

CROSS LONDON RAIL LINKS LIMITED

Report and Financial Statements

Year ended 31 March 2007

CROSS LONDON RAIL LINKS LIMITED

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CROSS LONDON RAIL LINKS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Douglas Oakervee (Executive Chairman)

Stephen Allen (TfL) (appointed 23 February 2007)
Ian Brown (TfL)
Mike Fuhr (DfT)
Peter Hendy (TfL)
Hugh Norie (DfT)
Tim Thirlwall (DfT)
Jay Walder (TfL) (resigned 23 February 2007)

Secretary

Martin Arney (resigned 1 May 2007)
Mark Fell (appointed 1 May 2007)

Registered Office

Portland House
Bressenden Place
London
SW1E 5BH

Bankers

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

Solicitors

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

Auditors

Deloitte & Touche LLP
Chartered Accountants
180 Strand
London
WC2R 1BL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2007.

Principal Activities

Cross London Rail Links Limited has been established for the purpose of developing and promoting a scheme, or schemes, for new rail links across London.

Cross London Rail Links Limited is currently a joint venture between the Department for Transport (DfT) and Transport for London (TfL). It has been announced that TfL will take over sole ownership of Cross London Rail Links Limited when the Crossrail Bill receives Royal Assent next year.

Review of Developments and Future Prospects

Cross London Rail Links Limited has continued to develop the Crossrail Project throughout the current year, working closely with stakeholders. Engineering and other plans have been developed to a greater degree of detail, allowing the company to make an increasingly accurate assessment of the cost and risks associated with the project; and thus based on a robust and prudent estimate of the out-turn cost to prepare the project for the construction phase.

The company continues to focus on designing safety best practices into the project from the outset, so that these can be embedded once Crossrail construction and, in due course, operation start in earnest.

On 5 October 2007 the Prime Minister announced that a funding package for Crossrail had been agreed between the Treasury, the Mayor of London and London business. The future ownership of Cross London Rail Links Limited (see above) was determined as part of this agreement.

A Hybrid Bill to give the powers to build Crossrail – the Crossrail Bill – has been scrutinised by a Select Committee of the House of Commons, which has submitted its report. It has been agreed that the Bill can be carried over into the next Session of Parliament, when it will complete its remaining stages in the Commons before going to the House of Lords. The bill is currently in the Select Committee stage in the House of Lords, where petitions will be dealt with. The Bill continues to make steady progress, and Royal Assent should be achieved in 2008.

Cross London Rail Links Limited is currently based upon a single project – Crossrail. The future of the company is therefore dependent upon Royal Assent to the Hybrid Bill, and agreement on funding. The continued progress of the Bill through Parliament, and the announcement of the funding package in Autumn 2007, mean that the company continues to be confident that it will be able to deliver the project successfully.

The Chelsea-Hackney Line (Crossrail Line 2) continues to be safeguarded.

Dividends and Transfers to Reserves

The company made neither a loss nor a profit (2006: £nil) during the year. No dividend has been proposed (2006: £nil).

Directors and their Interests

The directors who served on the Board during the year are shown on page 2.

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

DIRECTORS' REPORT (continued)

DIRECTORS' REPORT (continued)

Financial Risk Management

The company is exposed to price risks, including market and interest rate risk, along with credit and liquidity 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.

Liquidity Risk

The company is dependent on its related companies 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 (2006: £nil).

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/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 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.

Deloitte & Touche LLP expressed their willingness to continue in office as auditors and a resolution to reappoint them is decided annually by the Audit Committee.

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



Douglas Oakervee
Executive Chairman
24 January 2008



Mark Fell
Company Secretary
24 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in acceptance with the United Kingdom Generally Accepted Practise (United Kingdom Accounting Standards and Applicable Law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed subject to any material departures discussed 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 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

We have audited the financial statements of Cross London Rail Links Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

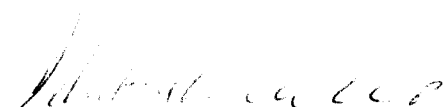
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 2007 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

24 January 2008

CROSS LONDON RAIL LINKS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2007

	Notes	31 March 2007 £'000	31 March 2006 £'000
Turnover		-	-
Administrative expenses	- project - other	(79,325) (13,835)	(29,927) (12,734)
		<u>(93,160)</u>	<u>(42,661)</u>
Grant Income		92,943	42,602
Operating Loss	3	<u>(217)</u>	<u>(59)</u>
Interest receivable and other income	4	232	69
Profit on Ordinary Activities before Taxation		<u>15</u>	<u>10</u>
Tax on profit on ordinary activities	5	(15)	(10)
Profit on Ordinary Activities after Taxation and Retained Profit for the Financial Year	11	<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.

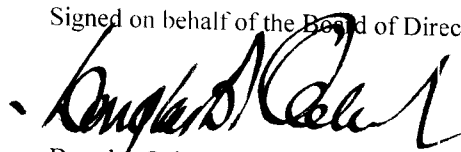
CROSS LONDON RAIL LINKS LIMITED

BALANCE SHEET As at 31 March 2007

	Notes	31 March 2007 £'000	31 March 2006 £'000
Fixed Assets			
Tangible assets	6	2,081	2,261
Current Assets			
Debtors	7	25,885	12,446
Cash at bank and in hand		4,210	246
		30,095	12,692
Creditors: amounts falling due within one year	8	(27,320)	(13,363)
Net Current Assets / (Liabilities)		2,775	(671)
Total Assets Less Current Liabilities		4,856	1,590
Creditors: amounts falling due after more than one year	9	(4,858)	(1,592)
Net Liabilities		(2)	(2)
Capital and Reserves			
Called up share capital	10	-	-
Profit and loss account	11	(2)	(2)
Total Shareholder's Equity Deficit	11	(2)	(2)

These financial statements were approved by the Board of Directors on 24 January 2008.

Signed on behalf of the Board of Directors



Douglas Oakervee
Executive Chairman

24 January 2008



Mark Fell
Company Secretary

24 January 2008

CROSS LONDON RAIL LINKS LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	31 March 2007 £'000	31 March 2006 £'000
Net cash inflow from operating activities	12	<u>3,797</u>	<u>105</u>
Returns on investments and servicing of finance			
Interest received		172	65
Taxation			
Tax paid		(5)	(4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(608)	(1,331)
Capital grants received		608	1,331
Net cashflow from capital expenditure and financial investment		<u>167</u>	<u>61</u>
Increase in cash in the year	13,14	<u><u>3,964</u></u>	<u><u>166</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

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 net of 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. Rental income on the blighted properties are credited to the profit and loss account over the period of the rental agreement.

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. The Railways Pension Scheme is accounted for as a multi-employer defined benefit scheme under the parameters defined on FRS17 – Retirement Benefits.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

2. Information Regarding Directors and Employees

	2007 £'000	2006 £'000
Director's Emoluments		
Remuneration of the Chairman (highest paid director)	315	45
Remuneration of other directors	18	17
	<u>333</u>	<u>62</u>
Staff costs during the year (excluding directors)		
Wages and salaries	4,358	3,205
Social security costs	443	306
Other pension costs	904	457
	<u>5,705</u>	<u>3,968</u>

The company paid no funds towards the pension schemes of directors (2006: £nil). Three directors received remuneration from the company during the year (2006: three).

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

	2007 Number	2006 Number
Exec/Finance/IT/Others	63	23
Consultation	23	37
Engineering/Interface	27	25
Planning and Operations	21	12
	<u>134</u>	<u>97</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 18 for seconded staff costs incurred during 2007 and 2006.

3. Profit / (Loss) on Ordinary Activities before taxation

	2007 £'000	2006 £'000
Operating loss is after charging:		
Depreciation	786	539
Rentals under operating leases	109	109
Rentals under licences	3,218	2,267
Auditors' remuneration - audit fees	35	35
	<u>35</u>	<u>35</u>

The above charges are offset by the grants received.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

4. Interest receivable and other income

	2007 £'000	2006 £'000
Interest received from deposit accounts	182	65
Interest payable	(10)	
Sale of documents	-	4
Rental income from freehold residential properties	37	-
Consultancy income	24	-
	<u>232</u>	<u>69</u>

5. Tax on Profit on Ordinary Activities

(a) Analysis of Tax Charge in the Year

	2007 £'000	2006 £'000
Current tax:		
United Kingdom corporation tax	22	12
Adjustment in respect of prior years	(7)	(2)
	<u>15</u>	<u>10</u>
Total current tax		
Deferred tax	-	-
	<u>15</u>	<u>10</u>

(b) Reconciliation of Current Tax Charge in The Year

	2007 £'000	2006 £'000
Profit before tax	15	10
UK Corporation Tax at 19% (small companies rate)	3	1
Adjustment for non-deductible project expenditure	19	11
Adjustment in respect of prior years	(7)	(2)
	<u>15</u>	<u>10</u>
Tax charge to profit and loss account		

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

6. Tangible Fixed Assets

	Fixtures and Fittings £'000	Freehold Property £'000	IT Equipment £'000	Vehicles £'000	Warehouse Fitting and Equip. £'000	Total £'000
Cost						
At 1 April 2006	584	964	2,126	22	96	3,792
Additions	19	-	582	6	-	608
Disposals	-	-	(1)	-	-	(1)
At 31 March 2007	603	964	2,708	28	96	4,399
Accumulated Depreciation						
At 1 April 2006	(525)	(54)	(862)	(15)	(75)	(1,531)
Charge for the Year	(33)	(20)	(704)	(8)	(21)	(786)
Disposals	-	-	-	-	-	-
At 31 March 2007	(558)	(74)	(1,566)	(23)	(96)	(2,317)
Net Book Value						
At 31 March 2007	45	890	1,141	5	-	2,081
At 31 March 2006	59	910	1,264	7	21	2,261

The fixtures and fittings, IT equipment, freehold properties and vehicles were acquired using capital grants, see note 8.

7. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Other debtors		
Warehouse deposit	3,046	2,255
Prepayments and accrued income (see note 18)	128	128
	22,711	10,063
	25,885	12,446

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

8. Creditors: Amounts Falling Due Within One Year

	2007 £'000	2006 £'000
Trade creditors		
Taxation	6,756	5,303
Accruals and deferred income	22	13
	<u>20,542</u>	<u>8,047</u>
	<u>27,320</u>	<u>13,363</u>

Within accruals and deferred income there is deferred grant income of £26,000 relating to fixtures and fittings, £685,000 relating to IT assets, £20,000 relating to property and £2,000 relating to a vehicle as disclosed in note 6.

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

	2007 £'000	2006 £'000
Accruals and deferred income		
DfT loan Repayable in 2008	1,348	1,592
	<u>3,510</u>	<u>-</u>
	<u>4,858</u>	<u>1,592</u>

Within accruals and deferred income there is deferred grant income of £22,000 relating to fixtures and fittings, £456,000 relating to IT assets and £870,000 relating to property as disclosed in note 6.

10. Called Up Share Capital

	2007 £	2006 £
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 2007

11. Reconciliation of Movement in Shareholders Deficit

	2007 £'000	2006 £'000
Opening shareholders' deficit	2	2
Profit for the year	-	-
Closing shareholders' deficit	<u>2</u>	<u>2</u>

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

	2007 £'000	2006 £'000
Operating loss	(217)	(59)
Other Income	61	4
Depreciation	786	539
Increase in debtors	(13,439)	(3,704)
Increase in creditors	16,616	3,329
	<u>3,797</u>	<u>109</u>

13. Reconciliation of Cash Flow to Movement in Net Funds

	£'000
Balance at 1 April 2006	246
Net cash inflow	3,964
Balance at 31 March 2007	<u>4,210</u>

14. Analysis of Net Funds

	2006 £'000	Change in year £'000	2007 £'000
Cash at bank and in hand	246	3,964	4,210

NOTES TO THE ACCOUNTS**Year ended 31 March 2007****15. Operating Lease Commitments**

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

	2007 and 2006
	Land and buildings
	£'000
Leases which expire:	
Two to five years	109

16. 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 55 participating employers, each (apart from Crossrail) having fewer 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 27.8%. Additionally, the company is required to fund the shortfall of £91,100 and this has been achieved by increasing the total contribution to 28.5%, effective from 1 July 2006 until 30 June 2015. This contribution rate will be reviewed once the results of the next valuation (as at 31 December 2007) are published.

An important feature of the Omnibus Section of the RPS is that it is a multi-employer scheme. This means that, under Section 75 of the Pensions Act 1995, each employer must fund up to buy-out level the liabilities associated with their employment on the occurrence of an "employer cessation event". An employer cessation event happens when an employer withdraws from participation in the scheme; when the last active member leaves service; or if the employer suffers an insolvency event. The difference between the ongoing funding level of the scheme and the buy-out funding level can be significant. The S75 deficit for the whole of the Omnibus Section at 5 December 2005 was estimated to be £41m and it was estimated that approximately 5% of this was attributable to employment with Crossrail. If an employer debt is triggered under Section 75, the withdrawing employer is also required to fund up a proportionate amount of any orphaned liabilities in the section (i.e. where a previous employer has ceased participation) and to cover the reasonable expenses incurred by the Trustee in connection with the employer cessation event.

The pension charge for the year was £904,000 (2006: £457,000).

17. 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.

CROSS LONDON RAIL LINKS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

18. Related Party Transactions

The related party transactions for the year were as follows:

Description	DfT £'000	TfL £'000	Total £'000
Grant received	67,000	19,145	86,145
Accrued grant income	21,258	(4,454)	16,804
Release of grant income in relation to fixed assets	209	577	786
Grant received to purchase tangible fixed assets	569	38	607
Administration and other	-	983	983
Study costs	-	3,285	3,285
Staff costs for secondees	241	1,809	2,050
	<u>89,277</u>	<u>21,383</u>	<u>110,660</u>