Merseyrail Services Holding Company Limited

Report and Financial Statements

9 January 2016

Corporate information

Directors
D Booth
J Edwards
C Kimberley
G Shilston
D Stretch
G Smith
D Sanderse
K Luck

Secretary
Eversecretary Limited

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Bankers
National Westminster Bank
Liverpool

Barclays Bank
London

Solicitors
Burges Salmon Solicitors
Narrow Quay House
Narrow Quay
Bristol BS1 4AH

Registered Office
Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire RG27 9UY

Strategic report

The directors present their strategic report and the financial statements for the 53 weeks ended 9 January 2016.

Principal activity and review of the business

In 2003, Merseyrail was awarded a 25-year concession to provide rail services on behalf of Merseytravel, the local transport authority in the Liverpool city region. The length of this concession distinguishes Merseyrail from other train operating companies, whose contracts average between seven and ten years. For this reason, Merseyrail is in the enviable position of being able to take a long-term perspective on investment in and development of rail passenger services. We strive to exceed the expectations of not only the people of Merseyside, but also the wider public transport community. This is in line with the philosophy of our two 50 per cent shareholders, Serco Group plc and Abellio.

Merseyrail is an urban network of vital importance to the transport infrastructure and local economy of the Liverpool city region. It is one of the most intensively used networks in the UK, with over 800 train services daily from Monday to Saturday and 340 on Sundays. 110,000 passenger journeys are made on Merseyrail each weekday, and there are 33 million passenger journeys every year. Approximately 56 per cent of our journeys are made for leisure purposes.

The network is bisected by the river Mersey and incorporates 120km of track, 10.5km of which are underground. Of the 67 stations, 66 are managed by Merseyrail and five are sub-surface. There are terminus stations at Southport, Ormskirk, Kirkby and Hunts Cross on the Northern line and New Brighton, West Kirby, Chester, and Ellesmere Port on the Wirral line. The business operates a fleet of 59 class 507/508 electric trains, which are approaching forty years old.

The directors are satisfied with the performance of the company during the period. Turnover was £153.7m which was an increase of 1.92 per cent on the previous period (52 weeks ended 3 January 2015 – £150.8m).

By the period ending 9 January 2016, the cash balance was over £28.9m (52 weeks ended 3 January 2015 – £16.8m) with no cash (52 weeks ended 3 January 2015 – £nil) on short term investment. The liquidity position has remained strong throughout the period.

During the year, Merseyrail successfully managed £4.6m of capital improvements financed by a combination of Network Rail, Merseytravel and the Department for Transport. Included in this total is £1.6m for the construction of lifts at Formby station which was completed in September 2015. A £1.4m project to enhance James Street station was finished in 2015 and officially re-launched in November 2015.

The £40m investment programme to refurbish all five underground stations is set to be complete later in 2016. Moorfields is currently undergoing improvements and is the last station to be refreshed. Work on the first of three platforms finished in 2015, the second started in January 2016 and work on the third and final platform will begin in spring 2016. A scheme to improve escalator reliability at the station started in 2015 and will be ready later in 2016.

The fleet enhancement project, which began in 2012, continued throughout 2015. It comprises a series of reliability-based improvements and other enhancements inside and outside the trains, with the aim of improving performance and standards of train presentation to customers. Over the period of the project, train reliability has increased by over 40 per cent. All 59 trains in the Merseyrail fleet are now to be seen in new eye-catching designs, which have received positive feedback from customers. The internal refresh, which brings a new, fresher look to the train interior, including new seat covers and a brighter colour scheme, commenced early last year and will be completed by April 2016.

The overall project is costing £8.5m, with funding coming from rolling stock company Angel Trains (£5.5m) through a revised lease agreement with Merseytravel, and from Merseyrail shareholders Abellio and Serco (£3m). The final elements of the programme will be completed during 2016.

Strategic report (continued)

Principal activity and review of the business (continued)

Bike & Go, the UK's first major station cycle hire scheme, managed by Merseyrail continues to expand. The scheme was originally introduced on Merseyrail, Abellio Greater Anglia and Northern Rail in 2013, then launched on ScotRail in 2015 when Abellio won the franchise. Bike & Go is now available on two high footfall locations in Scotland: Haymarket and Sterling. Further ScotRail locations will open in 2016 and 2017. Merseyrail was recognised for Bike & Go at the 2015 National Cycle Rail Awards, winning in the operator of the year category.

Many technology innovations were realised in 2015. New smartphones were issued to all frontline staff, making information more rapidly available to them, which in turn enhances the service we provide to customers. Another internal initiative was the interactive employee information screens, which were installed at all stations. For the benefit of both passengers and our staff, Wi-Fi was introduced at six underground stations on the network.

We ended the year 2015 with a Public Performance Measure (PPM) of 95.4 per cent, compared with PPM at the close of 2014 at 95.7 per cent. Despite the marginal reduction, Merseyrail still maintains a position within the top two of the national PPM league.

In the most recent National Rail Passenger Survey (Autumn 2015), Merseyrail secured a score of 93 per cent, the highest among all franchised operators. This is ten percentage points above the national average and our best overall satisfaction score for Autumn.

Merseyrail supported two local charities throughout 2015, Community Link Foundation and Claire House, and over the course of the year, staff and stakeholders have raised approximately £50,000. Since the start of the concession in 2003, Merseyrail has raised more than £750,000 for local charities.

Over the course of the year, Merseyrail had wins in six different sets of awards. We won in two categories at the National Rail Awards, for safety and small station of the year for Orrell Park. We were named operator of the year at the Rail Business Awards, and at the Rail Staff Awards, a member of our station staff received the station staff of the year award for life saving work. We also won at the Abellio Achievement Awards, in two categories at the Community Rail Awards, and in two categories at the BQF UK Excellence Awards.

Principal risks and uncertainties

The 25 year concession grants Merseyrail some stability, enabling us to take a long-term view on investment. However, the local nature of the service does mean that Merseyrail is very reliant on the regional economy. Retaining and increasing patronage remains a priority, and the Merseyrail leadership team are closely monitoring all relevant KPIs to ensure that any necessary remedial action is taken in response to changing economic conditions. We continue to work with local and national organisations to ensure that services meet and exceed the expectations of our stakeholders.

Looking ahead, Merseyrail will be working in partnership with Merseytravel and other funders to, subject to relevant business case approvals:

- Introduce a fleet of new trains to replace the Class 507/508 rolling stock units
- Modernise the way passengers pay for their rail journeys through smart ticketing systems
- Embrace further devolution opportunities, particularly with respect to responsibilities for station operation, maintenance, renewal and enhancement

Approved by the Board on 16 March 2016 and signed on its behalf by:

Director

16 March 2016

Julian Edwards

Registered No04620520

Directors' report

The directors present their report and financial statements for the 53 weeks ended 9 January 2016.

Results and dividends

The Group profit for the period after taxation amounted to £15.0m (52 weeks ended 3 January 2015 – profit of £13.9m). The directors recommend a final dividend £14.4m (52 weeks ended 3 January 2015 – £13.8m).

Future developments

Throughout the coming months Merseyrail will continue, in partnership with Merseytravel, and others, to make improvements to the network and service, to enable the challenges of the coming year to be met. In particular the fleet enhancement project should complete during Q1 of 2016, and also during the ycar the station investment programme will see the completion of the refurbishment of Moorfields station.

Looking further forward Merseytravel are investigating Smart Ticketing and New Fleet options and we will be working in partnership with them in this area.

Going concern

The nature of the Merseyrail Concession Agreement with Merseytravel provides a significant subsidy payment. Given the frequency of contract payments, combined with a network where Merseyrail are the sole operator and having reviewed the budgets and forecasts for a 12 month period from the date of signing the financial statements, the directors are confident that the business will continue to be cash generative. The directors believe this will be achieved without the need for third party funding in the foreseeable future, despite the current economic uncertainty. Thorough cash management processes are followed. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for its foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served the company during the period were as follows:

D Booth	
J Hoogesteger	(resigned 15 June 2015)
C Smulders	(resigned 15 June 2015)
I Downie	(resigned 16 September 2015)
J Edwards	
G Shilston	
D Stretch	
J Chaudhry	(resigned 30 November 2015)
C Kimberley	(appointed 6 January 2015)
G Smith	(appointed 16 September 2015)
D Sanderse	(appointed 30 November 2015)
K Luck	(appointed 6 January 2015) (resigned 16 September 2015)

Political and charitable contributions

During the period, the group made charitable donations and sponsorship payments of £79,482 (52 weeks ended 3 January 2015 – £61,625) principally to local charities and groups serving the communities in which the group operates.

Directors' report (continued)

Employee involvement and disabled employees

The group gives full and fair consideration to applications for employment from disabled people having regards to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment, and training, career development and promotion is, as far as possible, identical for all employees in accordance with their skills and abilities.

The group also has a policy of communicating and consulting with its managers and employees to ensure their active involvement.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Director

16 March 2016

Julian Edwards

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of members of Merseyrail Services Holding Company Limited

Independent auditor's report

We have audited the financial statements of Merseyrail Services Holding Company Limited for the 53 weeks ended 9 January 2016 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatements or uncertainties we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 9 January 2016 and of the group's profit for the 53 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of members of Merseyrail Services Holding Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Gary Harding (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

28 March 2016

Group statement of comprehensive income

for the period ended 9 January 2016

	Notes	*53 weeks ended 9 January 2016 £000*	*52 weeks ended 3 January 2015 £000*
Turnover	2	153,670	150,817
Cost of sales		(134,738)	(132,537)
Operating profit	3	18,932	18,280
Interest receivable and similar income	5	111	103
Interest payable and similar charges	6	(155)	(155)
Other finance charges	21	(90)	(140)
Profit on ordinary activities before taxation		18,798	18,088
Tax	7	(3,746)	(4,171)
Profit for the financial period	17	15,052	13,917
Other comprehensive income			
Actuarial gain relating to pension scheme	21	5,968	1,901
Deferred tax attributable to actuarial loss		(1,194)	(381)
Total comprehensive income for the period		19,826	15,437

Group statement of changes in equity

for the period ended 9 January 2016

Group	*Called-up capital £000*	*Profit and loss account £000*	*Share-holders equity £000*
At 4 January 2014	–	452	452
Profit for the period	–	13,917	13,917
Other comprehensive income	–	1,520	1,520
Total comprehensive income for the year	–	15,437	15,437
Equity dividends paid (note 8)	–	(13,807)	(13,807)
At 3 January 2015	–	2,082	2,082

Group	*Called-up capital £000*	*Profit and loss account £000*	*Share-holders equity £000*
At 3 January 2015	–	2,082	2,082
Profit for the period	–	15,052	15,052
Other comprehensive income	–	4,774	4,774
Total comprehensive income for the year	–	19,826	19,826
Equity dividends paid (note 8)	–	(14,421)	(14,421)
At 9 January 2016	–	7,487	7,487

Company statement of changes in equity

for the period ended 9 January 2016

Parent	*Called-up capital*	*Profit and loss account*	*Share-holders equity*
	£000	*£000*	*£000*
At 4 January 2014	–	–	–
Profit for the period	–	13,807	13,807
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	13,807	13,807
Equity dividends paid (note 8)	–	(13,807)	(13,807)
At 3 January 2015	–	–	–

Parent	*Called-up capital*	*Profit and loss account*	*Share-holders equity*
	£000	*£000*	*£000*
At 3 January 2015	–	–	–
Profit for the period	–	14,421	14,421
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	14,421	14,421
Equity dividends paid (note 8)	–	(14,421)	(14,421)
At 9 January 2016	–	–	–

Group statement of financial position

at 9 January 2016

	Notes	£000	2016 £000	£000	2015 £000
Fixed assets					
Intangible assets	9		1,971		2,126
Tangible assets	10		7,672		8,801
Deferred tax asset	7		202		984
			9,845		11,911
Current assets					
Stocks	12	1,670		1,647	
Debtors	13	9,039		6,460	
Cash at bank and in hand		28,995		16,847	
		39,704		24,954	
Creditors: amounts falling due within one year	14	(40,222)		(28,514)	
Net current liabilities			(518)		(3,560)
Total assets less current liabilities			9,327		8,351
Creditors: amounts falling due after more than one year	15		(834)		(1,138)
Accruals and deferred income					
Deferred government grants			(1,006)		(1,046)
Net assets before pension liability			7,487		6,167
Pension liability	21		–		(4,085)
Net assets after pension liability			7,487		2,082
Capital and reserves					
Called-up share capital	16		–		–
Profit and loss account	17		7,487		2,082
Shareholders' funds	18		7,487		2,082

The financial statements of Merseyrail Services Holding Company Limited were approved by the Board of Directors on 16 March 2016

Director

Julian Edwards

Company statement of financial position

at 9 January 2016

	Notes	£000	2016 £000	£000	2015 £000
Fixed assets					
Investments	11		–		–
			–		–
Current assets					
Debtors	13	812		830	
			812		830
Creditors: amounts falling due within one year	14		(812)		(830)
Net current assets			–		–
Total assets less current liabilities			–		–
Capital and reserves					
Called up share capital	16		–		–
Profit and loss account	17		–		–
Shareholders' funds	18		–		–

The financial statements of Merseyrail Services Holding Company Limited were approved by the Board of Directors on 16 March 2016

Director
Julian Edwards

Group statement of cash flows

for the period ended 9 January 2016

	Note	*9 January 2016 £000*	*3 January 2015 £000*
Net cash inflow from operating activities	19	27,463	14,924
Investing activities			
Interest received		111	103
Interest element of finance lease repayments		(65)	(65)
Interest element of loan repayments		(90)	(90)
Purchase of tangible fixed assets		(546)	(1,224)
Net cash outflow from investing activities		(590)	(1,276)
Financing activities			
Equity dividends paid		(14,421)	(13,807)
Repayment of secured loans		(151)	(151)
Capital element of finance lease repayments		(153)	(152)
Net cash outflow from financing activities		(14,725)	(14,110)
Increase/(decrease) in cash and cash equivalents		12,148	(462)
Cash and cash equivalents at 4 January 2015		16,847	17,309
Cash and cash equivalents at 9 January 2016		28,995	16,847

Notes to the financial statements

at 9 January 2016

1. Accounting policies

Basis of preparation

Statement of compliance

Merseyrail Services Holding Company Limited is a limited liability company incorporated in England. The Registered Office is Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the 53 weeks ended 9 January 2016.

The Group transitioned from previously extant UK GAAP to FRS 102 as at 3 January 2015. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

Basis of preparation

The financial statements of Merseyrail Services Holding Company Limited were approved for issue by the Board of Directors on 16 March 2016. The financial statements are prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

Basis of consolidation

The group financial statements consolidate the financial statements of Merseyrail Services Holding Company Limited and all its subsidiary undertakings drawn up to 3 January (or nearest Saturday) each year. No profit and loss account is presented for Merseyrail Services Holding Company Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The group profit and loss account and statement of cash flows also include the results and cash flows of Merseyrail Electrics 2002 Limited.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Pension and other post-employment benefits

The cost of the defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management works closely with the actuaries to establish the rate which best represents the company's views. The mortality rate is based on publicly available UK mortality tables. Future salary increases and pension increases are based on expected UK future inflation rates. Further details are given in note 21.

Notes to the financial statements

at 9 January 2016

1. Accounting policies (continued)

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business acquisitions. This estimate is based on a variety of factors such as the expected use of the acquired business and any legal, regulatory or contractual provisions that can limit useful life.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are given in note 7.

Going concern

The Merseyrail Concession Agreement with Merseyside Passenger Transport Executive (MPTE) ("Merseytravel") provides a significant subsidy payment. Given the frequency of contract payments, combined with a network where Merseyrail are the sole operator and having reviewed the budgets and forecasts for a 12 month period from the date of signing the financial statements, the directors are confident that the business will continue to be cash generative. The directors believe this will be achieved without the need for third party funding in the foreseeable future, despite the worsening economic climate. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for its foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Group financial statements

The financial statements consolidate the financial statements of the company and its subsidiary for the 53 weeks ended 9 January 2016.

Goodwill

Positive goodwill acquired on a business is capitalised, classified as a finance intangible on the statement of financial position and amortised on a straight-line basis over its useful life. The directors regard 25 years as a reasonable maximum for the estimated useful life of goodwill since it coincides with the life of the rail concession (25 years) and also it is difficult to make projections exceeding this period.

Intangible fixed assets

Other intangible fixed assets are capitalised at cost in the year they are incurred and amortised over their useful economic lives. The concession costs incurred in the period ended 3 January 2004 (shown in note 9) are amortised over the life of the concession (25 years).

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life at the following annual rate:

Leasehold land and buildings	–	2%-10% per annum
Plant and machinery, motor vehicles and fixtures and fittings	–	4% -33% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 9 January 2016

1. Accounting policies (continued)

Investments

Investments held as fixed assets are stated at the lower of cost less impairment at the balance sheet date.

Turnover

Passenger income is included in turnover and recognised only when it can be measured reliably and it is probable that economic benefits will flow to the company.

Concession payments relate to amounts received from Merseyside Passenger Transport Executive (MPTE) under the Concession Agreement to operate Merseyrail trains and is recognised only when it can be measured reliably and it is probable that economic benefits will flow to the company.

Other turnover arises from the provision of ancillary services to external parties and is recognised only when it can be measured reliably and it is probable that economic benefits will flow to the company.

Long term contracts

Contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. Profit on long term contracts is only taken at the stage near enough to completion for that profit to be reasonably certain.

Stocks

Stock is stated at the lower of cost and net realisable value. Cost includes materials and consumable goods. Provision is made for obsolete, slow-moving and defective items where appropriate.

Current asset investments

Investments held as current assets are stated at the lower of cost and market value at the balance sheet date.

Grants

Grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Capital grants and other contributions received towards the cost of tangible fixed assets are included as deferred income in the balance sheet and credited to the income statement over the expected useful life of the asset. Revenue grants are credited to the income statement to match off with the expenditure to which they relate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that 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, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business acquisition a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 9 January 2016

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Pensions

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The deficit reflected in the balance sheet reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax. A 'franchise adjustment' is made to the deficit on this basis. The franchise adjustment is the projected deficit at the end of the franchise term, which the company will not be required to fund, discounted back to present value.

The defined benefit pension scheme is funded, with the assets held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at bid value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

Finance costs

Finance costs of financial liabilities are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Bank borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest payments and repayment of capital). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Notes to the financial statements

at 9 January 2016

2. Turnover and segmental analysis

All turnover originates in the United Kingdom and derives from passenger income and other services.

Area of activity

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Group turnover		
Continuing operations:		
Total sales of goods	2,041	2,209
Rendering of services	151,629	148,608
Sales to third parties	153,670	150,817

3. Operating profit

This is stated after charging:

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Fees payable to the group's auditors for the audit of the financial statements	47	41
Fees payable to the company's auditors and their associates for other services to the group:		
– other audit related assurance services	6	7
Loss on disposal of fixed assets	1	–
Government grant released	278	85
Depreciation and amortisation – intangible fixed assets	155	156
– owned tangible fixed assets	1,518	1,201
– fixed assets held under finance lease	155	156
Access charges payable to Network Rail	5,235	7,741
Operating lease rentals – plant and machinery	12,689	12,467
– land and buildings	9,013	8,241

Notes to the financial statements

at 9 January 2016

4. Staff costs

		53 weeks ended 9 January 2016	52 weeks ended 3 January 2015
		£000	£000
Wages and salaries		46,033	44,420
Social security costs		3,539	3,315
Pension costs –	defined benefit scheme (note 21)	5,855	5,329
–	personal pension schemes	14	21
		55,441	53,085

The average monthly number of employees during the period was made up as follows:

	53 weeks ended 9 January 2016	52 weeks ended 3 January 2015
	No.	No.
Operational	946	920
Engineering and maintenance	151	172
Administration and support	152	147
	1,249	1,239

The costs of the directors of Merseyrail Services Holding Company Limited's remuneration are borne by related parties. It is not practicable to identify remuneration related to the services as directors of the company or its subsidiary.

5. Interest receivable and similar income

	53 weeks ended 9 January 2016	52 weeks ended 3 January 2015
	£000	£000
Bank interest	92	90
Other interest	19	13
	111	103

Notes to the financial statements

at 9 January 2016

6. Interest payable and similar charges

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Loan interest	90	90
Finance lease interest	65	65
	155	155

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the period	(4,374)	(4,441)
Adjustment in respect of prior periods	216	36
Total current tax (note 7(b))	(4,158)	(4,405)
Deferred tax:		
Origination and reversal of timing differences	13	23
Adjustment in respect of prior periods	45	(106)
Impact on deferred tax of change in tax rate	(23)	–
Pension cost charge in excess of pension relief	377	317
Tax on profit on ordinary activities	(3,746)	(4,171)

Notes to the financial statements

at 9 January 2016

7. Tax (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 20.23% (52 weeks ended 3 January 2015 – 21.47%). The differences are explained below:

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Profit on ordinary activities before tax	18,798	18,088
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.23% (52 weeks ended 3 January 2015 – 21.47%)	(3,803)	(3,883)
Effects of:		
Expenses not deductible for tax purposes	(178)	(193)
Short term timing differences	(381)	(338)
Depreciation in excess of capital allowances	(13)	(27)
Origination and reversal of timing differences	13	23
Adjustment in respect of prior periods	262	(70)
Impact on deferred tax of change in tax rate	(23)	–
Pension cost charge in excess of pension relief	377	317
Total tax expense	(3,746)	(4,171)

(c) Deferred tax

	£000
Deferred tax asset:	
At 4 January 2015	984
Deferred tax credit in income statement	412
Debited to statement of comprehensive income	(1,194)
At 9 January 2016	202

	53 weeks ended 9 January 2016	*52 weeks ended 3 January 2015*
	£000	*£000*
Included in fixed assets	202	984

Notes to the financial statements

at 9 January 2016

7. Tax (continued)

Analysis of deferred tax balance

	53 weeks ended 9 January 2016 £000	*52 weeks ended 3 January 2015 £000*
Depreciation in excess of capital allowances	98	50
Short term timing difference	104	117
Pension costs	–	817
Deferred tax asset	202	984

There is no deferred tax asset or liability in the company.

The underlying trade of the Group is profitable and profit forecasts support that it is more likelý than not that there will be sufficient future trading profits against which the timing differences giving rise to the deferred tax asset will reverse.

(d) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 9January 2016 has been calculated based on these rates.

8. Dividends

	9 January 2016 £000	*3 January 2015 £000*
Equity dividends paid of £7,210,500 per share (3 January 2015 – £6,903,500)	14,421	13,807

9. Intangible fixed assets

Group	*Concession costs £000*	*Franchise Intangible £000*	*Total £000*
Cost:			
At 4 January 2015 and 9 January 2016	726	3,190	3,916
Amortisation:			
At 4 January 2015	332	1,458	1,790
Charge for the period	28	127	155
At 9 January 2016	360	1,585	1,945
Net book value:			
At 9 January 2016	366	1,605	1,971
At 4 January 2015	394	1,732	2,126

Notes to the financial statements

at 9 January 2016

10. Tangible fixed assets

Group	*Leasehold land and buildings £000*	*Assets in the course of construction £000*	*Plant and machinery £000*	*Fixtures and fittings £000*	*Total £000*
Cost:					
At 4 January 2015	3,152	438	8,977	5,944	18,511
Additions	–	326	169	51	546
Disposals	–	–	(34)	–	(34)
Transfers	–	(580)	87	493	–
At 9 January 2016	3,152	184	9,199	6,488	19,023
Accumulated depreciation:					
At 4 January 2015	890	–	5,575	3,245	9,710
Charge for the period	104	–	933	636	1,673
Disposals	–	–	(32)	–	(32)
At 9 January 2016	994	–	6,476	3,881	11,351
Net book value:					
At 9 January 2016	2,158	184	2,723	2,607	7,672
At 4 January 2015	2,262	438	3,402	2,699	8,801

The cost of assets held by the group under finance leases at 9 January 2016 was £1,863,000 (3 January 2015 – £1,863,000). The accumulated depreciation provided for on those assets at 9 January 2016 was £1,630,000 (3 January 2015 – £1,474,000).

The cost of assets held by the group financed by a government grant at 9 January 2016 was £1,867,000 (3 January 2015 – £1,774,000). The accumulated depreciation provided for on those assets at 9 January 2016 was £586,000 (3 January 2015 – £308,000).

Notes to the financial statements

at 9 January 2016

11. Investments

	Subsidiary undertakings £
Cost:	
At 4 January 2015 and 9 January 2016	2

The investment in the subsidiary relates to 100% of the issued share capital of Merseyrail Electrics 2002 Limited, a company incorporated in England which operates passenger railway services.

12. Stocks

Group	*9 January 2016 £000*	*3 January 2015 £000*
Raw materials and consumables	1,421	1,395
Work in progress	249	252
	1,670	1,647

Stocks recognised as an expense in the period were £23,000 (2015 – £37,000).

13. Debtors

	Group		*Company*	
	9 January 2016 £000	*3 January 2015 £000*	*9 January 2016 £000*	*3 January 2015 £000*
Trade debtors	4,730	2,746	–	–
Amounts owed by subsidiary undertaking	–	–	812	830
VAT	468	684	–	–
Other debtors	1,539	730	–	–
Prepayments and accrued income	2,302	2,300	–	–
	9,039	6,460	812	830

Notes to the financial statements

at 9 January 2016

14. Creditors: amounts falling due within one year

	Group		Company	
	9 January 2016	*3 January 2015*	*9 January 2016*	*3 January 2015*
	£000	*£000*	*£000*	*£000*
Trade creditors	21,970	13,714	–	–
Corporation tax payable	1,994	2,266	272	290
Other creditors	10,884	5,972	–	–
Other taxation and social security costs	993	944	540	540
Accruals and deferred income	4,074	5,311	–	–
Obligations under finance leases and hire purchase contracts	156	156	–	–
Bank loans	151	151	–	–
	40,222	28,514	812	830

15. Creditors: amounts falling due after more than one year

Group	*9 January 2016*	*3 January 2015*
	£000	*£000*
Obligations under finance leases	89	242
Bank loans	745	896
	834	1,138
Future minimum lease payments due under finance leases: Amounts payable:		
Within one year (note 14)	221	221
In two to five years	108	320
	329	541
Less: finance charges allocated to future periods	84	143
	245	398
Obligations under finance leases:		
Within one year (note 14)	156	156
In two to five years	89	242
	245	398
Loans are repayable as follows:		
Within one year (note 14)	151	151
In two to five years	606	606
Over five years	139	290
	896	1,047

Bank loans are secured on the assets to which they relate.

The bank loans bear interest at a fixed rate of 6.6945% and are repayable with a quarterly instalment of £60,282 since 11 January 2007.

Notes to the financial statements

at 9 January 2016

16. Issued share capital

Allotted, called up and fully paid	*No.*	*9 January 2016 £*	*No.*	*3 January 2015 £*
Ordinary A shares of £1 each	1	1	1	1
Ordinary B shares of £1 each	1	1	1	1
		2		2

17. Movements on reserves

Group	*Income statement £000*
At 3 January 2015	2,082
Profit for the financial period	15,052
Dividends paid (note 8)	(14,421)
Actuarial gains and losses (net of deferred tax)	4,774
At 9 January 2016	7,487

The company has taken advantage of section 408 of the Companies Act 2006 not to present a company income statement. Profit for the company of £14,421,000 (3 January 2015 – £13,807,000) is derived from net management charges of £2,153,790 (3 January 2015 – £2,120,310) and dividend income of £12,267,210 (3 January 2015 – £11,686,690). Retained profit of the company for the period was £nil (3 January 2015 – £nil).

18. Reconciliation of shareholders' funds

Group	*9 January 2016 £000*	*3 January 2015 £000*
Profit for the financial period	15,052	13,917
Dividends paid (note 8)	(14,421)	(13,807)
Other recognised gains and losses relating to the period (net of deferred tax)	4,774	1,520
Net increase in shareholders' funds	5,405	1,630
Opening shareholders' funds	2,082	452
Closing shareholders' funds	7,487	2,082

Notes to the financial statements

at 9 January 2016

18. Reconciliation of shareholders' funds (continued)

Company	*9 January 2016 £000*	*3 January 2015 £000*
Profit for the financial period	14,421	13,807
Dividends paid (note 8)	(14,421)	(13,807)
Net change in shareholders' funds	–	–
Opening shareholders' funds	–	–
Closing shareholders' funds	–	–

19. Notes to the statement of cash flows

Reconciliation of profit to net cash inflow from operating activities

	9 January 2016 £000	*3 January 2015 £000*
Group profit before tax for the year	18,798	18,088
Depreciation of tangible assets	1,673	1,513
Amortisation of intangible assets	155	156
Loss on disposal of fixed assets	1	–
Net finance costs	134	192
(Increase)/decrease in stocks	(23)	37
(Increase)decrease in debtors	(2,578)	1,577
Increase/(decrease) in creditors	11,940	(3,537)
Difference between pension charge and cash contributions	1,793	1,442
Taxation		
Corporation tax paid	(4,430)	(4,544)
Net cash inflow from operating activities	27,463	14,924

20. Capital commitments

	9 January 2016 £000	*3 January 2015 £000*
Contracted for but not provided in the financial statements	452	39

Notes to the financial statements

at 9 January 2016

21. Pensions

Pension commitments

The group operates a section of the Railways Pension Scheme ('the section'). This provides benefits for employees based on final pensionable pay. The members are expected to meet 40% of the cost of the emerging benefits. The employer made contributions of £4,237,000 in the period (3 January 2015 – £3,973,000). The expected employer contributions for the next financial period are estimated at £3,770,000.

On 8 July 2010, the UK Minister for Pensions announced the Government's intention to move to using the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the inflation measure for determining the pension increases to be applied to the statutory index-linked features of retirement benefits. The rules of the section refer directly to the relevant legislation, rather than RPI inflation, in respect of increases to deferred pensions and pensions in payment. The company has therefore allowed for increases to pensions in payment and deferment in line with CPI inflation.

A CPI inflation of 2.10% p.a. has been assumed at 9 January 2016.

Actuarial assumptions

The full actuarial valuation at 31 December 2013 was updated to 9 January 2016 and 3 January 2015 by a qualified actuary, using the following assumptions in relation to future experience:

	9 January 2016	*3 January 2015*	*4 January 2014*
Discount rate	3.80%	3.70%	4.70%
Rate of increase in salaries	3.35%	3.50%	3.90%
Rate of increase in deferred pensions	2.10%	2.30%	2.70%
Rate of increase in pensions in payment	2.10%	2.30%	2.70%
Inflation assumption	3.10%	3.00%	3.40%
Long term rate of return expected	5.70%	5.70%	6.20%

In addition to the above rates of increase in salaries, a scale of promotional salary increases is assumed.

Notes to the financial statements

at 9 January 2016

21. Pensions (continued)

Actuarial assumptions (continued)

The main mortality assumptions used to determine benefit obligations were:

		9 January 2016 Table	*9 January 2016 Multiplier*	*3 January 2015 Table*	*3 January 2015 Multiplier*
Male pensioners	Pension under £10,500 pa (3 January 2015 - £9,500) or pensionable pay under £35,000 pa	S1 normal males heavy	96%	S1 normal males heavy	98%
	Others	S1 normal males	93%	S1 normal males	99%

Male members are segmented into three postcode groups and an adjustment is made to the multipliers accordingly.

Allowance for future improvements in mortality has been made in line with the "core projection" model published by the CMI in 2013, assuming a long-term improvement rate for the period to 9 January 2016 of 1.25% p.a. (3 January 2015 – 1.25% p.a.).

The net asset/(liability) of the group is summarised as follows:

	9 January 2016 £000	*3 January 2015 £000*	*4 January 2014 £000*	*5 January 2013 £000*	*7 January 2012 £000*
Total market value of assets	146,397	135,688	119,589	106,208	95,596
Present value of scheme liabilities	(207,152)	(207,578)	(172,971)	(147,391)	(143,050)
Members' share of deficit	24,302	28,756	21,353	16,473	18,982
Franchise adjustment	36,453	39,049	27,625	21,999	24,371
Deficit in scheme	–	(4,085)	(4,404)	(2,711)	(4,101)
Related deferred tax asset	–	817	881	623	1,025
Net pension (liability)		(3,268)	(3,523)	(2,088)	(3,076)

Fair value of assets

The assets in the scheme were:

	9 January 2016 %	*9 January 2016 Value £000*	*3 January 2015 %*	*3 January 2015 Value £000*
Equities	63.0	92,218	61.2	82,994
Bonds/Gilts	6.6	9,592	11.6	15,838
Property	12.3	18,071	10.4	14,105
Cash and other	18.1	26,516	16.8	22,751
	100%	146,397	100%	135,688

Notes to the financial statements

at 9 January 2016

21. Pensions (continued)

	9 January 2016 £000	*3 January 2015 £000*
Amounts included within operating profit:		
Current service cost	5,640	4,980
Past service cost	–	–
Brass contributions	197	205
Total included within operating profit	5,837	5,185
Amounts included as other finance (income)/costs:		
Expected return on scheme assets	(3,120)	(3,420)
Interest cost on scheme liabilities	4,680	4,860
Interest on franchise adjustment	(1,470)	(1,300)
Net finance return	90	140

Analysis of the change in benefit obligation during the period:

	9 January 2016 £000	*3 January 2015 £000*
Benefit obligation at beginning of the period	207,578	172,971
Current service cost – Employer (including Brass)	5,837	5,185
Current service cost – Employee	3,760	3,320
Interest cost – Employer	4,680	4,860
Interest cost – Employee	3,120	3,240
Effect of experience adjustments	–	145
Effect of changes in financial assumptions	(13,295)	21,949
Benefits paid (including Brass)	(4,528)	(4,092)
Benefit obligation at end of period	207,152	207,578

Analysis of the change in plan assets during the period:

	9 January 2016 £000	*3 January 2015 £000*
Fair value of plan assets at beginning of the period	135,688	119,589
Interest income – Employer	3,120	3,420
Interest income – Employee	2,080	2,280
Return on plan assets	3,506	8,417
Administrative expenses paid from plan assets	(322)	(383)
Employer contribution	4,040	3,768
Employer Brass matching contributions	197	205
Member contributions	2,616	2,484
Benefits paid (including Brass)	(4,528)	(4,092)
Fair value of plan assets at end of period	146,397	135,688

Notes to the financial statements

at 9 January 2016

22. Other financial commitments

At 9 January 2016 the company had annual commitments under non-cancellable operating leases as set out below:

Group		*9 January 2016*		*3 January 2015*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	8,514	59	–	88
Within two to five years	–	14,920	7,757	12,249
Over five years	473	–	345	5,295
	8,987	14,979	8,102	17,632

Notes to the financial statements

at 9 January 2016

23. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. The transactions with them are summarised below:

Serco Group plc

	9 January 2016 £000	*3 January 2015 £000*
Other trading transaction income including salary recharges	–	–
Executive salaries and expense recharges (including non-directors)	185	163
Dividends paid and proposed	7,211	6,904
Other trading transaction costs	63	54

All of the above expenses/(income) were payable to/(receivable from) Serco Group plc and its subsidiaries which are related parties by virtue of Serco Group plc owning 50% of the issued share capital of the company. At the period end, the group owed Serco Group plc £28,834 (3 January 2015 – £27,457). At the period end, the company was owed £nil by Serco Group plc (3 January 2015 – £nil).

NV Nederlandse Spoorwegen

	9 January 2016 £000	*3 January 2015 £000*
Other trading transaction income including salary recharges	(71)	(6)
Executive salaries and expense recharges (including non-directors)	210	290
Dividends paid and proposed	7,211	6,904
Other trading transaction costs	107	116

All of the above expenses/(income) were payable to/(receivable from) NV Nederlandse Spoorwegen and its subsidiaries which are related parties by virtue of NV Nederlandse Spoorwegen owning 50% of the issued share capital of the company. At the period end, the group owed NV Nederlandse Spoorwegen £27,839 (3 January 2015 – £nil) At the period end, the company was owed £1,180 by NV Nederlandse Spoorwegen (3 January 2015 – £14,183).

Northern Rail Limited

	9 January 2016 £000	*3 January 2015 £000*
Other trading transaction costs	127	–
Other trading transaction income including salary recharges	(793)	(764)

All of the above expenses/(income) was receivable from Northern Rail Limited a related party by virtue of the fact that both Northern Rail Limited and Merseyrail Electrics 2002 Limited are joint ventures of the same ultimate controlling parties. At the period end, the company was owed £445,709 by Northern Rail Limited
(3 January 2015 – £72,675).

Notes to the financial statements

at 9 January 2016

24. Financial Instruments

	9 January 2016 *£000*	*3 January 2015* *£000*
Financial assets that are debt instruments measured at amortised cost		
– other debtors	6,737	4,160
Financial liabilities measured at amortised cost		
– loans	896	1,047
– finance leases	245	398
– trade creditors	21,970	13,714

25. Transition to FRS 102

The group and company transitioned to FRS 102 from previously extant UK GAAP as at 3 January 2015.

The impact from the transition to FRS 102 is as follows:

Reconciliation of equity at 4 January 2014

	Group *£000*	*Company* *£000*
Equity Shareholders' funds at 4 January 2014 under previous UK GAAP	452	–
Deferred tax	–	–
Pension costs	–	–
Adjustment to net interest on net defined pension liability	–	–
Equity Shareholders funds at 4 January 2014 under FRS 102	452	–

Reconciliation of equity at 3 January 2015

	Group *£000*	*Company* *£000*
Equity Shareholders' funds at 3 January 2015 under previous UK GAAP	2,082	–
Deferred tax	–	–
Pension costs	–	–
Adjustment to net interest on net defined pension liability	–	–
Equity Shareholders funds at 3 January 2015 under FRS 102	2,082	–

Notes to the financial statements

at 9 January 2016

25. Transition to FRS 102 (continued)

Reconciliation of profit and loss for the period ended 3 January 2015:

	Group *£000*	*Company* *£000*
Profit for the period ended 3 January 2015 under previous UK GAAP	14,753	13,807
Deferred tax	210	–
Pension costs	(86)	–
Adjustment to net interest on net defined pension liability	(960)	–
Profit for the period ended 3 January 2015 under FRS 102	13,917	13,807

The following were changes in accounting policies arising from the transition to FRS 102:

Pension costs

The expense recorded in operating profit is £86,000 higher when measured in accordance with FRS102 compared to UK GAAP.

Adjustment to net interest on net defined pension liability

Under previous UK GAAP, the interest on the expected return on plan assets was calculated using an expected asset rate. FRS 102 requires that the net interest on the net defined benefit liability is calculated using the liability discount rate for the scheme. As such there was a decrease in profit arising from this adjustment which was offset by a corresponding increase in other comprehensive income.

Deferred tax

Deferred tax has changed due to now accounting for the pension liability under FRS102 instead of UK GAAP.

26. Ultimate parent undertaking and controlling party

The ultimate controlling parties of Merseyrail Services Holding Company Limited are NV Nederlandse Spoorwegen and Serco Group plc. Copies of the financial statements of NV Nederlandse Spoorwegen are available from Laan Van Puntenburg 100, 3511 ER, Utrecht, Netherlands. Copies of the financial statements of Serco Group plc are available from Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.