Registration number: 07861414

Abellio East Anglia Limited

Annual report and financial statements

for the year ended 31 March 2018

Abellio East Anglia Limited

Contents

Abellio East Anglia Limited

Directors	D D G Booth
	Y Tanaka
	J N P Burles
	J Edwards
	A C R Golton
	C S Harris
	M Mizuhashi
	N Umezawa
	A T Pilbeam
Company secretary	Brodies Secretarial Services Limited
Registered office	2nd Floor St Andrew's House 18-20 St Andrew Street London EC4A 3AG
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ
Auditor	Ernst & Young LLP Senior statutory auditor 2 St. Peter's Square Manchester M2 3EY United Kingdom

Abellio East Anglia Limited

Directors' report
For the year ended 31 March 2018

Registered No. 07861414

The directors present their Directors' report, Strategic report and the financial statements for the year ended 31 March 2018.

The Company Secretary throughout the year was Brodies Secretarial Services Limited.

Dividend
The company did not pay a dividend in the year (2017: £nil).

Employees
The company is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The company's policy is to continue to employ those who become disabled in service, together with some recruitment where circumstances permit. Training is adjusted to cater for an individual disability and the disabled share the same conditions of service as other staff in relation to career development and promotion.

The company uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors which affect the company's performance and prospects. In addition the company issues a periodic newspaper to all employees informing them of developments within the company. The company maintains a companywide intranet service.

The company participates in an annual employee survey to monitor employee satisfaction. Results are followed through using employee focus groups to understand the key issues raised in the survey. Employees make recommendations at these forums which are then developed into company action plans.

Directors
The directors of the company who served throughout the year and up to the date of signing were:

D D G Booth

Y Tanaka (appointed 16 May 2017)

J N P Burles (appointed 16 May 2017)

J Edwards (appointed 16 May 2017)

A C R Golton (appointed 16 May 2017)

C S Harris

M Mizuhashi

N Umezawa

A T Pilbeam

Directors' liabilities
Under the company's Articles of Association, the company provides an indemnity for its directors and officers in accordance with the provisions of the Companies Act 2006.

Directors' report (continued)
For the year ended 31 March 2018

General
Any matter required to be included in the directors' report which are considered by the directors to be of strategic importance may instead be included in the strategic report; such items are future developments and health and safety.

Political contributions
The company's policy is not to make political contributions and accordingly none were made in the year.

Going concern
The company was set up to operate the Greater Anglia franchise and trading commenced on 16 October 2016. Certain assets and liabilities were transferred across from the previous franchisee, Abellio Greater Anglia Limited. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' statement as to disclosure of information to auditor
The directors who held office at the date of approval of this report and Business Review confirm that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Auditors
In accordance with section 487 of the Companies Act 2006 Ernst & Young LLP shall be deemed to be reappointed as auditor 28 days after the accounts are sent to members.

By order of the Board

Adam

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A C R Golton
Director

Date approved by the Directors: 21st September 2018

Abellio East Anglia Limited

Strategic report
For the year ended 31 March 2018

Principal activities
The principal activity of the company during the financial year was the operation of passenger railway services between Liverpool Street and Cambridge, Stansted, Norwich, Southend and rural services in East Anglia.

Business model
The company operates through a franchise awarded by the Department for Transport. The company operates trains and stations, working with key partners, such as Network Rail, who maintain and control access to the tracks, and the rolling stock companies who own the rolling stock that the company lease.

The company's vision is to continuously exceed customer and stakeholder expectations. In order to achieve this vision, the company has adopted four key values - genuine, professional, inclusive and proactive - that underpin everything it does as a company.

The company has adopted a number of Strategic Foundations that describe the key elements of its strategy to deliver its ambition. These include:

- Operational - ensuring that its business is operationally well managed and follow best in class safety standards;
- Financial - creating financial value from the business;
- Our Customers - delivering a consistently good service to its passengers;
- Our People - having outstanding, engaged and empowered people;
- Society - running its business in a way that is sustainable for society.

Through delivery of its business plan objectives that are linked to these strategic foundations, the company is able to add value to its stakeholders.

Business review and results
In August 2016 the Department for Transport awarded the Greater Anglia franchise to Abellio. Abellio East Anglia Limited was formed to manage the franchise and commenced trading on 16 October 2016. The company has taken over the business activities that were previously operated by Abellio Greater Anglia Limited.

The underlying passenger income growth rate for the year ended 31 March year 2018 was 5.3%, benefitting from an increased spend in marketing campaigns and revenue protection activity, as well as pricing. In August 2016 the Department for Transport awarded the Greater Anglia franchise to Abellio. Abellio East Anglia Limited was formed to manage the franchise and commenced trading on 16 October 2016. The company has taken over the business activities that were previously operated by Abellio Greater Anglia Limited.

The underlying passenger income growth rate for the year ended 31 March year 2018 was 5.3%, benefitting from an increased spend in marketing campaigns and revenue protection activity, as well as pricing. Overall a loss of £1,136,000 (2017: profit of £19,417,000) before taxation was generated for the year.

The company continues to invest in growing the revenues of the business and generating cost savings in order to maintain profitability over the remainder of the current franchise period.

The loss for the year after taxation amounted to £2,500,000 (2017: profit of £15,510,000). Retained loss for the year of £2,500,000 (2017: profit of £15,510,000) has been transferred to reserves.

Revenue risk mechanism
The results for the year have been significantly impacted by a decision by the Department of Transport to enforce a mechanism included in the franchise agreement for the sharing of revenue risk. This has created unintended consequences, and does not offset against revenue gains, resulting in an additional cost in the year. We have disputed the grounds for this payment with the Department. However, the full amounts have been provided at 31st March 2018.

Key performance indicators
Operational performance is of critical importance to the company's customers. This is measured through the Public Performance Measure (PPM), as well as through measuring fleet reliability and allocated delay minutes. During the period the company achieved a PPM of 88.77%. The company's fleet reliability, measured by miles per technical incident (MTIN) was on average 24,529 in the period to 31 March 2018.

Customers are at the heart of the company's business and performance is measured through the National Rail Passenger Survey (NRPS), as well as through independent measurement of service quality standards. The company has continued to improve its service quality scores for its stations, trains and people during the year. The company's NRPS score was measured at an average of 79% for the Autumn 2017 and Spring 2018 waves (2017: 81%)

People are vital to delivery of the company's business strategies and its key performance measure is through employee engagement, which is independently surveyed each year. In the most recent survey employee satisfaction stood at 67% (2017: 82%).

Health and Safety
The safety of the company's employees and customers is of prime importance and working with its partners, BTP, Network Rail, TfL and other key stakeholders, the company consistently endeavour to put in place initiatives, equipment and station CCTV that will help passengers travel in safety.

Operational Safety performance, is of vital importance to the business, and all key measures were better than the prior year trend. In particular, the number of signals passed at danger (SPADs) stood at 9 at 31 March 2018. Passenger accidents ratio averaged 2.62 in the period to 31 March 2018 and operational incidents totalled 115. The company maintains its own reduction strategy for signals passed at danger, involving driver training, driver assessment and competence management.

Environment
The company is actively combating climate change in three ways: making its own operations more carbon efficient, working with government to help shape lower carbon transport policies; and directly encouraging people to switch to public transport. The company is working towards improving efficiency and reducing energy consumption in its train depots.

In addition, the company uses train simulators to promote energy efficient driving.

Principal risks and uncertainties

The company is subject to internal and external risk factors. External risks include general economic conditions, competitor activity and regulatory changes. Central London employment trends are a specific area of risk, as well as general economic growth of the East Anglia region and Stansted airport growth. Key competition is from cars, buses and coaches. Internal risks include failure of internal controls, regulatory compliance and industrial disputes.

Under the terms of the franchise and by the nature of the business, the company falls under the regulation of the Department of Transport and the Office of Rail Regulation. Compliance with the terms of the franchise agreement and delivery of the committed obligations included in the agreement represent a key area of risk to the business.

As a result of significant movements in the cost of fuel, the company also enters into agreements and hedges in relation to fuel costs.

Future developments

Over the next year the company will deliver tangible benefits for passengers and stakeholders, as well as establishing further upgrades as part of the longer franchise. The programme of initiatives includes the replacement of the whole rolling stock fleet at a cost of £1.4 billion by 2020, investment in the development of five stations, Wi-fi on the Greater Anglia network and the installation of new digital customer information screens at every station.

Signed on behalf of the Board

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A C R Golton
Director

Date: 21st September 2018

Abellio East Anglia Limited

Directors' responsibilities statement

The directors' are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors' to prepare financial statements for each financial year. Under that law the directors' have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors' must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors' are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Abellio East Anglia Limited

Opinion

We have audited the financial statements of Abellio East Anglia Limited for the year ended 31 March 2018 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Abellio East Anglia Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Abellio East Anglia Limited (continued)

Use of our report

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.

Ernst & Young LLP

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Tehseen Ali (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date: 21/09/2018

Abellio East Anglia Limited

Income statement
For the year ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
Revenue	3	650,232	290,934
Operating costs		(650,281)	(271,537)
Operating (loss)/profit		(49)	19,397
Interest receivable and similar income	5	693	199
Interest payable and similar cost	6	(1,780)	(179)
(Loss)/profit before taxation		(1,136)	19,417
Taxation	7	(1,364)	(3,907)
(Loss)/profit for the financial year	8	(2,500)	15,510

The above results were derived from continuing operations.

The notes on pages 15 to 37 form an integral part of these financial statements.

Abellio East Anglia Limited

Statement of comprehensive income
For the year ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
(Loss)/profit for the financial year		(2,500)	15,510
Other comprehensive income:			
Items that cannot be reclassified to income statement in subsequent years:			
Actuarial gains on defined benefit pension schemes	21	7,174	1,526
Tax on items relating to components of other comprehensive income	7	(1,174)	(305)
Items that can be reclassified in subsequent years:			
Cashflow hedges:			
Amounts recycled to the income statement		(121)	(14)
Gains arising during the period		121	14
Tax relating to items not reclassified		(41)	(39)
Total items that will not be reclassified to profit or loss		5,959	1,182
Add: reclassification adjustments for gains included in (loss)/profit		279	194
Total other comprehensive income for the year		6,238	1,376
Total comprehensive income for the year		3,738	16,886

The notes on pages 15 to 37 form an integral part of these financial statements.

Abellio East Anglia Limited

Balance sheet
As at 31 March 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Intangible assets	9	4,051	4,688
Plant and equipment	10	39,545	10,321
Investments	11	-	-
		43,596	15,009
Current assets			
Stocks	12	5,097	4,606
Debtors: amounts falling due within one year	13	86,992	62,051
Derivative financial instruments	14	473	194
Cash at bank and in hand	15	118,076	88,283
		210,638	155,134
Creditors: amounts falling due within one year	16	(202,388)	(151,569)
Net current assets		8,250	3,565
Total assets less current liabilities		51,846	18,574
Creditors: amounts falling due after more than one year	17	(30,648)	(429)
Provisions	18	(574)	(1,259)
Net assets		20,624	16,886
Capital and reserves			
Share capital	19	-	-
Hedging reserve		393	155
Profit and loss account		20,231	16,731
Shareholders' funds		20,624	16,886

The financial statements of Abellio East Anglia Limited (registration number: 07861414) were approved by the director and authorised for issue on ...21st September 2018

....

A C R Golton

Director

The notes on pages 15 to 37 form an integral part of these financial statements.

Abellio East Anglia Limited

Statement of changes in equity
For the year ended 31 March 2018

	Share capital £ 000	Hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2016	-	-	-	-
Profit for the financial year	-	-	15,510	15,510
Other comprehensive income	-	155	1,221	1,376
Total comprehensive income	-	155	16,731	16,886
At 31 March 2017	-	155	16,731	16,886

	Share capital £ 000	Hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2017	-	155	16,731	16,886
Loss for the financial year	-	-	(2,500)	(2,500)
Other comprehensive income	-	238	6,000	6,238
Total comprehensive income	-	238	3,500	3,738
At 31 March 2018	-	393	20,231	20,624

Share capital is the proportion of the company equity shown as shares issued.

The hedge reserve in equity is in relation to our existing fuel hedge derivative.

Retained earnings are the profits that are retained in the company that have not been paid out as dividends.

The notes on pages 15 to 37 form an integral part of these financial statements.

1 Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Abellio East Anglia Limited (the "company") for the year ended 31 March 2018 were authorised for issue by the board of directors on 21 September 2018 and the balance sheet was signed on the board's behalf by Adam Golton. Abellio East Anglia Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of Abellio East Anglia Limited are included in the consolidated financial statements of NV Nederlandse Spoorwegen which are available from Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

The principal accounting policies adopted by the company are set out in note 2.

The company is a private company limited by shares.

2 Accounting policies

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The Financial Statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Basis of accounting
The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2 Accounting policies (continued)

Going concern

The company was set up to operate a rail franchise, which commenced on 16 October 2016. This franchise will run for 9 years until 2025. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis in preparing the annual financial statements.

Basis of preparation

The company has prepared the accounts on the basis of FRS 101. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is 'a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(1) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The information is included in the consolidated financial statements of NV Nederlandse Spoorwegen.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

2 Accounting policies (continued)

Pension and other post-employment benefits
The costs of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are based on the census data for statutory funding results of the actuarial valuation of the Scheme as at 31 December 2013. See note 21 for further details.

Significant Accounting policies

Revenue recognition
Revenue is derived, from the operation of passenger railway services and related activities. This includes passenger income which represents agreed amounts attributed to the company by the income allocation systems of Rail Settlement Plan Limited. The Passenger Income Allocation is based upon detailed models of passenger behaviour, and upon allocations from specific revenue flows. The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket.

Revenue is recognised to the extent that it is probable that the future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and value added tax.

Other operating income is derived from ticket commissions, rolling stock hire, on-train catering, advertising, station trading income, depot and station access payments, performance regime payments, and the provision of goods or services to other train operating companies and excludes value added tax. It is recognised on an accruals basis.

The Greater Anglia franchise agreement includes a mechanism for the sharing of revenue risk with the DfT. This includes an upper and lower band (+1.3%/-2.0% from the actual) beyond which payments are made to/from Greater Anglia, with a base year set at 2014/15. The GA franchise states that the 'Annual Population Survey (APS) - Workplace Analysis' published by the Office of National Statistics (ONS) should be used for the purposes of the mechanism with Central London Employment (CLE), defined as 10 London boroughs.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise tax is recognised in the income statement.

2 Accounting policies (continued)

Significant accounting policies (continued)

Deferred taxation

Deferred tax is recognised on all temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforced right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Tangible fixed assets and depreciation

Plant and equipment is stated at cost less accumulated impairment losses. Cost compromises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset. Assets that are in the process of being produced are held in a WIP asset category. On completion the finished asset is transferred to plant and equipment category. Depreciation is charged on the WIP balances where the asset is in use but not formally completed.

Depreciation is provided on plant and equipment and work in progress, on a straight-line basis over its expected useful life.

Plant and cquipment	3-15 years
Work in progress	3-15 years

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are, written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

2 Accounting policies (continued)

Significant accounting policies (continued)

Impairment of non-financial assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of' the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the' higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable, amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Provisions for liabilities
A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Trade and other debtors
Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand
Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Stocks
Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

2 Accounting policies (continued)

Significant accounting policies (continued)

Leased assets

The company as lessee
Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pre-contract costs
Pre-contract costs associated with securing new rail franchises are expensed as incurred, except where it is virtually certain that a franchise will be awarded, in which case they are recognised as an intangible asset and are amortised on a straight-line basis over the life of the franchise.

Pensions and other post-employment benefits
The company contributed to a defined benefit pension scheme on behalf of the majority of the employees. The company participated in the Railways Pension Scheme ("RPS"), a defined benefit scheme which covers the whole of the UK Rail industry. This is partitioned into sections and the company is responsible for the funding of the sections whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee.

The company provides a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The cost of providing benefits under the defined benefit plan is determined each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

2 Accounting policies (continued)

Significant accounting policies (continued)

Pensions and other post-employment benefits (continued)
Remeasurements, comprising actuarial gains and losses, are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Financial instruments

Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Derecognition of financial liabilities
A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instalment that is substantially the same; discounted cash flow analysis or other valuation models.

2 Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities (continued)

The company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting hedges used by the company are classified as cash flow hedges that hedge exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement within operating costs as part of materials and consumables (note 8) when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

The company uses commodity swap contracts to hedge its exposure to fuel prices. Refer to note 14 for further details.

3 Revenue

Revenue recognised in the income statement, all of which arose in the United Kingdom is analysed as follows:

	2018 £ 000	2017 £ 000
Passenger income	599,290	269,331
Rental income	3,587	1,503
Other operating income	47,355	20,100
	650,232	290,934

3 Revenue (continued)

Deferred revenue

	2018 £ 000	2017 £ 000
At 1 April	70,196	-
Deferred during the year	2,640	6,104
Increase due to transfer from previous franchisee	-	64,649
Released to the income statement	(829)	(557)
At 31 March	72,007	70,196

The deferred revenue refers to season ticket revenue and sales of advanced tickets. Customers purchase tickets with an element of travel relating to future periods and the revenue relating to future periods is deferred onto the balance sheet and allocated to the relevant year.

4 Staff costs and directors' remuneration

	2018 £ 000	2017 £ 000
Wages and salaries	121,533	52,763
Social security costs	12,553	5,317
Pension costs		
- Defined benefit (note 21)	14,998	5,069
- Defined contribution (note 21)	1,254	371
Other costs - including agency staff and training costs	9,932	5,714
	160,270	69,234

The average number of employees (including directors) during the year was as follows:

	2018 No.	2017 No.
Managerial and administrative	595	555
Operational	2,413	2,271
	3,008	2,826

Directors' remuneration

	2018 £ 000	2017 £ 000
Aggregate emoluments (excluding pension contributions)	470	200

The total emoluments of the highest paid director for the year ended 31 March 2018 were £249,000 (2017: £101,000).

There were no retirement benefits accruing to directors at 31 March 2018 under a defined benefit scheme (2017: £nil).

5 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Bank interest receivable	530	169
Net interest on pension scheme	163	30
	693	199

6 Interest payable and similar costs

	2018 £ 000	2017 £ 000
Interest payable to group undertakings	447	164
Interest payable on finance leases	1,333	15
	1,780	179

7 Tax expense

(a) Tax charged in the income statement:

	2018 £ 000	2017 £ 000
Current income tax		
UK corporation tax	2,213	4,296
UK corporation tax adjustment to prior periods	(71)	-
Total current income tax	2,142	4,296
Deferred tax		
IAS 19 remeasurement movement	(1,026)	(305)
Effects of changes in tax rates	152	-
Adjustment in respect of previous periods	96	-
Other	-	(84)
Total deferred tax credit	(778)	(389)
Tax charge in the income statement	1,364	3,907

(b) Tax relating to items charged or credited to other comprehensive income

Deferred Tax:

	2018 £ 000	2017 £ 000
Actuarial gains on defined benefit pension plans	(1,174)	(305)
Movement on fuel hedge liability	(41)	(39)
Tax expense in the statement of other comprehensive income	(1,215)	(344)

Abellio East Anglia Limited

Notes to the Financial Statements (continued)
For the year ended 31 March 2018

7 Tax expense (continued)

(c) Reconciliation of the total tax charge

The tax expensed in the income statement for the year is higher (2017: higher) than the standard rate of corporation tax in the UK 2018: 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £ 000	2017 £ 000
Accounting profit before tax	(1,136)	19,417
Tax on profit at standard UK Corporation tax rate of 19.00% (2017: 19.25%)	(216)	3,883
Effects of:		
Expenses not deductible for tax purposes	326	24
IAS 19 Adjustment	1,363	-
Capital allowances in excess of depreciation	(109)	-
Total tax expense reported in the income statement	1,364	3,907

(d) Deferred tax:

The deferred tax in the balance sheet as follows:

	2018 £ 000	2017 £ 000
Brought forward as at 1 April	45	-
Depreciation in excess of capital allowances	(302)	(10)
Other	(136)	55
Deferred tax (liability)/asset as at 31 March	(393)	45

The movement on deferred tax is due to timing differences on depreciation and capital allowances and movements on provisions and derivative financial instruments. The period of time that these will be realised over will be the remaining life of the franchise, 7 years and 7 months.

Deferred tax in the income statement

	2018 £ 000	2017 £ 000
Deferred tax on actuarial pension' remeasurement	(1,026)	(305)
Arising from changes in tax rates and laws	152	-
Adjustment in respect of previous periods	96	-
Other	-	(84)
Deferred tax credit	(778)	(389)

The standard rate of UK corporation tax is 20% and this took effect from 1 April 2015. The Summer Finance Act enacted UK corporation tax reductions to 19% from 1 April 2017 and to 18% from 1 April 2020. The 2016 Finance Act then superseded the 18% rate, instead introducing a UK corporation tax rate of 17% from 1 April 2020.

7 Tax expense (continued)

Accordingly, these rates are applicable in the measurements of the deferred tax assets and liabilities at 31 March 2018. Deferred tax has been provided at 17%.

8 (Loss)/profit

Profit for the financial year is stated after charging:

	2018 £ 000	2017 £ 000
Depreciation - leased assets	61	61
Depreciation - owned assets	1,725	656
Amortisation of intangible assets	532	251
Materials and consumables (cost of stock)	9,853	5,430
Operating lease rentals		
- rolling stock	151,803	67,078
- property	1,425	676
- other	1,875	1,008
Access and other related Network Rail charges	163,142	60,372
Auditors' remuneration - audit fees	212	54
- non audit fee	42	10

9 Intangible assets

	Other intangible asset £ 000
Cost or valuation	
At 1 April 2017	4,939
Disposals	(105)
At 31 March 2018	4,834
Amortisation	
At 1 April 2017	251
Amortisation charge	532
At 31 March 2018	783
Carrying amount	
At 31 March 2018	4,051
At 31 March 2017	4,688

Intangible assets comprise of costs associated with the mobilisation of the franchise.

The amortisation of the costs will be over the life of the franchise, which runs for eight years until 15 October 2025.

10 Plant and equipment

	Plant & equipment £ 000	Work in progress £ 000	Total £ 000
Cost or valuation			
At 1 April 2017	5,824	5,214	11,038
Additions	405	31,116	31,521
Disposals	-	(511)	(511)
At 31 March 2018	6,229	35,819	42,048
Depreciation			
At 1 April 2017	717	-	717
Charge for the year	1,544	242	1,786
At 31 March 2018	2,261	242	2,503
Carrying amount			
At 31 March 2018	3,968	35,577	39,545
At 31 March 2017	5,107	5,214	10,321

The carrying value of plant and equipment held under finance leases at 31 March 2018 was £517,868. There were no additions during the year of plant and equipment held under finance leases. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Assets that are in the process of being produced are held in a WIP asset category. On completion the finished asset is transferred to plant and machinery category. Depreciation is charged on the WIP balances where the asset is in use but not formally completed.

11 Investments

One share in each of the following companies is held by Abellio East Anglia Limited and were all acquired for nil consideration.

Company name	Capital	Proportion held	Activities
ATOC Limited	£0.04	5.0%	Contracting arm of ATOC
Rail Settlement Plan Limited	£0.05	5.0%	Operates the income
Rail Staff Travel Limited	£0.05	5.0%	Manages staff travel in the industry on behalf of ATOC
Train Information Services Limited	£1.00	5.3%	Provides rail related information to the public

11 Investments (continued)

The registered office for all the above companies is 200-202 Part Second Floor Aldersgate Street, London, EC1 4HD.

The above investments transferred from Abellio Greater Anglia Limited on 16 October 2016.

12 Stocks

	2018 £ 000	2017 £ 000
Catering stock	36	25
Engineering spares	5,061	4,581
	5,097	4,606

There was no material difference between the replacement value of stock and the cost value.

13 Debtors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade debtors	31,585	21,111
Other debtors	2,695	11,512
Prepayments and accrued income	52,712	29,383
Deferred tax asset	-	45
	86,992	62,051

The current bad provision is £233,528 and covers debts that management judge as being at a high risk of non payment. Prepayments include a £4.7m (2017: £1.6m) payment for Wifi, which will unwind over a period greater than one year.

14 Derivative financial instruments

	2018 £ 000	2017 £ 000
Fuel hedge asset	473	194

The company operates passenger railways services in the UK and, as such, is exposed to movements in fuel prices. To protect cash flows, the company enters into commodity swap contracts, to hedge a proportion of its exposures to fuel price. The commodity swap contracts that were put in place in 2016 are between Abellio East Anglia Limited and Britannic Trading Limited.

The fair value of the fuel hedge was calculated using a discounted cash flow methodology. The forward rate, for diesel was calculated on a monthly basis for the duration of the contract, and converted into GBP using a forward rate.

15 Cash at bank and in hand

Included in the cash balance of £118,076,000 (2017: £88,283,000) there is a restricted cash balance of £63,373,000 (2017: £64,752,000) relating to the season ticket bond.

16 Creditors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade creditors	36,777	27,390
Social security and other taxation	5,295	4,504
Accruals and deferred income	66,098	35,602
Intercompany creditor	5,220	4,001
Other creditors	14,416	13,579
Deferred season ticket income	63,366	61,848
Income tax payable (note 7a)	6,437	4,296
Deferred asset grant	4,634	154
Obligations under finance leases (note 23)	145	195
	202,388	151,569

Intercompany creditors are payable on thirty day terms.

17 Creditors: amounts falling due after more than one year

	2018 £ 000	2017 £ 000
Obligations under finance leases (see note 23)	255	429
Parental Company Support facility	30,000	-
Deferred tax liabilities	393	-
	30,648	429

Parental Company Support

On 31 January 2018 Abellio East Anglia Limited utilised £30,000,000 of their parental company support draw down facility. This consisted of £18,000,000 from NS Groep NV and £12,000,000 from Mitsui & Co. Ltd. The amounts are repayable on 17 December 2020, £15,000,000 and 17 December 2021, £15,000,000.

A further draw down of £50,000,000 occurred on 15th August 2018. This consisted of £30,000,000 from NS Groep NV and £20,000,000 from Mitsui & Co. Ltd. The amounts are repayable on 15 December 2023, £25,000,000 and 15 December 2024, £25,000,000.

The rate of interest charged is 8% per annum. The funds are drawn down against the contingent loan facilities from the shareholders that are secured by bonds.

18 Provisions

	Central London Employment	Insurance	Employee Tribunal	Total
	£000	**£000**	**£000**	**£000**
At 1 April 2017				
Current	-	181	78	259
Non-current	1,000	-	-	1,000
	1,000	**181**	**78**	**1,259**
Provided in the year	-	281	34	315
Utilised in the year	(1,000)	-	-	(1,000)
At 31 March 2018	**-**	**462**	**112**	**574**
Analysed as:				
Current	-	462	112	574
Non-current	-	-	-	-
	-	**462**	**112**	**574**

The insurance and employee tribunal provisions arise from the estimated exposure at the year end of insurance and employment claims made against the company. The expectation is that these provisions will be utilised in the next 6 years.

The Greater Anglia franchise agreement includes a mechanism for the sharing of revenue risk with the DfT. The franchise agreement states that the 'Annual Population Survey (APS) - Workplace Analysis' published by the Office of National Statistics (ONS) should be used for the purposes of the mechanism with Central London Employment (CLE) defined as 10 London boroughs. A significant and unexpected upward revision to CLE reported actuals was seen for 2015/16, 2016/17 and 2017/18, which was not in line with commuter travel growth trends actually experienced. A provision of £1,000,000 was made at 31st March 2017 whilst further reviews took place, as the mechanism had produced an unintended consequence. However in July 2018, DfT decided to enforce the payment mechanism for 2016/17 and the liability is now reflected as an accrual, rather than a provision.

19 Share capital

Authorised

	2018 £	2017 £
1 Ordinary share of £1 each	1	1

Allotted, called up and fully paid

	2018 £	2017 £
1 Ordinary share of £1 each	1	1

20 Capital commitments

	2018 £ 000	2017 £ 000
Contracted	48,427	21,792
Authorised but not contracted	133,209	93,672

The capital commitments relate to projects that Abellio East Anglia Limited is undertaking and plan to undertake in the future. The contracted element relates to projects that are approved and the business is committed to undertake.

21 Retirement benefit schemes

The company operated both defined benefit and defined contribution schemes, both schemes assets are held separately from those of the company in independently administered funds. The company commenced contributing to both defined benefit and contribution schemes on 16 October 2016, when the franchise started.

The majority of the company's employees are members of the Great Eastern Railway, Anglia Railway and London Eastern Railway Shared Cost Sections of the RPS, a funded defined benefit scheme. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. To date, the Group, within which this company is a member, has experienced seven changes of UK Train franchise ownership where the current owner has funded the scheme during the franchise term. By entering into the franchise contract, the TOC becomes the designated employer for the term of the contract and under the rules of the RPS must fund its share of the pension liability in accordance with the schedule of contributions agreed with the Scheme trustees and actuaries and for which there is no funding cap set out in the franchise contract.

Any deficit reflected in the balance sheet reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax. A 'franchise adjustment' is made to the deficit on this basis. The franchise adjustment is the projected deficit at the end of the franchise term which the company will not be required to fund, discounted back to present value.

The valuations used have been based on the most recent actuarial valuations at 31 March 2018 and updated by Mercer in order to assess the liabilities of the schemes as at the subsequent balance sheet dates. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are applied to each category of scheme assets. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

21 Retirement benefit schemes (continued)

The breakdown of asset categories is as follows:

	2018	2017
	%	%
Equities	61.55	58.69
Bonds	14.15	14.35
Property	11.2	12.45
Cash	10.76	11.40
Other	2.34	3.11
	100	100

The assets and liabilities of the schemes at 31 March are:

	2018 £ 000	2017 £ 000
Fair value of scheme assets.	416,250	400,494
Present value of scheme liabilities	(578,000)	(614,930)
Franchise adjustment	97,050	128,662
Defined benefit obligation	(64,700)	(85,744)
Members' share of deficit	64,700	85,744
Deficit in the scheme	-	-
Related deferred tax asset	-	-
Net pension liability	-	-

The amounts recognised in the Income Statement and Statement of Comprehensive Income for the year is analysed as follows:

Recognised in the income statement:

	2018 £ 000	2017 £ 000
Administration cost	2,057	326
Current service cost	12,941	4,743
Recognised in arriving at operating profit (notes 4, 8)	14,998	5,069

The expected contributions for the company for year end 31 March 2019 are £7,887,000.

21 Retirement benefit schemes (continued)

Analysis of the amount credited to finance income:

	2018 £ 000	2017 £ 000
Expected return on pension scheme assets	6,093	2,651
Interest expense on pension scheme liabilities	(9,147)	(4,211)
Interest on franchise adjustment	3,217	1,590
Net credit to finance income (note 5)	163	30

Taken to statement of comprehensive income:

	2018 £ 000	2017 £ 000
Return on plan assets	6,439	21,705
Actuarial loss arising from changes in financial assumptions	53,630	(8,229)
Loss on franchise adjustment	(28,005)	(5,352)
Loss from change in members' share	(34,829)	(6,598)
Effect of experience adjustments	9,939	-
Recognised in Statement of Comprehensive Income	7,174	1,526

Change in the present value of the defined benefit provision obligations are analysed as follows:

	2018 £ 000	2017 £ 000
Defined benefit obligation at 1 April	(614,930)	-
Transfer from previous franchisee	-	(596,100)
Current service cost	(21,439)	(7,841)
Benefits paid	10,045	4,261
Interest on benefit obligation	(15,245)	(7,021)
Remeasurements - change in financial assumptions	53,630	(8,229)
Remeasurements - experience adjustments	9,939	-
Defined benefit obligation at 31 March	(578,000)	(614,930)

The defined benefit obligation is £578,000,000 (2017: £614,930,000) from plans that are wholly or partly funded.

21 Retirement benefit schemes (continued)

Changes in fair value of plan assets are analysed as follows:

	2018 £ 000	2017 £ 000
Defined benefit obligation at 1 April	400,494	-
Transfer from previous franchisee	-	373,318
Interest income on plan assets	10,155	4,421
Contributions by employer	7,661	3,514
Contributions by employee	4,975	2,343
Actuarial gains	6,439	21,705
Benefits paid	(10,045)	(4,261)
Administration expense	(3,429)	(546)
Fair value of schemes assets at 31 March	416,250	400,494

Pension contributions are determined with the advice of independent qualified actuaries, Mercers, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market value.

The following key assumptions have been used:

	2018 %	2017 %
Main assumptions		
Rate of salary increases	2.50	2.60
Rate of increases in pension payments	1.90	2.00
Discount rate	2.80	2.50
Inflation assumption	1.90	2.00

The UK discount rate is based on published indices for 15 year AA bonds. Outlying items in the market population are ignored. The assumptions for inflation and for increases in pensions are based on the yield gap between long term index-linked and long-term fixed interest gilt securities. Mortality rates are based on SAPS tables, adjusted to reflect recent experience in the scheme, and projected reflects improvements in life expectancy.

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely 'correct' and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A 'sensitivity analysis' shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report.

21 Retirement benefit schemes (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	*Change in Assumption*	*Impact on scheme liabilities*
Discount rate	Increase/decrease by 25bps	Increase/decrease by 5%
Inflation assumption	Increase/decrease by 25bps	Increase/decrease by 5%
Rate of salary increases	Increase/decrease by 25bps	Increase/decrease by 2%
Post retirement mortality	Minus one year rating	Increase by 2.4%

At the 31 March 2018, the weighted average duration/maturity of the defined benefit obligation was 22 years.

A draft actuarial valuation at 31 December 2016 was completed during 2017 and there is a legal obligation to finalise the valuations and schedules of contributions before the statutory deadline of 31 March 2018. Discussions with the Pensions Regulator, and other stakeholders, in relation to the Pensions Act valuation for all Railway Pension Schemes for the Train Operating Companies are still ongoing and this process is likely to continue for some months. As a result, the Regulator has asked that the Pensions Act valuation is not completed until matters are all agreed. Until the valuation is complete, it will not be possible to determine future investment strategy and cash contributions.

Pension remeasurements:

Under FRS 101 the company is required to account for remeasurement adjustments through other comprehensive income. The remeasurement to 31 March 2018 was £7,174,000 (2017: £1,526,000).

The company also contributed to a defined contribution pension scheme, the Industry-Wide Defined Contribution section of the RPS. The company commenced contributions on 16 October 2016 at the start of the franchise agreement. The cost for the year was £1,254,000 (2017: £371,000) and there were no contributions outstanding at 31 March 2018 (2017: £nil).

22 Obligations under operating leases

The company has entered into commercial leases on certain properties, rolling stock vehicles and items of machinery. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 £ 000	2017 £ 000
Future minimum lease payments due:		
Not later than one year	155,053	145,326
After one year but no more than five years	240,393	331,228
	395,446	476,554

23 Obligations under finance leases

The company uses finance leases and hire purchase contracts to acquire plant and machinery and property. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018 £ 000	2017 £ 000
Future minimum lease payments due:		
No later than one year	169	228
After one year but no more than five years	297	500
	466	728
Less finance charges allocated to future periods	(66)	(104)
Present value of minimum lease payments	400	624

The present value of minimum lease payments is analysed as follows:

	2018 £ 000	2017 £ 000
Not later than one year (note 16)	145	195
After one year but no more than five years (note 17)	255	429
	400	624

24 Contingent liabilities

The company, as the franchisee has procured a performance bond in favour of the Department for Transport. This bond is in place for the franchise term and for a period of seven reporting periods after the end of the franchise.

The performance bond amount as at 31 March 2018 was £15,000,000 (2017: £15,000,000).

In addition, Abellio East Anglia Limited, as the franchisee, had procured a season ticket bonds in favour of the Department for Transport. The maximum season ticket bond value as at 31 March 2018 was £63,373,124 (2017: £64,752,000).

The company has a subordinated loan facility with NS Groep NV and Mitsui & Co of £271,789,970 in order to meet any financing requirements over the franchise term. This facility is supported by bonds of £135,894,985.

25 Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are as follows:

25 Related party transactions (continued)

	Recharges to related party	Purchases from related party	Recharges from related party	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000	£000	£000
Abellio London Limited	-	9,048	142	-	2,981
Abellio Scotrail Limited	-	-	17	-	-
Abellio Transport Holdings Ltd	-	-	4,420	58	2,092
Abellio Transport Holdings BV	-	987	-	-	-
Abellio Corporate Travel	-	2,657	-	-	-
Abellio Greater Anglia Limited	804	-	247	-	-
NS Groep NV	-	-	-	-	18,147
Mitsui & Co Ltd	-	256	34	-	12,000
	804	12,948	4,860	58	35,220

Abellio London Limited - The provision of bus services (Rail replacement) to Abellio East Anglia Limited.

Abellio Scotrail Limited - Recharge of costs as invoiced incorrect company.

Abellio Transport Holdings Limited - The recharge of costs between the two companies; this relates to salary recharges, Abellio Corporate Travel transactions and mobilisation costs.

Abellio Transport Holdings BV - The recharge of interest costs on the Season Ticket Bond, Performance Bond & PCS Bond.

Abellio Corporate Travel - The recharge of Commission, Sundries and Trainline passback costs. This will be recharged under Abellio Transport Holdings Limited from 1st April 2018.

Abellio Greater Anglia Limited - The recharge of costs between the two companies relating to the mobilisation period of the new franchise.

NS Groep BV - Parental Company Support facility

Mitsui & Co Ltd - The recharge of staff costs and interest costs on the Season Ticket Bond, Performance Bond & PCS Bond.

26 Ultimate Group undertaking

The company's immediate parent undertaking is Anglia Rail Holdings Limited incorporated in Scotland, which is a 60% subsidiary of Abellio Transport Group Limited, also incorporated in Scotland. Mitsui & Co Limited/ Mitsui & Co Europe PLC who own 40% of share capital.

The ultimate parent company is NV Nederlandse Spoorwegen, incorporated in the Netherlands.

The company is included within these Group accounts which are publicly available.