# London Overground Rail Operations Limited

**DIRECTORS' REPORT**
**AND**
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**
**31 MARCH 2011**



**Registration number 5668786**

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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## DIRECTORS AND ADVISERS

The Directors who served during the year and those in office at the date of signing this report

K L Leong
J P W Long
S Murphy – appointed 31 December 2010
R Holland – appointed 31 December 2010
Tai Chong Chew – appointed 14 September 2011
F Sennhenn – resigned on 31 December 2010
M Rudhart – resigned on 31 December 2010
A Shooter – resigned 19 December 2011
L B Turk – resigned on 01 September 2011

**Company secretary and registered office:**

W G R Davies

Great Central House
Marylebone Station
Melcombe Place
London
NW1 6JJ

**Auditor:**

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

**Solicitors:**

Denton Wilde Sapte LLP
One Fleet Place
London
EC2N 4SA

## DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 March 2011

## PRINCIPAL ACTIVITY

London Overground Rail Operations Limited (the Company) is a 50/50 joint venture between MTR Corporation, operator of the Hong Kong metro, and the Deutsche Bahn Group, operator of the German national rail network The Company started trading from 11 November 2007 and its principal activity is the operation of London Overground for Transport for London (TfL)

The Company won the right to operate London Overground when it was awarded the London Rail Concession "the Concession" by TfL on 2 July 2007 The duration of the Concession is for seven years from the start of passenger operations on 11 November 2007 with TfL having the option to extend the Concession by a further two years if it so chooses

The London Overground network consists of passenger railway services between Richmond and Stratford (the North London Line), Watford and Euston (stopping trains only, known as the DC line), Clapham Junction and Willesden Junction (the West London Line), and Gospel Oak and Barking These lines are collectively known as the North London Railway

From 23 May 2010 the Company began running services on the East London Line operating between Dalston Junction and Crystal Palace/West Croydon The latest extension of the East London Line connecting Dalston Junction to Highbury Islington opened for passenger service on 28 February 2011 providing a passenger interchange between the North London Line and the East London line

Across the London Overground network the Company is the Station Facilities Operator (SFO) at 55 stations and its services call at a further 23 stations managed by other operators

During the year the Company also managed two major changes to its train fleet The year saw the introduction of a new fleet 8 Class 172 units deployed on the Gospel Oak Barking Line and the introduction of an additional vehicle on the North and West London Line units converting them from 3 to 4 cars in length The Company now operates a fleet comprising 8 Class 172 diesel units and 53 Class 378 electric units

## DIRECTORS' REPORT (continued)

### BUSINESS REVIEW

### KEY PERFORMANCE INDICATORS

The key financial highlights for the year are as follows

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|---|---|---|
| | £'000 | £'000 |
| **Profit and loss account·** | | |
| Turnover | **126,253** | 102,017 |
| Gross profit | **12,571** | 19,673 |
| Operating profit | **821** | 4,206 |
| Net interest receivable | **813** | 225 |
| **Balance sheet:** | | |
| Fixed assets | **6,419** | 7,745 |
| Net current assets | **4,044** | 749 |
| Net funds | **10,371** | 10,129 |
| Net assets excluding post retirement obligations | **8,463** | 6,493 |
| Shareholders' funds | **8,463** | 6,493 |
| | % | % |
| **Profitability:** | | |
| Operating profit | **0.7** | 4 1 |

Turnover increased by £24 0 million to £126 0 million largely as a result of an additional £17 0 million of enhancement income in relation to a station improvement project underway at 44 of the stations managed by the Company Further information on the project is provided below but the nature of the project is one-off and the Company does not expect to receive any similar enhancement income in the year ending 31 March 2012

Operating profit fell when compared to the prior year largely as a result of increased pension costs reported under FRS17 from £2 6 million in the year ended 31 March 2010 to £4 6 million in the year ended 31 March 2011 Further details on pension costs are included in Note 22

A further reason for a decline in operating profit is due to the uncertainty around the major stations improvement plan, this is covered in more detail under principal risks and uncertainties

The Company used an industry standard Public Performance Measurement (PPM) during the period The result for the year to 31 March 2011 of 95 20% (2010 93 43%) met the target of 93 20% (2010 93 40%) as contained in its Concession Agreement with Transport for London

PPM is the UK rail industry's recognised measurement of operational train performance The figure is a 12-month moving annual average (MAA) and represents the percentage of timetabled passenger services arriving at their scheduled destination within five minutes of the published arrival time

Under the terms of its Concession Agreement the Company must achieve a PPM MAA result of 94% by 31 March 2012

## DIRECTORS' REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

Throughout the year the company has continued to undertake a major station improvement plan upgrading the ambience and systems of 44 of the Company's stations This remains a commercial challenge for the Company

Under an agreement signed between the Company and TfL there are targeted deliverables for a fixed price and the agreement includes penalties should the Company fail to deliver certain targets on time The Company therefore has the price, cash flow and operational risk of this project To date the Company has been successful in avoiding any material adverse impact on the underlying profitability of the operational business but the Company does expect to make a loss on this project

Income and Costs for the project have been fully recognised for works completed at 31 March 2011, with an allowance for future foreseeable loss An extensive forecasting exercise has been completed as part of the process of finalising the accounts for the financial year ending 31 March 2011 This exercise anticipates the total spend to complete this project to be in excess of the grant payable by TfL (£34 5m) by approximately £14 1m Under UK GAAP (SSAP 9 – Stocks and Long-term contracts) the Company is required to record foreseeable losses as soon as they can be estimated with reasonable accuracy A provision has therefore been made for a future foreseeable loss on this contract at 31 March 2011 However, there are a number of contractual matters that have not yet been agreed and, whilst the directors consider a reasonable estimate has been made of the likely loss to be incurred, the resolution of the outstanding matters may result in further adjustment to the final position

On 22 May 2011 the company introduced a revised timetable which included increasing the level of service on the North London and West London Lines to eight trains per hour with four trains going to Richmond and four Trains going to Clapham Junction during the morning and evening commuter peaks The increased service frequency brings with it greater operational challenges but also the opportunity for growth in passenger numbers and revenue

The objective of the Company in terms of financial instruments is to minimise risk The Group's principal financial instruments comprise trade debtors, stock, bank balances, trade creditors and shareholder loans Due to the nature of the financial instruments used by the Company there is no exposure to price risk

Trade debtors are managed in respect of credit and cash flow risk The Company monitors amounts outstanding and takes appropriate measures to ensure recoverability The Company manages the liquidity risk of the bank balances and shareholder loans by maintaining cash flow forecasts in order to identify future cash flow requirements Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

### PAYMENT TO CREDITORS

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them

Trade creditors at the period end amount to 25 days (2010 23 days) of average supplies for the period

### DIVIDENDS

The directors have not declared the payment of a dividend (2010 £nil)

## DIRECTORS' REPORT (continued)

### EMPLOYEES

London Overground Rail Operations Limited is committed to deliver equality and inclusion in its work both as an employer and provider of transport, fulfilling its statutory responsibilities to tackle discrimination in the work place To this end the Company has developed a corporate review of equality and diversity with action plans for community engagement, supplier diversity, training and development

The Company has established a working group to drive the programme of equality and inclusion throughout the organisation 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 5 to the financial statements on page 18 and 19

### CHARITABLE CONTRIBUTIONS

During the year the Company made no charitable or political donations (2010 £nil)

### GOING CONCERN

As highlighted in note 12 and note 15 to the financial statements, the Company meets its day-to-day working capital requirements principally through available cash resources and partially through a sub-debt facility which is in place until the earlier of the date of expiry or termination of the Concession Agreement, with interest payments calculated at a fixed annual rate

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate within the level of its current facilities

After making enquiries, 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

### REAPPOINTMENT OF AUDITOR

In accordance with s485 Companies Act 2006 a resolution to reappoint Deloitte LLP as auditor will be proposed at the forthcoming Annual General Meeting Board

**DIRECTORS' REPORT (continued)**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who is a Director at the date of approval of this report confirms that

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

On behalf of the Board

Steve Murphy
Director

19 December 2011

Great Central House
Marylebone Station
Melcombe Place
London
NW1 6JJ

## DIRECTORS RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare such financial statements for each financial year Under that law the Directors have elected to prepare 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 LONDON OVERGROUND RAIL OPERATIONS LIMITED

We have audited the financial statements of London Overground Rail Operations Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board'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 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

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON OVERGROUND RAIL OPERATIONS 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, 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

Simon Letts

Simon Letts BA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 December 2011

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 MARCH 2011

| | Notes | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|---|
| Turnover | 1b,2 | **126,253** | 102,017 |
| Cost of sales | | **(113,682)** | (82,344) |
| **Gross profit** | | **12,571** | 19,673 |
| Administrative expenses | | **(11,750)** | (15,467) |
| **Operating profit** | 3 | **821** | 4,206 |
| Net interest receivable | 6 | **813** | 225 |
| **Profit on ordinary activities before taxation** | | **1,634** | 4,431 |
| Tax charge on profit on ordinary activities | 7 | **(499)** | (1,427) |
| **Profit on ordinary activities after taxation** | 18 | **1,135** | 3,004 |

A reconciliation of movement in shareholders' funds is given in note 19

All items in the profit and loss account relate to continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | Notes | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|---|
| **Profit for the financial year** | | **1,135** | 3,004 |
| Actuarial gain on post retirement obligation | 22 | **1,132** | 693 |
| Deferred tax relating to post retirement obligation | | **(297)** | (194) |
| **Total recognised gains for the year** | | **1,970** | 3,503 |

## BALANCE SHEET AS AT 31 MARCH 2011

| | Notes | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 8 | **2,013** | 2,573 |
| Tangible assets | 9 | **4,406** | 5,172 |
| **Current assets** | | | |
| Stocks | 10 | **1,009** | 320 |
| Debtors | 11 | **46,688** | 24,667 |
| Cash at bank and in hand | 12 | **12,371** | 12,129 |
| | | **60,068** | 37,116 |
| **Creditors:** amounts falling due within one year | 14 | **(56,024)** | (36,367) |
| **Net current assets** | | **4,044** | 749 |
| **Total assets less current liabilities** | | **10,463** | 8,494 |
| **Creditors**: amounts falling due after more than one year | 15 | **(2,000)** | (2,000) |
| **Net assets excluding post retirement obligations** | | **8,463** | 6,494 |
| Post retirement obligations | 22 | **-** | - |
| **Net assets** | | **8,463** | 6,494 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | **-** | - |
| Profit and loss account | | | |
| - Deficit relating to post retirement obligations | 18 | **-** | - |
| - Others | | **8,463** | 6,494 |
| Total profit and loss account | | **8,463** | 6,494 |
| **Shareholders' funds** | | **8,463** | 6,494 |

The financial statements of London Overground Rail Operations Limited, registered number 5668786, were approved by the Board of Directors and authorised for issue on 19 December 2011

Steve Murphy
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

| | Notes | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 13 | **994** | 281 |
| **Returns on investment and servicing of finance** | | | |
| Interest received | | **56** | 56 |
| Interest paid | | **(60)** | (117) |
| **Net cash outflow from returns on investment and servicing in finance** | | **(4)** | (61) |
| **Taxation** | | **(43)** | - |
| **Capital Expenditure** | | | |
| Tangible assets | | **(705)** | (2,527) |
| **Net cash inflow/(outflow) before management of liquid resources and financing** | | **242** | (2,307) |
| **Financing** | | | |
| Decrease in profit share owed to Rail for London due more than one year | 15 | - | (454) |
| Decrease in senior debt falling due less than one year | 21 | - | - |
| Decrease in subordinated debt falling due more than one year | 15 | - | (3,000) |
| **Net cash outflow from financing** | | - | (3,454) |
| **Increase/(Decrease) in cash in the year** | | **242** | (5,761) |
| **Cash at bank and in hand** | | | |
| Opening balance | 13 | **12,129** | 17,890 |
| Closing balance | 13 | **12,371** | 12,129 |

**Notes to the financial statements for the year ended 31 March 2011**

## 1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom laws and accounting standards A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and prior periods, is shown below

b) Turnover

Turnover is the total amount receivable by the Company for services provided, excluding VAT and trade discounts

Turnover reflects the following

I Concession payments payable to the Company from Transport 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 Transport for London

II Enhancement income relates to station enhancement works undertaken by the Company on behalf of Transport for London These contracts are fixed price in nature and income is recognised to match the costs as incurred If it is anticipated that a contract, or a separate and identifiable component of the contract, will generate a loss, then the loss is reported immediately with provision for anticipated future costs

III Compensation payments from Transport for London for the delay in the delivery of the new fleet of Class 378 electric trains These payments are as prescribed in the Concession Agreement with Transport for London Income is recognised to match the lease costs of the old fleet incurred as a result of the delay

IV 10% of passenger income is paid to the Company through the operation of a revenue share with Transport for London Passenger income represents agreed amounts attributed to the London Overground services by the income allocation systems of the Railway Settlement Plan Limited, principally in respect of passenger receipts, based on detailed surveys of passenger flows The Income is recognised in the period in which the passenger travel occurs

V Receipts for payments under the operational performance regime contained within the Concession Agreement with Transport for London Under this regime the Company is incentivised to minimise the level of delay If the Company delivers less delay than the target then a payment is received from Transport for London If the Company delivers more delay than the target then a payment is made by the Company to Transport for London Such amounts are accounted for in the period to which the operational performance relates

VI 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

VII Depot income is received from other train operating companies for works carried out at the Company's depot at Willesden and for stabling and fuelling units owned by other train operating companies at the depot Income is invoiced and recognised when the work is complete

VIII Other income is derived from car park income, commissions and other services and is recognised in the profit and loss account upon completion of the service

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

**1 ACCOUNTING POLICIES (Continued)**

c) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

In accordance with FRS 19 "Deferred Tax", deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet Deferred tax assets are not discounted

d) Tangible fixed assets

Tangible fixed assets are stated at cost including directly attributable finance costs, net of depreciation and provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful economic life, as follows

I Short leasehold buildings, plant and equipment and infrastructure improvements – over the remaining lease term or remaining asset life in line with the Concession Agreement as appropriate,

II Assets in the course of construction are not depreciated until commissioned Once commissioned, assets are depreciated in line with the Concession Agreement Assets which are listed in the Concession Agreement are depreciated over their economic useful life whilst other assets are depreciated over the shorter of the lease term or their economic useful life

e) Operating costs

Operating costs are capitalised during the construction period Following commissioning, regular operating and maintenance costs and London Overground Rail Operations Limited central costs are expensed to the profit and loss account as incurred

f) Stocks

Stocks are stated at the lower of cost and net realisable value Stock materials are held at an average unit price In determining the cost of raw materials, consumables and goods purchased for resale, the average cost is used

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 1. ACCOUNTING POLICIES (continued)

g) Defined Benefit Schemes

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 FRS 17 'Retirement 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 interest

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 the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences arising from experience or assumption changes

h) Leased assets

The Company does not have any assets financed through a finance lease All leases are therefore regarded as operating leases and the payments made under them are charged to the profit and loss account over the lease term on a straight line basis

i) Intangible fixed assets

Intangible fixed assets are the costs incurred by the Company to obtain the London Rail Concession Bidding costs, incurred by the Company's parents prior to contract award on the 2 July 2007, have been charged to the Company where they have been capitalised as an intangible fixed asset and amortised over the life of the Concession In accordance with Financial Reporting Standard 11, the intangible fixed asset is subject to an impairment review each year to ensure that it is recorded in the Financial Statements at no more than the recoverable amount

The Company has expensed all costs incurred after being awarded the Concession on the 2 July 2007 until trading commenced on the 11 November 2007

j) Long-term contract balances

Amounts recoverable on long-term contracts which are included in debtors are stated at the net sales value of the work carried out less amounts received as progress payments on account Excess progress payments are included in creditors as payments on account

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 2 TURNOVER

Turnover originates in the United Kingdom and derives from the operation of passenger railway services and associated activities

Turnover for the year can be analysed as follows

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Concession payments | **80,866** | 71,046 |
| Enhancement income | **25,234** | 8,470 |
| Compensation payments received for late delivery of new fleet | **-** | 6,128 |
| Passenger income | **6,876** | 4,902 |
| Performance regime income | **3,545** | 4,131 |
| Station income received | **3,990** | 2,832 |
| Depot income | **1,725** | 1,370 |
| Other | **4,017** | 3,138 |
| | **126,253** | 102,017 |

## 3 OPERATING PROFIT

Operating profit for the year is stated after charging

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Access charges payable to Network Rail | **10,464** | 11,462 |
| Operating lease rentals | | |
| - rolling stock charge | **2,102** | 4,807 |
| - other plant and equipment | **1,627** | 1,623 |
| Depreciation and amortisation | | |
| - tangible fixed assets, owned | **1,471** | 1,137 |
| - intangible assets | **560** | 559 |
| Auditor's remuneration | | |
| - fees payable to the Company's auditor for the audit of the Company's annual accounts | **44** | 35 |
| - fees payable to the Company's auditor for non audit services | **1** | 1 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 4 DIRECTORS' REMUNERATION

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| Emoluments | **56** | - |
| Company contribution to money purchase pension schemes | **8** | - |
| | **64** | - |

| **The number of directors who·** | **Year ended 31 March 2011 No.** | Year ended 31 March 2010 No |
|---|---|---|
| Are members of a defined pension scheme | **1** | - |
| | **1** | - |

## 5. STAFF NUMBERS

The average number of people employed by the Company during the year, including directors, was as follows

| | **Year ended 31 March 2011 No.** | Year ended 31 March 2010 No |
|---|---|---|
| Customer Services | **484** | 377 |
| Operations | **433** | 379 |
| Fleet | **108** | 78 |
| General | **104** | 106 |
| | **1,129** | 940 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 5. STAFF NUMBERS (Continued)

The aggregate payroll costs of these people were as follows

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Wages and salaries | 41,185 | 29,934 |
| Social security costs | 3,206 | 2,669 |
| Other pension costs | 5,510 | 2,642 |
| | 49,901 | 35,245 |

## 6 NET INTEREST RECEIVABLE

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| **Interest receivable and similar income** | | |
| Interest receivable on bank deposits | 56 | 56 |
| Interest receivable on pension assets | 817 | 286 |
| | 873 | 342 |
| **Interest payable and similar charges** | | |
| Interest payable on Subordinate Debt | (60) | (117) |
| Interest payable on Senior Debt | - | - |
| Other | - | - |
| | (60) | (117) |
| Net interest receivable | 813 | 225 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| **Analysis of tax charge for the year** | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | **175** | 355 |
| Group relief payable | **567** | 1,068 |
| **Adjustments in respect of previous periods** | | |
| UK Corporation tax | **(311)** | - |
| Group relief payable | **296** | 27 |
| **Total current tax** | **727** | 1,450 |
| **Deferred tax** | | |
| Origination and reversal of timing differences (note 16) | **73** | (113) |
| Deferred tax arising on defined benefit cost (note 22) | **(297)** | 116 |
| Adjustment in respect of prior periods | **(37)** | (26) |
| Adjustment due to Rate Change | **33** | - |
| **Total deferred tax** | **(228)** | (23) |
| **Total tax on profit on ordinary activities** | **499** | 1,427 |

*Factors affecting the tax charge for the current period*

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **1,634** | 4,431 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%) | **457** | 1,241 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **55** | 185 |
| Capital allowances in excess of depreciation | **10** | 53 |
| Other timing differences | **(83)** | 60 |
| FRS 17 adjustment | **546** | (98) |
| FRS 17 adjustment – finance income | **(229)** | (80) |
| FRS 17 adjustment – other adjustment | **-** | 62 |
| Rate Difference | **(14)** | - |
| Adjustments to tax charge in respect of previous periods | **(15)** | 27 |
| Tax charge for the year | **727** | 1,450 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 8 INTANGIBLE FIXED ASSETS

| | Cost of Concession £'000 |
|---|---|
| **Cost** | |
| As at 1 April 2010 and 31 March 2011 | 3,919 |
| **Amortisation** | |
| As at 1 April 2010 | (1,346) |
| Charge for the year | (560) |
| At 31 March 2011 | (1,906) |
| **Net book value** | |
| As at 31 March 2011 | 2,013 |
| As at 31 March 2010 | 2,573 |

## 9 TANGIBLE FIXED ASSETS

| | Short leasehold £'000 | Plant and machinery £'000 | Infrastructure improvements Under construction £'000 | **Total £'000** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2010 | 3,912 | 3,022 | 178 | **7,112** |
| Additions | 252 | 300 | 157 | **709** |
| Transfers | 85 | 89 | (178) | (4) |
| At 31 March 2011 | **4,249** | **3,411** | **157** | **7,817** |
| **Depreciation** | | | | |
| At 1 April 2010 | (662) | (1,278) | - | **(1,940)** |
| Charge for the year | (864) | (607) | - | **(1,471)** |
| At 31 March 2011 | **(1,526)** | **(1,885)** | - | **(3,411)** |
| **Net book value** | | | | |
| As at 31 March 2011 | **2,723** | **1,526** | **157** | **4,406** |
| As at 31 March 2010 | 3,250 | 1,744 | 178 | **5,172** |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 10 STOCKS

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|
| Raw materials and consumables | **1,222** | 597 |
| Obsolete stock provision | **(213)** | (277) |
| | **1,009** | 320 |

## 11 DEBTORS

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|
| Due within one year | | |
| Trade debtors | **3,172** | 4,678 |
| Rail settlement plan | **7,516** | 1,787 |
| Amounts owed by related parties | **466** | 107 |
| Other debtors | **1,752** | 1,620 |
| Prepayments and accrued income | **33,357** | 15,981 |
| | **46,263** | 24,173 |
| Due after more than one year | | |
| Deferred tax | **425** | 494 |
| | **46,688** | 24,667 |

## 12. CASH AT BANK AND IN HAND

Cash on deposit, at bank and in hand is £12 4 million (2010 £12 1 million) This includes a cash balance of £2 3million (2010 £2 2 million) held to meet the requirements of the Concession Agreement set out by Transport for London The Company is required to retain this in a separate bank account and these balances are therefore not available for other corporate purposes

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 13. ANALYSIS OF NET FUNDS

| | At March 2010 £'000 | Cash flow £'000 | Non Cash item £'000 | **At March 2011 £'000** |
|---|---|---|---|---|
| Cash in hand and at bank | 12,129 | 242 | - | **12,371** |
| Profit share owed to Rail for London due more than one year | - | - | - | - |
| Subordinated debt due more than one year | (2,000) | - | - | **(2,000)** |
| Net funds | 10,129 | 242 | - | **10,371** |

The profit share owed to Rail for London is based on calculations as set out in the Concession Agreement between the Company and Rail for London In accordance with the Agreement, no amounts are payable until after 31 March 2011

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | **31 March 2011 £'000** | 31 March 2010 £'000 |
|---|---|---|
| Increase/(Decrease) in cash in the year | **242** | (5,761) |
| Decrease in profit share owed to Rail for London due more than one year | - | 454 |
| Decrease in subordinated debt due in more than one year | - | 3,000 |
| Increase/(Decrease) in net funds | **242** | (2,307) |
| Opening net funds | **10,129** | 12,436 |
| Closing net funds | **10,371** | 10,129 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 13 ANALYSIS OF NET FUNDS (continued)

### RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| Operating profit | **821** | **4,206** |
| Depreciation and amortisation | **2,031** | **1,696** |
| (Increase)/Decrease in stocks | **(689)** | **62** |
| Increase in debtors | **(21,793)** | **(13,922)** |
| Increase in creditors | **20,624** | **8,239** |
| Net cash inflow from operating activities | **994** | **281** |

## 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | **31 March 2011 £'000** | 31 March 2010 £'000 |
|---|---|---|
| Trade creditors | **6,341** | 2,587 |
| Rail settlement plan creditors | **8,221** | 5,712 |
| Amounts owed to related parties | **3,244** | 2,351 |
| Corporation tax payable | **218** | 355 |
| Other taxation and social security | **2,306** | 2,408 |
| Other creditors | **3,377** | 670 |
| Accruals and deferred income | **31,211** | 21,499 |
| Deferred season ticket income | **1,106** | 785 |
| | **56,024** | 36,367 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|
| Amounts owed to Rail for London | - | - |
| Amounts owed to Shareholders | 2,000 | 2,000 |
| | 2,000 | 2,000 |

| | | |
|---|---|---|
| **Analysis of debt:** | | |
| Debt can be analysed as falling due | | |
| Between one and two years | - | - |
| Between two and five years | 2,000 | 2,000 |
| In five years or more | - | - |
| | 2,000 | 2,000 |

The Company has a subordinated debt facility with MTR Corporation Limited and DB Regio UK Limited (formerly Laing Rail) for £2 million, this is repayable on the earlier of the date of expiry, or termination, of the term of the London Rail Concession under the Concession Agreement, however it can also be repaid earlier Interest is charged at 2 5% per annum above the published Bank of England base rate and is payable quarterly

## 16 DEFERRED TAX

| | £'000 |
|---|---|
| At 1 April 2010 | 494 |
| Adjustment in respect of prior periods | 37 |
| Rate Change | (33) |
| Provided during the year | (73) |
| At 31 March 2011 | 425 |
| Difference between accumulated depreciation, amortisation and capital allowances | 239 |
| Other timing differences | 186 |
| Deferred tax asset | 425 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 17. CALLED UP SHARE CAPITAL

| | 31 March 2011 No | 31 March 2010 No |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of £1 each | **2** | 2 |
| | **£** | £ |
| **Allotted, called up and fully paid:** | | |
| 2 Ordinary shares of £1 each | **2** | 2 |

## 18 MOVEMENT IN RESERVES

| | Pension Reserve £'000 | Profit and Loss account £'000 | Total £'000 |
|---|---|---|---|
| At 31 March 2010 | - | 6,493 | **6,493** |
| Profit for the year | - | 1,135 | **1,135** |
| Actuarial gain on post retirement obligations | 1,132 | - | **1,132** |
| Deferred tax relating to post retirement obligation | (297) | - | **(297)** |
| Current pension service cost in excess of current contribution | (1,481) | 1,481 | - |
| Other finance income | 817 | (817) | - |
| Employers share of interest cost | (2,258) | 2,258 | - |
| Expected return on section assets | 1,790 | (1,790) | - |
| Deferred tax arising on defined benefit cost | 297 | (297) | - |
| At 31 March 2011 | - | 8,463 | **8,463** |

## 19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Profit for the year | **1,135** | 3,004 |
| Actuarial gain on post retirement obligations | **1,132** | 693 |
| Deferred tax relating to post retirement obligation | **(297)** | (194) |
| Net increase in shareholders' funds | **1,970** | 3,503 |
| Opening shareholders' funds | **6,493** | 2,990 |
| Closing shareholders' funds | **8,463** | 6,493 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 20. FINANCIAL COMMITMENTS

The Company has the following annual commitments, amounting to £2 3 million due under operating leases, which expire as follows

| | Rolling stock £'000 |
|---|---|
| Operating leases which expire | |
| Within 1 year | - |
| Between 1 and 5 years | 2,262 |
| In five years or more | - |
| | 2,262 |

The Company has contracts with Network Rail Infrastructure Limited for access to the railway track infrastructure (track, station and depots) These contracts are for a remaining period of three years The contracts may be terminated by joint agreement between the companies

The Company is committed to pay a fixed charge of £5 9 million (2010 £4 8 million) in the next financial year including £3 6 million for station and depot leases Thereafter Network Rail contracts will rise by RPI In addition, a variable fixed charge is levied on the basis of train miles actually run

## 21 TRANSACTIONS WITH RELATED PARTIES

During the period the Company purchased goods and services from associated undertakings as shown

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| MTR Corporation Limited | **10** | 152 |
| DB Regio UK Limited | **578** | 502 |
| Chiltern Railway Company Limited | **339** | 209 |
| | **927** | 863 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 21. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts owed to / (owed from) related parties

| | **31 March 2011 £'000** | 31 March 2010 £'000 |
|---|---|---|
| MTR Corporation Limited | **1,607** | 1,176 |
| DB Regio UK Limited | **1,607** | 1,175 |
| Chiltern Railway Company Limited | **(382)** | (107) |
| Tyne and Wear Metro Limited | **(66)** | |
| | **2,766** | 2,244 |

The relationship of the Company to these companies is as follows

MTR Corporation Limited owns 50% of the joint venture along with DB Regio UK Limited who owns the other 50% Chiltern Railway Company Limited is a 100% owned subsidiary of M40 Trains Limited who in turn is 100% owned by DB Regio UK Limited

**Shareholder loans**

The Company has the following long-term subordinated debt from its shareholders

| | **31 March 2011 £'000** | 31 March 2010 £'000 |
|---|---|---|
| MTR Corporation Limited | **1,000** | 1,000 |
| DB Regio UK Limited | **1,000** | 1,000 |
| | **2,000** | 2,000 |

Interest charged to the Company for long-term subordinated debt during the period as shown

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| MTR Corporation Limited | **30** | 59 |
| DB Regio UK Limited | **30** | 58 |
| | **60** | 117 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 22. POST RETIREMENT OBLIGATIONS

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|
| Closing pension scheme liability | - | - |
| Deferred tax asset | - | - |
| Net pension liability | - | - |

**Defined benefit pension schemes**

The Company operates a defined benefit scheme for the benefit of the employees and executive directors The London Overground Section is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme The assets of the London Overground Section are administered by trustees in a fund independent from the assets of the Company

The London Overground 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 for the year ending 31 March 2011 are 15 9% of Section pay, equal to 60% of the long-term joint contribution rate of 26 5% of Section Pay This rate will be reviewed following completion of the next actuarial valuation of the Section due 31 December 2010

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period

The London Overground Section is open to new members

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

**22. POST RETIREMENT OBLIGATIONS (continued)**

**Membership data**

| | 31 March 2011 No. | 31 March 2010 No |
|---|---|---|
| *Active members* | | |
| Number of active members | **937** | 843 |
| Annual payroll for active members (£'000) | **28,599** | 24,554 |
| Average age of active members | **43 years** | 43 years |
| *Deferred members* | | |
| Number of deferred members | **100** | 70 |
| Total payroll for deferred pensions (£'000) | **169** | 121 |
| Average age of deferred members | **44 years** | 43 years |
| *Pensioner members (including dependants)* | | |
| Number of pensioner members | **22** | 17 |
| Annual payroll for pension members (£000) | **105** | 67 |
| Average age of pensioner members | **62 years** | 62 years |

**Summary of assumptions**

| | 31 March 2011 % pa | 31 March 2010 % pa |
|---|---|---|
| Rate of increase in salaries | **4 6** | 4 8 |
| Rate of increase for pensions in payment | **2.6** | 3 8 |
| Discount rate | **5 6** | 5 5 |
| Inflation | **3 6** | 3 8 |
| Rates of increase for deferred pensioners | **2 6** | 3 8 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions that, due to the timescale covered, may not necessarily be borne out in practice

**Mortality rates**

| | | 31 March 2011 Years |
|---|---|---|
| Male currently age 65 | Pension under £8,500 pa or pensionable pay under £30,000 pa | **19.8** |
| | Others | **21 5** |
| Male currently age 45 | Pension under £8,500 pa or pensionable pay under £30,000 pa | **22.2** |
| | Others | **23.7** |
| Female currently age 65 | Pension under £3,000 pa or pensionable pay under £30,000 pa | **21.7** |
| | Others | **22.7** |
| Female currently age 45 | Pension under £3,000 pa or pensionable pay under £30,000 pa | **23.2** |
| | Others | **24.2** |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 22. POST RETIREMENT OBLIGATIONS (continued)

**Pension scheme liability at end of year**

The fair value of the London Overground Schemes' assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were

| | **Expected rate of return %** | **31 March 2011 £'000** | Expected rate of return % | 31 March 2010 £'000 |
|---|---|---|---|---|
| Equities | **7 8** | **42,020** | 8 3 | 27,704 |
| Government Bonds | **4 4** | **2,186** | 4 5 | 3,666 |
| Non-Government Bonds | **5.5** | **-** | - | |
| Property | **7.5** | **-** | 7 6 | 2,958 |
| Other | **3 8** | **373** | 3 9 | 382 |
| Fair value of plan assets | **7.6** | **44,579** | 7 8 | 34,710 |
| Present value of scheme liabilities | | **(62,942)** | | (59,477) |
| Deficit in the scheme | | **(18,363)** | | (24,767) |
| Members' share of deficit | | **7,345** | | 9,907 |
| Deficit expected to be recovered after end of concession period | | **11,018** | | 14,860 |
| Employer's share of gross pension liability | | **-** | | - |
| Related deferred tax asset | | **-** | | - |
| Net pension liability | | **-** | | - |

The amount of this net pension liability would have a consequential effect on reserves

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 22. POST RETIREMENT OBLIGATIONS (continued)

**Reconciliation of pension scheme liability**

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| Opening Pension Scheme liability | - | (1,107) |
| Employer's share of pension cost | **(4,616)** | (2,611) |
| Employer contributions | **3,484** | 3,025 |
| Actuarial gain recognised in the STRGL | **1,132** | 693 |
| Closing pension scheme liability | - | - |

The actuarial loss recognised in the statement of total recognised gains and losses represents the Company's proportionate share of the experienced gains and losses arising on the scheme'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

**Disclosed pension cost**

| | **Year ended 31 March 2011 £'000** | Year ended 31 March 2010 £'000 |
|---|---|---|
| Employer's share of service cost | **4,965** | 2,674 |
| Employer's share of interest cost | **2,258** | 1,396 |
| Interest on concession adjustment | **(817)** | (286) |
| Employer's share of expected return on assets | **(1,790)** | (1,173) |
| Employer's share of pension cost | **4,616** | 2,611 |

**Notes to the financial statements for the year ended 31 March 2011 (continued)**

## 22 POST RETIREMENT OBLIGATIONS (continued)

### Changes in the present value of the defined benefit obligation

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Opening scheme liabilities | (59,477) | (30,211) |
| Service cost | (8,224) | (4,405) |
| Interest cost | (3,763) | (2,327) |
| Experience gains/(losses) on the scheme liabilities | 10,029 | (22,237) |
| Benefits paid | (1,507) | (297) |
| Present value of scheme liabilities | (62,942) | (59,477) |

### Reconciliation of value of assets

| | Year ended 31 March 2011 £'000 | Year ended 31 March 2010 £'000 |
|---|---|---|
| Opening value of scheme assets | 34,710 | 21,261 |
| Expected return on assets | 2,983 | 1,955 |
| (Loss)/Gain on assets | (308) | 6,418 |
| Employer contributions | 3,484 | 3,025 |
| Member contributions | 2,203 | 1,754 |
| Benefits paid | 1,507 | 297 |
| Closing fair value of plan assets | 44,579 | 34,710 |

Costs and income that were reflected on the shared cost basis in the profit and loss account and statement of total recognised gains and losses for the London Overground Scheme has been grossed up to 100%

Notes to the financial statements for the year ended 31 March 2011 (continued)

## 22. POST RETIREMENT OBLIGATIONS (continued)

**Historical information in respect of the gross value of the scheme**

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|
| Present value of scheme liabilities | **62,942** | 59,477 | 30,211 |
| Fair value of scheme assets | **44,579** | 34,710 | 21,261 |
| Gross deficit in the scheme | **(18,363)** | (24,767) | (8,950) |
| Experience gain on scheme liabilities | **2,416** | 1,174 | (191) |
| Experience loss on scheme assets | **185** | (3,851) | 5,681 |

## 23. CONTINGENT LIABILITIES

The Company has one performance bond with Bayerische Landesbank dated 23 July 2010 for £10,797,456, this bond expires at the end of the concession and has been guaranteed by Deutsche Bahn AG, Germany

## 24 ULTIMATE PARENT COMPANY

The Company is owned and jointly controlled by DB Regio UK Limited and MTR Corporation Limited The Directors consider there to be no ultimate controlling party and no ultimate parent undertaking

## 25 SUBSEQUENT EVENTS

On 2 December 2011 The Company made a payment of £1,000,000 to MTR Corporation Limited and a payment of £1,000,000 to DB UK Reggio Limited for the repayment in full of the long-term subordinated debt from its shareholders