MTR Corporation (Crossrail) Limited

Annual Report and Financial Statements
31 March 2020

Registered Number 08754715

Contents

Directors and advisors

Directors and directors' interests

The directors who held office during the year were as follows:

Jeremy Long

Stephen Murphy

Gillian Elizabeth Meller

Michael Nelson (Resigned 22 May 2020)

Andrew King (Appointed 22 May 2020)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Company registration number

08754715

Company secretary and registered office

Bolt Burdon Secretaries Limited
Providence House
Providence Place
Islington
London
N1 0NT

Solicitor

Dentons UKMEA LLP
One Fleet Place
London
EC4M 7WS

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Strategic report

The directors present the Strategic Report of MTR Corporation (Crossrail) Limited for the 12 months ended 31 March 2020.

Principal activities

MTR Corporation (Crossrail) Limited (the 'Company') is a wholly owned subsidiary of MTR Corporation (UK) Limited with the ultimate parent company MTR Corporation Limited, a company listed on the Stock Exchange of Hong Kong.

The period which these accounts cover is from 1 April 2019 to 31 March 2020.

The Company won the right to operate the Crossrail Concession when it was awarded a contract, the Crossrail Concession Agreement (the 'Concession), by Rail for London (RfL), subsidiary of Transport for London (TfL), in July 2014. The Concession commenced on 31 May 2015 and has an initial term of eight years, until 28 May 2023, with an option for RfL to extend the Concession by up to a further two years.

The Company will provide inter-urban and metro passenger services connecting City of London, Canary Wharf, the West End and Heathrow Airport to commuter areas in east and west of London. When fully operational Crossrail operating under the public name of the 'Elizabeth line' will serve 40 stations, with a peak timetable frequency of 24 trains per hour, providing a fast and frequent service linking the east and west. Passengers will benefit from reduced journey times and the new stations will be integrated with existing London Underground, DLR, London Overground and National Rail stations making it easy for passengers to change between services. Overall the Elizabeth line is estimated to increase rail based transport capacity in London by 10%. In the meantime the Company is operating existing train services to the east and west of London that will in due course be linked together to become part of the Elizabeth line. These existing services are operated under the 'TfL Rail' name.

The year saw the continuation of operations between Liverpool Street and Shenfield to the east of London, services to the west of London from Paddington to Heathrow, Paddington to Hayes & Harlington and in December 2019 the introduction of services from Paddington to Reading. As new services have been introduced more class 345 trains have been deployed into passenger service with the older class 315 fleet gradually being retired. Work has continued across the current MTR Elizabeth line network upgrading the existing stations and infrastructure. Although the delay to the wider project has continued into this year, extending the services to Reading has been a big step forward and a further step of replacing the class 360 trains on the Paddington to Heathrow route with class 345s in summer 2020 will be a further step towards the final Elizabeth line configuration.

The new Crossrail project infrastructure continues to be tested and has started to be integrated into wider rail systems and commissioned. Whilst dynamic testing of the new tunnel infrastructure and new rolling stock has continued it has been at a slower pace than planned and there have been further delays to the wider Crossrail project that have meant the planned project stage opening dates have slipped. The impact of the COVID-19 pandemic on the wider Crossrail project is still being ascertained; at the point of signing the Crossrail project has announced that the Abbey Wood and Paddington (Elizabeth line) section is expected to open in the first half of 2022. Whilst there remains uncertainty regarding specific dates, the overall sequencing to create the Elizabeth line remains consistent with TfL's original plan:

- Services through central London using the newly constructed tunnelled line between Abbey Wood and Paddington (Elizabeth line), subject to successful testing and trial running;
- Integration of services from Shenfield through to Paddington (Elizabeth line);
- Full services across the whole route from Abbey Wood and Shenfield through to Paddington (Elizabeth line), Heathrow and Reading.

However there is continual review and collaboration with RfL to see what benefits / aspects of the passenger service can be brought to customers ahead of the defined plan, for example the December 2019 introduction of early services to Reading.

The new class 345 trains have been designed and built by Bombardier using the new Aventra platform to deliver a modern and spacious interior necessary for this high capacity metro service. As with any new first in class train fleet there have been some challenges during the introduction of these trains and we continue to work collaboratively with Bombardier and RfL to overcome these issues. Further complexity has been experienced with the class 345s over software configurations for the three different signalling systems, which the train will need to operate between once the full Elizabeth line route is open.

Strategic report *(continued)*

The company continuously reviews our readiness and staff training plans to ensure we are ready when required for the start of the Elizabeth line operations.

Business review

Key Performance Indicators (KPI)

The key financial highlights for the year are as follows:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Profit and loss account:		
Revenue	**211,737**	187,575
Gross profit	**56,071**	45,041
Operating profit	**11,611**	4,444
Net financial income/(charges)	**(362)**	32
Balance sheet:		
Non-current assets	**8,579**	5,012
Current assets (including cash)	**102,294**	75,001
Cash at bank and in hand	**77,495**	54,132
Non-current liabilities	**7,708**	2,625
Shareholders' funds	**14,975**	8,980
Profitability:	**%**	%
Operating profit	**5.5**	2.4

Year on year revenues and operating costs have increased as the organisation recruits staff for train and station operations. Increased levels of project work to improve ambience at stations has also led to increases in revenues and operating costs.

Under the Concession the Company has a number of deliverables to ensure an exceptionally high standard of customer satisfaction and excellent operational performance are delivered. One of these metrics is the rail industry Public Performance Measurement (PPM) which is an industry recognised measure of operational performance. PPM represents the percentage of timetabled passenger services arriving at their scheduled destination within five minutes of the published arrival time. The Company delivered a contractual 95.7% (2019: 95.3%) moving annual average result at 31 March 2020, which compared to a Concession target of 95.0%. The improved level of performance can be in part attributed to very strong performance on the eastern route and continually improving operations on the western route.

In conjunction with operational performance there are customer facing metrics which focus on ticketless travel, customer environment and staff visibility and engagement. Using the contractual metrics set by TfL, the Company has delivered

- Ticketless travel on the eastern section of 1.1% (2019: 1.3%)
- Ticketless travel on the western section of 2.3% (2019: 2.7%)
- Customer Satisfaction results of 84.8% (2019: 82.7%)

We continue to review and evaluate the results to ensure a continuous improvement approach is applied to our plans.

Principal risks and uncertainties

Although the company does not take direct financial risk or benefit from changes in patronage we note that passenger volumes on the TfL Rail line of route have increased by 8% year on year. This is the first full year of operations between Paddington and Heathrow, with a further increase in services to Reading in December 2019. As a result of its increased costs operation, the concession revenue has also increased during the financial year. With introduction of full Crossrail services coming in further stages increases there will be further increases in the span of operations and uplift in the volume of passenger served. The Company remains focused on ensuring effective station management plans are in place for increasing

Strategic report *(continued)*

volumes of passengers across all current and future stations. It is critical that we maintain the highest standards of safety whilst continuing to deliver a high performing railway with excellent customer service.

2020 has been a year of challenges and change for the business. The introduction of services from Paddington to Reading is another extension to the operational business, whilst continuing to improve operational and customer performance for the wider western routes. The wider project delays have impacted on the deliverables for the business and continue to evolve as the Crossrail project works towards a revised completion date. The business remains engaged and adaptable in working collaboratively with our partners RfL, Bombardier, Network Rail and the Crossrail Project, at this challenging time.

Underlying performance across the business has remained solid, regardless of these challenges. This has been deliverable through the Company employees, the ongoing constructive relationship with the Unions and the strong partnerships that have been developed with our customers and suppliers. We continue to develop our existing partnerships and focus on what will be needed to deliver the future stages of the Elizabeth line successfully. Alongside working through any new risks that the business faces in opening the new routes, the Company maintains focus on improving levels of operational performance and customer satisfaction.

Under the Concession Agreement there are a significant number of performance targets to achieve where failure to meet the targets, without appropriate agreement from RfL, could result in additional cost to remediate or alternative contractual remedies.

With the scale and complexity of the Crossrail project there will always be risks associated with delivery and hand over of new infrastructure, integration of new systems and delivery of rolling stock to the Company as the operator of the Elizabeth line. The Company continues to work collaboratively with the Crossrail Project to remain sighted on any issues which may cause risk to the Company.

The impact of the COVID-19 pandemic on the rail industry has been unprecedented and has provided a significant challenge to the business. The Company continues to follow government guidance whilst working with employees and all stakeholders to ensure services continue to keep running safely, including re-configuration of stations for social distancing, evolving measures to work flexibly and ensuring workplaces evolve to meet current guidance . Whilst patronage initially fell by around 90% at the start of the pandemic since then there has been some recovery of demand, the commercial impact on the Company has been limited due to the passenger revenue risk residing with RfL and there have been no changes to the Concession. During the pandemic the Company has worked collaboratively with RfL to ensure maximum levels of services are deliver to customers.

The Company continues to monitor developments as a result of the United Kingdom leaving the European Union to ensure that any risk mitigations can be put in place to minimise any potential impact.

The importance and impact of cyber security remains a risk that the Company actively monitors and follows current best practice to minimise risks to the business.

Payment to creditors

It is the Company's policy to settle payments with suppliers within agreed terms of engagement. Trade creditor days at the end of the year amounted to 14 days (2019: 10 days).

By order of the board

Jeremy Long
Chairman

30 September 2020
Providence House
Providence Place
Islington
London N1 0NT

Section 172 (1) Statement

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders, employees and wider stakeholders as a whole to have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the Company's employees;
c) the need to foster the Company's business relationships with suppliers, customers and others;
d) the impact of the Company's operations on the community and the environment;
e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the Company.

Stakeholder engagement
The success of our Company is dependent on working collaboratively with stakeholders to ensure mutual success. Building positive relationships in order to deliver and work towards shared goals is important to delivering the long term targets of the Company. It is worth noting that long term with regard to the Company covers the period of time of the Concession contact, but where appropriate considering the impact of any decisions beyond the Concession contract.

The leadership team of the Company make decisions based on the long term successful delivery of the Concession Agreement. The leadership team regularly report to the Board about business performance, delivery of long term strategy, key stakeholder relationships and seeks ratification for key decisions.

Shareholder
There is an open dialogue between the Company and shareholder through regular formal and informal meetings, covering operational performance, financial performance, strategy, and governance.

Colleagues
Our people are key to our success and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including colleague surveys, team and face-to-face briefings, leadership team station, depot and control visits, business wide updates, newsletters and regular communications across a variety of media platforms. Key areas of focus include safety, health and well-being, and general visits across all business locations.

Customers
We aim to provide the best customer experience we can by providing a safe and punctual service with excellent customer service at critical touch points with our customers. We continue to monitor and evolve our service offering to ensure that we continually strive to improve our performance and results. The Company closely monitors performance across a variety of measures.

Suppliers
We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. There is structured engagement with our suppliers, with annual events held with our suppliers to foster collaborative working, mutual understanding of key issues and to bring innovation to the Company.

Communities
We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Engaging with communities also covers our aim for local recruitment and becoming embedded within the communities by engaging with local schools and other user groups.

Culture

The culture of the Company is of upmost importance in ensuring the business performs to its maximum potential with colleagues all living the Company values and delivering a brilliant service to both internal and external customers and stakeholders all day everyday.

Directors' report

The directors present their directors' report and financial statements for the year to 31 March 2020.

The following information has been disclosed in the strategic report:

- Principal activities
- Business review
- Principal risks and uncertainties

Dividend

The Company paid dividends of £4.5 per £1 share, totalling £4.5m, in this financial year (Year to 31 March 2019: £6m).

Employees

MTR Corporation (Crossrail) Limited is committed to delivering equality and inclusion in its work, both as an employer and provider of transport, fulfilling its statutory responsibilities to tackle discrimination in the workplace. To this end the Company has undertaken a corporate review of equality and diversity with action plans for community engagement, supplier diversity, training and development.

The Company has established policies and training courses to drive a business wide programme of equality and inclusion and deliver equal opportunities at work. The Company will not discriminate on the grounds of sex, disability, race, gender reassignment, sexual orientation, marital status, ethnic or national origin, religion or belief, age or membership or non-membership of a trade union. It is the policy of the Company that training, career development and promotional opportunities should be available to all employees.

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Political and charitable contributions

The Company made charitable donations of £20,833 and political contributions of £nil during the year (Year to 31 March 2019: £1,000 and £nil respectively).

Going concern

As highlighted in notes 12 and 14 to the financial statements, the Company meets its day to day working capital requirements principally through available cash resources generated through operations.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' report *(continued)*

Greenhouse gas emissions

Overview

Our Environmental Management System (EMS) and Energy Management System (EnMS) are designed to meet the requirements set into international standards ISO 14001 and ISO 50001. These systems, developed and maintained by using an integrated approach, are the tool we use to deliver our environmental and energy targets and implement best practices across the business. Our Environmental & Energy Policy outlines our principles and approach to managing environmental impacts, conserving resources and addressing climate risks.

We recognise climate change as highly material with the potential to affect our operations and services. The climate-related risks for the railway have already been identified and include the increased likelihood of extreme weather events, changes in rainfall patterns and higher ambient temperature in London. The impacts of these risks may severely damage the assets, increase maintenance and operating costs, delay construction activities, and negatively affect passenger and staff safety leading to service disruptions. Nevertheless, we don't have direct control on mitigation actions to be taken since we don't own or manage the infrastructure which relies with Network Rail. Therefore, we have implement suitable adaptation measures such as emergency preparedness measures to minimise the impacts of extreme weather events on our leased assets as per ORR and Network Rail guidance.

We have limited control over the design and specification of large appliances and equipment installed at our stations, however, we continue to liaise with relevant stakeholders to look at any new opportunity to implement energy saving solutions across our business and positively influence project stakeholders. In conclusion the main MTR challenge in energy management is still to influence as much as possible internal and external stakeholders, pursuing energy efficiency and energy performance improvement across our operations.

Our carbon reduction measures focus on reducing energy consumption and improving energy efficiency in our rail and property operations. We have adopted initiatives in our rail operations to optimise our energy performance over time. In February 2019 we reviewed our stations and sidings electricity supply contract, ensuring all electricity used at our sites comes from 100% renewable sources. As a result, since the 1st of March 2019 we are purchasing electricity generated by assets which aligns with the Renewable Energy Guarantees of Origin (REGOs), enabling zero emission reporting (GHG protocol Corporate Standard, Scope 2 reporting to market based methodology) and reducing our global business carbon footprint.

To reduce energy consumption and improve energy efficiency, we installed LED lighting at select station platforms, footbridges and under canopies. These were coupled with sensors to automatically reduce light levels at applicable times.

At Manor Park we rolled out efficient lighting solutions as part of the station enhancement works. This project is based on the "Green station" initiative, already delivered at Chadwell Heath station. Works included LED lighting installation on platforms (excluding platform extensions), footbridge areas and under canopy. Additional energy saving features include the installation of photocells to control platform and overbridge lighting.

As part of ONSIP (On Network Station Improvement Programme) we have installed LED lighting at ticket halls and back of house areas at several stations across the TfL Rail route.

Below are highlighted some projects delivered on the western route in 2019:

- Taplow and Iver: LED lights installed as part of the two waiting rooms refurbishment works.
- West Drayton: LED lights installed as part of the ticket hall and platform 4 office refurbishment works.

We are committed to continuously improving our environmental performance and will seek for further opportunities to reduce our carbon-related emissions.

Directors' report *(continued)*

Quantification and Reporting Methodology

This report outlines MTR Corporation (Crossrail)'s carbon report for the financial year 2019/20, includes our scope 1 and 2 emissions: scope 1 accounts for the direct emissions from a company's operations and scope 2, the indirect emissions from a company's energy usage. We don't report Scope 3 emissions since we are not yet able to report on all categories that may be relevant.

MTR Corporation (Crossrail)'s carbon report was quantified by reviewing all premises' and business' activities data in line with the GHG Protocol standard and applying the most relevant emission factors sourced from DEFRA's 2019 UK GHG Conversion Factors for Company Reporting.

We have followed the Government's Guidance on how to measure and report greenhouse gas emissions. This guidance aligned with the Greenhouse Gas Protocol (Corporate Reporting Standard).

Base Year

We have a fixed base year of 2019/20. We chose this year as it is the first year for reporting and it is typical in respect of our operations.

Organisational boundary

We have used the financial control approach.

Operational scopes

The list of GHG activities measured by MTR Corporation (Crossrail) Limited is as follows below.

Scope 1 (Direct emissions)	Scope 2 (Energy indirect)
• Fossil fuels – Natural Gas and burning oil consumption • Fugitive emissions from air conditioning units only (excluding emissions from domestic fridges and freezers)	• Purchased electricity – Traction (fleet) and non-traction (stations and HQ) resulting from the consumption of electricity, heating and cooling

2019/2020 GHG Emissions Footprint (tCO2e)

We have measured our scope 1 and 2 emissions. Where we have not estimated a % for exclusions, it is because we have not carried out this estimation yet.

Scope 1 (in metric tonnes CO2e)	2019/2020	Specific exclusions, % this represents for relevant scope	% of activity data that is estimated
Gas consumption	7.44	No exclusions	10
Diesel consumption - generator	72.06	No exclusions	15
Fugitive emissions from air conditioning units only	216.67	No exclusions	0
Total Scope 1	**296.17**		

Scope 2 (in metric tonnes CO2e)	2019/2020	Specific exclusions,% this represents for relevant scope	% of activity data that is estimated
Traction electricity consumption	17,147.63	No exclusions	100
Non-Traction electricity consumption - HQ	183.35	No exclusions	0
Non-Traction electricity consumption - Stations and sites*	1,265.75	No exclusions	0
Total Scope 2	**18,596.73**		

* Location Market Based GHG Emissions

Directors' report *(continued)*

MTR Corporation (Crossrail) Limited's total carbon emissions for the year was 18,892.90 tCO2e with carbon emissions from traction energy representing more than 90% of total emissions. Our rail operations require a significant amount of electricity. As purchased electricity represents our largest carbon emissions, we have concentrated our efforts on reducing traction energy consumption and improving energy efficiency in our operations.

Intensity Measurement

We have chosen the metric gross global scope 1 and 2 emissions in tonnes of CO2e per passenger kilometre output as this is a common business metric for our industry sector.

Intensity metric	2019/2020	Specific exclusions,% this represents for relevant scope
Tonnes CO_2e/pax.km	4.91E-06	Scope 1, 1.57%

MTR Corporation (Crossrail) Limited's energy intensity equals to 4.91 grams CO2e per pax.km.

Disclosure of information to auditor

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 company's auditor is 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 auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Auditor

Pursuant to Section 487 of the Companies Act 2006, it is proposed the auditor KPMG LLP is reappointed at the next Audit Committee.

By order of the board

Jeremy Long
Chairman

30 September 2020
Providence House
Providence Place
Islington
London N1 0NT

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of MTR Corporation (Crossrail) Limited

Opinion

We have audited the financial statements of MTR Corporation (Crossrail) Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of MTR Corporation (Crossrail) Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jonathan Downer

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 7th October 2020

Statement of Profit and Loss and Other Comprehensive Income
for 12 months ended 31 March 2020

	Note	**Year to 31 March 2020 £000**	Year to 31 March 2019 £000
Revenue	2	**211,737**	187,575
Cost of sales		**(155,666)**	(142,534)
Gross profit		**56,071**	45,041
Administrative expenses		**(44,460)**	(40,597)
Operating profit		**11,611**	4,444
Financial income	6	**58**	33
Financial expenses	6	**(420)**	(1)
Profit before tax		**11,249**	4,476
Taxation	7	**(2,896)**	(1,504)
Profit for the year		**8,353**	2,972
Other comprehensive income *Items that will not be reclassified to profit or loss:*			
Re-measurements of defined benefit liability	20	**3,762**	2,963
Total comprehensive income for the year		**12,115**	5,935

The notes on pages 18 to 32 form part of these financial statements.

Statement of Financial Position

at 31 March 2020

	Note	As at 31 March 2020 £000	As at 31 March 2019 £000
Non-current assets			
Property, plant and equipment	8	**1,782**	2,423
Right-of-use assets	8	**4,628**	-
Intangible assets	9	**1,940**	2,589
Deferred tax assets	16	**229**	-
		8,579	5,012
Current assets			
Inventories	10	**15**	10
Trade and other receivables	11	**24,784**	20,859
Cash and cash equivalents	12	**77,495**	54,132
		102,294	75,001
Total assets		**110,873**	80,013
Current liabilities			
Other interest-bearing loans and borrowings	13	**-**	-
Trade and other payables	14	**(81,259)**	(61,764)
Lease liabilities	18	**(2,796)**	-
Employee benefits		**(515)**	-
Tax payable		**(299)**	(852)
Provisions	15	**(3,321)**	(5,792)
		(88,190)	(68,408)
Non-current liabilities			
Employee benefits		**(105)**	(83)
Lease liabilities	18	**(3,067)**	-
Provisions	15	**(4,536)**	(2,518)
Deferred tax liabilities	16	**-**	(24)
		(7,708)	(2,625)
Total liabilities		**(95,898)**	(71,033)
Net assets		**14,975**	8,980
Equity			
Share capital	17	**1,000**	1,000
Retained earnings		**13,975**	7,980
Total equity		**14,975**	8,980

The notes on pages 18 to 32 form part of these financial statements.

These financial statements were approved by the board of directors on 30 September 2020 and were signed on its behalf by:

Jeremy Long
Chairman

Company registered number: 08754715

Statement of Changes in Equity

	Note	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 April 2018		1,000	8,045	9,045
Total comprehensive income for the year				
Profit for the year		-	2,972	2,972
Other comprehensive income	20	-	2,963	2,963
Total comprehensive income for the year		-	5,935	5,935
Dividends		-	(6,000)	(6,000)
Total contributions by and distribution to owners		-	(6,000)	(6,000)
Balance at 31 March 2019		**1,000**	**7,980**	**8,980**
Impact of change in accounting policy		-	(1,620)	(1,620)
Adjusted balance at 1 April 2019		1,000	6,360	7,360
Total comprehensive income for the year				
Profit for the year		-	8,353	8,353
Other comprehensive income	20	-	3,762	3,762
Total comprehensive income for the year		-	12,115	12,115
Dividends		-	(4,500)	(4,500)
Total contributions by and distribution to owners		-	(4,500)	(4,500)
Balance at 31 March 2020		**1,000**	**13,975**	**14,975**

The notes on pages 18 to 32 form part of these financial statements.

Cash Flow Statement
for 12 months ended 31 March 2020

	Note	**Year to 31 March 2020 £000**	Year to 31 March 2019 £000
Cash flows from operating activities			
Profit for the year		**8,353**	2,972
Adjustments for:			
Depreciation, amortisation and impairment	8, 9	**5,920**	1,961
Financial income	6	**(58)**	(33)
Financial expense	6	**420**	1
Taxation	7	**2,896**	1,504
		17,531	6,405
Increase in trade and other receivables	11	**(3,925)**	(7,140)
Decrease in inventories	10	**(5)**	20
Increase in trade and other payables	14	**25,506**	22,845
Increase in provisions and employee benefits	15	**3,886**	8,942
		42,993	31,072
Tax paid		**(3,850)**	(1,421)
Net cash from operating activities		**39,143**	29,651
Cash flows from investing activities			
Interest received		**18**	-
Recognition of right-of-use assets on initial application of IFRS 16	8	**(8,894)**	-
Acquisition of property, plant and equipment	8	**(364)**	(842)
Net cash used in investing activities		**(9,240)**	(842)
Cash flows from financing activities			
Dividends paid		**(4,500)**	(6,000)
Interest paid	6	**(420)**	(1)
Increase/(Decrease) in retained earnings on initial application of right-of-use assets		**(1,620)**	-
Net cash used in financing activities		**(6,540)**	(6,001)
Net increase in cash and cash equivalents		**23,363**	22,808
Cash and cash equivalents at 1 April 2019		**54,132**	31,324
Cash and cash equivalents at 31 March 2020	12	**77,495**	54,132

The notes on pages 18 to 32 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The Company is a company incorporated and domiciled in the UK. The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Change in accounting policy

The Company has adopted the following IFRS in these financial statements:

- IFRS 16 Leases was adopted on 1 April 2019. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17. Note 18 provides a reconciliation of the two measures.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the pension liabilities are stated at their fair value. Non-current assets are held at cost less depreciation.

1.3 Accounting period

The 12 month comparative period is from 1 April 2018 to 31 March 2019. The period which these accounts cover is from 1 April 2019 to 31 March 2020.

1.4 Going concern

As highlighted in notes 12 and 14 to the financial statements, the Company meets its day to day working capital requirements principally through available cash resources generated through operations.

As set out in the Strategic Report, the COVID-19 pandemic has had an impact on the operations of the company. Whilst patronage initially fell by around 90% at the start of the pandemic, since then there has been some recovery of demand and the Company is now running a full timetable service. Due to passenger revenue risk residing with RfL and not the Company, there has been very limited commercial or cash flow impact on the Company as a result of the reduction in passenger numbers. Due to the impact of COVID-19 on how the Company needs to serve its customers there have been changes in how some of the performance targets set out in the Concession Agreement are managed and discharged which have been agreed with RfL to reflect the exceptional circumstances that currently exist. The company has also introduced additional cleaning procedures on the rolling stock due to COVID-19 but the additional costs of these measures are not significant.

The Directors have reviewed the cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and, based on that review, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Property, plant and equipment (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of assets or up to the Concession end date, whichever is shorter. The estimated useful lives are as follows:

- Buildings — between 5 and 8 years
- Plant and equipment — between 3 and 5 years
- Fixtures and fittings — between 3 and 5 years
- IT hardware — between 3 and 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Pre Operational costs — 8 years
- Computer Software — 4 years

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

1.8 Employee benefits

Defined contribution scheme

The Company operates a defined contribution scheme. This 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 income statement in the periods during which services are rendered by employees.

Defined benefit scheme

The Company operates a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the Company.

For the Company's defined benefit scheme, in accordance with IAS 19 Employee Benefits, the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in present value of the scheme liabilities and a credit equivalent to the Company's long-term expected returns on the assets are included in the profit and loss account under finance income.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between expected return on assets and that actually achieved is recognised in the statement of other comprehensive income along with differences arising from experience or assumption changes.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans where the Company has a reasonable expectation to pay.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 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 measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.10 Revenue

Revenue is the total amount receivable by the Company for services provided, excluding VAT.

Revenue reflects the following:

i. Concession payments payable to the Company from Rail for London in respect of the passenger services it operates. Concession payments are recognised in the period to which the payment relates and are enshrined in the Concession Agreement with Rail for London.

ii. Station income is received from other train operating companies for using and stopping at stations operated by the Company. The income is agreed annually and invoiced and recognised in 13 equal periodic instalments throughout the year.

iii. Other income is derived from providing ad-hoc services to third parties with such income recognised in the profit and loss account upon completion of the service.

Passenger revenue and commission is received by the Company and passed to Rail for London through weekly bank transfers. Whilst the ticket issuing systems capture sales information on a daily basis, the data processing and settlement of the income does not take place until the following period. This timing difference gives rise to Rail Settlement Plan receivables and payables balances. Where payments are received in advance of services provided, the amounts are recorded as deferred season ticket income and included as part of trade and other payables.

1.11 Expenses

Financing income and expenses

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in profit or loss as it accrues.

1.12 Taxation

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

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.
Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the financial statements as though the payment had been made to the relevant tax authorities.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Financial instruments

IFRS 9 Financial Instruments is effective from 1 January 2018. From our assessment, there is no material impact on the results of the Company. This is based on an analysis focussed on:

- Classification and measurement of financial assets and liabilities; and
- Trade receivables impairment.

1.14 Revenue from Contract with Customers

IFRS 15 Revenue from Contract with Customers is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 requires the Company to identify distinct promises in contracts with customers that qualify as 'performance obligations'. The consideration receivable from customers must then be allocated between the performance obligations identified. The Company performed an assessment of the effects of applying the new standard and has concluded that they are not expected to have a material impact on the Company's financial statements. Around 87% of the Company's revenue is derived from payments under the Concession Agreement which covers a contract period of over one year. This contract along with other contracts which cover at least one year have been reviewed against IFRS 15. Based on the assessment, we conclude that revenues are being appropriately recognised across the periods of the contract, as the services are performed.

1.15 New standard applied

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and then IFRS 16 is applicable.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is presented as a separate line in the statement of financial position.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 New standard applied (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.16 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date to be confirmed).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date to be confirmed).

2 Revenue

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Concession payments	**184,487**	159,389
Network change income	**5,533**	5,476
Project income	**7,208**	4,136
Other revenue	**14,509**	18,574
Total revenues	**211,737**	187,575

All revenue arises from the continuing operations in the UK.

3 Expenses and auditor's remuneration

Included in profit/(loss) are the following:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Regulatory charges payable	**44,534**	44,413
Operating lease rentals		
- Rolling stock charge	**3,881**	12,129
- Other plant and equipment	**176**	123
Depreciation and amortisation		
- Property, plant and equipment	**5,272**	1,144
- Intangible assets	**649**	817
Auditor's remuneration:		
- Audit of these financial statements	**65**	59
- Amounts receivable by the company's auditor and its associates in respect of:		
Other assurance services	**3**	3

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	Year to 31 March 2020	Year to 31 March 2019
Customer Experience	**406**	312
Engineering	**17**	16
Operations	**551**	448
Train Service Delivery	**71**	57
Concession Management	**8**	8
Administration	**96**	87
	1,149	928

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Wages and salaries	**60,536**	48,019
Social security costs	**6,422**	5,091
Other pension costs	**8,576**	6,742
	75,534	59,852

5 Directors' remuneration

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Directors' remuneration	**2,054**	2,251
	2,054	2,251

Two of the four directors were employed and paid by MTR Corporation Limited; no direct apportionment of their remuneration is practicable and accordingly the above figure includes their total remuneration from the MTR Group. A proportion of their costs for the oversight and management of MTR Corporation (Crossrail) are included in the management fee paid to MTR Corporation (UK) limited which was £521k in this financial year *(Year to 31 March 2019: £503k)*. Of the two directors employed and paid by the Company, one director has their costs recharged to MTR Corporation (UK) Limited as part of a transfer pricing adjustment for tax purposes.

6 Finance income and expense

Recognised in profit or loss

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Finance income		
External interest receivables	**18**	-
Interest on net defined benefit pension plan liability	**(369)**	(368)
Interest on net defined benefit pension plan adjustment	**409**	401
Total finance income	**58**	33
Finance expense		
External interest payables	**(420)**	(1)
Interest payable on senior debt	**-**	-
Net finance income/(expense)	**(362)**	32

Notes *(continued)*

7 Taxation

Recognised in the income statement

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Current tax		
UK Corporation Tax at 19% *(2019: 19%)*	**2,874**	1,523
Group relief payable	**2,154**	-
	5,028	1,523
Adjustments for previous periods	**(1,879)**	(61)
Current tax charge	**3,149**	1,462
Deferred tax		
Origination and reversal of timing differences	**22**	(13)
Effect of tax rate change on opening balance	**(275)**	55
Deferred tax charge (note 16)	**(253)**	42
Tax on profit on ordinary activities	**2,896**	1,504

Reconciliation of tax charge

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Profit on ordinary activities before tax	**11,249**	4,476
Tax on profit on ordinary activities at standard rate of 19% *(2019: 19%)*	**2,137**	852
Effects of:		
Fixed asset differences	**42**	51
Expenses not deductible for tax purposes	**24**	36
Income not taxable for tax purposes	**(4)**	-
Adjustments to tax charge in respect of previous periods	**(1)**	(61)
Adjustments to tax charge in respect of previous periods – deferred tax	**-**	55
Difference arising in respect of defined benefit scheme	**727**	570
Changes in tax rates	**(29)**	1
Tax charge for the year	**2,896**	1,504

Notes *(continued)*

8 Property, plant and computer equipment

	Land and buildings £000	Plant and equipment £000	Computer equipment £000	ROU Assets £000	WIP fixed assets £000	Total £000
Cost						
Balance at 1 April 2019	2,469	933	2,114	-	36	5,552
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	8,894	-	8,894
Additions in the year	121	23	198	-	22	364
Balance at 31 March 2020	2,590	956	2,312	8,894	58	14,810
Depreciation and impairment						
Balance at 1 April 2019	1,308	603	1,218	-	-	3,129
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	4,266	-	4,266
Depreciation charge for the year	455	219	331	-	-	1,005
Balance at 31 March 2020	1,763	822	1,549	4,266	-	8,400
Net book value						
At 1 April 2019	1,161	330	896	-	36	2,423
At 31 March 2020	**827**	**134**	**763**	**4,628**	**58**	**6,410**

9 Intangible assets

	Mobilisation Costs £000	Software Development Costs £000	Total £000
Cost			
Balance at 1 April 2019	4,915	807	5,722
Balance at 31 March 2020	4,915	807	5,722
Amortisation and impairment			
Balance at 1 April 2019	2,359	774	3,133
Amortisation for the year	616	33	649
Balance at 31 March 2020	2,975	807	3,782
Net book value			
At 1 April 2019	2,556	33	2,589
At 31 March 2020	**1,940**	**-**	**1,940**

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Administrative expenses	**649**	817
	649	817

Notes *(continued)*

10 Inventories

	31 March 2020 £000	31 March 2019 £000
Raw materials and consumables	**57**	57
Obsolete stock provision	**(42)**	(47)
	15	10

11 Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Trade receivables due from related parties (note 19)	**127**	134
Other trade receivables	**1,529**	1,570
Rail Settlement Plan receivables	**6,929**	8,441
Other receivables	**460**	1,542
Prepayments and accrued income	**15,739**	9,172
	24,784	20,859

Included in amounts due from related parties is an amount of £127k (*2019: £134k*) which represents intercompany trading, has no associated interest and is repayable on demand. The carrying value of the Trade and Other Receivables is considered to be approximate to fair value.

12 Cash and cash equivalents

	31 March 2020 £000	31 March 2019 £000
Cash and cash equivalents per balance sheet	**77,495**	54,132
Cash and cash equivalents per cash flow statement	**77,495**	54,132

Cash on deposit at bank is £77.4m *(2019: £54.1m)*. This includes a cash balance of £3.2m *(2019: £5m)* in relation to RfL held revenue which the Company is required to hold in a separate bank account, charged in favour of RfL, and not available to the Company for cash requirements.

13 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing borrowings.

	31 March 2020 £000	31 March 2019 £000
Current liabilities		
Loan from associate	**-**	-

A loan facility of £10m is in place with MTR Corporation Limited.

Notes *(continued)*

14 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	**4,714**	3,085
Rail Settlement Plan payables	**5,453**	7,493
Trade payables due to related parties (note 19)	**169**	317
Other payables	**4,487**	3,613
Accrued expenses and deferred income	**60,931**	40,211
Deferred season ticket income	**4,766**	6,058
HQ rent provision	**739**	987
	81,259	61,764

Included in amounts due to related parties is an amount of £169k (*2019: £317k*) which represents intercompany trading, has no associated interest and is repayable on demand. The carrying value of the Trade and Other Payables is considered to be approximate to fair value.

15 Provisions

	31 March 2020 £000	31 March 2019 £000
Current	**3,321**	5,792
Non-current	**4,536**	2,518
	7,857	8,310

Movement in provision:	
Balance at 1 April 2019	8,310
Provisions made during the year	5,900
Provisions used during the year	(6,353)
Balance at 31 March 2020	**7,857**

Provisions have been made in respect of contract liabilities.

16 Deferred tax liabilities/(assets)

	31 March 2020 £000	31 March 2019 £000
Provision for deferred tax		
Accelerated capital allowances	**(1)**	24
Short term timing differences	**(228)**	-
	(229)	24

Movement in provision:	
Balance at 1 April 2019	24
Deferred tax charge for the year (note 7)	(253)
Balance at 31 March 2020	**(229)**

Notes *(continued)*

17 Capital and reserves

Share capital

	31 March 2020	31 March 2019
	£000	£000
Allotted, called up and fully paid		
1 million Ordinary shares of £1 each	**1,000**	1,000
Shares classified in shareholders' funds	**1,000**	1,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

The company issued 1,000,000 £1 ordinary shares for a consideration of £1,000,000, settled in cash. The share certificate was issued on 13 January 2015.

18 Lease liabilities

IAS 17 Operating lease

Non-cancellable operating lease rentals are payable as follows:

	HQ Rent	**Class 315 Fleet**
	Year to 31 March 2019	Year to 31 March 2019
	£000	£000
Less than one year	951	5,404
Between one and five years	2,794	2,913
More than five years	-	-
	3,745	8,317

Lease liabilities reconciliation

	HQ Rent	**Class 315 Fleet**
	£000	£000
IAS 17 Operating lease commitments at 31 March 2019	3,745	8,317
Contacts not in scope of IFRS16 [1]	-	(1,271)
Effect of discounting [2]	(418)	(378)
Other	536	(16)
IFRS 16 Lease liabilities recognised at 1 April 2019	3,863	6,652
Lease liabilities paid during the year	(796)	(3,856)
Lease liabilities at 31 March 2020	**3,067**	**2,796**

[1] Contacts (Variable lease payments) that were considered to be leases under IAS 17 which do not meet the definition of a lease under IFRS 16, principally because the payments not depending on the rate or index.

[2] The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on the Company's incremental borrowing rate.

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

Leases under IFRS16

	Year to 31 March 2020
	£000
Interest expense on lease liabilities	**420**
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	**176**
Expenses relating to short-term leases	**1,010**
Expenses relating to variable lease payments not included in the measurement of lease liabilities	**3,822**

Notes *(continued)*

19 Related parties

During the year the Company has purchased goods and services from related parties within the wider group. All transactions have been done on an arms' length basis and are shown as follows.

Transactions with key management personnel

The compensation of key management personnel is as follows:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Key management emoluments	**2,054**	2,251
	2,054	2,251

Other related party transactions

	Sales to		**Administrative expenses incurred from**	
	Year to 31 March 2020 £000	Year to 31 March 2019 £000	**Year to 31 March 2020 £000**	Year to 31 March 2019 £000
MTR Corporation Limited	**490**	559	**(46)**	(128)
MTR Corporation (UK) Limited	**-**	-	**(649)**	**(760)**
MTR Tunnelbanan	**-**	-	**(6)**	-
	490	559	**(701)**	(888)

	Receivables outstanding		**Payables outstanding**	
	31 March 2020 £000	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
MTR Corporation Limited	**127**	134	**-**	(9)
MTR Corporation (UK) Limited	**-**	-	**(169)**	(308)
	127	134	**(169)**	(317)

20 Employee benefits

Defined benefit pension schemes

The Company operates a defined benefit scheme for the benefit of the employees and executive directors. The MTR Corporation (Crossrail) Section is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the reminder of the Scheme. The assets of the MTR Corporation (Crossrail) Section are administered by trustees in a fund independent from the assets of the Company.

The MTR Corporation (Crossrail) Section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The figures reported below therefore represent only the Company's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of interpretation and for consistency with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions over the period from 31 March 2019 to 31 March 2020 are 12.90% of Section Pay for "Category 62" members and 14.25% of Section Pay for "Category 60" members. Future rates are subject to review following the formal actuarial valuations as at 31 December 2016 and 31 December 2019 .

The contributions are determined by a qualified actuary on the basis of triennial valuations updated using the projected unit method.

The MTR Corporation (Crossrail) Section is open to new members following two years of continuous employment with the Company or previous membership of a railway pension scheme section with another employer.

Notes *(continued)*

20 Employee benefits *(continued)*

Membership data

	Year to 31 March 2020 No.	Year to 31 March 2019 No.
Active members		
Number of active members	**623**	555
Number of active members with PRP included	**316**	263
Annual payroll for active members (£'000)	**34,334**	29,101
Annual payroll for active members with PRP included (£'000)	**2,952**	2,198
Average age of active members	**42.9 years**	43 years
Deferred members		
Number of deferred members	**134**	112
Total payroll for deferred pension (£'000)	**321**	236
Average age of deferred members	**46.7 years**	47 years
Pensioner members (including dependants)		
Number of pensioner members	**136**	134
Annual payroll for pension members (£'000)	**992**	950
Average age of pension members	**67.7 years**	67 years

Summary of assumptions

	Year to 31 March 2020 % pa	Year to 31 March 2019 % pa
Discount rate	**2.60**	2.50
Price Inflation (RPI measure)	**2.60**	3.10
Increases to deferred pensions	**1.60**	2.10
Pension increases	**1.60**	2.10
Pensionable salary increases	**2.85**	3.35

For an indication of the sensitivity of the results to the inflation assumptions, if the assumptions were increased by 0.1% p.a. then the Section's liabilities would be increased by around 2.2%. In terms of salary growth assumption sensitivity, if the assumption was increased by 0.1% per annum then the Section's liabilities would be increased by around 1.0%.

Mortality rates

The assumed average expectation of life in years for male and female members aged 65 now and 65 in 20 years' time for the Section is as follows:

	Year to 31 March 2020 Years	Year to 31 March 2019 Years
Male currently age 65	**21.5**	21.3
Male currently age 45	**23.2**	23.0
Female currently age 65	**23.3**	23.1
Female currently age 45	**25.0**	24.9

For the purpose of the illustrative life expectancies, the mortality assumptions set out above have been averaged accordingly to the overall membership profile of the Section.

Notes *(continued)*

20 Employee benefits *(continued)*

Defined Benefit (Liability)/Asset at end of year

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Growth assets	**55,696**	54,611
Government bonds	**2,122**	1,131
Non-Government bonds	**4,950**	2,640
Other Assets	**590**	691
Fair value of plan assets	**63,358**	59,073
Defined Benefit Obligation at end of year	**(87,370)**	(86,352)
Funded status at end of year	**(24,012)**	(27,279)
Adjustment for the members' share of deficit	**9,605**	10,912
Deficit expected to be recovered after end of current concession period	**14,407**	16,367
Net Defined Benefit liability	**-**	-

Reconciliation of Net Defined Benefit Liability

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Opening Net Defined Benefit Liability	**-**	-
Employer's share of pension expense	**(7,152)**	(5,592)
Employer contributions	**3,390**	2,629
Actuarial gain recognised in OCI	**3,762**	2,963
Closing Net Defined Benefit Liability	**-**	-

The actuarial gain recognised in the statement of other comprehensive income represents the Company's proportionate share of the experienced gains and losses arising on the Defined Benefit's liabilities and assets in the year. Due to the elements of the Scheme's deficit allocated to members and the proportion expected to be recovered after the end of the concession period it is not meaningful to allocate this amount between its constituent parts.

Other comprehensive income (OCI)

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Gain on liability	**(7,046)**	(373)
Concession adjustment (gain)/loss	**2,369**	(1,095)
Return on plan assets (greater)/less than discount rate	**915**	(1,495)
Total gain recognised in the OCI	**(3,762)**	(2,963)

Notes *(continued)*

20 Employee benefits *(continued)*

DB Scheme – pension expense

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Employer's share of service cost	**7,056**	5,446
Employer's share of administration costs	**136**	127
Employer's share of past service cost adjustment	**-**	52
Concession adjustment	**-**	-
Total employer's share of service cost	**7,192**	5,625
Employer's share of net interest on net defined benefit liability	**369**	368
Interest on concession adjustment	**(409)**	(401)
Employer's share of pension expense	**7,152**	5,592

Reconciliation of Defined Benefit Obligation (DBO)

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Opening Defined Benefit Obligation	**(86,352)**	(72,806)
Service Cost	**(11,733)**	(9,057)
Interest Cost on DBO	**(2,145)**	(2,007)
Section amendment	**-**	-
Past service cost adjustment	**-**	(86)
Gain on DBO	**11,754**	622
Actual benefit payments	**1,106**	(3,018)
Closing Defined Benefit Obligation	**(87,370)**	(86,352)

Reconciliation of value of assets

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Opening value of Section assets	**59,073**	48,025
Interest income on assets	**1,530**	1,393
Return on plan assets greater/(less) than discount rate	**(1,526)**	2,492
Employer contributions	**3,390**	2,629
Employee contributions	**2,224**	1,727
Settlement	**-**	-
Curtailment	**-**	-
Actual benefit payments	**(1,106)**	3,018
Administration costs	**(227)**	(211)
Closing value of Section assets	**63,358**	59,073

The Company also runs a Defined Contribution pension scheme which is open to all employees. During the year ending 31 March 2020 employer contributions to this Scheme were £1.3m *(Year to 31 March 2019 £1m).*

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of MTR Corporation (UK) Limited. The results of the Company are consolidated in the financial statements of MTR Corporation Limited in Hong Kong. The consolidated financial statements for the group are available to the public and may be obtained from the following address: MTR Corporation Limited, MTR Headquarters Building, Telford Plaza, 33 Wai Yip Street, Kowloon Bay, Hong Kong. The report is also available on the internet at www.mtr.com.hk.