------------|--------------------------------|----------------------|
| | Indexation | Adjustment | Capitalised financing (return) | Total as at 31/03/09 |
| A) Calculation of the regulatory accounts GB | | | | |
| RAB at 31 March 2009 | | | | |
| Opening RAB for the year (2007/08 prices) | | | | 27,942 |
| Indexation | 839 | | | 839 |
| Opening RAB (2008/09 prices) | | | | 28,781 |
| Amortisation on 1 April 2004 RAB | | (1,124) | | (1,124) |
| Opening RAB after amortisation | | (1,124) | | 27,657 |
| Adjustments | | | | |
| Signalling review | | 242 | 3 | 245 |
| Capex outturn 2003/04 | | | (28) | (28) |
| EC4T adjustment | | | 2 | 2 |
| RAB after prior year adjustments | | | | 27,876 |
| Renewals and enhancements (see Statement 3 for more detail) | | | | |
| Renewals in ACR 2003 | 2,375 | | - | 2,375 |
| Enhancements in ACR 2003 | 253 | | - | 253 |
| Variance on emerging cost enhancements | 1 | | (19) | (18) |
| Investments not funded in ACR 2003 | 870 | | 65 | 935 |
| Total enhancements | 1,124 | | 46 | 1,170 |
| Deferrals of ACR 2003 renewals and enhancements | (1,018) | | | (1,018) |
| Total renewals and enhancements | 2,481 | | 46 | 2,527 |
| Amortisation on post April 2004 investment in ACR 2003 | (562) | | - | (562) |
| Net addition to the RAB from renewals and enhancements | | 1,919 | 46 | 1,965 |
| Closing RAB at 31 March 2009 | | | | 29,841 |
| B) Adjustments to the RAB at 1 April 2009¹ | | | | |
| Revenue deferral | | | | 3,667 |
| Asset stewardship index forecast for 1 April 2009 | | | | 364 |
| Volume incentive forecast for 1 April 2009 | | | | 582 |
| Total adjustments | | | | 4,613 |

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

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

in £m 2008/09 prices unless stated

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| A) Calculation of the regulatory accounts GB | | | | | | |
| <u>RAB at 31 March 2009</u> | | | | | | |
| Opening RAB for the year ¹ (2007/08 prices) | 20,824 | | | | | |
| Indexation | 626 | | | | | |
| Opening RAB (2008/09 prices) | 21,450 | 23,237 | 25,658 | 27,140 | 28,781 | 21,450 |
| Amortisation on 1 April 2004 RAB | (1,502) | (1,397) | (1,299) | (1,208) | (1,124) | (6,530) |
| Opening RAB after amortisation | 19,948 | 21,840 | 24,359 | 25,932 | 27,657 | 14,920 |
| Adjustments | | | | | | |
| Signalling review | (162) | (86) | 61 | 106 | 245 | 164 |
| Capex outturn 2003/04 | (364) | (25) | (25) | (27) | (28) | (469) |
| Opening net debt at 1 April 2004 | (396) | 396 | - | - | | - |
| Investments disallowed by ORR | 18 | (18) | - | - | | - |
| EC4T adjustment | 16 | 17 | 2 | 2 | 2 | 39 |
| RAB after prior year adjustments | 19,060 | 22,124 | 24,397 | 26,013 | 27,876 | 14,654 |
| Renewals and enhancements (see Statement 2a for more detail) | | | | | | |
| Renewals in ACR 2003 | 3,429 | 3,239 | 2,606 | 2,623 | 2,375 | 14,272 |
| Enhancements in ACR 2003 | 1,241 | 480 | 350 | 285 | 253 | 2,609 |
| Variance on emerging cost enhancements | (377) | 68 | 12 | (7) | (18) | (322) |
| Investments not funded in ACR 2003 | 40 | 27 | 153 | 342 | 935 | 1,497 |
| Total enhancements | 904 | 575 | 515 | 620 | 1,170 | 3,784 |
| Deferrals of ACR 2003 renewals and enhancements | | | | | (1,018) | (1,018) |
| Total renewals and enhancements | 4,333 | 3,814 | 3,121 | 3,243 | 2,527 | 17,038 |
| Amortisation on post April 2004 investment in ACR 2003 | (156) | (280) | (378) | (475) | (562) | (1,851) |
| Net addition to the RAB from renewals and enhancements | 4,177 | 3,534 | 2,743 | 2,768 | 1,965 | 15,187 |
| Closing RAB at 31 March 2009 | 23,237 | 25,658 | 27,140 | 28,781 | 29,841 | 29,841 |
| B) Adjustments to the RAB at 1 April 2009² | | | | | | |
| Revenue deferral | | | | | | 3,667 |
| Asset stewardship index forecast for 1 April 2009 | | | | | | 364 |
| Volume incentive forecast for 1 April 2009 | | | | | | 582 |
| Total adjustments | | | | | | 4,613 |
| C) Net debt analysis | | | | | | |
| Net debt³ | 17,360 | 19,487 | 19,366 | 19,381 | 20,890 | |
| Net debt to RAB ratio | 76.5% | 78.1% | 73.5% | 69.4% | 70.0% | |

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

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

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

³ Of the total net debt balance at 31 March 2009 detailed above, £20,803m is owed to Network Rail Infrastructure Finance PLC, the special purpose financing vehicle that Network Rail has established to facilitate its long term Debt Issuance Programme and £Nil is owed to Network Rail MTN Finance PLC.

Statement 3: GB Analysis of RAB capital expenditure

in £m 2008/09 prices unless stated

| | Net spend in the year | | |
|---|-----------------------|--------------|----------------|
| | Actual | ACR 2003 | Difference |
| A) Renewals included in ACR 2003 | 3,144 | 2,615 | (529) |
| B) Enhancements included in ACR 2003 | | | |
| <i>Health and safety schemes</i> | | | |
| Train protection schemes - ERTMS | 34 | 61 | 27 |
| Light Maintenance Depot pollution prevention | 10 | 4 | (6) |
| Other Safety & Environment plan schemes | 133 | 72 | (61) |
| <i>Total health and safety schemes</i> | 177 | 137 | (40) |
| <i>Emerging cost enhancements (transition schemes)</i> | | | |
| Power Supply Upgrade (PSU) | - | - | - |
| Southern Region New Trains Programme (non-PSU) | 1 | - | (1) |
| CTRL blockade | - | - | - |
| <i>Total emerging cost enhancements</i> | 1 | - | (1) |
| Telecoms enhancements | 9 | 44 | 35 |
| West Coast Route Modernisation enhancements | 260 | 74 | (186) |
| Total enhancements in ACR 2003 | 447 | 255 | (192) |
| C) Investments not included in ACR 2003 | | | |
| <i>Government sponsored schemes</i> | | | |
| Disability Discrimination Act compliance | 32 | - | (32) |
| Kings Cross | 61 | - | (61) |
| Thameslink | 295 | - | (295) |
| Airdrie to Bathgate | 71 | - | (71) |
| Glasgow to Kilmarnock | 13 | - | (13) |
| Crossrail | 11 | - | (11) |
| Other Government sponsored schemes | 3 | - | (3) |
| <i>Total government sponsored schemes</i> | 486 | - | (486) |
| Network Rail sponsored schemes/ CP4 Development | 157 | - | (157) |
| Network Rail Discretionary Fund | 144 | - | (144) |
| Schemes promoted by third parties | 82 | - | (82) |
| Total investments not included in ACR 2003 allowance¹ | 869 | - | (869) |
| Total renewals and enhancements | 4,460 | 2,870 | (1,590) |

¹ Separate reports are provided to the ORR in addition to the Regulatory Financial Statements, showing the break down between schemes and outputs.

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

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|--------------|--------------|
| | Actual | ACR 2003 | Difference |
| Renewals | | | |
| Non-WCRM renewals | | | |
| Track | 887 | 793 | (94) |
| Structures | 437 | 400 | (37) |
| Signalling ¹ | 446 | 611 | 165 |
| Telecoms | 238 | 67 | (171) |
| Electrification | 98 | 102 | 4 |
| Plant and machinery | 120 | 58 | (62) |
| Operational property | 239 | 230 | (9) |
| Other (inc IT) | 201 | 114 | (87) |
| Total non-WCRM renewals | 2,666 | 2,375 | (291) |
| Total WCRM renewals | 478 | 240 | (238) |
| Total renewals | 3,144 | 2,615 | (529) |
| Total maintenance (see Statements 4b & 4c) | 1,104 | 1,061 | (43) |
| Operating expenditure (see Statement 4c) | | | |
| Controllable operating expenditure | 908 | 890 | (18) |
| Non-controllable operating expenditure | 401 | 265 | (136) |
| Total operating expenditure | 1,309 | 1,155 | (154) |
| Total operating, maintenance and renewals expenditure | 5,557 | 4,831 | (726) |

¹ The signalling allowance in the ACR 2003 is stated after taking account of the ORR's signalling review published in December 2005. This has the effect of increasing the ACR 2003 by £242m (£245m including the impact of capitalised financing) for 2008/09.

Statement 4b: GB Analysis of maintenance expenditure

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|-----------------------|-------------|
| | Actual | ACR 2003 ¹ | Difference |
| Analysis of maintenance expenditure | | | |
| Permanent way ² | 399 | | |
| Signalling and telecoms ² | 152 | | |
| Electrification and plant ² | 51 | | |
| Structures inspections ² | 35 | | |
| Other ³ | 467 | | |
| Total maintenance | 1,104 | 1,061 | (43) |

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

² These costs only include direct costs.

³ This includes costs such as maintenance delivered outside of the maintenance department and other direct costs as well as certain overheads.

Statement 4c: GB analysis of operating expenditure

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|---|-----------------------|-------------------------|--------------|
| | Operating expenditure | Maintenance expenditure | Total |
| Total payroll costs | 982 | 661 | 1,643 |
| Other controllable operating expenditure | | | |
| Contracted services | | | |
| - agency | 101 | 1 | 102 |
| - contractors and consultants | 15 | 1 | 16 |
| - maintenance contractors | - | 280 | 280 |
| Total contracted services | 116 | 282 | 398 |
| Employee related expenses | 104 | 20 | 124 |
| Accommodation and corporate office expenses | 86 | 9 | 95 |
| Plant | 50 | 195 | 245 |
| Materials | - | 192 | 192 |
| IT | 42 | 1 | 43 |
| Other ¹ | 86 | - | 86 |
| Total other controllable operating expenditure | 484 | 699 | 1,183 |
| Less: | | | |
| Other operating income | (136) | (16) | (152) |
| Own work capitalised | (422) | (240) | (662) |
| Total controllable operating expenditure² | 908 | 1,104 | 2,012 |
| Non-controllable operating expenditure | | | |
| Traction electricity costs | 232 | - | 232 |
| Cumulo rates | 71 | - | 71 |
| BT Transport Police costs | 71 | - | 71 |
| Rail Safety and Standards Board levy | 7 | - | 7 |
| ORR licence fee | 20 | - | 20 |
| Total non-controllable operating expenditure | 401 | - | 401 |
| Total operating expenditure | 1,309 | 1,104 | 2,413 |

¹ Other controllable operating expenditure includes Network Rail Insurance Limited's total loss from operations of £9m.

² Controllable operating expenditure includes £202m of signallers/LX keeper costs, £31m of operation delivery costs and £27m of control costs.

Statement 5: GB analysis of income

in £m 2008/09 prices unless stated

| | Receipts in the year | | |
|---|----------------------|--------------|----------------|
| | Actual | ACR 2003 | Difference |
| Franchised track access income | | | |
| Fixed charges | 812 | 2,299 | (1,487) |
| Gross variable charge income | | | |
| - usage charge | 264 | 211 | 53 |
| - capacity charge | 8 | - | 8 |
| - traction electricity (incl. electrification usage charge) | 272 | 145 | 127 |
| - Schedule 4 net income | 24 | - | 24 |
| - Schedule 8 net income | 22 | - | 22 |
| - other contractual receipts | - | - | - |
| Total gross variable charge income | 590 | 356 | 234 |
| Total franchised track access income | 1,402 | 2,655 | (1,253) |
| Grant income | 3,647 | 2,253 | 1,394 |
| Deferred grants | 371 | 371 | - |
| Total grant income | 4,018 | 2,624 | 1,394 |
| Total franchised track access and grant income | 5,420 | 5,279 | 141 |
| Other single till income | | | |
| Property income | 267 | 290 | (23) |
| Freight income | 93 | 110 | (17) |
| Open access income | 53 | 34 | 19 |
| Stations income | 324 | 332 | (8) |
| Depots income | 52 | 59 | (7) |
| Other | 3 | 30 | (27) |
| Total other single till income | 792 | 855 | (63) |
| Total income | 6,212 | 6,134 | 78 |

Statement 6: GB Other information

in £m 2008/09 prices unless stated

| | Receipts in the year | | |
|--|----------------------|-----------------------|-------------|
| | Actual | ACR 2003 ¹ | Difference |
| Analysis of Schedule 4 net income | | | |
| Income | 98 | 98 | - |
| Costs | (74) | (98) | (24) |
| Net costs | 24 | - | 24 |
| Analysis of Schedule 8 net income | | | |
| Income | 4 | 14 | (10) |
| Costs ² | 18 | (14) | 32 |
| Net income | 22 | - | 22 |
| Analysis of freight income | | | |
| Variable track access | 92 | | |
| Capacity charge | 4 | | |
| Performance regime | (10) | | |
| Cancellations | - | | |
| Traction electricity | 5 | | |
| Other | 2 | | |
| Total freight income | 93 | 110 | (17) |

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

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

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

At 31 March 2009

| | £m | £m |
|--|-------|---------------|
| RAB valuation at 31 March 2009 (Statement 2a) | | 29,841 |
| Differences between RAB valuation and statutory railway network fixed assets valuation | | |
| Adjustments to the ORR RAB 1 April 2009 | | |
| Impact of achieving Asset Stewardship Incentive Index target | 364 | |
| Impact of achieving Volume Incentive target | 582 | |
| Adjustment to recognise deferred revenue grant | 3,667 | |
| | | 4,613 |
| Accounting Adjustments | | |
| Capital grants carried as deferred income in statutory accounts | 1,494 | |
| Reported as investment properties in statutory accounts | (700) | |
| | | 794 |
| Adjustment to reflect differences in the projected net cash flow to that stated in the determination | (323) | |
| | | (323) |
| Railway network valuation per the statutory accounts at 31 March 2009 | | 34,925 |

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

Year ended 31 March 2009

| | Operating expenditure £m | Maintenance expenditure £m | Total £m |
|--|-----------------------------|-------------------------------|--------------|
| Operating and maintenance expenditure for year ended 31 March 2009 per the regulatory statements (Statement 1) | 1,309 | 1,104 | 2,413 |
| Differences between regulatory expenditure and statutory expenditure | | | |
| Depreciation | 1,198 | - | 1,198 |
| Reactive maintenance expenditure ¹ | - | 83 | 83 |
| Capital grants amortised | (45) | - | (45) |
| Wayleaves | (10) | - | (10) |
| West Coast feeder stations | (13) | - | (13) |
| CTRL | (10) | - | (10) |
| | 1,120 | 83 | 1,203 |
| Operating and maintenance expenditure for year ended 31 March 2009 per the statutory accounts | 2,429 | 1,187 | 3,616 |

¹This includes £29m stations maintenance and £54m with regard to structures and other operational property maintenance.

Appendix C: Reconciliation of Regulatory Income to Statutory Turnover

Year ended 31 March 2009

| | £m | £m |
|---|------|--------------|
| Regulatory income for year ended 31 March 2009 (Statements 1 and 5) | | 6,212 |
| Differences between regulatory income and statutory turnover | | |
| Property sales | (42) | |
| Wayleaves | (10) | |
| | | (52) |
| Turnover per the statutory accounts for year ended 31 March 2009 | | 6,160 |

Appendix D: Reconciliation of Regulatory Debt to Statutory Net Debt

At 31 March 2009

| | £m | £m |
|---|-----|---------------|
| Regulatory debt at 31 March 2009 (Statement 2b) | | 20,890 |
| Differences between regulatory debt and statutory net debt | | |
| Impact of IAS32 and IAS39: | | |
| Change in fair value of debt | 684 | |
| Foreign exchange differences | 629 | |
| Net investment in CTRL | 105 | |
| | | 1,418 |
| Net debt per the statutory accounts at 31 March 2009 | | 22,308 |

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

Year ended 31 March 2009

| | £m | £m |
|---|------|--------------|
| Regulatory capital expenditure for the year ended 31 March 2009 (Statement 3) | | 4,460 |
| Differences between regulatory capital expenditure and statutory capital expenditure | | |
| Third party funded enhancements | 196 | |
| Reactive maintenance | (83) | |
| Capitalised interest | 112 | |
| Outperformance funded enhancements | 57 | |
| Enhancement expenditure not meeting ORR criteria | - | |
| West Coast feeder stations | 13 | |
| Investment property schemes | (12) | |
| | | 283 |
| Capital expenditure per the statutory accounts for the year ended 31 March 2009 | | 4,743 |

DISAGGREGATED FINANCIAL INFORMATION

Statement 1: Scotland Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2008/09 Indicative ACR 2003 | Difference |
|--|------------|-----------------------------------|------------|
| A) Comparison of overall performance | | | |
| Operating expenditure (see Statement 4c) | 113 | 112 | (1) |
| Maintenance expenditure (see Statements 4b & 4c) | 97 | 99 | 2 |
| Schedule 4 costs | 6 | 10 | 4 |
| Schedule 8 income | (6) | - | 6 |
| Return on the RAB (as per Indicative ACR 2003) | 186 | 186 | - |
| Amortisation | 175 | 175 | - |
| Gross revenue | 571 | 582 | 11 |
| Other income | (59) | (64) | (5) |
| Net revenue | 512 | 518 | 6 |
| Variable charge income including Schedule 4 and 8 access charges | (31) | (32) | (1) |
| Total net revenue recovered through fixed track access charges and grants | 481 | 486 | 5 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 31 | 32 | (1) |
| Fixed charges | 155 | 154 | 1 |
| Total track access charges | 186 | 186 | - |
| Grants ¹ | 325 | 331 | (6) |
| Total revenue | 511 | 517 | (6) |
| C) Reconciliation to total income: | | | |
| Other income | 59 | 64 | (5) |
| Deferred grants | 40 | 40 | - |
| Schedule 4 costs | (6) | (10) | 4 |
| Schedule 8 income | 6 | - | 6 |
| Total income (see Statement 5) | 610 | 611 | (1) |

¹ Actual Grant income received for 2008/09 is net of a £7m rebate paid by Network Rail to reflect Scotland's assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: Scotland Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2007/08 Indicative ACR 2003 | Difference |
|--|------------|-----------------------------------|-------------|
| A) Comparison of overall performance | | | |
| Operating expenditure (see Statement 4c) | 106 | 116 | 10 |
| Maintenance expenditure (see Statements 4b & 4c) | 105 | 107 | 2 |
| Schedule 4 costs | 6 | 10 | 4 |
| Schedule 8 income | (5) | - | 5 |
| Return on the RAB (as per Indicative ACR 2003) | 182 | 182 | - |
| Amortisation | 178 | 178 | - |
| Gross revenue | 572 | 593 | 21 |
| Other income | (65) | (64) | 1 |
| Net revenue | 507 | 529 | 22 |
| Variable charge income including Schedule 4 and 8 access charges | (30) | (32) | (2) |
| Total net revenue recovered through fixed track access charges and grants | 477 | 497 | 20 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 30 | 32 | (2) |
| Fixed charges | 148 | 142 | 6 |
| Total track access charges | 178 | 174 | 4 |
| Grants ¹ | 338 | 355 | (17) |
| Total revenue | 516 | 529 | (13) |
| C) Reconciliation to total income: | | | |
| Other income | 65 | 64 | 1 |
| Deferred grants | 33 | 33 | - |
| Schedule 4 costs | (6) | (10) | 4 |
| Schedule 8 income | 5 | - | 5 |
| Total income (see Statement 5) | 613 | 616 | (3) |

¹ Actual Grant income received for 2007/08 is net of a £7m rebate paid by Network Rail to reflect Scotland's assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: Scotland Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2006/07 Indicative ACR 2003 | Difference |
|--|------------|-----------------------------------|-------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 114 | 122 | 8 |
| Maintenance expenditure | 116 | 115 | (1) |
| Schedule 4 costs | 3 | 9 | 6 |
| Schedule 8 income | (3) | - | 3 |
| Return on the RAB (as per Indicative ACR 2003) | 178 | 178 | - |
| Amortisation | 179 | 179 | - |
| Gross revenue | 587 | 603 | 16 |
| Other income | (64) | (63) | 1 |
| Net revenue | 523 | 540 | 17 |
| Variable charge income including Schedule 4 and 8 access charges | (28) | (32) | (4) |
| Total net revenue recovered through fixed track access charges and grants | 495 | 508 | 13 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 28 | 32 | (4) |
| Fixed charges | 143 | 143 | - |
| Total track access charges | 171 | 175 | (4) |
| Grants ¹ | 350 | 365 | (15) |
| Total revenue | 521 | 540 | (19) |
| C) Reconciliation to total income: | | | |
| Other income | 64 | 63 | 1 |
| Deferred grants | 22 | 22 | - |
| Schedule 4 costs | (3) | (9) | 6 |
| Schedule 8 income | 3 | - | 3 |
| Total income | 607 | 616 | (9) |

¹ Actual Grant income received for 2006/07 is net of a £7m rebate paid by Network Rail to reflect Scotland's assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: Scotland Regulatory financial performance

in £m 2008/09 prices

| | Cumulative (06/07, 07/08 & 08/09) | | |
|--|-----------------------------------|------------------------|-------------|
| | Actual | Indicative ACR 2003 | Difference |
| A) Comparison of overall performance | | | |
| Operating expenditure | 333 | 350 | 17 |
| Maintenance expenditure | 318 | 321 | 3 |
| Schedule 4 costs | 15 | 29 | 14 |
| Schedule 8 income | (14) | - | 14 |
| Return on the RAB (as per Indicative ACR 2003) | 546 | 546 | - |
| Amortisation | 532 | 532 | - |
| Gross revenue | 1,730 | 1,778 | 48 |
| Other income | (188) | (191) | (3) |
| Net revenue | 1,542 | 1,587 | 45 |
| Variable charge income including Schedule 4 and 8 access charges | (89) | (96) | (7) |
| Total net revenue recovered through fixed track access charges and grants | 1,453 | 1,491 | 38 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 | | | |
| ORR statement | | | |
| Variable charges | 89 | 96 | (7) |
| Fixed charges | 446 | 439 | 7 |
| Total track access charges | 535 | 535 | - |
| Grants ¹ | 1,013 | 1,051 | (38) |
| Total revenue | 1,548 | 1,586 | (38) |
| C) Reconciliation to total income: | | | |
| Other income | 188 | 191 | (3) |
| Deferred grants | 95 | 95 | - |
| Schedule 4 costs | (15) | (29) | 14 |
| Schedule 8 income | 14 | - | 14 |
| Total income | 1,830 | 1,843 | (13) |

¹ Actual Grant income received for 2006/07, 2007/07 and 2008/09 were each net of a £7m rebate paid by Network Rail to reflect Scotland's assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 2a: Scotland RAB (Regulatory financial position)

in £m 2008/09 prices unless stated

| | Movements in the year 2008/09 | | |
|--|-------------------------------|------------|--------------------------------|
| | Indexation | Adjustment | Capitalised financing (return) |
| | | | Total as at 31/03/09 |
| A) Calculation of the regulatory accounts | | | |
| Scotland RAB at 31 March 2009 | | | |
| Opening RAB for the year (2007/08 prices) | | | 2,817 |
| Indexation | 85 | | 85 |
| Opening RAB (2008/09 prices) | | | 2,902 |
| Amortisation on 1 April 2004 RAB | | (126) | (126) |
| Opening RAB after amortisation | | (126) | 2,776 |
| Adjustments | | | |
| Capex outturn 2003/04 | | | (3) |
| RAB after prior year adjustments | | | 2,773 |
| Renewals and enhancements (see Statement 3 for more detail) | | | |
| Renewals in Indicative ACR 2003 | 226 | - | 226 |
| Enhancements in Indicative ACR 2003 | - | - | - |
| Variance on emerging cost enhancements | - | - | - |
| Investments not funded in Indicative ACR 2003 | 93 | 4 | 97 |
| Total enhancements | 93 | 4 | 97 |
| Deferrals of ACR 2003 renewals and enhancements | (38) | | (38) |
| Total renewals and enhancements | 281 | 4 | 285 |
| Amortisation on post April 2004 investment in Indicative ACR 2003 | (49) | - | (49) |
| Net addition to the RAB from renewals and enhancements | 232 | 4 | 236 |
| Closing RAB at 31 March 2009 | | | 3,009 |
| B) Adjustments to the RAB at 1 April 2009¹ | | | |
| Revenue deferral | | | 409 |
| Asset stewardship index forecast for 1 April 2009 | | | 41 |
| Volume incentive forecast for 1 April 2009 | | | 34 |
| Total adjustments | | | 484 |

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

Statement 2b: Scotland RAB (Regulatory financial position)

in £m 2008/09 prices unless stated

| | 2006-07 | 2007-08 | 2008-09 | Total |
|---|--------------|--------------|--------------|--------------|
| A) Calculation of the regulatory accounts | | | | |
| Scotland RAB at 31 March 2009 | | | | |
| Opening RAB for the year ¹ (2007/08 prices) | 2,659 | | | |
| Indexation | 79 | | | |
| Opening RAB (2008/09 prices) | 2,738 | 2,817 | 2,902 | 2,738 |
| Amortisation on 1 April 2004 RAB | (146) | (134) | (126) | (406) |
| Opening RAB after amortisation | 2,592 | 2,683 | 2,776 | 2,332 |
| Adjustments | | | | |
| Capex outturn 2003/04 | (2) | (3) | (3) | (8) |
| EC4T adjustment | - | - | - | - |
| RAB after prior year adjustments | 2,590 | 2,680 | 2,773 | 2,324 |
| Renewals and enhancements (see Statement 2a for more detail) | | | | |
| Renewals in Indicative ACR 2003 | 259 | 250 | 226 | 735 |
| Enhancements in Indicative ACR 2003 | - | - | - | - |
| Variance on emerging cost enhancements | - | - | - | - |
| Investments not funded in ACR 2003 | 2 | 13 | 97 | 112 |
| Total enhancements | 2 | 13 | 97 | 112 |
| Deferrals of ACR 2003 renewals and enhancements | | | (38) | (38) |
| Total renewals and enhancements | 261 | 263 | 285 | 809 |
| Amortisation on post April 2004 investment in Indicative ACR 2003 | (33) | (42) | (49) | (124) |
| Net addition to the RAB from renewals and enhancements | 228 | 221 | 236 | 685 |
| Closing RAB at 31 March 2009 | 2,818 | 2,901 | 3,009 | 3,009 |
| B) Adjustments to the RAB at 1 April 2009² | | | | |
| Revenue deferral | | | | 409 |
| Asset stewardship index forecast for 1 April 2009 | | | | 41 |
| Volume incentive forecast for 1 April 2009 | | | | 34 |
| Total adjustments | | | | 484 |

¹ The opening RAB at 1 April 2006 (2005/06 prices) was £2,455m.

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

Statement 3: Scotland Analysis of RAB capital expenditure

in £m 2008/09 prices unless stated

| | Net spend in the year | | |
|--|-----------------------|------------------------|--------------|
| | Actual | Indicative ACR 2003 | Difference |
| A) Renewals included in Indicative ACR 2003 | 291 | 226 | (65) |
| B) Enhancements included in Indicative ACR 2003 | | | |
| <i>Health and safety schemes</i> | | | |
| Safety & Environment plan schemes | 10 | - | (10) |
| <i>Total health and safety schemes</i> | 10 | - | (10) |
| Telecoms enhancements | 1 | - | (1) |
| West Coast Route Modernisation enhancements | 2 | - | (2) |
| Total enhancements in Indicative ACR 2003 | 13 | - | (13) |
| C) Investments not included in Indicative ACR 2003 allowance | | | |
| <i>Government sponsored schemes</i> | | | |
| Disability Discrimination Act compliance | 1 | - | (1) |
| Airdrie to Bathgate | 71 | - | (71) |
| Glasgow to Kilmarnock | 13 | - | (13) |
| <i>Total government sponsored schemes</i> | 85 | - | (85) |
| Network Rail sponsored schemes/ CP4 Development | 4 | - | (4) |
| Network Rail Discretionary Fund | 4 | - | (4) |
| Total investments not included in Indicative ACR 2003 allowance¹ | 93 | - | (93) |
| Total renewals and enhancements | 397 | 226 | (171) |

¹ Separate reports are provided to the ORR in addition to the Regulatory Financial Statements, showing the break down between schemes and outputs.

² The expenditure in Scotland during the year under the categories: Emerging cost enhancements and Schemes promoted by third parties, were less than £1m and so are not presented in the table above.

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

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|------------------------|-------------|
| | Actual | Indicative ACR 2003 | Difference |
| Renewals | | | |
| Non-WCRM renewals | | | |
| Track | 75 | 76 | 1 |
| Structures | 74 | 38 | (36) |
| Signalling ¹ | 44 | 35 | (9) |
| Telecoms | 39 | 6 | (33) |
| Electrification | 6 | 10 | 4 |
| Plant and machinery | 8 | 6 | (2) |
| Operational property | 24 | 22 | (2) |
| Other (inc IT) | 17 | 10 | (7) |
| Total non-WCRM renewals | 287 | 203 | (84) |
| Total WCRM renewals | 4 | 23 | 19 |
| Total renewals | 291 | 226 | (65) |
| Total maintenance (see Statements 4b & 4c) | 97 | 99 | 2 |
| Operating expenditure (see Statement 4c) | | | |
| Controllable operating expenditure | 83 | 86 | 3 |
| Non-controllable operating expenditure | 30 | 26 | (4) |
| Total operating expenditure | 113 | 112 | (1) |
| Total operating, maintenance and renewals expenditure | 501 | 437 | (64) |

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

Statement 4b: Scotland Analysis of maintenance expenditure

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|-------------------------------------|------------|
| | Actual | Indicative ACR 2003 ¹ | Difference |
| Analysis of maintenance expenditure | | | |
| Permanent way ² | 31 | | |
| Signalling and telecoms ² | 13 | | |
| Electrification and plant ² | 3 | | |
| Structures inspections ² | 6 | | |
| Other ³ | 44 | | |
| Total maintenance | 97 | 99 | 2 |

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

² These costs only include direct costs.

³ This includes costs such as maintenance delivered outside of the maintenance department and other direct costs as well as certain overheads.

Statement 4c: Scotland analysis of operating expenditure

in £m 2008/09 prices unless stated

| | Operating expenditure | Spend in the year Maintenance expenditure | Total |
|---|-----------------------|--|------------|
| Total payroll costs | 91 | 60 | 151 |
| Other controllable operating expenditure | | | |
| Contracted services | | | |
| - agency | 8 | - | 8 |
| - contractors and consultants | 2 | - | 2 |
| - maintenance contractors | - | 24 | 24 |
| Total contracted services | 10 | 24 | 34 |
| Employee related expenses | 9 | 2 | 11 |
| Accommodation and corporate office expenses | 8 | - | 8 |
| Plant | 4 | 15 | 19 |
| Materials | - | 14 | 14 |
| IT | 4 | - | 4 |
| Other ¹ | 10 | 3 | 13 |
| Total other controllable operating expenditure | 45 | 58 | 103 |
| Less: | | | |
| Other operating income | (12) | (1) | (13) |
| Own work capitalised | (41) | (20) | (61) |
| Total controllable operating expenditure² | 83 | 97 | 180 |
| Non-controllable operating expenditure | | | |
| Traction electricity costs | 13 | - | 13 |
| Cumulo rates | 7 | - | 7 |
| BT Transport Police costs | 6 | - | 6 |
| Rail Safety and Standards Board levy | - | - | - |
| ORR licence fee | 2 | - | 2 |
| Total non-controllable operating expenditure | 28 | - | 28 |
| Total operating expenditure | 111 | 97 | 208 |

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

² Controllable operating expenditure includes £18m of signallers/LX keeper costs, £2m of operation delivery costs and £3m of control costs.

Statement 5: Scotland Analysis of income

in £m 2008/09 prices unless stated

| | Receipts in the year | | |
|---|----------------------|------------------------|------------|
| | Actual | Indicative ACR 2003 | Difference |
| Franchised track access income | | | |
| Fixed charges | 155 | 154 | 1 |
| Gross variable charge income | | | |
| - usage charge | 12 | 13 | (1) |
| - capacity charge | - | - | - |
| - traction electricity (incl. electrification usage charge) | 11 | 9 | 2 |
| - Schedule 4 net income | 2 | - | 2 |
| - Schedule 8 net income | 6 | - | 6 |
| - other contractual receipts | - | - | - |
| Total gross variable charge income | 31 | 22 | 9 |
| Total franchised track access income | 186 | 176 | 10 |
| Grant income | 325 | 331 | (6) |
| Deferred grants | 40 | 40 | - |
| Total grant income | 365 | 371 | (6) |
| Total franchised track access and grant income | 551 | 547 | 4 |
| Other single till income | | | |
| Property income | 17 | 20 | (3) |
| Freight income | 10 | 12 | (2) |
| Open access income | - | - | - |
| Stations income | 26 | 26 | - |
| Depots income | 6 | 7 | (1) |
| Other | - | - | - |
| Total other single till income | 59 | 65 | (6) |
| Total income | 610 | 612 | (2) |

Statement 6: Scotland Other information

in £m 2009/09 prices unless stated

| | Receipts in the year | | |
|--|----------------------|-------------------------------------|------------|
| | Actual | Indicative ACR 2003 ¹ | Difference |
| Analysis of Schedule 4 net income | | | |
| Income | 8 | 10 | (2) |
| Costs | (6) | (10) | 4 |
| Net income | 2 | - | 2 |
| Analysis of Schedule 8 net income | | | |
| Income | - | - | - |
| Costs ² | 6 | - | 6 |
| Net income | 6 | - | 6 |
| Analysis of freight income | | | |
| Variable track access | 10 | | |
| Capacity charge | - | | |
| Performance regime | (1) | | |
| Cancellations | - | | |
| Traction electricity | 1 | | |
| Other | - | | |
| Total freight income | 10 | 12 | (2) |

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

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

Statement 1: England & Wales Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2008/09 Indicative ACR 2003 | Difference |
|--|--------------|-----------------------------------|----------------|
| A) Comparison of overall performance | | | |
| Operating expenditure (see Statement 4c) | 1,196 | 1,043 | (153) |
| Maintenance expenditure (see Statements 4b & 4c) | 1,007 | 962 | (45) |
| Schedule 4 costs | 68 | 88 | 20 |
| Schedule 8 (income)/costs | (12) | 14 | 26 |
| Return on the RAB (as per Indicative ACR 2003) | 1,670 | 1,670 | - |
| Amortisation | 1,511 | 1,511 | - |
| Gross revenue | 5,440 | 5,288 | (152) |
| Other income | (733) | (792) | (59) |
| Net revenue | 4,707 | 4,496 | (211) |
| Variable charge income including Schedule 4 and 8 access charges | (615) | (437) | 178 |
| Total net revenue recovered through fixed track access charges and grants | 4,092 | 4,059 | (33) |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 | | | |
| ORR statement | | | |
| Variable charges | 615 | 437 | 178 |
| Fixed charges ¹ | 657 | 2,145 | (1,488) |
| Total track access charges | 1,272 | 2,582 | (1,310) |
| Grants ^{1, 2} | 3,322 | 1,922 | 1,400 |
| Total revenue | 4,594 | 4,504 | 90 |
| C) Reconciliation to total income: | | | |
| Other income | 733 | 790 | (57) |
| Deferred grants | 331 | 331 | - |
| Schedule 4 costs | (68) | (88) | 20 |
| Schedule 8 income/(costs) | 12 | (14) | 26 |
| Total income (see Statement 5) | 5,602 | 5,523 | 79 |

¹ Actual Fixed charges for 2008/09 are calculated net of £1,500m rebate. This is exactly offset by an additional £1,500m of income included in Grants.

² Actual Grant income received for 2008/09 is net of a £102m rebate paid by Network Rail to reflect England & Wales' assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: England & Wales Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2007/08 Indicative ACR 2003 | Difference |
|--|--------------|-----------------------------------|--------------|
| A) Comparison of overall performance | | | |
| Operating expenditure (see Statement 4c) | 1,108 | 1,085 | (23) |
| Maintenance expenditure (see Statements 4b & 4c) | 1,047 | 1,046 | (1) |
| Schedule 4 costs | 109 | 87 | (22) |
| Schedule 8 (income)/costs | (79) | 15 | 94 |
| Return on the RAB (as per Indicative ACR 2003) | 1,606 | 1,606 | - |
| Amortisation | 1,504 | 1,504 | - |
| Gross revenue | 5,295 | 5,343 | 48 |
| Other income | (770) | (783) | (13) |
| Net revenue | 4,525 | 4,560 | 35 |
| Variable charge income including Schedule 4 and 8 access charges | (522) | (431) | 91 |
| Total net revenue recovered through fixed track access charges and grants | 4,003 | 4,129 | 126 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 522 | 431 | 91 |
| Fixed charges ¹ | 1,327 | 1,966 | (639) |
| Total track access charges | 1,849 | 2,397 | (548) |
| Grants ^{1, 2} | 2,665 | 2,169 | 496 |
| Total revenue | 4,514 | 4,566 | (52) |
| C) Reconciliation to total income: | | | |
| Other income | 770 | 783 | (13) |
| Deferred grants | 346 | 346 | - |
| Schedule 4 costs | (109) | (87) | (22) |
| Schedule 8 income/(costs) | 79 | (15) | 94 |
| Total income (see Statement 5) | 5,600 | 5,593 | 7 |

¹ Actual Fixed charges for 2007/08 are calculated net of £600m (2007/08 prices) rebate. This is exactly offset by an additional £600m of income (2007/08 prices) included in Grants.

² Actual Grant income received for 2007/08 is net of a £98m rebate paid by Network Rail to reflect England & Wales' assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: England & Wales Regulatory financial performance

in £m 2008/09 prices

| | Actual | 2006/07 Indicative ACR 2003 | Difference |
|--|--------------|-----------------------------------|--------------|
| A) Comparison of overall performance | | | |
| Operating expenditure | 1,197 | 1,127 | (70) |
| Maintenance expenditure | 1,115 | 1,138 | 23 |
| Schedule 4 costs | 98 | 86 | (12) |
| Schedule 8 (income)/costs | (91) | 16 | 107 |
| Return on the RAB (as per Indicative ACR 2003) | 1,531 | 1,531 | - |
| Amortisation | 1,498 | 1,498 | - |
| Gross revenue | 5,348 | 5,396 | 48 |
| Other income | (771) | (794) | (23) |
| Net revenue | 4,577 | 4,602 | 25 |
| Variable charge income including Schedule 4 and 8 access charges | (501) | (430) | 71 |
| Total net revenue recovered through fixed track access charges and grants | 4,076 | 4,172 | 96 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 501 | 430 | 71 |
| Fixed charges ¹ | 1,320 | 1,979 | (659) |
| Total track access charges | 1,821 | 2,409 | (588) |
| Grants ^{1, 2} | 2,729 | 2,196 | 533 |
| Total revenue | 4,550 | 4,605 | (55) |
| C) Reconciliation to total income: | | | |
| Other income | 771 | 794 | (23) |
| Deferred grants ³ | 365 | 366 | (1) |
| Schedule 4 costs | (98) | (86) | (12) |
| Schedule 8 income/(costs) | 91 | (16) | 107 |
| Total income | 5,679 | 5,663 | 16 |

¹ Actual Fixed charges for 2006/07 are calculated net of £600m rebate (2006/07 prices). This is exactly offset by an additional £600m of income (2006/07 prices) included in Grants.

² Actual Grant income received for 2006/07 is net of a £98m rebate paid by Network Rail to reflect England & Wales' assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

Statement 1: England & Wales Regulatory financial performance

in £m 2008/09 prices

| | Cumulative (06/07, 07/08 & 08/09) | | |
|--|-----------------------------------|---------------------|----------------|
| | Actual | Indicative ACR 2003 | Difference |
| A) Comparison of overall performance | | | |
| Operating expenditure | 3,501 | 3,255 | (246) |
| Maintenance expenditure | 3,169 | 3,146 | (23) |
| Schedule 4 costs | 275 | 261 | (14) |
| Schedule 8 (income)/costs | (182) | 45 | 227 |
| Return on the RAB (as per Indicative ACR 2003) | 4,807 | 4,807 | - |
| Amortisation | 4,513 | 4,513 | - |
| Gross revenue | 16,083 | 16,027 | (56) |
| Other income | (2,274) | (2,369) | (95) |
| Net revenue | 13,809 | 13,658 | (151) |
| Variable charge income including Schedule 4 and 8 access charges | (1,638) | (1,298) | 340 |
| Total net revenue recovered through fixed track access charges and grants | 12,171 | 12,360 | 189 |
| B) Comparison of track access charges and grants | | | |
| Split of track access charges as per 10 March 2004 ORR statement | | | |
| Variable charges | 1,638 | 1,298 | 340 |
| Fixed charges ¹ | 3,304 | 6,090 | (2,786) |
| Total track access charges | 4,942 | 7,388 | (2,446) |
| Grants ^{1, 2} | 8,716 | 6,287 | 2,429 |
| Total revenue | 13,658 | 13,675 | (17) |
| C) Reconciliation to total income: | | | |
| Other income | 2,274 | 2,367 | (93) |
| Deferred grants ³ | 1,042 | 1,043 | (1) |
| Schedule 4 costs | (275) | (261) | (14) |
| Schedule 8 income/(costs) | 182 | (45) | 227 |
| Total income | 16,881 | 16,779 | 102 |

¹ Actual Fixed charges for the Control Period are calculated net of £2,700m of rebates (nominal prices). This is exactly offset by an additional £2,700m of income (nominal prices) included in Grants.

² Actual Grant income received for 2006/07, 2007/08 and 2008/09 are net of rebates of £102m, £98m and £98m respectively. These are paid by Network Rail to reflect England & Wales' assumed share of the difference between the level of opening net debt as at 1 April 2004 assumed in the ACR 2003 and the actual net debt at that date.

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

in £m 2008/09 prices unless stated

| Movements in the year 2008/09 | | | | |
|---|--------------|--------------|--------------------------------|----------------------|
| | Indexation | Adjustment | Capitalised financing (return) | Total as at 31/03/09 |
| A) Calculation of the regulatory accounts England & Wales RAB at 31 March 2009 | | | | |
| Opening RAB for the year (2007/08 prices) | | | | 25,125 |
| Indexation | 754 | | | 754 |
| Opening RAB (2008/09 prices) | | | | 25,879 |
| Amortisation on 1 April 2004 RAB | | (998) | | (998) |
| Opening RAB after amortisation | | (998) | | 24,881 |
| Adjustments | | | | |
| Signalling review | | 242 | 3 | 245 |
| Capex outturn 2003/04 | | | (25) | (25) |
| EC4T adjustment | | | 2 | 2 |
| RAB after prior year adjustments | | | | 25,103 |
| Renewals and enhancements (see Statement 3 for more detail) | | | | |
| Renewals in Indicative ACR 2003 | 2,149 | - | | 2,149 |
| Enhancements in Indicative ACR 2003 | 253 | - | | 253 |
| Variance on emerging cost enhancements | 1 | (19) | | (18) |
| Investments not funded in Indicative ACR 2003 | 777 | 61 | | 838 |
| Total enhancements | 1,031 | 42 | | 1,073 |
| Deferrals of ACR 2003 renewals and enhancements | (980) | | | (980) |
| Total renewals and enhancements | 2,200 | 42 | | 2,242 |
| Amortisation on post April 2004 investment in Indicative ACR 2003 | (513) | - | | (513) |
| Net addition to the RAB from renewals and enhancements | 1,687 | 42 | | 1,729 |
| Closing RAB at 31 March 2009 | | | | 26,832 |
| B) Adjustments to the RAB at 1 April 2009¹ | | | | |
| Revenue deferral | | | | 3,258 |
| Asset stewardship index forecast for 1 April 2009 | | | | 323 |
| Volume incentive forecast for 1 April 2009 | | | | 548 |
| Total adjustments | | | | 4,129 |

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

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

in £m 2008/09 prices unless stated

| | 2006-07 | 2007-08 | 2008-09 | Total |
|---|---------------|---------------|---------------|---------------|
| A) Calculation of the regulatory accounts | | | | |
| England & Wales RAB at 31 March 2009 | | | | |
| Opening RAB for the year ¹ (2007/08 prices) | 22,284 | | | |
| Indexation | 636 | | | |
| Opening RAB (2008/09 prices) | 22,920 | 24,323 | 25,879 | 22,920 |
| Amortisation on 1 April 2004 RAB | (1,153) | (1,074) | (998) | (3,225) |
| Opening RAB after amortisation | 21,767 | 23,249 | 24,881 | 19,695 |
| Adjustments | | | | |
| Signalling review | 61 | 106 | 245 | 412 |
| Capex outturn 2003/04 | (23) | (24) | (25) | (72) |
| EC4T adjustment | 2 | 2 | 2 | 6 |
| RAB after prior year adjustments | 21,807 | 23,333 | 25,103 | 20,041 |
| Renewals and enhancements (see Statement 2a for more detail) | | | | |
| Renewals in Indicative ACR 2003 | 2,347 | 2,373 | 2,149 | 6,869 |
| Enhancements in Indicative ACR 2003 | 350 | 285 | 253 | 888 |
| Variance on emerging cost enhancements | 12 | (7) | (18) | (13) |
| Investments not funded in ACR 2003 | 151 | 329 | 838 | 1,318 |
| Total enhancements | 513 | 607 | 1,073 | 2,193 |
| Deferrals of ACR 2003 renewals and enhancements | | | (980) | (980) |
| Total renewals and enhancements | 2,860 | 2,980 | 2,242 | 8,082 |
| Amortisation on post April 2004 investment in Indicative ACR 2003 | (345) | (433) | (513) | (1,291) |
| Net addition to the RAB from renewals and enhancements | 2,515 | 2,547 | 1,729 | 6,791 |
| Closing RAB at 31 March 2009 | 24,322 | 25,880 | 26,832 | 26,832 |
| B) Adjustments to the RAB at 1 April 2009² | | | | |
| Revenue deferral | | | | 3,258 |
| Asset stewardship index forecast for 1 April 2009 | | | | 323 |
| Volume incentive forecast for 1 April 2009 | | | | 548 |
| Total adjustments | | | | 4,129 |

¹ The opening RAB at 1 April 2006 (2005/06 prices) was £20,573m.

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

Statement 3: England & Wales Analysis of RAB capital expenditure

in £m 2008/09 prices unless stated

| | Net spend in the year | | |
|--|-----------------------|------------------------|----------------|
| | Actual | Indicative ACR 2003 | Difference |
| A) Renewals included in Indicative ACR 2003 | 2,853 | 2,389 | (464) |
| B) Enhancements included in Indicative ACR 2003 | | | |
| <i>Health and safety schemes</i> | | | |
| Train protection schemes - ERTMS | 34 | 61 | 27 |
| Light Maintenance Depot pollution prevention | 10 | 4 | (6) |
| Other Safety & Environment plan schemes | 123 | 72 | (51) |
| <i>Total health and safety schemes</i> | <i>167</i> | <i>137</i> | <i>(30)</i> |
| <i>Emerging cost enhancements (transition schemes)</i> | | | |
| Power Supply Upgrade (PSU) | - | - | |
| Southern Region New Trains Programme (non-PSU) | 1 | - | (1) |
| CTRL blockade | - | - | |
| <i>Total emerging cost enhancements</i> | <i>1</i> | <i>-</i> | <i>(1)</i> |
| Telecoms enhancements | 8 | 44 | 36 |
| West Coast Route Modernisation enhancements | 258 | 74 | (184) |
| Total enhancements in Indicative ACR 2003 | 434 | 255 | (179) |
| C) Investments not included in Indicative ACR 2003 allowance | | | |
| <i>Government sponsored schemes</i> | | | |
| Disability Discrimination Act compliance | 31 | - | (31) |
| Kings Cross | 61 | - | (61) |
| Thameslink | 295 | - | (295) |
| Crossrail | 11 | - | (11) |
| Other Government sponsored schemes | 3 | - | (3) |
| <i>Total government sponsored schemes</i> | <i>401</i> | <i>-</i> | <i>(401)</i> |
| Network Rail sponsored schemes/ CP4 Development | 153 | - | (153) |
| Network Rail Discretionary Fund | 140 | - | (140) |
| Schemes promoted by third parties | 82 | - | (82) |
| Total investments not included in Indicative ACR 2003 allowance¹ | 776 | - | (776) |
| Total renewals and enhancements | 4,063 | 2,644 | (1,419) |

¹ Separate reports are provided to the ORR in addition to the Regulatory Financial Statements, showing the break down between schemes and outputs.

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

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|------------------------|--------------|
| | Actual | Indicative ACR 2003 | Difference |
| Renewals | | | |
| Non-WCRM renewals | | | |
| Track | 812 | 717 | (95) |
| Structures | 363 | 362 | (1) |
| Signalling ¹ | 402 | 576 | 174 |
| Telecoms | 199 | 61 | (138) |
| Electrification | 92 | 92 | - |
| Plant and machinery | 112 | 52 | (60) |
| Operational property | 215 | 208 | (7) |
| Other (inc IT) | 184 | 104 | (80) |
| Total non-WCRM renewals | 2,379 | 2,172 | (207) |
| Total WCRM renewals | 474 | 217 | (257) |
| Total renewals | 2,853 | 2,389 | (464) |
| Total maintenance (see Statements 4b & 4c) | 1,007 | 962 | (45) |
| Operating expenditure (see Statement 4c) | | | |
| Controllable operating expenditure | 825 | 804 | (21) |
| Non-controllable operating expenditure | 371 | 239 | (132) |
| Total operating expenditure | 1,196 | 1,043 | (153) |
| Total operating, maintenance and renewals expenditure | 5,056 | 4,394 | (662) |

¹ The signalling allowance in the ACR 2003 is stated after taking account of the ORR's signalling review published in December 2005. This has the effect of increasing the ACR 2003 by £242m (£245m including the impact of capitalised financing) for 2008/09.

Statement 4b: England & Wales Analysis of maintenance expenditure

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|--|-------------------|-------------------------------------|-------------|
| | Actual | Indicative ACR 2003 ¹ | Difference |
| Analysis of maintenance expenditure | | | |
| Permanent way ² | 368 | | |
| Signalling and telecoms ² | 139 | | |
| Electrification and plant ² | 48 | | |
| Structures inspections ² | 29 | | |
| Other ³ | 423 | | |
| Total maintenance expenditure | 1,007 | 962 | (45) |

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

² These costs only include direct costs.

³ This includes costs such as maintenance delivered outside of the maintenance department and other direct costs as well as certain overheads.

Statement 4c: England & Wales analysis of operating expenditure

in £m 2008/09 prices unless stated

| | Spend in the year | | |
|---|-----------------------|-------------------------|--------------|
| | Operating expenditure | Maintenance expenditure | Total |
| Total payroll costs | 891 | 601 | 1,492 |
| Other controllable operating expenditure | | | |
| Contracted services | | | |
| - agency | 93 | 1 | 94 |
| - contractors and consultants | 13 | 1 | 14 |
| - maintenance contractors | - | 256 | 256 |
| Total contracted services | 106 | 258 | 364 |
| Employee related expenses | 95 | 18 | 113 |
| Accommodation and corporate office expenses | 78 | 9 | 87 |
| Plant | 46 | 180 | 226 |
| Materials | - | 178 | 178 |
| IT | 38 | 1 | 39 |
| Other ¹ | 76 | (3) | 73 |
| Total other controllable operating expenditure | 439 | 641 | 1,080 |
| Less: | | | |
| Other operating income | (124) | (15) | (139) |
| Own work capitalised | (381) | (220) | (601) |
| Total controllable operating expenditure² | 825 | 1,007 | 1,832 |
| Non-controllable operating expenditure | | | |
| Traction electricity costs | 219 | - | 219 |
| Cumulo rates | 64 | - | 64 |
| BT Transport Police costs | 65 | - | 65 |
| Rail Safety and Standards Board levy | 7 | - | 7 |
| ORR licence fee | 18 | - | 18 |
| Total non-controllable operating expenditure | 373 | - | 373 |
| Total operating expenditure | 1,196 | 1,007 | 2,203 |

¹ Other controllable operating expenditure includes the England & Wales share of Network Rail Insurance Limited's total loss from operations of £8m.

² Controllable operating expenditure includes £184m of signallers/LX keeper costs, £29m of operation delivery costs and £24m of control costs.

Statement 5: England & Wales Analysis of income

in £m 2008/09 prices unless stated

| | Receipts in the year | | |
|---|----------------------|------------------------|----------------|
| | Actual | Indicative ACR 2003 | Difference |
| Franchised track access income | | | |
| Fixed charges | 657 | 2,145 | (1,488) |
| Gross variable charge income | | | |
| - usage charge | 252 | 198 | 54 |
| - capacity charge | 8 | - | 8 |
| - traction electricity (incl. electrification usage charge) | 261 | 136 | 125 |
| - Schedule 4 net income | 22 | - | 22 |
| - Schedule 8 net income | 16 | - | 16 |
| - other contractual receipts | - | - | - |
| Total gross variable charge income | 559 | 334 | 225 |
| Total franchised track access income | 1,216 | 2,479 | (1,263) |
| Grant income | 3,322 | 1,922 | 1,400 |
| Deferred grants | 331 | 331 | - |
| Total grant income | 3,653 | 2,253 | 1,400 |
| Total franchised track access and grant income | 4,869 | 4,732 | 137 |
| Other single till income | | | |
| Property income | 250 | 270 | (20) |
| Freight income | 83 | 98 | (15) |
| Open access income | 53 | 34 | 19 |
| Stations income | 298 | 306 | (8) |
| Depots income | 46 | 52 | (6) |
| Other | 3 | 30 | (27) |
| Total other single till income | 733 | 790 | (57) |
| Total income | 5,602 | 5,522 | 80 |

Statement 6: England & Wales Other information

in £m 2008/09 prices unless stated

| | Receipts in the year | | |
|--|----------------------|-------------------------------------|-------------|
| | Actual | Indicative ACR 2003 ¹ | Difference |
| Analysis of Schedule 4 net income | | | |
| Income | 90 | 88 | 2 |
| Costs | (68) | (88) | 20 |
| Net costs | 22 | - | 22 |
| Analysis of Schedule 8 net income | | | |
| Income | 4 | 14 | (10) |
| Costs ² | 12 | (14) | 26 |
| Net income | 16 | - | 16 |
| Analysis of freight income | | | |
| Variable track access | 82 | | 82 |
| Capacity charge | 4 | | 4 |
| Performance regime | (9) | | (9) |
| Cancellations | - | | - |
| Traction electricity | 4 | | 4 |
| Other | 2 | | 2 |
| Total freight income | 83 | 98 | (15) |

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

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