

South Yorkshire Passenger
Transport Executive

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2010

MEMBERS OF THE EXECUTIVE BOARD

Director General	-	D Brown, BA (Hons)
Director of Customer Experience	-	D Young
Director of Strategy	-	Dr B Still, MA, PhD
Non-executive Directors	-	P Coppard OBE, B Eng, B Phil, MRTPI, FRSA M Cuff, B Sc (Econ), DMS (to 1 July 2009) Mr K Battersby (2 July 2009 to 25 October 2009) M. Kimber, BA (26 October 2009) J Mothersole (MA) P Hart (to 15 January 2010) T Leader, B Sc (Hons), MA, MPA, MRTPI (Barrister) (3 March 2010 to 02 April 2010) A Gutherson (20 May 2010) W J Wilkinson OBE, BA(Econ), IPFA

ATTENDEES OF THE EXECUTIVE BOARD

Principal Solicitor and Secretary to the Executive	-	L Gandy, LLB(Hons)
Legal Services Manager	-	S Davenport (Solicitor)
Chief Financial and Systems Officer	-	A J D Smart, ACA

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

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

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

Respective responsibilities of the Chief Financial and Systems Officer and auditor

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

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

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

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

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

Basis of audit opinion

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

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

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

Opinion

In my opinion:

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

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

South Yorkshire Passenger Transport Executive's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Certificate

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

David Phillips CPFA

Engagement Lead
Officer of the Audit Commission
Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield S21 4EF

28 September 2010

REPORT OF THE DIRECTORS of the South Yorkshire Passenger Transport Executive for the year ended 31 March 2010

1. **RESPONSIBILITIES**

a) **SYPTE's Responsibilities**

SYPTE is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In SYPTE, that officer is the Chief Financial and Systems Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

b) **The Directors' Responsibilities**

The Directors are responsible for preparing the financial statements for each financial year which present fairly the financial position of SYPTE and its surplus or deficit for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that SYPTE will continue in business.

c) **The Responsible Financial Officer's Responsibilities**

The Responsible Financial Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of SYPTE and to enable him to ensure that the financial statements comply with the Companies Acts. He is also responsible for safeguarding the assets of SYPTE and for taking reasonable steps for the prevention and detection of fraud and other irregularities, and maintaining an adequate and effective internal audit function.

2. **ACTIVITIES**

The main activities of SYPTE are to:

- a) Produce timetable and route information on all services.
- b) Design, build and run interchanges and other customer facilities.
- c) Site and maintain stops and shelters.
- d) Fund the local rail network through the rail franchise systems.
- e) Fund the concessionary fares scheme.
- f) Develop public transport strategy including consultation and research.
- g) Purchase bus services additional to the commercial network.
- h) Sell tickets, including Travelmaster.
- i) Provide policy advice to the Transport Authority and other public bodies.

Information on the Transport Authority's and SYPTE's business objectives and strategies, performance on the current year, and future developments, are contained in the 2009/10 Business Plan, a copy of which can be obtained from www.southyorks.gov.uk

3. **FINANCIAL RESULTS**

These were arrived at after charging:

- a) Employee costs (including Directors' Remuneration);
- b) Auditor's remuneration;
- c) Payments under operating leases;
- d) Interest payable;

and crediting:

- e) Interest receivable.

Details of the above are shown in Note 1 to the Accounts.

FIXED ASSETS

Changes in Tangible Fixed Assets are shown in Note 2.

During the year the total expenditure on additions to Fixed Assets was £1.7m. The significant additions in the year were:

Dore Park & Ride Land	£1.1m
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Disposals of Fixed Assets in the year had an initial cost of £1.6m. The significant disposals in the year were:

280 Queens Road	£0.4m
Vehicles	£0.4m
IT Equipment	£0.8m

RESERVES

SYPTE recognises that it must make full provision for depreciation in accordance with the 2003 Accounts and Audit Regulations (as amended 2006), resulting in a timing difference between the rate at which the SYPTE is required to recognise charges in its accounts compared with the rate that income is received to fund those charges.

This timing difference does not create an additional cash requirement for the SYPTE.

Total Revenue Reserves stand at a negative £45,248k. This reflects the timing differences above. In order to give clarity as to the nature of the Revenue Reserve at 31 March 2010 it has been broken down on the face of the balance sheet as follows:

	£'000
Operational Revenue Reserve	12,714
Capital Financing Revenue Reserve	(29,516)
Deferred Charges Revenue Reserve	<u>(28,446)</u>
Total Revenue Reserves	<u>(45,248)</u>

The financial position of SYPTE is underwritten by South Yorkshire Integrated Transport Authority.

SYPTE is required by the 1983 Transport Act to ensure, so far as is practicable, that income and expenditure in its accounts balance in any one period. SYPTE is therefore required by the Act in future periods to take steps to recover this deficit. It should make this assessment by considering what can reasonably be done in practice to eliminate the deficit. Practically this means looking at all of the sources of funds and the application of those resources and ensuring that funds available to be applied to eliminate the deficit are prioritised.

SYPTE already has in place its second Local Transport Plan (LTP), Bus Strategy and other supporting strategies for Ticketing and Information covering the period 2006 to 2011. It has also prepared a Business Plan for the same period. In securing the funding for this, SYPTE is charged with delivering demanding targets during this period. SYPTE must ensure that sufficient resources are in place to deliver those targets.

In setting the budget each year SYPTE must go through the process of examining potential sources of funding and make a commitment to reducing the deficit. It will do this within the context of the purpose for which the funding is received.

SYPTE has a checklist covering all resources received and all expenditure made. Against each item SYPTE will justify on an annual basis the funds that are available to be applied to the Capital Finance Reserve and the Deferred Charges Revenue Reserve.

SYPTE will not seek to recover the deficit through an above inflation increase in the levy because this in turn would put pressure on already hard pressed Councils whose Council Tax increases are capped and would, therefore, have to cut services.

In preparing its budgets SYPTE will observe the process described above. The Audit Commission was consulted in the process to gain some assurance that the process is being followed satisfactorily.

PENSION RESERVE

SYPTE complies with FRS17. This Standard requires SYPTE to recognise fully any deficit in the pension fund in its accounts. The SYPTE's pension deficit of £35.8m at 31 March 2010 is disclosed in note 19a to the accounts.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The current year is the first year of the phased introduction of International Financial Reporting Standards to SYPTE's statements of accounts. From 1 April 2010 IFRS will be fully applicable to SYPTE's financial statements. From that date local government, central government and the health service will for the first time be accounting on a consistent basis. As a consequence amendments have been made to the accounting treatment of some financial information in 2009/10. The most significant of these for SYPTE is the accounting requirements for Doncaster Interchange Private Finance Initiative (PFI) contract. This is no longer based on UK Accounting Standards (FRS 5) but on IFRS and the effect of this change has been to bring this scheme on to SYPTE's balance sheet.

PRIVATE FINANCE INITIATIVES

SYPTE has entered into a long term PFI contract for the provision and operation of Doncaster Interchange.

As noted in accounting policy note 14, there has been a change to the way in which PFI schemes are accounted for as part of the conversion of accounting to International Financial Reporting Standards (IFRS). This has led to the scheme being brought onto the balance sheet at a value of £13.3m which has a compensating liability of £12.6m. The overall effect on the balance sheet is summarised at note 20 in the Notes to the Accounts section.

Prior year comparatives have also been restated in the Income & Expenditure account, Statement of Total Recognised Gains and Losses, Cashflow statement and associated notes to reflect the change in treatment.

4. **SIGNIFICANT DEVELOPMENTS**

The second LTP for South Yorkshire was submitted to the Department for Transport (DfT) by the partnership of South Yorkshire local authorities in March 2006. The public transport elements of the LTP are contained in SYPTE's strategy documents and the significant developments are outlined below:

a) BUS STRATEGY

i) Rotherham FreeBee

In October 2009 a 'FreeBee' service was introduced to link Rotherham Town Centre and the Parkgate Retail Park with the primary aim of encouraging economic regeneration. A three-year contract was awarded for a 12-minute frequency service operated with three brand new buses. By the end of the 2009/10 year (March 2010) the service was carrying an average of over 1,000 passengers per day, well in excess of the original target.

ii) Bus stop upgrades - Central Rotherham

SYPTE, working in partnership with Rotherham MBC, First and Stagecoach, have upgraded 58 stops around central Rotherham to ensure they are all DDA compliant. This has improved accessibility to buses for people with both pushchair or mobility problems.

iii) A630 Balby Road, Doncaster

SYPTE, in partnership with Doncaster MBC has carried out initial design and consultation for improvements to the A630 Balby Road in Doncaster. This scheme aims to improve the route for all users, including pedestrians.

iv) Doncaster Bus Vision

During January and February 2010 a consultation took place in Doncaster asking for views and opinions on SYPTE's Doncaster Bus Vision. The consultation was successful with over 1,200 responses. The results generally verified our own customer satisfaction findings and therefore endorsed the principles around the design of the 'Bus Service Vision'. The consultation was designed to:

- raise awareness with local residents, businesses and road users in Doncaster about possible improvements to bus services;
- seek feedback on ways bus services can be improved for all; and
- engage with the public about how their views can form part of the future plans for Doncaster.

b) RAIL STRATEGY

i) Sheffield to London 'Half hourly' rail service

With effect from December 14th 2009 the rail service between London St Pancras and Sheffield was improved by the addition of an extra hourly train, thus offering two departures per hour. The additional services, funded by SYPTE and Yorkshire Forward, not only provide a welcome extra resource, but also additional stops at Chesterfield and East Midlands Parkway, thus offering improved connectivity.

ii) Northern Hub

Network Rail has announced a £530m proposal to develop the rail infrastructure in the Manchester area to allow additional train services to be operated. This project is called the Northern Hub. The project will also include major improvements to The Hope Valley line, by re-doubling Dore Junction, introducing a second platform at Dore and Totley Station and introducing loops at Grindelford and Chinley for freight trains to be stabled and thus afford priority to passenger trains. The scheme has the potential to allow the fast services between Sheffield and Manchester (presently two per hour) to increase to four each hour.

iii) Rotherham Central Station

SYPTE, in partnership with Rotherham MBC was successful in attaining funding from Yorkshire Forward, ERDF, South Yorkshire LTP and Network Rail (Access for All) to rebuild Rotherham Railway Station building and make improvements to the rest of the site. Works started in February 2010.

iv) Tram - Train

SYPTE, together with Network Rail, Northern Rail, and DfT are developing a project to trial Tram/Train operations using the Supertram Infrastructure between Sheffield City Centre and Meadowhall South and the heavy rail infrastructure from Meadowhall South to Parkgate. If the project proceeds it will initially operate as a trial for up to 2 years and be funded by the DfT. SYPTE is investigating the longer term viability of the service from the end of the trial.

v) High Speed Rail

SYPTE has continued to lobby for, and promote, the economic advantages that High Speed Rail can bring. It has worked closely with the Greengauge21 and High Speed 2 organisations to ensure that the projected service will serve the Sheffield City Region. Although the initial recommendations were favourable, the long lead times in

developing such a programme (services are unlikely to run before 2027) has made it apparent that further work is required to ensure that the issue remains firmly on future transport agendas.

vi) Rail Station Improvements

Under the 'Access For All' programme there have been substantial improvements to Darnall, Dodworth, Kiveton Bridge, Kiveton Park, Penistone, Silkstone Common and Woodhouse Stations, with improved signage and seating, pathways and public address systems. Mexborough has also benefited from funding through the National Station Improvement Programme with new shelters, cycle storage, upgraded lighting, handrails and paths. A new footbridge at Bolton Upon Dearne station has replaced the outdated 'barrow' crossing at this location.

SYPTE achieved the Rail Station of the Year Award at the National Transport Awards.

c) TRAM STRATEGY

- i) SYPTE, in partnership with Stagecoach, has prepared and submitted a Major Scheme Business Case to DfT for funding to purchase additional tram vehicles. These vehicles will be used to relieve overcrowding on the trams network.
- ii) Work is progressing on the refurbishment of the underside of the Tram Units, a vital task, although unseen by most users. To date six units have completed the full overhaul and following an efficiency review, and precluding any unforeseen issues, the remaining 19 units should be complete by the summer of 2013. It should be noted that the entire refurbishment is being completed in-house by Stagecoach Supertram at Nunnery Depot. This allows for full control and flexibility and enables maximum availability throughout the programme.

d) PARK & RIDE STRATEGY

The SYPTE, in conjunction with Barnsley MBC constructed a car park for Park & Ride users at Wombwell Railway Station. The existing Park & Ride site at Swinton Railway Station was extended and land was purchased for possible Park & Ride sites at Dore and Elsecar.

Waverley Park & Ride (a large scale site) has progressed in the year and will be submitted as part of the Bus Rapid Transit South major scheme submission in 2010/11.

Four other strategic Park & Ride (large scale) sites have been investigated for Sheffield to the North and South and Doncaster to the East and West.

e) TICKETING & PRICING

i) Concessionary Fares

April 2009 saw the implementation of Mi Card, an amendment of the South Yorkshire Travel Concession Scheme to give free off-peak bus travel in Barnsley to young people resident in the Borough. Some 30,000 young people have taken up Mi Card and the initiative has increased patronage on Barnsley area bus operators' services by approximately 25%.

2009/10 saw the completion of a major piece of research on behalf of the Passenger Transport Executive's Group (PTEG). The project included market research carried out in Barnsley and concluded with a report on concessionary fares for young people which will significantly support the development of policy in this area.

ii) Yorcard

The Yorcard Pilot was successfully delivered during 2009, and the lessons learned are guiding the way forward, technically, operationally and commercially. The Yorcard Programme has benefited from targeted DfT funding which has enabled planning for the staged roll-out of integrated, smart ticketing for South and West Yorkshire to advance. Implementation will commence during 2010, starting with the central office systems, and will continue until 2012. Bus Service Operators' Grant reforms will lead to the transport operators taking a more active role in smart ticketing, which will speed the implementation of smart-ticketing in the region.

iii) Other Smartcard issues

Following concerns about the security of the Mifare Classic smartcard family, SYPTE has moved to using the more advanced Mifare DESFire cards for its ENCTS passes.

2008/09 also saw the beginning of a procurement process designed to give SYPTE a single Card Management System to support the transition of all concessionary travel and prepaid ticketing products to smartcards.

f) EDUCATION, BUSINESS & COMMUNITY

i) Travel advice

Travel advice lessons were delivered in 365 primary schools and to nearly 15,000 students, giving almost 100% coverage.

There has been a 21% reduction in the number of incidents involving school children on public transport as a result of delivery of shelter watch assemblies, partnership working with South Yorkshire Police and workshops in secondary schools across South Yorkshire.

ii) Access to Opportunities

Access to Opportunities is a three year project with a £2.38 million investment from European Union funding. Its main aims are to assist residents in South Yorkshire overcome transport barriers that impact upon gaining access to

employment and training. The project has helped SYPTE increase the level of travel advice and journey planning, safeguard job opportunities and deliver enhanced bus services in the Dearne Valley area.

5. **THE MEMBERS OF THE EXECUTIVE BOARD**

Members who served during the year are shown below with details of meetings attendance in 2009/10.

Director	Executive Board meetings attended	Audit & Risk Committee meetings attended
Mr D Brown	10	n/a
Mr D Young	9	n/a
Dr B Still	10	n/a
Mr P Coppard OBE	9	-
Mr M Cuff (until 1 July 2009)	2	n/a
Mr K Battersby (from 2 July to 25 October 2009)	4	n/a
Mr M Kimber (from October 2009)	0	n/a
Mr J Mothersole	9	n/a
Mr P Hart (until January 2010)	6	n/a
Mr T Leader (from March 2010)	1	n/a
Mr W J Wilkinson OBE	6	4
Mr G Boydell	n/a	4
Total number of meetings in period	11	4

6. **EMPLOYEES**

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

The Directors endeavour to make employees aware of the financial and economic factors affecting the performance of SYPTE. Methods of communication used include a monthly in-house journal, notice board bulletins and senior and middle management meetings at which information is provided to and by, both the Directors and employees.

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

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

7. **AUDITOR**

D Phillips, Engagement Lead, has been appointed as the auditor to the SYPTE, under the provisions of Section 2 Schedule 2 and Section 30 of the Audit Commission Act 1998.

D BROWN
Director General

27 September 2010

SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE ANNUAL GOVERNANCE STATEMENT YEAR ENDED 31 MARCH 2010

1. Scope of Responsibility

SYPTE is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, SYPTE is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

SYPTE has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code and Action Plan is on our website at www.syppte.co.uk or can be obtained from the Principal Solicitor & Secretary, SYPTE, 11 Broad Street West, Sheffield, S1 2BQ. This statement explains how SYPTE has complied with the Code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 (as amended 2006) in relation to the publication of a Statement on Internal Control.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at SYPTE for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

3. The Governance Framework

The organisation has published a comprehensive set of Standing Orders and Financial Regulations as from April 2009. These are periodically reviewed, updated and approved by the SYPTE Board. All staff are made aware of the Standing Orders and Financial Regulations and training interventions are used where necessary on an ongoing basis. Governance is monitored by the Management Board and Executive Board, which each meet monthly, and by the Audit & Risk Committee, which meets quarterly.

SYPTE has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the SYPTE's Management Board which has responsibility for the development and maintenance of the internal control and governance environment, Internal Audit's annual report, and also by comments made by the Audit Commission in their use of resources risk assessment.

4. 'Vision' and Performance Management

The goals and objectives of SYPTE are set by the Integrated Transport Authority (ITA) and are consistent with the objectives of South Yorkshire's second Local Transport Plan, which is developed in conjunction with the District Councils. SYPTE and ITA published their Business Plan for 2005/06 to 2009/10, which identifies the targets for SYPTE as well as the actions required to deliver the targets.

The performance of SYPTE is also monitored by the ITA, which receives regular quarterly updates on key performance perspectives, including;

- a) Progress towards desired National Transport Goals and Local Area Agreement indicator targets; and
- b) Progress towards implementation of the Bus, Rail, Tram and Park & Ride Strategies underpinning the Local Transport Plan.

A new corporate reporting framework was introduced for 2009/10 to enable the Management Board, Executive Board and ITA, respectively, to review and manage performance in an appropriate level of detail.

SYPTE established 19 departmental/operational plans for 2009/10 which were aligned to the strategies of the business through the Integrated Planning Process (IPP), which introduced this 'golden thread' to the annual business planning cycle. The IPP process also introduced the key principles of zero-based budgeting with a *Budget Bidding* competition for financial and staff resources designed to optimise the impact achieved by SYPTE. A comprehensive set of performance indicators was developed to track the effectiveness of delivery of SYPTE's 19 departmental/operational plans during 2009/10.

A performance management system enables performance against these plans to be established and reviewed, based upon regular monthly updates, and reported through to Management Board.

Work to develop an outcome-based set of indicators based upon the National Indicator set, developed by Central Government, led to the adoption of two indicators - *NI 167: Congestion* and *NI 47: People Killed or Seriously Injured* - being adopted by all four of the South Yorkshire districts through their Local Area Agreements. The new indicators are consistent with the five National Transport Goals introduced by Central Government, which recognise the broad contribution of transport to society, including at local level.

SYPTE continued to benchmark its performance against the other PTE's through a set of 23 agreed comparative indicators, which relate to both desired outcomes and corporate health indicators.

SYPTE published and distributed an Annual Performance Summary to all South Yorkshire households.

5. Internal Controls and Use of Resources

The Directors are responsible for putting in place proper arrangements to secure the economic, efficient and effective use of its resources, and to ensure proper stewardship and governance of SYPTE and its group undertakings.

Performance Management, Financial Management and the systems of Internal Control form the key parts of these arrangements.

Financial Management

A comprehensive management accounting system is in place providing management with regular financial and performance information against budget. The Management Board reviews the detailed management accounts each month and variances from plan are analysed, explained and acted on in a timely manner. In addition the Management Board receives a financial and progress report on the Capital Programme on a monthly basis for discussion and action.

An account management process has been established whereby a member of the finance team will work closely with all budget holders to identify and monitor variances in their budgets. This leads to more informed reporting to Management Board and is also used to inform the budget setting phase of the Integrated Planning Process.

System of Internal Control

The system of internal control is designed to manage risk. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SYPTE's Business Plan and Strategies, to evaluate the likelihood of those risks being realised and the impact should they be realised. Specific actions to improve Internal Control include the following:

- A clear organisational structure exists, detailing lines of authority and control responsibilities. Standing Orders clearly set out the roles of the Executive Board and its committees as well as individual officer delegations. The professionalism and competence of staff is maintained through rigorous recruitment policies and the VALUED process that establishes targets, identifies how the individual contributes to the organisational goals, reinforces accountability and control consciousness and identifies appropriate training requirements. Action plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that SYPTE can meet its future staffing requirements.
- SYPTE has adopted a Code of Conduct applicable to all its staff. This is supplemented and enhanced further by the Anti-Fraud and Corruption Policy, Confidential Reporting Policy and Diversity Policy. All staff receive induction training on these policies on initial employment and update training is provided when considered necessary. In addition there is an adopted Protocol on Member/Officer Relations.
- SYPTE has in place a local Code of Corporate Governance and an associated Action Plan that has been adopted and implemented by the Management Board.
- Information systems are developed to support SYPTE's long-term objectives and are managed by a professionally staffed Information Technology department. Appropriate policies and procedures are in place covering all significant areas of the business. These detail lower level controls including authorisations and approval processes.

Internal Audit. The role of SYPTE's internal auditors is to provide an independent appraisal function for the review of the system of internal control. They undertake a cyclical review based on a rolling three year audit plan of the main financial and operational systems based on an analysis of risk. The key financial systems are reviewed on an annual basis. Internal Audit work closely with External Audit, and comply with CIPFA standards for Internal Audit. During the year we changed our supplier of internal audit services to PricewaterhouseCoopers. As their methodology for rating and reporting their audit findings is different from the previous supplier, direct comparisons with previous years are difficult.

Throughout the year 2009/10 Internal Audit completed 33 audits of SYPTE's systems and procedures, 17 of which were awarded High or Moderate assurance levels by the Auditors, the remainder being either Limited or Advisory. Only one audit had a Critical recommendation, however this was not in relation to the control design or its operating effectiveness.

The Internal Audit Annual Report for 2009/10 has given the following opinion:

Taking into account the limited assurance rated reviews and the critical priority weakness noted above, we can give **moderate assurance** on the design adequacy and effectiveness of the system of internal control.

Moderate Assurance in our annual opinion is provided whereby we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance.

During the course of the financial year we have not become aware of other issues that we believe could, or have had, a significant impact upon the organisation's system of internal control.

6. Audit and Risks

The Audit and Risk Committee meets quarterly and is independently chaired by a non-executive director of SYPTE (W J Wilkinson), and includes a non-executive member of the Committee. The Committee approves the Internal Audit Plan and receives reports from Internal Audit, the Audit Commission and the Executive Board on all aspects of internal control, governance and risk management.

SYPTE has a Risk Management Strategy which is supplemented by an IT-based Risk Management System incorporating a 5x5 matrix of inherent and residual risks. The System ensures regular and timely review of all risks and the related controls through automatically generated reminders and reports. Results are reported to the Audit and Risk Committee.

In addition, a process has been followed this year to analyse the Risk Register and make sure of its correlation with the Internal Audit Plan. This two-way process ensures high risk areas are covered by the internal audit and any issues identified by the audit are considered in the risk register.

7. Review of effectiveness

The Audit Commission's Annual Audit Letter in 2008/9 offered an unqualified opinion and VFM conclusion. The Finance Department has worked closely with the Audit Commission to bring about these improvements. Only one recommendation was made.

"You should revisit your financial strategy to ensure that you remain on course to clear the deficit by 31 March 2013 as required by the Transport Act 1983".

Behind this recommendation is the issue that the potential losses on Icelandic investments will increase the pressure to eliminate the deficit position by 2013. In response to this the SYPTTE is utilising additional grant from the ITA as backing for the provision for Icelandic losses in 2008/9. As a result the overall financial strategy remains intact and the deficit position remains on course for elimination.

8. Significant governance issues

Whilst no significant issues have arisen, over the coming year we propose to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
D BROWN
Director General

Date: 27 September 2010

ACCOUNTING POLICIES

1. STATUTORY REQUIREMENTS

These accounts have been prepared in accordance with "The Audit & Accounts Regulations 2003 (as amended 2006)". These require the accounts to be no less informative than if the disclosure requirements of the Companies Acts were, so far as appropriate, applicable. It also requires the accounts to be prepared in accordance with proper professional practices, which for the PTE is UK GAAP. There are two exceptions to this. Firstly, there is the dispensation under Regulation 7A which allows PTEs to charge to revenue retirement benefit payments and contributions to pension funds payable for that year rather than FRS 17 pension costs.

Secondly, SYPTE has adopted the Local Government SORP 2009, Appendix E. It requires PFI contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12, Service Concession Arrangements. These are contained in the government's Financial Reporting Manual (FRM) and this will assist in the transition to IFRS for 2010/11. IFRIC 12 is the interpretation of IFRS that applies to operators of PFI contracts. The 2009 SORP is consistent with the accounting treatment required of other public sector bodies in the UK set out in the FRM and approved by the Financial Reporting Advisory Board.

2. BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards. They have been prepared on the going concern basis which assumes that SYPTE will continue in operational existence for the foreseeable future as the financial position of SYPTE is underwritten by South Yorkshire Integrated Transport Authority.

Income and expenditure are accrued in the year to which they relate. Where income is received for specific activities to be delivered in the following financial year, that income is deferred. Rentals receivable under operating leases are included in income on an accruals basis.

3. BASIS FOR CONSOLIDATION

- a) These accounts have been prepared in accordance with the form approved by SYITA.
- b) SYPTE's wholly owned subsidiary companies consolidated within these accounts are listed below. All the companies are incorporated in England.

Non-Trading

Booth and Fisher (Motor Services) Limited and its subsidiary Booth and Fisher (Sales and Service) Limited

South Yorkshire Transportation Systems Limited

South Yorkshire Metro Limited

Yorkshire Metro Limited

- c) Trading

Supertram Assets Limited

Yorcard Limited

4. ASSET VALUATION

Tangible Fixed Assets are shown at historic cost or revaluation where appropriate, less depreciation.

SYPTE has adopted the policy to carry out a revaluation of certain classes of fixed assets. SYPTE has commissioned independent valuation surveys of the Land and Buildings in its ownership. SYPTE has a policy of revaluing the major assets in this category every 5 years, with an interim valuation in year 3. Further interim valuations will be carried out in the intervening years only where it is likely that there has been a material change in value.

In accordance with FRS 15, Sanderson Weatherall, independent qualified chartered surveyors, provided the following valuations on 31 March 2008:

<u>Asset Type</u>	<u>Basis of Valuation</u>	<u>Valuation</u>
Land & Buildings	Market Value	£1.50m
	Existing Use Value	£0.65m
	Depreciated Replacement Cost	£52.11m

Revaluation gains are credited to revaluation reserve unless they offset losses previously charged to Income & Expenditure. Revaluation losses are charged to Income & Expenditure unless they reverse previous gains credited to the revaluation reserve.

5. DEPRECIATION

SYPTE

SYPTE's policy for depreciation is to commence depreciation of the asset in the year of acquisition or commissioning with no depreciation commitment in the year of disposal. Where the depreciation on revalued assets exceeds depreciation calculated on a historic cost basis, a transfer is made from the revaluation reserve to the revenue reserve.

Tangible Fixed assets (owned) are depreciated by equal annual instalments over the following periods:

Buildings	40 years
Park & Ride	15 years
Operational Equipment	10 years
Route Equipment	10 years
Plant, Machinery, Fixtures & Fittings	5 years
Motor Vehicles	5 years
Computer Equipment	3 years

Plant, Machinery and Equipment is capitalised if it forms part of the initial cost of a new scheme, or has a cost value of over £2,000.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to SYPTTE, respectively.

Intangible Assets

Intangible assets are amortised over the period which SYPTTE will derive economic benefit.

Capital expenditure that does not result in the creation of a fixed asset

This is either capital expenditure that has contributed to a fixed asset not owned by SYPTTE or preconstruction costs on existing assets which do not enhance the value of the asset. Examples are rail and highway infrastructure, and grants payable. The appropriate treatment for this class of assets is to amortise the expenditure in the year of acquisition as the asset does not belong to SYPTTE, nor does it enhance the value of any of the fixed assets.

Deferred Capital Grants

Under the matching principle, and in compliance with SSAP4 "Accounting for Government Grants", Deferred Capital Grants will be released in accordance with the underlying asset they support. Where these support intangible assets, they will be amortised in the year received.

Supertram Assets Ltd

Rolling Stock and the Trackbed and System are depreciated over the period of the lease of 25 years.

6. **STOCKS**

Stocks are valued at the lower of cost and net realisable value.

7. **SHORT TERM DEPOSITS**

Short term deposits are valued at the lower of cost and net realisable value.

8. **LEASED ASSETS**

Certain fixed assets are financed by leasing agreements which confer rights equivalent to ownership (finance leases). Such assets are included within fixed assets in the Balance Sheet at their original cost and are subject to SYPTTE's depreciation policy outlined above.

The capital element of future lease rental payments is shown in the Balance Sheet as "Obligations" under Finance leases. Where such payments are due within the next financial year they are included in "Creditors". The interest element of lease rental payments is charged to the Income and Expenditure Account over the primary lease period. With the exception of the finance lease included in the consolidated Balance Sheet, covering certain Supertram Assets and the Doncaster Interchange PFI (see accounting policy 14) all other finance leases are now in their secondary period and all such rental payments are charged to the Income and Expenditure account.

9. **TAXATION**

SYPTTE's advisors on taxation continue to monitor SYPTTE's taxation position, and the Directors have been advised that it is unlikely that there will be any Corporation Tax payable in the foreseeable future.

10. **PENSION COSTS**

SYPTTE complies with FRS 17 *Retirement Benefits*. This is reflected in the creation of a Pension Liability of £35.8m in 2010 (£27.6m 2009). However SYPTTE, by complying with the Accounts and Audit Regulations (2006) on the accounting treatment for Pension Costs, does not recognise any additional FRS17 Pension costs in the Revenue Account. FRS 17 pension costs are charged as employee costs, but these are then adjusted to the amount of pensions payable in the year by way of a contribution to / from the pensions reserve.

11. **CAPITAL RECEIPTS RESERVE**

This reserve was created from the receipts from the sale of fixed assets. These receipts are ring fenced for future capital expenditure.

12. **FINANCIAL INSTRUMENTS**

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with SYPTTE's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

All other financial assets and financial liabilities are recognised when the SYPTE becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the SYPTE has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure' or Loans and receivables. Financial liabilities are classified as 'Fair Value through Income and Expenditure' or as 'Other Financial liabilities'.

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure' are financial assets or financial liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short-term. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the income and expenditure account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

SYPTE's loans and receivables comprise: cash at bank and in hand, trade debtors, accrued income, short term deposits and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

13. **MANAGEMENT OF LIQUID RESOURCES**

Funds that are surplus to current cash flow requirements are invested with reputable financial institutions or SYPTE's bankers. By reference to the major financial credit rating agencies, SYPTE's Treasury Management Consultants provide monthly counterparty lists for such investments recommending maximum values and periods that surplus funds should be invested. Investments are made in line with the Integrated Transport Authority's treasury policy.

14. **PRIVATE FINANCE INITIATIVE TRANSACTIONS**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As SYPTE is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to SYPTE at the end of the contracts for no additional charge. SYPTE carries the fixed assets used under the contracts on the Balance Sheet.

SYPTE's PFI scheme is the provision and operation of Doncaster Interchange. PFI transactions which meet the IFRIC 12 (Service Concession Arrangements) definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by SYPTE.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by SYPTE.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

The amounts payable to the PFI operators each year are analysed as follows:

- Fair value of the services received during the year – this is debited to the relevant service in the Income and Expenditure Account.

- Finance cost – an interest charge on the outstanding Balance Sheet liability is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent – increases in the amount to be paid for the property arising during the contract are debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – where these represent payments to maintain the asset rather than being a fixed asset addition they are charged to the relevant service in the Income and Expenditure Account.

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010		2009 - Restated	
		SYPTE £'000	CONSOLIDATED £'000	SYPTE £'000	CONSOLIDATED £'000
INCOME					
Grants from South Yorkshire Integrated Transport Authority		95,494	95,494	93,300	93,300
Rail Network - Income		30,555	30,555	29,603	29,603
Rents receivable		2,218	2,218	2,194	2,194
Lease Rentals received		-	4,362	-	4,362
Revenue Grants		5,549	5,549	5,841	5,841
Concessionary Zero Fare Passes		2,708	2,708	1,221	1,221
English National Concessions		5,266	5,266	5,144	5,144
Fare Income		302	302	472	472
Miscellaneous		3,256	3,367	3,166	3,178
		145,348	149,821	140,941	145,315
EXPENDITURE					
Payments to Operators					
Concessionary travel		36,388	36,388	34,251	34,251
Tendered contracts		12,679	12,679	12,345	12,345
Rail Network – Expenditure		30,593	30,593	29,603	29,603
		79,660	79,660	76,199	76,199
Administration and Activities					
Employee costs & Rechargeable Pensions		9,413	9,413	9,631	9,631
Premises costs		7,006	7,006	7,109	7,109
Supplies and Services		4,921	4,921	4,712	4,712
Transport		17	17	10	10
Route Equipment, Cleaning & Maintenance		1,958	1,958	2,039	2,039
Administrative expenses		3,075	3,194	3,898	3,905
Miscellaneous expenses		251	251	389	389
Capital financing costs	1g	13,360	18,163	13,651	18,561
		40,001	44,923	41,439	46,356
Surplus before Appropriations		25,687	25,238	23,303	22,760
Interest receivable		692	2,013	1,406	2,256
Interest payable		(16,247)	(16,247)	(16,248)	(16,248)
Pension interest		(2,323)	(2,323)	(1,515)	(1,515)
Profit on Disposals		7	7	329	329
Impairment of short-term deposit	21	(1,957)	(1,957)	(932)	(932)
Surplus for the year before taxation		5,859	6,731	6,343	6,650
Taxation		-	-	-	(2)
Surplus for the year after taxation		5,859	6,731	6,343	6,648
Transfer pension reserve		504	504	123	123
SURPLUS FOR THE YEAR		6,363	7,235	6,466	6,771
Transferred to Reserves					

Income and expenditure arises solely from continuing operations. SYPTE has had no acquisitions or disposals in the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009 - Restated	
	SYPTE £'000	CONSOLIDATED £'000	SYPTE £'000	CONSOLIDATED £'000
Surplus for the financial year after taxation	5,859	6,731	6,343	6,648
Unrealised surplus/(deficit) on revaluation of fixed assets	5	5	(50)	(50)
Release of revaluation reserve on sale of fixed assets	-	-	(244)	(244)
Actuarial gain/(loss) recognised in Defined Benefit Pension Scheme	(7,685)	(7,685)	2,084	2,084
Total recognised gain / (loss) relating to the year	(1,821)	(949)	8,133	8,438
Prior year adjustment	3,975	3,976		
Total gains and losses recognised since the last Annual Report	2,154	3,027		

BALANCE SHEET AT 31 MARCH 2010

		2010		2009 - Restated	
	NOTES	SYPTE £'000	CONSOLIDATED £'000	SYPTE £'000	CONSOLIDATED £'000
FIXED ASSETS					
Tangible Assets	2	87,572	117,647	98,249	130,473
Intangible Assets	3	550	13,037	-	12,487
Investments in Subsidiaries	4	133	-	133	-
Sinking Fund	5	-	30,564	-	27,111
		88,255	161,248	98,382	170,071
CURRENT ASSETS					
Stocks	6	445	445	693	693
Debtors – amounts falling due within one year	7	129,243	132,156	117,886	119,338
Short-term deposits		6,404	6,404	9,671	9,671
Balance at Bank		-	1,406	-	2,813
Cash in hand		-	-	-	-
		136,092	140,411	128,250	132,515
CURRENT LIABILITIES					
Creditors – amounts falling due within one year	8	(20,087)	(24,923)	(21,871)	(26,619)
Balance at Bank – overdrawn		(1,448)	(1,448)	(170)	(170)
		(21,535)	(26,371)	(22,041)	(26,789)
NET CURRENT ASSETS		114,557	114,040	106,209	105,726
DEBTORS – falling due after one year	7a	35,456	161	34,991	1,847
		150,013	114,201	141,200	107,573
TOTAL ASSETS less CURRENT LIABILITIES		238,268	275,449	239,582	277,644
Amounts Due After More Than One Year					
Loans	12	(213,141)	(213,141)	(213,028)	(213,028)
Obligations – Finance Leases	13	(12,512)	(50,259)	(12,619)	(52,119)
		(225,653)	(263,400)	(225,647)	(265,147)
Deferred Capital Grants	10	(37,777)	(37,777)	(45,522)	(45,522)
Provision for Liabilities and Charges	17	(913)	(913)	(856)	(856)
Provision for Pensions Liability	18	(35,782)	(35,782)	(27,592)	(27,592)
NET LIABILITIES		(61,857)	(62,423)	(60,035)	(61,473)
RESERVES					
Operational Revenue Reserve		13,280	12,714	12,679	11,240
Capital Financing Revenue Reserve		(29,516)	(29,516)	(33,855)	(33,855)
Deferred Charges Revenue Reserve		(28,446)	(28,446)	(30,276)	(30,276)
Revenue Reserve	9	(44,682)	(45,248)	(51,452)	(52,891)
Capital Receipts Reserve	11	2,187	2,187	2,500	2,500
Called up share capital		-	-	-	-
Pension Reserve	19a	(35,782)	(35,782)	(27,593)	(27,592)
Revaluation Reserve	14	16,420	16,420	16,510	16,510
TOTAL RESERVES		(61,857)	(62,423)	(60,035)	(61,473)

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I hereby certify that the statement of accounts presents fairly the financial position of SYPTE as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Signed

Chief Financial and Systems Officer

Date 27 September 2010

APPROVAL OF THE STATEMENT OF ACCOUNTS

The Accounting Policies and the Financial Statements were approved for issue by the Executive Board on 27 September 2010. Events after the balance sheet date have been considered up to the date of approval.

Signed on behalf of the Executive Board

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D BROWN
Director General

27 September 2010

.....

A J D SMART
Chief Financial and Systems Officer

27 September 2010

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010		2009 - Restated	
		<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	18,733	22,114	12,329	18,930
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received		692	2,013	1,406	2,256
Interest Paid		(17,244)	(19,898)	(16,073)	(18,835)
Pension interest		(2,323)	(2,323)	(1,515)	(1,515)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(18,875)	(20,208)	(16,182)	(18,094)
TAXATION		-	(2)	-	(3)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT					
Capital expenditure that does not result in the creation of a fixed asset		(7,960)	(7,960)	(5,443)	(5,443)
Purchase of Tangible Fixed Assets		(1,452)	(1,452)	(7,754)	(7,754)
Capital Receipts from sale of Tangible Assets		253	253	718	718
Sinking Fund (increase)		-	(3,453)	-	(3,219)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(9,159)	(12,612)	(12,479)	(15,698)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(9,301)	(10,708)	(16,332)	(14,865)
MANAGEMENT OF LIQUID RESOURCES					
Transfer (to)/from Short Term Deposit		1,310	1,310	522	522
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES		1,310	1,310	522	522
FINANCING					
Capital Grants received in year		6,714	6,714	16,169	16,169
Capital element of finance lease rentals		-	-	-	-
NET CASH INFLOW FROM FINANCING		6,714	6,714	16,169	16,169
INCREASE / (DECREASE) IN CASH IN HAND AND CASH EQUIVALENTS	2	(1,277)	(2,684)	359	1,826

NOTES TO THE CASH FLOW STATEMENT

	2010		2009 - Restated	
	<u>SYPTE</u> <u>£'000</u>	<u>CONSOLIDATED</u> <u>£'000</u>	<u>SYPTE</u> <u>£'000</u>	<u>CONSOLIDATED</u> <u>£'000</u>
1. RECONCILIATION OF OPERATING EXPENDITURE TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Surplus of income over expenditure	25,687	25,238	23,303	22,760
Depreciation charges on Tangible Fixed Assets	3,957	6,106	4,403	6,552
Amortisation – capital expenditure that does not result in the creation of a fixed asset	7,410	7,410	5,443	5,443
(Profit)/Loss on revaluation of fixed assets	-	-	1,034	1,034
Impairment of fixed assets	8242	8242	-	-
Capital grants released	(17,529)	(17,529)	(8,518)	(8,518)
Lease payments	1,110	3,764	1,118	3,880
Transfer to pension reserve	504	504	123	123
(Increase)/Decrease in stocks	248	248	(28)	(28)
(Increase)/Decrease in debtors	(8,751)	(8,060)	(12,291)	(8,467)
Increase/(Decrease) in creditors	(2,145)	(3,809)	(2,258)	(3,849)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18,733	22,114	12,329	18,930
2. ANALYSIS OF CHANGE IN NET DEBT				
Net Cash inflow/(outflow)	(1,277)	(2,684)	359	1,826
Increase/(Decrease) in Short Term Deposits	(1,310)	(1,310)	(522)	(522)
Loans: New Loans	-	-	-	-
Loans Repaid	-	-	-	-
Finance Lease Obligations repaid	-	1,564	-	1,564
(Increase)/Decrease in Net Debt	(2,587)	(2,430)	(163)	2,868
Opening Net Debt	(201,941)	(240,268)	(201,778)	(243,136)
Closing Net Debt	(204,528)	(242,698)	(201,941)	(240,268)

NOTES TO THE ACCOUNTS

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>
1. FINANCIAL RESULTS				
The consolidated surplus for the year of £7.234m was arrived at after charging:				
a) Employee Costs & Rechargeable Pensions				
Wages and Salaries	7,836	7,836	7,691	7,691
Social Security – Employer's contribution	664	664	630	630
Superannuation – Employer's contribution	797	797	755	755
Rechargeable Pensions	1,902	1,902	1,883	1,883
FRS 17 Adjustment for Defined Benefit Pension Scheme	<u>(1,786)</u>	<u>(1,786)</u>	<u>(1,328)</u>	<u>(1,328)</u>
	<u>9,413</u>	<u>9,413</u>	<u>9,631</u>	<u>9,631</u>
The employee costs shown above include:				
Directors' Remuneration including:	375	375	165	165
• Social Security and Superannuation contributions	67	67	30	30
• Remuneration of the highest paid Director	128	128	128	128
All Directors are included in defined benefit schemes.				
Pension Benefits of the highest paid Director				
Accrued Pension to date	16	16	14	14
Lump Sum to date	35	35	35	35
Employees				
The average number of persons employed (expressed as whole time equivalents) was:				
Manual	1	1	1	1
Management and Administration	<u>335</u>	<u>335</u>	<u>327</u>	<u>327</u>
	<u>336</u>	<u>336</u>	<u>328</u>	<u>328</u>
SYPTE is required to provide an analysis of the number of their employees whose remuneration in the year, excluding employer's pension contributions, was £50,000 or more.				
	Remuneration band	2009/10 Number of employees	2008/09 Number of employees	
	£50,000 - £54,999	1	3	
	£55,000 - £59,999	2	1	
	£60,000 - £64,999	1	1	
	£65,000 - £69,999	2	3	
	£70,000 - £74,999	1	1	
	£75,000 - £79,999	-	-	
	£80,000 - £84,999	-	-	
	£85,000 - £89,999	1	-	
	£90,000 - £94,999	1	-	
	£95,000 - £99,999	-	-	
	£100,000 - £104,999	-	-	
	£105,000 - £109,999	-	-	
	£110,000 - £114,999	-	-	
	£115,000 - £119,999	-	-	
	£120,000 - £124,999	-	-	
	£125,000 - £129,999	1	1	
b) Auditor's Remuneration				
Audit fees	92	92	95	95
Grant certification fees	19	19	26	26
	<u>111</u>	<u>111</u>	<u>121</u>	<u>121</u>
c) Payments Under Operating Leases				
Rent payable	642	642	602	602
Vehicles	17	17	17	17
	<u>16,247</u>	<u>16,247</u>	<u>16,248</u>	<u>16,248</u>
d) Interest Payable				
	<u>16,247</u>	<u>16,247</u>	<u>16,248</u>	<u>16,248</u>
e) Loans To Directors and Officers				
Loans have been issued to employees when the Directors so resolve that it is essential, in the interests of the efficient conduct of the business of the SYPTE, that employees who are permitted to use their private cars in carrying out their official duties, shall be eligible for financial assistance in accordance with the Assisted Car Purchase Scheme. There are 8 loans relating to this scheme, 6 of which currently exceed £5,000 each. None of the loans are to Directors and there are 5 loans to officers.				
	20	20	30	30

	<u>2010</u>		<u>2009 - Restated</u>	
	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>
and crediting:				
f) Interest Receivable				
On loans and short term deposits	692	2,013	1,406	2,256
g) Financing Costs				
Leasing charges	1,110	3,764	1,118	3,879
Depreciation	3,957	6,106	4,403	6,552
Amortisation	7,410	7,410	5,444	5,444
Impairments	8,242	8,242	1,034	1,034
Deferred capital grants released	(17,529)	(17,529)	(8,518)	(8,518)
Concessionary support payment	10,170	10,170	10,170	10,170
	<u>13,360</u>	<u>18,163</u>	<u>13,651</u>	<u>18,561</u>

2. TANGIBLE FIXED ASSETS

	SYPTE (see details in note 2a)		SOUTH YORKSHIRE TRANSPORTATION SYSTEMS LIMITED	SUPERTRAM ASSETS LIMITED	CONSOLIDATED
	Owned £'000	Leased £'000	Owned £'000	Leased £'000	£'000
<u>COST/VALUATION</u>					
As at 1 April 2009	105,534	-	-	51,568	157,102
Prior period adjustment	17,633	-	-	-	17,633
Balance as restated	123,167	-	-	51,568	174,735
Reclassify fixed assets	-	-	-	-	-
Additions during the year	1,766	-	-	-	1,766
Disposals during the year	(9,853)	-	-	-	(9,853)
Revaluation Adjustments	130	-	-	-	130
As at 31 March 2010	115,210	-	-	51,568	166,778
<u>DEPRECIATION</u>					
As at 1 April 2009	(24,026)	-	-	(19,345)	(43,371)
Prior period adjustment	(891)	-	-	-	(891)
Balance as restated	(24,917)	-	-	(19,345)	(44,262)
Charge for the Year	(3,957)	-	-	(2,148)	(6,105)
Disposals during the Year	9,478	-	-	-	9,478
Reclassify fixed assets	-	-	-	-	-
Impairment	(8,242)	-	-	-	(8,242)
As at 31 March 2010	(27,638)	-	-	(21,493)	(49,131)
<u>NET BOOK VALUE</u>					
<u>31 MARCH 2010</u>	87,572	-	-	30,075	117,647

<u>FIXED ASSET VALUATION AT HISTORIC COST:</u>					
Cost	131,057	-	-	51,568	182,625
Depreciation	(50,514)	-	-	(21,493)	(72,006)
Net Book Value	80,543	-	-	30,075	110,619

	Cost	Depreciation	Net book value
Supertram Assets Limited have tangible fixed assets of:			
Trackbed and system	£6.568m	£2.738m	£3.830m
Rolling stock	<u>£45.000m</u>	<u>£18.755m</u>	<u>£26.245m</u>
Total	<u>£51.568m</u>	<u>£21.493m</u>	<u>£30.075m</u>

2a

	LAND AND BUILDINGS			PLANT EQUIPMENT AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL	
	FREEHOLD	LEASEHOLD	LIGHT RAIL SYSTEM				
	£'000	£'000	Owned £'000			Owned £'000	Leased £'000
<u>COST/VALUATION</u>							
As at 1 April 2009	63,977	-	6,088	26,620	8,849	105,534	-
Prior Period Adjustment	18,240	-	-	-	(607)	17,633	-
Balance as restated	82,217	-	6,088	26,620	8,242	123,167	-
Reclassify Fixed Assets	-	-	-	8,242	(8,242)	-	-
Additions during year	1,532	-	-	234	-	1,766	-
Disposals during year	(376)	-	-	(9,477)	-	(9,853)	-
Revaluation adjustments	130	-	-	-	-	130	-
As at 31 March 2010	83,503	-	6,088	25,619	-	115,210	-
<u>DEPRECIATION</u>							
As at 1 April 2009	(3,511)	-	(54)	(20,461)	-	(24,026)	-
Prior Period Adjustment	(891)	-	-	-	-	(891)	-
Balance as restated	(4,402)	-	(54)	(20,461)	-	(24,917)	-
Impairment	-	-	-	(8,242)	-	(8,242)	-
Charge for the year	(2,121)	-	(3)	(1,833)	-	(3,957)	-
Disposals during year	-	-	-	9,478	-	9,478	-
As at 31 March 2010	(6,523)	-	(57)	(21,058)	-	(27,638)	-
<u>NET BOOK VALUE 31 MARCH 2010</u>							
	76,980	-	6,031	4,560	-	87,572	-

<u>FIXED ASSET VALUATION AT HISTORIC COST</u>							
Cost	99,350	-	6,088	25,619	-	131,057	-
Depreciation	(29,399)	-	(57)	(21,059)	-	(50,515)	-
Net Book Value	69,951	-	6,031	4,560	-	80,542	-

2b. CAPITAL EXPENDITURE THAT DOES NOT RESULT IN THE CREATION OF A FIXED ASSET

2010	Capital Grant £'000	Rail £'000	Pre Construction £'000	Infrastructure £'000	SYPT Sub-Total £'000
Expenditure in Year	80	-	5,253	2,078	7,410
Amortised in Year	(80)	-	(5,253)	(2,078)	(7,410)

2009	Capital Grant £'000	Rail £'000	Pre Construction £'000	Infrastructure £'000	SYPT Sub-Total £'000
Expenditure in Year	394	4	3,784	1,261	5,443
Amortised in Year	(394)	(4)	(3,784)	(1,261)	(5,443)

3. INTANGIBLE ASSETS

2010	Software £'000	SAL Agency Agreement £'000	Total Intangible Assets £'000
Balance as at 1 April 2009	-	12,487	12,487
Expenditure in Year	550	-	550
Amortised in Year	-	-	-
Balance carried forward as at 31 March 2010	550	12,487	13,037

Intangible assets contain £550k for software associated with the development of the Yorcard project

	2010		2009 - Restated	
	<u>SYLTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>	<u>SYLTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>
4. INVESTMENTS IN SUBSIDIARIES				
SYLTE				
Booth & Fisher (Motor Services) Limited 123,750 Ordinary Shares of £1 each	124	-	124	-
South Yorkshire Transportation Systems Limited 9,000 Ordinary Shares of £1 each	9	-	9	-
Supertram Assets Limited This subsidiary company was incorporated on 28 June 1999 with an authorised capital of 1,000 ordinary shares of £1 each. SYLTE holds 100 shares issued, called up and fully paid.	-	-	-	-
Yorcard Limited The company was incorporated on 2 March 2007. It is limited by guarantee with two subscribers, West Yorkshire PTE and SYLTE.	-	-	-	-
South Yorkshire Metro Limited This subsidiary company was incorporated on 25 August 1994 with an Authorised Capital of 100 Ordinary Shares of £1 each. SYLTE holds 2 shares issued, called up and fully paid.	-	-	-	-
Yorkshire Metro Limited This subsidiary company was incorporated on 25 August 1994 with an Authorised Capital of 100 Ordinary Shares of £1 each. SYLTE holds 2 shares issued, called up and fully paid.	-	-	-	-
Booth & Fisher (Sales & Services) Ltd 100 Ordinary Shares of £1 each	-	-	-	-
	<u>133</u>	<u>-</u>	<u>133</u>	<u>-</u>
All of the companies are dormant except for Supertram Assets Limited and Yorcard Limited. Supertram Assets Limited's principal activity is that of leasing. The principal activity of Yorcard Limited is the development of a Smartcard system. SYLTE has committed to underwrite the activities of Yorcard Limited and to continue to support the activities of Supertram assets Limited.				
5 SINKING FUND				
This fund is a bank account which is specifically charged to the lessor of a finance lease involving certain light rail assets. The Fund cannot be accessed by SYLTE or its subsidiaries.	<u>-</u>	<u>30,564</u>	<u>-</u>	<u>27,111</u>
6. STOCKS				
Stocks carried by SYLTE are operator tickets valued at the lower of cost and net realisable value.	<u>445</u>	<u>445</u>	<u>693</u>	<u>693</u>
7. DEBTORS				
Amounts falling due within one year				
Trade Debtors	2,641	3,240	3,954	3,954
Transport Authority	117,511	117,511	104,201	104,201
HM Revenue & Customs (VAT)	1,483	1,658	1,613	1,607
Amount owed by Group undertakings	-	-	683	-
	<u>121,635</u>	<u>122,409</u>	<u>110,451</u>	<u>109,762</u>
Prepayments and accrued income	<u>7,608</u>	<u>9,747</u>	<u>7,435</u>	<u>9,576</u>
Balance 31 March	<u>129,243</u>	<u>132,156</u>	<u>117,886</u>	<u>119,338</u>
7a DEBTORS				
Amounts falling due after more than one year				
Trade Debtors	141	141	421	421
Other Debtors	20	20	1,427	1,426
Amount owed by Group undertakings	35,295	-	33,143	-
	<u>35,456</u>	<u>161</u>	<u>34,991</u>	<u>1,847</u>
Analysis of Amounts owed by Group Undertakings				
South Yorkshire Transportation Systems Limited	25	-	25	-
Supertram Assets Limited	35,270	-	33,118	-
	<u>35,295</u>	<u>-</u>	<u>33,143</u>	<u>-</u>
Provision for impairment of trade debtors:				
Balance 1 April	349	349	182	182
Increase in provision	19	19	288	288
Amounts utilised	-	-	-	-
Unused amounts reversed	-	-	(121)	(121)
Balance 31 March	<u>368</u>	<u>368</u>	<u>349</u>	<u>349</u>

	2010		2009 - Restated	
	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>	<u>SYPTE</u> <u>£'000</u>	<u>GROUP</u> <u>£'000</u>
8. CREDITORS				
Amounts falling due within one year				
Trade Creditors	(4,681)	(6,184)	(4,965)	(4,965)
Amounts owed to Group Undertakings	(669)	-	(246)	-
Other Creditors	(188)	(188)	(187)	(187)
Obligations: Finance Leases	(107)	(1,859)	(98)	(1,736)
Interest payable on loans	(4,410)	(4,410)	(4,410)	(4,410)
HMRC & Department of Social Security	(213)	(213)	(206)	(209)
	<u>(10,268)</u>	<u>(12,854)</u>	<u>(10,112)</u>	<u>(11,507)</u>
Accruals and Deferred Income	<u>(9,819)</u>	<u>(12,069)</u>	<u>(11,759)</u>	<u>(15,112)</u>
	<u><u>(20,087)</u></u>	<u><u>(24,923)</u></u>	<u><u>(21,871)</u></u>	<u><u>(26,619)</u></u>
9. REVENUE RESERVES				
Operational revenue reserve				
Balance 1 April	12,679	11,240	8,003	6,259
(Deficit)/Surplus for the year	6,363	7,235	6,466	6,771
Release from revaluation reserve	95	95	39	39
Transfer from capital receipts reserve	313	313	234	234
Transfer (to)/from capital financing revenue reserve	(4,339)	(4,339)	(1,184)	(1,184)
Transfer (to)/from deferred charges revenue reserve	(1,830)	(1,830)	(879)	(879)
Balance 31 March	<u>13,281</u>	<u>12,714</u>	<u>12,679</u>	<u>11,240</u>
Capital financing revenue reserve				
Balance 1 April	(33,855)	(33,855)	(35,039)	(35,039)
Transfer (to) / from operational revenue reserve	4,339	4,339	1,184	1,184
Balance 31 March	<u>(29,516)</u>	<u>(29,516)</u>	<u>(33,855)</u>	<u>(33,855)</u>
Deferred charges revenue reserve				
Balance 1 April	(30,276)	(30,276)	(31,155)	(31,155)
Transfer (to)/from operational revenue reserve	1,830	1,830	879	879
Balance 31 March	<u>(28,446)</u>	<u>(28,446)</u>	<u>(30,276)</u>	<u>(30,276)</u>
Total revenue reserves at 31 March	<u><u>(44,682)</u></u>	<u><u>(45,248)</u></u>	<u><u>(51,452)</u></u>	<u><u>(52,891)</u></u>
10. DEFERRED CAPITAL GRANTS				
Balance 1 April	45,522	45,522	41,352	41,352
Prior period adjustment	-	-	1,516	1,516
Balance as restated	45,522	45,522	42,868	42,868
Grants received and receivable during the year	9,785	9,785	11,172	11,172
Release to Income and Expenditure Account	(17,530)	(17,530)	(8,518)	(8,518)
Transferred to Capital Receipts Reserve	-	-	-	-
Balance 31 March	<u>37,777</u>	<u>37,777</u>	<u>45,522</u>	<u>45,522</u>
11. CAPITAL RECEIPTS RESERVE				
Balance 1 April	2,500	2,500	2,734	2,734
Transfer from Deferred Capital Grants	-	-	-	-
Receipts from Sale of Fixed Assets in Year	-	-	-	-
Transfer to Revenue Reserves	(313)	(313)	(234)	(234)
Balance 31 March	<u>2,187</u>	<u>2,187</u>	<u>2,500</u>	<u>2,500</u>
12. LOANS				
Balance 1 April	213,028	213,028	212,874	212,874
Loans raised	-	-	-	-
Loans repaid	-	-	-	-
LOBOS interest rate adjustment	113	113	154	154
Balance 31 March	<u>213,141</u>	<u>213,141</u>	<u>213,028</u>	<u>213,028</u>
Which is repayable as follows:				
Within 2 - 5 years	-	-	-	-
After 5 years	<u>213,141</u>	<u>213,141</u>	<u>213,028</u>	<u>213,028</u>
	<u>213,141</u>	<u>213,141</u>	<u>213,028</u>	<u>213,028</u>

At 31 March 2010 SYPTE has £192.4m fixed interest loans from the Public Works Loans Board. The average loan rate is 7.964% pa and the loans are repayable on maturity from 2015 onwards. SYPTE has a further £20m of loans from Depfa Bank plc. The average loan rate in 2009/10 was 4.1% pa and the loans are repayable from 2043 onwards.

	2010		2009 - Restated	
	SYPTE £'000	GROUP £'000	SYPTE £'000	GROUP £'000
13. LEASE FINANCE				
Balance 1 April	12,717	53,855	-	42,702
Prior period adjustment	-	-	12,807	12,807
Balance restated			12,807	55,509
Repayments during year	(98)	(1,736)	(90)	(1,654)
Total liability at 31 March	12,619	52,119	12,717	53,855
Amounts falling due within one year included in Creditors	(107)	(1,860)	(98)	(1,736)
Obligations – finance leases	<u>12,512</u>	<u>50,259</u>	<u>12,619</u>	<u>52,119</u>
Which is repayable as follows:				
Within 2 to 5 years	528	8,854	486	8,268
After 5 years	11,984	41,405	12,133	43,851

14. REVALUATION RESERVE

Balance 1 April	16,510	16,510	13,163	13,163
Prior period adjustment	-	-	3,680	3,680
Balance as restated	-	-	16,843	16,843
Revaluation during year	5	5	(50)	(50)
Transferred to Income and Expenditure	(95)	(95)	(283)	(283)
	<u>16,420</u>	<u>16,420</u>	<u>16,510</u>	<u>16,510</u>

15. LONG TERM COMMITMENTS

SYPTE is committed to making annual concessionary support payments to HSBC and Lloyds Leasing of £10.1m pa until March 2012, and £1.5m pa to HSBC from April 2012 up to March 2024. The payments over the period to 2012 include the cost of annual lease rentals of £4.3m pa. The balance of the payments represents income to HSBC as owner of SYLR Ltd, which HSBC acquired from SYPTE in March 2000.

16. FUTURE CAPITAL EXPENDITURE

Future capital expenditure at 31 March 2010				
Committed	<u>1,106</u>	<u>1,106</u>	<u>832</u>	<u>832</u>
Authorised but not committed	<u>8,552</u>	<u>8,552</u>	<u>3,400</u>	<u>3,400</u>

17. PROVISION FOR LIABILITIES AND CHARGES**SYPTE AND GROUP**

	2010		2009	
	LEGAL CLAIMS £'000	OTHER £'000	TOTAL £'000	TOTAL £'000
Balance 1 April	141	715	856	910
Provided in the year	60	-	60	55
Provisions not required written back	-	-	-	(94)
Provisions utilised in year	(3)	-	(3)	(15)
Balance 31 March	<u>198</u>	<u>715</u>	<u>913</u>	<u>856</u>
Expected timing of cashflow:				
Within 1 year	198	-	198	141
Between 1 year and 5 years	-	-	-	-
After 5 years	-	715	715	715
	<u>198</u>	<u>715</u>	<u>913</u>	<u>856</u>

Legal claims - represents a provision for certain legal and insurance claims brought against SYPTE

Other - Surplus government grants in respect of rail operations which have been made based on estimations of fares revenue

18. PROVISION FOR PENSIONS LIABILITY

	2010		2009 - Restated	
	SYPTE £'000	GROUP £'000	SYPTE £'000	GROUP £'000
Balance 1 April	27,592	27,592	29,553	29,553
Actuarial Loss/(Gain) Recognised in Defined Benefit Pension Scheme	7,686	7,686	(2,084)	(2,084)
FRS17 Adjustment transferred to/from Income and Expenditure	504	504	123	123
Balance 31 March	<u>35,782</u>	<u>35,782</u>	<u>27,592</u>	<u>27,592</u>

19a. PENSION RESERVE

Balance at 1 April	(27,592)	(27,592)	(29,553)	(29,553)
Actuarial (Loss)/Gain recognised in Defined Benefit Pension Scheme	(7,686)	(7,686)	2,084	2,084
FRS 17 Adjustment transferred to/(from) Income & Expenditure	(504)	(504)	(123)	(123)
Balance 31 March	<u>(35,782)</u>	<u>(35,782)</u>	<u>(27,592)</u>	<u>(27,592)</u>

19b. PENSION COSTS

SYLTE operates a funded pension scheme under the Local Government Pension Regulations 1995 that is administered by the South Yorkshire Pensions Authority. The scheme is of a defined benefit type whereby benefits are based on employee pensionable remuneration and length of service.

SYLTE continues to be responsible for payments to the Fund in respect of services to 25 October 1986 for all staff employed by the SYLTE to that date, including all employees transferred to First South Yorkshire Limited (formerly Mainline Group Limited), under the provisions of the Transport Act 1985.

For service from 26 October 1986 SYLTE contributes to the Fund in respect only of its own employees who are also members of the Scheme.

Contributions made to the Fund in respect of current and past service are charged to the Income and Expenditure Account. Contributions in respect of those employees who left the service of SYLTE by 26 October 1986 are shown as part of "Rechargeable Pensions" in note 1 to Income and Expenditure Account.

The amounts recognised in the Balance Sheet are as follows;

	31 March 2010	31 March 2009
Present Value of Funded Obligations	(79.0)	(61.1)
Fair Value of Scheme Assets	<u>56.5</u>	<u>44.8</u>
	(22.5)	(16.3)
Present Value of Unfunded Obligations	<u>(13.2)</u>	<u>(11.3)</u>
Net liability	<u><u>(35.7)</u></u>	<u><u>(27.6)</u></u>

The movement in the net pension liability for the year to 31 March 2010 is as follows:

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Net pensions liability at 1 April	(27,592)	(29,553)	(23,512)	(28,023)	(30,984)
Current service costs	(717)	(1,115)	(1,095)	(1,219)	(1,011)
Employers' contributions payable to scheme	2,536	2,507	2,999	2,601	2,212
Past service cost/curtailment cost	-	-	(313)	(72)	702
Net Interest/ Return on Assets	(2,323)	(1,515)	(530)	(681)	(1,131)
Actuarial gain/(loss)	<u>(7,686)</u>	<u>2,084</u>	<u>(7,102)</u>	<u>3,882</u>	<u>2,189</u>
Net pensions liability at 31 March	<u><u>(35,782)</u></u>	<u><u>(27,592)</u></u>	<u><u>(29,553)</u></u>	<u><u>(23,512)</u></u>	<u><u>(28,023)</u></u>

SYLTE expects to contribute £2.5m to its Defined Pension Plan in the year to 31 March 2011.

Balance Sheet items:	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m	31 March 2006 £m
Fair Value of Scheme Assets	56.5	44.8	56.7	58.6	56.6
Present value of the Defined Benefit Obligation	<u>(92.2)</u>	<u>(72.4)</u>	<u>(86.3)</u>	<u>(82.0)</u>	<u>(84.6)</u>
Surplus/(Deficit)	(35.7)	(27.6)	(29.6)	(23.4)	(28.0)
Experience adjustments on Scheme Assets	11.2	(13.2)	(4.2)	3.9	2.2

Reconciliation of fair value of plan assets:	31 March 2010 £m	31 March 2009 £m
Opening fair value of plan assets	44.8	56.7
Expected return on plan assets	2.7	3.6
Actuarial gains/(losses) on plan assets	11.2	(13.2)
Employer contributions	2.5	2.5
Members contributions	0.5	0.4
Benefits/transfers paid	<u>(5.2)</u>	<u>(5.2)</u>
Closing fair value of assets	<u><u>56.5</u></u>	<u><u>44.8</u></u>

Amounts recognised in the income and expenditure account:

	31 March 2010 £m	31 March 2009 £m
Current Service Costs	0.7	1.1
Interest on pension liabilities	5.0	5.1
Expected return on assets	(2.7)	(3.6)
Past service cost	-	-
Total pension cost recognised	<u>3.0</u>	<u>2.6</u>
Actual return on plan assets	(13.9)	(9.6)

Statement of recognised gains and losses:

	31 March 2010 £m	31 March 2009 £m
Actuarial (gains)/losses	7.7	(2.2)
Effect of paragraph 41 limit	-	-
Total pension costs recognised in the STRGL	<u>7.7</u>	<u>(2.2)</u>

Expected rate of return on assets:

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular assets class. The rates quoted are gross of expenses.

Asset class	Investment returns at 31 March 2010
Equities	7.5%
Government Bonds	4.5%
Other Bonds	5.2%
Property	6.5%
Cash/current assets	0.5%
Other	Dependent on type of asset

A full actuarial valuation was carried out as at 31 March 2007 and updated valuations have been provided at 31 March 2008, 31 March 2009 and 31 March 2010 by a qualified independent actuary, Mercer Ltd. Liabilities have been valued using the projected unit actuarial cost method, which assesses the future liabilities of the Fund discounted to their present value. The major assumptions used by the actuary were:

	At 31 March 2010	At 31 March 2009
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	3.3%	3.3%
Discount rate	5.6%	7.1%

The mortality assumptions used were as follows:

	2010 years	2009 years
Longevity at age 65 for current pensioners:		
- men	20.4	20.3
- women	23.2	23.2
Longevity at age 65 for future pensioners		
- men	21.3	21.3
- women	24.1	24.1

The actuaries have taken account of the changes in the Local Government Pension Scheme regulations in assuming that 50% of scheme members will take up the option for increased lump sum payments.

SYLTE has no assets to cover its liabilities. Assets in the Pension Fund are valued at fair value, and consist of the following:

Split between investment categories:

	At 31 March 2010		At 31 March 2009	
	%	£m	%	£m
Equities	64.6%	36.5	59.8%	26.8
Government Bonds	15.4%	8.7	17.1%	7.7
Other Bonds	7.9%	4.5	7.5%	3.4
Property	9.1%	5.1	10.7%	4.8
Other	3.0%	1.7	4.9%	2.1
Total		<u>56.5</u>		<u>44.8</u>

A copy of the Superannuation Fund Account is available from the South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.

20 DONCASTER INTERCHANGE PFI

SYPTE has one operational PFI scheme. Under agreement, SYPTE is contracted to pay an annual sum to the operator, known as a unitary charge, and receives PFI credits via SYITA to partially offset these costs. SYPTE is required to provide details about the outstanding payments in relation to this scheme. Due to changes in SYPTE's accounting policy, the assets and liabilities associated with this scheme are now reflected on SYPTE's balance sheet.

SYPTE's PFI contract, Doncaster Interchange was signed on 3 December 2003 with Teesland Property Company (Northern) Limited and involved the construction of a new bus station. It became operational in June 2007. The contract runs until June 2039 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The net book value of the interchange as at 31 March 2010 is £13.3m (£13.7m in 2008/09).

In 2009/10 unitary charge payments of £2.71m (£2.67m in 2008/09) were paid. Unitary charge payments over the whole life of the contract will total £93.6m of which SYPTE will contribute £22.5m and the remainder will be recovered in the form of PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

Amounts due:	Repayment of liability	Interest charge	Contingent rental	Service charge	Lifecycle costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	107	1,102	362	1,093	98	2,762
Within 2 - 5 years	528	4,306	1,043	4,654	417	10,948
Within 6 - 10 years	965	5,078	200	6,503	583	13,329
Within 11 - 15 years	1,466	4,576		7,357	660	14,059
Within 16 - 20 years	2,228	3,814		8,324	747	15,113
Within 21 - 25 years	3,387	2,656		9,418	845	16,306
Within 26 - 30 years	3,938	896		8,418	755	14,007
Total	<u>12,619</u>	<u>22,428</u>	<u>1,605</u>	<u>45,767</u>	<u>4,105</u>	<u>86,524</u>

	Doncaster Interchange PFI Asset £'000		Doncaster Interchange PFI Asset £'000
Net book value:		Net book value	
As at 1 April 2009 (restated)	13,669	As at 1 April 2008 (restated)	14,019
Revaluations	-	Revaluations	-
Depreciation	(350)	Depreciation	(350)
As at 31 March 2010	<u>13,319</u>	As at 31 March 2009	<u>13,669</u>

	Doncaster Interchange PFI Liability £'000		Doncaster Interchange PFI Liability £'000
As at 1 April 2009 (restated)	12,717	As at 1 April 2008 (restated)	12,807
Lease repayments	(1,541)	Lease repayments	(1,519)
Interest charge	1,110	Interest charge	1,118
Contingent rents	333	Contingent rents	311
As at 31 March 2010	<u>12,619</u>	As at 31 March 2009	<u>12,717</u>

21 IMPAIRMENT OF SHORT-TERM DEPOSITS

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed. All monies within these institutions are currently subject to the respective administration process.

SYPTE had £6m deposited across these banks, with varying interest rates and maturity dates. Based on the latest information available it is considered appropriate to recognise an impairment adjustment for the deposits and the action taken is outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made in future years.

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. The latest Glitnir information is contained in their 2009 Statement of Accounts. The accounts indicate that Glitnir has approximately ISK808bn in assets to meet liabilities of ISK2,791bn. The latest information indicates that recovery of 100% could be achieved as an assumed "Priority status" repayment by June 2011.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki's affairs being administered under Icelandic law. The latest Landsbanki creditors report was issued on 26 March 2010 and a settlement has been reached between Landsbanki and the successor bank in Iceland (NBI) about the way that the successor will compensate Landsbanki for the assets taken over. This and other relevant information indicates that recovery of around 95% could be achieved as an assumed "Priority status" repayment by October 2018.

Recovery is subject to the following uncertainties and risks;

- confirmation that deposits enjoy preferential creditor status which is subject to any further cases that have to be tested through the Icelandic courts.
- the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of SYPTE's claim which may be denominated wholly or partly in currencies other than sterling.
- the impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets, the repayment of Icesave monies to the UK Government and the potential entry of Iceland into the Eurozone.

If the priority creditor status was reversed for any reason this would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to about a third of its liabilities, assuming that the Bond remains at its current value. Therefore, if priority creditor status is not achieved the recoverable amount may only be 29% for the outstanding Glitnir loan and only 38% for the outstanding Landsbanki loan.

Summary

The table below summarises SYPTE's deposits, together with the interest rates, maturity dates and the value of the impairment loss recognised in the Income and Expenditure Account in 2009/10.

Bank	Date Invested	Maturity Date	Amount Invested £'000	Interest Rate	Carrying Amount £'000	Impairment loss £'000	Impaired Value £'000
Landsbanki	07/01/08	05/01/09	3,000	5.57%	3,216	1,322	1,894
Glitnir	18/02/08	16/02/09	<u>3,000</u>	5.52%	<u>3,195</u>	<u>1,566</u>	<u>1,629</u>
Total			<u>6,000</u>		<u>6,411</u>	<u>2,888</u>	<u>3,523</u>

SYPTE has provided for the potential loss resulting from the collapse of the Icelandic Banks.

22 CONTROL

SYPTE's ultimate parent undertaking is South Yorkshire Integrated Transport Authority. Group financial statements are prepared and copies can be obtained from

South Yorkshire Integrated Transport Authority
18 Regent Street
BARNESLEY
S70 2HG

23 RELATED PARTY DISCLOSURES

FRS 8 "Related Party Transactions" requires material transactions with related parties to be disclosed in the financial statements. For SYPTE these parties are mainly the Integrated Transport Authority, Subsidiary Companies, Directors and Officers and the pension fund.

South Yorkshire Integrated Transport Authority (SYITA)

Disclosure is made for revenue grant payments to the SYPTE in the income account. The balance owing by the Integrated Transport Authority to SYPTE at 31 March 2010 can be summarised as:

	£'000
Amount held by SYITA to repay SYPTE loans	101,500
Grant monies owing to SYPTE	15,572
Grant monies owed to SYITA	-
Total owed to SYPTE by SYITA	<u>117,072</u>

Subsidiary Companies

Note 3 to the Statement of Accounting Policies and note 4 to the Notes to the Accounts list SYPTE's subsidiary companies and their operational status. SYPTE directors are also directors of the companies, but do not receive any remuneration from the subsidiaries.

Directors and Officers

Directors and Officers are required to make disclosures of their financial and non-financial interests with related parties to the Management and Executive Boards.

Directors and Officers do not have any related party transactions to disclose.

The Non-Executive Directors of SYPTE comprise the Chief Executives of the four Districts in South Yorkshire, and the Clerk and Treasurer to the ITA.

24 FINANCIAL INSTRUMENTS

Risk

SYPTE's activities expose it to a variety of financial risks. To minimise these, SYPTE has adopted CIPFA's Code of Treasury Management Practices and receives market guidance from professional advisors. The key risks are:

- Credit risk – This arises from the lending of surplus funds to banks and financial institutions as well as credit exposures to SYPTE's customers. It is the policy of SYPTE to place deposits only with a limited number of high quality banks and financial institutions whose credit rating is independently assessed as sufficiently secure by SYPTE's advisors and to restrict lending to a prudent maximum amount for each institution. At the year end SYPTE provided for a specific bad debt provision of £145k, together with a general provision based on debts over 150 days old of £223k, these were based on outstanding debts of £5.1m. As set out in note 21, the short term deposits have been impaired by £2.9m.

- Liquidity risk – SYPTE has access to a facility to borrow from the Public Works Loan Board so there is no significant risk that SYPTE will be unable to raise finance to meet its commitments under financial instruments. However, all borrowing is now historical as in October 2006 SYITA Members agreed that SYPTE would not need to borrow externally as any new borrowings would be taken on by the SYITA.
- Market risk – SYPTE's loans are at fixed rates but it is exposed to risk in terms of its exposure to interest rate movements on its investments or to default by the borrower. SYPTE adopts a treasury policy to minimise risk.

Financial assets and liabilities by category

Financial assets brought and carried forward all fall into the category of Loans and Receivables.

Financial liabilities brought and carried forward fall into the category of Other Financial Liabilities.

As a consequence, SYPTE has not separately disclosed its financial assets or liabilities by category.

Assets and liabilities are held in pounds sterling.

Fair values

The Fair Value of SYPTE's Long Term Borrowing of £192.375m (31 March 2009: £192.375m) with PWLB has been calculated by the PWLB as £254.423m as at 31 March 2010 by reference to the "Premature Repayment" set of rates in force on that day (31 March 2009: £273.067m). The Fair Value of SYPTE's Long Term Borrowing of £20m (31 March 2009 £20m) with Depfa Bank has been calculated as £24.799m at 31 March 2010 by Sector Treasury Services Ltd, by calculating the Net Present Value of future cashflows. (31 March 2009: £22.303m).

25 FINANCIAL COMMITMENTS

At 31 March 2010 SYPTE had annual commitments under non-cancellable operating leases expiring as follows.

	2010		2009 - Restated	
	SYPTE £'000	GROUP £'000	SYPTE £'000	GROUP £'000
Vehicles				
Within one year	15	15	15	15
Within two to five years	10	10	25	25
After five years	-	-	-	-
	<u>25</u>	<u>25</u>	<u>40</u>	<u>40</u>
Rent Payable				
Within one year	128	128	128	128
Within two to five years	290	290	321	321
After five years	156	156	216	216
	<u>574</u>	<u>574</u>	<u>665</u>	<u>665</u>

26 EXCEPTIONAL ITEM

Yorcard Pilot

During the year the pilot programme for the Yorcard smart ticketing scheme came to an end. The pilot was established to prove the feasibility of using ITSO smartcards in a multi-modal, multi-operator environment and to provide a working research platform for the same.

Following the successful conclusion of the pilot, all the equipment was taken out of service and title passed to third parties. The impairment costs arising on this disposal of £8.242m shown in note 2 are exceptional in nature but are fully covered by grants that had been made available to fund the pilot programme.

27 PRIOR PERIOD ADJUSTMENT

Previous editions of the Local Government SORP required PFI schemes to be accounted for in accordance with FRS 5 Substance of Transactions. SORP 2009 requires these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the HM Treasury's Financial Reporting Manual (FRm) as this will assist in the transition to IFRS for 2010/11.

SYITA, in compliance with SORP 2009 is required to account for Doncaster PFI under the requirements of IFRIC 12. SYPTE's financial statements form part of SYITA's group accounts, therefore it has opted to convert its own accounts for consistency.

The SORP requires PFI assets to be recognised on balance sheet when:

(a) the public sector body controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price; and where

(b) the public sector body controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement.

Under the terms of the contract with Doncaster Bus Station Ltd, the Doncaster PFI contractor, SYPTE has ultimate control of the level, scope and cost of services provided and benefits from residual interest in the asset at the end of the term of the arrangement.

Unitary charge payments previously reported in the income and expenditure account have now been split between service expenses £3,073k, interest charges £3,163k, contingent rental £749k, lifecycle £276k and repayments of the liability £236k.

The opening balance sheet has been restated to recognise tangible fixed assets of £16,742k and short and long-term liabilities of £12,717k.

Debtors have increased by £1,113k due to additional funding provided by the SYITA.

Balances previously recognised within prepayments for an upfront payment to the PFI operator have been removed and debited

against the opening finance lease liability.

28 POST BALANCE SHEET EVENTS

In his budget statement on 22 June 2010, the Chancellor announced that from April 2011 the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases under the South Yorkshire Pension Fund are expected to be lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17 liabilities by between 5% and 8% for most employers. A formal actuarial assessment has not yet been carried out for SYPTE pending finalisation of legislation.