

Company Registration No. 4212657

CROSS LONDON RAIL LINKS LIMITED

Report and Financial Statements

Year ended 31 March 2006

CROSS LONDON RAIL LINKS LIMITED

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CROSS LONDON RAIL LINKS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Sir Adrian Montague (Chairman) (resigned 31 July 2005)
Douglas Oakervee (Executive Chairman) (appointed 13 December 2005)

Ian Brown (TfL)
John Carter (DfT) (resigned 24 January 2006)
Mike Fuhr (DfT)
Peter Hendy (TfL) (appointed 16 February 2006)
Bob Kiley (TfL) (resigned 31 January 2006)
Hugh Norie (DfT) (appointed 24 January 2006)
Tim Thirlwall (DfT)
Jay Walder (TfL)

Secretary

Martin Arney

Registered Office

1 Butler Place
London
SW1H 0PT

Bankers

The Royal Bank of Scotland
Corporate Banking Office
PO Box 450
5-10 Great Tower Street
London
EC3P 3HX

Solicitors

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

Auditors

Deloitte & Touche LLP
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

CROSS LONDON RAIL LINKS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Activities

Cross London Rail Links Limited has been formed as a joint venture between the Department for Transport (DfT) and Transport for London (TfL), for the purpose of developing and promoting a scheme, or schemes, for new rail links across Central London.

Review of Developments and Future Prospects

The Company has continued to develop and consult upon the Crossrail Project throughout the current year. Line 2 continues to be safeguarded.

A Hybrid Bill – The Crossrail Bill – was deposited in Parliament and fully documented, as required by Standing Orders, for a first reading in February 2005. The bill was carried over into the new session of Parliament following the General Election of May 2005 and the second reading took place on 19 July 2005. The Bill has now entered the committee stage in both Houses, where petitions will be dealt with. The Secretary of State for Transport allocated a further £100m of grant funding for the development of the Crossrail project to the company in December 2005, and further funding is currently being discussed. Royal Assent should be achieved during 2007 – when decisions on funding and procurement methodology will be made.

The company is looking to design safety best practice into the project from the outset, so that these practices can be embedded once Crossrail construction and operation start in earnest.

The company is currently based upon a single project – Crossrail. The future of the company is therefore dependent upon Royal assent to the hybrid Bill currently before Parliament, and on the availability of funding to enable it to secure the successful delivery of the project.

Dividends and Transfers to Reserves

The company made neither a loss nor a profit (2005: £nil) during the year. No dividend has been proposed (2005: £nil).

Directors and their Interests

The directors who served on the Board during the year are shown on page 1.

None of the directors held any interest in the shares of the company during the year.

Financial Risk Management

The company is exposed to price risks, including market and interest rate risk, along with credit, liquidity and cash-flow risk. The company has adopted risk management policies that seek to mitigate these risks in a cost-effective manner.

Financial assets that expose the company to financial risk consist principally of cash and accrued income. Financial liabilities that expose the company to financial risk consist principally of trade payables and other payables. The financial risks associated with these financial instruments are considered minimal.

Credit Risks

The company places its cash with creditworthy institutions. The carrying amounts of cash represent the maximum credit risk that the company is exposed to.

CROSS LONDON RAIL LINKS LIMITED

Liquidity Risk

The company is dependant on its related company for continued financial support and the directors are satisfied that the financial support will be available when required.

Political and Charitable Contributions

There were no political contributions.

The company made no charitable donations in the year (2005: £500).

Directors' and Officers' Liability

Directors' and officers' liability insurance has been purchased by the company during the year.

Auditors

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

- (1) so far as the director is aware, there is no relevant information of which the company's auditors are unaware: and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

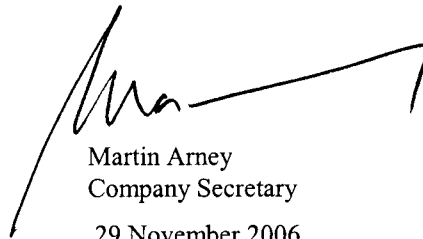
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The company appointed Deloitte & Touche LLP as auditors for the year. The re-appointment of auditors is dealt with annually by the Audit Committee.

Approved by the Board of Directors and signed on behalf of the Board



Douglas Oakervee
Executive Chairman
29 November 2006



Martin Arney
Company Secretary
29 November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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;
- state whether applicable accounting standards have been followed; 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 proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROSS LONDON RAIL LINKS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROSS LONDON RAIL LINKS LIMITED

We have audited the financial statements of Cross London Rail Links Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
United Kingdom
29 November 2006

CROSS LONDON RAIL LINKS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Turnover		-	-
Administrative expenses – project		(29,927)	(34,054)
– other		(12,734)	(10,012)
		<u>(42,661)</u>	<u>(44,066)</u>
Grant Income		42,602	44,011
Operating Loss	3	<u>(59)</u>	<u>(55)</u>
Interest receivable and other income		69	61
		<u>10</u>	<u>6</u>
Profit on Ordinary Activities before Taxation			
Tax on profit on ordinary activities	4	<u>(10)</u>	<u>(6)</u>
Profit on Ordinary Activities after Taxation and Retained Profit for the Financial Year	10	<u><u>-</u></u>	<u><u>-</u></u>

All transactions are derived from continuing operations.

There are no recognised gains or losses or movement in shareholders' funds in the current financial year or preceding financial period other than the result disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

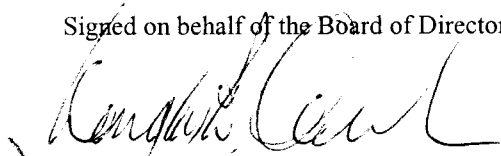
CROSS LONDON RAIL LINKS LIMITED

BALANCE SHEET As at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed Assets			
Tangible assets	5	2,261	1,471
Current Assets			
Debtors	6	12,446	8,743
Cash at bank and in hand		246	80
		<u>12,692</u>	<u>8,823</u>
Creditors: amounts falling due within one year	7	<u>(13,363)</u>	<u>(9,145)</u>
Net Current Liabilities		<u>(671)</u>	<u>(322)</u>
Total Assets Less Current Liabilities		<u>1,590</u>	<u>1,149</u>
Creditors: amounts falling due after more than one year	8	<u>(1,592)</u>	<u>(1,151)</u>
Net Liabilities		<u>(2)</u>	<u>(2)</u>
Capital and Reserves			
Called up share capital	9	-	-
Profit and loss account	10	(2)	(2)
Total Shareholder's Equity Deficit	10	<u>(2)</u>	<u>(2)</u>

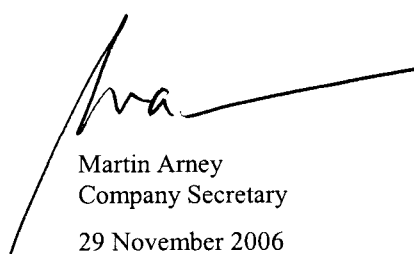
These financial statements were approved by the Board of Directors on 29 November 2006.

Signed on behalf of the Board of Directors



Douglas Oakervee
Executive Chairman

29 November 2006



Martin Arney
Company Secretary
29 November 2006

CROSS LONDON RAIL LINKS LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Net cash inflow from operating activities	11	<u>105</u>	<u>20</u>
Returns on investments and servicing of finance			
Interest received		65	56
Taxation			
Tax paid		(4)	(7)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,331)	(590)
Capital grants received		<u>1,331</u>	<u>590</u>
Net cashflow from capital expenditure and financial investment		<u>-</u>	<u>-</u>
Increase in cash in the year	12,13	<u><u>166</u></u>	<u><u>69</u></u>

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2006

1. Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention and the directors have continued to prepare the financial statements on the going concern basis.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. No depreciation is charged in the month of acquisition. The rates of depreciation are as follows:

Fixtures and fittings	3 years
IT equipment and vehicle	3 years
Freehold property	50 years

Grants

Grants and other contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the asset.

Revenue grants are taken to the profit and loss account so as to match them with the expenditure to which they relate.

Leases

Operating lease rentals are charged to profit and loss in equal amounts over the lease term.

Pension

Crossrail staff contribute to the Railways Pension Scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2006

2. Information Regarding Directors and Employees

	2006	2005
	£'000	£'000
Director's Emoluments		
Remuneration of the Chairman* (Highest paid director)	45	40
Remuneration of other directors	17	7
	<u>62</u>	<u>47</u>
Staff costs during the year (excluding directors)		
Wages and salaries	3,205	2,142
Social security costs	306	207
Other pension costs	457	318
	<u>3,968</u>	<u>2,667</u>

*Note – Sir Adrian Montague acted 'pro bono' as Chairman – (resigned 31 July 2005). The company paid no funds towards the pension schemes of directors (2005:£ nil). Three directors received remuneration from the company during the year (2005: three).

The average number of employees, excluding Chairman and directors, during the year was:

	2006	2005
	Number	Number
Exec/Finance/IT	23	14
Consultation	37	19
Engineering/Interface	25	14
Planning	12	9
	<u>97</u>	<u>56</u>

Additional staff are seconded from the Department for Transport and Transport for London. These costs are not included in staff costs disclosed above. Refer to note 17 for seconded staff costs incurred during 2006 and 2005.

3. Operating Loss

	2006	2005
	£'000	£'000
Operating loss is after charging:		
Depreciation	539	450
Rentals under operating leases	109	109
Rentals under licences	2,267	1,407
Auditors' remuneration - audit fees	35	33
- other services	-	-
	<u>3,040</u>	<u>2,009</u>

The above charges are offset by the grants received.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2006

4. Tax on Profit on Ordinary Activities

	2006 £'000	2005 £'000
Profit before tax	4	6
UK Corporation Tax at 19% (small companies rate)	1	1
Adjustment for non-deductible project expenditure	11	10
Adjustment in respect of prior years	(2)	(5)
Tax charge to profit and loss account	<u>10</u>	<u>6</u>

Tax on Profit on Ordinary Activities for the year ended March 2005 has been reclassified.

5. Tangible Fixed Assets

All £000	Fixtures and Fittings	Freehold Property	IT Equipment	Vehicles	Warehouse Fitting & Equip.	Total
Cost						
At 1 April 2005	534	863	948	22	96	2,463
Additions	50	101	1,180			1,331
Disposals			(2)			(2)
At 31 March 2006	<u>584</u>	<u>964</u>	<u>2,126</u>	<u>22</u>	<u>96</u>	<u>3,792</u>
Accumulated Depreciation						
At 1 April 2005	(492)	(35)	(414)	(8)	(43)	(992)
Charge for the Year	(33)	(19)	(450)	(7)	(32)	(541)
Disposals			2			2
At 31 March 2006	<u>(525)</u>	<u>(54)</u>	<u>(862)</u>	<u>(15)</u>	<u>(75)</u>	<u>(1,531)</u>
Net Book Value						
At 31 March 2006	<u>59</u>	<u>910</u>	<u>1,264</u>	<u>7</u>	<u>21</u>	<u>2,261</u>
At 31 March 2005	<u>42</u>	<u>828</u>	<u>534</u>	<u>14</u>	<u>53</u>	<u>1,471</u>

The fixtures and fittings and IT equipment were acquired using capital grants, see note 17.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2006

6. Debtors

	2006 £'000	2005 £'000
Other debtors	2,255	1,129
Warehouse deposit	128	129
Prepayments and accrued income (see note 17)	10,063	7,485
	<u>12,446</u>	<u>8,743</u>

7. Creditors: Amounts Falling Due Within One Year

	2006 £'000	2005 £'000
Trade creditors	5,303	4,091
Taxation	13	6
Accruals and deferred income	8,047	5,048
	<u>13,363</u>	<u>9,145</u>

Within accruals and deferred income there is deferred grant income of £29,000 relating to fixtures and fittings, £593,000 relating to IT assets, £19,000 relating to property, £21,000 relating to warehouse fittings, and £7,000 relating to a vehicle as disclosed in note 5.

8. Creditors: Amounts Falling Due After More Than One Year

	2006 £'000	2005 £'000
Accruals and deferred income	1,592	1,151
	<u>1,592</u>	<u>1,151</u>

Within accruals and deferred income there is a deferred grant income of £30,000 relating to fixtures and fittings, £672,000 relating to IT assets, £890,000 relating to property as disclosed in note 5.

9. Called Up Share Capital

	2006 £	2005 £
Authorised:		
50 "A" ordinary shares of £1 each	50	50
50 "B" ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
50 "A" ordinary shares of £1 each	50	50
50 "B" ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

Class A and Class B shares hold equal voting rights.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2006

10. Reconciliation of Movement in Shareholders Deficit

	2006 £'000	2005 £'000
Opening shareholders' deficit	2	2
Profit for the year	-	-
	<u>2</u>	<u>2</u>
Closing shareholders' deficit	<u>2</u>	<u>2</u>

11. Reconciliation of Operating Loss to Net Cash inflow/(outflow) from Operating Activities

	2006 £'000	2005 £'000
Operating loss	(65)	(55)
Other Income	4	5
Depreciation	539	450
Increase in debtors	(3,704)	(1,082)
Increase in creditors	3,329	702
	<u>103</u>	<u>20</u>

12. Reconciliation of Cash Flow to Movement in Net Funds

	£'000
Balance at 1 April 2005	80
Net cash inflow	166
	<u>246</u>
Balance at 31 March 2006	<u>246</u>

13. Analysis of Net Funds

	2005 £'000	Change in year £'000	2006 £'000
Cash at bank and in hand	80	166	246
	<u>80</u>	<u>166</u>	<u>246</u>

14. Operating lease Commitments

At 31 March 2006 the company was committed to making the following payments during the next year in respect of operating leases:

	2006 and 2005 Land and buildings £'000
Leases which expire:	
Two to five years	109
	<u>109</u>

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2006

15. Retirement benefit scheme

Crossrail contribute to the 'Railways Pension Scheme (RPS). The RPS is the defined benefit arrangement for rail industry employees. The RPS is a shared cost scheme and this, or an identical arrangement, must be made available for all railway industry employees with statutory protection.

Crossrail contribute to the Omnibus Section of the RPS. The Omnibus Section is made up of 61 employers, each having less than 51 active members in the scheme. The reporting functions and scheme communications are streamlined for the Omnibus Section. There is one quarterly report, one section report and accounts and one valuation report for the whole section rather than individual reports for each individual employer. The Omnibus Section will be valued as a whole and as a result of this, Crossrail are unable to identify its share of the underlying assets and liabilities.

An actuarial valuation was carried out on the Omnibus Section of the scheme at 31 December 2004. The actuarial report shows that there is a shortfall between the assets and liabilities of £2.449m for the total Omnibus Section and the actuary has calculated the Crossrail portion of this shortfall to be £91,100.

The current level of total contribution is 25.3%. As a result of the total scheme valuation the normal contribution rate required to meet the cost of the future accrual of benefits arising from members' service after the valuation date meant that the total contribution should have increased to 27.8% with effect from 31 December 2004. Additionally, the company is required to fund the shortfall of £91,100 and this will be achieved by increasing the total contribution to 28.5% effective from 1 July 2006 and continuing until the results of the next valuation are published.

The pension charge for the year was £457,000 (2005: £318,000).

16. Ultimate Controlling Parties

The share capital is held in equal portions by The Strategic Rail Authority Investment Company Limited and Transport Trading Limited. These are 100% owned by The Secretary of State for Transport and TfL respectively. These are deemed to be the ultimate controlling parties and to share control. The Executive Chairman of the company is approved jointly by The Secretary of State for Transport and the Mayor of London and is appointed by The Secretary of State for Transport.

17. Related Party Transactions

The related party transactions for the year were as follows:

Description	DfT £'000	TfL £'000	Total £'000
Grant received	8,694	31,396	40,090
Accrued grant income	5,528	3,876	9,404
Release of grant income in relation to fixed assets	27	514	541
Grant received to purchase tangible fixed assets	306	1,025	1,331
IT costs	-	168	168
Administration & other	-	1,006	1,006
Study costs	-	1,716	1,716
Staff costs for secondees	265	2,127	2,392
	14,820	41,828	56,648

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2006

During the year ended 31 March 2005, The Strategic Rail Authority ('SRA') transferred the entire issued share capital of SRA Investment Company Limited to the Secretary of State for Transport.

On 26 October 2004, the SRA novated its rights and liabilities concerning Cross London Rail Links Limited to The Secretary of State for Transport.

The Department for Transport's share of the original £154m grant funding for Cross London Rail Links Limited has been provided on its behalf by Transport for London to support the Crossrail hybrid Bill process through Parliament.

In December 2005, the Secretary of State for Transport announced a further £100m of grant funding for the further development of the Crossrail project - and the company is in the process of receiving these funds from the DfT and is in the process of applying for further funding to develop and then deliver the Crossrail project.