

Annual Report and Accounts of **East West Railway Company Limited**

2018/19



East West Railway Company Limited

Annual Report and Accounts
for the year ended 31 March 2019

Accounts presented to the House of Commons pursuant to
Section 7 of the Government Resources and Accounts Act 2000

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01. Welcome from the Chairman



Reflections of Bedford
statue, Bedford

In 2017, the Secretary of State for Transport asked me to set up East West Railway Company (the Company) and set an ambitious challenge to accelerate delivery of rail infrastructure and passenger services between Oxford and Cambridge.

The Company became operational on 10 September 2018 - triggering considerable interest from stakeholders across the route. I would like to pay special tribute to the East West Rail Consortium - a cross-party group of seventeen local authorities who have been active since the 1990s and were a key driving force behind the initiation of this project.

Our project has already secured significant support. We have a compelling business case around how we can help drive economic prosperity with huge potential to create jobs and opportunities - linking places where people can live and work.

Listening to our communities

Our success depends on listening to the views of all residents, potential customers, businesses, universities and colleges and other institutions across the route. This has been very much the focus of the Company since formation, to ensure that the railway we build is based on customer need.

From Oxford, through Milton Keynes, to Cambridge, our route will serve a diverse range of exciting businesses - high-tech, finance and life sciences. By providing an excellent service, we hope to attract people who would not previously have considered using public transport and those who will be moving to the corridor to live and to work.

“

Our success depends on listening to the views of all residents, potential customers, businesses, universities and colleges and other institutions across the route.”

Above all, we aim to be relevant and valuable to all sections of society – linking jobs and housing opportunities and providing enhanced amenity for those living and working on the route.

Putting the environment at the heart of our project

We have committed to achieving a net biodiversity gain across the programme. Colleagues across the Company understand this huge responsibility to safeguard the natural environment. Our intention is to complement and enhance, rather than distract from, the communities that we will serve along the route.

Bringing innovation

In delivering the service, we intend to achieve a cultural shift in terms of the following: how we serve customers (noting particularly that information is vital when planning and making a journey); how we harness new technologies – much in evidence along the route – to deliver the project and the services; and how we select our suppliers.

Conclusion

I look on it as a great privilege to be asked to chair this young and dynamic organisation and to work with colleagues and stakeholders to deliver a truly exceptional railway that can help enhance the economic, social and environmental aspects of this exciting corridor.



Signed: Rob Brighthouse



Oxford Blockade

02.

Foreword by the Chief Executive



Bletchley Park,
Buckhamshire

This year has seen a period of high activity across the board since we became operational in September 2018.

In this time, we've grown the core team from seven employees to over 45 dedicated specialists. Our focus has been to seek out the right skills and mindset to support our remit for innovation – hiring those who've been working on some of the world's most exciting rail and infrastructure projects as well as people injecting inspiration and ideas from other industries entirely.

Listening to our communities

We spent the early part of 2019 in public consultation for the Bedford to Cambridge section – looking for views on five alternative proposed routes. This exercise triggered over 7,000 responses – revealing the level of local engagement. The range and quality of feedback was excellent and we are currently looking at all the comments we've received and working with partners and the government as we narrow down to a preferred route option.

A public enquiry into the Oxford to Bedford section also took place at the beginning of the year. The Inspector received over four hundred letters of support for the project and is expected to deliver a final report to the Secretary of State for Transport in the coming months.

We remain incredibly grateful to members of the public and our stakeholders who took the time to engage with these processes. The project will undoubtedly be better as a result.

Another rewarding exercise has been to commission a research study into our future customers – getting to the heart of who they are and what they need from us. This kind of work, undertaken at such an early stage, sets us apart from other delivery models and ensures that communities will get the railway service that is right for them.

A new way to engage with the industry

We made the decision actively to engage with suppliers of rolling stock ahead of our formal procurement process later this year, to secure trains for the western section of the route. Market reaction has been extremely positive. We know trains running on our route need to be reliable, comfortable and affordable and this has been a valuable way both to capture market insight and to generate interest and engagement. We have also held supplier-engagement events with those companies interested in working with us on the development of the Bedford to Cambridge section of the route.

“

We have a unique motivation, stemming from our firm belief that things in our industry can be done better.”

The way forward

We will continue to combine innovation with a forensic approach to securing best value. Alongside our ability to boost economic prosperity, we have a unique motivation, stemming from our firm belief that things in our industry can be done better.

I am excited to be leading East West Railway Company as we work to deliver the world-class railway that the region needs and the brilliant service our future customers deserve.



Signed: Simon Blanchflower CBE





Punts on River Cam,
Cambridge

03. Strategic Report



Bedford Charter Market,
Bedford

3.1 Status

The Company is a limited company with a single share in issue. This share is owned by the Secretary of State for Transport. The Company is also an arm's-length body (ALB) of the Department for Transport (DfT).

3.2 Purpose

The Company is responsible for the delivery of a programme of works to connect Oxford and Cambridge by rail, linking them with Bicester, Bletchley, Milton Keynes, Bedford and many communities in between.

The section of East West Rail between Oxford and Bedford (often called the Western Section) will reinstate and upgrade railway lines which have been out of use since the early 1990s. Work is already underway, with the upgrade of the section between Oxford and Bicester having been delivered in 2016. Major civil and engineering works to construct the next phase (between Bicester and Bedford) are due to start in the second half of 2019/20, subject to Network Rail securing the necessary consent.

The section of East West Rail between Bedford and Cambridge (often called the Central Section) will be connected by a new railway line with new stations. When the Central Section of East West Rail is complete, services will be able to run between Oxford and Cambridge, serving stations along the way and connecting with existing north-south rail lines.

Established by the Secretary of State for Transport, the Company is currently directed to deliver:

- Strategically relevant infrastructure, with **clarity of purpose**

- **Lower cost** infrastructure, **more quickly**
- New methods of **funding and financing** infrastructure
- A **more integrated** railway, with **better services for passengers**
- A major industry **cultural shift**

The purpose of the Company is to be a force for industry change, for the people and communities it services.

The Company's role is therefore to be an intelligent client with the expertise to integrate the "golden thread" from desired outcomes to requirements, into design, through to delivered benefits. A single, nimble, focused, multi-disciplinary organisation is the most effective way to drive this outcome.

3.3 Target Operating Model

The Company's Target Operating Model (TOM) was first established in late 2017, was refreshed in March 2019 and now covers five layers:

- Organisational design
- Governance
- Processes
- Data and reporting
- Systems landscape

Collectively, these layers articulate the ultimate end-state design of the organisation to enable the successful delivery of the Company's Scheme and the fulfilment of the Secretary of State's corporate objectives.

3.4 Organisational structure

The organisation is structured around eight functional areas that represent groups of coherent capabilities and support the achievement of the Company's objectives. These are:

Strategy and Sponsorship - Owns the definition and delivery of the Company's strategy, in order to deliver the objectives established by the Strategic Sponsor (DfT) and the needs of our future customers. This team is the guiding mind to ensure the Company is innovative and competitive in its approach. This team also provides a clear focal point for all sponsorship, industry change and stakeholder engagement, ranging from government to local stakeholders.

Corporate Services - Manages the Company's finances and associated financial planning, management, accounting and control processes as well as procurement, legal and IT activity. It provides the oversight and financial guidance necessary to help protect value for money in programme delivery and operations management.

Engineering - Owns the definition and maintenance of appropriate engineering standards. This includes monitoring design compliance, and approving designs through a review and assurance process. Engineering will also establish strategies for asset management and asset information and has responsibility across all engineering disciplines including systems engineering and technical requirements management.

Operations - Owns the integrated operations strategy for the Network and Train Operations and is responsible for setting out how the Company will meet industry standards of good practice. It will develop the operational concept and the ongoing role of the Company during the operational phase of the project.

Health, Safety, Security and Quality - Establishes the health and safety systems and processes for the organisation that meet or exceed regulatory requirements and industry best practice. This includes setting standards for physical security and providing and overseeing the quality-management system for the business. This function trains the Company's workforce in its health and safety practices, managing reporting on the health and safety performance of the Company and its suppliers as a key input into the Company's governance mechanisms. The function also provides document control capacity in support of the quality-management system.

Human Resources - Establishes and implements HR strategies and policies, acting as the leadership focal point for HR. HR recruits, develops and supports the retaining of staff through organisational and geographic change, and puts in place the mechanism for managing the performance of our people.

Western Section Delivery - Oversees and assures the work delivered by Network Rail through the EWR Alliance (who are taking forward the construction of the Western Section) to time, cost and quality requirements. It reports to the DfT on progress, adherence to safety, technical and construction standards and the manner in which the Alliance is meeting good industry practice (on safety and infrastructure).

Central Section Delivery - Leads and manages the delivery of the Central Section, including the development of the Scheme design, Development Consent Orders (DCO) and management of processes for private-sector involvement. It is responsible for ensuring that the Company meets or exceeds industry good practice (on safety and infrastructure).

3.5 Principle objectives in 2018/19

The Company was first established on 20 November 2017 but remained dormant until 10 September 2018, when it became operational. 2018/19 was therefore a year of mobilisation for the Company.

A central objective for the year was to formalise the status of the Company as an ALB of the Department for Transport and to begin to implement the TOM developed in late 2017.

In August 2018, a Framework Document was agreed with the DfT that established the relationship between the Company and the DfT. Once the Company became operational on 10 September 2018, the following were identified as the key next steps:

- Agreeing and implementing an organisational structure
- Setting and documenting Company policy and procedures
- Setting a budget and controlling expenditure
- Setting up a governance structure, including a variety of boards/reports
- Recruiting at significant pace

- Introducing interim Procurement, Finance and HR systems
- Implementing new HR and ERP systems
- Establishing new EWR Co Offices
- Installing a new payroll system
- Establishing a performance-related-pay mechanism for both FY18/19 and FY19/20
- Setting up a pension scheme
- Transitioning to non-DfT IT hardware
- Launching the independent EWR Co brand and website

Progress was also made on both the Western and Central sections of the Scheme, with Delivery Directors recruited for both.

For the Western Section, by the end of 2018/19, the Company had:

- Produced and submitted an updated OBC for BICC approval
- Submitted a DfT Board Investment Commercial Committee (BICC) paper to request interim funding and to approve the Outline Business Case (OBC)
- Re-established the Station Design Working Group
- Received a Programme Plan from NR and provided challenge regarding Target Cost

On the Central Section, the Company has:

- Commenced the Engineering Partner Procurement Process
- Produced the East West Rail Bedford to Cambridge Route Technical Report
- Produced the East West Rail Bedford to Cambridge Route Consultation Document
- Opened and closed the non-statutory public consultation on five route options

3.6 Risk management

The Company has adopted an enterprise approach to risk management (ERM) aligned to HM Treasury Guidance and the Cabinet Office Framework for the Management of Risk in Government and ISO31000.

The Company's Risk Management Strategy and associated procedures provide clarity on the principles, accountabilities, responsibilities and methodology for the effective implementation of risk management across the Company.

The Company aspires to have a best-in-class approach to risk management, and to be a high-performing, innovative organisation, delivering value for money by applying the best in worldwide design and construction techniques, whilst deploying exemplary practices in health and safety, equality, diversity and inclusion, community relations and environmental control.

As part of the Company's objectives, risk management supports the delivery of an integrated railway between Oxford and Cambridge to be achieved through demonstrable benefit realisation to the local

community and a cost-effective delivery model supporting timely completion of works.

The Company puts safety at its very heart and therefore has no appetite for any risks that could result in loss or injury to the public, passengers or our workforce.

The Company recognises that its reputation is influenced by its ability to manage public funds wisely and to deliver the Company portfolio of works within the approved funding envelope. The Company will therefore seek to reduce risk to low levels in respect of the achievement of programme objectives. The Company is, however, prepared to accept commercial and operational risks that stimulate innovation both within the Company and its supply chain, to test established norms and introduce best practice that may accelerate programme delivery, reduce cost or enhance the passenger experience. In doing so, the Company will carefully monitor and assess the individual and compound implications of this approach, both for itself and for the stakeholders, to minimise their exposure to risk.

The Company recognises that its risks must change over the programme life cycle as it moves from consultation and approvals, to construction, delivery and operations.

3.7 Areas for future development

As part of the 2019/20 Business Planning process, activities and workstreams for the upcoming year have been articulated. These activities contribute both to programme delivery on the Scheme and also to corporate-enabling activities that further mature the Company's establishment and capability.

There are, however, a number of specific areas requiring the particular attention of the Management Team and Company Board. These are articulated below.

Recruitment - Recruiting and developing people within the Company will continue to be a critical success factor for 2019/20. In March 2019, the Company refreshed the TOM and this identified a need to increase headcount to 96 roles. To fill this organisational structure, considerable focus and effort on recruitment activities across all functional areas will be required. Once this is achieved, the capability of the Company will be significantly increased in anticipation of future delegations.

Building capability - The Company operates under the principle of earned autonomy, and as such must continue to demonstrate its improving capability to the DfT in order to receive the delegations required to fulfil its role. As part of establishment activities, the Company was capability tested in 2018, with initial delegations granted at the point when it became operational in September 2018. The Company will continue to build its capability across all TOM layers (organisation; governance; data and reporting; systems; process) ahead of further capability testing in the second half of 2019.

Maturing the role of the Company - The role of the Company will continue to mature into 2019/20, culminating in the development of the Corporate Plan in November 2019. This plan will outline:

- How the Company will deliver its objectives
- What are the Company's core competencies
- What the Company plans to do over the next three to five years

- How success will be measured over that time

Reporting - The Company continues to strive towards world-class reporting, but it is recognised that improvement is required throughout the upcoming year. The Company's programme controls are oriented towards, and its technology teams are currently exploring new methods and technologies to deliver reporting and management information to internal and external governance, to support more timely and effective decision making. This work is likely to continue beyond 2019/20 and will be predicated on the support from delivery partners and the strategic sponsor (DfT).

3.8 Measuring performance in FY2018/19

Nonetheless, the Company did participate in periodic governance meetings between Network Rail and the DfT known as the Joint Oversight Board (JOB). These meetings enabled the Company to present external findings, predominantly focused on Western Section programme delivery, providing an additional layer of challenge and assurance to existing delivery parties. Internally, the Company ran weekly Transition Management Office (TMO) meetings, which focused on the implementation of the five layers of the Target Operating Model. The ultimate goal of the TMO was to build the Company's capability, to enable it to assume corporate delegations from the DfT and operate as an established ALB.

Findings from both JOB and TMO meetings were presented to the Secretary of State on a periodic basis, providing the Company's Management Team with an opportunity to report on Company mobilisation progress.

As part of the FY2019/20 business planning process, the Company's Management Team has formalised a corporate scorecard and set of KPIs to measure its performance in the upcoming year. It is acknowledged that as the business matures and grows, and as the programme transitions between design, delivery and operational phases, the metrics and targets that have been established will continue to evolve.

In the meantime, the Company continues to report on its performance through formal governance in four main areas:

- Western Section
- Central Section
- Systemwide
- Corporate enablers

3.9 Review of financial performance

The Company's financial performance for the year ended 31 March 2019 is detailed in the financial statements on pages 49–62.

The Company was set up on 20 November 2017 but only became operational from 10 September 2018, i.e. the date from which the Company began to incur costs and receive funding from the Department for Transport.

During 2018/19, the Company was entirely funded by capital contributions from the Department for Transport. No income was generated from any other source.

Between 10 September 2018 (when it became operational) and the 2018/19 year-end, the Company incurred a combined capital and resource expenditure total of £8.3 million (FY2017/18: £Nil).

- Capital expenditure in year was £0.1m (2017/18: £Nil). This cost primarily arose from the acquisition of IT assets, which were capitalised in accordance with the Company's accounting policy.
- Resource expenditure was £8.2m (2017/18: £Nil). In this initial period of operation resource expenditure was focused on pay (£3.0m), consultancy (£3.3m) and IT (£1.0m).

3.10 Greening Government Commitments

The Company received an exemption from reporting under the Greening Government Commitments due to its size in 2018/19.

3.11 Going-concern basis

On 6 December 2016 a Written Ministerial Statement was provided to the house on behalf of the Secretary of State for Transport, Chris Grayling, advising the House of his intention to, "... establish East West Rail as a new and separate organisation, to accelerate the permissions needed to reopen the route and to secure private-sector involvement to design, build and operate the route as an integrated organisation."

In the 2016 Autumn Statement and the Autumn Budget for 2017, the Chancellor of the Exchequer, Phillip Hammond, provided support to the East West Rail project. In the 2018 Autumn Budget he committed additional funding to the Central Section. In the HMT Spending Round Policy paper covering 2020/21, which accompanied Sajid Javid's first Spending Round statement as Chancellor of the Exchequer (September 2019), support was given to the project, "... and driving forward East West rail links in the

Oxford to Cambridge arc.” Furthermore, in September 2019, the Government declared the section between Bedford and Cambridge (Central Section) a Nationally Significant Infrastructure Project (NSIP).

These statements demonstrate the political support the project received and continues to receive, both when Chris Grayling was the Secretary of State for Transport and now that Grant Shapps has taken on this role. As at the Balance Sheet date, there has been no indication of any change in on-going ministerial support for this project.

The Company’s statement of financial position at 31 March 2019 reports negative taxpayers’ equity of £3,120k. This predominantly reflects accrued expenditure that will fall due to be settled early in 2019/20. The Directors expect, on the basis of the framework agreement with the Department and specific assertions about funding to be made available in 2019/20 (see below), that the Department will provide sufficient funding to enable payment of these liabilities alongside the Company’s other emerging 2019/20 commitments. The Company’s accounting policy – which in applying IFRS adopts the interpretations of the Government Financial Reporting Manual (FReM) – is to recognise this funding as a shareholder contribution at the point of payment. As a result, the timing difference between expenditure being incurred and funding being received results in a liability; this has driven an overall net deficit. The Directors have been assured that in a “start-up” Government Arm’s-Length Body this is not an unusual situation, and believe that, in light of the assurances given by the Department, the outstanding liabilities will be met by capital contributions to be received from the Department in 2019/20. The Directors also

note the longer-term indicators of support for the Company’s activity.

The Government makes decisions about DfT funding through HM Treasury’s spending review process. This is the process by which funding is set for all government departments. The DfT used an element of its settlement to fund the Company’s capital contributions in 2018/19 and has approved funding for 2019/20. This is specified in HMT’s Main Estimate for 2019/20 on page 233 (row T) where the Company was voted £35.1m of Resource Budget, £0.2m of Capital Budget and £0.3m of Admin budget. The Strategic Report is signed on behalf of the Board.

The latest Spending Review, the results of which were announced by Sajid Javid at the beginning of September 2019, has provided £35m of ongoing funding to the Company for 2020/21.

In view of the Government’s statements on its support for the EWR project and the continuing financial support that has been made available via the 2020/21 Spending Review, the Directors have a reasonable expectation that sufficient resources will be available to meet the Company’s operational plans and budgeted expenditure. The Company’s financial statements have therefore been prepared on a going-concern basis.

The Strategic Report is signed on behalf of the Board:



Simon Blanchflower CBE – East West Railway Company Ltd. Chief Executive and Accounting Officer

Signed on 14 October 2019

04. Directors' Report



4.1 Background

The Company was incorporated at Companies House on 20 November 2017 and filed dormant accounts through to the end of 2017/18. The Company remained dormant at the beginning of 2018/19, becoming operational on 10 September 2018. At the start of the year, during the dormant period, the Company only had one Director. This was Matthew Lodge, a Department for Transport member of staff.

At the start of the Company's operational period, through to 2 December 2018, the Company did not have a Chief Executive Officer. During this period Rob Brighthouse was recognised as the Executive Chairman for the Company and Bernadette Kelly, the Principal Accounting Officer for the Department of Transport, was the Accounting Officer. To support Bernadette Kelly in the completion of her duties as the Accounting Officer for the Company, the Department's Senior Responsible Officer for the Company project, Cavendish Elithorn, joined the Board as a Director, replacing Matthew Lodge. Tom Cooper of UK Government Investments (UKGI) joined the Board on 11 September 2018 as the Secretary of State's representative, i.e. the representative of the Shareholder.

On 3 December 2018, Simon Blanchflower joined the Company as the Chief Executive Officer. Following the appointment of Simon Blanchflower, Rob Brighthouse became the Non-Executive Chairman, Cavendish Elithorn stepped down as a member of the Board and three new Non-Executive Directors subsequently joined.

At the year end the Board comprised the following members:

- Rob Brighthouse (Chairman)
- Simon Blanchflower CBE (Chief Executive Officer)
- Diane Crowther (NED)
- Anne Baldock (NED)
- Simon Murray (NED)
- Tom Cooper (NED)

The names and tenures of all Board Directors are set out in the Remuneration and Staff Report (see Section 7).

The Board sets the Company's strategic direction and oversees the management of performance and risk, financial management, planning and overall governance. It is supported by the Investment Committee, the Audit and Risk Committee, the Remuneration and Nomination Committee and the Safety, Health and Environment Committee.

4.2 Directors' attendance at Board

	Job Title	03/09/2018	09/10/2018	05/12/2018	24/01/2019	26/02/2019	21/03/2019	Total
Rob Brighthouse	Chairman	●	●	●	●	●	●	6
Simon Blanchflower	CEO	N/A	N/A	●	●	●	●	4
Tom Cooper	UKGI	●	●	●	●	●	●	6
Simon Murray	NED	N/A	N/A	N/A	N/A	●	●	1
Anne Baldock	NED	N/A	N/A	N/A	N/A	●	●	2
Diane Crowther	NED	N/A	N/A	N/A	N/A	●	●	2
Cavendish Elithorn	Dft	●	●	●	●	●	N/A	5

4.3 Conflicts of interest

Procedures are in place to ensure Directors comply with their duties in relation to conflicts of interest. Board Directors are obliged to provide details of any direct or indirect interests that conflict with or may conflict with the Company's interests. These are recorded on a register of interests and updated as required. At the start of every Board and Sub-Committee meeting, the Chair asks for any interests to be declared.

4.4 Remuneration Report and Governance Statement

The Remuneration Report (page 33) and Governance Statement (page 25) are required under the FReM and form part of these financial statements. The Governance Statement addresses the Company's risk and control framework.

4.5 The Company's policy on payment of creditors

The central-government policy on prompt payment is that in-scope organisations, a category that includes the Company, should pay 80% of all undisputed invoices within five days, with the remaining undisputed invoices being paid within 30 days.

The Company completed no transactions between 1 April 2018 and 9 September 2018, as it remained dormant at this time. The Company became operational on 10 September 2018, but between this date and 31 March 2019 the Company used the Department for Transport's finance system to manage its financial activity. This means that during this operational period, the Company used the Department's systems to raise purchase orders, to manage goods-receipting activity, to pay invoices and to record activity. The Company does not therefore have its own set of prompt-

payment figures for 2018/19 but instead relies on the figures published by the Department for Transport. The Department's prompt-payment performance in the year 2018/19 was that 93% of undisputed invoices received were paid within five working days and 99% of undisputed invoices received were paid within 30 working days.

4.6 Dividends

No dividends will be distributed for the year ended 31 March 2019.

4.7 Political and charitable contributions

During the year the Company made no charitable or political donations.

4.8 Staff pensions

The Company's staff may participate in a Stakeholder (defined contribution) pension scheme, which became operational in April 2019. Staff accrued entitlement to employer contributions during 2018/19, and payments to the scheme of this accrued entitlement were made in May 2019, with an accrual recognised at 31 March 2019 for £87k.

Seconded staff may be members of the unfunded Principal Civil Service Pension Scheme or the scheme operated by their host organisation. The Company's responsibility for seconded staff's pension contributions is limited to the periodic recharge by the host organisation, for the cost of the seconded staff's time. As a consequence of these arrangements, pension liabilities do not rest with the Company for seconded staff.

4.9 Personal data-related incidents

No protected personal data-related incidents have arisen that have required reporting to the Information Commissioner's Office.

4.10 Auditor

The Company appointed the Comptroller and Auditor General (National Audit Office) during the 2018/19 financial year, under the Companies Act 2006. An audit fee of £35,000 (excluding VAT) was charged, and no non-audit work was carried out by the NAO.

4.11 Other material issues

There have been no material events that have or are expected to affect the Company since the end of this report period.

4.12 Website

The Annual Report and Financial Statements for the year ended 31 March 2019 are available on the Company's website: www.eastwestrail.co.uk

The Directors' Report is signed on behalf of the Board:



Simon Blanchflower CBE – East West Railway Company Ltd. Chief Executive and Accounting Officer

Signed on 14 October 2019

05.

The Statement of Directors' and Accounting Officer's responsibilities



The Exchange,
Algesbury

5.1 Directors’ responsibilities under Companies Act 2006

Company law requires the Directors to prepare financial statements for each financial year. Directors are responsible for preparing this Annual Report and Accounts in accordance with the principles of the Companies Act 2006 and International Financial Reporting Standards (IFRS) and in line with the Framework Document, make additional disclosures under HM Treasury’s financial reporting manual (FReM), where this would improve understanding. Under company law, the Directors must not approve the financial statements unless they are satisfied that they are prepared on an accrual basis and give a true and fair view of the Company’s state of affairs and of the Company’s surplus or deficit, application of resources, changes in equity and cash flows for that period.

In preparing financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards as set under IFRS have been followed, subject to any material departures disclosed and explained in the financial statements

- Prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in operation

The Directors are responsible for keeping proper accounting records that disclose at any time and with reasonable accuracy 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 Company’s assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

5.2 Accounting Officer's responsibilities

As a Non Departmental Public Body (NDPB) of the DfT the Company also requires an Accounting Officer to be appointed. The Permanent Secretary of the DfT has appointed Simon Blanchflower as the Accounting Officer for the Company. He shares, on an individual basis, many of the Directors' responsibilities listed above, as well as having responsibility for the propriety of the public finances for which he is answerable, for keeping proper records and for safeguarding the Company's assets. These responsibilities are set out in full in Managing Public Money, published by HM Treasury. The Governance Statement within this document sets out how these responsibilities have been discharged in the Company's first period of operation.

The Accounting Officer is responsible for signing the financial statements, supported by the Board and Audit and Risk Committee (ARC), and ensuring that proper records are kept and that the accounts are properly prepared and presented in accordance with the Companies Act 2006. The Accounting Officer also signs the Strategic Report, the Directors' Report and the Remuneration and Staff Report on behalf of the Board following Board approval.

As Accounting Officer, I confirm that the annual report and accounts as a whole are fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgments taken.

The Statement of Directors' and Accounting Officer's responsibilities is signed on behalf of the Board:



Simon Blanchflower CBE – East West Railway Company Ltd. Chief Executive and Accounting Officer

Signed on 14 October 2019

5.3 Disclosure of information to auditors

In so far as each person serving as a Director of the Company is aware (at the date of approval of this Directors' Report by the Board), there is no relevant audit information of which the Company's auditor is unaware. Each Director confirms that they have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.



Vale of Aylesbury

06. The Governance Statement



Campbell Park,
Milton Keynes

6.1 Development of the Company

The Company was established in November 2017, though it remained dormant through to 10 September 2018. Although recognised as dormant during this period it remained subject to all relevant Companies Act requirements for management and control. The Company became operational on 10 September 2018.

A brief establishment timeline for the Company is outlined below:

- **December 2016** – The Secretary of State for Transport announces the creation of a new Company to oversee and accelerate the delivery of the programme, as part of his speech on Rail Reform.
- **Easter 2017 onwards** – Shadow Company is involved in Western Section and Central Section activities.
- **November 2017** – The DfT Board Investment and Commercial Committee (BICC) endorses business case to create the Company under the condition of approving later, detailed delegations and governance, and authorises the mobilisation of the Company, under the umbrella of DfT.
- **November 2017** – Secretary of State announcement as part of Budget that “East West Rail” has been created. In effect the Company is registered at Companies House but with no formal power or delegation. The shadow Company is mobilised.
- **November 2017 onwards** – Company mobilisation

- **March 2018** – BICC paper submitted outlining role of the Company and delegations required from the start of operations.
- **March – June 2018** – Capability development and testing
- **September 2018** – Framework Document agreed and Company became operational.

Effective decision making is a critical success factor for the Company and the delivery of the EWR project. Operating in a highly complex stakeholder and regulatory environment, the Company operates within a layered governance hierarchy as expected by all Tier 1 Major Programmes within the UK.

These governance arrangements cover two major areas:

- **Programmatic governance** – Referring to decision making and monitoring of activities related to Scheme delivery.
- **Corporate governance** – Referring to decision making and monitoring of other activities associated with the general running of the organisation.

During the 2018/19 financial year, the Company developed a Governance policy which fulfilled the requirements set out in the Framework Agreement established between the Company and the DfT. This policy has, where possible, been aligned with the UK Corporate Governance Code (drafted by the Financial Reporting Council, July 2018). This alignment activity will continue into 2019/20 as the project continues to mature.

To address Corporate Governance matters more explicitly, the Company Governance policy and supporting Terms of Reference seek to address the five principles outlined below:

Board leadership and Company purpose

- The Company Board was established in September 2018, and fully constituted with Non-Executive Directors in January 2019. The terms of reference and composition for the Board have been established to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board is tasked with establishing the Company's purpose, values and strategy and does this through engaging closely with the Management Team and other stakeholders.

Division of responsibilities - Appropriate divisions of responsibilities have been applied when establishing the Company Board and Sub-Committees. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. Board and Sub-Committee compositions have been constituted in line with recommendations from the Code, reflected within appropriate terms of reference. Non-Executive Directors are encouraged to provide constructive challenge and strategic guidance, to offer specialist advice and to hold management to account.

Composition, succession and evaluation

- The Company Board appointments have been, and will continue to be, subject to a formal, rigorous and transparent procedure. Succession planning for both the Board and management team is maintained regularly and is based on merit and objective criteria promoting diversity. The Board is also subject to annual evaluation to consider composition, diversity and how effectively members work together to achieve objectives.

Audit, risk and internal control - Formal and transparent policies are in place across the Company to ensure an independent and effective discharge of internal and external audit activities that satisfy the integrity of financial and narrative statements. The Company is supported by the National Audit Office (NAO) and Government Internal Audit Agency (GIAA) in executing these duties. Controls and policies appropriate to the size and level of maturity of the Company are implemented across the Company to manage risk in a proportionate manner that enables the Company to achieve its long-term strategic objectives. The Board received appropriate information each month in relation to staff numbers, financial activity and organisational performance to support effective decision making. The quality of these reports improved month on month as the organisation matured.

Remuneration - The Company's remuneration policies and practices are designed to support strategy and promote long-term sustainable success. The Company's Remuneration and Nomination Sub-Committee is empowered to provide independent challenge to the Management Team to ensure these policies are transparent and appropriate.

6.2 The Board

The Company's Board is specifically responsible, under the terms of the Framework Document drawn up and agreed between the Company and the Secretary of State, for:

- Holding the Company's executive Management Team to account for the effective and efficient operation of the Company, and in particular its business plans from year to year
- Establishing and taking forward the Company's strategic aims and objectives for delivery of the EWR project
- Ensuring that the Secretary of State is kept informed of any changes which are likely to impact on the Company's strategic direction or on the attainability of its targets, and determining the steps needed to deal with such changes
- Ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board considers guidance issued by the Department
- Ensuring that the Board receives and reviews regular financial information concerning the management of the Company; is informed in a timely manner about any concerns regarding the activities of the Company; and provides positive assurance to the Department that appropriate action has been taken on such concerns
- Demonstrating that high standards of corporate governance always obtain, including by using the independent Audit and Risk Committee to help the Board address key financial and other risks
- Appointing the Chief Executive in consultation with the Secretary of State and setting performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public resources

The Company's aim, in accordance with the provisions of the Framework Document, is to create a Board composed of at least nine members, including:

- Chair
- CEO
- Three to four Non-Executive Directors appointed by the Chair, in conjunction with the DfT
- One Non-Executive Director nominated by the Shareholder (Secretary of State)
- Finance Director

The Board was at year end (and currently remains) composed of six statutory Directors, these being the Chair, CEO and four Non-Executive Directors, including the Non-Executive Director nominated by the Secretary of State (Tom Cooper).

Names of the Board members, dates of the Board meetings held during the year ended 31 March 2018 and Board members' attendances at those meetings are provided in Sections 4.1 and 4.2. Standing items at Board meetings typically included:

- Health and Safety performance
- Review of previous minutes and actions
- Western Section programme update

- Central Section programme update
- Corporate update
- Risk review
- Financial performance

6.3 The Chair

Communications between the Board and the Secretary of State normally take place through the Chair. He is responsible for ensuring that policies and actions support the Secretary of State's (and where relevant other Ministers') wider strategic policies and that the Company's affairs are conducted with probity

The Chair has the following specific leadership responsibilities under the terms of the Framework Document:

- Formulating the Board's strategy
- Ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department
- Promoting the efficient and effective use of staff and other resources
- Delivering high standards of regularity and probity
- Representing the views of the Board to the public
- Reporting annually on performance, including that of the Board, supported by feedback, including peer review, to the Secretary of State or as delegated, and sharing this with the Department

6.4 Non-Executive Directors

The Framework Document provides that the Company's Non-Executive Directors should collectively possess, "broad business and commercial skills and experience from the rail and other relevant industry sectors".

The Non-Executive Directors appointed by the Company during the year ended 31 March 2018 bring valuable skills from the rail, legal, engineering and finance sectors and collectively have considerable experience in delivering and operating major infrastructure projects.

A formal induction day for the Company's Non-Executive Directors took place on 8 February 2019. Matters covered included:

- Industry context and Company setup
- Company culture and people
- The EWR project
- Corporate governance and role of the Company's Board
- Duties of a Non-Executive Director

6.5 Board Sub-Committees

Following the appointment of the Company's remaining Non-Executive Directors in February 2019, four Board Sub-Committees have been established:

Remuneration and Nomination

Committee - This Committee reviews and advises on the Company's remuneration arrangements for staff and senior executives. The Chair is Rob Brighouse. The other Board members on the Committee are Tom Cooper, Anne Baldock, Diane Crowther and Simon Blanchflower. It met once during the year ending 31 March 2019, on 21 March 2019. All Committee members attended.

Audit and Risk Committee - This Committee considers and monitors the Company's arrangements for risk management, governance and internal control. It is also responsible for validating the integrity of the Company's financial statements and its annual report. The Chair is Anne Baldock. The other Board members on the Committee are Tom Cooper, Diane Crowther, Simon Murray and Simon

Blanchflower. It did not meet during the year ending 31 March 2019.

Investment Committee - This Committee considers major expenditure and investment items in accordance with the Company's procurement policy and corporate delegations of authority. The Chair is Simon Murray. The other Board members on the Committee are Tom Cooper, Anne Baldock, Rob Brighouse and Simon Blanchflower. It did not meet during the year ending 31 March 2019.

Safety, Health and Environment Committee - This Committee is responsible for ensuring that the Company maintains a safe, healthy and secure working environment across the organisation and complies with relevant statutory requirements. The Chair is Diane Crowther. The other Board members on the Committee are Simon Murray, Rob Brighouse and Simon Blanchflower. It did not meet during the year ending 31 March 2019.

6.6 Board evaluation

The Chair oversees and reviews the work of the Board and its members to ensure they are working effectively. The first annual self-assessment of the Board will be carried out during the year ending 31 March 2020.

6.7 Internal audit activity

The Board received independent assurance from internal audit work undertaken in year by the Government Internal Audit Agency (GIAA).

In 2018/19 GIAA undertook the following audits:

- Procurement Process review
- Governance review
- Key Financial Controls review

The GIAA audit opinion for each of these audits was Moderate, and the Head of Internal Audit gave an overall Moderate assurance opinion for the year in their annual report. A moderate assurance is the second-highest level of four possible opinions.

This opinion means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. GIAA made recommendations to enhance internal controls in each of the review areas which have been or are in the process of being implemented. We will work with GIAA on the reviews planned as part of the 2019/20 Internal Audit plan approved by the Audit and Risk Committee.

6.8 Strategic risks

The Company uses its Enterprise Risk Management (ERM) Framework to integrate and monitor its strategic risks with emerging delivery risks and inherent risks such as business disruption, fraud and bribery, governance and process compliance.

The Company's main strategic-level risks are listed below:

- Underlying political uncertainty and its potential economic, legislative and statutory framework impacts could hinder achievement of the Company's and programme's objectives
- Cost and schedule pressures, plus the uncertainty over key areas relating to the project such as the route, electrification and the manner in which the Western and Central sections will continue to be procured and interface with one another, make it difficult to deliver the programme within the timescale and budget

- Ability to recruit the required level of resource may not be available to support the achievement of the Company's desired objectives
- Transition of the Company team from its current London office to a new HQ, yet to be identified on the route Oxford between Cambridge

6.9 Information assurance and security

The Company completed an independent Cyber Security Maturity Assessment in the final quarter of 2018/19 in accordance with the NIST Cyber Security Framework.

Internally, a Cyber Security Roadmap has been developed and controls implemented to support the growth of the business, whilst taking into account the Cyber Security Maturity Assessment. The Cyber Security Roadmap provides a baseline target for cyber-security development to the end of 2023. The Roadmap will also support the future Information Strategy, including appropriate structures to guarantee that data is available on a need-to-know basis, and compliant with PAS1192:5.

The Management Team has confirmed initiatives across the Company to protect and monitor information, including: governance structures to identify opportunities and risks in the data handled by the Company, the appointment of a Senior Information Risk Owner (SIRO), and identification of a suitable supplier for the delivery of external e-learning.

The Management Team approved the cadence for the governance of information, including: a regular reporting cycle from the SIRO, appointment of Information Asset Owners (IAOs), and exceptions-management processes. To support reporting, an

Information Asset Register and Action Tracker will continue to be updated, ensuring the Company collates, acts on and reports all information-security breaches.

Mandatory training covering information security and the General Data Protection Regulation (GDPR) will be delivered to all staff by FY2019/20.

Mandatory training, covering information security and the General Data Protection Regulation (GDPR), will be delivered to all staff by FY2019/20.

On-going commitment to securing the information held by the Company is being ensured, including targets for achieving Cyber Essentials Plus certification. The Company is targeting Cyber Essentials Plus certification by the end of FY2019/20.

The Governance Statement is signed on behalf of the Board:



Simon Blanchflower CBE – East West Railway Company Ltd. Chief Executive and Accounting Officer

Signed on 14 October 2019



The Clock Tower,
Algesbury

07. Remuneration and Staff Report



The Remuneration and Nomination Committee first met on 21 March 2019. Prior to this date the duties of the Committee were carried out by the Board.

7.1 Directors' remuneration

Prior to the establishment of the Committee, which first met in March 2019, the then Board of the Company met to approve appropriate remuneration for incoming executives.

No Director is involved in deciding his or her own individual remuneration.

Levels of remuneration for the “non-governmental” Non-Executive Directors reflect the time commitment and responsibilities of the role. The Shareholder-nominated or “governmental” Director is not paid by the Company.

7.2 Procedures for developing policy and determining remuneration

Until 21 March 2019, when the Remuneration Committee first met, the Board had responsibility for setting the remuneration and benefits for Executive Directors and all other employees. Going forward, this role is undertaken by the Company's Remuneration and Nomination Committee.

The Board is required under its Framework Document to comply with Cabinet Office rules relating to the level of Director and staff remuneration. The Shareholder's consent is required to any increase in excess of the level specified in the Cabinet Office rules.

The Board assesses where to position the Company in respect of remuneration matters relative to other Companies and the requirements of the Company's business and operations.

7.3 Statement of remuneration policy

The remuneration policy is to:

- Provide a compensation package to attract, motivate and retain high-quality employees in furtherance of the mission and strategy of the Company
- Assess remuneration relative to other arm's-length bodies and other organisations (including in the private sector) engaged in functions or operations of similar size and complexity
- Set the performance targets to incentivise and reward sustainable business performance whilst not encouraging inappropriate business risks to be taken

A range of methods are used to ensure that the levels of compensation are appropriately benchmarked against external organisations.

7.4 Pay Review

As the Company became operational on 10 September 2018, the Board decided that pay reviews would not be considered until the following financial year (2019/20).

7.5 Executive Directors (audited)

The Executive Directors' remuneration has been designed to promote the long-term success of the Company. Their respective earnings consist of a base salary, a defined-contribution pension scheme and an incentive bonus. The bonus links corporate and individual performance with an appropriate focus on delivery targets

and the balance between short and long-term elements.

The Company has had two Executive Directors during the year 2018/19: Simon Blanchflower CBE (Chief Executive) and Rob Brighouse (Chair). See Director's Report section.

Following the appointment of the CEO on 3 December 2018, the Chairman's role became a non-executive role. From 1 Feb 2019, this reduced from 3 days to 1.5 days/week.

Annualised salaries for CEO and Executive Chairman are £220,000 and £200,000 (three days per week) respectively.

	2018/19 Salary	2018/19 Performance related pay (Bonus)	2018/19 Taxable benefits	2018/19 Pension payments	2018/19 Total
Simon Blanchflower CBE (CEO) 03.12.2018	£72,151 (2017/18: n/a)	£Nil (2017/18: n/a)	£Nil (2017/18: n/a)	£Nil (2017/18: n/a)	£72,151 (2017/18: n/a)
Robert Brighouse (Executive Chair) (03.09.2018 to 02.12.2018) 3 days per week	£46,075 (2017/18: n/a)	£Nil (2017/18: n/a)	£Nil (2017/18: n/a)	£Nil (2017/18: n/a)	£46,075 (2017/18: n/a)

7.6 Director fees (Audited)

Fees are payable to all Non-Executive Directors, except the Director nominated by the Shareholder.

The level of remuneration paid by the Company to the "non-governmental"

Non-Executive Directors reflects the time commitment and responsibilities of the role. These Non-Executive Directors have been appointed for a three-year term. The Company does not pay any remuneration to the Shareholder-nominated Directors.

Name	2018/19 Fees £	Principal position held elsewhere at 31.03.19
Anne Baldock (01.02.19)	£3,333	NED
Diane Crowther (01.02.19)	£3,333	NED
Simon Murray (01.02.19)	£3,333	NED
Tom Cooper (11.10.18)	£Nil	UKGI
Cavendish Elithorn (17.05.18 to 26.02.19)	£Nil	DfT
Matthew John Lodge (01.04.18 to 17.5.18)	£Nil	DfT
Robert Brighouse Chairman 03.12.2018 – present*	£48,925	DfT

*From 01.02.19 this role reduced from 3 days to 1.5 days per week.

The annualised salary for the Non-Executive Chairman is £100,000 for 1.5 days per week.

Each NED receives a fee of £15,000 pa plus an additional £5,000 for chairing a Sub-Committee. The NED nominated by the Shareholder (Secretary of State) does not receive a fee as he receives a salary from his role at UK Government Investments.

7.7 Pension Entitlements

Employees of the Company are eligible to participate in a defined-contribution pension scheme, in which the Company matches the employee contributions rate on a 2:1 basis to a maximum of 6%, which means the maximum employer contribution is 12%. The Company's pension scheme is managed on the Company's behalf by Royal London. For the year ended 31 March 2019, employers' contributions were

£0.086m (2017/18: £Nil). This amount was paid on 16 May 2019 in the financial year 2019/20.

Staff on secondment from DfT and other Government entities are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The Scheme is an unfunded defined-benefit scheme and liability rests with their employer, and not with the Company.

Staff on secondment from other commercial entities are covered by the provisions of that entity's scheme, where applicable, and liability rests with the seconding company and not the Company.

7.8 Performance-Related Pay

All staff, with the exception of the CEO, are eligible for a contractual performance-

related payment, which is based on a maximum of up to 20%. The CEO receives a performance-related payment of up to 10%. The final awards were reviewed and approved by the Remuneration Committee.

Performance Related Pay for the year ended 2018/19 was recognised at the year-end as a creditor, for the amount of £79,116, pending Secretary of State approval.

7.9 Fair pay disclosures (audited)

Public-sector reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce. An annualised figure has been used to better reflect contractual salary. The annual remuneration of the highest-paid Director is £333,333 (2017/18: £Nil). This is 4.17 (2017/18: Nil) times the median remuneration of the Company's workforce,

which is £80,000 (2017/18 Nil). The remuneration of the workforce was between £20,000 and £333,333. No permanent or fixed-term employees receive a salary in excess of the highest-paid Director.

7.10 Staff numbers and costs

The table below details the average of whole-time equivalent persons employed in the year. This figure was 40.97 (persons). The combined staff cost was £2,971k.

At the year end, the figure for whole-time equivalent persons employed was 43.4.

	Year ended 31-Mar 2019		Period ended 31-Mar 2018	
Note 2: Staff numbers and costs	Direct Employees 2019	Other Personnel 2019	Total	Total
Whole time equivalent persons employed - average for the year	25	16	41	0
Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	853	1,804	2,657	
Social security costs	105	-	105	
Other pension costs	86	-	86	
Chairman and Non-Executives fees	123	-	123	
Total staff costs	1,167	1,804	2,971	-
Total staff costs in statement of comprehensive net expenditure			2,971	-

7.11 Consultants

Total expenditure paid to external consultants during the financial year amounted to £3,318k

7.12 Off-payroll engagements

Off-payroll engagements as of 31 March for more than £245 per day and lasting for longer than six months

Number of existing engagements that have existed for:	EWR Co
less than 1 year at the reporting date	9
between 1 and 2 years at the reporting date	0
between 2 and 3 years at the reporting date	0
between 3 and 4 years at the reporting date	0
more than 4 years at the reporting date	0
Total engagements at the reporting date	0

New off-payroll engagements, or those that reached six months' duration, during the reporting period, for more than £245 per day and lasting for longer than six months

Number assessed in scope of IR35	9
Number assessed as out of scope of IR35	0
Number engaged directly (via a personal service company contracted to the organisation) and on the organisation's payroll	0
Number of engagements reassessed for consistency / assurance purposes during the year	0
Number of new engagements, or those that reached six months' duration, during the reporting period	9

7.13 Redundancy payments

	Number of compulsory cases	Number of other departures agreed	Total number of exit packages by cost band
Less than £10k	0	0	0
£10k-£25k	0	0	0
£25k-£50k	0	0	0
£50k-£100k	0	0	0
£100k-£150k	0	0	0
£150k-£200k	0	0	0
More than £200k	0	0	0
Total number of exit packages	0	0	0
Total cost of exit packages	0	0	0

7.14 Staff composition

The overall proportion of female employees in 2018/19 is 27% (2017/18 N/A). Male employees therefore represent 73% of the organisation in 2018/19 (2017/18 N/A). As

noted in sections 7.16 and 7.17, the Company is fully committed to the principles of diversity and equal opportunity. The composition of staff at the Company is as follows (based on headcount):

Grade	Male	Female	Total
Director	3	2	5
Senior Manager	18	2	20
Employee	13	10	23
Totals	34	14	48

The following should be noted:

Directors – Are any Executive or Non-Executive Directors who are members of the Company Board

Senior Managers – Are those staff who are in a Senior Team Leader or Director role who do not attend Company Board meetings

Employees – Are all other staff not identified as either Directors or Senior Managers

Staff composition covers the following categories of the Company's staff: payrolled, agency, secondee and Non-Executive Directors.

7.15 Sickness-absence data

Employee absences were recorded when staff were sick for two or more days consecutively. This amounted to two individuals and 43 days.

7.16 Disability statement

The Company recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and to progress within the organisation. In addition to complying with the requirements of the Equality Act 2010, the organisation will follow procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career-development needs. When an employee becomes disabled in the course of their employment, reasonable steps will be taken to accommodate their disability by considering adjustments to working practices and arrangements, or by considering redeployment and appropriate

retraining to enable them to remain in employment with the organisation wherever reasonably possible.

7.17 Equality and Diversity

The Company is committed to the principles of diversity and equal opportunity for all. Our aim is to eliminate all forms of discrimination, actively to promote equality of opportunity and to embrace a climate where difference is accepted and valued. We are committed to comply fully with the Equality Act 2010.

To achieve this vision, we are committed to:

- Reviewing our procedures regularly to comply with any legal, regulatory and best-practice requirements
- Briefing all employees and interim workers, regardless of seniority or function, on this document to ensure an understanding of the requirements placed upon individuals and to ensure consistent application of the Equal Opportunities and Diversity Policy
- Ensuring that the Equal Opportunities and Diversity Policy will be made available to all those in scope of its use, through access to the Company's communication channels
- Seeking to meet individual requirements for flexible working practices and enabling our employees to develop and utilise their talents to the fullest extent
- Carrying out an Equalities Impact Assessment to assess the effect of the EWR project on those with protected characteristics under the Equalities Act 2010, so that steps can be taken to avoid, minimise and mitigate adverse impacts

- Striving to reflect diversity in the context of the local community served by the Company

7.18 Employee communication

Good communications and consultation are central to the Company process when dealing with changes in working practices and procedures. Communication is concerned with the exchange of information and ideas within an organisation. Consultation involves Managers actively seeking and taking account of the views of employees before making a decision. A variety of communication methods will be needed, both spoken and written. The methods will depend mainly on the size and structure of the organisation. Methods include:

- Face-to-face meetings
- Company handbooks
- Video conferencing
- Intranet
- Email
- Notice board
- Organisation newsletters
- Individual letters to employees

7.19 Health & Safety organisation

As part of the Company organisation structure mobilised during 2018/19, a Head of Health & Safety was appointed, tasked with developing the Company's Health & Safety Management System (HSMS).

A Health & Safety Induction programme was developed for the London office, which all permanent and agency staff attended. Briefing sessions were held on a number of topics, including:

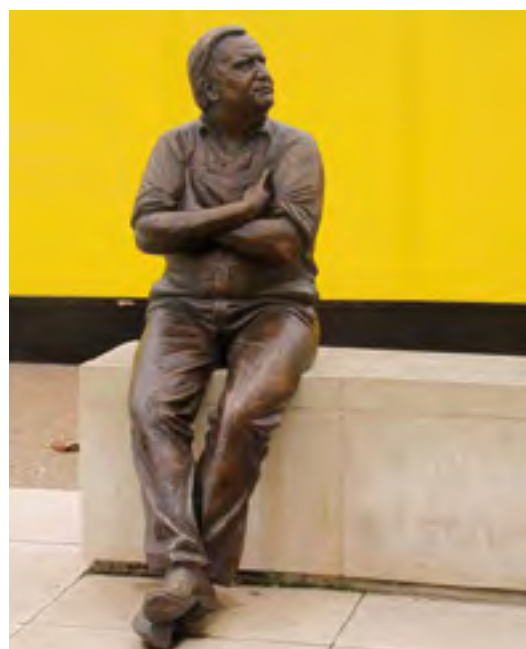
- Railway safety regulation in the UK
- Introduction to the Construction

(Design & Management)
Regulations 2015

- Network Rail's "Hold the Handrail" campaign
- Winter driving

A number of the Company's employees attended Fire Warden and First Aid training and statutory fire drills were conducted by Transport for London (TfL) for the Company's Petty France offices. New Display Screen Equipment (DSE) was provided for all employees and a small number of employees were provided with a personal DSE assessment where requested.

Ronnie Baker statue,
Aylesbury



7.20 Health & Safety performance

There were no reportable or non-reportable accidents or incidents recorded affecting EWR Co's office personnel. The Company was not engaged in any high-risk 'off-site' (e.g. operational railway or construction-related) activities requiring specific health and safety measures during 2018/19.

Total RIDDOR injuries	2018/19	2017/18
Total lost time injuries	0	N/A
Total injuries	0	N/A
Total near misses	0	N/A
Total hours worked	N/A	N/A

7.21 Trade Union relationships

As of 2018 to the present, the Company does not have any employees who are union officials and therefore we have not captured this variable. Nonetheless, if in the future anything changes in this regard, we will record this information as necessary.



On behalf of the Board:

Simon Blanchflower CBE – East West Railway Company Ltd. Chief Executive and Accounting Officer

Signed on 14 October 2019

08. Independent Auditor's Report



Independent auditor's report to the members of East West Railway Company Limited

Opinion on financial statements

I have audited the financial statements of the East West Railway Company Limited for the year ended 31 March 2019 which comprise the statement of comprehensive net expenditure, statement of financial position, statement of cash flows and statement of changes in taxpayers' equity, and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration and Staff Report that is described as having been audited.

In my opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of the net expenditure for the year then ended
- Have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- Have been prepared in accordance with the Companies Act 2006

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 "Audit of Financial Statements of Public Sector Entities in the United Kingdom". My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the East West Railway Company Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the East West Railway Company Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. Nonetheless, future events or conditions may cause the entity to cease to continue as a going concern. We have nothing to report in these respects.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities, the Directors are responsible for:

- The preparation of the financial statements and for being satisfied that they give a true and fair view.
- Such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- Assessing the East West Railway Company Limited's ability to continue as a going concern,

disclosing, if applicable, matters relating 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

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence

that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East West Railway Company Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

**Opinion on other matters prescribed
by the Companies Act 2006**

In my opinion:

- The parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the Companies Act and the Government Financial Reporting Manual
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report
- The information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements

**Matters on which I report by
exception**

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- Adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff
- The financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- I have not received all of the information and explanations I require for my audit



Matthew Kay (Senior Statutory Auditor)
17 October 2019

For and on behalf of the:

Comptroller and Auditor General
(Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP



All Souls College,
Oxford

09.

Financial statements for the period ended 31 March 2018



Hut 3,
Bletchley Park

09. Financial statements for the period ended 31 March 2018

		Year ended 31-Mar 2019	Period ended 31-March 2018
Statement of comprehensive net expenditure	Note	£'000	£'000
Expenditure			
Staff costs	2	2,971	0
Other expenditure	3	5,175	0
Non-cash items	3	9	0
Total Expenditure for the year		8,155	0
			0
Net Expenditure for the year		8,155	0
Other Comprehensive Income			
Net gain/loss on revaluation of Asset Under Construction - Railway		-	-
Comprehensive net expenditure for the year		8,155	0

09. Financial statements for the period ended 31 March 2018

		Year ended 31-Mar 2019	As at 31-March 2018
Statement of financial position	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	4	91	-
Total non-current assets		91	-
Current assets			
Trade and other receivables	5	62	-
Cash and cash equivalents	6	-	-
Total current assets		62	-
Total assets		153	-
Current liabilities			
Trade and other payables	7	(3,273)	-
Total current liabilities		(3,273)	-
Total net assets		(3,120)	-
Taxpayers' equity			
General reserve		(3,120)	-

Signed by the Accounting Officer:



Simon Blanchflower CBE – East
West Railway Company Ltd. Chief
Executive and Accounting Officer

Signed on 14 October 2019

09. Financial statements for the period ended 31 March 2018

		Year ended 31-Mar 2019	Period ended 31-March 2018
Statement of cash flows	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		(8,155)	0
(Increase) / decrease in trade and other receivables	5	(62)	0
Increase / (decrease) in trade and other payables	7	3,273	0
Adjustment for non cash transactions	3	9	0
Net cash outflow from operating activities		(4,935)	0
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(100)	0
Net cash outflow from investing activities		(100)	0
Cash flows from financing activities			
Capital Contribution from Shareholder		5,035	0
Net cash inflow from financing activities		5,035	0
Net increase / (decrease) in cash and cash equivalents		0	0
Cash and cash equivalents at the beginning of the year	6	0	0
Cash and cash equivalents at the end of the year	6	0	0

	General Reserve	Total Reserve
Statement of changes in Taxpayers' equity for the year ended 31 March 2019	£'000	£'000
Balance at 31 March 2017	-	-
Changes in Taxpayers' equity for 2017-18		
Net operating cost for the year	-	-
Revaluation on Assets under Construction	-	-
Capital Contribution from Shareholder	-	-
Balance at 31 March 2018	-	-
Changes in Taxpayers' equity for 2018/19		
Net operating cost for the year	(8,155)	(8,155)
Capital Contribution from Shareholder	5,035	5,035
Balance at 31 March 2019	(3,120)	(3,120)

01. Statement of Accounting Policies

East West Railway Company Limited (the Company) is a private company limited by shares (company registration number 11072935), domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006. The Secretary of State for Transport is the registered holder of the single ordinary share, fully paid. The registered office is Great Minster House 3/13 33 Horseferry Road, London, England, SW1P 4DR, and principal place of business of the Company is Albany House, 94-98 Petty France, London, SW1A 9EA, and the Company's principal activities are to develop proposals, design, build and operate a railway network between Oxford and Cambridge. The period covered by these accounts is 12 months to 31 March 2019.

A) Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard's (IFRSs) and the International Financial Reporting Interpretations Committee's (IFRIC) interpretations, and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRSs. As a Non-Departmental Public Body (NDPB) and as specified in the framework agreement with DfT, the Company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FReM) for 2018/19, where these are compatible with the requirements of the Companies Act.

Where this framework permits a choice of policy, the accounting policy judged to be most appropriate to the particular circumstances of the Company for the purpose of giving a true and fair view has

been selected. The particular policies adopted by the Company are described below and have been applied consistently in dealing with matters considered material to the accounts.

The period covered by these accounts is the 12 months to 31 March 2019. However, EWR Co was dormant until 10 September 2018. These accounts therefore include transactions for the seven months from 10 September 2018.

B) Measurement convention

These accounts have been prepared under the historical cost convention. The accounts have been prepared on a going-concern basis for the reasons set out in the Directors' Report.

C) New or amended accounting standards and interpretations not yet applied

IFRS 16 Leases was issued in January 2016 and effective in the private sector periods commencing on or after 1 January 2019. The Company is required to adopt IFRS 16 in 2019/20 by applying IFRS as required by the Companies Act. IFRS 16 specifies how the Company will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has no existing leases at 31 March 2019 that will be affected by IFRS 16 in 2019/20. It is therefore expected that the application of IFRS 16 will have a limited and highly immaterial impact on EWR Co's accounts in 2019/20.

There were no new standards issued that would materially affect the Company's financial statements as at 31 March 2019. Other changes due to come in effect after 31 December 2018, are considered to have no material impact on the Company.

D) Going Concern

Directors are content in their view that the Company is a going concern. The basis for this can be reviewed in the Strategic Report.

E) Estimation techniques used and changes in accounting estimates

The Company applies the following significant estimation techniques.

The recognition and valuation of accrued expenditure, where specific information is not available, is based on the Company's best estimate of the cost. For consultant expenditure, this is based on the Company's knowledge of time worked and rates agreed in advance. Where invoices differ from the estimates made, the difference is credited back to the relevant service.

F) Financing

The Company is funded by capital contributions from the DfT, representing the Secretary of State as its sole controlling party. In line with IAS 1, since these contributions are made by the Secretary of State in their capacity as an owner, capital contributions from the Shareholder are presented directly in reserves (equity) rather than as income.

G) Property, plant and equipment

Recognition:

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the

useful economic life (UEL), including service potential, associated with the item will flow to the Company and the cost of the item can be measured reliably.

A capitalisation threshold of £1,000 is applied to all asset classes. Expenditure below this value is charged as an expense in the SoCNE.

Property, plant and equipment is based on the identification of single assets with a threshold value greater than £1,000. Where an item includes material components with a significantly different UEL, those components are capitalised separately and depreciated over their specific UEL.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as incurred.

Measurement:

Property, plant and equipment are valued in accordance with IAS 16 Property, Plant and Equipment and initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the same manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where an obligation to dismantle or remove the asset arises from its acquisition or usage

Assets are thereafter carried in the balance sheet using the following measurement basis: all property, plant and equipment are valued on the basis of depreciated historic cost as an approximation of fair value.

Impairment:

Property, plant and equipment are monitored throughout the year as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the SoCNE.

Where an impairment loss is subsequently reversed, the reversal is credited in the SoCNE, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:

Depreciation is provided on all non-current assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its UEL; see below:

Asset Class

Computer equipment

Depreciation Method and Rate

Straight line over 36 months

The Company reviews and updates the remaining UEL of all its assets each year. This is the period for which the asset provides economic benefits that will flow to the Company from its use.

Disposals:

When scrapping or disposing of a property, plant and equipment asset, the carrying amount is written off to the SoCNE and a loss (or gain) is recognised and reported net of any disposal proceeds.

H) Cash and cash equivalents

Cash and cash equivalents comprise bank balances held with the Government banking service and commercial bank accounts.

I) Corporation Tax

The Company is registered for Corporation Tax. By using the tax rates that have been enacted or substantively enacted at the balance-sheet date, the Company has not incurred any tax liability during this reporting period.

J) Value Added Tax

The Company is not registered for VAT. All VAT paid is irrecoverable. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets.

K) Provisions

The Company makes provision for liabilities and charges in accordance with IAS 37 where a legal or constructive liability (i.e. a present obligation arising from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense.

L) Related party transactions

The Company is an Executive Non-Departmental Public Body sponsored by the DfT, which accordingly is a related party.

M) Ultimate controlling party

The ultimate controlling party is considered to be the Secretary of State for Transport.

Notes to the Financial Statements

Year ended
31-Mar 2019

Period ended
31-Mar 2018

Note 2: Staff numbers and costs

	Direct Employees 2019	Other Personnel 2019	Total	Total
Full time equivalent persons employed - average for the year	25	16	41	0
Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	853	1,804	2,657	
Social security costs	105	-	105	
Other pension costs	86	-	86	
Chairman and Non-Executives fees	123	-	123	
Total staff costs	1,167	1,804	2,971	-
Total staff costs in statement of comprehensive net expenditure			2,971	-

Average full-time equivalent staff and Directors equates to 40.97 persons.

Other personnel costs include costs for contractors and secondees. These costs cannot be broken down further.

09. Financial statements for the period ended 31 March 2018

		Year ended 31-Mar 2019	Period ended 31-March 2018
Note 3: Other expenditure	Note	£'000	£'000
Non-staff expenditure includes:			
Professional services		88	-
Consultancy		3,318	-
IT/Comms technology		974	-
Communications and publicity		76	-
Accommodation and office services		293	-
Travel & subsistence		19	-
Insurance		24	-
Internal Audit fee		14	-
External Audit fee		42	-
Recruitment fees		233	-
Other costs		94	-
Total non staff expenditure		5,175	-
Non-cash items include:			
Depreciation of tangible assets		9	-
Total non-cash costs		9	-
Total other expenditure		5,184	-

The external-audit fee payable to National Audit Office is £35k + VAT

	Computer equipment	Total
Note 4: Property, plant and equipment	£'000	£'000
Cost or valuation		
At 1 April 2018	-	-
Additions	100	100
At 31 March 2019	100	100
Depreciation		
At 1 April 2018	-	-
Additions	9	9
At 31 March 2019	9	9
Net book value at 31 March 2019	91	91
Net book value at 31 March 2018	-	-

	31-Mar 2019	31-Mar 2018
Note 5: Trade receivables and other current assets	£'000	£'000
Amounts falling due within one year:		
Other receivables	15	-
Prepayments	47	-
	62	-

	31-Mar 2019	31-Mar 2018
Note 6: Cash and cash equivalents	£'000	£'000
Balance at 1 April	-	-
Net change in cash and cash equivalent balances	-	-
Balance at 31 March	-	-

EWRC used DfT banking arrangements during the financial year 2018/19, therefore it did not maintain its own bank account.

	31-Mar 2019	31-Mar 2018
Note 7: Trade payables and other current liabilities	£'000	£'000
Amounts falling due within one year:		
Staff costs accrual	621	-
Other accruals	2,652	-
	3,273	-

Note 7: Financial instruments

The Company has no borrowings and is funded by capital contributions from the DfT. The Company aims to maintain minimal holdings of cash equivalents appropriate to its short-term needs.

Note 9: Financial commitments

The Company confirms there are none to disclose in the financial year 2018/19.

Note 10: Contingent liabilities

A contingent liability arises where an event has taken place that gives the Company a possible obligation that will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Company's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed in a note to the accounts. The Company confirms there are none to disclose in the financial year 2018/19.

Note 11: Related-party transactions

The Company is an Executive Non-Departmental Public Body sponsored by the DfT, which is a related party. All of the transactions with the DfT are carried out on an arm's-length basis.

	31-Mar 2019	31-Mar 2018
	£'000	£'000
Transactions between the Company and Department for Transport (DfT)		
Capital contribution received from the DfT	5,035	-
Amounts paid to DfT	(142)	-
Other amounts received from DfT	-	-
Amounts included in note 7 as payable at end of year	142	-

Other than their remuneration as business-related expenses, none of the Board members or key management staff has undertaken any material transactions with the Company or its related parties during the year, and none has a financial interest in the activities of the Company such as to influence their work with the Company.

The Company's Chairman, Rob Brighthouse, is also a Non-Executive Director for Network Rail. The Company completed no transactions with Network Rail in 2018/19 and so, in terms of Related-Party Transactions between the Company and Network Rail, a nil return has been made. During the year the Company did give advice to the DfT, which led the Department to provide funding to Network Rail. This funding activity was reported in the Department's Annual Accounts.

Note 12: Losses and special payments

Managing Public Money requires the Company to provide a statement showing losses and special payments by value and by type where these exceed

£300,000 in total and also those that, individually, exceed £300,000. No losses exceeded the threshold value individually.

Note 13: Events after the reporting period

Post-Balance Sheet Events - There have been no events between 31 March 2019 and the date on which the financial statements were authorised for issue requiring an adjustment to the financial statements.

Authorised for issue - These financial statements are laid before the Houses of Parliament. The International Accounting Standards (IAS10) require the Company to disclose the date on which the accounts are authorised for issue. This is the date of the signature of the Independent Auditors' Report (pages 43 to 47)

Note 14: Ultimate controlling party

The ultimate controlling party is considered to be the Secretary of State for Transport.

