

COMMISSION OF THE EUROPEAN COMMUNITIES

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FIRST
COMMISSION REPORT TO THE COUNCIL
ON THE TRANSPOSED ANNUAL ACCOUNTS OF
RAILWAY UNDERTAKINGS

1977

COM(79) 660 final

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KEY TO ABBREVIATIONS AND SIGNS USED

-	Zero
0	Very small figure (generally less than half the last unit or decimal place in the figure for the item)
°	Figure not available
000	Thousands
mio	Millions
mrd	Milliards (thousand million)
SNCB/	Société nationale des chemins de fer belges/
NMBS	Nationale Maatschappij der Belgische Spoorwegen
DSB	Danske Statsbaner
DB	Deutsche Bundesbahn
SNCF	Société nationale des chemins de fer français
CIE	Coras Iompair Eireann
FS	Azienda autonoma delle ferrovie dello Stato
CFL	Société nationale des chemins de fer luxembourgeois
NS	Naamloze Vennootschap Nederlandse Spoorwegen
BRB	British Railways Board
NIR	Northern Ireland Railways Company Ltd
BFR	Belgian francs
DKR	Danish kroner
DM	German marks
FF	French francs
LIT	Italian lire
LFR	Luxembourg francs
HFL	Dutch guilders
UKL	Pounds sterling
IRL	Irish pounds

INTRODUCTION

Background and aims

1. The concept of comparability between the accounts of the Community's railway undertakings originates in the Council Decision of 20 May 1975 (1) on the improvement of the situation of the railway undertakings and the harmonization of rules governing financial relations between such undertakings and the States; pursuant to Article 8(2) of this decision : the aim should be "to achieve comparability between the accounting systems and annual accounts of all railway undertakings".
2. These general provisions were given specific form in Council Regulation (EEC) N° 2830/77 of 12 December 1977 on the measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertakings by means of transposing the balance sheets and profit and loss accounts in accordance with standard layouts prescribed by the Regulation.
3. Within this framework comparability is not regarded as an end in itself, but as a contribution towards the policy of improvement and harmonization referred to above which aims particularly at :

- improving transparency with regard to financial assistance provided by the State
- encouraging management in accordance with economic principles, and
- clarifying the true financial situation of the railways.

Summary report

4. Since, pursuant to Regulation n° 2830/77, the Commission must submit a synopsis to the Council, this first report has been drawn up on the results for 1977. This report has, however, been subject to some delay because :

- some communications were received late ;
- the task is new and relatively complex;
- the Committee set up under Article 6 has to be consulted to clarify a number of general and specific questions.

(1) OJ N° L 152 of 12 June 1975

(2) OJ N° L 334 of 24 December 1977

5. Tables 1 to 10 in Part one of the report show the transposed balance sheets and profit and loss accounts, accompanied in each case by explanatory notes. In Part two there are some summary tables with comments which permit a first comparison. Conclusions and suggestions for further work are given in the third and final part.

6. The transposed balance sheets and profit and loss accounts of the ten railways are shown in accordance with the layout required by the Regulation. To make the report easier to read, figures - with few exceptions - are given in millions of units of national currency.

Problems arising in the process of transposition

7. The Regulation provides that the transposed accounts shall be accompanied by explanatory notes indicating in particular:

- deviations from the nomenclature arising in drawing up the transposed accounts, as well as the reasons for such deviations and their possible repercussions on the comparability of the transposed accounts ;
- the methods of evaluation used for items the value of which is estimated, such as depreciation, work in progress and fixed assets.

8. As in some cases the detail provided in the explanatory notes was insufficient, it was thought useful to compare the transposed accounts with the annual accounts published by the railways. In this way it was possible at least partially to reconstruct the transposed balance sheets from the annual accounts. It proved more difficult to make this type of comparison for the profit and loss accounts since the structure of the published annual accounts of the various railways are quite different from the model provided in the Regulation. In order to provide an idea of the problems involved this first report gives full information on all matters relevant to the process of transposition from the annual accounts.

9. Moreover, to enable the reader to appreciate the extent to which such figures as those for fixed assets can be compared, extensive notes are provided on the methods used to obtain the figures. Obviously some of these fairly long

commentaries will be reduced in future: it would be pointless, for instance, to repeat the explanation on depreciation methods.

10. The financial assistance given by the Governments occupies an important part in this report. As the information in this paper may differ from information in other sources, the explanatory notes include a breakdown of the relevant items in the profit and loss account and mention certain subsidies taken up directly in the balance sheets, which do not therefore appear in the profit and loss account.

A first comparison

11. Three summary tables were prepared to allow a preliminary analysis of comparability between the transposed accounts. In Tables 11 and 12, percentages and diagrams are used to bring out the structures of the accounts. The comments on the Tables state how far valid comparisons between the railways can be made at this stage.

12. Table 13 gives two comparisons for these undertakings, one between long-term capital and net fixed assets, the other between current assets and short-term liabilities. These comparisons show how far the management of railways differs from that of industrial and commercial undertakings.

The future

13. The conclusions of this first report mainly concern the further work of the Advisory Committee, in which the aim will be to make the transposed accounts more comparable and to progress towards greater harmonization between the accounting systems of the railway undertakings.

PART ONE

COMMUNICATIONS MADE BY THE RAILWAY UNDERTAKINGS

Transposed balance sheets and profit and loss accounts
with
explanatory notes

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Société Nationale des chemins de fer belges (SNCF)
Nationale Maatschappij der Belgische Spoorwegen (NMBS)

I. GENERAL OPERATION

Year: 1977

Undertakings: SNCB/NMBS

Millions of BFR

EXPENSES		REVENUE	
60. Staff costs	43 879	70. Traffic revenue	
61. Material supplied and services performed by third parties	18 811	0. Passenger and luggage traffic	
62. Taxes and dues	33	a) by rail	7 243
63. Allocations for depreciation	-	b) by road	459
64. Allocations to provision accounts	8 320	c) by other means of transport	-
65. Financial charges	3 382	1. Goods traffic	
		a) by rail	11 969
		1) full trains and wagon loads	9 327
		- national traffic	2 797
		- international traffic	6 530
		ii) part loads and parcels	2 642
		- national traffic	2 103
		- international traffic	539
		b) by road	5
		c) by other means of transport	-
		2. Postal traffic	416
		Sub-total	20 092
		71. Financial revenue	328
		72. Other revenue	4 690
		73. Contra of costs booked to other accounts	9 765
		74. Compensation and aids received under	
		0. Regulation (EEC) N° 1191/69	17 636
		1. Regulation (EEC) N° 1192/69	12 198
		2. Regulation (EEC) N° 1107/70, Article 3	8 491
		3. Other compensations and aids	-
		Sub-total	38 325
		Total revenue	73 200
		91.0 Operating profit for the financial year	1 225
		Total expenses	74 425
		91.0 Operating profit for the financial year	1 225

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	1 225	91.0 Operating profit for the financial year	-
91.3 Exceptional losses	-	91.2 Exceptional profits	101
91.4 Corporation tax	-	91.5 Balancing subsidy	-
		- Article 4 of Regulation (EEC) N° 1107/70	-
		- Other	-
91.6 Profit for the financial year	-	91.7 Loss for the financial year	1 124

SNCB: FINANCIAL YEAR 1977

EXPLANATORY NOTES

BALANCE SHEET

1. Fixed Assets (items 10 - 13)

The fixed assets in the balance sheet are those acquired since 1st September 1926, the date when the SNCB was founded; the fixed assets contributed by the State at that time are not shown in the balance sheet.

The fixed assets are recorded in the balance sheet at their purchase value. Their replacement is ensured by means of the "replacement fund" as described in point 10.1, pages 10 and 11.

2. Long-term loans (item 15)

The whole of item 15 represents long-term loans given to other undertakings in which the SNCB has a shareholding. The details of how the BFR 64 millions is distributed between the two subsidiaries involved is given in Annex 5 to the Annual Report (item 2).

3. Miscellaneous fixed assets (item 17)

This item concerns:

- the railway operating concession dating from 1926 (BFR 11 000 mio);
- "war damage" expenditure currently under negotiation with the Belgian State in order to delete them from the SNCB balance sheet (BFR 2 410 Mio).

4. Stocks (items 20 and 21)

The stocks are entered at weighted average prices.

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5. Reserves (item 01)

SNCB is obliged by law to redeem in 75 years loans raised to finance initial expenses and additions to supply stocks. Each year an allocation is included in financial charges in order to make up the "loan redemption fund".

At 31 December 1977 this fund had a credit balance of BFR 1 672 mio).

6. Provisions (item 03)

This item includes in particular :

- the "replacement fund" mentioned in item 1 and intended to cater for future renewal expenditures for the whole of the railway's fixed assets, both those contributed by the State in 1926 and those acquired since ;
- a provision for exchange losses relating to foreign loans (basically in Swiss Francs and DM) entered into with Eurofima.

7. Funds for staff (item 04)

SNCB, being its own insurer for accidents at work, has established a fund maintained by actuarial reserves charged to the social insurance contributions' account and intended to pay for staff annuities.

8. Long-term financial debts (item 05)

The liabilities vis-à-vis undertakings in which the SNCB has a capital holding amount to BFR 2 073 mio. The company concerned is Eurofima S.A.

PROFIT AND LOSS ACCOUNT

9. Taxes and dues (item 62)

The following are charged to this item :

- value added tax on the value of investment goods acquired under State supervision and not deductible under the VAT code ;
- value added tax on free drinks and food served at buffets ;
- tax on fixed assets rented by the SNCB to third parties for purposes bearing no relation to railway operations ;
- road tax on vehicles owned by the SNCB and used for road transport ;
- various taxes relating to the sale of drinks (buffets);
- registration fees, stamp duty and court registry dues.

10. Allocations for depreciation (item 63) and to provision accounts (item 64)

10.1 Current position

In accordance with Article 42 of its Statute, the SNCB transfers money from the operating account to the replacement fund which pays for the renewal of installations and equipment. In principle the amount is calculated using formulae agreed between Minister responsible for the railways and the Railways Board to cover normal industrial depreciation of track, equipment, tools, buildings and structures.

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How the allocation is calculated

In practice the following formula is used to calculate the sum to be transferred each year per category of equipment :

$$\text{Annual allocation} = \frac{\text{Replacement cost} - \text{residual value}}{\text{Estimated useful life}}$$

The replacement cost or current cost is the same as the probable estimated average value for the financial year. To obtain this cost, the basis taken in the most recent contracts after applying an index or the inventory of property owned by the State at 31 December 1972, appropriately indexed.

The residual value is fixed by the technical departments. The useful life is obtained from estimates based on experience and information from other networks (see annexed table).

As the allocation provided for renewals is based on the replacement value, it is the operating account which directly bears the consequences of the fall in the value of money since it is the source of finance for the replacement fund.

Characteristics of SNCB fixed assets

The system known as the replacement fund does not permit entry in the balance sheet of the depreciation amount deducted from the corresponding fixed assets.

These assets also have the following characteristics :

- the balance sheet includes only those assets acquired since 1926, the year the SNCB was founded ;
- hence the assets contributed by the State in 1926 do not appear in the balance sheet ;
- the assets contributed since 1926 include both those financed by the railway company and those financed by the State; the latter are set off by item 02 on the liabilities side of the balance sheet (contribution to investment costs ;

- when an asset contributed by the State is replaced by an identical asset, the replacement cost thereof is borne by the replacement fund ;
- when an asset contributed by the State is replaced by another asset, part of which represents e.g. an extension to the network, the value of the extension is charged to fixed assets, whereas the value of the replacement only is charged to the replacement fund ;
- when an asset acquired after 1926 is replaced by an identical asset, the sum on the balance sheet remains unchanged; the replacement cost is charged to the replacement fund ;
- when an asset constructed after 1926 is withdrawn from service, the value is charged to the replacement fund if the asset was originally financed by the SNCB.

Financing renewals

Because of the existence of the operating account, the State has decided to reduce the replacement allocation. However, as renewals have to be made in any case, if only for reasons of safety, the State has authorized the SNCB to raise debentures and to borrow from financial bodies such as Eurofima.

The cost of renewal financed in this way is shown on the assets side as item 17 - miscellaneous assets. This cost is amortized by charging the replacement fund at a rate fixed in each case by the laws authorizing the debentures or by the repayment of the loans to the lenders involved.

10.2 Application by the SNCB of the conventional depreciation method

With a view to conforming to the requirements of the new Belgian accounting legislation the SNCB proposed to the Ministry of Communications that Article 42 of the SNCB Articles of Association should be revised so as to replace the system of replacement allocations by the conventional depreciation method.

The SNCB hopes to be able to apply the conventional depreciation method as from the 1981 financial year. It will be based on the following rules :

- all fixed assets of the railway undertakings including those financed by the State will be shown in the balance sheet, the assets will be valued at purchase cost less the total amount written off ;
- the allocation for depreciation will be calculated on the basis of the purchase (historic) cost and the estimated useful life proposed in the annex ;
- any difference between the depreciation calculated on historic cost and the current value of fixed assets requiring replacement will be covered by borrowing and possibly by direct financial intervention by the State. This point will be settled in an agreement to be negotiated between the State and the SNCB;
- it should be noted that, in accordance with Belgian accounting law, any capital subsidies received (aid to cover investment costs) will be gradually written down in accordance with a fixed scale by charging them explicitly to the income account either as an allocation depreciation or a financial charge.

11. Traffic revenue (item 70)

These data represent sums extracted from the accounts; however, certain breakdowns are given based on statistics such as the distribution of passenger traffic receipts between rail and road traffic, as the tickets are valid for both modes of transport.

12. Other revenue (item 72)

The BFR 351 million included in the total amount represents personnel department receipts i.e. :

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mio BFR

- Canteen sales	43
- Sale of uniforms, etc.	13
- Various services rendered by the SNCB to the health care insurance sheme	280
- Administrative service rendered by the SNCB to ONAFTS (Office national d'allocation familiales pour travailleurs salariés - national office for wage earners' family allowances)	15
	<hr/>
	351

13. Contra of costs booked to other accounts (item 73)

The sum entered under this heading includes :

- work done internally on fixed assets :	
- new fixed assets	632
- renewals to be written down	933
- net amount charged to the replacement fund	7.980
- net amount charged to the insurance fund	220
	<hr/>
	9.765

In the annual report and accounts the last two items are given under the operating expenses item, "Provisions for risks and charges" where they are deducted from the allocation for the funds concerned.

14. Compensations and aids (item 74)

The breakdown by normalized items of the BFR 38 325 million given in the Annual Report is merely provisional at this stage, as the definitive breakdown can only be established when the final balance is drawn following the closing of the accounts for the financial year. Annex 2 to the Annual Report for the 1978 financial year gives the definitive amounts for 1977. These are the sums given under item 74.

The BFR 1 926 million compensation paid to the health care insurance sheme is not an aid but an optional payment (Regulation 1192/69). Although not a

legal entity separate from the SNCB, the social welfare fund is regarded as independent of the SNCB for accounting purpose.

15. Exceptional profits (item 91.2)

The exceptional profits of BFR 100 mio break down as follows :

	<u>mio BFR</u>
<u>Exceptional revenue</u>	
- re-entry on the assets side of the balance sheet of fixed assets previously regarded as amortized, pursuant to new legalisation on company accounts	1 897
- exceptional payment at the end of the financial year of deductible VAT on investments	100
	<u>1 997</u>
	=====
<u>Exceptional charges</u>	
- reserves set up for the first time as a result of new legalisation on company accounts	1 804
- first writing-down of certain items on the assets side following new legalisation	57
- exceptional depreciation on the concession for the Ghent-Zelzaete line	36
	<u>1 897</u>
	=====
<u>Net result:</u>	100
	=====

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ANNEX

Lifetime and residual value of fixed assets

I T E M	Useful Life	Residual value %
LAND		100
STRUCTURES		
Buildings		
Administrative premises	50	0
Stations and halts	50	0
Workshops and depots	50	0
Various buildings	50	0
Structures		
Tunnels	102	0
Bridges	102	0
Footbridges	102	0
Other structures	102	0
LAND WITH BUILDINGS		
Buildings		
Administrative premises	50	0
Stations and halts	50	0
Workshops and depots	50	0
Various buildings	50	0
Structures		
Tunnels	102	0
Bridges	102	0
Footbridges	102	0
Other structures	102	0
TRACK INSTALLATIONS		
Infrastructure		100
Main lines	26	10
Secondary lines	40	10
Enclosures and level crossings	30	0
Hydraulic installations	30	0
Station installations	30	0
Heating installations	25	0
Other track installations, excluding work- shop installations	15	0

I T E M	Useful Life	Residual value %
:WORKSHOP INSTALLATIONS, EQUIPMENT AND TOOLS		
: Workshop installations	20	5
: Equipment	10	10
: Tools	-	-
:FITTINGS		
:ELECTRICAL AND SIGNALLING INSTALLATIONS		
: Signalling		
: All-relay electrical signalling boxes	20	6
: Other electrical signalling boxes	20	6
: Automatic signalling	20	6
: Protected level crossings	22	0
: Level crossings with automatic signalling	22	0
: Lighting and power		
: Transformer sub-stations	20	6
: High voltage lines	20	6
: Lighting installations	20	6
: Power installations	20	6
: Telecommunications		
: Telephone and traffic control system installations	20	10
: Telegraph installations	20	10
: Radiotelephone installations	20 v	10
: Train timetable and departure indicators	20	10
: Overhead lines and cables	20	10
: Traction and catenary sub-stations		
: Traction sub-stations, power supply points, switching and remote, control stations	30	15
: Catenary installations	30	15
: Internal transport equipment and depreciation	same as transport equipment	

I T E M	Useful life	Residual value %
Transport equipment other than internal		
Diesel locomotives and light-rail motor tractors	30	5
Diesel railcars	24	3
Electric locomotives	35	5
Electric railcars	35	3
Hauled passenger coaches and brake-vans	35	3
Hauled wagons and brake-vans	40	5
Containers	10	10
Road transport vehicles		
Delivery vans (large	7	10
Delivery vans (small)	4	10
Lorries	10	10
Trailers	10	5
Semi-trailers	10	5
Tractors	7	10

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Danske Statsbaner (DSB)

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At 31.3.1978

Undertaking: DSB

ASSETS		LIABILITIES	
<u>LONG-TERM ASSETS</u>		<u>Capital and reserves</u>	
<u>Fixed assets (Net)</u>		00 Capital	6 913
10 Land and fixed installations	3 777	01 Reserves	6 913
11 Transport stock and equipment	2 786	02 Contribution to investment costs	-
12 Other stock and equipment	222	03 Provisions	-
13 Fixed assets under construction	6 785	04 Funds for staff	-
<u>Other fixed assets</u>		05 Long-term financial debts	-
14 Shareholdings in other undertakings	8	- debentures	-
15 Long-term loans	-	- State loans	-
16 Cost of floating loans and loan redemption premium	-	- other financial debts	-
17 Miscellaneous fixed assets	8		
Sub-total	6 793	Sub-total	6 913
<u>CURRENT ASSETS</u>		<u>Current liabilities</u>	
<u>Stocks</u>		31 Creditors	462
20 - 21 (In store or being manufactured)	316	40 Financial debts of less than one-year term	128
<u>Realizable assets</u>		44 Bills payable	590
30 Debtors	362		
41 Loans repayable within one year	-	Sub-total	590
42 Bills receivable	-		
45 Securities	0		
<u>Bank balances and cash</u>		<u>Results</u>	
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	31	06.0 Profits for previous financial years	-
Sub-total	710	07.0 Profit for the financial year	-
		Liabilities: Total	7 503
<u>Assets: Total</u>	7 503		

DSB: FINANCIAL YEAR 1 APRIL 1977 - 31 MARCH 1978

EXPLANATORY NOTES

I. BALANCE SHEET

Items 10 - 13 - Assets

Under the standard national accounting procedure, items 10 - 12 include the cost of fixed assets under construction. It is not possible to give figures for the original cost of fixed assets or for cumulative depreciation.

Item 20 - Stocks

DSB stock valuation is based on current prices.

II. PROFIT AND LOSS ACCOUNT

Item 60 - Staff costs

This item includes contributions to pension schemes in respect of personnel whose pay and conditions are fixed by pay agreement between the employer and the trade unions as well as DSB contributions to the employees' pension fund (ATP) in respect of all personnel.

It does not include pensions paid to retired DSB staff. These pensions are included in the Government budget and are not charged to the DSB, a procedure which applies to all retired civil servants, not just those of the DSB.

Staff expenditure relating to fixed assets is entered under the relevant assets headings.

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Item 63 - Allocations for depreciation

DSB depreciation is on a straight-line basis, subdivided as follows :

	<u>Depreciation Percentage</u>	<u>Depreciation Period (years)</u>
Land	0	-
Permanent way, roads, buildings, port installations, etc.	0,75	133,3
Safety installations	3	33,3
Rolling stock	2,5	40
Ferries	2,5	40
Furniture	3	33,3
Motor vehicles	15	6,67

Item 65 - Financial charges

The fixed assets which are part of the State's interest in DSB bear interest at 4,5%.

DSB's current account at the Finance Ministry (item 40) bears interest at 3,5 %.

Item 70 - Traffic revenue

Much of DSB's traffic revenue cannot be split into the modes of transport indicated. All passenger and goods traffic on routes which include a crossing by ferry, all transport by lorries and part of the bus transport is treated as an integral part of railway transport and there is no separate pricing. However, separate pricing and accounting exists for cars, commercial vehicles and passengers where the transport is limited to a crossing by ferry. These receipts are shown in accounts 70.0.c and 70.1.c. The receipts shown in accounts 70.0.b and 70.1.b are from passengers and small parcels carried in DSB's regular bus services and pricing is in accordance with the separate bus rates.

Item 74 - Compensations and aids

mio DKR

74.0 Compensation for public service obligations
(Regulation (EEC) n° 1191/69):

- Copenhagen suburban transport	138.9
- Other passenger transport	470.8
- Freight and mail	96.0

74.1 Compensation in respect of normalization of accounts
(Regulation (EEC) n° 1192/69) :

- Class IX: Staff surplus to the requirement of the undertaking	29.0
- Class X :Recognition of services rendered by staff to their country	0.4
- Class XI: Allowances payable to staff	10.6

40.0

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Deutsche Bundesbahn (DB)

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BALANCE SHEET

Table 3 a

At 31.12.1977

Undertaking : DB

Millions of DM

ASSETS		LIABILITIES	
<u>LONG-TERM ASSETS</u>		<u>Capital and reserves</u>	
<u>Fixed assets (Net)</u>		00 Capital	19 423
10 Land and fixed installations	26 561	01 Reserves	2 061
11 Transport stock and equipment	13 275	02 Contribution to investment costs	21 484
12 Other stock and equipment	1 722	03 Provisions	4 302
13 Fixed assets under construction	3 906	04 Funds for staff	94
Other fixed assets	45 464	05 Long-term financial debts	
14 Shareholdings in other undertakings	449	- debentures	12 402
15 Long-term loans	1 961	- State loans	
16 Cost of floating loans and loan redemption premiums	155	- other financial debts	31 961
17 Miscellaneous fixed assets	-	Sub-total	57 841
Sub-total	2 565		
	48 029		
	937		
<u>CURRENT ASSETS</u>		<u>Current liabilities</u>	
<u>Stocks</u>		31 Creditors	3 087
20 - 21 (In store or being manufactured)		40 Financial debts of less than one-year term	310
<u>Realizable assets</u>		44 Bills payable	3 397
30 Debtors	1 731	Sub-total	3 397
41 Loans repayable within one year	219		
42 Bills receivable	-		
45 Securities	0		
Bank balances and cash	1 950		
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	1 924		
Sub-total	4 811		
	3 874		
	4 524		
Sub-total	8 388		
	61 238		
<u>Results</u>		<u>Results</u>	
06.1 Losses for previous financial years	3 874	06.0 Profits for previous financial years	-
07.1 Loss for the financial year	4 524	07.0 Profit for the financial year	-
Assets: Total	61 238	Liabilities: Total	61 238

DB: FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. GENERAL

Figures in brackets refer to items in the DB's national accounts, e.g. V.1 as included in the annual report published by the German Federal Railways.

II. BALANCE SHEET

Item 00 - Capital

	<u>mio DM</u>
Capital	19 360
Contributions by the Federal Government to cover losses carried over	2 183
	<hr/>
<u>Less</u>	
Loans by the Federal Government to increase DB capital, not yet written off	(2 120)
	<hr/> <hr/> <hr/>
	19 423

The loans to increase the capital were included in the capital as a contra to an entry on the assets side of the balance sheet. The loss shown as an asset in the balance sheet has not been deducted from this item. As long as the balance sheet loss was not met by financial aid from the Federal Government or by provision in the reserves, the DB had to prefinance this item itself.

In 1977 contributions to cover losses carried over amounted to DM 949 mio.

Item 05 - Long-term financial debts

	<u>mio DM</u>
The other financial debts include :	
- long-term debts (V.2 and 3)	15 550
- other debts (VI.3 and 4)	4 005
- portions of the other liabilities (VII)	4
	<hr/> <hr/> <hr/>
	19 559

The item includes some DM 2 127 mio in the form of financial debts towards undertakings in which the DB has a share holding.

Items 10 to 12 - Fixed assets

Adjustments for depreciation which appear on the liabilities side in the DB's balance sheet are deducted from these items. Depreciation is calculated from the original values shown on the assets side and from the useful life of the fixed assets and is written off in equal annual instalments over this period. Depreciation equal to the residual book value of fixed assets which have been written off before the end of their useful life is also included under depreciation.

The items, in mio DM, break down as follows :

	<u>I t e m s</u>		
	<u>10</u>	<u>11</u>	<u>12</u>
Value of assets	48 987	21 395	3 581
Depreciation	22 426	8 120	1 859
	<u>26 561</u>	<u>13 275</u>	<u>1 722</u>
	=====	=====	=====

The useful life differs with the type of equipment, as follows :

	<u>Years</u>
- Tunnels	100
- Level crossings	10 - 25
- Bridges	60 - 90
- Superstructures, depending on type	10 - 60
- Buildings	40 - 100
- Other fixed installations	10 - 50
- Signalling and telecommunications installations	20 - 35
- Mechanical and electromechanical installations	8 - 50
- Locomotives	25 - 40
- Railcars	15 - 40
- Passenger coaches and goods wagons in general	20 - 40
- Road vehicles	6 - 20 a)
- Boats	25 - 50

(a) Trailers

./.

Items 14 to 16 - Other fixed assets

Item 14 shows shares and other holdings to the value of DM 449.5 mio (I.E and F), less valuation corrections of the liabilities side of DM 0.2 mio (II.B).

Item 15 includes long-term loans of DM 1 906 mio (I.G) and a portion of the other assets to the value of 56 mio (II.B.7 - part), less valuation corrections of the liabilities side of DM 0.7 mio (II.B). It also includes DM 786 mio in loans to undertakings in which the DB has a shareholding.

Items 30 and 41 - Bank balances and cash

	<u>mio DM</u>
Item 30 includes :	
- Advances and debit accounts in respect of services rendered to third parties (III.V.1 and 2)	985,6
- Closing of the accounts (IV)	749,6
- Portions of other assets (III.B.7)	0,4
	<hr/>
	1 735,6
Less valuation corrections of the liabilities side	4,2
	<hr/>
	1 731,4
	<hr/> <hr/>

Item 41 includes the remaining DM 219 mio worth of assets.

Items 31, 40 and 44 - Current liabilities

Item 31 includes other debts amounting to DM 3 049 mio (VI.5 and 6) and DM 38 mio (VIII) in respect of the closing of the accounts.

Item 40 includes the remainder of the other liabilities amounting to DM 310 mio (VII).

./.

Items 43, 46 to 48 - Bank balances and cash

mio. DM

This items includes :

43. Cheques	79
46. Post office giro account	45
47. Bank accounts	1 762
48. Cash in hand	38
	<hr/>
	1 924
	<hr/>

II. PROFIT AND LOSS ACCOUNT

Item 60 - Staff costs

This item is made up of personnel expenditure amounting to DM 17 407 mio (14) as well as social charges extraneous to the undertaking and pensions totalling DM 469 mio (29 and 30).

Item 61 - Materials supplied and services performed by third parties

This item covers expenditure on materials and services rendered amounting to DM 5 354 mio and expenditure (excluding taxes) relating to current operations totalling DM 2 766 mio. These figures are kept in a separate account. The DM 5 354 mio includes some investment expenditure entered in the balance sheet by way of item 73.

Item 62 - Taxes and dues

mio DM

Taxes and dues include :

- Turnover tax (charges to be paid)	26
- Motor vehicle tax	5
- Property tax	6
- Contribution to dikes	0
- Other taxes	1
- Contribution pursuant to the law on serious handicapped persons	7
- Contribution towards balancing the charge	0
- Various taxes	54
	<hr/>
	99
	<hr/>

Item 63 - Allocations for depreciation

For an explanation of the depreciation shown in this item as charges, please see the explanatory notes on Items 10 and 12 of the balance sheet. This item also includes the credits (20 and 22 to 24).

Item 70 - Traffic revenue

Item 70 breaks down into revenue from :

	<u>mio DM</u>	
- Passenger traffic, luggage and express parcels	4 387.6	(1)
- Goods traffic	7 587.7	(2)
- Postal traffic	369.0	(3)
	<hr/>	
	12 344.3	
	=====	

It is not possible to transpose this item directly as in the DB's annual accounts revenue from express parcels is included with passenger and luggage traffic, while in the transposed accounts express parcels are put with goods traffic.

As far as revenue from goods traffic is concerned, it was only possible to differentiate between national and international traffic by means of sampling enquiries.

Item 72 - Other revenue

This item is made up of :

	<u>mio DM</u>
72.1 Revenue from work done for, and supplies to, the State	-
72.2 Revenue from work done for, and supplies to, third parties	448
72.3 Revenue from other activities, including rents	801
72.4 Various revenue	137
	<hr/>
	1 386
	=====

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Item 73 - Contra of costs booked to other accounts

The amount entered as revenue in this item represents the DM 1 217 mio worth of services (18) provided by the DB itself and entered as charges in the operating account and the sum of DM 3 370 mio entered in the balance sheet as property investments (see Item 61 of the transposed accounts).

Item 74 - Compensation and aids

Item 74.3 includes Federal Government contributions towards interest payments (in respect of the reorganization of the capital structure, and in respect of loans and other outside finance for increasing the capital). The DM 949 mio Federal Government allocation to cover losses carried over and the DM 237 mio for repayment of loans for increasing the capital do not affect operating results and thus do not appear in the profit and loss account.

The DM 279 mio paid by the Federal State is a repayment of the tax on mineral oils to the DB, as well as to certain other transport undertakings, made pursuant to a legislative decision, and not in the form of compensation by the State, the sum has been deducted from charges for energy supplies in Item 61.

Items 91.2 and 91.3

Item 91.2 shows other revenue (8 and 9) and item 91.3 other charges (25, 26 and 31) of the DB's profit and loss account.

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
(SNCF)

I. GENERAL OPERATION

Undertakings : SMCF

Millions of FF

Year : 1977

EXPENSES		REVENUE	
60. Staff costs	19 226	70. Traffic revenue	
61. Material supplied and services performed by third parties	8 567	0. Passenger and luggage traffic	
62. Taxes and dues	408	a) by rail	6 913
63. Allocations for depreciation	2 074	b) by road	-
64. Allocations to provision accounts	15	c) by other means of transport	106
65. Financial charges	1 684	1. Goods traffic	
		a) by rail	9 887
		i) full trains and wagon loads	7 955
		- national traffic	6 055
		- international traffic	1 900
		ii) part loads and parcels	1 932
		- national traffic	1 778
		- international traffic	154
		b) by road	124
		c) by other means of transport	97
		2. Postal traffic	
		Sub-total	310
		71. Financial revenue	17 437
		72. Other revenue	328
		73. Contra of costs booked to other accounts	1 753
		74. Compensations and aids received under	1 004
		0. Regulation (EEC) No 1191/69	3 139
		1. Regulation (EEC) No 1192/69	421
		2. Regulation (EEC) No 1107/70, Article 3	4 053
		3. Other compensations and aids	1 258
		Sub-total	8 871
		Total revenue	29 393
		91.0 Operating profit for the financial year	2 581

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	2 581	91.0 Operating profit for the financial year	-
91.3 Exceptional losses	16	91.2 Exceptional profits	264 (1)
91.4 Corporation tax	0	91.5 Balancing subsidy	1 587
		- Article 4 of Regulation (EEC) No 1107/70	-
		- Other	1 587
91.6 Profit for the financial year	-	91.7 Loss for the financial year	953

(1) Of which FF 207 million allocated to reserves.

SNCF: FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. BALANCE SHEET

Items 10 to 12 - Depreciation and useful life

1. Method of calculating depreciation

Article 23 of the 27 January 1971 supplementary agreement to the Convention of 31 August 1937 provided for the SNCF to use a new depreciation system as from 1970.

It states that the SNCF is to calculate the depreciation in terms of the normal useful life of fixed assets and with reference to the common law provisions on taxes.

The Directorate-General for Taxes authorised the SNCF to calculate its annual depreciation appropriation after 1 January 1970 so as to remain within the ceiling that would have been established if the assets and liabilities had been revalued in 1959 and a straight line method of depreciation had been used in the past.

The annual allocations are therefore calculated :

- on the basis of expenditure on fixed assets commissioned during the financial year, and theoretically revalued at the end of 1959 by means of the legal coefficients for revaluing assets and liabilities;
- on the basis of the useful lives proposed by the SNCF and approved by decision of Directorate-General for Taxes. These useful lives may be reviewed by agreement with the Directorate-General for Taxes to take account, inter alia, of technological developments and the resulting obsolescence;
- by using the straight-line method referred to above;

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- for the sake of simplification taking, a mean date, namely 1 July of each financial year, as the date of entry of fixed assets in the assets side of the balance sheet, which means that the first and last year of the depreciation period will each bear only one half of the annual rate.

2. Determining the total depreciation allocation

The total depreciation allocation for a financial year comprises :

- an industrial depreciation allocation calculated on the basis of non-revalued expenditure on investments ;
- a sum set aside for renewals equivalent to the difference between total depreciation calculated on the basis of investments as revalued in 1959 and the previous depreciation allocation (the revaluation used as a basis for this calculation is not part of the accounting procedure).

This total allocation is entered in the depreciation accounts on the assets side of the balance sheet.

3. Useful lives taken as a basis

A s s e t	Useful life
<u>FIXED INSTALLATIONS</u>	
Electrification	20 years
Electrical power equipment	50 years
Level crossings	20 years
Signalling, telecommunications and lighting ...	15 years
Track	20 years
Structures	50 years
Buildings and dwellings	50 years
<u>ROLLING STOCK</u>	
Locomotives and electric light rail motor tractors: (for shunting)	25 years
Locomotives and diesel light rail motor tractors (for shunting)	20 years
Accumulator railcars and motor-driven electric units	20 years
Railcars and motor-driven engines	15 years
Light rail motor tractors	
Passenger coaches	20 years
Freight wagons	20 years
<u>FITTINGS AND TOOLS</u>	{ 5 years
	{ 8 years
	{ 10 years (1)

(1) Data processing equipment

Item 15

See the attached table for details of loans given to companies in which SNCF has a shareholding and which are included in "long-term loans".

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II. PROFIT AND LOSS ACCOUNT

Item 62 - Taxes and dues

	<u>mio FF</u>
- Transport subsidy charge, land and property taxes, business tax and other local taxes, taxes on interest and repayment premiums, taxes on fund revenues and expenses	351
- Subscriptions and special contributions in respect of apprenticeship and training	35
- Registration and stamp duty	21
- Various dues	0
	<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px; width: 100%;"/>
	406

Items 91.2 and 91.7

These two items take into account a surplus on the sale of non-depreciable assets of FF 207 mio which was allocated to reserves.

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ANNEX TO ITEM 15 OF THE BALANCE SHEET

Details of loans granted to undertakings in which the SNCF has a shareholding and included in "Long-term loans"

Name of undertakings	Loans granted	Allocation for depreciation	Net amount in balance sheet
			in mio FF
Sté Française de Transports et Entrepôts Frigorifiques (S.T.E.F.)	3.5	-	3.5
Sté de Contrôle et d'Exploitation de Transports Auxiliaires (S.C.E.T.A.)	3.0	-	3.0
Sté des Voies Ferrées des Landes (V.F.L.)	1.0	1.0	-
Sté des Chemins de fer des Pyrénées Orientales	1.3	1.3	-
Sté des Voies Ferrées Départementales du Midi (V.F.D.M.)	0.0	-	0.0
Sté Concessionnaire du Chemin de fer sous-marin entre la France et l'Angleterre	1.0	1.0	-
Sté D'Etudes et de Développement des Aéroglisseurs Marins, terrestres et amphibies (S.E.D.A.M.)	1.3	1.3	-
Compagnie Air Transport (C.A.T.)	4.7	4.7	-
Sté Immobilière des Chemins de fer Français (S.I.C.F.)	9.0	-	9.0
Sté de Crédit Immobilier des Chemins de fer (S.O.C.R.I.F.)	67.8	-	67.8
TOTAL	92.6	9.3	83.4

CORAS IOMPAIR EIREANN

(C.I.E.)

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BALANCE SHEET

At 31.12.1977

Table 5a

Undertaking: CIE

Millions of IP£

A S S E T S		L I A B I L I T I E S	
<u>LONG-TERM ASSETS</u>		<u>Capital and reserves</u>	
Fixed assets (Net)		00 Capital	-
10 Land and fixed installations	9.5	01 Reserves	5.1
11 Transport stock and equipment	33.8	02 Contribution to investment costs	2.2
12 Other stock and equipment	1.0	03 Provisions	0.3
13 Fixed assets under construction	46.1	04 Funds for staff	-
<u>Other fixed assets</u>		05 Long-term financial debts	
14 Shareholdings in other undertakings	-	- debentures	9.9
15 Long-term loans	-	- State loans	24.0
16 Cost of floating loans and loan redemption premiums	-	- other financial debts	11.9
17 Miscellaneous fixed assets	-		45.8
Sub-total	46.3	Sub-total	53.4
<u>CURRENT ASSETS</u>			
Stocks			
20 - 21 (in store or being manufactured)	10.6		
<u>Realizable assets</u>			
30 Debtors	10.3		
41 Loans repayable within one year	-		
42 Bills receivable	-		
45 Securities	1.9		
Bank balances and cash			
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	1.9	31 Creditors	19.3
Sub-total	24.7	40 Financial debts of less than one-year term	3.4
		44 Bills payable	-
			22.7
		Sub-total	22.7
<u>Results</u>		<u>Results</u>	
06.1 Losses for previous financial years	4.6	06.0 Profits for previous financial years	-
07.1 Loss for the financial year	0.5	07.0 Profit for the financial year	-
Assets: Total	76.1	Liabilities: Total	76.1

I. GENERAL OPERATION

Undertakings: GIE

Year: 1977

Millions of IRL

EXPENSES		REVENUE	
60. Staff costs	78.6	70. Traffic revenue	
61. Material supplied and services performed by third parties	36.3	0. Passenger and luggage traffic	
62. Taxes and dues	4.6	a) by rail	13.0
63. Allocations for depreciation	8.8	b) by road	45.4
64. Allocations to provision accounts	-	c) by other means of transport	0.1
65. Financial charges	4.5	1. Goods traffic	
		a) by rail	
		i) full trains and wagon loads	11.6
		- national traffic	5.3
		- international traffic	4.9
		ii) part loads and parcels	0.4
		- national traffic	6.3
		- international traffic	6.2
		b) by road	0.1
		c) by other means of transport	11.3
		c) by other means of transport	0.2
		2. Postal traffic	
		Sub-total	0.7
		71. Financial revenue	82.3
		72. Other revenue	-
		73. Contra of costs booked to other accounts	7.5
		74. Compensations and aids received under	
		O. Regulation (EEC) N° 1191/69	13.1
		1. Regulation (EEC) N° 1192/69	2.3
		2. Regulation (EEC) N° 1107/70, Article 3	7.3
		3. Other compensations and aids	0.1
		Sub-total	22.8
		Total revenue	122.3
	132.8	91.1 Operating loss for the financial year	10.5
Total expenses			
91.0 Operating profit for the financial year	-		

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	10.5	91.0 Operating profit for the financial year	-
91.3 Exceptional losses	0.4	91.2 Exceptional profits	-
91.4 Corporation tax	-	91.5 Balancing subsidy	
		- Article 4 of Regulation (EEC) N° 1107/70	10.4
		- Other	10.4
91.6 Profit for the financial year	-	91.7 Loss for the financial year	0.5

CIE: FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. BALANCE SHEET

Fixed Assets (Net)

As a consequence of the capital re-organisation resulting from the provisions of the Transport Act, 1958, the amounts shown against the fixed assets (net) represent the actual cost of fixed assets less accumulated depreciation acquired since 1950, but excludes any amount for railway lines and works.

13. Fixed Assets under Construction

In keeping with CIE's accountancy practice, the amounts for fixed assets under items 10, 11 and 12 of the transposed Balance Sheet include fixed assets under construction (work in progress).

20 - 21. Stocks

Stock of Stores are valued at cost. Cost is generally determined on the basis of average cost which is computed after making adequate provision for all defective and obsolete stocks.

II. PROFIT AND LOSS ACCOUNT

60 Staff costs include: total payroll costs to all employees, including Board's contribution to social welfare funds.

Board's contribution to superannuation and pension funds in respect of active employees.

Pension payments to retired employees borne by the Board.

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62 This heading includes Non-deductible VAT costs;

Import and Excise duty payments

Road tax and licences in respect of road vehicle operations

63 Depreciation:

Depreciation provisions for rail coaching stock and road passenger vehicles calculated on basis of replacement cost of under-age vehicles in the fleet spread over expected lives

Wagon stock provision based on cost of vehicles required to replace existing fleet spread over expected lives

All other provisions (locomotives, road haulage vehicles, plant and machinery) based on original cost spread over expected lives

Hotel Premises and other properties: depreciation is calculated on the straight line basis at a rate of 2 % per annum on the net cost after deduction of state grants

Equipment, furniture, fittings and motor vehicles depreciation on straight line basis at rates ranging between 10 % and 25 % per annum.

65 Financial Charges

Interest on Transport Stocks

Interest on repayable state advances for capital expenditure

Sundry interest payments

72 Other Revenue

Includes mainly :

Revenue from Hotels and Catering Services

Revenue from Rosslare Harbour operations

Revenue from Canal operations

Dundry rail and road services

(hire of equipment, furniture storage, etc.)

Work for third parties

Rents receivable

73 This heading embraces work on fixed assets.

AZIENDA AUTONOMA DELLE FERROVIE
DELLO STATO (F.S.)

BALANCE SHEET

At 31.12.1977

Table 6a

Undertakings: FS

000 Millions of Lira

ASSETS		LIABILITIES	
<u>LONG-TERM ASSETS</u>			
<u>Fixed assets (Net)</u>		<u>Capital and reserves</u>	
10 Land and fixed installations	2 572	00 Capital	45
11 Transport stock and equipment	1 872	01 Reserves	1 162
12 Other stock and equipment	125	02 Contribution to investment costs	1 207
13 Fixed assets under construction	-	03 Provisions	1 633
Other fixed assets	4 569	04 Funds for staff	644
14 Shareholdings in other undertakings	15	05 Long-term financial debts	-
15 Long-term loans	-	- debentures	2 090
16 Cost of floating loans and loan redemption premiums	231	- State loans	4 572
17 Miscellaneous fixed assets	-	- other financial debts	1 275
Sub-total	246	Sub-total	7 937
	4 815		11 421
<u>CURRENT ASSETS</u>			
Stocks			
20 - 21 (In store or being manufactured)	509		
<u>Realizable assets</u>			
30 Debtors	401	<u>Current liabilities</u>	
41 Loans repayable within one year	-	31 Creditors	1 383
42 Bills receivable	-	40 Financial debts of less than one-year term	-
45 Securities	-	44 Bills payable	-
Bank balances and cash	401	Sub-total	1 383
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	666		
Sub-total	1 576		
	6 413		
<u>Results</u>		<u>Results</u>	
06.1 Losses for previous financial years	5 427	06.0 Profits for previous financial years	-
07.1 Loss for the financial year	986	07.0 Profit for the financial year	-
Assets: Total	12 804	Liabilities: Total	12 804

FS: FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. BALANCE SHEET

Accounts 10 - 12

The figures are not expressed in net terms, i.e. after deduction of depreciation, as the FS does not practise the system of depreciating fixed assets.

Account 13

Expenditure on constructing and acquiring lines, installations, buildings and rolling-stock is charged directly to accounts 10 - 12 as it occurs.

Account 00

Initial State allocation for lines, installations, buildings and rolling-stock and subsequent changes. The only change which has actually taken place so far is the subtraction of the original value of the lines closed to traffic.

II. PROFIT AND LOSS ACCOUNT

Account 63

The FS does not depreciate its fixed assets, but sets up an annual reserve for their renewal (at least 10 % of traffic revenue). This reserve is booked to account 64.

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SOCIETE NATIONALE
DES CHEMINS DE FER LUXEMBOURGEOIS
(CFL)

BALANCE SHEET

At 31.12.1977

Undertaking: CFL

Millions of LFR

ASSETS		LIABILITIES	
<u>LONG-TERM ASSETS</u>		<u>Capital and reserves</u>	
<u>Fixed assets (Net)</u>		00 Capital	1 600
10 Land and fixed installations	697	01 Reserves	783
11 Transport stock and equipment	1 558	02 Contribution to investment costs	2 383
12 Other stock and equipment	43	03 Provisions	356
13 Fixed assets under construction	329	04 Funds for staff	-
Other fixed assets		05 Long-term financial debts	
14 Shareholdings in other undertakings	52	- debentures	343
15 Long-term loans	-	- State loans	533
16 Cost of floating loans and loan redemption premiums	-	- other financial debts	520
17 Miscellaneous fixed assets	-		1 396
	52		4 135
	2 679	Sub-total	
	2 679		
<u>CURRENT ASSETS</u>		<u>Current liabilities</u>	
<u>Stocks</u>		31 Creditors	617
20 - 21 (In store or being manufactured)	351	40 Financial debts of less than one-year term	-
<u>Realizable assets</u>		44 Bills payable	617
30 Debtors	834		
41 Loans repayable within one year	600		
42 Bills receivable	-		
45 Securities	96		
	1 530		
<u>Bank balances and cash</u>			
43-46-47-48 Cheques in hand postal cheque accounts, bank accounts, cash in hand	44		
	44		
	1 925	Sub-total	
	1 925		
<u>Results</u>		<u>Results</u>	
06.1 Losses for previous financial years	148	06.0 Profits for previous financial years	-
07.1 Loss for the financial year	(1)	07.0 Profit for the financial year	-
	148		
<u>Assets: Total</u>	<u>4 752</u>	<u>Liabilities: Total</u>	<u>4 752</u>

(1) The financial year's loss has been absorbed by the reserves.

PROFIT AND LOSS ACCOUNT

Table 7 b

I. GENERAL OPERATION

Undertakings: CFL

Millions of LFR

Year: 1977

EXPENSES		REVENUE	
60. Staff costs	4 079		
61. Material supplied and services performed by third parties	404	0. Passenger and luggage traffic	198
62. Taxes and dues	52	a) by rail	172
63. Allocations for depreciation	360	b) by road	26
64. Allocations to provision accounts	154	c) by other means of transport	-
65. Financial charges	164	1. Goods traffic	1 269
		a) by rail	1 248
		i) full trains and wagon loads	1 223
		- national traffic	168
		- international traffic	1 055
		ii) part loads and parcels	25
		- national traffic	1
		- international traffic	24
		b) by road	21
		c) by other means of transport	-
		2. Postal traffic	-
		Sub-total	1 467
		71. Financial revenue	28
		72. Other revenue	83
		73. Contra of costs booked to other accounts	-
		74. Compensations and aids received under	
		0. Regulation (EEC) No 1191/69	930
		1. Regulation (EEC) No 1192/69	1 653
		2. Regulation (EEC) No 1107/70, Article 3	976
		3. Other compensations and aids	-
		Sub-total	3 559
		Total revenue	5 137
		91.0 Operating profit for the financial year	76
		91.1 Operating loss for the financial year	-

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	76	91.0 Operating profit for the financial year	-
91.3 Exceptional losses	-	91.2 Exceptional profits	-
91.4 Corporation tax	-	91.5 Balancing subsidy	-
		- Article 4 of Regulation (EEC) No 1107/70	-
		- Other	-
91.6 Profit for the financial year	-	91.7 Loss for the financial year	76

CFL: FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. BALANCE SHEET

The difference between the totals in the CFL balance sheet and the transposed balance sheet arises from the fact that the gross amount of fixed assets is entered on the assets side and the depreciation of these fixed assets is entered in the liabilities side of the same balance sheet.

Item 03

Fixed assets prior to 1 June 1945, including the land and fixed installations, form part of the concession and were thus placed at the disposal of the CFL by the Grand Duchy when the company was formed. As these fixed assets have never been assessed and this never valued, they appear in the balance sheet as a token entry, i.e. at zero rating.

As the normal rules of depreciation cannot be applied to a zero value, the CFL generally considers the annual renewal cost for these fixed assets as a depreciation allocation charged to the operating account.

Items 10 - 12

The amounts under these headings are in net terms (acquisition value less accumulated depreciation of the fixed assets built and acquired by the company since it was formed.

The gross value and the accumulated depreciation are as follows :

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Title	LFR million		
	Gross value	Accumulated depreciation	Net value
10 Land and fixed installations	1 144	447	697
11 Transport stock and equipment	2 682	1 124	1 558
12 Other stock and equipment	141	98	43

The depreciation applied by the CFL in respect of these fixed assets (recorded at acquisition value) is based on their useful life and on the criteria applying to private industry.

Item 13

The actual cost of the work in progress is entered in the CFL balance sheet and in the transposed balance sheet.

Item 06.1

These losses relate to the period 1.6. 1945 to 31.12. 1947 and are being written off.

Item 07.1

The loss for the financial year has been absorbed by the reserves. The remaining losses of LFR 1.8 mio relating to earlier years have also been absorbed by the reserves.

Item 05

Other financial debts. This item is made up as follows:

	million LFR
Cash advances which can be consolidated	400
Debts to an undertaking in which CFL have a capital participation, i.e. Eurofima	120
	<u>520</u>
	=====

II. PROFIT AND LOSS ACCOUNT

Item 60 - Staff costs

The remunerations of staff in active employment includes remunerations for the maintenance of fixed assets excluding remuneration for investment, which is charged to the investment account.

Item 62 - Taxes and dues

This item consists of :

	<u>mio LFR</u>
municipal payroll tax	19
municipal trade tax	32
municipal tax on land buildings	1
	<hr/>
	52
	<hr/> <hr/>

Item 74 - Compensations and aids

Article 74.1 breaks down as follows :

	<u>mio LFR</u>
1. Family allowances	34.3
2. Retirement and other pensions	1 468.6
3. Crossing facilities	29.6
4. Recognition of services rendered by staff to their country	0.1
5. Lack of normalization in the past	4.8
	<hr/>
	1 537.4
6. Revenue not collected in 1974	115.4
	<hr/>
	1 652.8
	<hr/> <hr/>

The aid of LFR 976 million under Item 74.2 is granted as a budgeted amount as regards both the State and CFL budgets. Most of this aid is State compensation for some of the infrastructure costs borne by the company, i.e. :

	<u>million LFR</u>
- Current costs	517.2
- Overheads	251.4
Total	<u>768.6</u>

(The State does not cover company formation or renewal expenses).

This aid is also intended to cover the excess additional expenditure devolving at the CFL as a result of legislation :

- increases in the sliding wage scale ;
- other legal provisions in favour of the staff

inssofar as other undertakings do not bear these costs.

In the final detailed accounts these two factors are largely attributed to public service obligations (Regulation n° 1191/69 - Item 74.0) and the normalization of accounts (Regulation N° 1192/69 - Item 74.1).

The amount of LFR 976 million should therefore not be included in Item 91.5 - balancing subsidy.

Item 91.7

As the operating loss has been absorbed by the reserves, the sum of LFR 76 million has not been carried over item 07.01 in the balance sheet. The loss balance of LFR 1.8 million for the previous financial year now closed has also been absorbed by the reserves.

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NAAMLOZE VENOOTSCAP

NEDERLANDSE SPOORWEGEN

(N.S.)

PROFIT AND LOSS ACCOUNT

Table 8.6

I. GENERAL OPERATION

Year: 1977

Millions of HFL

Undertakings: NS

EXPENSES		REVENUE	
60. Staff costs	1 203	70. Traffic revenue	
61. Material supplied and services performed by third parties	442	0. Passenger and luggage traffic	676
62. Taxes and dues	7	a) by rail	
63. Allocations for depreciation	269	b) by road	
64. Allocations to provision accounts	131	c) by other means of transport	
65. Financial charges	31	1. Goods traffic	257
		e) by rail	
		i) full trains and wagon loads	
		- national traffic	
		- international traffic	
		ii) part loads and parcels	
		- national traffic	
		- international traffic	
		b) by road	
		c) by other means of transport	
		2. Postal traffic	35
		Sub-total	968
		71. Financial revenue	20
		72. Other revenue	61
		73. Contra of costs booked to other accounts	193
		74. Compensations and aids received under	
		0. Regulation (EEC) N° 1191/69	706
		1. Regulation (EEC) N° 1192/69	38
		2. Regulation (EEC) N° 1107/70, Article 3	
		3. Other compensations and aids	
		Sub-total	744
	2 148	Total revenue	1 986
		91.1 Operating loss for the financial year	162

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	162	91.0 Operating profit for the financial year	-
91.3 Exceptional losses	-	91.2 Exceptional profits	-
91.4 Corporation tax	-	91.5 Balancing subsidy	
		- Article 4 of Regulation (EEC) N° 1107/70	162
		- Other	
91.6 Profit for the financial year	-	91.7 Loss for the financial year	-

N.S. : FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. BALANCE SHEET

00 Capital

The company's equity consists of HFL 1 000 million divided into one million HFL 1 000 shares, of which HFL 484.4 million were issued and paid up on 31 December 1977.

01 Reserves

Apart from the general reserve which did not change in the financial year, this item contains the reserve for revaluations of assets and the reserve for shareholdings.

The reserve for revaluations of assets was changed in respect of :

- additional depreciation, i.e. the difference between depreciation based on current prices and that calculated from the purchase price, charged to the profit and loss account;
- the differences resulting from the revaluation of stocks at the price estimated for the beginning of the following year;
- the variations on the valuation of loans denominated in foreign currency, where they have not been repaid.

The reserve for shareholdings was changed in respect of changes in the intrinsic value of the NS holding where this had not been caused by an increase or decrease in majority or minority shareholdings.

- 02 Contributions to investment costs This item concerns State participation in the financing of new lines where this takes place by means of non-returnable payments.
- 03 Provisions This item consists of:
- maintenance of fixed assets;
 - reorganization of freight transport;
 - other provisions including insurance funds.
- It includes provisions for the equal distribution of certain charges and the cover of specific risks.
- 04 Funds in respect of staff This item consists of a provision for early retirement pensions and pension commitments which are not covered by the railway's pension fund.
- 05 Long-term financial debts These are debts which still have more than a year to run. The annual repayments which have to be made on the long-term loans in the next year are included under item 40 - Financial debts whose term is less than one year.
- The debts are entered at nominal value. Foreign-currency loans are converted at the latest exchange rate in 1977. The difference in rates is charged to own capital under the item Reserve for Revaluations.
- Assessment of future commitments under this item is mainly based on current value calculations.
- The N.S. owe Eurofima HFL 308 million for the purchase of rolling stock.

- 10 Land and fixed installations The assets falling within this group are entered at their acquisition price (2 605 million) minus depreciation calculated according to the number of years of useful life which have elapsed (1) (HFL 1 329 million). Land is not depreciated. Expenditure on the maintenance of permanent way (track and points), with the exception of the strengthening of the permanent way structures, is charged to the operating account under the provision for "Maintenance of the permanent way".
- 11 Transport stock The assets falling within this group are entered at their acquisition price (HFL 1 564 million) minus depreciation according to the number of years of useful life which have elapsed (1) (HFL 864 million). This item includes the rolling stock obtained from Eurofima on hire purchase. The obligations towards Eurofima are entered under item 05 - Long-term financial debts - and the redemption of these obligations in the coming year under the item 40 - Financial debts with less than one year to run.
- 12 Other stock and equipment A token entry of HFL 1 has been made for machinery, tools and service vehicles. The acquisition covering HFL 18 million in the financial year are completely written off in the year of acquisition.
- 13 Fixed assets under construction These assets are entered in respect of expenditure incurred minus a provision for non-recoverable expenditure. Depreciation does not take place until after entry in service.

(1) For details of these periods, see Annex.

These assets cover:

	<u>mic HFL</u>
- Land and fixed installations	510
- Transport stock and equipment	84
- Other stock and equipment	6
	<hr/> 600

14 Shareholdings
in other
undertakings

The shareholdings in the capital of other undertakings are assessed from the share of the N.S. in the intrinsic value revealed in the most recently published balance sheets of the undertakings in question.

For this purpose, intrinsic value is defined as own capital shown in the annual accounts, with due allowance for profit or loss.

15 Long-term
loans

The long-term loans, consisting of loans with more than one year to run, includes a claim on the State in respect of a sum of HFL 1 080 million. This claim is the outcome of the arrangement reached with the State in 1976 on the financial situation of the N.S. and concerns losses up to 1976. The portion of this debt falling due in the next year is entered under item 41 - Loans repayable within one year. This item also includes the costs for financing new lines (HFL 34 million), entered as an asset. These financing costs relate to expenditure on new lines if they have not been financed by increasing the share capital or other financial contributions by the State. Once these lines or sections thereof are put into service, the financing costs are charged as interest to the profit and loss account over a period of 25 years.

This item includes a long-term loan of HFL 3.5 million to Nemeog in which the N.S. has a shareholding.

With the exception of the unquoted securities included in this item, the claims are booked at nominal value. The unquoted securities are assessed at estimated yield, not exceeding the nominal value.

20 Supplies in store or in the yards

The supplies are almost exclusively intended for the maintenance and renewal of fixed assets and rolling stock. They are assessed according to the estimated price level for 1 January 1978, minus a provision for obsolescence. Any price differences are credited or charged to the reserve for revaluations (item 01).

30 Debtors

The claims included in this item are listed at nominal value, minus the provisions deemed necessary.

31 Creditors

The debts included in this item are listed at nominal value.

40 Financial debts with less than one year to run

This item covers the redemption in the coming year of loans with a remaining term of more than one year. The short-term debts are listed at nominal value.

The redemption of foreign-currency loans is converted into guilders according to the last exchange rate quoted in 1977. The difference in exchange rates is charged to own capital under the reserve for revaluations (item 01).

41 Loans with less than one year to run This item lists the part of the claim on the State resulting from losses up to and including 1975 and falling due in the coming year (HFL 53 million) and the short-term investments. The short-term debts are listed at nominal value.

43 - 48 Bank balances and cash These liquid assets are listed at nominal value.

II. PROFIT AND LOSS ACCOUNT

60 Staff costs The item on staff costs includes remuneration (HFL 820 million), social security costs (HFL 414 million, including HFL 115 for pensions and a provision of HFL 9 million for early retirement pensions), other staff costs (HFL 18 million) and the costs of a retaining pay arrangement (HFL 16 million).

61 Materials supplied and services performed by third parties This item includes maintenance materials and maintenance by third parties (HFL 222 million, HFL 110 million of which for fixed installations and HFL 86 million for rolling stock), the costs of electricity, fuel and communications (HFL 144 million) and the costs of automatic data-processing (HFL 36 million).

62 Taxes and dues The item concerns non-deductible VAT, tax on immovable property, environmental and other non-deductible taxes.

63 Allocations
for
depreciation

This item contains depreciation on the basis of the purchase price (HFL 124 million), additional depreciation (HFL 112 million), expenditure which cannot be entered on the assets side (HFL 33 million) and book value losses (including the balance of revenue and expenditure in the event of liquidation) (HFL 0.1 million).

64 Allocations
to provision
accounts

This item covers allocations to provisions for the maintenance of the permanent way (HFL 111 million), for the modification and improvement of rolling stock (HFL 12 million), accident risk (HFL 7 million) and internal fire insurance (HFL 1 million).

65 Financial
charges

This item covers the balance of interest paid and received, minus the cost of financing new lines entered on the assets side, and the interest received on a loan to a subsidiary company.

Details of interest booked: mio HFL

Interest paid on loans	
- long term	158
- short term and other	8
	<hr/> 166

<u>Less</u> the costs of financing new lines (charged to the profit and loss account once the line is open)	- 13
	<hr/> 153

mio HFL

Interest received	153
Aid from the public authorities to finance losses incurred up to and including 1975 (see explanation given under item 74)	: 97
Short-term investments	: 25
	<hr/>
	- 122
	<hr/>
Balance of interest carried over to item 65	31.

70 Traffic revenue

70.0 Passenger and luggage traffic This category of revenue concerns only rail traffic (a).

70.1 Goods Traffic a) Rail. The following breakdown may be made:

	<u>mio HFL</u>
i) complete trains and wagon loads	229
- national traffic	88
- international traffic	141
ii) part loads and parcels	11
- national traffic	1
- international traffic	10

A total of HFL 17 million remains to be allocated in respect of miscellaneous revenue (luggage, marshalling etc.).

71 Financial revenue

This item also includes the corporation tax for 1976 transferred to the N.S. in 1977 by its tax consolidated subsidiaries; no corporation tax was due to the tax authorities in 1976 because of the fiscal loss recorded by the N.S.

74 Compensation and aids

74.3 Other compensations and aids - The other compensations and aids relate to the following:

- State subsidy for goods traffic in 1977 (HFL 151 million)
- Proposed supplementary State subsidy for goods traffic in 1977 (HFL 11 million)
- Corrections made to the compensation for public service obligations and to the State subsidy for goods traffic for 1976.

The above amounts include the losses and goods traffic and other activities (insignificant) calculated on the basis of the full cost.

This means that both passenger and goods traffic bear part of the joint costs. If the specific costs were charged solely to goods traffic (in other words the costs which would disappear if there was no goods traffic), the losses in the goods sector would amount to HFL 66 million.

A total of HFL 162 million could therefore be booked as a balancing subsidy.

The following aids have not been included in item 74:

- HFL 64 million in interest on cumulative losses up to and including 1972 and borne by the State. This has also been mentioned under "interest received".
- HFL 81 million in repayments of the same debt; this merely serves to reduce the State's debt to the N.S. and is not therefore shown in the profit and loss account.

- HFL 42 million in losses incurred between 1973 and 1975 (inclusive) which do not involve the public service. This amount includes HFL 32 million for interest (interest received) and HFL 10 million for redemption which also reduces the State debt to the N.S. and is not therefore shown in the profit and loss account.

SUMMARY OF THE DEPRECIATION PERCENTAGES APPLIED

BY N.S.

<u>Description</u>	<u>Percentage</u>
<u>Tractive units</u>	
- electric locomotives, diesel-electric locomotives and light rail motor tractors	3.5
- locomotives and light rail motor tractors with diesel-electric internal combustion engines	10
<u>Passenger stock</u>	
- passenger coaches (including the stock leased by Eurofima)	3.5
- electric and diesel-electric stock (1)	4
- stock with diesel-electric internal combustion engines	10
- rolling stock with automatic control	
- relay boxes	8
- other equipment - amortized within the residual useful life for each type of stock fitted out	6.5 to 8
<u>Goods wagons</u>	
- goods wagons and luggage vans (including the stock leased by Eurofima)	3
- mail-train sets	5
- mail railcars	5

(1) Excluding internal combustion engine stock.

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Percentage

Ferries and ships

Containers

containers, tank containers, wagons for the	10
transport of trailers	10

Housing

- stone	2
- wood	2.5

Tools, equipment and service vehicles

- land	-
- platforms	1.5

Bridges, viaducts and platform subways

- infrastructure of fixed and movable bridges	1
- superstructure of fixed bridges	1.25
- superstructure of movable bridges	1.75
- bridges, viaducts, platform subways, footbridges and loading ramps (concrete)	2
- culverts	1.5
- braking and securing devices	3
- mobile equipment	2

Ballast

2

Buildings, paving and enclosures

- passenger buildings and buildings principally constructed of stone	1.33
- other public buildings made of stone, paving, walls and station canopies	2
- stone buildings for special purposes	3
- iron and wooden buildings	2.5
- enclosures	100

ANNEX

Percentage

- "sextant type" station buildings 4
- concrete paving for level crossings 4

Safety and control

- conventional safety devices 4
- modern safety devices 4
- safety devices for level crossings 5
- computerized safety devices 8

Telecommunications equipment

- radio installations 10
- time-indication systems 10
- remote-controlled train indicator systems 8
- loudspeaker equipment 6.67
- telephone cables 3
- intercom equipment 10
- remote control equipment 5

Fixed electrification installations

- catenaries 2.5
- substations and switchgear units 4
- supply cables 3

Percentage

Miscellaneous installations

- lifts	6
- turntables and weighbridges	4
- rail brakes	10
- escalators	5
- pneumatic tube systems	10
- lighting pylons	1.25

BRITISH RAILWAYS BOARD

(B.R.B.)

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BALANCE SHEET

Table 9a

At 31.12.1977

Undertaking: BRB

A S S E T S		L I A B I L I T I E S	
<u>LONG-TERM ASSETS</u>			
Fixed assets (Net)		Capital and reserves	
10 Land and fixed installations	328.6	00 Capital	194.7
11 Transport stock and equipment	384.7	01 Reserves	194.7
12 Other stock and equipment	52.5	02 Contribution to investment costs	-
13 Fixed assets under construction	-	03 Provisions	41.3
Other fixed assets	765.5	04 Funds for staff	531.1
14 Shareholdings in other undertakings	(0.6)	05 Long-term financial debts	
15 Long-term loans	527.0	- debentures	-
16 Cost of floating loans and loan redemption premiums	-	- State loans	330.9
17 Miscellaneous fixed assets	1.7	- other financial debts	101.7
Sub-total	528.1	Sub-total	1 199.7
	1 293.6		
<u>CURRENT ASSETS</u>			
Stocks			
20 - 21 (In store or being manufactured)	135.7		
Realizable assets			
30 Debtors	154.2		
41 Loans repayable within one year	1.3		
42 Bills receivable	-		
45 Securities	-		
Bank balances and cash	155.5		
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	8.2	31 Creditors	300.9
Sub-total	299.4	40 Financial debts of less than one-year term	54.7
		44 Bills payable	-
		Sub-total	355.6
Results			
06.1 Losses for previous financial years	-	06.0 Profits for previous financial years	10.7
07.1 Loss for the financial year	-	07.0 Profit for the financial year	27.0
Assets: Total	1 593.0	Liabilities: Total	1 593.0

PROFIT AND LOSS ACCOUNT

Undertakings : BRB

Millions of UK£

Year : 1977

I. GENERAL OPERATION

EXPENSES		REVENUE	
60. Staff costs	990.9	70. Traffic revenue	
61. Material supplied and services performed by third parties	605.5	0. Passenger and luggage traffic	
62. Taxes and dues	0.2	a) by rail	636.1
63. Allocations for depreciation	36.8	b) by road	-
64. Allocations to provision accounts	0.4	c) by other means of transport	70.4
65. Financial charges	44.4	1. Goods traffic	
		a) by rail	
		i) full trains and wagon loads	419.9
		- national traffic	346.6
		- international traffic	341.7
		ii) part loads and parcels	4.9
		- national traffic	73.3
		- international traffic	73.3
		b) by road	-
		c) by other means of transport	49.7
		2. Postal traffic	
		Sub-total	36.0
		71. Financial revenue	1 212.1
		72. Other revenue	8.6
		73. Contra of costs booked to other accounts	111.3
		74. Compensation and aids received under	
		0. Regulation (EEC) N° 1191/69	363.5
		1. Regulation (EEC) N° 1192/69	10.5
		2. Regulation (EEC) N° 1107/70, Article 3	1.9
		3. Other compensations and aids	-
		Sub-total	375.9
		Total revenue	1 707.9
91.0 Operating profit for the financial year	29.7	91.1 Operating loss for the financial year	-
Total expenses	1 678.2		

II. PROFIT AND LOSS SUMMARY

91.1 Operating loss for the financial year	-	91.0 Operating profit for the financial year	29.7
91.3 Exceptional losses	2.7	91.2 Exceptional profits	-
91.4 Corporation tax	-	91.5 Balancing subsidy	-
		- Article 4 of Regulation (EEC) N° 1107/70	-
		- Other	-
91.6 Profit for the financial year	27.0	91.7 Loss for the financial year	-

B.R.B. : FINANCIAL YEAR 1977

EXPLANATORY NOTES

I. GENERAL

- 1.1 A "net accounting" system is operated - amounts recovered in respect of work done for third parties (other than in the normal course of business of carrying passengers and freight) and the cost of work charged to Capital Account are offset against the expenditure incurred.
- 1.2 Financial reconstructions in 1962, 1969 and 1974 have resulted in large amounts of asset values being written out of the books in order to bring the worth of the assets in line with their earning power.

II. BALANCE SHEET

2. Capital Accounting, Depreciation and Amortisation

- 2.1 Fixed assets are normally included in Capital Account at historic cost less any capital grants received.
- 2.2 With the exception of Rail infrastructure referred in para. 2.3.3 (track, earthworks, signalling, etc.) investment expenditure is capitalised above minimum monetary levels, (usually UKL 25,000 for fixed installations and UKL 1,000 for stock and equipment). Below these levels investment expenditure is of a constant recurring nature year by year and the resulting charge to Profit and Loss Account represents an approximate equal annual charge.

2.3 Fixed installations

- 2.3.1 Expenditure on additions and alterations to and replacements of buildings above the minimum monetary level, together with certain expenditure on track works in connection with new routes and new electrification schemes, is charged to Capital Account.
- 2.3.2 The expenditure is amortised over periods of time fixed with due regard to the useful lives of the assets but with a maximum of 40 years.
- 2.3.3 Expenditure on (a) replacements, and (b) alterations to fixed installations and track works other than as described in paragraph 2.3.1 and signal and telecommunications equipment is charged to Profit and Loss Account as incurred.
- 2.3.4 Property which is not required for operational use (described as Non-operational property) i.e. let property and property held for sale, is not amortised in view of the continuing appreciation in property values. Proceeds over the book value of property sold are transferred to Capital Reserve.
- 2.3.5 As capitalisation is mainly related to blocks of expenditure rather than individual assets, expenditure is normally retained in Capital Account until fully amortised except where identifiable assets are displaced and not replaced when Capital Account is adjusted, i.e. there is a reduction in existing facilities.
- 2.3.6 On displacement, any unprovided amounts are normally charged to a General Obsolescence Provision. Net proceeds from disposal are normally transferred to General Reserve.

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2.4 Operational Land

This is an attributed arbitrary value and is reduced by disposals being credited at estimated market values. No amortisation is provided on operational land.

2.5 Stock and Equipment

2.5.1 Expenditure on additions and replacements of rolling stock, ships and plant and equipment (other than those associated with infrastructure - see paragraph 2.3.3) above the minimum monetary level is charged to Capital Account. Depreciation is provided in equal amounts on the book values of the assets over periods of time related to their estimated useful lives. Lives used for the major assets are :-

Rail

- Locomotives	20 years
- High Speed Trains	15 years
- Electric Multiple Units	25 years
- Passenger Carriages	20 years
- Diesel Multiple Units	20 years

Ships 20 years

Hovercraft 10 years

Plant and Equipment 5 to 20 years

2.5.2 Expenditure on alterations to ships is written off over not more than half the normal book life. Alterations and modifications to all other assets are charged to Profit and Loss Account as incurred.

2.5.3 Assets are written out of Capital Account and Depreciation Account when displaced.

2.5.4 The sums entered under "fixed assets" break down as follows:

			<u>mio UKL</u>
item 10	gross value	: 380.9	
	- depreciation	: <u>52.3</u>	
			328.6
item 11	gross value	: 991.2	
	- depreciation	: <u>606.5</u>	
			384.7
item 12	gross value	: 97.7	
	- depreciation	: <u>45.5</u>	
			52.2

3. Shareholdings in other undertakings (item 14)

		<u>mio UKL</u>
Shareholdings in other undertakings		
Value of shareholdings in other undertakings (see statements 3D and 1B) (1)		10.4
To be deducted :		
- Capital loans. Transferred to item 15		- 7.6
- Balances of current accounts (included in item 30 - Debtors)		- 3.4
		<u> </u>
	item 14	(0.6)

4. Long-term loans (item 15)

	<u>mio UKL</u>
Long-term loans to other companies	7.6
Other	519.4
	<u> </u>
	527.0

See also item 14

(1) References are to statements in B.R.B. annual accounts ./.

5. Stocks (items 20 and 21)

		<u>mio UKL</u>
20. Stocks in store	155.0	
- allocations account	<u>26.2</u>	
		128.8
21. Stocks being manufactured		6.9
		<u>135.7</u>

6. Long-term financial debts (item 05)

This item breaks down as follows:

		<u>mio UKL</u>
- Capital debts to the Ministry of Transport (Statement 3F) (1)		330.9
- Long-term borrowings (Statement 3J) (1)		55.7
- Portion of long-term borrowings not repaid (see Statement 3J) (1)		31.9
- Short term bank and foreign loans		<u>14.1</u>
		432.6

7. Funds for staff (Item 04)

Includes the following:

		<u>mio UKL</u>
- Staff savings bank		21.8
- Deposits by staff superannuation funds		34.3
* - Funding debts repayable 1979/86		475.0

* The solvency of most of the schemes which provide pension benefits for the Board's staff is guaranteed by the Board and payments are being made in implementation of almost all of these guarantees. It is provided that the Board shall fund these inherited obligations and shall be reimbursed by the Secretary of State as to payments of principal and interest.

(1) see footnote (1) p. 82

The UKL 475 (mio) represents the debts assessed to date and in view of the fact that the Board has the right to reimbursement of payments, an equivalent amount has been included within long-term loans - Account No. 15.

8. Financial debts of less than one-year term (item 40)

	<u>mio UKL</u>
- Unsecured bank loans	27.2
- Short-term borrowings	27.5
	<u>54.7</u>

III. PROFIT AND LOSS ACCOUNT

Reconciliation between Profit and Loss Account 1977
(Transposed Accounts) and B.R.B. Annual Report
and Accounts 1977

R E V E N U E

<u>Transposed Accounts 1977</u>		<u>B.R.B. Annual Accounts 1977</u>	
<u>Account No.</u>	<u>mio UKL</u>	<u>Annual Account Statement</u>	<u>mio UKL</u>
70.0 a) Passenger and Luggage by Rail	<u>636.1</u>	6A Passenger fares and charges	593.1
		6A Station Catering	28.2
		6A Train Catering	14.8
			<u>636.1</u>
70.0 c) By other means of transport	<u>70.4</u>	6A Ships: Passenger and Catering Revenue (Gross)	66.4
		2D Hovercraft: Gross income	4.0
			<u>70.4</u>

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REVENUE (Contd.)

<u>Transposed Accounts 1977</u>		<u>B.R.B. Annual Accounts 1977</u>	
<u>Account No.</u>	<u>mic UKL</u>	<u>Annual Account Statement</u>	<u>mic UKL</u>
70.1 Goods Traffic		(Not published)- Goods	
by rail		Traffic, Rail, Full train:	
National	341.7	National	341.7
International *	<u>4.9</u>	Ferry Van Traffic (rail	
	<u>346.6</u>	portion)	<u>4.9</u>
		6A Freight -Rail Income	<u>346.6</u>
Part Loads and Parcels		(Not published)-	
National	73.3	Parcels	73.3
International	36.0	Postal	36.0
	<u>109.3</u>	6A Parcels and Post	<u>109.3</u>
		Office Mails	
By other means		6A Balance of Ships	
of Transport	49.7	Revenue	49.7
<hr/>			
71 Financial Revenue	<u>8.6</u>	2J Income from Interests in	
		other Transport Under-	
		takings	0.1
		(Sch.13 Not published)	
		Interest on Capital etc	
		for work for Outside	
		Parties and London	
		Transport	1.1
		2J Special Leasing Benefit	1.5
		(Sch. 4 Not published)	
		Interest Received	1.4
		1A Exchange Gain	4.5
			<u>8.6</u>

* The International traffic includes only the wagons transported by ferry boat, i.e. the traffic which is known to be, or to have been, effected by rail outside the B.R.B. network. /.

REVENUE (Contd.)

<u>Transposed Accounts 1977</u>		<u>B.R.B. Annual Accounts 1977</u>	
<u>Account No.</u>	<u>mio UKL</u>	<u>Annual Account Statement</u>	<u>mio UKL</u>
72 Other Revenue	111.3	2B Rail Workshops -	
		External Income	9.6
		2E Harbours-Gross Income	15.1
		2F Hotels-Gross Income	29.9
		6A Non Operational Property-	
		Gross Income	10.5
		6A Operational Property	
		(Letting)	18.5
		6A Transmark	2.9
		6A Miscellaneous - Rail	15.7
		6A Other Income (Adj. for Tax)	11.8
		Less shown under Code 71	
		(above):	
		Interest in Other Under-	
		takings	0.1
		Interest on Capital for	
		work for Outside Parties	1.1
		Leasing Benefit	1.5
			<u>2.7</u>
			<u>111.3</u>
74* EEC 1191/69	363.5	1A PSO Support	363.5
EEC 1192/69	10.5	1A Level Crossings Compensa-	10.5
		tion	
		page 45	
EEC 1107/70	1.9	Research Grant	1.9
TOTAL REVENUE	<u>1,707.9</u>	TOTAL REVENUE	<u>1,707.9</u>
	=====		=====

* See additional annex (pp 89 to 91)

EXPENSES

<u>Transposed Accounts 1977</u>		<u>B.R.B. Annual Accounts 1977</u>	
<u>Account No.</u>	<u>mio UKL</u>	<u>Annual Accounts Statement</u>	<u>mio UKL</u>
60 Staff Costs	<u>990.9</u>	4B Staff Expenses	983.9
		1A Corporate Expenses - assumed Staff Expense element	2.5
		2B Rail Workshops - External Income less External Operating surplus = External Works expenditure of £ 9.0 M Assumed Staff Expense element	4.5
			<u>990.9</u>
61 Material supplied and services performed by third parties	<u>605.5</u>	4B Materials, Supplies and Services	480.7
		4B Fuel and Power	106.9
		1A Corporate Expenses - balance (see above)	1.6
		2B Rail Workshops - Balance (see above)	4.5
		Page 31 Transmark - Expenses (Sch. 5 - not published) Inter-Activity expenses to be excluded	2.6
		1A Level Crossings Compensa- tion (credited against expenditure)	10.5
		1D(13) Research Grant (credited against expen- diture)	1.9
		1D(9) Internal Insurance	<u>0.4</u>
			<u>605.5</u>

EXPENSES (Contd.)

<u>Transposed Accounts 1977</u>	<u>mio UKL</u>	<u>B.R.B. Annual Accounts 1977</u>	<u>mio UKL</u>
<u>Account No.</u>		<u>Annual Account Statement</u>	
62 Taxes and Dues	0.2	1A Taxation-Overseas-Transmark	0.2
63 Allocations for deprection	36.8	6A Provisions for Depreciation and Amortision	36.8
64 Allocations to Provision Account *	0.4	3H Provided during Year	0.4
65 Financial Charges	<u>44.4</u>	2K Interest Charges (Sch. 4 - not published) Add back Interest received	43.0 <u>1.4</u> <u>44.4</u>
TOTAL EXPENSES	<u><u>1,678.2</u></u>	TOTAL EXPENSES	<u><u>1,678.2</u></u>
91.0 Operating Profit for the Year	<u>29.7</u>	4A Surplus before extra- ordinary items	<u>29.7</u>
91.3 Exceptional Losses	<u>2.7</u>	2L Freight Loss 1977 5.5 Adjustment re S.39 Payments since 1974 <u>8.2</u>	 <u>2.7</u>

* This sums covers domestic premiums only as given under "Provisions for domestic insurances" (in item 05).

Item 74

Financial Support 1977

mio UKL

Transposed Accounts

Annual Accounts

Public Service Obligation

Rail Passenger sector 363.5

Statement 2A -
Railways Operating Account

Normalisation

Level crossings 10.5

Statement 4A -
Track and signalling

Other

Grant for rail freight and
parcels (transitional - to
cease at end of 1977) 2.7

Statement 1A -
Consolidated Profit and Loss Account

Grants under S.56 of
Transport Act 1968 11.7

Statement 1D -
Accounting Policies and Notes on
Accounts - paragraph 4 - Capital grants

Research grants - S.57
of Transport Act 1968 1.9

Statement 1D -
Paragraph 13

Support for Current
Operations 384.9

Pension support - funding,
refund of deposits etc., 106.8

Statement 1D -
Paragraph 2 34.7
Paragraph 2 5.0
Paragraph 3 67.1
106.8

TOTAL FINANCIAL SUPPORT 491.7

Item 74

Capital aids

The sum of UKL 11.7 mio given under S.56 of the Transport Act 1978 (see note 4 of Statement 1D) is capital aid and will therefore not be included in item 74. This aid has been deducted from the expenditure on fixed assets included in the balance sheet.

Pension Fund

		<u>mio UKL</u>
This item includes:		
a) reimbursement of deposits by the staff superannuation fund	34.7	
b) interest on deposits by the pension fund	<u>5.0</u>	39.7
c) interest on the sum set aside for funding debts		<u>67.1</u>
		106.8

Item a) has been treated as capital. As indicated in the B.R.B.'s Consolidated Profit and Loss Account, items b) and c) were reimbursed by the Minister in accordance with the Railways Act 1974, and therefore do not appear in the results, i.e. the operations have been treated as a direct debit/credit bookkeeping entry.

The remaining paragraphs of this section deal with the treatment of these operations in the balance sheet submitted in accordance with Regulation (EEC) No. 2830/77.

In application of B.R.B. order 1973 (amending the provisions on pensions), the Board may no longer accept any further deposits by staff superannuation funds, and deposits existing at 31 December 1973 are currently being repaid.

The Railways Act 1974 provides that this repayment, together with interest on the deposits, shall be made by the State. Sums of UKL 34.7 mio and 5.0 mio respectively were repaid in 1977. The final repayments of principal and interest payments were made in 1978.

The 1977 balance sheet shows a reduction in the deposits of the staff superannuation fund from UKL 69.0 mio at 31 December 1976 to 34.3 mio at 31 December 1977 - a drop of UKL 34.7 mio, which is the amount given above. Item 04 of the transposed balance sheet (Funds for staff) breaks down as follows:

	<u>mio UKL</u>
- Deposits of the staff superannuation funds	34.3
- Financing of debts repayable in 1979/80	475.0
- Deposits in staff saving bank	21.8
Item 04	<u>531.1</u>

A sum of UKL 475.0 mio is included in the long-term loans (see notes 2 and 3 of Statement 1D - Accounting Policies and Notes on the Accounts, and Statement 3E) and item 15 of the balance sheet.

	<u>mio UKL</u>
- Debts to staff superannuation funds	475.0
- Loans to Railway Finance Ltd	40.6
- Loans to permit contributions to the capital of other transport undertakings	7.6
- Other	3.8
	<u>527.0</u>

The Railway Act 1974 provides that the balance of the obligations in respect of pensions (capital and interest) inherited by the Board shall be repaid by the State.

Current employer's contributions to the superannuation fund are entered under revenue and treated as staff costs.

NORTHERN IRELAND RAILWAYS

COMPANY Ltd (N.I.R.)

BALANCE SHEET

Table 10a

At 2.4.1978

Undertaking: NIR

000 of USL

ASSETS		LIABILITIES	
<u>LONG-TERM ASSETS</u>		<u>Capital and reserves</u>	
<u>Fixed assets (Net)</u>		00 Capital	100
10 Land and fixed installations	8 242	01 Reserves	2 885
11 Transport stock and equipment	6 896	02 Contribution to investment costs	2 985
12 Other stock and equipment	727	03 Provisions	12 881
13 Fixed assets under construction	65	04 Funds for staff	32
<u>Other fixed assets</u>	15 940	05 Long-term financial debts	
14 Shareholdings in other undertakings	-	- debentures	-
15 Long-term loans	-	- State loans	-
16 Cost of floating loans and loan redemption premiums	-	- other financial debts	100
17 Miscellaneous fixed assets	-		100
	15 940		15 998
	-----		-----
Sub-total	299	Sub-total	
<u>CURRENT ASSETS</u>		<u>Current liabilities</u>	
<u>Stocks</u>		31 Creditors	1 405
20 - 21 (In store or being manufactured)	1 793	40 Financial debts of less than one-year term	-
<u>Realizable assets</u>		44 Bills payable	172
30 Debtors	-		1 577
41 Loans repayable within one year	-		-----
42 Bills receivable	-		1 577
45 Securities	-		-----
Bank balances and cash	1 793		
43-46-47-48 Cheques in hand, postal cheque accounts, bank accounts, cash in hand	(427)		
	1 665		

Sub-total	1 665	Sub-total	
<u>Results</u>		<u>Results</u>	
06.1 Losses for previous financial years	-	06.0 Profits for previous financial years	-
07.1 Loss for the financial year	-	07.0 Profit for the financial year	30
	-		30
	-----		-----
Assets: Total	17 605	Liabilities: Total	17 605
	-----		-----

N.I.R. : ACCOUNTS CLOSED 2 APRIL 1978

EXPLANATORY NOTES

General remarks

I. BALANCE SHEET

1. Basis of Accounting

Accounts are prepared on the historical cost basis of accounting, whereby items are recorded at the values at the dates when they were acquired or revalued, the liabilities were incurred or the capital obtained.

2. Fixed Assets

Fixed assets transferred from Northern Ireland Transport Holding Company on 1st April 1968, by virtue of Section 68 of the Transport Act (Northern Ireland) 1967, are included as valued on 29th March 1970 and other fixed assets at cost.

3. Depreciation

Depreciation is not charged on expenditure on assets not yet in use. With the exception of signalling, bridges and permanent way, depreciation on fixed assets is charged so as to write them off over their expected useful lives at rates ranging from 3% to 25% per annum of valuation on cost. In the case of signalling and bridges, expenditure is written off in the period in which it is incurred.

Depreciation is charged against Reserves in respect of all assets other than two items of Plant and Machinery on which depreciation is charged to Profit and Loss Account.

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4. Stocks

These consist mainly of engineering materials (including permanent way and signalling) and stores of fuel and oil. The basis of valuation is the lower of average cost or estimated realisable value.

II. PROFIT AND LOSS ACCOUNT

5. Corporation Tax

An amount of UKL 30,000 is receivable from Group Companies in respect of Group Taxation Relief.

6. Parent Company

The Company is a wholly-owned subsidiary of Northern Ireland Transport Holding Company which is incorporated in Northern Ireland.

Special comments

I. BALANCE SHEET

		<u>000 UKL</u>
<u>Items 00 to 05</u>		
00 Capital	: - shares	100
01 Reserves	: - capital reserve	765
	- reserve for replacing fixed assets	484
	- reserve for revaluation of fixed assets	<u>1,636</u>
		2,885
02 Contribution to investment costs	- Government aids	12,402
	- Aid to the NITHC costs	<u>479</u>
		12,881

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000 UKL

03	Provisions	- additional provisions	12	
		- bad debts	20	
			<u>32</u>	
05	Long-term financial debts	- unsecured borrowings by the Holding Company		100

Items 10 to 12

10 - 13	Gross value of fixed assets	22,363
	less depreciation	<u>6,423</u>
	Net value of fixed assets	15,940

Depreciation periods

a)	Land and buildings	
	Minor expenditure on revamping	5 years
	Major expenditure on construction	33.3 years
b)	Permanent way	20 years
c)	Workshops and machinery	15 years
d)	Motor vehicles	4 years
e)	Rolling stock	20 years
f)	Supplies, furnishings and fittings	5 years
g)	Signalling and bridges	0* years

*This expenditure is written down during the period in which the relevant contracts are completed and there is therefore no depreciation.

Item 31

- Expenditure brought forward	769	
- Suppliers	286	
- Miscellaneous	<u>350</u>	
		1,405

Note : The UKL 1,549,000 is the figure given in the company's published accounts under "Debtors and expenditure brought forward" and breaks down as follows (figures in brackets refer to the headings

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in the transposed accounts where these items may be found):

		<u>000 UKL</u>
- Debtors (item 31)	1,405	
- Bills (item 44)	172	
less amounts due to the N.I.R. by other subsi- diaries of the Holding Company	- 60	
- Entered as a contra in provisions (item 03)	<u>32</u>	
		1,549

II. PROFIT AND LOSS ACCOUNT

Item 60

- Staff wages and salaries	3,204*	
- Paid leave	277	
- Insurance contributions	336	
- Employer's contributions to pension schemes	<u>40</u>	
Total staff costs		3,857

* This figure is given as part of staff wages and salaries in the published accounts and not treated separately.

Items 61 to 65

The items of expenditure in the transposed accounts compare as follows with the items in the published accounts:

		<u>000 UKL</u>
Figure given for expenditure in the published accounts	4,845	
plus Regional Employment Premium (part of sub-item 74.3 of the transposed accounts)	26	
Compensation for charges in respect of level crossings (sub-item 74.1 of the transposed accounts)	30	
Additional costs (part of item 72 of the transposed accounts)	<u>128</u>	
		5,029

The sum of UKL 5,029,000 is the total for items 61, 62, 63 and 65 of the transposed accounts, 9,777,000 less item 73 (costs booked to other accounts : 4,748,000.

Items 72 and 73

72 Other revenue		
(given in the published accounts)	88	
Additional costs	<u>128</u>	
		216
73 Expenditure on fixed assets		
(given in the published accounts)	4,011	
Value of work done for third parties	<u>737</u>	
		4,748
74.3 Aids for travel agencies	288	
Regional Employment Premium	<u>26</u>	
		314
		./.

The difference between the figures given in the transposed accounts and those communicated to the Committee on Aids is due to the fact that the latter are based on the calendar year and cover actual payments during the year whilst the accounts are based on the financial year (April to April) and give the amounts due to the N.I.R. for the year in question rather than the payments actually made during that period.

PART TWO

STRUCTURE OF THE TRANSPOSED ANNUAL ACCOUNTS

STRUCTURE OF THE TRANSPOSED ANNUAL ACCOUNTS

1. The aim of the summary tables and diagrams is to permit a first comparison between the railways. At this stage any such comparison is limited in its usefulness because of the differences between the methods used for accounting and for calculating certain data, a point which has already been mentioned in this report.

2. Thus, Tables 11 and 12 analyse and present the structure of the balance sheets and profit and loss accounts in percentages in order to highlight the relative importance of certain items whilst Table 13 analyses the extent of working capital both from the point of view of financing fixed assets out of long-term capital and from that of covering current liabilities by current assets.

3. In this first report the figures have not been presented in European units of account. A presentation in this form would lead to comparisons of data which differ greatly as between the networks. An analysis which concentrates on these differences which result mainly from the size of the countries and the density of the networks should be avoided, and attention directed instead to the problems common to all the railways.

4. Moreover, in order to achieve better comparability, items of the same nature have been grouped and most of the figures have been rounded off.

Structure of the balance sheets

5. Table 11 (a) and diagram 11 (b) show the railways in decreasing order of importance of their fixed assets. The proportion of total assets accounted for by fixed assets varies considerably, representing as much as 90% for the D.S.B. and dropping to less than 40% for the F.S.

6. Nevertheless, these figures should be interpreted with care as there are several good reasons for the differences, e.g.:

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- the method of dealing with losses (immediate deduction or carry-forward to the next year);
- the accounting methods used with regard to fixed assets (net or gross value, historic or replacement value, etc).

7. The financial situation of the railways reflected in cumulative losses is the first explanation which can be offered. These losses represent 50% of the assets side of the F.S.; D.B. deficits also include a large proportion of losses carried forward from previous years, whereas four of the undertakings show no losses or even a profit. Differences in accounting methods should also be taken into account. Thus the C.F.L.'s losses are shown as only 3% of total assets, because all the losses have been absorbed by reserves.

8. The accounting principles applied to fixed assets also partly explain the differences between the railways. Whilst historical value is used as depreciation basis for most of the fixed assets, the methods for booking this value are not the same. Most of the railways show the net value of investments (purchase value less depreciation) on the assets side. S.N.C.B. and F.S. however, although they enter fixed assets on the assets side, charge renewals to the replacement fund which is entered in item 03 of the liabilities side.

9. There are other differences too. The B.R.B. and C.I.E. do not capitalise certain fixed assets (track, structures and signalling and telecommunications installations) in the balance sheet, whilst other railways put in token entries for at least some of these fixed assets. Yet others enter in the balance sheet only those fixed assets exceeding a certain value; assets whose value is less than that amount are charged to the profit and loss account.

10. Under these circumstances it is difficult to draw conclusions without first making a detailed analysis of the annual accounts and the transposed accounts. There are plans for such an analysis to be made with the assistance of the Committee established under Regulation No. 2830/77.

11. On the liabilities side, substantial differences may be noted between the proportions of own capital and long-term borrowings. As distinct from the C.I.E. and F.S., the D.S.B. and N.I.R. have not, or hardly, resorted to long-term borrowing. In the case of the F.S. part of the explanation for the high proportion of loans lies in the fact that they are obliged to cover any deficit by means of long-term borrowing. Except for the S.N.C.F., the remaining railways are close to an even balance between capital and reserves, and long-term debts; for the S.N.C.F. short term debts make up a large proportion. It will only be possible to analyse these differences and clarify the effects of financial policy on the results by making use of the railway's annual accounts and with the help of the above-mentioned Committee.

Structure of the profit and loss accounts

12. Table 12 (a) and diagram 12 (b) show the railways in decreasing order of the relative importance of staff costs. In order to take account of exceptional profits and losses and of the balancing subsidies, the general operating account and the summary have been included in a single presentation.

Charges

13. Staff costs represent almost 60% of all costs for seven of the railways (Community average : 58%). For the C.F.L. these costs are much higher (78%) but for the F.S. and the N.I.R. they are lower (48% and 37% respectively).

14. In decreasing order of importance the next item is expenditure on materials supplied and services performed by third parties. Eight of the railways remain very close to the Community average of 28%, which is a little less than half of staff costs. Only the C.F.L. (at 8%) and the N.I.R. (at 51%) are far removed from the average.

15. As the costs concerned are of the same type, allocations for depreciation and to provision accounts have been grouped as one item. The first heading covers all sums set aside for depreciation, whilst the second for some railways partly covers amounts intended for the renewal of fixed assets. On average the allocations represent only 8% of total costs, with only the N.S. at 19% and the B.R.B. at 2% deviating considerably from the average.

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16. Financial charges represent 5% of total costs on average, with only the F.S. at 10% exceeding this figure.

Revenues

17. The relative importance of traffic revenue varies considerably from one railway company to the next. This form of income represents less than 30% for three of the networks (C.F.L., S.N.C.B. and F.S.) and hardly more than that for the N.I.R., whilst the figure for the B.R.B. is 71%. There are even bigger variations in the proportion of revenue from passenger and from goods traffic. Thus the ratio passengers/goods ranges from some 2.15 for the N.S. and C.I.E. to 0.15 for the C.F.L. In the case of four of the other railways (B.R.B., N.I.R., F.S. and D.S.B.) revenue from passengers exceeds that from goods whilst in the case of the S.N.C.F., D.B. and S.N.C.B. the reverse is true.

18. Contributions from the state (including balancing subsidies but excluding capital grants) represent between 20% and nearly 70% of total revenue. Five of the railways receive between 20% and 30% of their revenue in this form, and two others slightly more than 30%. Only in the case of the Benelux railways is this average considerably exceeded (N.S. - 42%, S.N.C.B. - 52% and C.F.L. - 68%).

19. Total revenue from traffic and the State defined as above covers almost 80% of total expenditure but, in the case of the N.I.R., this total covers only 52%, whilst the figure is 58% for the F.S. and 65% for the D.B. In 1977 the last two railways showed operating losses of some 28% and 15% respectively.

20. Financial and other revenue, generally little over 5%, contributed only modestly towards covering costs.

21. Finally, contra accounts varied considerably, being zero for the C.F.L., D.S.B. and B.R.B. and ranging from 3% for the S.N.C.F. to 46% for the N.I.R.

Analysis of the elements making up the balance sheet

22. In Table 13 the aim is to set out the simplified financial situation of the railway undertakings by highlighting their long and short-term assets and their working capital.

23. From this point of view, an undertaking possesses working capital as long as its fixed assets do not absorb all its capital, reserves and long term debts, or as long as its current assets exceed its current liabilities, which comes to the same thing. There are two ratios which indicate the financial situation of an undertaking:

- the ratio of capital, reserves and long term debts to fixed assets, and
- the ratio of current assets to current liabilities.

24. If we examine Table 13 we can see that, except for the S.N.C.F. and the B.R.B., this ratio is greater than 1.0 for the other railways, so that these do have working capital at their disposal. However, this does not seem to be substantial except in the case of the C.F.L. and, to a lesser extent, the N.S., D.B. and D.S.B.

25. The fact that some working capital is available is not in itself a sufficient indicator for judging whether an undertaking is financially sound. Working capital also needs to be large enough and, as far as possible, current liabilities should be balanced by liquid assets, so that stocks and similar current assets need be financed to the least possible extent by such liabilities. This is not the case for any of the Community's railways. To draw valid conclusions from this state of affairs will require detailed analysis over a period of time..

Analysis of certain Profit and Loss Account items

26. It has been considered of interest to reveal the extent to which a number of charges directly arising from railway activities are covered by traffic revenue and compensations. Table 14 shows the networks in decreasing order of the degree of coverage; for the comparison the following were taken into account : traffic revenue and the compensations granted to railways by virtue of Regulations 1191/69 and 1192/69 on the revenue side, staff costs and materials and services by third parties on the charges side.

27. In order to put this analysis into proper perspective, the table also recalls the relative importance of the items analysed which make up from 78% to 93% of total charges and from 48% to 93% of total revenue of the profit and loss account.

28. In Table 14 four degrees of coverage were calculated, on which the

- Ratio A (Traffic revenue + compensations / staff costs)

For all ten networks (except C.F.L. 99%) staff costs are pretty well met by traffic revenue and the above compensations.

Three railways (S.N.C.F., F.S. and D.B.) are a little better than in balance, whilst for the others surplus revenue is significantly high, rising in the case of B.R.B. to as much as 60%.

- Ratio B (Traffic revenue / Staff costs)

If compensations are not taken into account only two railways (B.R.B. and C.I.E.) cover their staff costs by traffic revenue. for the others the degree of coverage varies from 98% (D.S.B.) to 36% (C.F.L.).

- Ratio C (Traffic revenue + compensations / staff costs + materials and services by third parties)

If materials and services rendered by third parties are added to staff costs, these charges are pretty well covered by only three railways (N.S., B.R.B. and D.S.B.) from traffic revenue and compensations. For the others, the degree of coverage varies from 90% to 51%.

- Ratio D (Traffic revenue / staff costs + materials and services by third parties)

Setting these same charges against traffic revenue only, it becomes clear that not one of the railways has succeeded in covering them. The position varies greatly, with degrees of coverage ranging from 76% to 34%.

29. These ratios show the relative significance of traffic revenue and compensations on the financial results of the undertakings. In view of the omission from this comparison of certain charges and revenues, conclusions can only be drawn, in this instance too, after a more thorough analysis of the various items of the profit and loss account.

Table 11 a

RAILWAY UNDERTAKINGS

STRUCTURE OF THE TRANSPOSED BALANCE SHEETS AS AT 31.12.1977

	DSB 1)	NIR 2)	NS	BRB	DB	SNCB	CIE	SNCF	CFL	FS
<u>ASSETS</u>										
Fixed assets	90,6	90,5	85,3	81,2	78,4	75,8	60,8	57,9	56,4	37,6
Current assets : Realizable assets	9,0	11,9	13,4	18,3	4,7	17,3	30,0	30,7	39,6	17,1
Bank balance and cash	0,4	(2,4)	1,3	0,5	3,2	0,6	2,5	0,7	0,9	5,2
Losses	0	0	0	0	13,7	6,3	6,7	10,7	3,1	50,1
<u>LIABILITIES</u>										
Capital and Reserves	92,1	90,3	50,8	48,1	42,3	42,0	10,0	10,9	57,6	27,1
Long term loans	0	0,6	38,8	27,2	52,2	40,5	60,2	49,4	29,4	62,0
Current liabilities	7,9	9,0	10,4	22,3	5,5	17,5	29,8	39,7	13,1	10,8
Profits	0	0,2	0	2,4	0	0	0	0	0	0

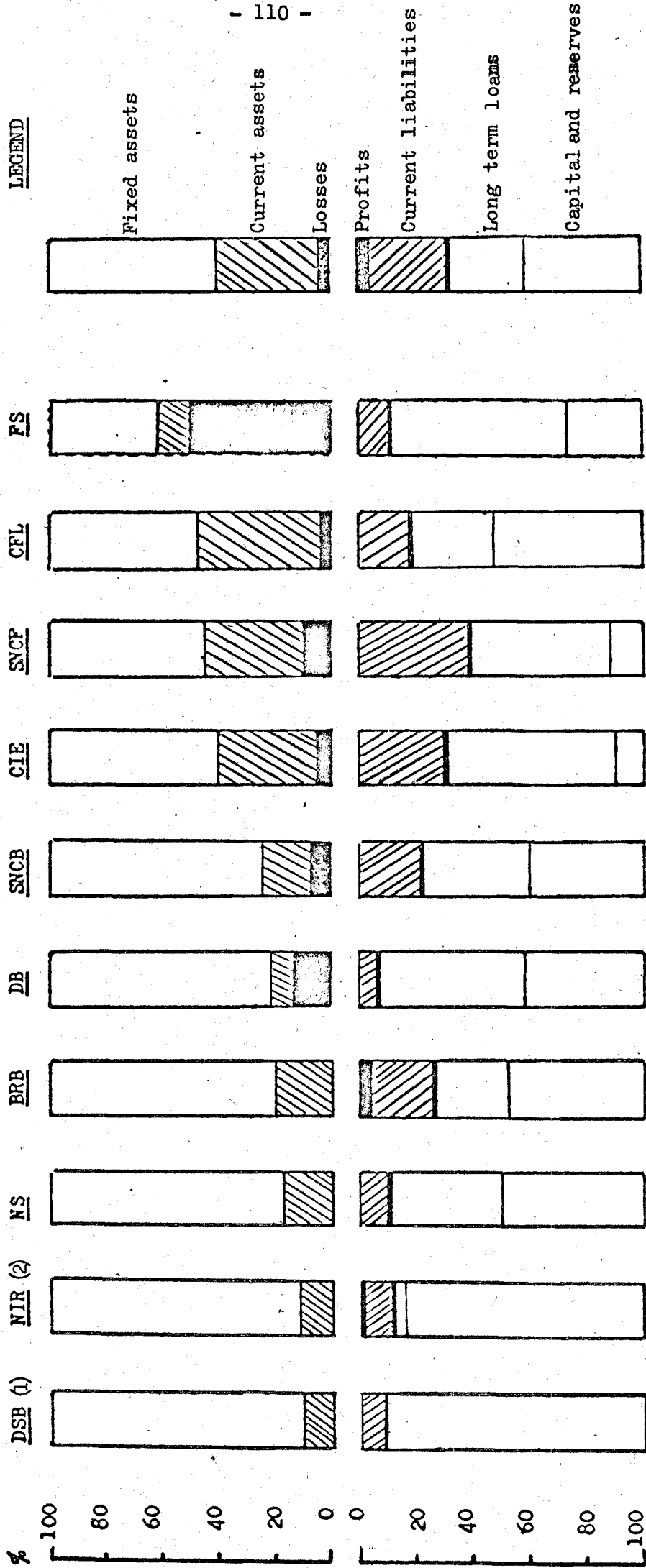
1) As at 31.3.1978.

2) As at 2.4.1978.

Figure 11 b

RAILWAY UNDERTAKINGS

STRUCTURE OF THE TRANSPOSED BALANCE SHEETS AS AT 31.12.1977



(1) as at 31.3.1978 (2) as at 2.4.1978

Table 12a

RAILWAY UNDERTAKINGS

STRUCTURE OF THE TRANSPOSED PROFIT AND LOSS ACCOUNT FOR 1977

	CFL	DSB (1)	SNCF	DB	CIE	NS	SNCFB	BBB	FS	NIR (2)
EXPENSES IN %										
Staff costs	78,2	61,6	60,1	59,0	59,0	59,0	59,0	58,0	48,2	37,4
Materials/3rd party services	7,7	24,4	26,7	26,8	27,3	20,6	25,3	35,5	29,5	57,1
Depreciation etc.	9,9	4,9	6,5	5,8	6,6	18,6	11,2	2,2	9,2	5,1
Taxes	1,0	-	1,3	0,3	3,4	0,3	0	0	2,0	-
Financial charges	3,2	9,1	5,3	7,9	3,4	1,5	4,5	2,6	11,1	0
Exceptional losses	-	-	0,1	0,2	0,3	-	-	0,2	0	-
Profits	-	-	-	-	-	-	-	1,5	-	0,3
REVENUES IN %										
Traffic revenue	28,1	60,2	54,5	40,7	61,8	45,1	27,0	71,0	26,8	31,9
- Passengers	3,8	32,2	21,9	13,1	43,9	31,5	10,3	41,4	16,4	20,1
- Goods	24,3	26,0	31,6	26,4	17,4	12,0	16,1	27,5	10,3	11,7
- Postal traffic	0	2,0	1,0	1,2	0,5	1,6	0,6	2,1	0,1	0,1
Financial revenue	0,5	0,3	1,0	0,5	-	0,9	0,5	0,5	0,5	-
Other revenue	1,6	9,8	5,5	4,6	5,6	2,8	6,3	6,5	3,4	2,1
Contra accounts	-	-	3,1	15,1	7,3	9,0	13,1	-	9,2	46,1
State revenues :	68,3	29,7	32,7	24,0	24,9	42,2	51,5	22,0	30,9	19,6
- 1191/69	17,9	22,6	9,8	9,0	9,8	32,9	23,7	21,3	13,7	16,3
- 1192/69	31,7	1,3	1,3	11,1	1,7	1,8	16,4	0,6	10,9	0,3
- 1107/70 (Art. 3)	18,7	5,8	12,7	0,1	5,5	-	11,4	0,1	-	-
- Others	-	-	3,9	3,8	0,1	-	-	-	-	3,0
- Balancing subsidy	-	-	5,0	-	7,8	7,5	-	-	6,3	-
Exceptional profits	-	-	0,2	0,2	-	-	0,1	-	1,1	0,3
Losses	1,5	-	3,0	14,9	0,4	-	1,5	-	28,1	-

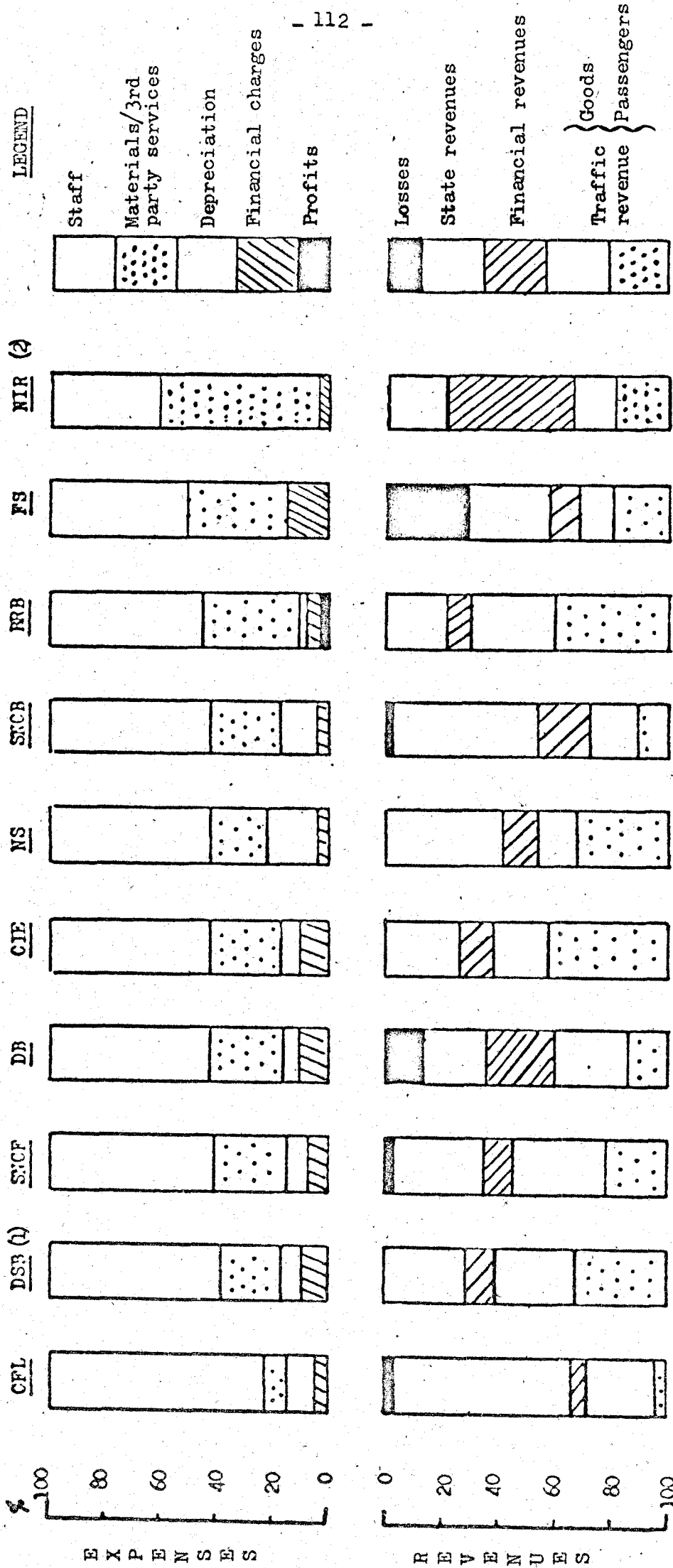
1) 1.4.1977 to 31.3.1978.

2) 1.4.1977 to 2.4.1978.

Figure 12 b

RAILWAY UNDERTAKINGS

STRUCTURE OF THE TRANSPOSED PROFIT AND LOSS ACCOUNT FOR 1977 (in %)



(2) 1.4.1977 - 2.4.1978

(1) 1.4.1977 - 31.3.1978

Table 13

ANALYSIS OF THE BALANCE SHEET

In millions of national currencies

	CFL	NS	CIE	FS a)	DB	DSB	SNCB	NIR b)	BRB	SNCF
(1) Capital and reserves	3 987	4 305	48,3	5 008	49 443	6 913	70 396	16 028	1 237	17 187
(2) Fixed assets	2 679	4 096	46,3	4 815	48 029	6 793	69 995	15 940	1 293	20 053
Ratio (1) ÷ (2)	1,49	1,05	1,04	1,04	1,03	1,02	1,01	1,01	0,96	0,86
(3) Current assets	1 925	707	24,7	1 576	4 811	710	16 600	1 665	299	10 871
(4) Current liabilities	617	498	22,7	1 383	3 397	590	16 199	1 577	356	13 743
Ratio (3) ÷ (4)	3,12	1,42	1,09	1,14	1,41	1,20	1,02	1,06	0,84	0,81
Difference (1-2) = (3-4) (Net current assets)	1 308	209	2,0	193	1 414	120	401	88	57	- 2 865

a) In 000 million LIT.

b) In 000 UKL

(1) Capital and reserves (accounts 00 to 05) less accumulated losses (accounts 06.1 and 07.1) or after adding accumulated profits (accounts 06.0 and 07.0).

(2) Long-term assets (accounts 10 to 17).

(3) Current assets (accounts 20 - 21, 30, 41, 42, 43, 45 to 48).

(4) Current liabilities (accounts 31, 40 and 44).

Table 14

COVERAGE OF CHARGES BY REVENUES

	BRB	DSB	NS	NIR	CIE	SNCB	SNCF	FS	DB	CFL	Percent
Degree of coverage of											
A: Staff costs (1) by traffic revenue plus compensations (4)	160	137	135	130	124	114	109	106	103	99	99
B: Staff costs by traffic revenue (2)	122	98	76	85	105	45	91	56	69	36	36
C: Staff costs, materials and third party services (3) by traffic revenue plus compensations	99	98	100	51	85	80	76	66	71	90	90
D: Staff costs, materials and third party services by traffic revenue	76	70	57	34	72	32	63	34	47	33	33

IMPORTANCE OF ABOVE ITEMS IN TOTAL OF THE PROFIT AND LOSS ACCOUNT

	BRB	DSB	NS	NIR	CIE	SNCB	SNCF	FS	DB	CFL	Percent
Staff (1)	58	62	59	37	59	59	60	48	59	78	78
Traffic (2)	71	60	45	32	62	27	55	27	41	28	28
Staff + materials third party services (3)	93	86	80	95	86	84	87	78	86	86	86
Traffic + compensations (4)	93	84	80	48	73	67	66	51	61	78	78

(1) Account 60
 (2) Account 70
 (3) Accounts 60 + 61
 (4) Accounts 70 + 74.0 + 74.1

PART THREE

CONCLUSIONS AND FURTHER WORK

CONCLUSIONS AND FURTHER WORK

1. The conclusions of this first report concern the various stages required to achieve comparability between the accounts of the railway companies. What is needed is:

- to note the positive aspects of the work carried out and to comment on the problems which have arisen in the course of the transposition now completed;
- to determine the extent to which the results are comparable as between the railways;
- to seek out the causes thereof, i.e. the obstacles to true comparability, and finally
- to try to find solutions to these problems.

Transposing the figures for the 1977 financial year

2. Whilst the net results of the railways' own profit and loss accounts are identical to those in the transposed accounts, this does not mean that accounting data could simply be transferred from the first set of accounts to the second, though there were a few exceptions. Generally, various breakdowns had to be made and most of these are explained in the notes to the accounts. A considerable amount of work was involved, requiring an exchange of information between the railways and the Commission.

The balance sheet

3. In the first place, the fixed assets accounts proved easier to transpose than had been feared; the figures in the transposed accounts are generally those from the annual accounts. There remain of course the familiar reasons for differences, which were examined in points 8 and 9, on page 103. For instance, some networks use the depreciation method involving deductions from the value entered in the assets, whilst others use a replacement fund; estimated useful lifetimes may differ and fixed assets in process of being completed are sometimes directly attributed to other asset accounts.

4. For the remaining items on the balance sheet it was necessary to make more arbitrary breakdowns. To add to the other difficulties, the nomenclatures of the Regulation do not cover all the accounting situations of the ten railways, which meant that certain data not directly dealt with in the Regulation had to be attributed somehow. The question of whether this was done correctly still has to be checked.

Profit and Loss Account

5. The structures of the railway's annual profit and loss accounts are generally rather different from those provided for in the Regulation but it would seem that the problems of attribution were almost all resolved.

6. The breakdown of revenue from traffic into its various sub-sections still causes some problems; an effort will be made to seek methodological solutions by analysing the sources of the data.

7. The allocation of pension charges which involve both Item 60 (Staff Costs) and Item 74.1 (Compensations under Regulation 1192/69) is a problem to which no solution has yet been found. For the moment the figures communicated in the transposed accounts have been adopted as they are. For instance, pensions may be paid directly by the undertaking, in which case they appear in Item 60, whilst compensation for normalization appears in sub-item 74.1. On the other hand the payment may be made through an agency more or less directly linked with the undertaking and in this case the agency receives the compensations. Here the undertaking's contributions to the agency are entered in Item 60. Or again, the State may pay pensions directly and the undertaking's contributions to the State have to be entered in Item 60. What is more, there are some interim arrangements which also give rise to compensations. A solution will have to be found which provides a method of accounting for payments that ensures that the effects are comparable.

8. It should also be stressed that compensations and aids granted to the railways must be transposed correctly in order to show clearly how much is paid in subsidies to balance the accounts - a subsidy which should disappear as financial balance is achieved between charges and revenues.

Towards greater comparability

9. As recalled in the introduction, Regulation No. 2830/77 is intended to contribute towards the financial reorganization of the railway companies. It is therefore not enough simply to rubber-stamp present accounting procedures. Every effort must be made to make the accounts more comparable, for instance by going for greater harmonization in certain accounting methods and practices, within the framework of transposition.

10. For example, as regards the depreciation of fixed assets, although the methods used for calculating and accounting do not vary all that much from one railway company to the next, they do vary considerably in other respects, which makes it very difficult to compare an important item on the assets side of the balance sheet. This problem turns up again in connection with financing the renewal of fixed assets which, in a period of inflation, cannot be ensured simply by calculating depreciation on historic value.

11. Equally, some of the items in the transposed accounts include activities rather remote from transport. Would it not be better to limit the transposed accounts to the latter sector? Whilst this possibility seems to raise fewer difficulties as regards the profit and loss account, such a differentiation would be more difficult to achieve in the balance sheet because of the interconnection between the accounts of the various activities.

Further work

12. These are some of the possible objectives to be laid before the Consultative Committee set up under the Regulation. It is possible that, in the course of working on them, it will become clear that the Regulation may have to be amended sooner or later in order to deal with situations not apparent when it was drafted. This work, too, would be carried out with the help of the national experts.

A D D E N D U M
to
B.R.B. EXPLANATORY NOTES

Depreciation and Amortisation

Lives for Depreciation Purposes - Depreciation Type Assets

<u>Category of Assets</u>	<u>Asset Lives</u> (Years)
Ships	20
Rolling Stock	
Locomotives	20
High Speed Trains	15
Advanced Passenger Trains	15
Coaching vehicles - Passenger carriages	
Locomotive-hauled	20
Diesel mechanical multiple units	20
Diesel electric multiple units	20
Electric multiple units	25
Pullman	15
Coaching vehicles - non-passenger carrying	20
Freight vehicles	15
Containers	5
Freightliner vehicles	15
Railway Service vehicles	
Carriages, Cranes, Runner wagons and other specialist vehicles	20
Material carrying wagons	10
Other	10
Road Service vehicles	
Heavy commercial vehicles (23 cwt, \pm 1.2 tonnes and over), trailers and buses 16 seats and over	5
Private cars/light commercial vehicles (under 23cwt, \pm 1.2 tonnes), buses of under 16 seats	3

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	<u>Asset Lives</u> (Years)
Plant and Equipment	
Workshops plant and machinery	10
Fixed cranes	10
Mobile cranes	7
Station Tractors, Sweepers and Fork Lift trucks	7
Depot cleaning equipment	7
Internal carriage cleaning equipment	5
Escalators	20
Lift - passenger (including administration)	20
Other - Fixed	10
- Mobile	7
Computers	7
Office machinery	5
Office Furniture	10

Rates for Amortisation Purposes - Way and Structure Type Assets

<u>Category of Assets</u>	<u>Rate of Amortisation</u>
Continuous welded rail on New Routes	5%
All other Way and Structure Assets (except Land)	3%
