

**GREATER MANCHESTER PASSENGER TRANSPORT
EXECUTIVE**

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2010**

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DIRECTORS' REPORT

The Executive's Consolidated Revenue Account shows a surplus for the year of £9.457 million (2009 restated - £5.314 million). The consolidated distributable reserves of the Executive at the year-end were £34.409 million (31 March 2009 restated - £24.952 million).

The Executive believes that public transport contributes to making Greater Manchester a wealthier, healthier and safer place to live, work and visit. That is why our vision is: making public transport the preferred choice in Greater Manchester. This means working to provide the people of Greater Manchester with the best possible public transport network in terms of quality, safety, attractiveness, convenience and accessibility.

- The number of passenger journeys across Greater Manchester reached more than 267 million in 2009/10, 15.5 million higher than in 2000/01 (the baseline for the Transport Act 2000).
- There were 226 million bus journeys during 2009/10.
- Almost 4,400 of Greater Manchester's bus stops now have shelters; helping to make buses a more attractive option.
- Train passengers in Greater Manchester made almost 23 million journeys on local services last year. The number of rail passenger journeys has more than doubled in the past decade.
- On Metrolink, patronage was 18.2 million, following the launch of a number of marketing and fare evasion initiatives and despite track upgrade work.
- Metrolink reliability (operated mileage) has remained above 98% throughout the year.
- Bus reliability peaked at 98.5% at the end of 2009/10 and the Public Performance Measure (PPM) for Rail is 92%.
- The GMPTE Multi-Modal Tracking survey shows that satisfaction across all regular users of public transport has remained stable, with Bus at 82%, Rail 92% and Metrolink at 91%.

In the past year, GMPTE has successfully completed several major projects and has embarked on delivering a number of new schemes as part of the Greater Manchester Transport Fund.

The Greater Manchester Transport Fund (GTMF) was created on 12 May 2009, when the AGMA Executive approved its creation. It is designed to support the delivery of a number of public transport schemes. These schemes were the subject of a prioritisation exercise, where all the potential schemes were independently assessed on the basis of their contribution to key economic outcomes, environmental and social objectives. The Transport Fund will finance a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to East Didsbury, Ashton, Oldham and Rochdale town centres, Manchester Airport and a second city centre crossing; delivery of a scheme to provide the infrastructure to enable a link across the regional centre (the cross city bus package); development of the Leigh-Salford-Manchester busway; improved interchange facilities at Bolton and Altrincham; a number of park and ride schemes; and a number of rail station development works. These investments will be funded from a combination of central government funding; 'top slicing' existing Local Transport Plan funding; contributions from local partners; and borrowings, supported by agreed increases in contributions from the levy and from net revenues generated from the public transport schemes being delivered as part of the Transport Fund.

Work on the new Metrolink lines to Droylsden in Tameside, Chorlton in Manchester and to Rochdale and Oldham over existing railway lines has continued on schedule, with the first line, to Chorlton, due to open in Spring 2011.

Work has also continued on the extension of the system to Mediacity in Salford, which is due to open in Summer 2010.

A number of projects have been underway to upgrade and renew the Metrolink track and systems, including the replacement of track in Manchester City Centre and the replacement of overhead cabling on the Altrincham line. In addition, work has been ongoing both to increase the number of trams. Eight new trams had been delivered by 31 March 2010, with a further twenty six to follow in the next twelve months and new ticket vending machines have been rolled out across the existing network. In addition, work has been undertaken to improve the customer experience on the Altrincham line in 2009/10 and similar work is planned on the Bury and Eccles lines.

DIRECTORS' REPORT

During the year GMPTE was successful in bidding for £3.2 million of funding from the Department for Transport's 'Green Bus Fund'. Together with other funding these monies are to be used to replace the fleet of vehicles for Metroshuttle bus services in the Manchester City Centre, with a new fleet of environmentally friendly vehicles. In addition, further environmentally friendly vehicles are to be purchased to operate as Yellow School Buses and also to operate on GMPTE's subsidised bus network.

GMPTE was also awarded £1.8 million of 'Kickstart' funding from the Department for Transport in 2009/10. This has been provided in order to subsidise the provision of new bus services with the aim of securing these services on a commercial basis in the longer term. This funding will support new routes and the extension of existing services across all parts of the region.

GMPTE is also working on the delivery of a smartcard ticketing system which will initially be launched on Metrolink, but which will subsequently be rolled out across the bus and rail networks in the future, subject to the availability of funding. This initiative is being supported by upto £2.2 million of grant from the Department of Transport.

GMPTE has undertaken a project in the year to review its accounting policies and practices ahead of the requirement to adopt International Financial Reporting Standards in 2010/11. The conversion process is on schedule and regular updates have been provided to the Audit Committee during the year. Ahead of the conversion and following this review, GMPTE has made certain adjustments to the accounting treatments used in preparing the statement of accounts in 2009/10; the impact of which are described in these accounts.

GMPTE has also continued to make improvements to its structure during the year to help it deliver its ambitious plans.

Members of the Executive

The Directors of the Executive who held offices of Statutory Members during the year, in accordance with Section 9 (2) of the Transport Act 1968, were as follows:

D Leather	- Chief Executive Officer (on contract from Ernst & Young LLP)
MCR Renshaw	- Projects Director – acting Bus and Rail Director
SG Warrener	- Finance & Corporate Services Director
Sir H Bernstein	- Non Executive Director
K Giles	- Non Executive Director
C Ainscow	- Non Executive Director

In addition to the Statutory Members above, the following individuals held non-statutory Director roles:

David Hytch	- Information Systems Director
Philip Purdy	- Metrolink Director
Susan Wildman	- Communications and Customer Services Director (appointed March 2010)
David Newton	- Transport Strategy Director (appointed April 2010)
Robert Morris	- Interim Chief Operating Officer (appointed June 2009 - on contract from Parsons Brinkerhoff Limited)
Paul Griffiths	- Interim Projects Director (resigned November 2009 - on contract from Acuity Programme Management Limited)
Adam Goulcher	- Interim Director of Strategy (resigned February 2010)
Dean Nicholson	- Interim Communications and Customer Services Director (appointed June 2009 – resigned March 2010)

DIRECTORS' REPORT (continued)

Disabled employees

GMPTe gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is GMPTe's policy wherever practicable to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

GMPTe's management meet regularly to discuss current developments with employee representatives.

Grants

The Executive's net expenditure, after taking into account all sources of income and expenditure, is financed primarily by way of revenue grant from the Greater Manchester Integrated Transport Authority (GMITA). GMITA makes a levy on the ten district councils in Greater Manchester to meet its own expenditure which includes the revenue grant to the Executive. GMITA also receives special rail grants and bus grants from central government to fund the Executive's rail franchise payments and to improve bus services in rural areas and in the most deprived urban areas. During the previous year, GMITA received grants from central government in support of the bid to the Government's Transport Innovation Fund. Capital grants are also receivable from GMITA in respect of approved expenditure on capital schemes.

The grants receivable by the Executive from GMITA were as follows:

	2010	2009
	£000	£000
Revenue grants	139,460	129,967
English National Concessionary Travel Scheme Grant	10,768	10,638
Bus grants	414	710
Special rail grants	79,862	79,621
Transport Innovation Fund (TIF) grant	-	13,778
Other government grants	556	806
	<u>231,060</u>	<u>235,520</u>
Capital Grants	<u>211,924</u>	<u>137,298</u>

SG WARRENER
Director

MCR RENSHAW
Director

29 July 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Executive's Responsibilities

The Executive is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Finance and Corporate Services Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Finance and Corporate Services Director's Responsibilities

The Finance and Corporate Services Director is responsible for the preparation of the Executive's statement of accounts, which are required to present fairly the financial position of the Executive at the accounting date, and the revenue account for the year ended 31 March 2010.

In preparing this statement of accounts, the Finance and Corporate Services Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent.

The Finance and Corporate Services Director has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the statement of accounts give a true and fair view of the financial position of GMPTE as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

SG WARRENER
Finance and Corporate Services Director

29 July 2010

ANNUAL GOVERNANCE STATEMENT

1. Introduction

The GMPTE Annual Governance Statement forms part of the Executive's Governance Framework and results from the requirement to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement which forms part of the Annual Accounts. Governance has been defined as being 'about how bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner' and this statement shows how effective the Executive's governance systems and processes are.

2. Scope of responsibility

The Executive is responsible for implementing the policies of the Greater Manchester Integrated Transport Authority. In fulfilling this role the Executive is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Whilst the Executive does not have a duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

GMPTE has followed the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* in preparing this statement. This Statement explains how the Executive has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which require GMPTE to publish a statement on internal control, as defined in the Annual Governance Statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and the culture and values, by which the Executive is directed and controlled, the activities through which it is made accountable to, engages with, and supports the community. The Framework enables the Executive to monitor the achievement of its corporate 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 assurance and not absolute assurance of effectiveness. Internal control is an ongoing process, designed to identify and prioritise the risks to the achievement of the Executive's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Governance Arrangements

The function of governance is to ensure that an organisation fulfils its purpose and achieves the intended outcomes for its end users, and to ensure that it operates in an effective, economic and ethical manner.

ANNUAL GOVERNANCE STATEMENT

An important element of governance is the internal control environment that includes the Executive's policies, procedures and operations that are in place to:

- establish and monitor the achievement of the GMPTE's objectives;
- identify, assess and manage risks to achieving these objectives;
- facilitate policy and decision making;
- ensure value for money;
- ensure compliance with established policies (including ethical expectations) procedures, laws and regulations;
- safeguard our assets and interests from losses such as arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data including internal and external reporting and accountability processes.

3. Key Principles of Governance

Principle 1: Focusing on the purpose of GMPTE and on outcomes for the community and on creating and implementing a vision for the local area

GMPTE's role is to carry out GMITA's policies either by providing and managing facilities itself or by contracting with bus, tram and train operators to provide them. The overarching policies focus on the development of a transport system, which contributes to the economic competitiveness of Greater Manchester; aim to address problems of transport related social exclusion; respect the area's environment; acknowledges the diversity of the Greater Manchester community; and provide people with attractive travel choices.

This is captured in GMPTE's vision for the people who live and work within the region of Greater Manchester; "To make public transport the preferred choice in Greater Manchester". This vision continues to lay the foundations for, and to underpin GMPTE's strategic objectives and its key business priorities. The vision is also captured and communicated internally in GMPTE's values: Delivery, Partnership, Ambition, Respect and Responsibility.

A few of the key areas of activity undertaken in the year ended 31 March 2010 include:

- *Expanding and modernising the Metrolink network:* building new lines to Oldham and Rochdale, Chorlton, MediaCityUk and Droylsden; renewing the city centre track and the overhead line on the Altrincham line; installing new ticket machines; improving passenger facilities and introducing new trams to increase capacity.
- *Supporting and enhancing bus travel:* building and maintaining bus stations, stops and almost 4,400 bus shelters; providing Local Link services; extending the Metroshuttle services; piloting solar powered ticket machines and providing shopping link services.
- *Working in partnership to deliver better rail services:* providing additional car facilities and spaces; station upgrades including those at Daisy Hill, Bromley Cross and Hall i'th'Wood; booking office improvements; and completion of the third rail platform at Manchester Airport.
- *Delivering for Greater Manchester:* using transport to help support and create jobs; adding to the economic growth of our region; providing accessible, affordable and quality public transport; designing a transport strategy for the 21st century and developing innovative solutions for delivering public transport.
- *Providing quality services for our passengers:* issuing concessionary passes to the over 60's, children and people with disabilities; transporting more than 2,200 children to and from schools on a fleet of Yellow School Buses; providing Ring and Ride services, the Travel Voucher scheme and Traveline.
- *Establishing the Greater Manchester Transport Fund:* which will deliver further extensions to Metrolink; more park and ride facilities; the cross city bus package; station and stop upgrades; and delivering environmental improvements to secure maximum economic benefit for Greater Manchester.

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Whilst GMPTE does not have a statutory duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, with particular emphasis placed on achieving value for money. The organisation continues to ensure that its governance and processes are fit for purpose to reflect delivery and service quality priorities and to meet the challenges of the operating environment.

The Environmental Policy states that “GMPTE aims to enable the local public transport network and the GMITA and GMPTE in their own activities, to contribute to sustainable development, a cleaner local environment and assist in tackling climate change”. During 2009/10 GMPTE has:

- retained certification to Environmental Management System ISO 14001;
- delivered internal environmental training, including induction for new starters and regular meetings of a ‘Green Action Team’; and
- while working on the new Metrolink lines and on all of its other capital schemes, liaised closely with its stakeholders to protect wildlife by carrying out ecological surveys, clearing the routes carefully and planting more trees than are removed.

Principle 2: Working together to achieve a common purpose with clearly defined functions and roles

The leadership and decision making functions within GMPTE are exercised by the Executive Board and the Executive Group whose responsibilities are clearly set out in the Executive’s Constitution. The Executive Board is the ultimate decision making body within the Executive and is responsible for determining strategic issues and policy on the exercise of its powers and the conduct of its business. The Constitution specifies the particular functions of the Executive Board which may not be delegated. Day to day management of the Executive is delegated to the Executive Group.

The Executive Group’s core functions are to:

- co-ordinate the Executive’s business planning and performance management processes;
- be responsible for all financial, budgetary and procurement matters;
- approve corporate policies; and
- formulate, for approval by the Executive Board, the Executive’s input to the Local Transport Plan and other relevant documents.

The Executive’s Scheme of Delegation sets out details on levels of authority to approve expenditure. These have been communicated to all staff.

In determining a Scheme of Delegation, the Executive has reserved powers within its Constitution in respect of those matters reserved for collective decision making. Officers in exercise of delegated powers under the Scheme of Delegation must ensure decisions are taken in accordance with legal requirements, the provisions of the Constitution, capital and revenue budgets and established policies, plans and procedures.

A Board Sub-Committee, composed of the Chief Executive Officer, a Non-Executive Director, the Director of Finance and Corporate Services and the Head of Human Resources has delegated responsibility from the Board to oversee all matters relating to the remuneration and terms and conditions of GMPTE employees.

All staff, including senior management, have clear conditions of employment and job profiles which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Head of Human Resources.

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The Solicitor and Secretary carries out the statutory functions of the Monitoring Officer with overall responsibility for legal issues and her staff work closely with elected members and GMPTE staff to provide advice where appropriate. All reports to the Executive and its Committees include details of any legal considerations or implications.

The Director of Finance and Corporate Services has overall responsibility for financial issues and all reports to GMPTE and its Committees include details of any financial implications.

Principle 3: Promoting values for GMPTE and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Executive Board is fully committed, through its policies and actions, to maintaining high standards of conduct and behaviour and to promoting a culture in which these can be openly practised. Work is continuing to promote and embed our Values in the day to day business of GMPTE. Work is also continuing to put in place mechanisms to measure the effectiveness of the organisational Values.

The five corporate Values (Delivery, Partnership, Ambition, Respect and Responsibility) underpin the GMPTE vision. To raise and maintain awareness and ultimately to embed these Values, staff briefings have been held; lunchtime seminars conducted; regular e-mail communications sent; and an intranet microsite has been established. Values are also re-iterated in key corporate documents including the Business Plan and the Annual Report, and underpin the performance management and business planning processes.

GMPTE takes fraud, corruption and maladministration very seriously and has a Counter Fraud and Corruption Policy in place, which includes:

- a fraud response plan;
- a whistleblowing policy;
- theft response procedures; and
- a hospitality policy and procedure.

The Counter Fraud and Corruption Policy includes, as separate appendices, the Seven Principles of Public Life (Nolan Committee) and a Code of Conduct.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution documents procedures including financial regulations and procurement rules. This is compliant with the duties and responsibilities of the Executive provided under the Transport Acts 1968, 1983, 1985 and 2000, the Local Government Act 1972 and the Transport Works Act 1992.

In accordance with GMPTE's Constitution, the Executive is responsible for the delivery of the Authority's policy for public passenger services and transport facilities. Responsibilities for decision-making are clearly identified in the Constitution.

Effective scrutiny of decisions and business performance is provided in a number of ways. Minutes of the business of the Executive Group are considered by the Executive Board. The Board includes three non-executive directors to provide independent challenge and scrutinise both proposed decisions and the performance of GMPTE Directorates.

An Executive Programme Board and a number of Programme and Projects Boards meet at least monthly to review and sanction the development and implementation of all programmes and projects.

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Performance updates are reported to the Board monthly. Performance updates are also presented to the GMITA Policy and Resources Committee four times a year.

The proceedings of the Executive Board and the Executive Group, and the decisions taken are formally minuted. The minutes are signed by the Chief Executive Officer and approved by the Board. Mechanisms are in place to ensure that any conflicts of interest are declared and recorded.

In addition GMPTE has an Audit Committee, which meets at least quarterly, chaired by a non-executive director of the GMPTE Board, to support the Board in discharging its responsibilities with regard to risk, control and governance and associated assurance. In particular, the Audit Committee advises the Executive Board on:

- the overall adequacy and effectiveness of the strategic processes for risk management, internal control and the Annual Governance Statement;
- the robustness of financial controls, including the financial reporting process, accounting policies, the Annual Report and Accounts of the Executive, to ensure that published financial information has integrity, is well balanced, and transparent; and also the extent to which assets are safeguarded against fraud and irregularity;
- the adequacy of management responses to recommendations made by the internal and external auditors in their reports;
- progress against planned activity and results of both internal and external audit work; and
- the assurances obtained regarding the adequacy and effectiveness of GMPTE's arrangements to satisfy the requirements of the CIPFA/SOLACE framework of corporate governance.

The Audit Committee was initially constituted in 2005, and its terms of reference were reviewed in 2008/09 and again in 2009/10. This further clarified the Committee's role and amended its membership to comprise one non-executive Member of the Board and two independent members, with other Directors and Board Members to attend, if required, at the invitation of the Chair.

As part of GMPTE's corporate governance framework, the Audit Committee has overall responsibility for the risk management framework and for providing the Board with assurance that the agreed risk management process is in place and is effective.

In addition to the quarterly oversight of the framework provided by the Audit Committee, GMPTE's Executive Group meets to review the Strategic Risk Register four times a year and further ad hoc meetings of the Executive Group are convened as required.

In line with GMPTE's risk management process, each risk on the Strategic Risk Register is assigned an owner. A series of actions designed to mitigate each risk are identified and monitored regularly.

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As part of GMPTe's ongoing plan to embed its risk management process within the business, the centralised risk management system was updated in 2009/10. The database provides greater access and visibility of risk information across the entire organisation, while supporting the risk process and delivering improved risk reporting at all levels. In addition, risk is explicitly considered in all reports presented to the Board, the Executive Group and the Executive, Programme and Project Boards and risk reviews are embedded in the Executive's project and programme management procedures.

Principle 5: Developing the capacity and capability of members and officers to be effective

Effective local government relies on public confidence in organisations and their officers. Good governance strengthens credibility and confidence in public services. Public Bodies need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding and GMPTe needs people with the right skills to direct and control them effectively. In addition, governance is strengthened by the participation of people with many different types of knowledge.

The Human Resources department provides a corporate induction programme to all new starters. The induction process includes elements relating to Internal Audit, risk management and countering fraud and corruption.

Learning and Development requirements are captured as part of the Performance Review process. Training plans are then developed and training is provided either in-house or through external training organisations.

Work to develop a Competency Framework, in which staff assess themselves against core and other key (technical, managerial etc) competencies, continued in 2009/10. Skills gaps identified are being incorporated into Learning and Development plans.

All staff, including senior management, have job profiles which clearly set out their roles and responsibilities. Job profiles are prepared in advance of the recruitment and selection process and assist GMPTe in ensuring that all staff possess the necessary skills to undertake their roles.

During 2009/10, the Performance Review process and systems were updated and enhanced, using a computerised Performance Review Portal system on the Intranet.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

GMPTe carries out a range of engagement and consultation activities with residents and other stakeholders, such as transport operators, throughout the year, including, for example, six-monthly tracking surveys to identify transport priorities as well as specific consultation on new schemes.

GMPTe's aim is to keep its various stakeholders informed and up to date in relation to all aspects of Metrolink and other expansion and improvement projects, helping to maximise support through a structured programme of transparent 'no surprises' communications activity and community engagement. This involves consulting with key stakeholders in local communities and public bodies including passengers; schools; local and national political groups; emergency services; disability groups; other public transport providers; environmental groups and the media.

GMPTe engages with these groups in a variety of ways in order to meet both the circumstances of the projects and the needs of the stakeholders. This includes engagement by means of meetings; drop in session at local venues; letter drops; newsletters; home/workplace visits; presentations and news releases.

As part of developing the public transport schemes which are part of the Greater Manchester Transport Fund, major public consultations are being carried out, providing extensive data on the public's views, not only with regard to the proposals within the GMTF schemes, but also on public transport in Greater Manchester as a whole. This information has been invaluable in supporting further plans and proposals for improvements and the successful development of the GMTF.

ANNUAL GOVERNANCE STATEMENT

4. Review of Effectiveness

The Executive is responsible 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 a responsibility administered by the Audit Committee and informed by the work of the Head of Audit and Assurance's annual report, and also by comments made by the external auditors and other assurance providers.

Audit Committee

The Audit Committee is responsible for reviewing the activity of internal and external audit in providing assurance over the effectiveness of internal controls.

Assurance and internal audit

The Audit and Assurance Department delivers an internal audit service that objectively examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The function operates in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of Audit and Assurance is informed by an analysis of the risks to which the Executive is exposed and annual audit plans are informed and developed from this analysis. The Head of Audit and Assurance agrees the Annual Audit Plan with, and reports to, the Audit Committee and has access to all Executive Officers and Members.

The function is augmented by a Programme Assurance Delivery Partner, whose remit is to assess the quality of project and programme management processes and procedures and to act as a further line of defence in ensuring effective procedures, processes and controls are in place for the management of capital and non-capital projects and programmes.

External audit

The external auditors will issue the following reports in respect of 2009/10:

- Annual Governance Report;
- Audit opinion;
- Value for Money Conclusion; and
- Annual Audit Letter.

Financial control assurance

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

- comprehensive budgeting and forecasting systems;
- regular reviews of periodic and annual financial reports which compare financial performance against the budget and forecasts;
- setting targets to measure financial and other performance;
- clearly-defined capital expenditure guidelines; and
- formal programme and project management disciplines.

ANNUAL GOVERNANCE STATEMENT

5. Significant Governance developments

The Executive is committed to a culture of continuous improvement and ensuring value for money. The annual Governance Statement identifies areas where improvements have been made. As part of the drive for continuous improvement and value for money the Executive will need to continue to focus its efforts on these and other areas during 2010/11. The Audit Committee and the Executive Board will closely monitor these improvements.

Resource management

Modifications continue to be made to the organisational structure of GMPTE on an incremental basis, to ensure that its structure reflects the changing demands on the organisation.

Risk management

Risk management focuses on managing threats and opportunities; and creating an environment of 'no surprises'. It focuses on managing and mitigating risk without stifling innovation. GMPTE is continually improving its risk management system to ensure that it remains robust and supports delivery of the organisation's objectives. Developments in 2009/10 include:

1. Enhancements to the functionality of the Predict Risk Management Software (Predict) and contract management:
 - a. Upgrade to latest version of the Predict software. Regular upgrades and 'hot-fixes' will continue as part of the ongoing management of the software.
 - b. Introduction of service level standards between Risk Decisions Ltd (RDL), providers of Predict, and GMPTE in order to improve service quality. Monthly performance reviews with RDL have commenced and will continue throughout 2010/11.
2. Regular review and reporting of risks in GMPTE at strategic, operational and project-related levels continued in 2009/10 with the completion of a validation exercise of GMPTE's Strategic and Directorate risk registers.
 - a. Regular reviews and updates of all risk registers (Strategic, Programme, Project, and Directorate) will continue in 2010/11.
 - b. Regular reports on the strategic, operational and project-related risks are submitted to the Audit Committee and the Programme boards, and are included in the monthly Business Performance Report to the Executive Board.
3. Reviews and updates to, and where necessary standardisation of, policies and procedures.
4. Development of an 'escalation/tiered scoring' framework' that facilitates effective risk evaluation and escalation of risks from departments/directorates/programmes/projects to the Strategic Risk Register

Implementation and embedding of such developments will continue during 2010/11.

Governance Framework

GMPTE's governance framework was updated and approved by the Executive Board in October 2009. This brings together:

- the requirements of the GPMTE Constitution;
- the internal GMPTE assurance process, including via the various Programme and Project Boards; and
- the day-to-day management of the organisation's operations.

ANNUAL GOVERNANCE STATEMENT

The review resulted in some amendments and restructuring of the constitutional bodies, the most significant changes being:

- the removal of the Project Review Panel, with its accountabilities being split between Programme and Project Boards (approvals) and the establishment of a new Gateway Review Panel (assessment and recommendations);
- the removal of the Research Advisory Board, with its accountabilities transferring to the Transport Strategy Directorate.

The effectiveness of these arrangements will continue to be monitored and reviewed, as necessary, during 2010/11.

6. Conclusion

On the basis of the review of the sources of assurance set out in this statement, the Directors are satisfied that, throughout the year and up to the date of the approval of the accounts, GMPTE had in place satisfactory systems of internal control which facilitate the effective exercise of the organisation's functions.

SG WARRENER
Director

MCR RENSHAW
Director

29 July 2010

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF GREATER MANCHESTER PASSENGER TRANSPORT EXECUTIVE
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Opinion on the financial statements

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

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

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the accounting statements in accordance with the Accounts and Audit Regulations 2003 as amended. My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Executive and its income and expenditure for the year. I also report to you whether, in my opinion, the information which comprises the Directors' Report, is consistent with the accounting statements.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/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 the Executive's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Directors' Report and consider whether it is consistent with the audited accounting statements. This other information comprises only the Grants section in the Directors Report. 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 judgements made by the Executive in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Executive's circumstances, consistently applied and adequately disclosed.

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

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

Opinion

In my opinion:

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

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

Executive's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, I am satisfied that, in all significant respects, Greater Manchester 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.

Mick Waite
District Auditor
Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ
29 July 2010

ACCOUNTING POLICIES 31 March 2010

Introduction

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended 2006). These require the accounts to be no less informative than if the disclosure requirements of the Companies Acts were, as far as appropriate, applicable. They also require that the accounts are prepared in accordance with proper professional practices, which for GMPTE is UK GAAP. In all material respects these accounts are prepared on this basis, with the exception of the Deregulation Reserve (see note 17).

Basis of Preparation

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain tangible fixed assets, and in accordance with accounting standards to the extent that they are considered to be appropriate to Passenger Transport Executives.

Consolidation

The consolidated accounts comprise the accounts of the Executive and all its subsidiary and associated undertakings drawn up to 31 March 2010.

Tangible fixed assets

Tangible fixed assets are recorded at historical cost with the exception of certain land and buildings recorded at valuation. The Executive has followed the provisions of FRS 15 (Tangible Fixed Assets) to retain the book value of land and buildings.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold and long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Infrastructure assets (see note * below)	20 to 50 years
Plant and equipment (including software)	3 to 10 years
Vehicles	3 to 5 years
Metrolink trams	30 years

* Infrastructure assets includes a number of categories of assets relating to the Metrolink network. Further details of the asset lives within this category are given below:

Civil structures	50 years
Stations	30 years
Track and track bed	20 to 30 years
Ticket machines and information points	20 years
Overhead power lines	30 years
Signalling/telecoms	20 years

Depreciation is applied with effect from the date that the assets are placed in service. The amortisation of the funding used for the acquisition of the assets is applied from the same date. The combined treatment of the depreciation of cost and the amortisation of capital grant funding is neutral to the revenue result reported.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

During the year, and as part of the preparation for conversion to International Financial Reporting Standards, a review of the presentation of Metrolink assets was performed to ensure that assets are appropriately classified. As part of this review the useful economic life of each category was re-assessed. Further details of this review are given at note 7(a). The impact of this review was to increase the amount of cumulative depreciation brought forward at 31 March 2009 by £16.0 million. There was also an increase of £16.4 million in cumulative amortisation of grant funding. These changes have been treated as a prior period adjustment in these accounts; further details of which are given at note 7(a).

Assets under construction

Assets under construction relate to expenditure incurred in respect of assets which are not operational at the balance sheet date. Capital project grants are grants receivable relating to capital project expenditure. Upon the associated assets becoming operational, the expenditure is transferred to fixed assets and depreciated accordingly. The related grants are transferred to deferred capital grants and amortised on the same basis as expenditure. In the event that capital expenditure does not directly result in an operational asset which is owned by GMPTE, the costs and related grants are transferred to the revenue account.

Capital grants

Capital grants for tangible fixed assets are credited to Deferred Capital Grants and released to revenue over the life of the assets to which they relate.

Capital grants received for Metrolink assets have been apportioned against the total cost of those assets. To the extent that these grants are apportioned against the costs of acquiring land they are not being released to the revenue account.

Capital grants received in relation to expenditure incurred on passenger transport facilities in which title vests with other organisations, (including expenditure relating to vehicles for mobility impaired passengers) are written off in the year of application.

Capital grants received which relate to assets under construction are shown in Capital Project Grants. The grants are credited to Deferred Capital Grants following capitalisation of the underlying assets.

Rail services - funding

Local rail services are provided under the terms of a number of Franchise Agreements. GMPTE is a co-signatory to the Northern Rail franchise, with the Department for Transport and the other PTEs into whose areas the Train Operating Company runs services. Under the terms of the Franchise Agreement, each of the funding parties has contracted to pay, direct to the Franchisee, annual sums in respect of their share of the services being provided. In addition, financial bonuses or penalties are applied according to how well the operator performs against certain specific benchmarks in terms of train service reliability and punctuality, and also according to a number of specific criteria against which the quality of service provision at stations and on trains is assessed.

The costs of the Franchise and of certain direct costs of rail support are currently being funded by a special rail grant, which is paid by the Department for Transport directly to GMITA/GMPTE.

Turnover

Turnover, all of which arises within the United Kingdom and which is stated net of value added tax, represents income arising from Metrolink fares, services provided, rental income, and advertising revenues, including estimates in respect of services provided but not invoiced at the year end.

Leasing activities

Amounts receivable under finance leases are stated net of interest allocated to future periods. Interest is allocated to accounting periods so as to produce a constant periodic rate of income on the remaining net investment. Rentals receivable under operating leases and secondary rentals received and retained by the group under finance leases are credited to income as they arise.

Investment properties

Investment properties are revalued annually in accordance with SSAP 19. Any surplus arising is transferred to a revaluation reserve, together with any deficit, to the extent that there was previously a surplus, arising therefrom. No depreciation or amortisation is provided thereon.

Finance and operating leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the revenue account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Stock

Stock is carried at the lower of cost and net realisable value. Certain maintenance stocks that are held in relation to the Metrolink system are carried at their net realisable value which is considered to be £nil (31 March 2009: £nil) due to the specialised nature of these stocks. The cost of replenishing these stocks is written off to the revenue account in the period in which they are purchased.

Short term deposits

Surplus cash funds available to the Executive are deposited, interest free, with the Greater Manchester Integrated Transport Authority. Such amounts are shown as a debtor in the Executive's accounts.

Pensions

The Executive participates in a defined benefit pension scheme, the assets of which are held separately from those of the Executive in an independently administered fund. The fund is valued every three years by a professionally qualified independent actuary. The pension costs of the Executive, representing the contributions payable to the fund in respect of current employees, are charged to the revenue account in the year in which they are incurred as part of "Administration and Management Costs". In addition the Executive has an ongoing liability for pensions increase costs in respect of certain past employees or their dependants. To the extent that they cannot be met by the Pension Fund itself these costs are identified and shown separately under the heading "Unfunded pension costs".

Pension costs have been charged to the income and expenditure account in line with FRS 17 and reversed out below the surplus for the year in accordance with the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation 2003 as amended.

The Executive's pension costs have been determined on the basis of contribution rates that are set to meet the full liabilities of the independently administered fund.

Provisions

Provisions are recognised when the Executive has a present, legal or constructive obligation as a result of a past event which makes it probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

REVENUE ACCOUNTS for the year ended 31 March 2010

	Notes	Consolidated		Executive	
		2010	2009	2010	2009
		£000	Restated £000	£000	Restated £000
Revenue Grant		139,497	129,967	139,497	129,967
English National Concessionary Travel Scheme Grant		10,768	10,638	10,768	10,638
Rural / Urban Bus Grant		414	710	414	710
Special Rail Grant		79,862	79,621	79,862	79,621
TIF Grant		-	13,778	-	13,778
Other government grants		606	806	606	806
Total Revenue Grants		<u>231,147</u>	<u>235,520</u>	<u>231,147</u>	<u>235,520</u>
Provision of passenger transport facilities - grants	7(b)	38,811	8,782	38,811	8,782
Metrolink income	1	19,232	21,608	19,232	21,608
Other income	2	16,059	15,593	15,777	15,262
Total income		<u>305,249</u>	<u>281,503</u>	<u>304,967</u>	<u>281,172</u>
Concessionary fare scheme		(62,244)	(62,695)	(62,244)	(62,695)
Supported bus services		(37,424)	(34,851)	(37,424)	(34,851)
Accessible transport		(6,366)	(6,446)	(6,366)	(6,446)
Rail franchise		(78,676)	(78,348)	(78,676)	(78,348)
Metrolink		(18,852)	(23,077)	(18,852)	(23,077)
Operational costs		(44,387)	(57,121)	(44,080)	(56,862)
Total operating expenditure		<u>(247,949)</u>	<u>(262,538)</u>	<u>(247,642)</u>	<u>(262,279)</u>
Unfunded pension costs	24	(443)	(425)	(443)	(425)
Pensions - current service cost	24	(1,800)	(2,700)	(1,800)	(2,700)
Provision of passenger transport facilities - costs	7(b)	(38,811)	(8,782)	(38,811)	(8,782)
Total expenditure		<u>(289,003)</u>	<u>(274,445)</u>	<u>(288,696)</u>	<u>(274,186)</u>
Operating surplus for the year	3	16,246	7,058	16,271	6,986
Income from investments and loans	4	5	26	555	670
Interest payable and finance costs	5	(7,415)	(4,470)	(7,415)	(4,470)
Net finance cost of pension scheme	24	(4,200)	(2,100)	(4,200)	(2,100)
Transfer from pensions reserve	24	6,000	4,800	6,000	4,800
		10,636	5,314	11,211	5,886
Profit / (loss) on disposal of tangible fixed assets		(79)	1,100	(731)	249
Surplus for the year before taxation		10,557	6,414	10,480	6,135
Taxation charge for the year	6	-	-	-	-
Surplus for the year after taxation	16	10,557	6,414	10,480	6,135
Transfer to Deregulation Reserve	17	(1,100)	(1,100)	(1,100)	(1,100)
Surplus for the year		<u>9,457</u>	<u>5,314</u>	<u>9,380</u>	<u>5,035</u>

All amounts relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 March 2010

	Notes	Consolidated		Executive	
		2010	2009	2010	2009
		£000	Restated £000	£000	Restated £000
Surplus for the year		9,457	5,314	9,380	5,035
Transfer from Deregulation Reserve	16,17	1,100	1,100	1,100	1,100
Unrealised (deficit) on revaluation of investment properties	15	(96)	(66)	-	-
Net (loss) on the pension scheme FRS 17 valuation	24	(81,200)	(33,500)	(81,200)	(33,500)
Total recognised (losses) for the year		<u>(70,739)</u>	<u>(27,152)</u>	<u>(70,720)</u>	<u>(27,365)</u>

The total impact of the prior period adjustment made in the year (see notes 7(a) and 13) was to increase reserves by £311,000.

The notes on pages 24 to 44 form part of these accounts.

BALANCE SHEETS at 31 March 2010
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	Notes	Consolidated		Executive	
		2010 £000	2009 Restated £000	2010 £000	2009 Restated £000
FIXED ASSETS:					
Tangible fixed assets	7(a)	334,391	285,982	334,356	285,912
Assets under construction	8	403,776	288,165	403,573	287,940
Investments	9(a)	-	-	2,758	2,758
Investment property	10	295	369	-	-
		738,462	574,516	740,687	576,610
LONG TERM DEBTORS	11	275	2,540	275	2,540
CURRENT ASSETS:					
Debtors	11	96,559	73,094	96,605	73,113
Cash at bank and in hand	19	799	667	569	359
		97,358	73,761	97,174	73,472
CURRENT LIABILITIES:					
Creditors: amounts falling due within one year	12(a)	(69,986)	(52,396)	(73,243)	(55,436)
Bank overdrafts	19	-	-	-	-
		(69,986)	(52,396)	(73,243)	(55,436)
NET CURRENT ASSETS		27,372	21,365	23,931	18,036
TOTAL ASSETS LESS CURRENT LIABILITIES		766,109	598,421	764,893	597,186
LONG TERM LIABILITIES:					
Provisions for liabilities and charges	12(b)	(2,305)	(3,821)	(2,305)	(3,821)
LOAN CAPITAL	14	(74,300)	(74,887)	(74,300)	(74,887)
DEFERRED CAPITAL GRANTS	13	(302,829)	(257,403)	(302,829)	(257,403)
CAPITAL PROJECT GRANTS	8	(402,229)	(288,325)	(402,229)	(288,325)
NET PENSION (LIABILITIES) / ASSETS	24	(39,700)	41,500	(39,700)	41,500
		(55,254)	15,485	(56,470)	14,250
REPRESENTED BY:					
RESERVES:					
Undistributable reserves	15	4,573	4,669	2,668	2,668
Distributable revenue reserves	16	34,409	24,952	35,098	25,718
Pensions reserve	24	(39,700)	41,500	(39,700)	41,500
		(718)	71,121	(1,934)	69,886
DEREGULATION RESERVE	17	(54,536)	(55,636)	(54,536)	(55,636)
	21	(55,254)	15,485	(56,470)	14,250

These accounts were approved by the Executive on 29 July 2010

SG WARRENER
Director

MCR RENSHAW
Director

The notes on pages 24 to 44 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2010
--

	Notes	2010		2009	
		£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		22,417		10,946
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:					
Interest received		5		26	
Interest paid		<u>(4,257)</u>		<u>(4,334)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(4,252)		(4,308)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:					
Payments for assets under construction		(181,277)		(137,514)	
Capital grants/contributions received		163,831		130,389	
Receipts from sale of surplus assets less costs of disposal		<u>652</u>		<u>1,100</u>	
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			<u>(16,794)</u>		<u>(6,025)</u>
NET CASH INFLOW BEFORE FINANCING			1,371		613
FINANCING:					
Repayment of monies advanced		26		291	
Loans repaid	14(a)	<u>(1,265)</u>		<u>(1,167)</u>	
NET CASH OUTFLOW FROM FINANCING			<u>(1,239)</u>		<u>(876)</u>
INCREASE / (DECREASE) IN CASH	20		<u>132</u>		<u>(263)</u>

The notes on pages 24 to 44 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Metrolink

Since 15 July 2007, GMPTE has contracted with Stagecoach to provide the operation of the Metrolink service. Under this contract, GMPTE receives all revenues generated by Metrolink and pays Stagecoach an operating fee partly linked to system performance. Therefore the accounts reflect the full income and costs of operating the Metrolink system. The Metrolink income shown in the revenue account is net of the concessionary income which is allocated to Metrolink based on the level of use by concessionary passengers; the cost of which is part of the concessionary fare scheme costs of GMPTE. The Metrolink income position gross and net of concessionary income is shown below:

	Consolidated and Executive	
	2010	2009
	£000	£000
Total Metrolink income	23,202	25,708
Less concessionary income	(3,970)	(4,100)
	<u>19,232</u>	<u>21,608</u>

2. Other Income

Operating income was derived from the following sources:

	Consolidated		Executive	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bus station facility charges	2,893	2,877	2,893	2,877
Subsidised bus services	5,914	6,239	5,914	6,239
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	5,193	4,396	4,911	4,091
Rents and service charges	1,523	1,525	1,523	1,499
Advertising revenue	536	556	536	556
	<u>16,059</u>	<u>15,593</u>	<u>15,777</u>	<u>15,262</u>

NOTES TO THE ACCOUNTS

3. Operating surplus for the year

(a) The operating surplus for the year has been stated after the following amounts have been charged or (credited):

	Consolidated		Executive	
	2010	2009	2010	2009
	£000	Restated £000	£000	Restated £000
Remuneration of Statutory Directors (note 3(c))	316	331	316	331
Depreciation (note 7(a)):				
Current year charge	17,424	16,349	17,389	16,292
Auditors' remuneration - audit	97	111	80	92
Rents receivable	(1,523)	(1,525)	(1,523)	(1,499)
Capital grants released (note 13)				
Current year charge	(15,463)	(14,489)	(15,463)	(14,489)
Operating lease rentals	602	678	597	673

(b) Transport Innovation Fund costs:

An analysis of the costs incurred in the previous year in developing the public transport and other associated schemes that formed part of the Transport Innovation Fund, and the associated funding sources for those costs, is shown below.

	Consolidated and Executive	
	2010	2009
	£000	£000
Costs		
Revenue costs	-	15,750
Capital costs	-	8,682
	<u>-</u>	<u>24,432</u>
Funded by		
DfT grant (received via GMITA)	-	14,659
GMITA grant	-	7,801
Revenue reserves	-	1,972
	<u>-</u>	<u>24,432</u>

(c) Remuneration of Statutory Directors:

The aggregate amount of the emoluments of the Statutory Directors and Non-Executive Directors, including pension contributions were:

	2010	2009
	£000	£000
Salaries	224	253
Fees	63	46
Pension contributions	29	32
	<u>316</u>	<u>331</u>

During the year two of the Statutory Directors (2009: three) participated in the defined benefit scheme.

The highest paid Statutory Director received remuneration of £124,845 (2009: £123,555). Pension contributions of £16,230 were paid with regard to the highest paid director who had accrued a pension of £16,051 and a pension lump sum of £35,670.

NOTES TO THE ACCOUNTS (continued)

Fees paid for the services of Statutory and Non-statutory interim Directors amounted to £857,481 (2009: £658,625). The services were provided by Ernst and Young LLP, Acuity Programme Management Limited and Parsons Brinckerhoff Limited. These costs relate to the fees for three Directors in 2009/10 (2009: two).

(d) Staff costs were as follows:

	Consolidated		Executive	
	2010 £000	2009 £000	2010 £000	2009 £000
Wages and salaries	17,966	17,386	17,711	17,129
Social security costs	1,413	1,364	1,397	1,346
Pension costs	2,010	1,839	1,961	1,815
	<u>21,389</u>	<u>20,589</u>	<u>21,069</u>	<u>20,290</u>

The average numbers of employees during the year were as follows:

	Consolidated		Executive	
	2010	2009	2010	2009
Operational Staff	235	252	219	232
Administrative Staff	384	371	383	370
	<u>619</u>	<u>623</u>	<u>602</u>	<u>602</u>

(e) Impact of prior period adjustment

As described in note 7(a), GMPTE has made a prior period adjustment in 2009/10 with respect to the componentisation of the Metrolink assets. This has reduced the depreciation charge in 2009/10, net of grant amortisation, by £103,000 compared to the previous accounting treatment. The comparative net depreciation charge for 2008/09 has been reduced by £104,000 with respect to the same item.

4. Income from investments and loans

	Consolidated		Executive	
	2010 £000	2009 £000	2010 £000	2009 £000
Funds received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	-	-	550	650
Short-term loans and deposits	5	26	5	20
	<u>5</u>	<u>26</u>	<u>555</u>	<u>670</u>

5. Interest payable and finance costs

	Consolidated and Executive	
	2010 £000	2009 £000
Loan capital	4,229	4,440
Short-term borrowings	3	30
Write-off of premium on loan restructuring	2,388	-
Adjustment for the equalisation of interest on a loan	795	-
	<u>7,415</u>	<u>4,470</u>

NOTES TO THE ACCOUNTS (continued)

5. Interest payable and finance costs (continued)

Previously GMPTE had classified the costs of a loan restructuring carried out in 2004 as a prepayment, and this was being amortised over the period of the loan. As part of a review of accounting treatments in preparation for the conversion to International Financial Reporting Standards (IFRS), which will be effective from year ending 31 March 2011, GMPTE has opted to write off the unamortised balance of these costs. This write off is shown above.

Previously GMPTE was accounting for the interest costs on a stepped interest loan in accordance with the terms of this loan. As part of the review of existing accounting treatments in preparation for the conversion to IFRS, GMPTE has opted to provide for the interest on the basis of the effective rate of interest. The cost of making this adjustment is reflected in the charge shown above.

6. Taxation

The tax charge/(credit) for the year is as detailed below:

	Consolidated and Executive	
	2010	2009
	£000	£000
Corporation tax for the year	-	-

The Executive's advisers on taxation continue to monitor the Executive'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.

NOTES TO THE ACCOUNTS (continued)

7. Fixed assets

Expenditure on fixed assets is analysed as follows:

Tangible fixed assets at note 7(a)

Passenger transport facilities at note 7(b)

7(a). Tangible fixed assets - general

	Total £000	Infrastructure Assets £000	Non-infrastructure assets		
			Land and Buildings £000	Plant and Equipment £000	Vehicles £000
Consolidated					
Cost or Valuation:					
At 31 March 2009	463,269	335,883	97,935	29,451	-
Reclassifications - Metrolink	-	(60,415)	-	10,902	49,513
Reclassifications - Other	-	84,986	(82,945)	(2,058)	17
At 31 March 2009 - restated	463,269	360,454	14,990	38,295	49,530
Transfers from capital projects (note 8)	72,731	46,560	-	4,694	21,477
Transfers from Passenger Transport Facilities	1,248	199	-	-	1,049
Disposals	(50,506)	(46,219)	-	(4,287)	-
At 31 March 2010 analysed below	486,742	360,994	14,990	38,702	72,056
Cost	483,907	358,159	14,990	38,702	72,056
Valuation	2,835	2,835	-	-	-
	486,742	360,994	14,990	38,702	72,056
Depreciation:					
At 31 March 2009	161,292	122,826	23,165	15,301	-
Reclassifications - Metrolink	-	(28,886)	-	5,145	23,741
Reclassifications - Other	-	22,620	(21,715)	(1,726)	821
Review of asset lives	15,995	14,067	(639)	2,571	(4)
At 31 March 2009 - restated	177,287	130,627	811	21,291	24,558
Transfers from Passenger Transport Facilities	591	30	-	-	561
Charge for year	17,424	11,676	374	4,325	1,049
Disposals	(42,951)	(38,664)	-	(4,287)	-
At 31 March 2010	152,351	103,669	1,185	21,329	26,168
Net Book Value:					
At 31 March 2009 - restated	285,982	229,827	14,179	17,004	24,972
At 31 March 2010	334,391	257,325	13,805	17,373	45,888

NOTES TO THE ACCOUNTS (continued)

7(a). Tangible fixed assets - general (continued)

	Total £000	Infrastructure Assets £000	Non-infrastructure assets		
			Land and Buildings £000	Plant and Equipment £000	Vehicles £000
Executive					
Cost or Valuation:					
At 31 March 2009	462,772	335,883	97,935	28,954	-
Reclassifications - Metrolink	-	(60,415)	-	10,902	49,513
Reclassifications - Other	-	84,986	(82,945)	(2,058)	17
At 31 March 2009 - restated	462,772	360,454	14,990	37,798	49,530
Transfers from capital projects (note 8)	72,731	46,560	-	4,694	21,477
Transfers from Passenger Transport Facilities	1,248	199	-	-	1,049
Disposals	(50,449)	(46,219)	-	(4,230)	-
At 31 March 2010 analysed below	486,302	360,994	14,990	38,262	72,056
Cost	483,467	358,159	14,990	38,262	72,056
Valuation	2,835	2,835	-	-	-
	486,302	360,994	14,990	38,262	72,056
Depreciation:					
At 31 March 2009	160,865	122,826	23,165	14,874	-
Reclassifications - Metrolink	-	(28,886)	-	5,145	23,741
Reclassifications - Other	-	22,620	(21,715)	(1,726)	821
Review of asset lives	15,995	14,067	(639)	2,571	(4)
At 31 March 2009 - restated	176,860	130,627	811	20,864	24,558
Transfers from Passenger Transport Facilities	591	30	-	-	561
Charge for year	17,389	11,676	374	4,290	1,049
Disposals	(42,894)	(38,664)	-	(4,230)	-
At 31 March 2010	151,946	103,669	1,185	20,924	26,168
Net Book Value:					
At 31 March 2009 - restated	285,912	229,827	14,179	16,934	24,972
At 31 March 2010	334,356	257,325	13,805	17,338	45,888

During the year a review of the presentation of the Metrolink assets was undertaken to ensure that the assets are appropriately classified. Following this review the Metrolink Phase 1 (Altrincham and Bury lines) and Phase 2 (Eccles line) were 'componentised' into sub categories including civil structures (included in infrastructure assets above), trams (included in vehicles above) and signalling and communication equipment (included in infrastructure assets above).

As part of this review the useful economic life of each category was re-assessed. This resulted in an adjustment to the cumulative depreciation charge for these assets as at 31 March 2009. The adjustment amounted to a £16.0 million increase in cumulative depreciation. This was offset by a corresponding adjustment to the cumulative amortisation of the funding relating to these assets of £16.4 million (Note 13). Therefore the net impact of this review was to increase the carrying value of these assets, net of grants by £0.4 million as at 31 March 2009.

NOTES TO THE ACCOUNTS (continued)

7(a). Tangible fixed assets - general (continued)

A summary of the impact of the prior period adjustment due to the componentisation exercise is shown below:

	£000
Increase in cumulative depreciation at 1 April 2008	15,311
Increase in cumulative grant amortisation at 1 April 2008 (note 13)	<u>15,622</u>
Net increase in reserves at 1 April 2008	<u>311</u>

During the year various improvement works were completed on the Metrolink system, including the renewal of the track in Manchester city centre, the replacement of the overhead cabling on the Altrincham line and various other renewal works across the network. Following these works a review of the carrying value of the existing Metrolink assets was undertaken. This review resulted in a number of assets being de-recognised. The net book value (net of associated grants) of assets de-recognised following this review was £0.6 million.

The net book value of land and buildings included within Infrastructure Assets and Non-Infrastructure Land and Buildings is summarised below:

	Consolidated and Executive	
	2010	2009
	£000	£000
Freehold	14,487	14,487
Long Leasehold	59,437	59,437
Short Leasehold	846	846
	<u>74,770</u>	<u>74,770</u>

Included within the above is £11.498 million (2009: £11.498 million) representing the cost and net book value of acquiring freehold land required to enable the Metrolink system Phases 1 and 2 to be constructed.

7(b). Passenger transport facilities

As part of its statutory duties, the Executive is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, the Executive provides assets and / or capital grants to Greater Manchester Accessible Transport Limited (GMATL) and capital grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants, which for the year ended 31 March 2010 amounted to £38.811 million (2009: £8.782 million). The ownership of these assets normally vests in rail operating companies, Network Rail, GMATL, the bus operator or the Local Authority as appropriate. In certain circumstances, title in these assets may ultimately revert to the Executive. Costs and grants are written off as incurred / received.

8. Assets under construction

Consolidated	Expenditure	Grants	Net
	£000	£000	£000
At 31 March 2009	288,165	(288,325)	(160)
Revaluation of development property *	(22)	-	(22)
Expenditure incurred/(grants receivable) in year	227,990	(228,314)	(324)
Transfers to Grants Received in Advance	-	8,543	8,543
Transferred to fixed assets/(deferred capital grants) (notes 7(a)/13)	(72,731)	67,056	(5,675)
Transferred to passenger transport facilities (note 7(b))	(38,811)	38,811	-
Transferred to Revenue Account	(815)	-	(815)
At 31 March 2010	<u>403,776</u>	<u>(402,229)</u>	<u>1,547</u>

* The valuation was carried out by the directors of Charterplan Holidays Ltd (a subsidiary company of GMPTE), based on the advice of a qualified member of GMPTE staff.

NOTES TO THE ACCOUNTS (continued)

8. Assets under construction (continued)

Executive	Expenditure £000	Grants £000	Net £000
At 31 March 2009	287,940	(288,325)	(385)
Expenditure incurred/(grants receivable) in year	227,990	(228,314)	(324)
Transfers to Grants Received in Advance	-	8,543	8,543
Transferred to fixed assets)/deferred capital grants (notes 7(a)/13)	(72,731)	67,056	(5,675)
Transferred to passenger transport facilities (note 7(b))	(38,811)	38,811	-
Transferred to Revenue Account	(815)	-	(815)
At 31 March 2010	<u>403,573</u>	<u>(402,229)</u>	<u>1,344</u>

Deferred capital grants receivable in the year were receivable from the GMITA, Salford City Council, Manchester City Council and various other organisations.

9(a). Fixed asset investments

Consolidated		Total £000
Cost and Net Book Value		
At 31 March 2010 and 31 March 2009		-
Executive	Shares in subsidiary Undertakings £000	Total £000
Cost and Net Book Value		
At 31 March 2010 and 31 March 2009	2,758	2,758

9(b). Subsidiary companies and other undertakings

The Executive's principal trading subsidiary undertakings at 31 March 2010, all of which are incorporated in England, were as follows:

Name of Company	Percentage Control	Nature of business
Charterplan Holidays Limited	100%	Intermediate holding company, vehicle and equipment leasing
Clipwood Limited*	100%	Property company
Dashstone Finance Limited*	100%	Equipment leasing
Powerview Developments Limited*	100%	Property development
St. Johns Leasing Limited*	100%	Equipment leasing
Transport Management Group Limited*	100%	Project consultancy
Greater Manchester Public Transport Information Limited	100%	Public transport information

* indirectly owned

GMPTE and Manchester City Council are partners in Piccadilly Triangle Developments LLP. GMPTE has a 50% share of Piccadilly Triangle Developments LLP. The purpose of this partnership is the development of an area of land in the centre of Manchester. Development of this land commenced in May 2005. The partnership made a profit during the year of £1,170,752 (2009: £1,655,589).

NOTES TO THE ACCOUNTS (continued)

10. Investment property

Consolidated	2010 £000	2009 £000
At beginning of year	369	410
Revaluation at 31 March	(74)	(41)
At end of year	<u>295</u>	<u>369</u>

The valuation was carried out by the directors of Charterplan Holidays Ltd (a subsidiary company of GMPTE), based on the advice of a qualified member of GMPTE staff.

Executive	2010 £000	2009 £000
At 31 March 2010 and 31 March 2009	<u>-</u>	<u>-</u>

11. Debtors

	Consolidated		Executive	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts due within one year				
Trade debtors	5,509	4,183	5,507	4,177
Amounts receivable from GMITA	67,075	38,967	67,075	38,967
Amounts deposited with GMITA	12,045	21,200	12,045	21,200
Amounts due from group undertakings	-	-	71	42
Other debtors	8,199	5,541	8,197	5,541
Prepayments and accrued income	3,731	3,203	3,710	3,186
	<u>96,559</u>	<u>73,094</u>	<u>96,605</u>	<u>73,113</u>
Amounts due after one year				
Amounts due from group undertakings	-	-	-	-
Other debtors	275	251	275	251
Prepayments and accrued income	-	2,289	-	2,289
	<u>275</u>	<u>2,540</u>	<u>275</u>	<u>2,540</u>

Previously the costs of a loan restructuring carried out in 2004 had been classified as a prepayment, and this was being amortised over the period of the associated financing. As part of a review of accounting treatments in preparation for the conversion to IFRS, the unamortised balance of these costs has been written off in full in the year ended 31 March 2010, hence the reduction in debtors due after one year above.

NOTES TO THE ACCOUNTS (continued)

12. Creditors and provisions

12(a). Creditors: amounts falling due within one year

	Consolidated		Executive	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade creditors	8,619	5,920	8,612	5,913
Loan capital (note 14(b))	1,391	1,274	1,391	1,274
Amounts due to group undertakings	-	-	3,355	3,270
Amounts due to GMITA	301	-	301	-
Taxation and social security	450	504	440	461
Other creditors	2,962	3,802	2,935	3,680
Accruals and deferred income	56,263	40,896	56,209	40,838
	<u>69,986</u>	<u>52,396</u>	<u>73,243</u>	<u>55,436</u>

12(b). Provisions for liabilities and charges

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. The Executive has established the following provisions:

- insurance excesses on public liability claims, for minor accidents to the public, and employer's liability claims for work related illnesses that were potentially incurred prior to the transfer of the Executive's bus operations following the implementation of the Transport Act 1985;
- costs of certain contractual liabilities;
- costs for certain employment related obligations and benefits;
- capital expenditure relating to the Metrolink network;
- expenditure for contracted maintenance costs for the update of existing structures and equipment;
- onerous lease obligations in respect of liabilities under a property lease.

Consolidated and Executive

	At 1 April 2009 £000	New Provisions £000	Utilised £000	Released £000	At 31 March 2010 £000
Year ended 31 March 2010					
Insurance excesses	515	171	(90)	(7)	589
Certain contractual obligations	504	-	-	(504)	-
Employment related obligations and benefits	702	-	-	(335)	367
Capital expenditure	600	476	-	(600)	476
Contracted maintenance expenditure	1,500	420	-	(1,253)	667
Onerous lease obligations	-	206	-	-	206
	<u>3,821</u>	<u>1,273</u>	<u>(90)</u>	<u>(2,699)</u>	<u>2,305</u>

NOTES TO THE ACCOUNTS (continued)**12. Creditors and provisions (continued)****12(c). Obligations under leases and hire purchase contracts**

There are no amounts due under finance leases and hire purchase contracts for either the Executive or the group. There are no annual commitments under non-cancellable operating leases other than for land and buildings, details of which are shown below:

	Consolidated		Executive	
	2010	2009	2010	2009
	£000	£000	£000	£000
Land and buildings operating leases expiring:				
Within 1 year	64	63	64	63
Within 2 to 5 years	164	208	164	208
Within 6 to 10 years	44	79	44	79
After 10 years	330	328	325	323
	<u>602</u>	<u>678</u>	<u>597</u>	<u>673</u>

NOTES TO THE ACCOUNTS (continued)

13. Deferred capital grants

	Consolidated and Executive			
	2010		2009 Restated	
	£000	£000	£000	£000
At beginning of year - restated				
Metrolink grants - Public Sector	192,549		188,189	
- Private Sector	7,593		7,732	
	<u>200,142</u>		<u>195,921</u>	
Adjustment on review of asset lives	(16,410)		(15,622)	
		183,732		180,299
Other project grants - Public Sector	72,283		76,798	
- Private Sector	1,388		1,444	
	<u>73,671</u>		<u>78,242</u>	
		<u>257,403</u>		<u>258,541</u>
Transfers from assets under construction (note 8)				
Metrolink	63,954		13,161	
Other projects	3,102		265	
	<u>67,056</u>		<u>13,426</u>	
Funding not passing through assets under construction				
Metrolink	-		-	
Other projects	657		-	
	<u>657</u>		<u>-</u>	
Released to revenue account				
Metrolink	(10,123)		(9,653)	
Other projects	(5,340)		(4,836)	
	<u>(15,463)</u>		<u>(14,489)</u>	
Released on disposal of assets				
Metrolink	(6,824)		(75)	
Other projects	-		-	
	<u>(6,824)</u>		<u>(75)</u>	
At end of year		<u>302,829</u>		<u>257,403</u>
Represented by:				
Metrolink grants - Public Sector	225,872		192,549	
- Private Sector	4,867		7,593	
	<u>230,739</u>		<u>200,142</u>	
Adjustment on review of asset lives	-		(16,410)	
		230,739		183,732
Other project grants - Public Sector	70,757		72,283	
- Private Sector	1,333		1,388	
	<u>72,090</u>		<u>73,671</u>	
At 31 March		<u>302,829</u>		<u>257,403</u>

As described in note 7 (a), during the year a review of the presentation of the Metrolink assets was undertaken to ensure that the assets are appropriately classified.

As part of this review the useful economic life of each category was re-assessed. This resulted in adjustments to the cumulative depreciation charge for these assets as at 31 March 2009. The adjustment amounted to a £16.0 million increase in cumulative depreciation. This was offset by a corresponding adjustment to the cumulative amortisation of the funding relating to these assets of £16.4 million. Therefore the net impact of this review was to increase the carrying value of these assets, net of grants by £0.4 million as at 31 March 2009.

NOTES TO THE ACCOUNTS (continued)

14. Loan capital

(a) Loan capital

	Consolidated and Executive	
	2010	2009
	£000	£000
Loans balance at beginning of year	76,161	77,328
Interest adjustment re a stepped interest loan	795	-
Repaid during the year	<u>(1,265)</u>	<u>(1,167)</u>
Loans balance at end of year	75,691	76,161
Less: amounts falling due within one year (notes 12(a) and 14(b))	<u>(1,391)</u>	<u>(1,274)</u>
	<u>74,300</u>	<u>74,887</u>

Previously GMPTE was accounting for the interest costs on a stepped interest loan in accordance with the terms of this loan. As part of a review of existing accounting treatments in preparation for the conversion to IFRS, GMPTE has opted to provide for the interest on the basis of the effective rate of interest. This adjustment is reflected in the balances carried forward above.

	Consolidated and Executive	
	2010	2009
	£000	£000
Instalments are payable as follows:		
Within 1 year or repayable on demand	1,391	1,274
Within 1 to 2 years	1,512	1,382
Within 2 to 5 years	1,658	3,170
Within 5 to 10 years	5,002	5,002
Longer than 10 years	66,128	65,333
	<u>75,691</u>	<u>76,161</u>

Loans are analysed as follows:

		Consolidated and Executive	
		2010	2009
		£000	£000
Lender	Interest rates rate range %		
Local Authority loans	7.375 - 10.50%	35	41
PWLB loans	4.75 - 6.625%	17,322	17,322
European Investment Bank Loan	9.25%	4,539	5,798
Loans from banks and other financial institutions	3.70 - 6.42%	53,795	53,000
		<u>75,691</u>	<u>76,161</u>

(b) Summary of amounts falling due within one year:

	Consolidated and Executive	
	2010	2009
	£000	£000
Loan capital	<u>1,391</u>	<u>1,274</u>

NOTES TO THE ACCOUNTS (continued)

15. Undistributable reserves

	Total £000	Corporate capital £000	Revaluation reserves £000	Capital reserve £000
Consolidated				
<i>Current year</i>				
At 31 March 2009	4,669	2,461	656	1,552
Deficit on revaluation (notes 8 and 10)	(96)	-	(96)	-
At 31 March 2010	<u>4,573</u>	<u>2,461</u>	<u>560</u>	<u>1,552</u>
<i>Previous year</i>				
At 31 March 2008	4,735	2,461	722	1,552
Deficit on revaluation	(66)	-	(66)	-
At 31 March 2009	<u>4,669</u>	<u>2,461</u>	<u>656</u>	<u>1,552</u>
Executive				
<i>Current and previous year</i>				
At 31 March 2009 and 31 March 2010	<u>2,668</u>	<u>2,461</u>	<u>207</u>	<u>-</u>

16. Revenue reserves

	Consolidated		Executive	
	2010	2009	2010	2009
		Restated		Restated
	£000	£000	£000	£000
At 1 April	24,952	19,638	25,718	20,683
Surplus for the year	10,557	6,414	10,480	6,135
Transfer to Deregulation reserve	(1,100)	(1,100)	(1,100)	(1,100)
At 31 March	<u>34,409</u>	<u>24,952</u>	<u>35,098</u>	<u>25,718</u>

As described in notes 7(a) and 13, during the year a review of the presentation of the Metrolink assets was undertaken to ensure that the assets are appropriately classified. Following this review the Metrolink Phase 1 (Altrincham and Bury lines) and Phase 2 (Eccles line) were 'componentised' into sub categories including civil structures (included in infrastructure assets above), trams (included in vehicles above) and signalling and communication equipment (included in infrastructure assets above).

As part of this review the useful economic life of each category was re-assessed. This resulted in adjustments to the cumulative depreciation charge for these assets as at 1 April 2008. The adjustment amounted to a £15.3 million increase in cumulative depreciation. This was offset by a corresponding adjustment to the cumulative amortisation of the funding relating to these assets of £15.6 million. Therefore the net impact of this review was to increase the carrying value of these assets at 1 April 2008, net of grants, by £0.3 million.

The impact of this adjustment on reserves is detailed below:

	Consolidated £000	Executive £000
At 1 April 2008, as previously reported	19,327	20,372
Adjustment for Metrolink componentisation (see Note 7(a))	311	311
Adjusted balance at 1 April 2008	<u>19,638</u>	<u>20,683</u>

£4.4 million of the surplus for the year (2009 - £4.3 million) has been allocated to a specific revenue reserve. £0.55 million of the surplus for the year (2009: £0.65 million) has been allocated to a specific reserve relating to the development of Piccadilly Triangle.

NOTES TO THE ACCOUNTS (continued)

17. Deregulation reserve

	Consolidated and Executive	
	2010	2009
	£000	£000
At 1 April 2009	(55,636)	(56,736)
Transfer from Revenue reserves	1,100	1,100
At 31 March 2010	<u>(54,536)</u>	<u>(55,636)</u>

The above amounts represent the costs relating to the transfer of the Executive's bus operations to Greater Manchester Buses Limited following the implementation of the Transport Act 1985. As required by the provisions of the Act and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, the Executive transferred its bus operation activities and certain of its assets and liabilities to this new company. The Deregulation reserve represents expenditure and losses incurred by the Executive with respect to deregulation on 25 October 1986, which were not charged to the Executive's Revenue Account.

Although there is no legal requirement to transfer this reserve to the revenue reserve, the Executive acknowledges the prudence of taking steps to reduce the levels of ongoing borrowing by which the deregulation was originally funded. To this end, the Executive commenced transferring the reserve to the revenue reserve from 2006 over a period of 30 years. The amount of capital being transferred to the revenue reserve will increase in future years as interest on the loans supporting the reserve reduces.

18. Reconciliation of operating surplus to net cash inflow from operating activities

	2010	2009
	£000	Restated £000
Operating surplus	16,246	7,058
Pensions current service cost arising from FRS 17 valuations	1,800	2,700
Depreciation - current year charge (Note 7(a))	17,424	16,349
Capital grants released - current year charge (Note 13)	(15,463)	(14,489)
Decrease / (increase) in debtors	2,058	(5,551)
Increase in creditors and provisions	352	4,879
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>22,417</u>	<u>10,946</u>

19. Analysis of changes in net debt

Analysis of movement of cash as shown in the consolidated cash flow statement

	At 1 April 2009	Cash flow	Other changes	At 31 March 2010
	£000	£000	£000	£000
Cash at bank and in hand	667	132	-	799
Debt due within one year	(1,274)	1,265	(1,382)	(1,391)
Debt due after one year	(74,887)	-	587	(74,300)
Total	<u>(75,494)</u>	<u>1,397</u>	<u>(795)</u>	<u>(74,892)</u>

Included within 'Other Changes' is the re-classification of debt which is now due within one year and an adjustment for the equalisation of interest over the life of a "stepped" interest loan.

NOTES TO THE ACCOUNTS (continued)

20. Reconciliation of net cash flow to movement in net debt

	2010	2009
	£000	£000
Increase / (decrease) in cash in the year	132	(263)
Cash used to repay loans	1,265	1,167
Interest adjustment re a stepped interest loan (Note 14(a))	(795)	-
Movement in net debt in the year	<u>602</u>	<u>904</u>
Net debt at 1 April 2009	<u>(75,494)</u>	<u>(76,398)</u>
Net debt at 31 March 2010	<u>(74,892)</u>	<u>(75,494)</u>

21. Reconciliation of movement in Executive funds

	Consolidated		Executive	
	2010	2009	2010	2009
	£000	Restated £000	£000	Restated £000
Surplus for the year after taxation	10,557	6,414	10,480	6,135
(Decrease) in undistributable reserves	(96)	(66)	-	-
(Decrease) / increase in Pensions Reserves	(81,200)	(33,500)	(81,200)	(33,500)
	<u>(70,739)</u>	<u>(27,152)</u>	<u>(70,720)</u>	<u>(27,365)</u>
Opening Executive funds	15,485	42,637	14,250	41,615
Closing Executive funds	<u>(55,254)</u>	<u>15,485</u>	<u>(56,470)</u>	<u>14,250</u>

The definition of 'funds' includes unamortised grant and long term borrowing.

22. Capital Commitments

	Consolidated and Executive	
	2010	2009
	£000	£000
Capital commitments at balance sheet date	<u>402,000</u>	<u>379,577</u>

23. Legal charges

One of the group's bankers has the right of set-off against certain of the group's bank balances of £5,000 (2009: £5,000) in respect of overdrafts, with the same bank, of any group undertaking.

24. Pension costs

The substantial majority of the employees of the Executive participate in the Greater Manchester Pension Fund ('the Fund') administered by Tameside Metropolitan Borough Council. The scheme is a defined benefit scheme. The fund was valued using the projected unit method. The purpose of the valuation was to determine the financial position of the fund and to recommend the contribution rate to be paid by GMPTE and the other participating employers.

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

The market value of the Fund's assets at 31 March 2007 amounted to £9,563 million. The funding level of the Fund as measured using the actuarial method of valuation was 100.0% as at 31 March 2007.

A full actuarial valuation was carried out at 31 March 2007 by a qualified independent actuary. The principal assumptions used by the actuary at that date were:

Rate of increase in salaries	4.7% per annum
Rate of increase in pensions in payment	3.2% per annum
Discount rate	6.1% per annum
Inflation assumption	3.2% per annum

The next full actuarial valuation is scheduled to be undertaken at 31 March 2010, with the results expected later in 2010.

The pension costs of the Executive, representing the contributions payable to the fund in respect of current employees, are charged to the revenue account in the year in which they are incurred.

Pension contributions paid by the Executive in the year amounted to £2,010,000 (2009: £1,839,000), in respect of current employees. Per the FRS17 Report at 31 March 2010 it is estimated that contributions payable by the Executive for the year to 31 March 2011 will be approximately £2,100,000.

Total costs of £443,000 (2009: £425,000) were charged to the Executive in respect of unfunded Pension Increase Costs in respect of former employees. Part of the existing surplus on the defined benefit scheme has been used to reduce the amount of these unfunded liabilities.

The following amounts at 31 March 2010 were measured in accordance with the requirements of FRS 17, and represent the Executive's share of the Scheme.

Assumptions

Financial Assumptions - as at	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price increases	3.8%	3.1%	3.6%	3.2%	3.1%
Salary increases	5.3%	4.6%	5.1%	4.7%	4.6%
Pension increases	3.8%	4.5%	3.6%	3.2%	3.1%
Discount rate	5.5%	6.9%	6.9%	5.4%	4.9%

Expected return on assets by category - as at	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Equities	7.8%	7.0%	7.7%	7.8%	7.4%
Bonds	5.0%	5.4%	5.7%	4.9%	4.6%
Index linked gilts	4.5%	4.2%	4.4%	3.6%	3.8%
Property	5.8%	4.9%	5.7%	5.8%	5.5%
Cash	4.8%	4.0%	4.8%	4.9%	4.6%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

Mortality

Life expectancy is based on the PMA92/PFA92 year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners *	22.8 years	26.2 years

* The average current age of future pensioners is assumed to be 45

Assets: Valuation - as at	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	£000	£000	£000	£000	£000
Equities	38,200	32,200	38,100	40,700	36,100
Bonds	9,600	6,100	9,200	9,300	8,000
Index linked gilts	232,500	252,700	278,200	250,500	282,100
Property	3,200	3,400	5,300	6,000	5,100
Cash	35,000	11,300	23,800	36,400	18,400
	<u>318,500</u>	<u>305,700</u>	<u>354,600</u>	<u>342,900</u>	<u>349,700</u>
Net Pension Asset - as at	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	£000	£000	£000	£000	£000
Fair value of employer assets	318,500	305,700	354,600	342,900	349,700
Present value of scheme liabilities	(358,200)	(264,200)	(279,600)	(332,300)	(347,900)
Net pension (liability)/asset	(39,700)	41,500	75,000	10,600	1,800
Experience gains/(losses) on assets	17,600	(47,600)	16,500	(300)	11,800
Experience gains/(losses) on liabilities	(200)	100	11,700	(1,900)	1,000

The figure of £318.5 million shown in the above table for "Fair value of employer assets" is based on the Actuary's estimate of GMPTe's share of the total value of the Fund as at 31 March 2010.

Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	£000	£000	£000	£000	£000
Actuarial (losses)/gains	(77,600)	(31,300)	68,800	11,500	(12,400)
Cumulative actuarial (losses)/gains	(19,500)	58,100	89,400	20,600	9,100

NOTES TO THE ACCOUNTS (continued)
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24. Pension costs (continued)

The recognition requirements of FRS 17 have been applied to the current accounting period. The following amounts have been recognised in the performance statements in the year to 31 March 2010 under the requirements of FRS 17:

	2010	2009
	£000	£000
Operating Surplus:		
Current service cost	1,600	1,900
Past service cost	100	700
Losses on curtailments and settlements	100	100
Total operating charge	1,800	2,700
Other finance income:		
Expected return on pension scheme assets	(13,400)	(16,600)
Interest cost on pension scheme liabilities	17,600	18,700
Net cost	4,200	2,100
Net Revenue Account Cost:	6,000	4,800
Actual return on scheme assets	31,000	(30,700)
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	264,200	279,600
Current service cost	1,600	1,900
Interest on pension scheme liabilities	17,600	18,700
Contributions by members	1,000	1,000
Actuarial losses / (gains)	95,200	(16,300)
Past service cost	100	700
Losses on curtailments and settlements	100	100
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	(21,200)	(21,100)
Closing defined benefit obligation	358,200	264,200
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	305,700	354,600
Expected return on assets	13,400	16,600
Contributions by members	1,000	1,000
Contributions by employer	2,000	2,200
Contributions in respect of unfunded benefits	400	400
Actuarial gains / (losses)	17,600	(47,600)
Unfunded benefits paid	(400)	(400)
Benefits paid	(21,200)	(21,100)
Closing fair value of employer assets	318,500	305,700

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

The FRS 17 valuation at 31 March 2010 showed a reduction in the fund during the year of £81.2 million (2009: reduction of £33.5 million), to end the year with a deficit of £39.7 million (2009: surplus of £41.5 million).

In order to assess the employer's liabilities in the Fund at 31 March 2010 the actuary has rolled forward the value of employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under this year's FRS 17 valuation. In calculating the service cost, the actuary has allowed for changes in GMPTE's pensionable payroll as estimated from contribution information provided. In calculating the asset share, the actuary has rolled forward the employer's share of the assets allocated at the latest formal funding valuation allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the employer and its employees. The actuary has also adjusted the employer's assets to take account of the FRS 17 disclosure requirement to use the bid value of assets.

The FRS 17 valuation has been calculated using the projected unit method of valuation to calculate the service cost.

In preparing the valuation, the actuary made allowance to include the removal of the "Rule of 85" for new entrants from 1 October 2006, to the extent that any such new entrants were included in the membership data for the formal valuation at 31 March 2007. No allowance is made for the effect of the abolition of the "Rule of 85" for new entrants since 31 March 2007. The principal reason for this is that insufficient information is currently available to allow the actuary to make any such adjustment. The effect is likely to be immaterial in actuarial terms.

25. Related party transactions

The directors regard the Greater Manchester Integrated Transport Authority (GMITA) as the ultimate controlling party by virtue of its ability to direct the financial and operating policies of the Executive.

A summary of the grants receivable in the year by the Executive from GMITA is detailed on page 5 of the accounts.

In addition to this there remained balances as at 31 March 2010 between the Executive and GMITA as follows:

	2010	2009
	£000	£000
Grants receivable (note 11)	67,075	38,967
Amounts deposited (note 11)	12,045	21,200
Amounts payable (note 12)	301	-

Related party transactions requiring disclosure under FRS 8 arising from transactions with members of the Executive Board, including interim directors, were as follows: -

Mr P Griffiths, who acted as interim Projects Director until November 2009, is a director of Acuity Programme Management Limited. During the year ended 31 March 2010, fees totalling £82,687 (2009: £397,761) were invoiced by Acuity Programme Management Limited to GMPTE and its subsidiary companies for various consultancy activities.

Mr R Morris, who with effect from June 2009 acted as interim Chief Operating Officer, is a director of Parsons Brinkerhoff Limited. During the year ended 31 March 2010, fees totalling £8,188,793 were invoiced by Parsons Brinkerhoff Limited to GMPTE and its subsidiary companies, predominantly for their role as Delivery Partner for the Metrolink capital programme.

NOTES TO THE ACCOUNTS (continued)

25. Related party transactions (continued)

Mr D Leather, the Chief Executive Officer, is a partner of Ernst and Young LLP. During the year ended 31 March 2010 fees totalling £1,525,437 (2009: £3,750,496) were invoiced by Ernst and Young LLP to GMPTE and its subsidiary companies for services including advisory services relating to the Metrolink capital programme and the Greater Manchester Transport Fund Programme; programme assurance and other assurance services; the provision of a number of interim staff; taxation advice and fees for the Interim Chief Executive Officer.

In accordance with GMPTE's governance arrangements and procurement procedures, Mr Leather, Mr Griffiths and Mr Morris did not participate in any procurement decisions, nor did they authorise the procurement of any services, from the organisations from whom they were seconded.

The Board of Directors does not consider that Ernst and Young LLP or Parsons Brinkerhoff Limited is a Related Party, and this information is therefore being provided on a voluntary basis.

GMPTE has incurred significant expenditure with third parties during the year in respect of the Metrolink capital programme, and the Transport Delivery Programme, as part of a total discretionary revenue and capital spend of approximately £232 million (2009: £133 million).