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Transport Trading Limited

Annual Report and Financial Statements
Year ended 31 March 2019

Registered Office
55 Broadway
London SW1H 0BD

Registered in England and Wales
03914810

Contents

Directors' Report

Introduction

The directors present their annual report on the affairs of Transport Trading Limited ("TTL" or "the Company") and its subsidiaries ("the Group") together with the audited financial statements for the year ended 31 March 2019.

The Group has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

Principal activity

The principal activity of the Group is the provision of passenger transport services within London.

Directors

The directors who served during the year were:

M. Brown	
H. Carter	
S. Kilonback	appointed 2 November 2018
G. Powell	
M. Wild	resigned 2 November 2018

None of the directors had any beneficial interest in the shares of Transport Trading Limited or its subsidiaries.

The Group maintains directors' and officers' liability insurance.

Employee involvement and communication

Transport Trading Limited recognises the role of its employees in enabling the Group to achieve its business objectives. This is reflected in the Board's commitment to equal opportunities and effective employee communications.

Consultation on issues affecting the workforce also takes place at regular intervals with representatives from the Group and trade unions.

A strong emphasis is placed on the provision of news through a variety of media, including intranets (both a TfL Group-wide intranet and local business units' intranet) and poster campaigns. Employees have opportunities to voice their opinions and ask questions through intranet sites and surveys. Face to face briefings and team meetings are actively encouraged and are held in all business units across the Group.

Equality and inclusion

The Group values the diversity which exists in our city and aspires to this being reflected in our workforce. This is reflected not only in our recruitment and selection processes, but also throughout the employment cycle of every member of staff. The Group is committed to providing equal opportunities to all employees, irrespective of their gender, sexual orientation, marital status, creed, colour, race, ethnic origin or disability. The commitment extends to recruitment and selection, training, career development, flexible working arrangements and promotion and performance appraisal. The Group is committed to comply with our legal responsibilities under the Equality Act 2010 to make reasonable adjustments to a person's working conditions wherever possible. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and to provide specialised training where this is appropriate. Employee numbers are disclosed in the notes to the accounts.

Directors' Report (continued)

Health and safety

The Group is committed to continuous improvement in health, safety, security and environmental ("HSSE") performance. In addition to HSSE management as part of normal business activity, HSSE objectives are identified and regularly reviewed to form short and longer term plans for improving health, safety, security and environment for customers, employees and contractors.

Political donations

No political donations were made during the year (2017/18 £nil).

Dividends

It is not proposed to declare a dividend for the year (2017/18 £nil).

Corporate governance

Transport Trading Limited is a wholly owned subsidiary of Transport for London, which appoints all the directors of the Company. The Board of Transport Trading Limited, through its standing orders and management structure, implements the corporate aims and controls laid down by Transport for London. Particulars in respect of corporate governance can be found in Transport for London's Annual Governance Statement.

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Additional disclosures

The Group has chosen, in accordance with Section 414c(11) of the Companies Act 2006, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' report.

The Strategic report on pages 3 to 11 includes other information related to future developments and the principal risks and risk management of the Group.

Approved by the Board on 24 July 2019 and signed on behalf of the Board by

H. Carter

Director

Strategic Report

Activities and future developments

As stated in the Directors' Report, the principal activity of the Group is the provision of passenger transport services within London. The Group does not anticipate any changes in its principal activities in the foreseeable future.

Strategic report

In 2018/19, the TfL Group faced some real financial challenges with the loss of the operating grant from central government to TfL (the Group's parent organisation) a subdued national economy and the delay to the opening of the Elizabeth Line.

Gross revenues have grown year-on-year as we started to see small recoveries in passenger demand following the declines experienced in 2016/17 and 2017/18. The demand for bus services continued to decline.

The investment programme across the network has continued to deliver safety, reliability and capacity improvements across the network as we maintain, enchance and extend services across London. Major projects included infrastructure, signalling and station upgrades on the London Underground and the extension of the Northern Line to Battersea Power Station. During the year, a number of delivery milestones were achieved:

- In Quarter 3, the major stations improvement project saw the opening of the new Bloomberg entrance at Bank station, and in March 2019, the first breakthrough was made between the new entrance on Cannon Street and the newly constructed Northern Line tunnel
- At Victoria station all passenger-facing facilities were opened in the year. The overall completion of the station, surrounding buildings and urban realm is planned for mid-2019
- On the Four Lines Modernisation project, commission of the first area to run in passenger service using the new automatic train control signalling system was successfully completed on 17 March 2019
- In February 2019, bidders submitted their final technical, commercial and financial proposals in relation to the construction of the Silvertown Tunnel. The contract will be awarded later this year

A full Narrative Report and Financial Review report for the TfL Group is included in the Annual Report of Transport for London. This will be available on its website (www.tfl.gov.uk) in due course.

Underground operations

London Underground Limited

Fares income has increased by £158m compared with last year. The company carried 1,384m passenger over the year, an increase of 2 per cent as underlying demand recovers from the downturn seen last year. Friday 7 December 2018 saw the busiest day ever on the Tube, with 5.03m passengers.

Underlying passenger income per journey has improved compared to last year. This is partly owing to the increase in average fares for National Rail in January 2019 which has an impact on a proportion of TfL tickets, for example travelcards. However, we remain cautious given the uncertain economic outlook as a result of Brexit.

Operating costs are £71.9m better than last year. We have continued on our modernisation programme of change, lowering our cost of operating, improving performance and making London Underground a better place to work, all whilst maintaining a safe and reliable network. As a result of the changes we are making, some functions have also moved across directorates and companies within the TfL group as new teams and reporting lines are formed.

Strategic Report (continued)

Capital expenditure is a little lower than last year. However, we continue to invest heavily in our infrastructure, prioritising investments based on funding and ensuring value for money.

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network. We are working to complete the associated depot, station, siding and signal modifications to accommodate them.

The first engineering train on the Northern Line Extension ran on recently installed rails in October 2018. Installation of all running track in the tunnel sections across the NLE is complete, enabling deliveries by engineering train to be made deeper into the extension, and the installation of conductor rail is underway.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains. Siemens have developed a draft Piccadilly line rolling stock concept design and are now working towards the delivery of all train related Interface Control Documents by Quarter One 2019/20.

At Bank Station, the new Bloomberg entrance for the Waterloo & City line opened to customers on 30 November. Also in March, the first breakthrough between the new entrance on Cannon Street and the newly constructed Northern line tunnel was made. The breakthrough will make further constructions work easier, helping to ensure the hugely important upgrade is delivered by 2022. Tunnelling works of the new lift shaft continued, which will deliver step-free access to the Northern line and improved step-free access to the DLR in 2022.

Fifteen stations will become step-free by Spring 2020 as part of the Mayor's funding for step-free access. Having upgraded Victoria, Finsbury Park, Buckhurst Hill and Newbury Park in 2018, we delivered step-free access at South Woodford in March 2019, significantly ahead of our originally published date.

On 16 February, we achieved our target for this financial year to install 7.5km of new track across the LU network helping to improve reliability, reduce maintenance costs and increase capacity.

On the Jubilee line, 44 refurbished trains out of 63 trains are back in service. The refurbishments include a wheelchair area, new flooring, refreshed interior (including grab-poles and handles) and new sealing to the roof and windows.

Surface Transport

The Group's Surface Transport operations include:

- Rail for London Limited, which is responsible for the operation of London Overground, operation of TfL Rail (the forerunner of the Elizabeth Line) and infrastructure maintenance for the East London Line;
- Docklands Light Railway Limited, which is responsible for the operation of the light railway network;
- Tramtrack Croydon Limited, which is responsible for operation of trams in the south of London;
- London Bus Services Limited, which manages bus services in London. It plans routes, specifies service levels and monitors service quality. The bus services are operated by private companies, which work under contract;
- The Cycle Hire Scheme which provides bicycles for hire by the general public;
- Dial-a-Ride, which provides door-to-door transport for Londoners with disabilities;
- Victoria Coach Station Limited, which is the coach travel 'hub' of central London and serves both the UK and continental Europe; and
- London River Services Limited, which owns and operates nine passenger piers on the Thames, licenses boat services using those piers and manages the operation of the Woolwich Ferry.

Strategic Report (continued)

Rail for London Limited

This subsidiary is responsible for the operation of London Overground (LO), TfL Rail (the forerunner of the Elizabeth Line) and the Infrastructure Maintenance for the East London Line.

LO is an orbital railway consisting of the North London, West London, Barking to Gospel Oak and Euston to Watford Junction lines (the North London Railway), as well as the East London Line and South London Line from Queens Road Peckham through to Clapham Junction. Additionally, the LO network includes services between Enfield Town /Chingford /Cheshunt via Seven Sisters to Liverpool Street, and Romford to Upminster.

In the year LO carried 189.6 million people, an increase of 0.5 per cent over the previous year, and customer satisfaction scores continue to be strong at 83.

LO's operational performance, as measured by the public performance measure (PPM) was 93.8 per cent at the end of the year using the moving annual average . This was significantly higher than the national average for train operators of 86.3 per cent.

Both LO's operational performance and customer satisfaction were affected by the ongoing delayed introduction of the new LOTRAIN fleet although introduction is expected during 2019/20. Once introduced the new state-of-the-art electric trains will provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new cleaner electric trains will also improve air quality for people living and working along the route.

TfL Rail is currently a two section railway consisting of the Eastern - Liverpool Street to Shenfield service launched in May 2015 and the Western - Paddington to Heathrow service launched in May 2018.

In 2018/19, TfL Rail carried 55 million people, an increase of 22 per cent over the previous year. This increase was mainly owing to the commencement of the new Paddington to Heathrow service.

TfL Rail customer satisfaction this year has increased from 83 per cent in the previous year to 84 per cent this year. TfL Rail operational performance as measured by the public performance measure (PPM) was 94.5 per cent at the end of the year using the moving annual average, a 1.1 per cent increase over the previous year. This was significantly higher than the national average for train operators of 86.3 per cent and secured TfL Rail third place in the national PPM league.

In preparation for the commencement of the Elizabeth line services, step free access works have been completed on four Eastern stations; Manor Park, Maryland, Forest Gate and Seven Kings. Additionally, main dynamic testing commenced this year with the full electrification of the central section tunnel and the operation of Class 345 test trains.

Docklands Light Railway Limited

In 2018/19, DLR's customer satisfaction survey (CSS) score was 87. This is marginally lower than the previous year, however indicated a consistent level of satisfaction on station and train cleanliness. DLR operation performance - departure score was 98 97 per cent this was slightly lower than the franchise agreement threshold.

In financial year 2018/19 passenger ridership was 121.77 million and compared with 2017/18 total annual journeys has indicated a year-on-year increase of 1.83 per cent in journeys. The DLR year-on-year increase in passenger journeys was driven by the delayed opening of the Elizabeth Line and also this year DLR was not impacted by any industrial actions. However the planned weekend closures relating to engineering construction work contributed to a slight decline in the weekend journeys.

There were 14 weekend closures out of which 7 were annual maintenance closures and others were other network upgrade engineering works, mainly on the east route.

Strategic Report (continued)

Tramtrack Croydon Limited

In the year, Trams carried 28.7 million passengers, one per cent lower than last year. Customer satisfaction scores at 90 continue to be strong but are one point lower than last year.

We have made significant progress on the RAIB Sandilands recommendations for London Trams and have completed some of the most vital. Some of the recommendations set out by the RAIB require the implementation of new systems and technology not seen on the UK's trams before, and so significant designing, testing and procurement, including seeking out innovative manufacturers who can transform tram safety, has been needed.

A contract was awarded in December 2018 for the installation of a system to automatically reduce tram speeds at risk locations on the network should a clear overspeed violation occur. The system will be fully installed by December 2019.

We continue to work alongside the wider tram industry to ensure all of the recommendations outlined are met as quickly as possible and continue to assist the RAIB, BTP and ORR with their ongoing investigations.

Operationally it has been a good year. However, there were some incidents where the tramway was closed for long periods with the most significant being part of the network being closed for a week whilst emergency services dealt with a fire in a warehouse adjacent to the tramway. In March, our operator suffered an Industrial Relations dispute which resulted in a strike on the 28th March. Most of the tramway was closed, although a service was operated between Wimbledon and East Croydon.

We have also made good progress with the replacement of the Blackhorse Lane bridge. A significant engineering project, the replacement of the bridge has been a challenging project to manage and caused a large amount of inconvenience to the residents living nearby. However, we hope to be able to open the road again for traffic in December 2019 with full completion early in 2020.

London Bus Services Limited

London's bus network carried just over 2.2 billion passenger journeys on the network this year. It remained the largest public transport carrier in London despite facing a decline of circa 25 million journeys, a decline of 1.1 per cent or 1.4 per cent after adjusting for the timing of Easter and adverse weather days. There was a 1.7 per cent year on year reduction in Km operated across the bus network and bus speeds were flat year on year. The average yield per passenger journey improved year on year which resulted in an increase in income of £9m on the previous year. Operating costs were broadly flat year on year. The higher cost owing to annual contracted price inflation was offset by a combination of driving efficiencies in the contracting process and reshaping the bus network in response to changes in demand.

In 2017/18 bus services were more reliable than they had ever been and bus speeds, which were suffering significant decline, were improving, reversing a long-term trend. Both reliability and bus speeds have stabilised in 2018/19 thanks to giving buses more priority to pass through traffic signals and shortening journey times where road modernisation schemes enabled us to unblock obstacles to the passage of buses.

Buses continue to be a particularly affordable and flexible form of transport, with the Hopper Fare enabling many users to hop on and off within an hour for £1.50. This continues to help drive London's night-time economy where one of every two journeys takes people to work in the early hours.

To maintain a sustainable level of subsidy of bus services in London in future years and as travel patterns are never static in London we will continue to reshape the bus network in inner London and refocus routes in parts of outer London where more people reliant on the private motor car are living and working. We will continue to optimise the network to enable customers to benefit from tube extensions and capacity improvements, and will tailor more changes around the deferred opening of the Elizabeth Line. It makes sense for us to invest resources more heavily in

Strategic Report (continued)

outer London where, there is greater private car use and we can attract people onto more sustainable public transport alternatives.

As our capital faces significant challenges to eliminate road casualties and improve air quality, we have committed ourselves to unprecedented investment in these areas. Safety is of paramount concern to us as we look to fundamentally change our thinking and bring about a Vision Zero approach to London in which no-one is killed or seriously injured by a bus by 2030, and no-one is killed or seriously injured on our roads by 2041.

This requires us to exert our influence directly over all our activities as well as spur our external partners to play their parts. Our immediate plans involve the introduction of much safer buses from the end of this year under the new Bus Safety Standard – a set of specifications covering safety technologies and designs. New vehicles will be fitted with near and off-side mirrors with a broader field of view, better anti-slip floors, technology making buses more conspicuous to pedestrians, cyclists and motorcyclists, and dashboard warning lights. The standard will develop further up to 2024 to take account of the availability of new technologies such as automatic emergency braking.

Ahead of the standard, we have fitted more than 700 new vehicles with Intelligent Speed Assistance (ISA) to enhance compliance with speed limits, particularly the rising number of 20mph zones. ISA lets vehicles operate up to the limit by tracking them against a digital speed map of London.

As technology is only part of the answer, we are putting all our 24,500 bus drivers through virtual-reality safety training, specially developed for London, showing risks as they emerge from the perspective of the driver's cab, with 360° surround views. The one-day course called *Destination Zero* will run for around 18 months and is linked to independent academic research we have commissioned from Loughborough University and the Swedish National Road Safety Authority into potential issues around driver fatigue. We may also invest in safety technology trials if our Safety Innovation Fund attracts promising ideas from private operators

Buses are also bringing about better air quality in London through an unprecedented upgrade and replacement programme to make the fleet ultra-clean and cut the most harmful exhaust fumes. We now have only the cleanest diesel hybrid buses entering the Ultra-Low Emission Zone, and outside this area we have additionally introduced 10 Low Emission Bus Zones to tackle poor air quality on specific roads. To ensure all areas ultimately benefit from the same cleaner technologies, we will make the entire bus fleet ultra clean by 2020. We are around three-quarters of the way there and this is already cutting tailpipe oxides of nitrogen and particulate matter on those vehicles by up to 95 and 80 per cent respectively. Looking further ahead, we are growing our pure electric fleet to more than 150 vehicles as our goal is to have a zero-emission fleet by 2037.

Cycle Hire

2018/19 saw the Cycle Hire scheme achieve over 10.9 million hires in the financial year (2017/18 10.4 million). The scheme continued to expand its cycle hire network and to improve access.

London Buses Limited (Dial-a-Ride)

During the year to 31 March 2019, Dial-a-Ride scheduled 90 per cent (2017/18 88.1 per cent) of all trip requests received, which was above the target of 89% per cent. After on-the-day cancellations of scheduled trips by passengers, the service delivered 1,000,525 trips which was 2.3 per cent fewer than in 2017/18 (2017/18 1,023,920).

Customer satisfaction was 89 per cent (2017/18 92.0 per cent) against a target of 91 per cent. This decline reflected fewer customers reporting the highest level of satisfaction, rather than an increase in the lower levels of satisfaction. The 2.3 per cent reduction in trips delivered is lower than declines in previous years. Nevertheless this continues a decline in demand reflecting changing shopping habits and the reduction of activities and day centres provided for disabled and elderly people.

Strategic Report (continued)

During the year Dial-a-Ride focussed on improving operational efficiency, developing and implementing the Assisted Transport Strategy and preparing for the implementation of the Ultra Low Emission Zone. The latter required the purchase of 90 new Euro VI buses and significant changes to the booking and scheduling system.

Victoria Coach Station Limited

The company provided facilities for circa 12.5 million passengers (2017/18 14 million) and 450,000 arrivals and departures (2017/18 472,000).

During the year, an entire new management team was installed and the operational cost of running the business has been reduced. The new team are reviewing historical procedures and processes to enable the business to be fit for the future in a much more demanding environment. The year ahead will look to deliver significant asset investment for the benefit of our customers while managing the challenges of a central London coach station and delivering against the Mayor's Transport strategy.

Commercial income has been further strengthened by strong performance from the popular retail units within the station environs. This year the station has delivered a redesigned ticket hall which now provides accessible customer services and a more focused ticket and information area.

London River Services Limited

During the year a total of 9.8 million passengers (10.0 million in 2017/18) used London River Services pier facilities, Woolwich Ferry and licensed river tour and river bus services. This shows a decline in passenger numbers during the year of approximately 2 per cent. The drop can be attributed to the closure of the Woolwich Ferry for upgrade works, which led to a year-on-year reduction of approximately 0.7m customers.

Exceptional weather during the summer of 2018 led to year-on-year increases for River Bus and River Tours services with a combined increase of over 5 per cent.

Other activities

The Group's other activities include:

- The Crossrail project to construct a rail tunnel under central London in order to provide a new passenger service linking Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east, covering Canary Wharf and Stratford;
- London's Transport Museum which provides education and entertainment on the history of transportation in London.

Crossrail Limited

On 30 August 2018, Crossrail Ltd ("CRL") formally notified its Sponsors (Department for Transport ("DfT") and Transport for London) of the very disappointing news that there was insufficient time remaining to introduce Stage 3 Elizabeth line services through the central section in December 2018. This followed the decision taken at the CRL Board on 29 August 2018 that additional time was needed to complete the fit-out of the tunnels in parallel with the integration and testing of railway systems and software packages in the signalling, rolling stock and system contracts. Without this it was not possible to introduce a safe and reliable railway for passenger service in December 2018. The leadership team in place at that time developed a revised strategy that supported an Elizabeth line opening in Autumn 2019 and a new forecast of cost to complete the project.

Strategic Report (continued)

Subsequent to that analysis, in late Autumn 2018 it became apparent that the cost to complete had been underestimated, as had the level of project integration required. The state of completion of the stations had been overestimated. The Sponsors commissioned an independent review by KPMG which was published in January 2019.

In October 2018, additional funding of £300m was provided by the Sponsors. In December 2018 the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project. The Greater London Authority ("GLA") will borrow up to £1.3bn from the DfT. The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project. A contingency arrangement has also been agreed between TfL and the Government. This will be in the form of a loan facility from the DfT of up to £750m, should there be a requirement for further funding.

A new leadership team has been put in place during the financial year, as well as a new governance structure. In addition, resources in critical areas required to complete the project have been recruited following the demobilisation of staff. These teams have been working rapidly and intensively to develop a robust and realistic plan to deliver the rest of the project. This high-level plan was published on 25 April 2019 and the leadership team is now developing that plan with a 10,000+ line detailed Delivery Control Schedule.

London Transport Museum (Trading) Limited

The principal activities are retail operations, venue hire and other commercial activity. Although retail, internet, and mail order sales revenue grew by 15 per cent during the year, non-retail income declined by 7 per cent, leading to a net increase in total turnover of 3 per cent. However, with a relatively smaller increase in operating costs this year, the operating profit increased by 16 per cent to £1.2m (2017/18 £1.0m).

Treasury activities

During the year, TfL issued net borrowings after repayments of £463.3m to various subsidiaries within the Group (2017/18 £618.7m). This brings total borrowings held by the Group, at 31 March 2019 to £10,451.3m (2018 £9,988.0m). The interest payable by the Group on these borrowings increased from £332.8m in 2018 to £362.6m in 2019 reflecting increased borrowings year on year.

The fair value at the year end of outstanding interest rate derivatives taken out to hedge the interest rate on borrowings was a net liability of £22.8m (2018 £31.5m). Further cumulative net cash payments of £118.1m made on settlement of gilt locks in prior years are deferred within equity and are being released to the Income Statement as an interest rate hedge over the term of borrowings issued by TfL. £8.6m (2017/18 £8.2m) was released to financial expenses in 2018/19, leaving a remaining balance of £67.5m related to gilt locks deferred in the hedging reserves as at 31 March 2019. Hedging in the Group is achieved through the drawdown of intercompany loans from TfL and the onward lending of the monies to London Underground Limited, a fellow subsidiary undertaking of the TfL Group.

The Group also holds interest rate derivatives in order to fix the floating interest rate risk on operating lease payments for rolling stock under a lease taken out by Rail for London Limited ("RfL"), a subsidiary of Transport Trading Limited. The fair value of these derivatives at 31 March 2019 was a net liability of £18 8m (2018 £12.6m).

During the year, the Group was party to a number of forward foreign exchange contract programmes hedging planned future foreign currency expenditure, on plant and equipment, by its subsidiaries. At 31 March 2019, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swedish Krona, Swiss Francs and Chinese Renminbi and call options in Euros and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £187.1m (2018 £219.5m). At 31 March 2019, these contracts had a combined net fair value of £3 5m (2018 £4.7m). At 31 March 2019, the call options were out of the money. The fair value attributable to time value of the options was £4.0m (2018 £nil). Hedge accounting was applied to these derivatives, and all hedging relationships have been assessed as effective.

Strategic Report (continued)

In addition, the Group entered into a number of foreign exchange swaps and forwards to hedge the currency risk on foreign currency investments entered into by its parent undertaking, TfL. At 31 March 2019, the Group held forward foreign exchange contracts to sell euros to a value of £340.0m (2018 £499.1m). Although fully effective as hedges at the TfL Group level, as the hedged investments are in a different legal entity to the derivatives, these contracts were not in formally designated hedging relationships for accounting purposes. Hedge accounting has not therefore been applied. A fair value loss on these contracts totalling £0.3m (2017/18 gain of £0.9m) has been recognised directly in the Income Statement within financial income.

Risk management

The Group has a risk management process and arrangements that enable it systematically to identify, assess, manage and monitor business risks. The risk management process aims to complement and support the underlying mainstream management of the organisation.

The risk management framework provides a consistent platform to compare and contrast risks from differing sources and types of risks. Impact is assessed in financial and non-financial terms (e.g. time delay, customer service and reputation impacts). Each risk is allocated a risk owner who is responsible for the correct interpretation, mitigation and reporting of the risk.

The companies within the Group hold regular Risk Management Meetings. The remit of these meetings is to oversee the delivery and development of internal control and risk management processes and culture within the organisation. The meetings review strategic level risks and other internal control reports.

The Board of the Group's ultimate parent, TfL, has overall accountability for risk management and setting risk tolerance and appetite levels. The TfL Executive Committee reviews and discusses strategic risks periodically, and a full assessment of each strategic risk is carried out quarterly.

Brexit

On 23 June 2016, a public vote in the UK resulted in the decision for the United Kingdom to leave the European Union. As at the date of signing these Financial Statements, the UK has not left the European Union and considerable uncertainty remains surrounding the UK's withdrawal. The Group's exposure to Brexit related risks is managed centrally by the Group's ultimate parent undertaking, TfL, through its Brexit Working Group, comprised of representatives from across all of TfL's activities.

The TfL Group is relatively isolated from many common Brexit-related issues. Its largest financial exposure is to macro-economic shifts, including any economic contractions that may result from a disruptive Brexit outcome. The Group's income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance including the number of jobs in central London. Ridership trends are monitored closely. The Group also holds financial reserves to allow fluctuations in revenues to be managed. Any necessary changes to the Group's financial plans resulting from a reduction in revenues would be managed through its normal financial planning processes.

More short-term risks include potential disruptions to operations and commercial contracts, exposure to financial risks (FX and interest rate), and the wellbeing of our people. The Brexit Working Group has developed, and is implementing, significant mitigation plans to enable the Group to continue to serve its customers in all scenarios. This includes a command and control structure that would be implemented in the event of a No Deal Brexit, working with other bodies across London and the South East. Many Brexit-related risks are key risks already under close management.

Strategic Report (continued)

The TfL Group sources relatively few goods directly from the EU, but supply chain risks, including sub-contractors, are being actively managed to ensure contracts can continue. Where necessary, the TfL Group hedges to reduce exchange rate risk and places orders for critical supplies at fixed prices. The Group's Treasury function works with lenders to manage interest rate risks and seeks to increase certainty by fixing borrowing rates in advance.

We are supporting our non-UK, EU citizen staff by providing guidance on applying for Settled Status and are engaging through our Human Resources team and internal communications.

Approved by the Board on 24 July 2019 and signed on behalf of the Board by

H. Carter

Director

Statement of Directors' Responsibilities

In Respect of the Directors' Report, the Strategic Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with Adopted IFRSs; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

Opinion

We have audited the financial statements of Transport Trading Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group Income Statement, Group Statement of Comprehensive Income, the Group and Parent company Statement of Financial Position, Group and Parent company Statement of Cash Flows, and the Group and Parent Statement of Changes in Equity, Accounting Policies and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

Independent Auditor's Report

Other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 July 2019

Group Income Statement

Year ended 31 March	Note	2019 £m	2018 £m
Revenue	1	**5,284.2**	5,001.3
Net operating costs		**(5,290.4)**	(5,481.8)
Operating loss	2	**(6.2)**	(480.5)
Grant income	3	**639.9**	839.4
Other gains and losses	4	**236.0**	43.8
Total profit from operations		**869.7**	402.7
Financial income	7	**2.6**	1.8
Financial expenses	8	**(314.7)**	(303.2)
Group share of loss after tax of associated undertakings	14	**(94.5)**	(62.7)
Profit before taxation		**463.1**	38.6
Income tax credit	9	**2.0**	3.5
Profit for the year attributable to owners of the Company		**465.1**	42.1

Group Statement of Comprehensive Income

Year ended 31 March	Note	2019 £m	2018 £m
Gain for the year		**465.1**	42.1
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Actuarial (loss)/gain on defined benefit pension schemes	32	**(1.0)**	9.0
		(1.0)	9.0
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments		**0.6**	15.5
Derivative fair value loss recycled to income and expenditure		**8.6**	8.2
Revaluation of property, plant and equipment	11	**40.1**	20.3
		49.3	44.0
Total comprehensive income and expenditure for the year attributable to owners of the Company		**513.4**	95.1

Group Statement of Financial Position

	Note	31 March 2019 £m	31 March 2018 £m
Non-current assets			
Intangible assets	10	34.3	39.0
Property, plant and equipment	11	36,859.4	35,332.5
Investment property	12	485.3	526.3
Equity accounted investment in associated undertakings	14	233.5	319.0
Derivative financial instruments	26	6.8	11.7
Finance lease receivables	15	39.4	17.4
Trade and other receivables	19	46.2	23.2
		37,704.9	36,269.1
Current assets			
Inventories	17	61.0	64.2
Assets classified as held for sale	18	99.1	83.2
Finance lease receivables	15	12.8	8.2
Trade and other receivables	19	498.0	406.7
Derivative financial instruments	26	11.8	5.9
Cash and cash equivalents	20	126.6	113.7
		809.3	681.9
Current liabilities			
Trade and other payables	21	(2,109.0)	(2,470.8)
Current tax liabilities		(0.1)	-
Borrowings and overdraft	23	-	(0.1)
Finance lease liabilities	24	(59.3)	(59.1)
Derivative financial instruments	26	(3.0)	(1.5)
Provisions	27	(218.1)	(209.7)
		(2,389.5)	(2,741.2)
Non-current liabilities			
Trade and other payables	21	(42.9)	(48.8)
Other financing liabilities	22	(132.7)	-
Borrowings	23	(10,451.3)	(9,988.0)
Finance lease liabilities	24	(227.9)	(286.8)
Derivative financial instruments	26	(46.5)	(52.0)
Provisions	27	(22.9)	(48.7)
Deferred grant	30	(12,726.0)	(13,388.2)
Retirement benefit obligation	32	(29.9)	(26.1)
		(23,680.1)	(23,838.6)
Net assets		12,444.6	10,371.2
Equity			
Called up share capital	33	10,320.0	8,760.0
Revaluation reserve		325.3	302.7
Hedging reserve		(105.5)	(115.4)
Cost of hedging reserve		(0.7)	-
Merger reserve		466.1	466.1
Retained reserves		1,439.4	957.8
Total equity attributable to owners of the Company		12,444.6	10,371.2

The notes on pages 44 to 100 form part of these financial statements.

These financial statements were approved by the Board on 24 July 2019 and signed on its behalf by:

H. Carter
Director
Company Registration Number 3914810

Group Statement of Changes in Equity

	Note	Share capital	Revaluation reserve	Hedging reserve	Cost of hedging reserve	Merger reserve	Retained reserves	Total
		£m	£m	£m	£m	£m	£m	£m
At 1 April 2017		8,560.0	294.2	(139.1)	-	466.1	894.9	10,076.1
Profit for the year		-	-	-	-	-	42.1	42.1
Actuarial gain on defined benefit pension scheme	32	-	-	-	-	-	9.0	9.0
Movement in the fair value of derivative financial instruments		-	-	15.5	-	-	-	15.5
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	8.2	-	-	-	8.2
Net surplus on revaluation of property, plant and equipment		-	20.3	-	-	-	-	20.3
Total comprehensive income/(expense)		-	20.3	23.7	-	-	51.1	95.1
Issue of share capital	33	200.0	-	-	-	-	-	200.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(11.8)	-	-	-	11.8	-
Balance at 31 March 2018		8,760.0	302.7	(115.4)	-	466.1	957.8	10,371.2
Profit for the year		-	-	-	-	-	465.1	**465.1**
Actuarial loss on defined benefit pension scheme	32	-	-	-	-	-	(1.0)	**(1.0)**
Movement in the fair value of derivative financial instruments		-	-	1.3	(0.7)	-	-	**0.6**
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	8.6	-	-	-	**8.6**
Net surplus on revaluation of property, plant and equipment		-	40.1	-		-	-	**40.1**
Total comprehensive income/(expense)		-	40.1	9.9	(0.7)	-	464.1	**513.4**
Issue of share capital	33	1,560.0	-	-	-	-	-	**1,560.0**
Release of revaluation reserve in respect of non-historic cost depreciation		-	(17.5)	-	-	-	17.5	**-**
Balance at 31 March		**10,320.0**	**325.3**	**(105.5)**	**(0.7)**	**466.1**	**1,439.4**	**12,444.6**

Group Statement of Cash Flows

Year ended 31 March	Note	2019 £m	2018 £m
Cash flows from operating activities			
Gain for the year		465.1	42.1
Adjustments for:			
Depreciation	11	894.8	914.9
Amortisation of intangible assets	10	13.1	25.5
Increase in value of investment property	4	(3.3)	(41.1)
(Loss) / gain on sale of property, plant and equipment	4	(197.6)	0.5
Gain on sale of investment property	4	(35.1)	(3.2)
Financial income	7	(2.6)	(1.8)
Financial expense	8	314.7	303.2
Amortisation of deferred capital grant to meet the depreciation charge	2	(916.9)	(710.3)
Reversal of share of loss from associates		94.5	62.7
Reversal of defined benefit pension service costs	32	4.1	5.6
Reversal of taxation credit		(2.0)	(3.5)
Cash flow from operating activities before movements in working capital		628.8	594.6
Decrease in inventories		3.2	6.7
(Increase)/decrease in trade and other receivables		(99.2)	77.7
(Decrease)/increase in trade and other payables		(130.6)	3.9
(Decrease)/increase in provisions		(17.3)	172.3
Net cash generated from operations		384.9	855.2
Employer contributions to pension scheme	32	(2.0)	(3.3)
Taxation paid		2.0	3.6
Net cash generated from operating activities		384.9	855.5
Cash flows from investing activities			
Interest received		2.5	0.7
Proceeds from disposal of property, plant and equipment		796.3	30.0
Proceeds from disposal of investment properties		80.3	7.6
Acquisition of intangible assets		(8.4)	(8.2)
Acquisition of property, plant and equipment		(3,324.7)	(3,131.1)
Interim funding to third parties in relation to Crossrail		-	1,268.2
Loan notes acquired		(8.2)	(1.4)
Finance leases granted during the year		(35.6)	(21.2)
Finance leases repaid during the year		9.0	-
Investment in share capital of associates		(0.8)	(12.1)
Payments to acquire subsidiaries		-	(1.4)
Shareholder loan repaid on acquisition of Development Securities (Southwark) Limited		-	(12.6)
Capital grants received		472.3	592.6
Net cash utilised by investing activities		(2,017.3)	(1,288.9)

Group Statement of Cash Flows (continued)

Year ended 31 March		2019	2018
		£m	£m
Cash flows from financing activities			
Issue of share capital		**1,560.0**	200.0
Increase in loans from ultimate parent		**917.4**	618.7
Repayment of loans from ultimate parent		**(454.1)**	-
Capital element of finance leases repaid		**(58.7)**	(65.4)
Capital element of other financing liabilities		**(8.8)**	-
Cash paid on settlement of derivatives		**(4.7)**	-
Interest paid		**(306.1)**	(295.9)
Net cash flow generated from financing activities		**1,645.0**	457.4
Net cash movement in the year		**12.6**	24.0
Net cash and cash equivalents (net of overdrafts) at the start of the year		**113.6**	89.6
Net cash and cash equivalents at the end of the year	20	**126.2**	113.6

Company Statement of Financial Position

	Note	31 March 2019 £m	31 March 2018 £m
Non-current assets			
Intangible assets	10	22.0	23.1
Property, plant and equipment	11	250.0	257.9
Investment property	12	3.2	3.3
Investment in subsidiary undertakings	13	10,855.0	9,295.0
Finance lease receivables	15	39.4	17.4
Equity loans to subsidiaries	16	247.6	-
Trade and other receivables	19	-	0.8
		11,417.2	9,597.5
Current assets			
Finance lease receivables	15	12.8	8.2
Trade and other receivables	19	329.4	335.1
Cash and cash equivalents	20	52.7	49.5
		394.9	392.8
Current liabilities			
Trade and other payables	21	(828.5)	(613.7)
Provisions	27	(0.4)	(9.4)
		(828.9)	(623.1)
Non-current liabilities			
Trade and other payables	21	(29.3)	(21.4)
Borrowings	23	(54.5)	(30.4)
Provisions	27	(0.1)	-
Deferred grant	30	(124.7)	(119.2)
		(208.6)	(171.0)
Net assets		10,774.6	9,196.2
Reserves			
Share capital	33	10,320.0	8,760.0
Revaluation reserve		56.9	56.0
Merger reserve		466.1	466.1
Retained reserves		(68.4)	(85.9)
Total equity attributable to owners of the Company		10,774.6	9,196.2

TTL Company is exempt under section 408 of the Companies Act 2006 from producing an income statement.

The notes on pages 44 to 100 form part of these financial statements.

These financial statements were approved by the Board on 15 July 2019 and signed on its behalf by:

H. Carter

Director

Company Registration Number 3914810

Company Statement of Changes in Equity

	Note	Share capital	Revaluation reserve	Merger reserve	Retained reserves	Total
		£m	£m	£m	£m	£m
At 1 April 2017		8,560.0	56.6	466.1	(97.6)	8,985.1
Net surplus on revaluation of property, plant and equipment		-	11.1	-	-	11.1
Total comprehensive income / (expense)		-	11.1	-	-	11.1
Issue of share capital	33	200.0	-	-	-	200.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(11.7)	-	11.7	-
Balance at 31 March 2018		8,760.0	56.0	466.1	(85.9)	9,196.2
Net surplus on revaluation of property, plant and equipment		-	18.4	-	-	18.4
Total comprehensive income/(expense)		-	18.4	-	-	18.4
Issue of share capital	33	1,560.0	-	-	-	1,560.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(17.5)	-	17.5	-
Balance at 31 March 2019		10,320.0	56.9	466.1	(68.4)	10,774.6

Company Statement of Cash Flows

Year ended 31 March	Note	2019 £m	2018 £m
Cash flows from operating activities			
Loss for the year		-	-
Adjustments for:			
Depreciation	11	46.6	38.6
Amortisation of intangible assets	10	7.5	19.5
Decrease/(increase) in value of investment property	12	0.1	(0.1)
Impairment of equity loans to subsidiaries	16	236.9	
Financial income		(2.3)	(0.8)
Financial expense		0.1	0.1
Amortisation of deferred capital grant to meet the depreciation charge	30	(17.2)	(18.6)
Release of deferred capital grant to meet the impairment of equity loans to subsidiaries		(236.9)	-
Cash flow from operating activities before movements in working capital		34.8	38.7
Decrease in trade and other receivables		6.5	21.2
(Decrease)/increase in trade and other payables		233.5	(0.9)
(Decrease)/increase in provisions		(9.0)	6.2
Net cash generated from operating activities		265.8	65.2
Cash flows from investing activities			
Interest received		2.4	0.1
Equity loans to subsidiaries		(484.5)	-
Acquisition of intangible assets		(6.4)	(7.7)
Acquisition of property, plant and equipment		(31.1)	(59.5)
Finance leases granted during the year		(35.6)	(20.6)
Finance leases repaid during the year		9.0	-
Subscription for new shares in subsidiary		(1,560.0)	(200.0)
Capital grants received		259.6	33.3
Net cash utilised by investing activities		(1,846.6)	(254.4)
Cash flows from financing activities			
Issue of share capital		1,560.0	200.0
Increase in loans from ultimate parent		24.1	-
Interest paid		(0.1)	(0.1)
Net cash flow generated from financing activities		1,584.0	199.9
Net cash movement in the year		3.2	10 8
Net cash and cash equivalents at the start of the year		49.5	38.7
Net cash and cash equivalents at the end of the year		52.7	49.5

Accounting Policies

a) Reporting entity

Transport Trading Limited ("TTL" or the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 3914810 and its registered office is 55 Broadway, London, SW1H 0BD.

The consolidated financial statements as at 31 March 2019 include the financial statements of the Company and its subsidiaries (together referred to as the "Group").

b) Statement of accounting policies

This section explains the Company's main accounting policies, which, unless otherwise stated, have been applied to all periods presented in these financial statements.

c) Basis of preparation

Statement of Compliance

These financial statements have been prepared in sterling which is the functional currency of the Group, rounded to the nearest million (£m) and in accordance with IFRSs as adopted in the EU.

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current asset and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Group and Company's financial performance.

d) Uses of estimates and judgements

The preparation of financial statements in conformity with Adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the balance sheet at fair value.

Uses of judgement

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by the International Financial Reporting Interpretations Committee's ('IFRIC') IFRIC 4 Determining whether an Arrangement contains a Lease, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the balance sheet this can have a significant effect on the reported financial position of the Group or Company.

Classification of investment properties

IAS 40 Investment Property ('IAS 40') requires that properties be classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. The Group owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. Judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the Income Statement this could have a significant effect on the financial performance of the Group or Company.

Accounting Policies (continued)

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Group or Company. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the Group or Company.

Capitalisation of assets with third party interest

In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgment is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group or Company.

Uses of estimates

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the defined benefit obligation. More details are given in note 32.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 31 and the Accounting Policy on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group or Company. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 27.

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) guidelines. Gains and losses from changes in the fair value of investment property are included in the Income Statement for the period in which they arise.

Office buildings

Office buildings held within property, plant and equipment are held at fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

Accounting Policies (continued)

e) New standards and interpretations adopted for the first time in these Financial Statements

Standards and interpretations issued by the International Accounting Standards Board ("IASB") are only applicable if endorsed by the EU. The following new amendments have been applied for the first time in these Financial Statements:

- IFRS 9 Financial Instruments (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) supersedes IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting.

  With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 are now measured at either amortised cost or fair value as set out in ah) Financial instruments. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. TfL has applied the new standard from 1 April 2018, but the application has had no impact on balances previously reported in these financial statements.

  With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. As set out in ah) Financial instruments, TfL has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments to which TfL is party, these are deemed to have low credit risk and there has not been a significant increase in credit risk since initial recognition. As such, although a loss allowance for 12 month expected credit losses has been calculated upon transition to IFRS 9, this has not had an impact on balances previously reported in TfL's financial statements.

  With regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the hedge accounting requirements prospectively from 1 April 2018. The Group's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under the new assessment requirements.

  The Group has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39. The application of the hedge accounting requirements has had no impact on the results and financial position of the Group for the current or prior year.

- IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  TfL has applied IFRS 15 from 1 April 2018, using the modified retrospective approach. The introduction of this standard has not had a material impact on these consolidated financial statements. All revenue streams including passenger income, revenue in respect of free travel for older customers, congestion

Accounting Policies (continued)

charging and commercial advertising income have been assessed. Contracts with customers and service recipients in these areas are readily identifiable, performance obligations are clear, transaction prices can be determined and allocated under existing processes, and recognition criteria are materially unchanged from the previous policies. The Group's accounting policies for its revenue streams are set out in accounting policy note h) Revenue recognition.

The Group has also applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods beginning on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IAS 40 (amendments) Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments include amendments to IAS 28 Investments in Associates and Joint Ventures that clarify that, for qualifying entities, the option to measure investments in associates and joint ventures at Fair Value Through Profit and Loss is available separately for each associate or joint venture and that election should be made at initial recognition.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This IFRIC addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or liability (e.g. deferred revenue).
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016).

f) New standards and interpretations not yet adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these financial statements:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (mandatory for years beginning on or after 1 January 2019). The amendments specify that when a pension plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used to remeasure the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event. It is also required to determine the net interest cost for the remainder of the period using the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability.
- Amendments to IAS 28 Long-term interests in associates and joint ventures (mandatory for years commencing on or after 1 January 2019). The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (mandatory for years commencing on or after 1 January 2019). Under IFRS 9, a debt instrument can be measured at amortised

cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

- Annual Improvements 2015/2017 Cycle (issued in December 2017, mandatory for years commencing on or after 1 January 2019). These improvements include:
  - IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
  - IFRS 11 Joint Arrangements. Where an entity that participates in, but does not have joint control of, a joint operation obtains joint control of that joint operation, the amendments clarify that that the previously held interests in that joint operation are not remeasured.
  - IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions that generated the distributable profits, than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income, or equity in line with where the entity originally recognised those past transactions or events.
  - IAS23 Borrowing Costs. The amendments clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings once substantially all of the activities necessary to prepare that asset for its intended use are complete.
- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2021). IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not applicable to the TfL Group.

Transition to IFRS 16

IFRS 16 was issued in January 2016, replacing IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group will initially apply this standard from 1 April 2019.

The lease liability at the date of initial application will be measured at the present value of lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease whenever the Group is reasonably certain to exercise that option. Subsequently, the lease liability will be measured by increasing the carrying amount to reflect interest on the lease liability and reducing it by lease payments made.

The right-of-use asset at the date of initial application will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group is applying the modified retrospective transition method, under which comparative information will not be restated. For contracts previously classified as leases under IAS 17 and IFRIC 4, the Group has reassessed whether the contract is or contains a lease upon initial transition to the new standard and has also performed an

Accounting Policies (continued)

assessment to identify significant contracts which have not been previously classified as leases but which may be a lease under the new standard.

The Group has elected to use the exemptions available in the standard in respect of: lease contracts for which the lease terms ends within 12 months as of the date of initial application; lease contracts for which the underlying asset is of low value; the application of a single discount rate to a portfolio of leases with similar characteristics; exclusion of initial direct costs from the measurement of the right-of-use asset; and use of hindsight, for example, in determining the lease term where the contract contains options to extend or terminate the lease.

On 1 April 2019, the Group expects to recognise between £1.4 billion to £1.45 billion of right-of-use assets and a corresponding lease liability.

Leases previously classified as finance leases where the Group is a lessee

For leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17. For those leases, a lessee shall account for the right-of-use asset and the lease liability applying this standard from the date of initial application.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

g) Going concern

The Financial Statements have been prepared on a going concern basis.

The Group is dependent on funds provided to it by Transport for London, its ultimate parent, in order to ensure working capital requirements are satisfied. Transport for London has indicated that for at least 12 months from the date of approval of these Financial Statements, it will continue to make such funds available to the Group.

The directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Group placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so. Based on this undertaking, the directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis.

h) Revenue recognition

Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value added tax (where applicable).

Fares revenue

Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities – contract liabilities representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Accounting Policies (continued)

Revenue in respect of free and reduced fare travel for older customers and disabled customers

Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion charging

The standard daily congestion charge, including those paying through Auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

Income from penalty charge notices is recognised, net of a provision for cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance

Income from penalty charge notices for traffic and parking infringements on red routes is recognised as it becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing

Income from taxi and private hire licences is recognised on a straight line basis over the term of the licence.

Commercial advertising

TfL grants a concession partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from such arrangements. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IAS 17, revenue is be recognised on a straight line basis over the term of the contract.

Where the arrangement is viewed as a finance lease, (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

The Group, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned. The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income

Rental income from operating leases of properties, ATMs and car parks is recognised on a straight line basis over the term of the lease. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation lined annual increases in rentals are treated as contingent rents and are recognised as income when they occur.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Accounting Policies (continued)

Third party contributions to operating costs

Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Cycle hire scheme revenues

Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract

Annual membership scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of membership to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Museum income

Store sales

Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue

Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission

Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme

Corporate membership scheme revenue is recognised on a straight line basis over the period of membership, as it represents a stand-ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission

Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income

Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

i) Grants and other funding

Grants and other contributions received towards the cost of capital expenditure are recorded as deferred income on the Statement of Financial Position and released to the Income Statement over the estimated useful economic life of the asset to which the grant relates.

Revenue grants received for the funding of operations are credited to the Income Statement on a systematic basis to match costs.

Accounting Policies (continued)

j) Employee benefits

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Income Statement in the periods during which services are rendered by employees.

Defined benefit plans

The defined benefit plans, of which the majority of staff are members, provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to that fund in advance of members' retirement.

Pension scheme assets are measured using current market bid values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total comprehensive income, actuarial gains and losses. Generally, amounts are charged to operating expenditure on the basis of the current service cost of the present employees that are members of the Schemes.

Defined benefit plans – multi-employer exemption

For certain defined benefit schemes it is not possible for the Company or Group to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. This is because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. For this reason, as permitted by the multi-employer exemption in IAS 19 (revised 2011) Employee benefits ("IAS 19R"), these schemes are accounted for as defined contribution schemes and contributions are charged to the Income Statement as incurred.

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are measured on an undiscounted basis and are recognised as an expense over the period in which they accrue.

k) Leases (the Group as lessee)

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Accounting Policies (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

The Group has applied the transitional provisions in IFRIC 4 as permitted under IFRS 1 First time adoption of International Financial Reporting Standards ("IFRS 1") to determine whether existing arrangements contain a lease at the date of transition to Adopted IFRSs based on the facts and circumstances existing at that date.

l) Leases (the Group as lessor)

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

m) Financial income and expenses

Financing and investment income consists of interest income on funds invested and expected return on pension assets. Interest income is recognised as it accrues in the Income Statement, using the effective interest rate method.

Financing costs comprise the interest expense on borrowings and finance lease liabilities accrued using the effective interest rate method, and the expected cost of pension scheme liabilities. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. In accordance with IFRS 1 and IAS 23 Borrowing costs ("IAS 23"), the Group has taken the option not to capitalise borrowing costs on assets prior to the date of transition to IFRS.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Income Statement using the effective interest rate method.

n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that

Accounting Policies (continued)

they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same tax authority and the Group has the right of set off.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Foreign currencies

Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

p) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each Statement of Financial Position date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated amortisation and accumulated impairment losses. Assets under construction are measured at cost less accumulated impairment losses.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	3-5 years

q) Property, plant and equipment

Recognition and measurement

Infrastructure consists of tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands, properties attached to infrastructure and surplus properties held to facilitate construction of infrastructure.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses.

Assets in the course of construction are measured at cost less accumulated impairment losses.

The cost of certain items of property, plant and equipment was determined by reference to a previous GAAP valuation. The Group elected to apply the optional exemption allowed under IFRS 1 to use this previous valuation as deemed cost at 1 April 2009, the date of transition.

Accounting Policies (continued)

Office property consists of business properties, used by the Company for its own purposes, which are not limited in their future use by operational constraints or requirements and which are not integral to the infrastructure (e.g. offices).

These properties are valued at fair value by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market derived discount rate) to establish the present value of the net income stream. Office properties are therefore categorised as level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year.

Movements in the fair value of the property are taken to the revaluation reserve, with the exception of permanent diminutions in value which are recognised in the Income Statement

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years	Bridges and viaducts	up to 120 years
Track	up to 100 years	Road pavement	up to 40 years
Road foundations	up to 50 years	Signalling	15 to 40 years
Stations	up to 120 years	Other property	20 to 120 years
Rolling stock	30 to 50 years	Lifts and escalators	25 to 40 years
Plant and equipment	3 to 40 years	Computer equipment	3 years

Accounting Policies (continued)

Assets under construction and freehold land are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds of disposal with the carrying amount, and are recognised net within other gains and losses in the Income Statement.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are ready for their intended use. Qualifying assets are defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time has been interpreted as being one year.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

s) Private Finance Initiative ("PFI") arrangements

The Group has entered into PFI arrangements with the private sector in relation to the construction, maintenance and operation of parts of London Underground and Docklands Light Railway infrastructure. In the absence of alternative guidance, these arrangements are treated as service concession arrangements following the guidance, from a lessor's point of view, contained in IFRIC 12 Service Concession Arrangements ("IFRIC 12"), an interpretation under Adopted IFRS.

IFRIC 12 requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. The Group therefore recognises PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

c) The interest element (using the interest rate implicit in the contract)

Services received

The fair value of services received in the year is recorded in net operating costs.

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 Leases ("IAS 17").

Where the operator enhances assets already recognised in the Statement of Financial Position, the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year, and is charged to 'Financial expenses' within the Income Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Accounting Policies (continued)

Life cycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements accounted for as operating leases are not recognised in the Statement of Financial Position and are dealt with as detailed in note j) above.

t) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with any changes therein recognised in the Income Statement in the period in which they arise. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Properties are valued at fair value by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years.

u) Investment in subsidiaries

The Company's investment in subsidiaries is accounted for at cost and is recognised net of impairment losses.

v) Investment in associated undertakings

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate Under the equity method, the investment is initially recognised on the Statement of Financial Position at cost, and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

w) Assets classified as Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

x) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as stock until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Accounting Policies (continued)

Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

y) Impairment

Non-financial assets

Impairment occurs when an asset would otherwise be recorded in the Financial Statements at an amount more than is recoverable from its use or sale.

At each reporting date, the Group reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment losses are recognised in the Income Statement.

z) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the consideration required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material.

aa) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS9) are classified as:

- financial assets measured at amortised cost
- financial assets measured at fair value through other Comprehensive Income and Expenditure ('FVTOCI')
- financial assets measured at fair value through the Income Statement ('FVTPL')
- financial liabilities measured at amortised cost
- financial liabilities at fair value through the Income Statement ('FVTPL')

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met:

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principle value and interest thereon.

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Income Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Accounting Policies (continued)

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Income Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Income Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amount in Other Comprehensive Income to the Income Statement.

Financial assets are measured at FVTPL if they are:

- derivatives
- not held as amortised cost or at FVTOCI
- financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the balance sheet at fair value with gains or losses recognised in the Income Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- derivatives
- other liabilities held for trading
- financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries

Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash without significant penalty and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments

Short-term investments with an outstanding maturity, at the date of acquisition, greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash without penalty Short-term investments are classified as financial assets at amortised cost.

Accounting Policies (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Finance lease receivables

Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases and PFI arrangements

All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument's is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

Accounting Policies (continued)

- an economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- credit risk does not dominate changes in the value of the hedging instrument or hedged item
- the hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Income Statement and any change in value is immediately recognised in the Income Statement.

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Income Statement. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.

Impairment of financial assets

At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

Accounting Policies (continued)

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Income Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9 and;
- the derivative's risks and characteristics are not closely related to those of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host contracts are not carried at fair value

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Income Statement during the period in which they arise.

ab) Fair Value Measurement

IFRS 13 Fair Value measurement requires that financial instruments that are measured in the statement of financial position at fair value are measured by level of the following fair value measurement hierarchy:

- ***Level 1 Quoted prices (unadjusted) in active markets for identical assets***

  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

- ***Level 2 Inputs other than quoted prices included that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)***

  The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

- ***Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)***

  Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

Accounting Policies (continued)

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

ac) Reserves

Share capital

The balance classified as share capital includes total net proceeds (nominal value, share premium and any merger reserve in lieu of premium, where merger relief is applied) on issue of the Group's share capital, comprising £1 ordinary shares.

Revaluation reserve

The revaluation reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; or
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are transferred to retained earnings.

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Income Statement. The gain or loss deferred in reserves is recognised in the Income Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

Retained reserve

All other accumulated net gains and losses and transactions less any amounts distributed to shareholders not recognised elsewhere.

Notes to the Financial Statements

1 Group revenue

Year ended 31 March	2019 £m	% of total	2018 £m	% of total
Fares	4,533.7	85.8	4,319.4	86.5
Revenue in respect of free travel for the elderly and the disabled	320.3	6.1	325.0	6.5
Charges to London boroughs	1.1	-	1.0	-
Charges to transport operators	10.0	0.2	11.8	0.2
Commercial advertising receipts	149.9	2.8	145.9	2.9
Rents receivable	85.2	1.6	72.2	1.4
Museum and other retail income	9.4	0.2	8.9	0.2
Contributions from third parties to operating costs	74.3	1.4	14.7	0.3
Ticket and photocard commission income	30.5	0.6	24.9	0.5
ATM and car parking income	19.3	0.4	18.1	0.4
Training and specialist services	2.0	-	2.1	-
Cycle hire scheme	11.7	0.2	11.1	0.2
Other	36.8	0.7	46.2	0.9
	5,284.2	100.0	5,001.3	100.0

Notes to the Financial Statements (continued)

2 Group operating loss

Year ended 31 March	Note	2019 £m	2018 £m
The operating loss is stated after charging/(crediting):			
Capital items			
Amortisation of intangible assets	10	13.1	25.5
Depreciation of property, plant and equipment – owned	11	843.3	835.0
Depreciation of property, plant and equipment – leased	11	51.5	79.9
Release of grant to meet the depreciation charge on the historical cost of depreciated fixed assets	30	(916.9)	(710.3)
Other operating costs			
Employee costs	5	1,387.5	1,567.5
Payments under operating leases		77.7	79.2
Inventory expensed during the year		70.8	79.5

Auditor's remuneration		
Fees for the audit of these financial statements	0.8	0.8
Fees for the audit of subsidiary financial statements	-	-
Fees for non-audit services: assurance related	-	0.3
	0.8	1.1

Notes to the Financial Statements (continued)

3 Group grant income

Year ended 31 March	2019	2018
	£m	£m
Grant from Transport for London to fund operations	639.9	839.4

4 Group other gains and losses

Year ended 31 March		2019	2018
	Note	£m	£m
Change in fair value of investment properties	12, 18	3.3	41.1
Net gain on disposal of investment properties		35.1	3.2
Net gain/(loss) on disposal of property, plant and equipment		197.6	(0.5)
		236.0	43.8

5 Group employee costs

Year ended 31 March		2019	2018
The average number of persons employed in the year were:		Number	Number
Bus operations		708	909
London Underground		16,706	17,545
Rail operations		386	380
Crossrail		352	499
Tube Lines		-	1,084
Group services		574	699
Victoria Coach Station		72	83
Other activities		155	132
Total		18,953	21,331
Their aggregate remuneration comprised:	Note	£m	£m
Wages and salaries		1,024.6	1,169.6
Social security costs		116.6	128.6
Pension costs	32	246.3	269.3
		1,387.5	1,567.5

Notes to the Financial Statements (continued)

6 Directors' emoluments

Year ended 31 March	**2019**	2018
	Number	Number
Number of directors who were remunerated by the Group during the year:	**-**	-

The directors received no emoluments or benefits from the Company.
Directors' emoluments and benefits were borne by Transport for London for five directors (2017/18 six).
Total remuneration paid to directors of Transport Trading Limited by Transport for London was £1,181,099 (2017/18 £1,211,122) and by its fellow subsidiaries was £366,158 (2017/18 £962,890). The apportionment of this attributable to their service as Directors of Transport Trading Limited and its fellow subsidiaries cannot be individually identified.

7 Group financial income

Year ended 31 March		**2019**	2018
	Note	**£m**	£m
Interest income received in regard to finance lease debtors		**2.3**	0.6
Net fair value movement on derivative financial instruments not subject to hedge accounting		**-**	0.9
Other		**0.3**	0.3
		2.6	1.8

8 Group financial expenses

Year ended 31 March		**2019**	2018
	Note	**£m**	£m
Interest payable on derivative financial instruments		**21.3**	27.8
Interest payable to Transport for London		**362.6**	332.8
Interest on finance lease liabilities		**24.5**	28.6
Contingent rentals on PFI liabilities		**5.5**	7.5
Net fair value movement on derivative financial instruments not subject to hedge accounting		**0.3**	-
Net interest on defined benefit obligation	32	**0.6**	0.8
Other interest payable		**3.6**	-
		418.4	397.5
Less amounts capitalised into qualifying assets	11	**(103.7)**	(94.3)
		314.7	303.2

The interest rates charged on loans from Transport for London range between 2.44 per cent and 4.32 per cent (2017/18 1.87 per cent and 4.4 per cent).

Notes to the Financial Statements (continued)

9 Taxation

The Company and its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation tax - Group

The Group tax credit for the year, based on the rate of corporation tax of 19 per cent (2017/18 19 per cent) comprised:

	Group	Group
Year ended 31 March	2019	2018
	£m	£m
Current tax		
UK corporation tax	0.1	-
Adjustments in respect of prior years	(2.1)	(3.5)
Total income tax credit for the year	(2.0)	(3.5)

Reconciliation of tax credit

	Group	Group
Year ended 31 March	2019	2018
	£m	£m
Profit before tax	463.1	38.6
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017/18 19%)	88.0	7.3
Effects of:		
Non-taxable and non-deductible items	(24.5)	14.7
Amount credited to current tax for which no deferred tax was recognised	(62.5)	(16.1)
Utilisation of tax losses brought forward	(1.0)	(5.7)
Tax exempt revenues	0.1	(0.1)
Adjustments in respect of prior years	(2.1)	(3.6)
Total tax credit for the year	(2.0)	(3.5)

b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £1,613.6m (2018 £1,467.3m) in respect of the following items:

	Group	Group
Year ended 31 March	2019	2018
	£m	£m
Deductible temporary differences	722.6	1,467.3
Tax losses	891.0	-
	1,613.6	1,467.3

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that there will be sufficient future taxable profits available against which the benefits can be utilised.

Notes to the Financial Statements (continued)

9 Taxation (continued)

c) Movements in recognised deferred tax assets and liabilities during the year - Group

Deferred tax assets have been recognised to the extent of the deferred tax liabilities at the balance sheet date. Their movements during the years were in respect of the following items:

	Balance at 1 April	Movement in year	Balance at 31 March
For the year ended 31 March 2019	£m	£m	£m
Deferred tax assets			
Deferred government grant	808.7	629.8	**1,438.5**
Derivative financial instruments	19.0	(1.7)	**17.3**
Property, plant and equipment - accelerated capital allowances	270.7	(81.2)	**189.5**
Losses	888.0	(888.0)	**-**
	1,986.4	(341.1)	**1,645.3**
Deferred tax liabilities			
Property, plant and equipment	(1,887.3)	336.6	**(1,550.7)**
Investment properties - potential capital gain	(84.8)	6.9	**(77.9)**
Assets held for sale - potential capital gain	(14.3)	(2.4)	**(16.7)**
	(1,986.4)	341.1	**(1,645.3)**
Net deferred tax asset/(liability)	-	-	**-**
For the year ended 31 March 2018			
Deferred tax assets			
Deferred government grant	1,734.9	(926.2)	808.7
Derivative financial instruments	23.2	(4.2)	19.0
Property, plant and equipment - accelerated capital allowances	266.1	4.6	270.7
Tax value of losses carried forward	-	888.0	888.0
	2,024.2	(37.8)	1,986.4
Deferred tax liabilities			
Property, plant and equipment	(1,943.8)	56.5	(1,887.3)
Investment properties - potential capital gain	(78.0)	(6.8)	(84.8)
Assets held for sale - potential capital gain	(2.4)	(11.9)	(14.3)
	(2,024.2)	37.8	(1,986.4)
Net deferred tax asset/(liability)	-	-	-

Notes to the Financial Statements (continued)

9 Taxation (continued)

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those held as available for sale, has decreased due to the revaluation movements and disposals in the year.
- The property, plant and equipment deferred tax asset and liability have decreased in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.
- Included within the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £40.1m recognised in other comprehensive income.
- The deferred tax asset arising in respect of derivative financial instruments has decreased due to movement in the fair value of derivatives.

d) Unrecognised deferred tax assets - Company

The Company has a potential deferred tax asset of £2.5m (2017/18: £nil). No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profit available against which the unused tax losses and unused tax credits can be utilised. The deductible temporary differences do not expire under current tax legislation.

The potential deferred tax asset can be attributed to the following:

	2019	2018
	£m	£m
Deductible temporary differences	-	-
Tax losses	2.5	-
Deferred tax asset	2.5	-

The Corporation Tax rate was reduced from 20 per cent to 19 per cent for the years starting 1 April 2017, 2018 and 2019. A further reduction from 19 percent to 17 percent was substantively enacted on 15 September 2016 and will take effect from 1 April 2020. As the Group's deferred tax balances are not expected to be settled until after 1 April 2020, deferred tax balances at 31 March 2019 have been calculated at the enacted rate of 17 per cent.

Notes to the Financial Statements (continued)

10 Intangible assets

a) Group intangible assets

		Software costs	Goodwill	Intangible assets under construction	Total
Cost or valuation	Note	£m	£m	£m	£m
At 1 April 2017		181.8	349.2	2.8	533.8
Additions		7.4	-	0.8	8.2
Acquisitions		-	2.6	-	2.6
Transfer from property, plant and equipment	11	13.0	-	-	13.0
Disposals		(37.0)	-	-	(37.0)
At 31 March 2018		165.2	351.8	3.6	520.6
Additions		-	-	8.4	8.4
Transfers between asset classes		10.1	-	(10.1)	-
Disposals		(3.2)	-	-	(3.2)
At 31 March 2019		**172.1**	**351.8**	**1.9**	**525.8**
Amortisation and impairment					
At 1 April 2017		143.9	349.2	-	493.1
Charge for the year	2	25.5	-	-	25.5
Disposals		(37.0)	-	-	(37.0)
At 31 March 2018		132.4	349.2	-	481.6
Charge for the year	2	13.1	-	-	13.1
Disposals		(3.2)	-	-	(3.2)
At 31 March 2019		**142.3**	**349.2**	**-**	**491.5**
Net book value at 31 March 2019		**29.8**	**2.6**	**1.9**	**34.3**
Net book value at 31 March 2018		32.8	2.6	3.6	39.0

Assets under construction comprise software assets under development.

Notes to the Financial Statements (continued)

10 Intangible assets

b) Company intangible assets

Cost or valuation	Note	Software costs £m	Intangible assets under construction £m	Total £m
At 1 April 2017		111.4	2.2	113.6
Additions		7.2	0.6	7.8
Transfer from property, plant and equipment	11	11.0	-	11.0
Disposals		(24.3)	-	(24.3)
At 31 March 2018		105.3	2.8	108.1
Additions		-	6.4	6.4
Transfers between asset classes		9.1	(9.1)	-
At 31 March 2019		**114.4**	**0.1**	**114.5**
Amortisation and impairment				
At 1 April 2017		89.7	-	89.7
Charge for the year		19.6	-	19.6
Disposals		(24.3)	-	(24.3)
At 31 March 2018		85.0	-	85.0
Charge for the year		7.5	-	7.5
At 31 March 2019		**92.5**	**-**	**92.5**
Net book value at 31 March 2019		**21.9**	**0.1**	**22.0**
Net book value at 31 March 2018		20.3	2.8	23.1

Notes to the Financial Statements (continued)

11 Property, plant and equipment

a) Group property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2018		27,491.5	5,495.6	1,713.7	14,858.2	49,559.0
Additions		0.8	6.2	7.3	3,205.5	3,219.8
Transfers between asset classes		890.4	291.0	104.6	(1,286.0)	-
Transfers to investment properties	12	(16.6)	-	-	-	(16.6)
Disposals		(2.8)	(377.9)	(9.5)	(416.0)	(806.2)
Write offs		-	-	-	(38.5)	(38.5)
Revaluation		17.3	-	-	-	17.3
At 31 March 2019		**28,380.6**	**5,414.9**	**1,816.1**	**16,323.2**	**51,934.8**
Depreciation						
At 1 April 2018		10,827.1	2,233.8	1,165.6	-	14,226.5
Charge for the year	2	664.0	135.9	94.9	-	894.8
Transfers between asset classes		101.8	-	(101.8)	-	-
Disposals		(2.5)	(11.1)	(9.5)	-	(23.1)
Revaluation		(22.8)	-	-	-	(22.8)
At 31 March 2019		**11,567.6**	**2,358.6**	**1,149.2**	**-**	**15,075.4**
Net book value at 31 March 2019		**16,813.0**	**3,056.3**	**666.9**	**16,323.2**	**36,859.4**
Net book value at 31 March 2018		16,664.4	3,261.8	548.1	14,858.2	35,332.5

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2017		26,659.5	5,243.8	1,662.8	12,809.9	46,376.0
Additions		48.1	105.7	29.7	3,123.5	3,307.0
Transfers between asset classes		890.5	146.1	36.1	(1,072.7)	-
Transfers to investment properties	12	(1.0)	-	-	-	(1.0)
Transfers to intangible assets	10	(10.5)	-	-	(2.5)	(13.0)
Disposals		(101.3)	-	(14.9)	-	(116.2)
Revaluation		6.2	-	-	-	6.2
At 31 March 2018		27,491.5	5,495.6	1,713.7	14,858.2	49,559.0
Depreciation						
At 1 April 2017		10,186.7	2,095.7	1,084.6	-	13,367.0
Charge for the year	2	681.2	138.1	95.6	-	914.9
Transfers to investment properties		(0.7)	-	-	-	(0.7)
Disposals		(26.0)	-	(14.6)	-	(40.6)
Revaluation		(14.1)	-	-	-	(14.1)
At 31 March 2018		10,827.1	2,233.8	1,165.6	-	14,226.5

c) Capitalisation of borrowing costs - Group

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. The Group opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing costs ('IAS 23'). The total borrowing costs capitalised during the year were £103.7m (2017/18 £94.3m). The cumulative borrowing costs capitalised are £609.9m (2017/18 £506.2m). Borrowing costs were capitalised into fixed assets at the rate of interest borne on the borrowings used to finance those specific assets.

d) Capital commitments - Group

At 31 March 2019, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,144.9m (2017/18 £1,969.1m).

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

e) Leased assets - Group

The net book value above includes the following amounts in respect of PFI and other leased assets:

	Infrastructure and office buildings	Rolling stock	Total
Gross cost	£m	£m	£m
PFI assets	767.5	45.2	812.7
Other leased assets	-	408.1	408.1
	767.5	**453.3**	**1,220.8**
Depreciation			
PFI assets	420.5	43.7	464.2
Other leased assets	-	180.9	180.9
	420.5	**224.6**	**645.1**
Net book value at 31 March 2019	**347.0**	**228.7**	**575.7**
Net book value at 31 March 2018	384.2	242.6	626.8

f) Group office buildings

The fair value of office buildings at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 none).

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors.

Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2019 was £321.7m (2017/18 £318.3m) and the historic cost was £31.3m (2017/18 £32.2m). A related revaluation gain for the year of £40.1m (2017/18 £20.3m) has been recognised within other comprehensive income and expenditure.

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

g) Company property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2018		232.2	290.0	65.0	587.2
Additions		-	-	20.3	20.3
Transfers between asset classes		0.5	18.9	(19.4)	-
At 31 March 2019		**232.7**	**308.9**	**65.9**	**607.5**
Depreciation					
At 1 April 2018		97.2	232.1	-	329.3
Charge for the year		26.8	19.8	-	46.6
Revaluation		(18.4)	-	-	(18.4)
At 31 March 2019		**105.6**	**251.9**	**-**	**357.5**
Net book value at 31 March 2019		**127.1**	**57.0**	**65.9**	**250.0**
Net book value at 31 March 2018		135.0	57.9	65.0	257.9

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

h) Company property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2017		205.7	264.9	81.0	551.6
Additions		13.1	18.5	21.6	53.2
Transfers between asset classes		22.3	13.0	(35.3)	-
Transfer to intangible assets	10	(8.7)	-	(2.3)	(11.0)
Disposals		-	(6.4)	-	(6.4)
Revaluation		(0.2)	-	-	(0.2)
At 31 March 2018		232.2	290.0	65.0	587.2
Depreciation					
At 1 April 2017		88.0	220.5	-	308.5
Charge for the year		20.6	18.0	-	38.6
Disposals		-	(6.4)	-	(6.4)
Revaluation		(11.4)	-	-	(11.4)
At 31 March 2018		97.2	232.1	-	329.3

i) Capitalisation of borrowing costs - Company

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2017/18 £nil). The cumulative borrowing costs capitalised are also £nil (2017/18 £nil).

j) Capital commitments - Company

At 31 March 2019, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £16.6m (2017/18 £13.2m).

k) Leased assets – Company

The Company did not have any PFI or other leased assets as at 31 March 2019 (2017/18 nil).

l) Office buildings - Company

The fair value of office buildings at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Company, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 nil). Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year.

The value of these buildings at 31 March 2019 was £69.2m (2017/18 £68.8m) and the historic cost was £12.2m (2017/18 £12.8m).

Notes to the Financial Statements (continued)

12 Investment properties

	Note	Group £m
Valuation		
At 1 April 2017		547.2
Additions		0.4
Acquired through business combinations		11.5
Transfer from property, plant and equipment	11	0.2
Transfer to assets held for sale	18	(72.9)
Disposals		(0.5)
Revaluation	4	40.4
At 31 March 2018		526.3
Additions		0.2
Transfer from property, plant and equipment	11	16.6
Transfer to assets held for sale	18	(15.2)
Disposals		(45.2)
Revaluation	4	2.6
At 31 March 2019		**485.3**

The fair value of the Group's investment properties at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group.

Values are calculated under level 3 of the fair value hierarchy using a discount cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use.

Properties are valued in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years.

The Group's investment properties are let on a tenant repairing basis. The Group's maintenance obligations are limited to common areas and vacant property units.

Notes to the Financial Statements (continued)

12 Investment properties (continued)

	Company
	£m
Valuation	
At 1 April 2017	3.2
Revaluation	0.1
At 31 March 2018	3.3
Revaluation	(0.1)
At 31 March 2019	**3.2**

The Company's investment property relates to Kingsbury Parade.

13 Investment in subsidiary undertakings

	Company	Company
	2019	2018
	£m	£m
At 1 April	**9,295.0**	9,095.0
Additions	**1,560.0**	200.0
At 31 March	**10,855.0**	9,295.0

During the year, the Group invested £1,560m (2017/18 £200m) in the equity share capital of Crossrail Limited.

Notes to the Financial Statements (continued)

13 Investment in subsidiary undertakings (continued)

The Company's subsidiaries are;

Subsidiaries	Principal activity	Percentage holding	Registered number
City Airport Rail Enterprises Limited *	Dormant company	100%	04411523
Crossrail Limited †	Construction of Crossrail infrastructure	100%	04212657
Crossrail 2 Limited *	Dormant company	100%	09580635
Docklands Light Railway Limited (DLR) *	Passenger transport by rail	100%	02052677
London Bus Services Limited *	Passenger transport by bus	100%	03914787
London Buses Limited *	Dial-a-Ride services	100%	01900906
London Dial-a-Ride Limited	Dormant company	100%	02602192
London River Services Limited *	Pier operator	100%	03485723
London Transport Museum (Trading) Limited	Trading company	100%	06527755
London Transport Museum Limited	Charitable company	100%	06495761
London Underground Limited *	Passenger transport by underground train	100%	01900907
LUL Nominee BCV Limited *	Maintenance of underground lines	100%	06221959
LUL Nominee SSL Limited *	Maintenance of underground lines	100%	06242508
Rail for London (Infrastructure) Limited *	Infrastructure manager for the Crossrail central operating section	100%	09366341
Rail for London Limited *	Passenger transport by rail	100%	05965930
Tramtrack Croydon Limited *	Passenger transport by tram	100%	03092613
Transport for London Finance Limited *	Manages financial risk of the Group	100%	06745516
TTL Blackhorse Road Properties Limited *	Holding company	100%	11121664
TTL Earls Court Properties Limited *	Holding company	100%	08951012
TTL Kidbrooke Properties Limited *	Holding company	100%	10768138
TTL Landmark Court Properties Limited *	Dormant company	100%	11121741
TTL Northwood Properties Limited * #	Holding company	100%	11607897
TTL Properties Limited *	Holding company	100%	08961151
TTL South Kensington Properties Limited * #	Property investment	100%	11403981
TTL Southwark Properties Limited *	Property investment	100%	08212651
Tube Lines Limited *	Maintenance of underground lines	100%	03923425
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee	100%	05024749
Victoria Coach Station Limited *	Coach station	100%	00205610
Woolwich Arsenal Rail Enterprises Limited *	Dormant company	100%	05372373

The financial statements of all the above companies are lodged at Companies House. All companies are limited by shares and incorporated in the United Kingdom. The registered office of all companies is 55 Broadway, London SW1H 0BD unless stated below.

† Registered office 5 Endeavour Square, London E20 1JN.

Incorporated during the year

* All outstanding liabilities of these undertakings as at 31 March 2019 have been provided with a parent company guarantee under s.479C of the Companies Act 2006. Their individual financial statements for the year ended 31 March 2019 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

Notes to the Financial Statements (continued)

13 Investment in subsidiary undertakings (continued)

The parent corporation

The immediate and ultimate parent corporation of the Group is Transport for London. A statutory corporation established under the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority (GLA) and reports to the Mayor of London.

14 Investment in associated undertakings

a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company, incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In early 2015, ECP commenced trading and, on 2 April 2015, the Group granted a 999 year lease over land at Earl's Court into ECP. During 2015/16 the Group invested share capital and non-interest bearing loans totalling £447.1m into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. During 2017/18 the Group invested an additional £1.3m in loan notes of ECP and in 2018/19 a further £8.2m was invested.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December 2018 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2019. On 31 March 2019, TfL obtained an independent valuation of the underlying Investment and Development Property assets of ECP. As a result, an additional share of loss of £27.7m has been reflected in these financial statements

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance sheet of Earls Court Partnership Limited at the 100% level

	Group 2019 £m	Group 2018 £m
Short-term assets	**8.8**	5.7
Long-term assets	**731.2**	890.5
Short-term liabilities	**(5.7)**	(8.4)
Long-term liabilities	**(65.8)**	(61.4)
Total net assets	**668.5**	826.4

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2019 £m	Group 2018 £m
Net assets at 100%	**668.5**	826.4
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets	**247.3**	305.8
Revaluation adjustment as at 31 March	**(27.7)**	-
Investment in equity loan notes between 31 December and 31 March	**1.0**	1 1
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	**220.6**	306.9

Notes to the Financial Statements (continued)

14. Investment in associates (continued)

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

	Group 2019 £m	Group 2018 £m
Group share of loss from continuing operations	(94.5)	(62.7)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(94.5)	(62.7)

b) Kidbrooke Partnership LLP

In 2017/18 the Group acquired a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership, for a cash consideration of £12.1m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Kidbrooke Properties Limited. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of KP LLP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In late January 2018, KP LLP commenced trading and the Group granted a 299 year lease over the land lying to the South East of Kidbrooke Park Road to KP LLP for a consideration of £17.0m. The financial year end of KP LLP is 31 March.

During 2018/19 the Group invested a further £0.8m in equity of KP LLP.

Summarised financial information in respect of the Group's investment in KP LLP is set out below:

Balance sheet of Kidbrooke Partnership LLP at the 100% level

	Group 2019 £m	Group 2018 £m
Short-term assets	0.6	24.8
Long-term assets	25.9	-
Short-term liabilities	(0.2)	-
Long-term liabilities	-	-
Total net assets	26.3	24.8

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2019 £m	Group 2018 £m
Net assets at 100%	**26.3**	24.8
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	**12.9**	12.1

KP LLP has recognised neither a profit nor loss in the year to 31 March 2019 (or in the period to 31 March 2018). There is therefore no impact on Group consolidated profits relating to this associate.

Notes to the Financial Statements (continued)

15 Finance lease receivables

Group and Company finance lease receivables

The Company leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the balance sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

	2019	2018
Principal outstanding	**£m**	£m
Current	12.8	8.2
Non-current	39.4	17.4
	52.2	25.6

16 Equity loans to subsidiaries

	Company	Company
	2019	2018
Non-current	**£m**	£m
Equity loans to subsidiary companies	**247.6**	-

	Company	Company
	2019	2018
	£m	£m
Balance at 1 April	-	-
New loans issued	**484.5**	-
Impairment	**(236.9)**	-
As at 31 March	**247.6**	-

Equity loans to subsidiaries are non-interest bearing.

Notes to the Financial Statements (continued)

17 Inventories

	Group 2019 £m	Group 2018 £m
Raw materials and consumables	60.4	63.3
Goods held for resale	0.6	0.9
	61.0	64.2

There is no material difference between the Statement of Financial Position value of inventories and their net realisable value. The company had no inventories at 31 March 2019 or 31 March 2018.

18 Assets classified as held for sale

	Note	Group 2019 £m	Group 2018 £m
Balance outstanding at start of year		83.2	13.5
Assets newly classified as held for sale:			
Investment properties	12	15.2	72.9
Revaluation gains		0.7	0.7
Assets declassified as held for sale:			
Disposals:			
Investment properties		-	(3.9)
Balance outstanding at end of year		99.1	83.2

As at 31 March 2019, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those arrangements.

The Company had no assets classified as held for sale at 31 March 2019 or 31 March 2018.

Notes to the Financial Statements (continued)

19 Trade and other receivables

	Group 2019	Group 2018
Current	**£m**	£m
Trade receivables	**119.5**	79.2
Amounts due from ultimate parent	**17.5**	71.9
Other tax and social security	**48.2**	80.2
Grant debtors	**11.8**	3.3
Other receivables	**129.9**	49.3
Prepayments	**87.1**	91.1
Capital debtors	**6.6**	-
Contract assets: accured income	**77.4**	31.7
	498.0	406.7
Non-current		
Other receivables	**-**	10.0
Prepayments	**46.2**	13.2
	46.2	23.2

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2019, £7.5m (2018 £5.1m) was recognised as provision for expected credit losses on trade debtors (see note 31).

Contract assets balances represent the accrued income recognised but not yet invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contribution, the amounts recognised as contract assets are reclassified to trade debtors.

19 Trade and other receivables (continued)

	Company	Company
	2019	2018
Current	£m	£m
Trade receivables	58.3	55.1
Amounts due from fellow group undertakings	227.6	254.3
Other tax and social security	1.1	6.1
Other receivables	0.9	6.8
Prepayments	33.8	8.8
Contract assets: accrued income	7.7	4.0
	329.4	335.1
Non-current		
Prepayments	-	0.8

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2019, £5.5m (2018 £5.1m) was recognised as provision for expected credit losses on trade debtors (see note 31).

Contract assets balances represent the accrued income recognised but not yet invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contribution, the amounts recognised as contract assets are reclassified to trade debtors.

20 Cash and cash equivalents

	Group	Group
	2019	2018
	£m	£m
Cash at bank	98.1	87.0
Cash in hand and in transit	28.5	26.7
	126.6	113.7

	Company	Company
	2019	2018
	£m	£m
Cash at bank	52.4	49.0
Cash in hand and in transit	0.3	0.5
	52.7	49.5

Notes to the Financial Statements (continued)

21 Trade and other payables

	Group 2019	Group 2018
Current	**£m**	£m
Trade payables	**80.8**	85.7
Capital works	**514.1**	747 1
Retentions on capital contracts	**11.5**	4.8
Amounts due to ultimate parent	**490.2**	750.5
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	**394.5**	402.2
Wages and salaries	**73.2**	74.2
Interest accruals	**2.4**	3.0
Contract liabilities: other deferred income	**47.8**	44.1
Other taxation and social security	**147.1**	42.1
Capital grants received in advance	**3.2**	-
Accruals and other payables	**344.2**	317.1
	2,109.0	2,470.8
Non-current		
Retentions on capital contracts	**3.7**	17.2
Trade payables	**0.2**	0.2
Contract liabilities: deferred income	**31.8**	23.8
Accruals and other payables	**7.2**	7.6
	42.9	48.8

The level of outstanding long term and short term contract liabilities as at 31 March 2019 was broadly consistent with last year. The remaining performance obligations expected to be met in more than one year include:

i. license revenue and funding received from developers for improvements to bus services, which together total £9.5m, of which £6.5m relates to obligations that are to be satisfied within 2 to 3 years, and £3m within give years.
ii. lease incentives received in respect of head office buildings of £21.5m that are expected to be released within 18 to 24 years.

Set out below is the amount of revenue recognised during the year from:

	Group 2019
Year ended 31 March	**£m**
Amounts included in contract liabilities at the beginning of the year	**354.8**
Performance obligations satisfied in previous years	**-**

Notes to the Financial Statements (continued)

21 Trade and other payables (continued)

	Company 2019 £m	Company 2018 £m
Current		
Trade payables	9.7	17.8
Capital works	4.1	14.9
Amounts due to fellow Group undertakings	305.0	93.5
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	388.1	395.7
Wages and salaries	2.3	2.5
Contract liabilities: other deferred income	26.1	23.3
Other taxation and social security	0.2	0.3
Capital grants received in advance	0.1	-
Accruals and other payables	92.9	65.7
	828.5	613.7
Non-current		
Contract liabilities: deferred income	22.1	13.8
Accruals	7.2	7.6
	29.3	21.4

The level of outstanding long term and short term contract liabilities as at 31 March 2019 was broadly consistent with last year. The remaining performance obligations expected to be met in more than one year include:

i. lease incentives received in respect of head office buildings of £21.5m that are expected to be released within 18 to 24 years.

Set out below is the amount of revenue recognised during the year from:

	Company 2019
Year ended 31 March	**£m**
Amounts included in contract liabilities at the beginning of the year	333.1
Performance obligations satisfied in previous years	-

22 Other financing liabilities

	Group 2019 £m	Group 2018 £m
Non-current		
Other financing liabilities	132.7	-

The Company had no other financing liabilities at 31 March 2019 or 31 March 2018.

23 Borrowings and overdraft

	Group 2019 £m	Group 2018 £m
Current		
Bank overdraft	-	0.1
Non-current		
Amounts due to ultimate parent	10,451.3	9,988.0

See note 31 (Funding and financial risk management) for further information about the maturity and interest rate profiles of the Group's borrowings.

	Company 2019 £m	Company 2018 £m
Non-current		
Amounts due to ultimate parent	54.5	30.4

Notes to the Financial Statements (continued)

23 Borrowings and overdraft (continued)

Changes in liabilities arising from financing activities

	Group 2019 £m	Group 2018 £m
Balance at 1 April		
Current	59.2	65.3
Non-current	10,274.8	9,715.3
	10,334.0	9,780.6
Increase in loans from ultimate parent	917.4	618.7
Repayment of loans from ultimate parent	(454.1)	-
Repayment of bank overdraft	(0.1)	-
Net repayment of finance leases	(58.7)	(65.3)
Net increase in other financing liabilities	132.7	-
As at 31 March	10,871.2	10,334.0
Current	59.3	59.2
Non-current	10,811.9	10,274.8
	10,871.2	10,334.0

	Company 2019 £m	Company 2018 £m
Balance at 1 April		
Non-current	30.4	30.4
	30.4	30.4
Increase in loans from ultimate parent	24.1	-
As at 31 March	54.5	30.4
Non-current	54.5	30.4
	54.5	30.4

Notes to the Financial Statements (continued)

24 Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 11.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

At 31 March 2019	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
Within one year	79.8	(20.5)	**59.3**
Between one and two years	38.9	(16.5)	**22.4**
Between two and five years	102.0	(39.4)	**62.6**
Later than five years	177.3	(34.4)	**142.9**
	398.0	(110.8)	**287.2**
At 31 March 2018			
Within one year	83.6	(24.5)	59.1
Between one and two years	79.7	(20.5)	59.2
Between two and five years	106.7	(44.4)	62.3
Later than five years	211.2	(45.9)	165.3
	481.2	(135.3)	345.9

Principal outstanding	**2019 £m**	2018 £m
Current	**59.3**	59.1
Non-current	**227.9**	286.8
	287.2	345.9

Notes to the Financial Statements (continued)

24 Finance lease liabilities (continued)

Terminal 5

The Group is party to an agreement with Heathrow Airport Limited to construct, maintain and operate an extension of the Piccadilly line to Terminal 5 at Heathrow Airport. The agreement entitles the Group to the exclusive right to use the rail infrastructure to provide passenger rail services for an initial period of 30 years with an option to extend for a further 999 years. In accordance with IFRIC 4, as the agreement conveys the right to use the rail infrastructure, the asset should be accounted for as if it were a leased asset. In accordance with IAS 17 the asset is accounted for as a finance lease and an asset and corresponding finance lease creditor should be recorded on the statement of financial position. The value of the assets and finance lease creditor is calculated as the lower of the present value of minimum lease payments and the fair value of the assets.

Under the terms of the agreement the payments are entirely contingent on the number of passengers passing through Heathrow underground station. IAS 17 states that the calculation of the present value of minimum lease payments should exclude contingent payments. Consequently the asset and finance lease creditor recorded on the Statement of Financial Position have no value.

b) Company finance lease liabilities

The Company did not have any finance lease liabilities at 31 March 2019 and 31 March 2018.

25 Private finance initiative contracts

Private Finance Initiative ("PFI") contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 *Service Concession Arrangements*.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 11 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The charge for services is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

25 Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited ("DLR")		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

Notes to the Financial Statements (continued)

26 Derivative financial instruments

Group cash flow hedges

	Fair value 2019 £m	Notional amount 2019 £m	Fair value 2018 £m	Notional amount 2018 £m
Non-current assets				
Interest rate swaps	2.7	96.0	7.0	96.0
Foreign currency forward contracts	4.1	49.6	4.7	126.2
	6.8	145.6	11.7	222.2
Current assets				
Foreign currency forward contracts	7.8	272.4	5.9	510.4
Foreign currency options	4.0	299.0	-	-
	11.8	571.4	5.9	510.4
Current liabilities				
Interest rate swaps	1.2	150.0	0.7	100.0
Foreign currency forward contracts	1.8	220.9	0.8	94.9
	3.0	370.9	1.5	194.9
Non-current liabilities				
Interest rate swaps	43.0	334.9	50.4	482.9
Foreign currency forward contracts	3.5	74.4	1.6	30.9
	46.5	409.3	52.0	513.8

The Company has not entered into any derivative financial instrument contracts.

Notes to the Financial Statements (continued)

27 Provisions

a) Group provisions

	At 1 April 2018 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2019 £m**
Compensation and contractual	170.4	(39.8)	140.2	(65.5)	**205.3**
Environmental harm	1.4	-	-	-	**1.4**
Other	86.6	(15.9)	(25.2)	(11.2)	**34.3**
	258.4	(55.7)	115.0	(76.7)	**241.0**

	At 1 April 2017 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2018 £m
Compensation and contractual	37.3	(3.9)	145.8	(8.8)	170.4
Environmental harm	1.4	-	-	-	1.4
Other	47.3	(8.8)	53.7	(5.6)	86.6
	86.0	(12.7)	199.5	(14.4)	258.4

Due	**2019 £m**	2018 £m
Current	**218.1**	209.7
Non-current	**22.9**	48.7
At 31 March	**241.0**	258.4

Notes to the Financial Statements (continued)

27 Provisions

b) Company provisions

	At 1 April 2018 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2019 £m
Compensation and contractual	9.4	(8.4)	0.3	(0.8)	**0.5**

	At 1 April 2017 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2018 £m
Compensation and contractual	3.1	-	6.7	(0.4)	9.4

Due	2019 £m	2018 £m
Current	**0.4**	9.4
Non-current	**0.1**	-
At 31 March	**0.5**	9.4

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the statement of financial position date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environmental as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other

Other provisions include voluntary severance costs arising from reorganisations and other smaller claims.
Management expects these provisions to be settled within the next year.

Notes to the Financial Statements (continued)

28 Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

The Company has also provided a guarantee under section 479C of the Companies Act 2006 in respect of all liabilities outstanding at 31 March 2019 of the majority of its subsidiary undertakings, in order that those subsidiaries may take advantage of the exemption from audit of their individual financial statements. Those subsidiaries for which a guarantee has been provided are as listed in note 13.

29 Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2019					
Within one year	18.9	10.8	2.4	16.4	**48.5**
Between one and two years	15.3	11.1	1.9	37.4	**65.7**
Between two and five years	43.2	13.0	2.6	128.1	**186.9**
Later than five years	211.0	21.4	-	748.5	**980.9**
	288.4	56.3	6.9	930.4	**1,282.0**
At 31 March 2018					
Within one year	33.1	12.5	3.3	26.9	75.8
Between one and two years	25.4	11.5	2.1	42.5	81.5
Between two and five years	66.2	22.1	3.1	119.9	211.3
Later than five years	398.1	24.7	-	342.4	765.2
	522.8	70.8	8.5	531.7	1,133 8

Notes to the Financial Statements (continued)

29 Financial commitments (continued)

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the Statement of Financial Position date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2019				
Within one year	60.2	5.2	0.1	**65.5**
Between one and two years	52.2	5.4	0.1	**57.7**
Between two and five years	118.4	8.1	0.1	**126.6**
Later than five years	684.4	7.2	-	**691.6**
	915.2	25.9	0.3	**941.4**
At 31 March 2018				
Within one year	59.2	9.8	-	69.0
Between one and two years	52.7	10.0	-	62.7
Between two and five years	118.7	22.8	-	141.5
Later than five years	682.4	8.9	-	691.3
	913.0	51.5	-	964.5

c) Operating leases – The Company as lessee

The Company has lease agreements primarily related to office space. All leases have been entered into on commercial terms.

	Land and buildings £m
At 31 March 2019	
Within one year	**1.1**
Between one and two years	**0.9**
Between two and five years	**2.8**
Later than five years	**16.9**
	21.7
At 31 March 2018	
Within one year	11.3
Between one and two years	10.8
Between two and five years	28.5
Later than five years	208.1
	258.7

Notes to the Financial Statements (continued)

29 Financial commitments (continued)

d) Operating leases – The Company as lessor with third parties

The Company leases out commercial, retail and office property, and land that it holds as a result of its infrastructure holdings.

At the Statement of Financial Position date, the Company had contracted with customers for the following future minimum lease payments:

	Land and buildings
At 31 March 2019	**£m**
Within one year	**4.2**
Between one and two years	**4.0**
Between two and five years	**11.7**
Later than five years	**1.8**
	21.7
At 31 March 2018	
Within one year	0.6
Between one and two years	0.5
Between two and five years	1.6
Later than five years	0.8
	3.5

e) Operating leases – The Company as lessor with related parties

The Company leases out commercial, retail and office property, and land that it holds as a result of its infrastructure holdings.

At the Statement of Financial Position date, the Company had contracted with customers for the following future minimum lease payments:

	Land and buildings
At 31 March 2019	**£m**
Within one year	**1.6**
Between one and two years	**1.6**
Between two and five years	**4.8**
Later than five years	**50.6**
	58.6
At 31 March 2018	
Within one year	1.6
Between one and two years	1.5
Between two and five years	3.7
Later than five years	51.4
	58.2

The inter-company lease relates to Victoria Coach Station.

Notes to the Financial Statements (continued)

30 Deferred grant

	Note	Group 2019 £m	Group 2018 £m
At 1 April		13,388.2	13,545.6
Transport grant		369.7	560.1
Third party contributions and other grants to fund property, plant and equipment		107.9	37.8
Released to the Statement of Comprehensive Income			
- to meet the depreciation charge	2	(916.9)	(710.3)
- on disposal of property, plant and equipment		(222.9)	(45.0)
At 31 March		12,726.0	13,388.2

	Company 2019 £m	Company 2018 £m
At 1 April	119.2	104.0
Transport grant	259.2	9.6
Third party contributions and other grants to fund property, plant and equipment	0.4	24.2
Released to the Statement of Comprehensive Income account:		
- to meet the depreciation charge	(17.2)	(18.6)
- to meet the impairment of equity loans to subsidiaries	(236.9)	-
At 31 March	124.7	119.2

There are no unfulfilled conditions or other contingencies attached to the grants from Transport for London.

Grants from other government entities will sometimes require proof of the expenditure that the Company has incurred as a condition of receiving the grant.

Notes to the Financial Statements (continued)

31 Funding and financial risk management

Introduction

The Group operates within the risk management process outlined by the Treasury Management Policy, which requires the Board of Transport for London, the Company's ultimate parent, to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Group monitors the risk profile of its borrowing and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board).

The Group's principal financial instruments comprise borrowings, derivatives, finance lease liabilities and cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables.

The Group does not undertake speculative treasury transactions.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Liquidity risk
- Market risk

Each of these risks is managed in accordance with TfL's Treasury Management Strategy.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

Trade and other receivables

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in both notes 16 and 19.

A significant portion of the financial assets arising in the Company are with other Group companies. Transport for London, the Company's ultimate parent, has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Trade and other receivables (continued)

The provision for doubtful debts in respect of trade receivables and contract assets for 2017/18 was £5.1m. Adoption of IFRS 9 on 1 April 2018 resulted in a loss allowance that was materially unchanged from the assessment as at 31 March 2018, calculated under IAS 39.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2019 was determined as follows for both trade receivables and contract assets:

Age of trade and other debtors: Group

At 31 March 2019	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
Expected credit loss rate	0.3%	3.8%	57.1%	73.3%	100.0%	1.8%
Estimated total gross carrying amount at default	397.9	13.2	2.1	1.5	3.7	418.4
Expected credit loss allowance	(1.2)	(0.5)	(1.2)	(1.1)	(3.7)	(7.7)

Age of trade and other debtors: Company

At 31 March 2019	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
Expected credit loss rate	30.7%	3.4%	35.7%	84.6%	100.0%	30.8%
Estimated total gross carrying amount at default	770.6	8.7	1.4	1.3	3.6	785.6
Expected credit loss allowance	(236.6)	(0.3)	(0.5)	(1.1)	(3.6)	(242.1)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department.

31 Funding and financial risk management (continued)

Cash and Cash Equivalents

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are made within limits approved by the TfL Board annually. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

Cash and investments are considered to have low credit risk; the counterparties are highly rated by major rating agencies, have a low risk of default and a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance upon adoption of IFRS 9 and at 31 March 2019 was immaterial.

Derivative financial Instruments

Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Investments, which is approved by the TfL Board. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's exposure to liquidity risk is low as Transport for London provides financial support to the Group. In accordance with the Local Government Act 2003 Transport for London sets an affordable borrowing limit. As long as the affordable borrowing limit is not exceeded, Transport for London is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from commercial banks or utilise its overdraft facility and, and subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank and Export Development Canada. There is therefore no significant risk that Transport for London would be unable to raise finance to meet the Transport Trading Limited group financial commitments.

The contractual maturities of the Group and Company's financial liabilities are listed later in this note.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Income Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2019 and 2018, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

Foreign exchange risk

As at 31 March 2019, the Group held forward foreign exchange swaps to hedge €285.7m (2017/18: €514.0m) future Euro receipts in relation to Euro investments held by the Company's parent, Transport for London. These contracts were not in formally designated hedging relationships for accounting purposes, as TfL is outside the Transport Trading Limited Group, and hence hedge accounting has not been applied. A fair value net loss movement on these contracts totalling £0.3m (2017/18 £0.9m gain) has therefore been recognised directly in the Income Statement within financial income. These derivative instruments mature in the period to July 2019.

For 2018/19, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments For exposures not meeting these criteria, the exchange risk was passed on to the vendor.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Foreign exchange risk (continued)

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Effects of hedge accounting

Foreign currency hedges in relation to capital expenditure

At 31 March 2019, the Group held forward foreign derivative contracts in Euros, Swedish Krona, Swiss Francs, Chinese Yuan Renminbi and Canadian Dollars and call options in Euros and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £187.1m (2017/18: £219.5m). At 31 March 2019, these contracts had a combined net fair value of £3.5m (2017/18 £4.7) At 31 March 2019, the call options were out of the money. The fair value attributable to time value of the options was £4.0m (2018 £nil). The fair value of forward contracts and the option premia were recognised in equity at 31 March 2019 and once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships have been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to 2 January, 2024. Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk

As at 31 March 2019, the Group held forward euro foreign exchange contracts and foreign currency call options with a combined total net nominal buy value of £91.2m (2017/18: £372.5m nominal sell value) and a net fair value asset of £5.6m (2017/18 an asset of £4.7m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments by £18.1m/£(18.0)m (2017/18: £38.1m/£(36.1)m).

As at 31 March 2019, the Group also holds forward foreign exchange contracts with a combined net notional value of £96.0m (2017/18: £84.2m) and a fair value of £7.3m (2017/18: £5.1m) to purchase Canadian dollars. A 10% increase/(decrease) in GBP against the Canadian dollar would (decrease)/increase the fair value of these derivative instruments by £0.2m/£15.4m (2017/18: £(3.0)m/£14.9m).

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk (continued)

As at 31 March 2019, the Group also holds forward foreign exchange contracts with a combined net notional value of £26.1m (2017/18: £28.7m) and a fair value of £(2.5)m (2017/18: £(1.5)m) to purchase Swedish Krona. A 10% increase/(decrease) in GBP against the Swedish Krona would (decrease)/increase the fair value of these derivative instruments by £(4.6)m/£0.2m (2017/18: £(3.9)m/£1.5m).

As at 31 March 2019, the Group also holds forward foreign exchange contracts with a combined net notional value of £2.8m (2018 £3.2m) and a fair value of £(0.2)m (2018 £(0.3)m) to purchase Swiss Francs. A 10% increase/(decrease) in GBP against the Swiss Franc would (decrease)/increase the fair value of these derivative instruments by £(0.5)m/£0.1m (2018 £(0.6)m/£nil).

As at 31 March 2019, the Group also holds forward foreign exchange contracts with a combined net notional value of £6.4m (2017/18: £6.9m) and a fair value of £0.4m (2017/18: £0.1m) to purchase Chinese Renminbi. A 10% increase/(decrease) in GBP against the Chinese Renminbi would (decrease)/increase the fair value of these derivative instruments by £(0.2)m/£1.2m (2017/18: £(0.5)m/£1.0m). The Company has no other material exposure to foreign exchange rate movements.

Interest risk

The Group is mainly exposed to interest rate risk on its actual and planned future borrowings from TfL.

Effects of hedge accounting

Interest rate swaps

As at 31 March 2019, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 12 interest rate swaps at a notional value of £580.9m (2017/18 15 interest rate swaps at a total notional value of £678.9m). The net fair value of these contracts at 31 March 2019 was a liability of £41.5m (2017/18 £44.1m). The fair value is recognised in equity at 31 March 2019 and will be transferred to net financing costs within the Income Statement as the hedged interest payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2042. Details on the maturity of these contracts is disclosed later in this note.

Sensitivity analysis on interest risk

Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Sensitivity analysis on interest risk (continued)

Fair value sensitivity analysis for derivative instruments

As at 31 March 2019, the Group holds interest rate derivative contracts with a combined notional value of £580.9m (2017/18: £678.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £34.5m/£(32.6)m (2017/18: £39.5m/£(35.8)m).

Inflation risk

The Group has a number of exposures to inflation including staff pay awards and fares revenue. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. At present, the risk is partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Maturity profile of derivatives

The Group's derivative financial instruments have the following maturities:

	2019 **Average exchange rate**	**2019** **Fair value £m**	**2019** **Notional amount £m**	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.862**	**0.1**	**102.1**	0.878	0.3	66.8
Between one and two years	**0.893**	**(0.3)**	**20.2**	0.881	0.2	10.8
Between two and five years	**0.912**	**(0.7)**	**37.4**	0.900	0.8	43.2
After five years	**-**	**-**	**-**	0.928	-	5.8
Sell euro						
Less than one year	**0.870**	**2.8**	**340.0**	0.886	3.4	499.1
Total euro	**0.880**	**1.9**	**499.7**	0.884	4.7	625.7
Buy US Dollars						
Less than one year	**-**	**-**	**-**	0.638	-	0.3
Total US Dollars	**-**	**-**	**-**	0.638	-	0.3
Buy Canadian Dollars						
Less than one year	**0.518**	**3.3**	**31.6**	0.513	1.7	23 1
Between one and two years	**0.515**	**2.5**	**24.4**	0.515	1.7	25.7
Between two and five years	**0.513**	**1.2**	**12.5**	0.511	1.7	35.4
Total Canadian Dollars	**0.516**	**7.0**	**68.5**	0 513	5.1	84 2

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's derivative financial instruments have the following maturities:

	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy Swedish Krona						
Less than one year	0.093	(0.4)	3.6	0.092	(0.2)	2.6
Between one and two years	0.093	(0.7)	7.6	0.093	(0.2)	3.6
Between two and five years	0.093	(1.4)	14.9	0.093	(1.0)	20.0
After five years	-	-	-	0.093	(0.1)	2.5
Total Swedish Krona	0.093	(2.5)	26.1	0.093	(1.5)	28.7
Buy Swiss Francs						
Less than one year	0.851	-	0.5	0.839	-	0.4
Between one and two years	0.864	(0.1)	0.9	0.851	(0.1)	0.5
Between two and five years	0.885	(0.1)	1.4	0.873	(0.2)	2.0
After five years	-	-	-	0.905	-	0.3
Total Swiss Francs	0.872	(0.2)	2.8	0.868	(0.3)	3.2
Buy Chinese Yuan Renminbi						
Less than one year	0.106	0.6	9.1	0.113	0.1	6.7
Between one and two years	0.104	0.3	3.8	0.106	0.2	6.5
Between two and five years	0.100	-	0.4	0.101	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	0.106	(0.5)	6.5	0.109	(0.2)	6.3
Between one and two years	0.101	-	0.4	0.103	-	0.4
Total Chinese Yuan Renminbi	0.105	0.4	20.2	0.106	0.1	20.3
Grand total	n/a	6.6	617.3	n/a	8.1	762.4

	2019 Average interest rate (%)	2019 Fair value £m	2019 Notional amount £m	2018 Average interest rate (%)	2018 Fair value £m	2018 Notional amount £m
Interest rate hedges						
Less than one year	3.849	(1.1)	150.0	3.566	(0.8)	100.0
Between one and two years	3.548	(0.9)	25.0	3.849	(5.4)	150.0
Between two and five years	4.142	(20.7)	200.0	4.024	(21.4)	200.0
After five years	2.293	(18.8)	205.9	2.492	(16.5)	228.9
	3.385	(41.5)	580.9	3.401	(44.1)	678.9

The Company does not hold any derivative financial instrument contracts.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Contractual maturity of derivatives

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year	Between one and two years	Between two and five years	More than five years	**Total**
	£m	£m	£m	£m	£m
Group – 2019					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**302.8**	**58.0**	**65.7**	**-**	**426.5**
Amounts payable	**(296.8)**	**(56.5)**	**(66.6)**	**-**	**(419.9)**
Derivatives settled net					
Interest rate swaps	**(11.7)**	**(9.1)**	**(15.1)**	**(4.7)**	**(40.6)**
	(5.7)	**(7.6)**	**(16.0)**	**(4.7)**	**(34.0)**
Group – 2018					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	507.0	48.3	102.4	8.5	666.2
Amounts payable	(501.8)	(46.6)	(101.0)	(8.6)	(658.0)
Derivatives settled net					
Interest rate swaps	(15.5)	(10.2)	(18.9)	(3.6)	(48.2)
	(10.3)	(8.5)	(17.5)	(3.7)	(40.0)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2019, the fair value of the interest rate derivatives was a net liability of £41.5m (2018 £44.1m). The fair value of forward foreign exchange derivatives was a net asset of £6.6m (2018 a net asset of £8.1m). At 31 March 2019, the foreign currency call options were out of the money and as such would not be exercised. The fair value of the foreign currency call options at 31 March was a net asset of £4.0m (2018 £nil), however, as no future cashflows are expected to arise these derivatives are excluded from the maturity table.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Company's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Company can be required to pay, and therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year	Between one and two years	Between two and five years	More than five years	Total
	£m	£m	£m	£m	£m
Group - 2019					
Trade and other payables	1,663.5	11.1	-	-	1,674.6
Borrowings	-	10,451.3	-	-	10,451.3
Finance lease liabilities	79.8	38.9	102.0	177.3	398.0
Other financing liabilities	-	6.9	38.2	114.6	159.7
	1,743.3	10,508.2	140.2	291.9	12,683.6
Group - 2018					
Trade and other payables	2,024.4	25.0	-	-	2,049.4
Borrowings	-	9,988.0	-	-	9,988.0
Finance lease liabilities	83.6	79.7	106.7	211.2	481.2
	2,108.0	10,092.7	106.7	211.2	12,518.6
Company - 2019					
Trade and other payables	414.2	7.2	-	-	421.4
Borrowings	-	54.5	-	-	54.5
	414.2	61.7	-	-	475.9
Company - 2018					
Trade and other payables	194.7	7.6	-	-	202.3
Borrowings	-	30.4	-	-	30.4
	194.7	38.0	-	-	232.7

31 Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount.
- Trade and other receivables - approximates to the carrying amount.
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.
    - Forward exchange contracts and currency options – based on market data and exchange rates at the balance sheet date.
    - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows.
- Trade and other payables - approximates to the carrying amount.
- Long-term borrowings –approximates to the carrying amount.
- Finance lease liabilities – approximates to the carrying amount.
- Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

Notes to the Financial Statements (continued)

31 Funding and financial risk management (continued)

Group	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	126.6	126.6	113.7	113.7
Trade and other receivables	410.9	410.9	325.6	325.6
Derivative financial instruments	18.6	18.6	17.6	17.6
Finance lease receivables	52.2	52.2	25.6	25.6
Total financial assets	608.3	608.3	482.5	482.5
Trade and other payables	1,674.6	1,674.6	2,049.4	2,049.4
Borrowings and overdrafts	10,451.3	10,451.3	9,988.1	9,988.1
Finance lease liabilities	287.2	287.2	345.9	345.9
Other financing liabilities	132.7	132.7	-	-
Derivative financial instruments	49.5	49.5	53.5	53.5
Total financial liabilities	12,595.3	12,595.3	12,436.9	12,436.9
Net financial liabilities	(11,987.0)	(11,987.0)	(11,954.4)	(11,954.4)

Company	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	52.7	52.7	49.5	49.5
Trade and other receivables	295.6	295.6	326.3	326.3
Finance lease receivables	52.2	52.2	25.6	25.6
Equity loans to subsidiaries	247.6	247.6	-	-
Total financial assets	648.1	648.1	401.4	401.4
Trade and other payables	421.4	421.4	202.3	202.3
Borrowings	54.5	54.5	30.4	30.4
Total financial liabilities	475.9	475.9	232.7	232.7
Net financial assets	172.2	172.2	168.7	168.7

The fair value of the Company's assets did not differ materially from the carrying value at 31 March 2019 or 2018.

Notes to the Financial Statements (continued)

32 Pensions

a) Background

The Group offers retirement plans to its employees.

The majority of the Group's staff are members of the Public Sector Section of the TfL Pension Fund ("TfL Pension Fund"). The majority of the Group's remaining staff are members of the Railway Pension Scheme and the Tube Lines defined contribution scheme.

b) Defined benefit schemes

Public Sector Section of the **TfL Pension Fund**

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's Actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2018 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Employer's contributions for the period from 1 April 2019 until 31 March 2020 will represent future service contributions at a rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions will rise to 33 3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made from 1 April 2020 if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The Group's parent, Transport for London, and the Company's fellow subsidiaries participate in the Public Sector Section and it is not possible to identify the Company's or the Group's share of the underlying assets and defined benefit obligations. Thus, in accordance with the standard, the Group treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Group's contributions to the Section of £236.3m (2017/18 £245 1m) have been charged to the Income Statement.

A separate valuation of the Tfl Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2019. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligations is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligations for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2018 projections with a long term improvement rate of 1.25 percent per annum.

The discounted scheme liabilities have an average duration of 18 years.

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2019 was £5,189.4m (2018 £4,535.22m). As stated above, it is not possible to identify the Group's particular share of the deficit. Further details can be found in the Statement of Accounts of Transport for London.

Notes to the Financial Statements (continued)

Crossrail Shared Cost Section of the Railways Pension Scheme ('Crossrail Section')

On 31 October 2016 Crossrail Limited (CRL) transferred its participation in the Railways Pension Scheme from the Omnibus Section of the Railways Pension Scheme to a newly established Crossrail Section of the Railways Pension Scheme. From this date the Crossrail Section has been accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2019 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2019, of £29.9m (2018 £26.1m). The discounted Crossrail Section liabilities have a duration of approximately 25 years.

Unfunded pension costs

TfL bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements and other various arrangements. The Group bears its share of the relevant costs.

Other schemes

The Group also contributes to a number of defined contribution schemes, including the Tube Lines defined contribution scheme.

Notes to the Financial Statements (continued)

32 Pensions (continued)

Analysis of movements in the Crossrail Section of the Railways Pension Fund as included in the Statement of Financial Position for the Group are as follows:

Reconciliation of the Section's liabilities

	£m
At 1 April 2018	95.6
Current service cost	4.1
Interest cost	2.3
Employee contributions	0.5
Net remeasurement losses - financial	4.8
Net remeasurement losses - experience	-
Net remeasurement losses - demographic	(1.8)
Actual benefit payments	(1.3)
Settlements	-
At 31 March 2019	104.2

Reconciliation of fair value of the Section's assets

	£m
At 1 April 2018	69.5
Interest income on scheme assets	1.7
Return on assets excluding interest income	2.0
Actual employer contributions	2.0
Employee contributions	0.5
Actual benefit payments	(1.3)
Scheme expenses	(0.1)
Settlements	-
At 31 March 2019	74.3
Net deficit	29.9

Total contributions of £2m are expected to be made to the Crossrail Section of the Railways Pension Fund in the year ending 31 March 2020.

Notes to the Financial Statements (continued)

32 Pensions (continued)

Reconciliation of the Section's liabilities

	£m
At 1 April 2017	96.9
Current service cost	5.6
Interest cost	2.6
Employee contributions	0.5
Net remeasurement gains - financial	(3.8)
Net remeasurement gains - experience	(3.5)
Net remeasurement losses - demographic	(1.4)
Actual benefit payments	(1.3)
Settlements	-
At 31 March 2018	95.6

Reconciliation of fair value of the Section's assets

	£m
At 1 April 2017	64.9
Interest income on scheme assets	1.8
Return on assets excluding interest income	0.3
Actual employer contributions	3.3
Employee contributions	0.5
Actual benefit payments	(1.3)
Scheme expenses	-
Settlements	-
At 31 March 2018	69.5
Net deficit	26.1

Notes to the Financial Statements (continued)

32 Pensions (continued)

d) Summary of pension totals for the year

		Group 2019	Group 2018
Total pension service cost for the year	Note	**£m**	£m
TfL Pension Fund (Public Sector Section)		**236.3**	245.1
Other schemes		**10.0**	24.2
Total pension service cost for the year	5	**246.3**	269.3
Scheme administrative expenses for the TfL Pension Funds		**0.1**	0.8
Amount included in cost of operations		**246.4**	270.1

Service costs in respect of the Crossrail Section of the defined benefit Railways Pension Fund totalled £4.1m (2017/18 £5.5m)

		Group 2019	Group 2018
Net interest on defined benefit obligations		**£m**	£m
Crossrail Section of the Railways Pension Fund		**0.6**	0.8
Amounts charged to financial expenditure	8	**0.6**	0.8

Notes to the Financial Statements (continued)

32 Pensions (continued)

	Group 2019	Group 2018
Total actuarial gains and losses recognised	£m	£m
Actuarial (loss)/gain on Crossrail Section of the Railways Pension Fund	(1.0)	9.0

The fair values of the assets of the Crossrail Section of the Railways Pension Fund were as follows:

	Value at 31 March 2019	Value at 31 March 2018
	£m	£m
Equities	**65.7**	54.9
Bonds	**8.3**	14.2
Cash, property and other assets	**0.3**	0.4
Total market value of assets	74.3	69.5

The main actuarial assumptions used for the Crossrail Section of the Railways Pension Fund were:

	At 31 March 2019	At 31 March 2018
	%	%
RPI inflation	**3.15**	3.05
Rate of increase in salaries	**3.15**	3.05
Discount rate	**2.35**	2.45

e) Sensitivities

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below in regard to the Crossrail Section of the Railways Pension Fund. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1% higher/(lower), the defined benefit obligation would decrease by £2.5m (increase by £2.5m).
- If the expected salary growth were increased/(decreased) by 0.1%, the defined benefit obligation would increase by £0.6m (decrease by £0.6m).

- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £3.6m/(decrease by £3.7m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £2.5m/(decrease by £2.5m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

33 Called up share capital

Company and Group	2019	2018
	£m	£m
As at 1 April	**8,760.0**	8,560.0
Issued during the year	**1,560.0**	200.0
As at 31 March	10,320.0	8,760.0

	Number	Number
Authorised £1 shares	**10,320m**	8,760m
Issued and fully paid up £1 shares	10,320m	8,760m

During the year the Company issued 1,560m fully paid £1 ordinary shares (2017/18 200m fully paid £1 ordinary shares). These were settled for consideration of £1,560 million of cash.

Notes to the Financial Statements (continued)

34 Related party transactions

During the year none of TTL's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company or its subsidiaries (2017/18 none).

The Company is a wholly owned subsidiary of TfL. TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999. It is a functional body of the Greater London Authority ("GLA") and reports to the Mayor of London. TfL is classified as a government entity in accordance with IAS 24 *Related party transactions* ("IAS 24") and the Company and its subsidiaries are therefore also classified as government entities in accordance with IAS 24.

The GLA and its other functional bodies, and all other subsidiaries of TfL, are considered to be related parties of the Company. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Material transactions however between the Company and its subsidiaries and other related parties are outlined below:

The Group and Company traded with the following related parties that are classified as government entities under IAS 24:

- Interest accrued by the Group on loans from TfL is disclosed in note 8;
- Receipt of funding from TfL in the form of grants (notes 3 and 30), loans (note 23) or share capital (note 33);
- Payment of management fees to TfL for various services and provision of equipment by TfL to the TTL Group.
- Payment of management fees totalling £142.2m by TTL's subsidiaries to TTL for various services and provision of equipment (2017/18 £177.8m).
- TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

35 Events after the reporting date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.