

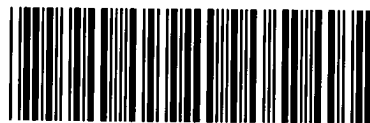
**Merseyrail Electrics 2002 Limited**

**Report and Financial Statements**

**7th January 2017**

**Company registration no. 04356933**

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COMPANIES HOUSE

## Corporate information

### Directors

A Heath  
D Booth  
J Bowen  
J Chaudhry  
G Shilston  
R Flaherty  
A Pilbeam  
C Harris  
K Wallace

### Secretary

Serco Corporate Services Limited

### Auditors

Ernst & Young LLP  
20 Chapel Street  
Liverpool L3 9AG

### Bankers

National Westminster Bank  
Liverpool

### Solicitors

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

### Registered Office

Rail House  
Lord Nelson Street  
Liverpool  
Merseyside L1 1JF

## Strategic report

The directors present their strategic report and the financial statements for the 52 weeks ended 7 January 2017.

### 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 £149.4m which was a decrease of 2.8 per cent on the previous period (53 weeks ended 9 January 2016 – £153.7m).

By the period ending 7 January 2017, the cash balance was £21.1m (53 weeks ended 9 January 2016 – £29.0m) with no cash (53 weeks ended 9 January 2016 – £nil) on short term investment. The liquidity position has remained strong throughout the period.

In 2016 Merseyrail delivered £2.6m of station improvements financed by a combination of Merseyrail, Network Rail, Merseytravel and the Department for Transport.

This included £1.2m of enhancements at Moorfields and Hamilton Square to complement the renewals work undertaken by Network Rail which was funded out of the efficiencies created from closing the stations for extended periods of time.

NSIP (National Station Improvement Programme) funded a £0.4m refurbishment of the waiting facilities at Waterloo station where a new platform canopy and heated waiting room replaced the existing facilities.

Merseyrail self-funded £0.9m of works which enabled us to install an MtoGo into Liverpool South Parkway, significantly improve staff welfare facilities at seven stations, improve access arrangements at Aigburth, which is going to be a focal point for future events in the area, improve our energy efficiency by installing LED lighting at five stations and improving train dispatch safety by installing Guards Monitors at Bank Hall and Sandhills.

Network Rail completed their £40m programme of underground station renewals during 2016, and they also completed the £4m renewal of nine escalators at Moorfields Station.

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 and then launched on ScotRail in 2015 when Abellio won the franchise. Bike & Go is now available at eleven locations in Scotland after opening at nine further stations during 2016. Across the entire UK patch, we have seen the number of rentals more than double since 2015. Bike & Go was also named one of the best bike hire companies in the UK by Holiday Lettings, a subsidiary of TripAdvisor during early 2016.

## Strategic report (continued)

### Principal activity and review of the business (continued)

Core infrastructure upgrades were the primary focus of the last year. Central user authentication and control systems (active directory services) were upgraded in preparation for on-going IT security hardening and regulatory compliance.

The Merseyrail WAN (wide area network) was upgraded and new resilient, flexible, future proof network connections were installed at all Merseyrail sites. This has been the enabler to roll out initiatives such as VoIP (Voice over internet protocol) telephony at all stations, guest and secure staff WiFi to Merseyrail depots and key stations.

Regarding innovation and smarter working, a proof of concept using Smart Watches and NFC (Near Field Communication) technology was introduced, enabling staff to carry out Transec (Transport Security) checks at stations using the Smartwatch or a mobile phone.

We ended the year 2016 with a Public Performance Measure (PPM) of 95.6 per cent, compared with PPM at the close of 2015 at 95.4 per cent. Merseyrail maintains its position within the top two of the national PPM league.

In the most recent National Rail Passenger Survey (Autumn 2016), Merseyrail secured a score of 95 per cent satisfaction score which is the highest score among all franchised operators. This is the second time that Merseyrail has been awarded the highest score in the National Rail Passenger Survey poll, our best overall autumn satisfaction score and the second highest ever for Merseyrail - just one percentage point behind the 96 per cent secured in spring 2012.

The results of our 2016 Employee Engagement Survey saw overall engagement rise from 75% to 79%, with 69% of the workforce sharing their opinions; this illustrates that Merseyrail is an employer of choice with a highly engaged, motivated and passionate work force. The results also showed that ten out of the eleven categories surveyed have improved over the last twelve months.

Merseyrail supported the Liverpool Women's Hospital Charity, the Kitty, throughout 2016 and over the course of the year staff and stakeholders raised approximately £33.5k across 89 separate charity collection days. Since the start of the concession in 2003, Merseyrail has raised almost £800k for local charities. Our work in the community during 2016 has brought in 5 additional station adoptions and partnerships to the 41 schemes existing at the beginning of the year. We have engaged with 2,190 school children at 32 school liaison visits.

Merseyrail also continues to be recognised at national awards ceremonies. James Street Station won the MTR Crossrail Award for Urban Heritage at the Railway Heritage Awards and one individual was announced Manager of the Year at the UK Rail Staff Awards. The business, achieved Customer First Accreditation as well as the British Quality Foundation Excellence 600 Accreditation, which was the culmination of efforts from staff across the whole organisation.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as market, credit, liquidity and interest rate risk:

#### **Market Risk**

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 business KPIs which includes operational, commercial and finance, customer, people and society 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

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### *Market Risk (continued)*

- 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.

#### *Credit Risk*

The company has limited credit risk with the majority of our debtors being other companies operating within the rail industry and therefore having similar processes.

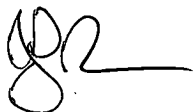
#### *Liquidity Risk*

The business has a low liquidity risk as it receives contracted payments from Merseytravel for the duration of the concession.

#### *Interest Risk*

The company has positive cash reserves and no borrowings so has minimal interest rate risk.

Approved by the Board on 29 March 2017 and signed on its behalf by:



Director

Jeremy Bowen  
29 March 2017

Company registration no. 04356933

Registered No. 04356933

## Directors' report

The directors present their report and financial statements for the 52 weeks ended 7 January 2017.

### Results and dividends

The profit for the period after taxation amounted to £12.5m (53 weeks ended 9 January 2016 – profit of £12.9m). The directors recommend a final dividend £12.3m (53 weeks ended 9 January 2016 – £12.3m).

### 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.

Merseyrail are working with Merseytravel to progress the procurement of new fleet. The tender has been awarded to Stadler Rail Service UK (SRS UK), contracts have been signed and we are to begin the process of sub-contracting to SRS UK. This will be the biggest change to the Merseyrail organisational structure since the beginning of the concession and is a precursor to the further changes that we will undergo when the new fleet arrives, which will be capable of Driver Controlled Operation.

In addition to the new fleet, Merseyrail continues to support Merseytravel with the exploration of Smart Ticketing; also aligning these goals to those of the Transport for the North 'Smart North' scheme.

As part of a £340 million investment in the regions railway, NWR (Network Rail) plan to renew the track that runs around the Wirral Loop line, connecting Liverpool through the tunnels under the River Mersey. The track sits on a concrete base is 40 years old and this will be dug out and new concrete and track laid in its place. The work commenced January 3<sup>rd</sup> for six months. Given the timescales and financial impact negotiations with NWR have concluded that compensation will be paid on account during this period.

Later in 2017 works will commence on Lime Street mainline station causing it to close and although this will not directly affect Merseyrail, the Northern Line route between Liverpool South Parkway and Liverpool Central will be pivotal in providing connectivity for passengers from London, the Midlands and south Manchester into Liverpool.

### Events since the balance sheet date

On 28 February Merseyrail received confirmation from RMT that the guards had voted in favour of industrial action in relation to the new fleet. The initial strike went ahead on 13th March, and a subsequent strike has been called for 8th April. Whilst the strike disrupted the service, contingency planning was in place. The financial impact of this action is expected to be minimal.

### Financial instruments

Details of financial instruments are provided in note 25.

### 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 including relevant sensitivities, 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. Thorough cash management processes are followed and show sufficient liquidity. 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' report (continued)

### Directors

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

A Heath  
D Booth  
J Edwards (resigned 25 January 2017)  
J Bowen  
J Chaudhry  
D Stretch (resigned 31 December 2016)  
G Shilston  
R Flaherty  
A Pilbeam  
C Harris (appointed 25 January 2017)  
K Wallace (appointed 25 January 2017)

### Political and charitable contributions

During the period, the company made charitable donations and sponsorship payments of £80,334 (53 weeks ended 9 January 2016 – £79,482) principally to local charities and groups serving the communities in which the company operates.

### Employee involvement and disabled employees

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

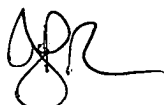
### Disclosure of information to the auditors

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 company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Pursuant to section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to be re-appointed as auditors.

On behalf of the Board



Director

*Jeremy Bowen*

29 March 2017

Company registration no. 04356933

## 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 company and of the profit or loss of the company 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 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 also responsible for safeguarding the assets of the 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 Merseyrail Electrics 2002 Limited**

We have audited the financial statements of Merseyrail Electrics 2002 Limited for the 52 weeks ended 7 January 2017 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position 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 7, 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 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 company's affairs as at 7 January 2017 and of its profit for the 52 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**

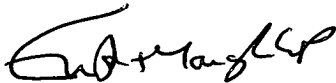
In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

# **Independent auditor's report to the members of Merseyrail Electrics 2002 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 company, 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.



Jennifer Hazlehurst (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Liverpool

31 March 2017

# Statement of comprehensive Income

for the period ended 7 January 2017

		52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
	Notes		
<b>Turnover</b>	2	149,373	153,670
Cost of sales		(133,552)	(137,438)
<b>Operating profit</b>	3	15,821	16,232
Interest receivable and similar income	6	103	111
Interest payable and similar charges	7	(155)	(155)
Other finance income/(expense)	21	60	(90)
<b>Profit on ordinary activities before taxation</b>		15,829	16,098
Tax	8	(3,302)	(3,200)
<b>Profit for the financial period</b>	18	12,527	12,898
<b>Other comprehensive income</b>			
Actuarial gain relating to pension scheme		2,133	5,968
Deferred tax attributable to actuarial gain		(427)	(1,194)
<b>Total comprehensive income for the period</b>		14,233	17,672

## Statement of changes in equity

for the period ended 7 January 2017

	<i>Called-up capital</i>	<i>Profit and loss account</i>	<i>Share- holders equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>At 3 January 2015</b>	—	2,082	2,082
Profit for the period	—	12,898	12,898
Other comprehensive income	—	4,774	4,774
Total comprehensive income for the year	—	17,672	17,672
Equity dividends paid (note 9)	—	(12,267)	(12,267)
<b>At 9 January 2016</b>	—	7,487	7,487

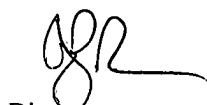
	<i>Called-up capital</i>	<i>Profit and loss account</i>	<i>Share- holders equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>At 10 January 2016</b>	—	7,487	7,487
Profit for the period	—	12,527	12,527
Other comprehensive income	—	1,706	1,706
Total comprehensive income for the year	—	14,233	14,233
Equity dividends paid (note 9)	—	(12,318)	(12,318)
<b>At 7 January 2017</b>	—	9,402	9,402

## Statement of financial position

at 7 January 2017

	Notes	£000	2017 £000	2016 £000
<b>Fixed assets</b>				
Intangible assets	10		1,815	1,971
Tangible assets	11		7,512	7,672
Investments	12		—	—
Deferred tax asset	8		347	202
			<u>9,674</u>	<u>9,845</u>
<b>Current assets</b>				
Stocks	13	1,744		1,670
Debtors	14	11,630		9,579
Cash at bank and in hand		<u>21,097</u>		<u>28,995</u>
		34,471		40,244
<b>Creditors: amounts falling due within one year</b>	15	<u>(33,365)</u>		<u>(40,762)</u>
<b>Net current assets / (liabilities)</b>			<u>1,106</u>	<u>(518)</u>
<b>Total assets less current liabilities</b>			<u>10,780</u>	<u>9,327</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(593)	(834)
<b>Accruals and deferred income</b>				
Deferred government grants			<u>(785)</u>	<u>(1,006)</u>
<b>Net assets before pension liability</b>			9,402	7,487
Pensions	21		<u>—</u>	<u>—</u>
<b>Net assets</b>			<u>9,402</u>	<u>7,487</u>
<b>Capital and reserves</b>				
Called-up share capital	17		—	—
Profit and loss account	18		<u>9,402</u>	<u>7,487</u>
<b>Shareholders' funds</b>	19		<u>9,402</u>	<u>7,487</u>

The financial statements of Merseyrail Electrics 2002 Limited were approved by the Board of Directors on 29th March 2017



Director

Jeremy Bowen

Company registration no. 04356933

## Notes to the financial statements

at 7 January 2017

### 1. Accounting policies

#### *Statement of compliance*

Merseyrail Electrics 2002 Limited is a limited liability company incorporated in England. The Registered Office is Rail House, Lord Nelson Street, Liverpool L1 1JF.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the 52 weeks ended 7 January 2017.

#### *Basis of preparation*

The financial statements of Merseyrail Electrics 2002 Limited were approved for issue by the Board of Directors on March 2017. 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.

#### *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.

#### *Goodwill and intangible assets*

The company 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 life of the franchise 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 8.

#### *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 including relevant sensitivities, 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. Thorough cash management processes are followed and show sufficient liquidity. 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.

## Notes to the financial statements

at 7 January 2017

### 1. Accounting policies (continued)

#### *Statement of cash flows*

The company has elected to take advantage of the reduced disclosures for subsidiaries under FRS102 (FRS 102 paragraph 1.11 and 1.12) and has opted out of including a cash flow statement in its financial statements as it is a wholly owned subsidiary of Merseyrail Services Holding Company Limited, a company incorporated in the United Kingdom, which has included a group statement of cash flows in its financial statements.

#### *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).

#### *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 (note 10) 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.

#### *Turnover*

Passenger income represents agreed amounts attributed to the company by the income allocation systems of the Railway Settlement Plan Limited with revenue being recognised as journeys are undertaken..

Concession payments relate to amounts received from Merseyside Passenger Transport Executive (MPTE) under the Concession Agreement to operate Merseyrail trains and is recognised as per the Concession Agreement between the two parties.

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 as the service is delivered.

#### *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.

#### *Investments*

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

#### *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.

## Notes to the financial statements

at 7 January 2017

### 1. Accounting policies (continued)

#### **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.

#### **Current taxation**

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

#### **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.

#### **Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

#### **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



## Notes to the financial statements

at 7 January 2017

### 1. Accounting policies (continued)

#### *Pensions (continued)*

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.

### 2. Turnover and segmental analysis

All turnovers originate in the United Kingdom and derive from passenger income and other services.

#### *Area of activity*

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
Continuing operations:		
Total sales of goods	2,098	2,041
Rendering of services	147,275	151,629
Sales to third parties	<u>149,373</u>	<u>153,670</u>

## Notes to the financial statements

at 7 January 2017

### 3. Operating Profit

This is stated after charging/(crediting):

	<i>52 weeks ended 7 January 2017 £000</i>	<i>53 weeks ended 9 January 2016 £000</i>
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual financial statements	59	47
Fees payable to the company's auditors and their associates for other services to the company		
– other audit related assurance services	–	6
Loss on disposal of fixed assets	1	1
Government grants released	(456)	(278)
Depreciation and amortisation		
– intangible fixed assets	156	155
– owned tangible fixed assets	1,767	1,518
– fixed assets held under finance lease	156	155
Access charges payable to Network Rail	5,064	5,235
Operating lease rentals		
– plant and machinery	12,449	12,689
– land and buildings	9,081	9,013

### 4. Directors' remuneration

	<i>52 weeks ended 7 January 2017 £000</i>	<i>53 weeks ended 9 January 2016 £000</i>
Remuneration	480	458
Pension contributions	54	52
	534	510
Remuneration of the highest paid director	221	127

The company contributed £24,962 (53 weeks ended 9 January 2016 – £13,682) to the pension scheme of the highest paid director.

The number of directors who were members of the defined benefit pension scheme at the period end was 2 (53 weeks ended 9 January 2016 – 1).

## Notes to the financial statements

at 7 January 2017

### 5. Staff costs

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
Wages and salaries	47,020	46,033
Social security costs	4,495	3,539
Pension costs – defined benefit schemes	5,542	5,855
Pension costs – personal pension schemes	15	14
	<u>57,072</u>	<u>55,441</u>

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

	No.	No.
Operational	929	946
Engineering and maintenance	170	151
Administration and support	156	152
	<u>1,255</u>	<u>1,249</u>

### 6. Interest receivable and similar income

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
Bank interest	81	92
Other interest	22	19
	<u>103</u>	<u>111</u>

### 7. Interest payable and similar charges

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
Loan interest	90	90
Finance lease interest	65	65
	<u>155</u>	<u>155</u>

## Notes to the financial statements

at 7 January 2017

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
<b>Current tax:</b>		
UK corporation tax on the profit for the period	(3,855)	(3,828)
Adjustment in respect of prior periods	(19)	216
Total current tax	<u>(3,874)</u>	<u>(3,612)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	76	13
Adjustment in respect of prior periods	89	45
Impact on deferred tax of change in tax rate	(20)	(23)
Pension cost charge in excess of pension relief	427	377
Deferred tax	<u>572</u>	<u>412</u>
Tax on profit on ordinary activities	<u>(3,302)</u>	<u>(3,200)</u>

(b) Factors affecting the total tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 20% (53 weeks ended 9 January 2016 – 20.23%). The differences are explained below:

	52 weeks ended 7 January 2017 £000	53 weeks ended 9 January 2016 £000
Profit on ordinary activities before tax	<u>15,829</u>	<u>16,098</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (53 weeks ended 9 January 2016 – 20.23%)	(3,166)	(3,257)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(178)	(177)
Short term timing differences	–	(381)
Depreciation in excess of capital allowances	–	(13)
Origination and reversal of timing differences	–	13
Adjustment in respect of prior periods	70	261
Impact on deferred tax of change in tax rate	(28)	(23)
Pension cost charge in excess of pension relief	–	377
Total tax expense	<u>(3,302)</u>	<u>(3,200)</u>

## Notes to the financial statements

at 7 January 2017

### 8. Tax (continued)

#### (c) Deferred tax

	£000	
Deferred tax asset:		
At 10 January 2016		202
Deferred tax credit in income statement		572
Debited to statement of comprehensive income		(427)
At 7 January 2017		<u>347</u>
	<i>52 weeks ended 7 January 2017</i>	<i>53 weeks ended 9 January 2016</i>
	£000	£000
Included in fixed assets	<u>347</u>	<u>202</u>

#### Analysis of deferred tax balance

	<i>52 weeks ended 7 January 2017</i>	<i>53 weeks ended 9 January 2016</i>
	£000	£000
Depreciation in excess of capital allowances	258	98
Short term timing difference	89	104
Deferred tax asset	<u>347</u>	<u>202</u>

The underlying trade of the Company is profitable and profit forecasts support that it is more likely 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 to 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 from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 7 January 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

### 9. Dividends

	<i>7 January 2017</i>	<i>9 January 2016</i>
	£000	£000
Equity dividends paid of £6,158,774 per share (9 January 2016 – £6,133,500)	<u>12,318</u>	<u>12,267</u>

## Notes to the financial statements

at 7 January 2017

### 10. Intangible fixed assets

	<i>Concession costs £000</i>	<i>Franchise Intangible £000</i>	<i>Total £000</i>
Cost:			
At 10 January 2016 and 7 January 2017	726	3,190	3,916
Amortisation:			
At 10 January 2016	360	1,585	1,945
Charge for the period	29	127	156
At 7 January 2017	389	1,712	2,101
Net book value:			
At 7 January 2017	337	1,478	1,815
At 10 January 2016	366	1,605	1,971

### 11. Tangible fixed assets

	<i>Leasehold land and buildings £000</i>	<i>Assets in the course of construction £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost:					
At 10 January 2016	3,152	184	9,199	6,488	19,023
Additions	–	577	114	1,105	1,796
Disposals	–	–	(15)	(37)	(52)
Transfers	–	(732)	538	194	–
At 7 January 2017	3,152	29	9,836	7,750	20,767
Accumulated depreciation:					
At 10 January 2016	994	–	6,476	3,881	11,351
Charge for the period	99	–	965	859	1,923
Disposals	–	–	(15)	(4)	(19)
At 7 January 2017	1,093	–	7,426	4,736	13,255
Net book value:					
At 7 January 2017	2,059	29	2,410	3,014	7,512
At 10 January 2016	2,158	184	2,723	2,607	7,672

The cost of assets held by the company under finance leases at 7 January 2017 was £1,863,000 (9 January 2016 – £1,863,000). The accumulated depreciation provided for on those assets at 7 January 2017 was £1,786,000 (9 January 2016 – £1,630,000).

The cost of assets held by the company financed by a government grant at 7 January 2017 was £2,650,000 (9 January 2016 – £1,867,000). The accumulated depreciation provided for on those assets at 7 January 2017 was £1,038,000 (9 January 2016 – £586,000).

## Notes to the financial statements

at 7 January 2017

### 12. Investments

#### Investments held as fixed assets

Shares in each of the following companies are held by Merseyrail Electrics 2002 Limited:

<i>Company name</i>	<i>Capital</i>	<i>Proportion held</i>	<i>Activities</i>
ATOC Limited	£0.04	5.00%	Contracting arm of ATOC
Rail Staff Travel Limited	£0.04	5.26%	Manages staff travel in the industry on behalf of ATOC
Rail Settlement Plan Limited	£0.04	5.26%	Operates the income allocation and settlement routines on behalf of ATOC
NRES Limited	£1.00	5.26%	Provides rail related information to the public
Train information Services Limited	£1.00	5.26%	Provides the national rail enquiry services
Nisa Retail Limited	£25.00	0.01%	Buying group of independent retailers

### 13. Stocks

	<i>7 January 2017 £000</i>	<i>9 January 2016 £000</i>
Raw materials and consumables	1,478	1,421
Work in progress	266	249
	<u>1,744</u>	<u>1,670</u>

Stocks recognised as an expense in the period were £74,000 (2016 – £23,000).

### 14. Debtors

	<i>7 January 2017 £000</i>	<i>9 January 2016 £000</i>
Trade debtors	6,270	4,730
VAT	1,069	1,008
Other debtors	376	1,539
Prepayments and accrued income	3,915	2,302
	<u>11,630</u>	<u>9,579</u>

## Notes to the financial statements

at 7 January 2017

### 15. Creditors: amounts falling due within one year

	7 January 2017 £000	9 January 2016 £000
Trade creditors	7,735	21,970
Amounts owed to parent undertaking	810	812
Corporation tax payable	1,761	1,722
Other creditors	15,507	10,884
Other taxation and social security costs	1,164	993
Accruals and deferred income	6,144	4,074
Obligations under finance leases	93	156
Bank loans	151	151
	<u>33,365</u>	<u>40,762</u>

### 16. Creditors: amounts falling due after more than one year

	7 January 2017 £000	9 January 2016 £000
Obligations under finance leases	–	89
Bank loans	593	745
	<u>593</u>	<u>834</u>
Future minimum lease payments due under finance leases:		
Amounts payable:		
Within one year	119	221
In two to five years	–	108
	<u>119</u>	<u>329</u>
Less: finance charges allocated to future periods	26	84
	<u>93</u>	<u>245</u>
Obligations under finance leases:		
Within one year (note 15)	93	156
In two to five years	–	89
	<u>93</u>	<u>245</u>
Loans are repayable as follows:		
Within one year (note 15)	151	151
In two to five years	593	606
Over five years	–	139
	<u>744</u>	<u>896</u>

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 7 January 2017

### 17. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>7 January 2017</i>		<i>9 January 2016</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	2	<u>2</u>	2	<u>2</u>

### 18. Movements on reserves

	<i>Profit and loss account £000</i>
At 10 January 2016	7,487
Profit for the financial period	12,527
Dividends paid (note 9)	(12,318)
Actuarial gains and losses (net of deferred tax)	1,706
At 7 January 2017	<u>9,402</u>

### 19. Reconciliation of shareholders' funds

	<i>7 January 2017 £000</i>	<i>9 January 2016 £000</i>
Profit for the financial period	12,527	12,898
Dividends paid (note 9)	(12,318)	(12,267)
Other recognised gains and losses relating to the period (net of deferred tax)	1,706	4,774
Net increase in shareholders' funds	1,915	5,405
Opening shareholders' funds	7,487	2,082
Closing shareholders' funds	<u>9,402</u>	<u>7,487</u>

### 20. Capital commitments

	<i>7 January 2017 £000</i>	<i>9 January 2016 £000</i>
Contracted for but not provided in the financial statements	<u>103</u>	<u>452</u>

## Notes to the financial statements

at 7 January 2017

### 21. Pensions

#### *Pension commitments*

The company 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 £3,540,000 in the period (9 January 2016 – £4,237,000). The expected employer contributions for the next financial period are estimated at £3,424,000.

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 7 January 2017 and 9 January 2016 by a qualified actuary, using the following assumptions in relation to future experience:

	7 January 2017	9 January 2016	3 January 2015
Discount rate	2.90%	3.80%	3.70%
Rate of increase in salaries	2.70%	3.35%	3.50%
Rate of increase in deferred pensions	2.10%	2.10%	2.30%
Rate of increase in pensions in payment	2.10%	2.10%	2.30%
Inflation assumption	3.20%	3.10%	3.00%
Long term rate of return expected	2.90%	5.70%	5.70%

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

The main mortality assumptions used to determine benefit obligations were:

		7 January 2017	7 January 2017	9 January 2016	9 January 2016
		Table	Multiplier	Table	Multiplier
Male pensioners	Pension under £10,300 (9 January 2016 - £10,500) pa or pensionable pay under £35,000 pa	S1 normal males heavy	96%	S1 normal males heavy	96%
	Others	S1 normal males	93%	S1 normal males	93%

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 7 January 2017 of 1.25% p.a. (9 January 2016 – 1.25% p.a.).

## Notes to the financial statements

at 7 January 2017

### 21. Pensions (continued)

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

	<i>7 January 2017 Value £000</i>	<i>9 January 2016 Value £000</i>	<i>3 January 2015 Value £000</i>	<i>4 January 2014 Value £000</i>	<i>5 January 2013 Value £000</i>
Total market value of assets	171,128	146,397	135,688	119,589	106,208
Present value of scheme liabilities	(247,426)	(207,152)	(207,578)	(172,971)	(147,391)
Members' share of deficit	30,519	24,302	28,756	21,353	16,473
Franchise adjustment	45,779	36,453	39,049	27,625	21,999
Deficit in scheme	—	—	(4,085)	(4,404)	(2,711)
Related deferred tax asset	—	—	817	881	623
Net pension asset/ (liability)	—	—	(3,268)	(3,523)	(2,088)

#### Fair value of assets

The assets in the scheme were:

	<i>7 January 2017 %</i>	<i>7 January 2017 Value £000</i>	<i>9 January 2016 %</i>	<i>9 January 2016 Value £000</i>
Equities	60.2	103,054	63.0	92,218
Bonds/Gilts	11.8	20,225	6.6	9,592
Property	10.0	17,124	12.3	18,071
Cash and other	18.0	30,725	18.1	26,516
	100%	171,128	100%	146,397

	<i>7 January 2017 £000</i>	<i>9 January 2016 £000</i>
Amounts included within operating profit:		
Current service cost	5,340	5,640
Brass contributions	177	197
Total included within operating profit	5,517	5,837
Amounts included as other finance (income)/costs:		
Expected return on scheme assets	(3,350)	(3,120)
Interest cost on scheme liabilities	4,670	4,680
Interest on franchise adjustment	(1,380)	(1,470)
Net finance return	(60)	90

## Notes to the financial statements

at 7 January 2017

### 21. Pensions (continued)

	7 January 2017 £000	9 January 2016 £000
Analysis of the change in benefit obligation during the period:		
Benefit obligation at beginning of the period	207,152	207,578
Current service cost – Employer (including Brass)	5,517	5,837
Current service cost – Employee	3,560	3,760
Interest cost – Employer	4,670	4,680
Interest cost – Employee	3,110	3,120
Effect of changes in financial assumptions	27,944	(13,295)
Benefits paid (including Brass)	(4,527)	(4,528)
Benefit obligation at end of period	<u>247,426</u>	<u>207,152</u>

	7 January 2017 £000	9 January 2016 £000
Analysis of the change in plan assets during the period:		
Fair value of plan assets at beginning of the period	146,397	135,688
Interest income – Employer	3,350	3,120
Interest income – Employee	2,230	2,080
Return on plan assets	18,256	3,506
Administrative expenses paid from plan assets	(360)	(322)
Employer contribution	3,363	4,040
Employer Brass matching contributions	177	197
Member contributions	2,242	2,616
Benefits paid (including Brass)	(4,527)	(4,528)
Fair value of plan assets at end of period	<u>171,128</u>	<u>146,397</u>

### 22. Other financial commitments

At 7 January 2017 the company had annual commitments under non-cancellable operating leases as set out below:

	7 January 2017		9 January 2016	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	9,063	15,429	8,987	14,982
In two to five years	1,812	30,716	2,069	41,016
Over five years	–	–	549	–
	<u>10,875</u>	<u>46,145</u>	<u>11,605</u>	<u>55,998</u>

## Notes to the financial statements

at 7 January 2017

### 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*

	7 January 2017 £000	9 January 2016 £000
Other trading transaction income including salary recharges	(27)	–
Executive salaries and expense recharges (including non-directors)	206	185
Dividends paid and proposed	6,159	6,134
Other trading transaction costs	12	63

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 £37,098 (9 January 2016 – £28,834). At the period end, the company was owed £nil by Serco Group plc (9 January 2016 – £nil).

#### *NV Nederlandse Spoorwegen*

	7 January 2017 £000	9 January 2016 £000
Other trading transaction income including salary recharges	(36)	(71)
Executive salaries and expense recharges (including non-directors)	506	210
Dividends paid and proposed	6,159	6,134
Other trading transaction costs	83	107

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 £74,306 (9 January 2016 – £27,839). At the period end, the company was owed £nil by NV Nederlandse Spoorwegen (9 January 2016 – £1,180).

#### *Northern Rail Limited*

	7 January 2017 £000	9 January 2016 £000
Other trading transaction costs	–	127
Other trading transaction income including salary recharges	(183)	(793)

All of the above 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 £nil by Northern Rail Limited (9 January 2016 – £445,709).

## Notes to the financial statements

at 7 January 2017

### 24. Post Balance Sheet Events

On 28 February Merseyrail received confirmation from RMT that the guards had voted in favour of industrial action in relation to the new fleet. The initial strike went ahead on 13th March, and a subsequent strike has been called for 8th April. Whilst the strike disrupted the service, contingency planning was in place. The financial impact of this action is expected to be minimal.

### 25. Financial instruments

	7 January 2017 £000	9 January 2016 £000
Financial assets that are debt instruments measured at amortised cost		
– other debtors	7,715	7,277
Financial liabilities measured at amortised cost		
– loans	744	896
– finance leases	93	245
– amounts owed to parent undertaking	810	812
– trade creditors	7,735	21,970

### 26. Ultimate parent undertaking and controlling party

The immediate parent undertaking of Merseyrail Electrics 2002 Limited is Merseyrail Services Holding Company Limited. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The ultimate and controlling parties of Merseyrail Electrics 2002 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. The parent undertaking of the smallest group, which includes the company and for which group financial statements are prepared is Merseyrail Services Holding Company Limited a company incorporated in the UK. Copies of the financial statement of Merseyrail Services Holding Company Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.