

Report of the Committee and
Financial Statements for the Year Ended 28 February 2005
for
RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP

**RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

**Contents of the Financial Statements
for the Year Ended 28 February 2005**

	Page
Association Information	3
Report of the Committee	4-5
Report of the Independent Auditors	6
Income and Expenditure Account	7
Balance Sheet	8
Notes to the Financial Statements	9 - 11

**RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

Association Information

for the Year Ended 28 February 2005

COMMITTEE MEMBERS:	A Chalklen	-	Hon. Chairman
	K Brent	-	Hon. Deputy Chairman
	A Reynolds	-	Hon. Secretary
	P Collins	-	Hon. Treasurer
	G Weir		
	J C Millidge		
	J Battye		
	J Ellis		
	M Gray		
	R Pout		
	A Ripley		
	V Williams		

AUDITORS:

The Greene Partnership
Accountants
Durkan House, 5th Floor
155 East Barnet Road
New Barnet
Hertfordshire
EN4 8QZ

SOLICITORS:

Edwin Coe
2 Stone Buildings
Lincoln's Inn
London WC2A 3TH

RAILTRACK PRIVATE SHAREHOLDERS ACTION GROUP

Report of the Committee for the Year Ended 28 February 2005

The committee present their report with the financial statements of the association for the year ended 28 February 2005.

Railtrack Private Shareholders Action Group is an unincorporated association, governed by its Rules of Association, adopted on 27 April 2002.

PRINCIPAL ACTIVITY

The principal activity of the association in the year under review was that of securing a fair deal for shareholders in Railtrack Group plc by:

- securing, analysing and preparing the evidence for the Association's case against the government
- arguing successfully to the Court that the claim under Human Rights Act should not be ruled out of time
- exploring routes to ensure the Government's reasonable costs were covered should the Association lose its case
- handling inquiries from members and maintaining the membership database
- seeking favourable publicity for the Association's cause

POST BALANCE SHEET EVENT

In April 2005 the Court ruled that the defendants' legal costs should be capped at £2.25m. After this decision, the Committee requested from members a further contribution towards the Legal Action Fund Reserve in order for the action to proceed to trial. During May 2005 the Association raised in excess of £800,000, which was sufficient funds for the action to proceed.

In July 2005 the Association's case against the government was heard in Court and in October 2005 the Court ruled in favour of the Government.

After consultations with its legal advisers, the Committee has decided not to appeal and is currently in the process of closing down its administration.

COMMITTEE MEMBERS

The officers at 28 February 2005 were:

A Chalklen	-	Hon. Chairman
K Brent	-	Hon. Deputy Chairman
A Reynolds	-	Hon. Secretary
P Collins	-	Hon. Treasurer

The following served as members of the committee for all or part of the reporting period:

G Weir
J C Millidge
J Battye
J Ellis
M Gray
R Pout
A Ripley
V Williams

**RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

**Report of the Committee (Continued)
for the Year Ended 28 February 2005**

STATEMENT OF COMMITTEE'S RESPONSIBILITIES

The rules of the association requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period. In preparing those financial statements, the committee are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ON BEHALF OF THE COMMITTEE:

.....
A Reynolds - HON. SECRETARY

Date: 22 December 2005

**Report of the Independent Auditors to the Members of
RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

We have audited the financial statements of RAILTRACK PRIVATE SHAREHOLDERS ACTION GROUP for the year ended 28 February 2005 on pages five to nine. These financial statements have been prepared in accordance with the historical cost convention and the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with the rules of the association. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the committee and auditors

As described on page two the committee are responsible for the preparation of financial statements in accordance with United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Report of the Committee is not consistent with the financial statements, if the association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the association's affairs as at 28 February 2005 and of its surplus for the year then ended.

The Greene Partnership
Accountants
Durkan House, 5th Floor
155 East Barnet Road
New Barnet
Hertfordshire
EN4 8QZ

Date: 12 January 2006

RAILTRACK PRIVATE SHAREHOLDERS ACTION GROUP

Income and Expenditure Account for the Year Ended 28 February 2005

		Year Ended <u>28.2.05</u>		Year Ended <u>29.2.04</u>	
	Notes	£	£	£	£
Income					
Legal action fund contributions received	1	30,565		101,707	
Less: transferred to legal action fund reserve		(30,565)		(101,707)	
			-		-
Membership subscriptions received	1	8,145		103,729	
Less: excess income transferred to reserves		(8,145)		(17,699)	
			-		86,030
Other Income:					
Deposit account interest		106,758		69,266	
Other interest		43		26	
			106,801		69,292
			106,801		155,322
Expenditure:					
Public relations costs		2,644		30,957	
Database maintenance		16,329		11,919	
Call centre services		-		7,744	
Printing and mailing		651		9,966	
Postage		-		13,744	
Committee members costs		894		896	
Sundry expenses		148		896	
Auditors remuneration		3,878		2,938	
Bank charges		308		475	
On-line credit card commission		2,173		6,495	
			(27,025)		(86,030)
SURPLUS OF INCOME OVER EXPENDITURE			79,776		69,292
Tax on interest income	2		(20,284)		(13,161)
RETAINED SURPLUS FOR THE YEAR			59,492		56,131
Retained Surplus Brought Forward			72,485		16,354
RETAINED SURPLUS CARRIED FORWARD			£131,977		£72,485
			=====		=====

The notes form part of these financial statements

**RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

Balance Sheet
28 February 2005

		Year Ended <u>28.2.05</u>	Year Ended <u>29.2.04</u>
	Notes	£	£
CURRENT ASSETS:			
Cash at bank	3	2,352,051	2,293,591
CREDITORS: Amounts falling due within one year	4	<u>1,645,439</u>	<u>17,563</u>
NET CURRENT ASSETS:		<u>706,612</u>	<u>2,276,028</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£706,612</u>	<u>£2,276,028</u>
RESERVES:			
Reserves	5	574,635	2,203,569
Income and expenditure account		<u>131,977</u>	<u>72,459</u>
		<u>£706,612</u>	<u>£2,276,028</u>

ON BEHALF OF THE COMMITTEE:

.....
A Chalklen - HON. CHAIRMAN

.....
P Collins - HON. TREASURER

Approved by the Committee on 4 January 2006

RAILTRACK PRIVATE SHAREHOLDERS ACTION GROUP

Notes to the Financial Statements for the Year Ended 28 February 2005

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention.

Legal action fund contributions

Legal action fund contributions received are transferred directly to the Legal Action Fund Reserve.

Membership subscriptions

Membership subscription income received during the year is used to cover administration expenses during the period. If other income received during the year exceeds expenses, then all membership subscription income is transferred directly to reserves and carried forward to be set against future administrative expenses.

Legal Action Fund Reserve

The Legal Action Fund Reserve are funds received from members that have been separately accounted for. The sole purpose of this reserve is to pay for the legal fees to be incurred in the legal action.

Legal fees relating specifically to the legal action are not shown in the income and expenditure account, but shown as a direct deduction from the Legal Action Fund Reserve.

2. **TAXATION**

Analysis of the tax charge

The tax charge on the interest income for the year was as follows:

	Year Ended <u>28.2.05</u>	Year Ended <u>29.2.04</u>
	£	£
Current tax:		
UK corporation tax	<u>£20,284</u>	<u>£13,161</u>

The association is a mutual association and no taxation is payable on surplus derived from its members. However, corporation tax is payable on interest received.

3. **CASH AT BANK**

		Year Ended <u>28.2.05</u>	Year Ended <u>29.2.04</u>
		£	£
Cash at bank is represented by:			
Cash held at bank	- HSBC	8,923	82,582
	- Scottish Widows	13,987	33,191
Cash held by third parties	- Edwin Coe Client Account	2,328,055	2,154,044
	- Worldpay	1,086	23,774
		<u>£2,352,051</u>	<u>£2,293,591</u>
		=====	=====

RAILTRACK PRIVATE SHAREHOLDERS ACTION GROUP

Notes to the Financial Statements (Continued)
for the Year Ended 28 February 2005

4. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Year Ended <u>28.2.05</u> £	Year Ended <u>29.2.04</u> £
Creditors and accrued expenses	1,625,440	4,808
Taxation	<u>19,999</u>	<u>12,755</u>
	<u>£1,645,439</u>	<u>£17,563</u>

Following the outcome of the case in October 2005, full provision has been made for legal fees that were incurred up to 28 February 2005.

5. **RESERVES**

	Year Ended <u>28.2.05</u>		Year Ended <u>29.2.04</u>	
	£	£	£	£
Legal Action Fund Reserve				
Balance brought forward	1,857,985		1,879,087	
Contributions transferred during the period	30,565		101,707	
	<u>1,888,550</u>		<u>1,980,794</u>	
Analysis of legal fees for the year				
- Claimants' legal costs			(122,809)	
- paid	(38,822)			
- accrued	(345,111)		-	
- Defendants' legal costs			-	
- paid	(33,685)		-	
- accrued	(1,250,000)		-	
	<u>220,932</u>		<u>1,857,985</u>	
Balance carried forward		220,932		1,857,985
Membership Subscription Reserve				
Balance brought forward	345,558		327,859	
Excess income transferred	8,145		17,699	
	<u>353,703</u>		<u>345,558</u>	
Balance carried forward		353,703		345,558
		<u>£574,635</u>		<u>£2,203,543</u>
		=====		=====

Legal fees incurred during the years ended 29 February 2004 and 28 February 2005 related specifically to the legal action and have been deducted from the Legal Action Fund Reserve accordingly.

Any surplus on the Membership Subscription Reserve, after deduction of all future administration expenses, will be transferred to the Legal Action Fund Reserve.

The accrual for the defendants' legal costs up to 28 February 2005 has been estimated by the association's solicitors.

**RAILTRACK PRIVATE SHAREHOLDERS ACTION
GROUP**

**Notes to the Financial Statements (Continued)
for the Year Ended 28 February 2005**

6. POST BALANCE SHEET EVENT

In April 2005 the Court ruled that the defendants' legal costs should be capped at £2.25m. After this decision, the Committee requested from members a further contribution towards the Legal Action Fund Reserve in order for the action to proceed to trial. During May 2005 the Association raised in excess of £800,000, which was sufficient funds for the action to proceed.