CITY GREENWICH LEWISHAM RAIL LINK PLC

ACCOUNTS AND DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY REGISTRATION NUMBER 3169276

Contents

Strategic report

Business review

The principal activity of City Greenwich Lewisham Rail Link plc (the Company) is the execution of a concession ("the Concession Agreement") from Docklands Light Railway Limited ("DLR Limited") to design, construct, finance and maintain the "Lewisham Extension" to the DLR system. The concession length is 24 ½ years to 31 March 2021 and was financed in the main through the issue of a bond in 1996 by the Company of £165m. The "Lewisham Extension" takes the DLR system under the River Thames from its previous terminus at Island Gardens on the Isle of Dogs, via Greenwich and onto Lewisham. The operating phase commenced on 20 November 1999.

Financial Performance, Financial Position and Future Developments

The financial performance for the year ended 31 December 2018 was below the Board's expectations and the business plan due to lower than forecasted passenger numbers. The key performance indicators that the Board consider in their assessment of the performance of the Company are turnover and profit for the financial year. Turnover for the year was £24.5m (2017: £27.5m). The Company's main income stream is a Usage Fee revenue stream from DLR Limited which is based on the use of the Lewisham Extension by passengers.

Profit on ordinary activities before taxation reduced by £2.0m to £17.9m (2017: £19.9m), mainly as a result of decreased passenger numbers using the Lewisham Extension offset by reduced operating expenses. Profit for the financial year was £15.0m (2017: £16.6m). Following the payment of dividends totalling £17.5m, the net assets of the Company decreased from £26.1m to £23.6m.

The Company's key challenges for 2019 are to continue to deliver train operation infrastructure which is both reliable and safe for passenger usage and manage the infrastructure to enable the Company to meet the hand-back criteria as set out in the Concession Agreement.

The financial covenants in place under the funding agreements for the company have all been met and are forecast to be met for the foreseeable future. Payments of Bond principal, in accordance with the repayment profile, totalling £14.0m were made in 2018 (2017: £14.5m).

The Directors consider the Finance debtor is recoverable over the life of the Concession Agreement.

Safety

The Company maintains OHSAS 18001:2007 accreditation for its occupational Health & Safety Management System for its operation of the Lewisham Extension to the DLR.

Risks

The key risk that the business faces over the remainder of the Concession period is that actual passenger numbers, which drive the Company's main revenue stream, do not meet the passenger forecast prepared by the Company in December 2018. The Company engages a third party expert in the preparation of passenger forecasts, which are used to inform and enable the Company to make effective decisions to manage the effects of the risk.

Additionally, there is a risk that the infrastructure will not meet the hand-back criteria as set out in the Concession Agreement. The Company manages a process for the assessment, measurement and review of asset system strategies to enable the Company to provide the necessary resources to mitigate the risk. Note 15 provides further information.

Environmental

The Company has a low net environmental impact and therefore environmental information has not been disclosed.

Modern Slavery Act 2015

The Company has no tolerance for slavery or human trafficking and has introduced steps to combat the risk of these practices anywhere in its business and supply chain. The Company is committed to improving its practices. Our procurement policies reflect our commitment to act ethically and preventing slavery and human trafficking.

This statement is made pursuant to section 54 of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 December 2018.

On behalf of the Board

A Meyer
Director
28 February 2019

Directors' report

The Directors submit their Report and the audited financial statements for the year ended 31 December 2018.

Political contributions

During the year ended 31 December 2018, no contributions were made for political purposes (2017: £nil).

Dividends

Dividends of £17.5m (2017: £17.0m) were approved by the Board of Directors and paid during the year.

Directors

The Directors during the year and up to the date of approval of the financial statements were:

Director	Status	
N Middleton	Non-Executive Chairman	
A Yew	Non-Executive Director	Resigned 13 April 2018
A Pearson	Non-Executive Director	Resigned 29 October 2018
D Mitchell	Non-Executive Director	
J Cavill	Non-Executive Director	
J Pritchard	Non-Executive Director	Appointed 29 October 2018
J Heemelaar	Non-Executive Director	Appointed 12 June 2018
M Knight	Chief Executive	
A Meyer	Finance & Commercial Director	
C Burke	Alternate Director	

Financial Performance, Financial Position and Future Developments

The performance of the Company during the year and its future developments are set out in the Strategic Report.

Financial instruments

The Company's principal financial instruments comprise short term bank deposits and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument and are subject to financial covenants under existing funding agreements.

Credit risk

DLR Limited is the main customer of the Company and the directors are satisfied that it will be able to fulfil its obligations under the Concession Agreement. DLR Limited is a subsidiary of Transport Trading Limited, which is a subsidiary of Transport for London. During the year the Company has not experienced any significant delay in payment from DLR Limited and are not aware of any reason for this to change in the near future.

Demand risk

Usage fee is calculated based on passenger numbers. Passenger numbers could vary to those used in the financial model leading to fluctuations in revenue cash flows of the Company. A professional traffic expert is used to review and update the passenger forecasts every 6 months.

Interest rate risk

The Company is exposed to interest rate fluctuations on cash on deposit. Other interest bearing assets and liabilities are at a fixed rate of interest.

Directors' shareholdings

The Directors have no interests in the shares of the Company.

Share capital

There were no changes in the current or prior year.

Indemnity

Under Article 28 of the Company's Articles of Association the directors and other officers are indemnified by the Company from any liability incurred by them to the extent permitted by the Statutes.

Further, the directors of the Company may purchase and maintain insurance at the expense of the Company for the benefit of any such director or officer to the extent permitted by the Statutes.

Internal control and Corporate Governance

The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness. They recognise the importance of a robust control environment to mitigate the key risks of the Company and while they consider that the material risks are managed adequately, they have elected to follow certain of the principles which underpin the UK Corporate Governance Code. Responsibility for overseeing the interpretation of this rests with the Audit Committee whose terms of reference have been amended accordingly.

RSM UK has been appointed as the Company's internal audit resource and report to the Audit Committee. An internal audit plan has been agreed by the Audit Committee. As at the date of approval of this Directors' report RSM UK have reviewed the effectiveness of the following control environments:

- Cash management
- Corporate governance
- Procurement system
- Risk management
- Routine financial controls
- Stock

The Board has designed the Company's system of internal control in order to provide the shareholders with assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

There are no significant issues for the year ended 31 December 2018 that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period and confirms that the systems and controls that are currently in place are considered sufficient to be satisfied that all key risks to the business are adequately managed and mitigated.

Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

In accordance with Section 489 of the Companies Act 2006 a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the forthcoming annual general meeting.

On behalf of the Board

A Meyer
Director

28 **February 2019**

Statement of Directors' responsibilities in respect of the Strategic report and the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

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A Meyer
Director

28 **February 2019**

Independent auditors' report to the members of City Greenwich Lewisham Rail Link PLC

Report on the audit of the financial statements

Opinion

In our opinion, City Greenwich Lewisham Rail Link PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Accounts and Directors' Report (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

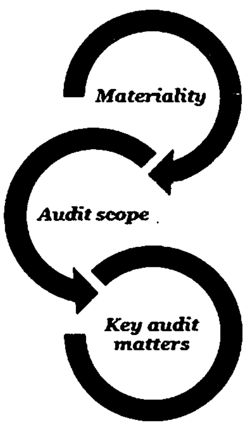
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



Materiality

- Overall materiality: £896,000 (2017: £996,000), based on 5% of profit before tax.

Audit Scope

- The company's financial statements comprise just one component which was subject to a full scope audit.

Key audit matters

- Revenue recognition
- Accounting for the heavy maintenance provision

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to: the Companies Act 2006, UK tax legislation, and laws and regulations specific to the company's operations. Our tests included, but were not limited to:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiry with the company's external legal counsel;
- review of internal audit reports;
- challenging assumptions and judgements made by management in their significant accounting estimates; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Revenue Recognition The company generates the majority of its revenue from one customer, DLR Limited and is dependent on the number of passengers travelling and other factors. Invoices are raised every four weeks based on passenger journey data provided by DLR Limited. An annual reconciliation is performed in April each year, as set out in the Concession Agreement. At the company's year-end, 31 December, an accrued revenue balance is recognised at the balance sheet date. This accrued revenue balance is material to the financial statements. The associated audit risks are the occurrence of revenue, the accuracy of the accrued revenue calculation, and the risk that revenue is recorded in an incorrect period.	Our audit procedures for the four weekly invoiced revenue included: • obtaining invoices covering 100% of revenue amounts invoiced during the year to DLR Limited; and • tracing these invoices to subsequent bank receipts. Our audit procedures for testing the accrued revenue balance at the period-end included: • evaluating the revenue accrual calculation for mathematical accuracy and consistency with the Concession Agreement; • validating passenger number inputs to the data from automatic passenger counters; • validating pricing to the Concession Agreement, subject to adjustments for price inflation factors which we validated to third party sources; • checking that the amount accrued at 31 December 2017 was subsequently agreed and paid in 2018 without significant adjustment; and • assessing recoverability of the accrued revenue balance at 31 December 2018. We also tested a sample of journal entries posted to revenue and obtained audit support to ensure that they were appropriate. Our audit work did not highlight any issues and we therefore concluded that revenue was not materially misstated.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for the heavy maintenance provision £2,229,000 (refer to disclosure notes 15 and 20) Under the Concession Agreement the company is obligated to repair and maintain the Lewisham Extension, and hand it back to DLR Limited in 2021, in a specified condition. As a result, the company recognises a provision at the balance sheet date for the present value of the cost of heavy maintenance (which excludes regular repairs and maintenance expenditure) which will be required to return the Lewisham Extension in the specified condition. The quantification of this provision involves the company assessing the activities that will be required to be undertaken, which is based on maintenance data, usage and asset condition assessments. The cost of the required activities is arrived at using known costs of similar activities undertaken in the past, including quotes from external suppliers. The actual activities will be subject to agreement with DLR Limited in the lead up to the end of the concession period in 2021. As a result, the provision for heavy maintenance at the balance sheet date involves the company making a number of judgements and estimates.	Our audit procedures in respect of the heavy maintenance provision included: • obtaining and reviewing the company's assessment of the areas of remediation work to be undertaken. Our review included assessing completeness of the areas of forecast expenditure through comparison to the long-term asset plan, ensuring that areas of past maintenance expenditure incurred were included, comparison with areas of cost forecast in prior year, and review of the minutes of all relevant meetings where the obligations were discussed; • validating the cost assumptions for remedial work by comparing to recent similar works or external supplier quotes; and • considering the accuracy of cost estimates prepared in previous years for maintenance work performed during 2018. Our procedures concluded that the heavy maintenance provision was based on reasonable assumptions. We also concluded that there were no reasonably possible sensitivities that could be applied to the key assumptions within the estimates made by the company which could result in a material difference to the provision.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company is a stand-alone company with no subsidiaries and operates in one geographical location. As a result we were able to perform a full scope audit over the whole of the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£896,000 (2017: £996,000).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is an important measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £44,800 (2017: £49,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 13 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 February 2019

Statement of comprehensive income
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	24,455	27,483
Cost of sales:			
Operating expenses		(9,397)	(10,504)
Operating profit		15,058	16,979
Interest receivable and similar income	5	5,897	7,299
Interest payable and similar charges	6	(3,032)	(4,359)
Profit on ordinary activities before taxation	3	17,923	19,919
Taxation on profit on ordinary activities	7	(2,910)	(3,362)
Profit for the financial year and total comprehensive income		15,013	16,557

The notes on pages 16 to 26 form part of these financial statements.

Statement of financial position
at 31 December 2018

	Notes	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		164		227
Current assets					
Inventory	9	885		857	
Debtors (including £28,488,000 *(2017:£45,241,000)* due after more than one year)	10	48,153		63,606	
Cash and cash equivalents	11	11,557		15,627	
		60,595		80,090	
Current Liabilities					
Creditor: Amounts falling due within one year	12	(20,031)		(22,559)	
Net current assets			40,564		57,531
Total assets less current liabilities			40,728		57,758
Creditors: Amounts falling due after more than one year	13	(10,842)		(23,752)	
Provision for liabilities					
Deferred tax liability	15	(4,052)		(5,481)	
Other provisions	15	(2,229)		(2,433)	
			(17,123)		(31,666)
Net assets			23,605		26,092
Capital and reserves					
Called up share capital	16		1,500		1,500
Profit and loss account			22,105		24,592
Total shareholders' funds			23,605		26,092

These financial statements were approved by the board of directors on and were signed on its behalf by:

A Meyer
Director
28 **February 2019**

Company registration number: 3169276

The notes on pages 16 to 26 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2018

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
Balance at 1 January 2017	**1,500**	**25,035**	**26,535**
Profit for the financial year and total comprehensive income	-	16,557	16,557
Dividend declared and paid during year	-	(17,000)	(17,000)
Balance at 31 December 2017 and 1 January 2018	**1,500**	**24,592**	**26,092**
Profit for the financial year and total comprehensive income	-	15,013	15,013
Dividend declared and paid during year	-	(17,500)	(17,500)
Balance at 31 December 2018	**1,500**	**22,105**	**23,605**

Statement of cash flows
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the financial year		15,013	16,557
Adjusted for:			
Depreciation, amortisation and impairment		90	109
Interest receivable and similar income		(5,897)	(7,299)
Interest payable and similar charges		3,032	4,359
Taxation		2,910	3,362
		15,148	17,088
Decrease in trade and other debtors		15,466	13,686
(Increase) in inventory		(28)	(20)
(Decrease) / increase in trade and other creditors		(1,260)	1,382
Interest received on finance debtor		5,812	7,254
Tax paid		(4,519)	(4,777)
Net cash generated from operating activities		30,619	34,613
Cash flows from investing activities			
Other interest received		72	43
Acquisition of tangible fixed assets		(27)	(43)
Net cash generated from/ (used in) investing activities		45	-
Cash flows from financing activities			
Interest paid		(3,234)	(4,570)
Repayment of borrowings		(14,000)	(14,500)
Dividends paid		(17,500)	(17,000)
Net cash used in financing activities		(34,734)	(36,070)
Net (decrease) in cash and cash equivalents		(4,070)	(1,457)
Cash and cash equivalents at 1 January		15,627	17,084
Cash and cash equivalents at 31 December	**11**	11,557	15,627

The notes on pages 16 to 26 form part of these financial statements.

1. Accounting policies

City Greenwich Lewisham Rail Link plc (the "Company") is a company limited by shares and incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Directors have reviewed the Company's financial position at year-end and projected profits and cashflows by reference to a financial model covering accounting periods up to the end of the Concession. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

1.3. Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents compromise cash held at bank and call deposits.

1.4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Depot buildings — 22 years
- Plant, machinery and other fixed assets — between 3 and 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.5. Inventory

Inventory is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.6. Impairments

Financial assets (including trade and other debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventory, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and any impairment accounted for.

1.7. Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

The Company is obliged by its Concession Agreement inter alia, to repair and maintain the Lewisham Extension and to hand back the Lewisham Extension to DLR Limited on termination in a specified condition. A provision is therefore made, on a discounted basis, for heavy maintenance costs other than regular maintenance and repairs expenditure, based upon a specific maintenance programme. The provision will be utilised against these lifecycle costs on works required to maintain the Lewisham Extension in the specified condition.

1.9. Turnover and finance debtor

On commencement of operations, the construction costs of the Lewisham Extension were treated as being due from DLR Limited and the amounts recoverable over the life of the concession in relation to this are shown as a Finance debtor. This treatment was adopted as the underlying asset is not deemed to be a tangible asset of the Company because the risks and rewards of ownership are deemed to lie principally with DLR Limited. Payments received over the life of the concession are apportioned between principal repayments, finance income and service income. Owing to the demand risk on service income the service income has been recognised on the basis of unitary charge actually due for the period, after allocations are made to the repayment of the Finance debtor principal and interest thereon.

1.10. Expenses

Interest receivable and Interest payable

Interest paid and similar charges include interest paid and the amortisation of the issue costs of the Eurobond, as well as the amortisation of the premium on issue of the Eurobond.

Interest receivable and similar income include interest receivable on funds invested.
Interest receivable and interest payable are recognised in profit or loss as they accrue using the effective interest method.

1.11. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

2. Turnover

	2018 £'000	2017 £'000
Amounts receivable under Concession Agreement	44,533	47,471
Interest and capital repayment on finance debtor	(20,971)	(20,971)
Maintenance service fee	23,562	26,500
Other income	893	983
Total turnover	24,455	27,483

Other income relates to revenue received from third party contracts, for example advertising, and from DLR Limited in relation to work completed by the Company as enhancements to the infrastructure.

All items in the Statement of comprehensive income relate to continuing operations in the UK.

3. Expenses and auditors' remuneration

Included in profit/loss are the following:

	2018 £'000	2017 £'000
Depreciation	90	109
Defined contribution pension plan contributions	72	63

3. *Expenses and auditors' remuneration (continued)*

Auditors' remuneration:

	2018 £'000	2017 £'000
Audit of these financial statements	19	19
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit-related assurance services	5	5
	24	24

Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018	2017
Office	15	14
Non-office	23	25
	38	39

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	2,033	1,911
Social security costs	236	220
Contributions to defined contribution plans	72	63
	2,341	2,194
Aggregate amounts payable under long-term incentive plans	64	40

4. Directors' remuneration

	2018 £'000	2017 £'000
Directors' emoluments	350	327
Company contributions to money purchase pension plans	23	22
Long-term incentive plan	55	40
	428	389
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	2	2

4. *Directors' remuneration (continued)*

The highest paid director received £266,030 (2017: £250,064), including pension contributions of £19,600 (2017: £18,987) and accrued long-term incentives of £39,200 (2017: £30,380).

Included in the accounts and detailed below, are charges made by the shareholder companies for the services of directors. At the reporting date an amount of £19,000 (2017: £18,000) is outstanding.

	2018		2017	
	Executive	Non-Executive	Executive	Non-Executive
	£'000	£'000	£'000	£'000
Duchesspark Limited	-	35	-	34
UK Power Networks Services (Enterprises) Limited	-	19	-	18
Laing Investments Management Services Limited	-	35	-	34
	-	89	-	86

5. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable on financial assets at amortised cost	5,812	7,254
Interest received on bank deposits	85	45
Other interest received	-	-
Total interest receivable and similar income	5,897	7,299

6. Interest paid and similar charges

	2018 £'000	2017 £'000
Interest paid on financial liabilities at amortised cost	2,942	4,267
Bond premium	(24)	(24)
Bond issue costs	114	115
Other interest paid	-	1
Total other interest paid and similar charges	3,032	4,359

7. Taxation

Total tax expense recognised in the Statement of comprehensive income and equity

	2018 £'000	2017 £'000
Current tax		
Current tax on income for the year	(4,366)	(4,730)
Adjustments in respect of prior periods	27	12
Total current tax	(4,339)	(4,718)
Deferred tax (see note 15)		
Change in tax rate	-	94
Origination/ reversal of timing differences	1,429	1,262
Total deferred tax	1,429	1,356
Tax on profit on ordinary activities	(2,910)	(3,362)

7. *Taxation (continued)*

Reconciliation of tax charge

	2018 £'000	2017 £'000
Profit for the year	17,923	19,919
Tax at the UK corporation tax rate of 19.0% (2017: 19.25%)	3,405	3,835
Non-deductible expenses	237	235
Other allowable expenses	(27)	(28)
Adjustments in respect of prior periods	(27)	(12)
Amortisation of finance debtor	751	688
Change in tax rate	-	(94)
Origination and reversal of temporary timing differences	(1,429)	(1,262)
	2,910	3,362

The main rate of UK corporation tax has reduced from 20% to 19% on 1 April 2017. On 16 March 2016 the Chancellor announced a reduction to 17%, effective from 1 April 2020. This rate change became substantively enacted on 6 September 2016. The rate at which deferred tax is provided at is 18.06% (2017:18.23%), being the weighted average rate at which the Company expects the timing differences to reverse.

8. Tangible fixed assets

	Land and buildings £'000	Plant & Machinery £'000	Other Fixed Assets £'000	Total Fixed Assets £'000
Cost				
Balance at 1 January 2018	693	88	605	1,386
Additions	12	5	10	27
Disposals	-	-	-	-
Balance at 31 December 2018	705	93	615	1,413
Depreciation and impairment				
Balance at 1 January 2018	528	85	546	1,159
Depreciation charge for the year	52	4	34	90
Disposals	-	-	-	-
Balance at 31 December 2018	580	89	580	1,249
Net book value				
At 1 January 2018	165	3	59	227
At 31 December 2018	125	4	35	164

All land and buildings comprise of freehold buildings.

9. Inventory

	2018 £'000	2017 £'000
Raw materials and consumables	885	857
	885	857

10. Debtors

	2018 £'000	2017 £'000
Accrued income	2,482	2,772
Other debtors	147	177
Finance debtor (see note 1.9)	45,241	60,400
Interest receivable	16	3
Prepayments	267	254
	48,153	63,606
Due within one year	19,665	18,365
Due after more than one year	28,488	45,241
	48,153	63,606

11. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	146	266
Fixed term and call deposits	11,411	15,361
	11,557	15,627

12. Creditors and amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	775	586
VAT payable	904	1,106
Corporation tax	2,123	2,303
Other creditors	1,198	1,633
Accruals and deferred income	1,548	2,155
Eurobond	13,000	14,000
Interest payable	483	775
	20,031	22,559

13. Creditors and amounts falling due after one year

	2018 £'000	2017 £'000
Eurobond (see note 17)	10,842	23,752
	10,842	23,752

14. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 £'000	2017 £'000
Creditors falling due in more than one year		
Eurobonds	10,842	23,752
Creditors falling due within less than one year		
Eurobonds	13,000	14,000
	23,842	37,752

At 31 December 2018 the bond of £23,842,000 (2017: £37,752,000) is stated net of unamortised issue costs and premium of £158,000 (2017: £248,000).

The Bonds are secured by first priority charges over the whole of the Company's undertaking, property and assets. The market value of the Bonds at 31 December 2018 was £25,266,000 (2017: £40,858,000).

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2018 £'000	2017 £'000
Eurobonds listed on the London Stock Exchange	GBP	9.375%	2020	6 monthly	23,842	37,752
					23,842	37,752

The maturity profile of the Eurobond is as follows:

	2018 £'000	2017 £'000
Less than one year	13,000	14,000
Between one and two years	11,000	13,000
Between two and five years	-	11,000
	24,000	38,000

15. Deferred tax and provisions for liabilities

	Deferred Tax	Heavy Maintenance	Total
	£'000	£'000	£'000
Balance at 1 January 2018	5,481	2,433	7,914
Charge in the year	-	498	498
Utilised in the year	(1,429)	(702)	(2,131)
Balance at 31 December 2018	4,052	2,229	6,281

Analysis of deferred tax provision

	2018	2017
	£'000	£'000
Accelerated capital allowances and other timing differences	4,052	5,481
At end of year	4,052	5,481

The deferred tax liability consists of timing differences between accounting and tax treatment of the Finance debtor. An amount of £1.5m (2017: £1.4m) is expected to be used in the next 12 months.

Heavy maintenance provision

The Company is obliged by its Concession Agreement to repair and maintain the Lewisham Extension and to hand back the Lewisham Extension to DLR Limited on termination in a specified condition. A provision is therefore made for heavy maintenance costs other than regular maintenance and repairs expenditure, based upon a specific maintenance programme, which is reviewed every six months. The provision will be utilised against these lifecycle costs on works required to maintain the Lewisham Extension in the specified condition.

16. Called up share capital

Share capital

	2018	2017
	£'000	£'000
Allotted, called up and fully paid		
1,500,000 (2017: 1,500,000) ordinary shares of £1 each	1,500	1,500
	1,500	1,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17. Financial instruments

Carrying amount of financial instruments

	2018	2017
	£'000	£'000
Assets measured at amortised cost	45,241	60,400
Liabilities measured at amortised cost	(22,842)	(37,752)

17. *Financial instruments (continued)*

Fair values

The fair values of all financial assets and financial liabilities by category together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2018 £'000	Fair value 2018 £'000	Carrying amount 2017 £'000	Fair value 2017 £'000
Finance debtor measured at amortised cost	45,241	51,090	60,400	71,683
Loans measured at amortised cost - Eurobond	(24,000)	(25,266)	(38,000)	(40,858)
Accrued income	2,482	2,482	2,772	2,772
Trade creditors	(775)	(775)	(586)	(586)
Cash and cash equivalents	11,557	11,557	15,627	15,627
At 31 December	34,505	39,088	40,213	48,638

The fair value of the Bond for 2018 has been calculated using the market value of the Bonds on 31 December 2018 and 29 December 2017 respectively.

Fair value of the Finance debtor is calculated by discounting the future cash flows at an appropriate discount rate. The future cash flows are defined by apportioning the revenue received from DLR Limited under the Concession Agreement between principal repayments, finance income and service income at an effective interest rate of 10.25%.
The discount rate that has been applied to the finance debtor is 1.53% (2017: 1.08%) and is calculated by adding a risk premium of 0.5% (2017: 0.5%) to the 6 month Libor at 30 December 2018 of 1.03% (2017: 0.58%).

18. Related parties

During the year the Company paid £1,456,886 (2017: £1,405,000) to UK Power Networks Services (Contracting) Limited as a licence payment for the right of use of electrical assets. The licence agreement has been entered into in the normal course of business and on an arm's-length basis. The agreement is for the remainder of the life of the concession, 2.25 years (2017: 3.25 years), with the payments increasing by inflation each year. It is therefore not possible to quantify the exact payment liability in future periods. UK Power Networks Services (Enterprises) Limited holds an 8% shareholding in the Company. UK Power Networks Services (Contracting) Limited and UK Power Networks Services (Enterprises) Limited have the same parent, UK Power Networks Services Holdings Limited.

The Company's share capital is jointly owned by UK Power Networks Services (Enterprises) Limited, Duchesspark Limited and JLIF Holdings (CGL) Limited. As a result of this ownership structure, there is no ultimate controlling party.

19. Subsequent events

There are no material post balance sheet events that require disclosure.

20. Accounting estimates and judgement

Provisions

As set out in note 15, the Company forecasts future heavy maintenance expenditure. A handover committee, which is required under the Concession Agreement between the Company and DLR Limited, has been formed. During the year the committee has continued the process of handover of the Lewisham Extension back to DLR Limited at the end of the Concession. A material part of the remit of this committee is to assess the assets in accordance with the specified condition set out in the Concession Agreement and endeavour to reach mutual consensus on the requirements of the specified condition.

20. Accounting estimates and judgement (continued)

The Company manages a process for the assessment, measurement and review of asset system strategies to enable the Company to provide the necessary resources. The Company assesses the activities that will be required to be undertaken using maintenance data and asset condition assessments. A financial assessment of this information is determined using cost information from suppliers, the Company and, where required, external consultants.