Transport Trading Limited

Annual Report and Financial Statements
Year ended 31 March 2020

Registered Office
5 Endeavour Square
London E20 1JN

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 2020.

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:

A. Byford (appointed 29 June 2020)
H. Carter
S. Kilonback
A. Lord (appointed 29 June 2020)
G. Powell
M. Brown (resigned 10 July 2020)

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 (2018/19 £nil).

Dividends

No dividends have been declared for the year (2018/19 £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 28 September 2020 and signed on behalf of the Board by

A. Byford

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 2019/20, the Group continued its strong track record of delivering the overall TfL Group financial strategy. We once again kept a tight control over our operating expenditure with like-for-like operating costs below the level experienced when we first began our savings programme. Overall, operating costs rose to £5,525m (2018/19 £5,290m) – the increase reflecting the incremental costs of preparations for the opening of the Elizabeth line and additional services on TfL Rail. We also recognised a further £11.5m of exceptional costs relating to the safe stop of certain capital investment projects as a result of the coronavirus outbreak.

On the revenue side, our performance has been more mixed. Demand across all our modes of transport was better than anticipated in the first half of 2019/20. However, we saw a sharp deterioration in demand towards the end of 2019, which was consistent with the poor Christmas retail performance on the high street. This trend showed signs of improvement in January, but from February our passenger revenues began to see an adverse impact from changing travel patterns as a result of the emerging coronavirus pandemic. For the full year, fares income fell 2.1 per cent to £4,750.8m (2018/19 £4,854m).

The impact of the coronavirus on the Group's performance in 2019/20 was relatively restricted as, by 31 March 2020, the lockdown had only been in place for one week. The impacts on the 2020/21 financial performance of the Group are, however, expected to be significant. Further detail on the Group's response to these challenges and the inherent risks is set out in the section headed 'coronavirus' contained later within this report.

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).

Underground operations

London Underground Limited

Fares income has decreased by £64m compared with last year. The Company carried 1,337m passengers over the year, a decrease of 3.4 per cent as Covid-19 impacted the last period of the year. Black Friday, 29th November, beat our previous record for the busiest day on the Tube with 5.05m journeys.

Underlying passenger income per journey has improved compared to last year. This is due to the increase in average fares for National Rail at the beginning of the year (January 2019) which has an impact on a proportion of TfL tickets, for example travelcards.

Operating costs are £48m better than last year. We have continued the journey 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 has increased on last year, and 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 and significant progress was made in 2019/20 to complete the associated depots, stations, sidings and signal modifications. Commissioning of the Second Signalling Migration Area between Latimer Road and Euston Square on the Circle and Hammersmith & City lines and from there to Finchley Road on the Metropolitan line, and to Paddington on the District and Circle lines, was completed on the 31st August 2019.

On the Northern Line Extension all seven 2019/20 strategic milestones have been delivered on or ahead of target. In June 2019, the final piece of track was installed which has allowed engineering trains to travel end to end through the 3.2km extension to Battersea for the first time. The UK Power Networks (UKPN) transformer rooms have been energised at Kennington Green and Kennington Park. Achieving UKPN power-on is a key step towards getting the Northern Line Extension operational. The NLE project won gold for the Battersea and Kennington sites and silver for Nine Elms at the Considerate Constructors Scheme National Site Awards. NLE was also awarded the Royal Society for the Prevention of Accidents GOLD for the third consecutive year.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains. We have completed the concept design for the new Piccadilly line rolling stock and are now working to achieve the detailed design milestone in Quarter Three 2020/21. To meet this phase, we have a number of detailed design reviews with Siemens. We are focusing on procuring a supplier to design and build a one-person operation CCTV system for operation of the new trains in the coming financial year.

The modernisation of Bank station reached a landmark with over half of the construction work now complete. We have completed the roof and installation of the dividing walls to create operational rooms across 11 floors on the new Cannon Street station entrance. Fit-out stage has now commenced in the new transformer room and will continue through the remainder of the station. The cross passages to the new Northern line tunnel are underway. The new tunnel will be connected to the existing Northern line in 2021.

More stations will become step-free by the end of 2020 as part of the Mayor's funding for step-free access. Mill Hill East was made step-free in February of this year, with installation underway at all the remaining sites. Cockfosters and Amersham will be the next stations to be completed once construction work resumes.

On the Jubilee line, all 63 trains have been refurbished and are back in service. The refurbishments include a wheelchair area, new flooring and refreshed exteriors and interiors.

We replaced over 9.1km of new track across the Underground network, exceeding our target of 7.8km, which will continue to improve reliability, reduce maintenance costs and increase capacity.

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;

Strategic Report (continued)

- 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.

Rail for London Limited

London Overground (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 187 million people, a decrease of 1% per cent over the previous year, and customer satisfaction scores have reduced to 82.

LO's operational performance, as measured by the public performance measure (PPM) was 93.2 per cent at the end of the year using the moving annual average, This was significantly higher than the national average for train operators.

Both LO's operational performance and customer satisfaction were affected by the ongoing delayed introduction of the new LOTRAIN fleet, although introduction is expected to complete during 2020/21. These new state-of-the-art electric trains provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new, cleaner, electric trains also improve air quality for people living and working along the route.

In 2019/20, TfL Rail carried 60 million people, an increase of 9 per cent over the previous year. This increase was mainly owing to the commencement of the new Paddington to Reading services that commenced in December 2019 and the full-year effect of the Paddington to Hayes & Harlington and Heathrow services.

Docklands Light Railway Limited

In 2019/20 DLR's customer satisfaction survey (CSS) score was 88 per cent which is 0.5% higher than the previous year indicating a consistent level of satisfaction in respect of station and train cleanliness. DLR operation performance - departure score was 99.0 per cent which is 0.6 per cent higher than the franchise agreement threshold.

In financial year 2019/20 passenger ridership was 116.8 million which, compared with 2018/19 (121.8 million), is a year-on-year decrease of 4 per cent. However of this five million decrease 4.6 million occurred in period 13 and can be attributed to COVID-19.

There were 16 weekend closures which comprised the 7 KAD maintenance closures allowed under the contract, plus a number to facilitate third party works by Network Rail, the Bank upgrade project, and Royal Mint Street works. We managed to reduce the total number of closures from 25 to 16 through working closely with all parties to align dates and combine closures where possible.

Tramtrack Croydon Limited

In the year Trams carried 26.6 million passengers which, compared with 2018/19 (28.7 million), is a year-on-year decrease of 7 per cent. However of this 2.1 million decrease 1.1 million occurred in period 13 and can be attributed to COVID-19.

Strategic Report (continued)

The work to implement the Sandilands RAIB recommendations is almost complete. The Physical Prevention of Overspeeding (PPOS) system has been installed and is currently going through its final stages of verification. We have trams in service that are fully PPOS enabled and we continue to monitor the system to ensure any technical issues are resolved. On the other recommendations in all but one case the ORR have confirmed that they "...do not require London Trams .....to carry out any further action to implement this recommendation". We are in discussions with the Regulator regarding the final recommendation and we are hopeful they will confirm they are content with the work done shortly.

Operationally this year has been good with the headline performance measure for the year being 98.17%. This is however, still below our target of 99% and plans are in place to ensure that we achieve this in 2020/21.

One thing of note to happen this year was the completion of the Blackhorse Lane Bridge project with traffic being allowed over the bridge again on the 9 December 2019. This technically challenging project has taken over three years and required a huge collaborative effort between TfL, the Local Authorities and Utility companies.

London Bus Services Limited

London's bus network carried just over 2.1 billion passenger journeys on the network. It remained the largest public transport carrier in London despite facing a decline of circa 108 million journeys, a decline of 4.4 per cent or 1.9 per cent after adjusting for the estimated impact of COVID-19. There was a 1.2 per cent year-on-year reduction in kilometres operated across the bus network and bus speeds continued to stabilise and were flat year on year. The average yield per passenger journey improved year on year which resulted in an increase in income of £32m on the previous year. Operating costs increased by £74m year on year primarily due to the bus driver retention payment and higher cost owing to annual contracted price inflation. This was offset by a combination of driving efficiencies in the contracting process and reshaping the bus network in response to changes in demand.

Buses continue to be a particularly affordable and flexible form of transport, with the Hopper Fare enabling many bus services users to hop on and hop off within an hour for £1.50. This continues to help drive London's night-time economy where one of every two journeys take someone to work in the early hours. We also benefited from reliable services and speeds, in part thanks to more priority to pass through traffic signs and shorter journey times where we could find better bus routes through new road modernisation schemes.

We reshaped the network around the needs of essential services, particularly the National Health Service, in March and have modelled this around the Government's funding priorities. As we return to more normal operating conditions, we will look to maintain a sustainable subsidy for bus services, reshape the network around new travel patterns, reduce reliance on the private motor car in outer London and enhance air quality across the capital. We will link these changes to the deferred opening of the Elizabeth line and capacity improvements to the Tube and look to attract a higher proportion of people onto public transport.

Safety is of paramount importance to us as we look to reduce casualties to the lowest level possible and get closer to our Vision Zero objective of no-one killed on or by a bus by 2030 and no-one seriously injured by a bus by 2041. We are investing in much safer vehicles with Intelligent Speed Assistance, more slip-resistant flooring and dashboard warning systems as we retender routes. We have also retrofitted 99% of buses with better visibility near and off-side mirrors to give them a broader field of view. Our new Bus Safety Standard, which specifies the design and equipment required, will continue to develop up to 2024 to take account of the availability of emerging technologies like automatic emergency braking. Around 200 buses fully meet this standard and some have jumped further ahead to digital camera monitoring system in place of mirrors, a form of technology we did not think would be available at this stage.

We had to pause virtual-reality safety training for our 24,700 bus drivers because this works best in discussion groups and cannot take place effectively with self-distancing restrictions. We have got around a quarter of participants through the programme which tries to reduce appetites towards risk and helps get the most out of the Bus Safety Standard and contribute towards Vision Zero. This is now expected to conclude by March 2021. Our bus operators are also

Strategic Report (continued)

introducing fatigue management systems this summer to reduce one aspect of driving risk and we are developing training content for supervisory staff. This follows one of the principal recommendations of independent academic research from Loughborough University and the Swedish National Road Safety Authority which we commissioned for the bus industry.

London's buses are also playing a leading role in reducing the most harmful tailpipe emissions across the city, particularly in hotspots. We now have 12 Low Emission Bus Zones on roads where buses can make the biggest difference to poor air quality as well as the cleanest hybrid diesel double deck buses operating in the Ultra-Low Emission Zone. To ensure that every area benefits from cleaner buses, we have been replacing and retrofitting remaining buses in the fleet to this much cleaner standard or better. We are 92 per cent of the way there with every vehicle raised to this level cutting tailpipe oxides of nitrogen and particulate matter by up to 95 and 80 per cent respectively. The coronavirus lockdown and self-distancing has disrupted this programme and we now expect to finish by spring 2021. Our investment continues significantly after that as we have set ourselves a target of having 2,000 zero-emission buses by 2024 and look to have an entirely zero-emission fleet by not later than 2037.

Cycle Hire

2019/20 saw the Cycle Hire scheme achieve over 10.2 million hires in the financial year (2018/19 10.9 million). The scheme continued to expand its cycle hire network and to improve access.

London Buses Limited (Dial-a-Ride)

In the year to 31 March 2020, Dial-a-Ride scheduled 89.8 per cent (2018/19 90.0 per cent) of all trip requests received which was slightly higher than the target of 89.0 per cent. After on the day cancellations of scheduled trips by passengers, the service delivered 895,740 trips which was 10.5 per cent less than in 2018/19 (2018/19 1,000,525). The 10.5% reduction in trips is higher than in recent years due to the sharp fall in March caused by the Covid-19 pandemic. There is a continuing underlying decline in demand reflecting changing shopping habits and the reduction of activities and day centres provided for disabled and elderly people.

Customer satisfaction remained high at 90.0 per cent (2018/19 89.0 per cent) against a target of 90.0 per cent. Driver courtesy and professionalism were called out by respondents, along with cleanliness and comfort of the buses. The ongoing renewal of the fleet will have played a significant role in this.

During the year Dial-A-Ride focussed on improving operational efficiency, developing and implementing the Assisted Transport Strategy and ensuring our fleet was compliant with the Ultra Low Emission Zone. The latter required the purchase of another 67 new Euro VI buses and significant changes to the booking and scheduling system.

Victoria Coach Station Limited

The Company provided facilities for circa 13.2 million departing passengers (2018/19 12.5 million) and 440,000 arrivals and departures (2018/19 450,000).

During the year an entire new management team was installed and the corresponding 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.

This year the station has delivered a redesigned ticket hall which now provides accessible customer services and a more focused ticket and information area. 2019 saw a significant improvement to coach deck concrete within the arrivals terminal alongside a significant focus on safety culture with TfL teams and Coach Operators to drive safety improvements across the operational areas.

Strategic Report (continued)

London River Services Limited

During the year a total of 9.6 million passengers (9.8 million in 2018/19) 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. This drop can be attributed to operational issues on the Woolwich Ferry and the closure of river bus and river tour services during March 2020.

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;
- Transport Trading Limited - A designated investment portfolio to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream;
- London's Transport Museum which provides education and entertainment on the history of transportation in London; and
- London Transport Museum (Trading) Limited which constitutes the retail operations, venue hire and other commercial activity of the London Transport Museum.

Crossrail Limited

During the year, £1,026m was spent on the Crossrail project. On 30 August 2018, the Company formally notified its Sponsors (the DfT and TfL) that there was insufficient time remaining to introduce Stage 3 Elizabeth line services through the central section in December 2018, as further time was required to complete the railway. A new leadership team was subsequently put in place along with a new governance structure. A robust and realistic high-level plan to deliver the rest of the project was published on 25 April 2019.

On 10 December 2018, TfL announced a financing package provided by the DfT, the GLA and TfL, to support the final stages of the Crossrail project and to open the Elizabeth line to passengers. TfL subsequently confirmed, on 18 September 2019, a range of risk contingency contained in the Company's cost forecasts reflecting project uncertainties. These projections showed a central cost forecast of approximately £400m more than the funding committed under the financing package. TfL has agreed with the DfT that the financing package will remain in place while discussions are ongoing regarding how funding of these additional costs will be resolved.

The Company advised on 8 November 2019 that its latest assessment is that the opening of the central section will not occur in 2020, which was the first part of the previously declared opening window. The Elizabeth line would open as soon as practically possible in 2021 and a more comprehensive update would be provided in early 2020. On 10 January 2020, the Company issued an update on progress to complete the Elizabeth line and confirmed that it plans to open the central section in summer 2021. The Company expects that, following the opening of the central section, full services across the Elizabeth line route from Reading and Heathrow in the west to Abbey Wood and Shenfield in the east will commence by mid-2022.

Much of the central section is now substantially complete. Fit-out is nearing completion at all stations, except Bond Street and Whitechapel, with all physical works in the tunnels already complete. Dynamic Testing of the signalling and train systems is advanced. The major programme focus is commencing intensive operational testing, known as Trial Running, at the earliest opportunity and completing assurance and safety certification for the railway. From the start of Trial Running it will take an extended period to fully test the Elizabeth line before it can open for passenger service. This

Strategic Report (continued)

includes a final phase known as Trial Operations involving people being invited onto trains and stations to test real-time scenarios.

In March 2020, the Prime Minister announced unprecedented measures in the Government's bid to halt the spread of coronavirus in the UK. In response, the Company brought non-essential construction activity at its project sites to a temporary stop. As the programme impacts of the coronavirus pandemic become clearer, the Company will issue an update to Sponsors.

TTL Properties Limited

During the year ended 31 March 2020 the Company held 100% of the issued share capital of TTL Earls Court Properties Limited, TTL Southwark Properties Limited, TTL Kidbrooke Properties Limited, TTL Landmark Court Properties Limited, TTL Blackhorse Road Properties Limited, TTL Northwood Properties Limited, TTL Build to Rent Limited , TTL South Kensington Properties Limited and TTL Wembley Park Properties Limited. These companies are property investment holding companies incorporated in England.

During the year a consolidated commercial property portfolio was formed through the transfer of existing assets, and the creation of new lease structures which allowed the recognition of a large number of new investment property assets. This is a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. These assets were transferred into TTL Properties Limited to allow them to be managed more strategically and operationally, rather than being dispersed across multiple subsidiaries. Revaluation gains of £723m (net of deferred tax), arising from the first time recognition of the newly created investment property assets, were recognised in other comprehensive income.

The consolidated property portfolio generated c£84m gross rental income during the year.

Treasury activities

During the year, TfL issued net borrowings after repayments of £654.8m to various subsidiaries within the Group (2018/19 £463.3m). This brings total borrowings held by the Group, at 31 March 2020 to £11,106.1m (2018/19 £10,451.3m). The interest payable by the Group on these borrowings increased from £362.6m in 2019 to £376.6m in 2019/20 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 £16.9m (2018/19 £22.8m). 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. £9.0m (2018/19 £8.6m) was released to financial expenses in 2019/20, leaving a remaining balance of £58.5m related to gilt locks deferred in the hedging reserves as at 31 March 2020. 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 2020 was a net liability of £34.2m (2018/19 £18.8m).

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 2020, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swedish Krona, Swiss Francs and Chinese Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £443.1m (2018/19 £187.1m). At 31 March 2020, these contracts had a combined net fair value of £(10.5)m (2018/19 £3.5m). 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 2020, the Group held forward foreign exchange contracts to sell euros to a value of £614.2m (2018/19 £340.0m). 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 £26.2m (2018/19 loss of £0.3m) has been recognised directly in the Income Statement within financial expense.

Principal Risks and Risk Management

The Group identifies, manages and mitigates significant areas of business risk as part of the normal course of business. The Group's Risk Management plan is set up to complement this basic management by the business and to provide a framework for the organisation to ensure that business risks are appropriately identified, reviewed regularly and that progress on the management of key business risk is tracked.

The principal risks to which the Group is exposed include safety, terrorism, employee relations, contractual claims, reputation and financial. All business risks are recorded in a risk register. For each risk, an owner has been identified who is responsible for implementing the mitigation strategy that has been identified. A separate working group has been established to address the specific risks arising from the coronavirus situation.

As part of its overall corporate governance brief within the TfL Group, the TfL Audit and Assurance Committee has specific responsibility for assuring the TfL Board that effective risk management arrangement are in place. The risk management process is subject to annual review by the TfL Group's Director of Internal Audit.

Coronavirus

The global pandemic of coronavirus has significantly impacted the Group's ability to execute its activities.

In response to coronavirus, the Group has fully supported the Government's nationwide message to 'stay at home'. As a result, we saw demand reduce by 95 per cent on the Tube and 85 per cent on Buses in March/April with significant reductions in demand expected to continue through to 2021. This has a profound impact on our finances as passenger revenues have contributed 80 per cent of total revenue income in recent years. Other income streams, including advertising and property rentals have also been significantly adversely impacted by the changes to Londoners' travel patterns, and by TfL's implementation of other measures in response to the pandemic.

In support of the Government's efforts to stop the spread of Coronavirus and mitigate the financial impact of lockdown for many, examples of specific short term and temporary measures the Group implemented included:

- TTL and its subsidiary, Crossrail Limited, brought all project sites to a temporary Safe Stop unless they needed to continue for operational safety reasons or essential maintenance of the transport network
- Rent reliefs, including the grant of a three month rental holiday to all small and medium enterprises across the property estate (representing 86 per cent of TfL's tenants) to enable them to continue trading in the future
- Middle door only boarding of buses, to keep drivers safe from the risk of contracting the virus from passengers until additional safety measures could be put in place
- Enhanced cleaning and use of an anti-viral cleaner that kills viruses and bacteria on contact across all our services

The Group has continued delivering essential transport services supporting the crisis response and is committed to partnering with the Government over the coming months and year to drive economic recovery and growth.

Strategic Report (continued)

As part of its immediate response to the crisis, TTL's parent organisation, TfL, modelled the impact of a number of revenue scenarios based on Imperial College's modelling of the impact on the UK. These indicated a possible reduction in passenger revenues ranging from £1.4bn to £3.5bn by the end of 2020/21. As a consequence, and alongside seeking opportunities to further minimise its expenditure and maximise its other sources of income, TfL has worked and continues to work closely with the Government to secure additional support to alleviate the financial impact of the pandemic on the TfL Group.

The Group has made use of the Job Retention Scheme, receiving grant income for up to a maximum of £2,500 or 80 per cent of salary per month for each individual furloughed. TTL continues to pay 100 per cent of salary and pension and other benefits as normal.

TfL has also secured an Extraordinary Funding and Financing Agreement from the Secretary of State which gives the Group secure access to funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, agreement of a further, medium-term support package is planned.

UK relationship with the European Union

There continues to be considerable uncertainty surrounding the UK's withdrawal from the European Union. As a local transport authority, the Group is relatively isolated from many common risks related to this. Our largest financial exposure is to macroeconomic shifts, including any economic contractions that may result from a disruptive outcome where no long-term trading deal is agreed. Our 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. Any outcome that has a significant impact on this is likely to lead to a reduction in our revenue. Interaction between the negotiations on the long-term trade deal and the coronavirus are currently unclear, but we are carefully monitoring events to ensure we are prepared for all possible outcomes.

More short-term risks include potential disruptions to operations and commercial contracts, exposure to financial risks (foreign exchange and interest rates) and the wellbeing of our people. Our Brexit Working Group, with representatives from across all of TfL's activities, has developed and is implementing significant mitigation plans to enable us to continue to serve our 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 we are managing.

Security of long-term funding

The future shape of the Group's capital investment programme over both the short to medium term and over the longer term is currently uncertain, being dependent on both macro- and micro- economic factors. Absorption of the financial impacts of the unprecedented coronavirus directly restricts the level and availability of funding to TfL for spend on capital investment and certain projects are likely to be delayed as a result. Over the short to medium term we will continue with those projects critical to operational safety, those related to Government priorities (such as those that promote cycling or walking) or which are already committed and nearing completion. Other pipeline projects may be cancelled or postponed, as coupled with reduced availability of funding, planned infrastructure projects may now be de-prioritised or no longer considered optimal.

Setting aside the incremental financial impacts resulting from coronavirus, we have no certainty of capital funding beyond 2020/21, which poses a challenge when planning the pipeline of investment required by London. We will, however, continue to work with stakeholders to secure the necessary funds. As part of the settlement set out in the extraordinary funding and financing package, a broad ranging, government-led review of TfL's future financial position and future financial structure is underway to look at TfL's structure and potential sources of future funding with a view to making detailed recommendations on what decisions can be made. This will be completed by end of August 2020.

Strategic Report (continued)

We will also continue our successful programme of reducing like-for-like operating costs and work to grow our business to create new revenue streams.

In order to achieve a surplus on our operating activities, we will continue our broad programme to reduce costs, increase revenue and become more efficient, while maintaining safety, frontline services and vital investment. Savings have already been achieved in our operating model, reducing and relocating head office accommodation based on our three-hub office strategy. Other activities underway to deliver cost reductions include: modernising London Underground maintenance, driving greater efficiency from our supply chain; reviewing and re-tendering bus contracts; and reshaping the bus network within inner London and refocusing the network in outer London to meet growing demand.

Growing our commercial income is another key part of our plan to achieve an operating surplus. A more diverse range of income also supports financial security. We will use our assets to generate long-term revenues, doing more to leverage our position as one of London's largest landowners. We plan to further develop our property, retail, advertising, telecoms and consultancy businesses to continue to deliver ongoing income streams.

These cost savings and additional sources of revenue will help us to keep investing in the new infrastructure London needs to support its growth and remain the economic engine of the UK. Our goal is to continue to deliver a world-leading public transport network that provides value for money and gets people to their destination safely and quickly.

Crossrail project

Further delay to the completion and opening of the central tunnel section of the Elizabeth line is possible as a result of it having to safe stop during the lockdown. Any delays could have implications on the costs of construction and on the financing arrangements previously put in place in relation to the delivery of the project. As the programme impacts of the coronavirus pandemic become clearer, Crossrail Ltd will issue an update to Sponsors.

Approved by the Board on 28 September 2020 and signed on behalf of the Board by

A. Byford

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 2020 which comprise Group Income Statement, Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows, the Accounting Policies and the related notes 1 to 40, 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 2020 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

Material uncertainty relating to going concern

We draw your attention to note g) of Accounting Policies, which indicates that there is a material uncertainty over the availability of funding from Transport for London, which may cast doubt on the Group's ability to continue as a going concern and to operate the current planned level of services, including the planned capital programme post 17 October 2020.

No adjustments have been made in the financial statements to the carrying value of assets in the course of construction or tangible fixed assets should the funding not be forthcoming.

Our opinion is not modified in respect of this matter.

Emphasis of matter – Disclosure in relation to the impact of property assets held at valuation

We draw attention to section d of the Accounting Policies, together with notes 12f, 14 and 17a which describe the material valuation uncertainty in the assessment of group office buildings held at valuation and investment properties. In forming our opinion, we have considered the adequacy of the disclosures made. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

Other information

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

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

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

We have nothing to report in this regard.

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 13, 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.

Independent Auditor's Report

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.

Use of our report

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

Ernst & Young LLP

Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 September 2020

Group Income Statement

Year ended 31 March	Note	2020 £m*	2019 £m
Revenue	1	5,171.1	5,284.2
Net operating costs		(5,524.6)	(5,290.4)
Operating loss	2	(353.5)	(6.2)
Grant income	3	508.8	639.9
Other gains and losses	4	62.3	236.0
Exceptional items	5	(11.5)	-
Total profit from operations		206.1	869.7
Financial income	8	3.5	2.6
Financial expenses	9	(369.3)	(314.7)
Group share of loss after tax of joint ventures	16	(0.1)	-
Group share of loss after tax of associated undertakings	17	(52.0)	(94.5)
(Loss)/profit before taxation		(211.8)	463.1
Income tax (expense)/credit	10	(106.8)	2.0
(Loss)/profit for the year attributable to owners of the Company		(318.6)	465.1

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

Group Statement of Comprehensive Income

Year ended 31 March	Note	2020 £m	2019 £m
(Loss)/gain for the year		**(318.6)**	465.1
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Revaluation of property, plant and equipment	12	**18.4**	40.1
Surplus on the valuation of newly created investment properties	14	**858.4**	-
Deferred tax on the surplus on valuation of newly created investment properties	10	**(135.7)**	-
Actuarial gain/(loss) on defined benefit pension schemes	35	**14.2**	(1.0)
		755.3	39.1
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments		**(26.8)**	0.6
Derivative fair value loss recycled to the Balance Sheet		**0.2**	-
Derivative fair value loss recycled to income and expenditure		**9.0**	8.6
		(17.6)	9.2
Total comprehensive income and expenditure for the year attributable to owners of the Company		**419.1**	513.4

Group Statement of Financial Position

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Intangible assets	11	41.0	34.3
Property, plant and equipment	12	38,033.0	36,859.4
Right-of-use assets*	13	1,888.5	-
Investment property	14	1,416.4	485.3
Equity accounted investment in joint venture	16	7.2	-
Equity accounted investment in associated undertakings	17	194.6	233.5
Derivative financial instruments	29	1.5	6.8
Finance lease receivables	18	36.9	39.4
Trade and other receivables	22	48.6	46.2
		41,667.7	37,704.9
Current assets			
Inventories	20	58.9	61.0
Assets classified as held for sale	21	94.3	99.1
Finance lease receivables	18	15.7	12.8
Trade and other receivables	22	361.1	498.0
Derivative financial instruments	29	3.4	11.8
Cash and cash equivalents	23	115.1	126.6
		648.5	809.3
Current liabilities			
Trade and other payables	24	(1,842.1)	(2,109.0)
Current tax liabilities	10	-	(0.1)
Other financing liabilities	25	(3.5)	-
Right-of-use lease liabilities*	13	(292.5)	-
PFI lease liabilities	28	(4.8)	(43.1)
Other finance lease liabilities*	27	-	(16.2)
Derivative financial instruments	29	(26.3)	(3.0)
Provisions	30	(68.0)	(218.1)
		(2,237.2)	(2,389.5)
Non-current liabilities			
Trade and other payables	24	(40.9)	(42.9)
Other financing liabilities	25	(132.5)	(132.7)
Borrowings	26	(11,106.1)	(10,451.3)
Right-of-use lease liabilities*	13	(1,685.2)	-
PFI lease liabilities	28	(0.4)	(5.2)
Other finance lease liabilities*	27	-	(222.7)
Derivative financial instruments	29	(63.1)	(46.5)
Provisions	30	(23.2)	(22.9)
Deferred grant	33	(12,665.6)	(12,726.0)
Retirement benefit obligation	35	(18.3)	(29.9)
Long-term deferred tax liabilities	10	(242.5)	-
		(25,977.8)	(23,680.1)
Net assets		14,101.2	12,444.6

Group Statement of Financial Position (continued)

Equity	Note	31 March 2020 £m	31 March 2019 £m
Called up share capital	36	11,560.0	10,320.0
Revaluation reserve		306.0	325.3
Hedging reserve		(119.4)	(105.5)
Cost of hedging reserve		(4.4)	(0.7)
Merger reserve		466.1	466.1
Retained earnings		1,892.9	1,439.4
Total equity attributable to owners of the Company		14,101.2	12,444.6

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

The Accounting Policies and notes on pages 29 to 125 form part of these financial statements.
These financial statements were approved by the Board on 28 September 2020 and signed on its behalf by:

A. Byford

Director
Company Registration Number 3914810

Group Statement of Changes in Equity

	Note	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Cost of hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 April 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	35	-	-	-	-	-	(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	36	1,560.0	-	-	-	-	-	1,560.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(17.5)	-	-	-	17.5	-
At 31 March 2019		10,320.0	325.3	(105.5)	(0.7)	466.1	1,439.4	**12,444.6**
Loss for the year		-	-	-	-	-	(318.6)	**(318.6)**
Actuarial gain on defined benefit pension scheme	35	-	-	-	-	-	14.2	**14.2**
Movement in the fair value of derivative financial instruments		-	-	(22.9)	(3.9)	-	-	**(26.8)**
Recycling of cashflow foreign exchange hedge losses to the Balance Sheet		-	-	-	0.2	-	-	**0.2**
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	9.0	-	-	-	**9.0**
Net surplus on revaluation of property, plant and equipment	12	-	18.4	-	-	-	-	**18.4**
Surplus on the valuation of newly created investment properties	14	-	-	-	-	-	858.4	**858.4**
Deferred tax on the surplus on valuation of newly created investment properties	10	-	-	-	-	-	(135.7)	**(135.7)**
Total comprehensive income/(expense)		-	18.4	(13.9)	(3.7)	-	418.3	**419.1**
Issue of share capital	36	1,240.0	-	-	-	-	-	**1,240.0**
Adjustment to reserves for the implementation of IFRS 16		-	-	-	-	-	(2.5)	**(2.5)**
Release of revaluation reserve in respect of non-historic cost depreciation		-	(37.7)	-	-	-	37.7	-
Balance at 31 March 2020		**11,560.0**	**306.0**	**(119.4)**	**(4.4)**	**466.1**	**1,892.9**	**14,101.2**

Group Statement of Cash Flows

Year ended 31 March	Note	2020 £m*	2019 £m
Cash flows from operating activities			
(Loss)/gain for the year		(318.6)	465.1
Adjustments for:			
Depreciation	12	907.5	894.8
Amortisation of right-of-use assets	13	306.2	-
Amortisation of intangible assets	11	14.3	13.1
Increase in value of investment property	4	(62.5)	(3.3)
Loss/(gain) on sale of property, plant and equipment	4	9.1	(197.6)
Gain on sale of investment property	4	(8.9)	(35.1)
Financial income	8	(3.5)	(2.6)
Financial expense	9	369.3	314.7
Amortisation of deferred capital grant to meet the depreciation charge	2	(692.6)	(916.9)
Reversal of share of net loss from associates and joint venture		52.1	94.5
Reversal of defined benefit pension service costs	35	3.5	4.1
Reversal of taxation charge/(credit)		106.8	(2.0)
Cash flow from operating activities before movements in working capital		682.7	628.8
Decrease in inventories		2.1	3.2
Decrease/(increase) in trade and other receivables		198.6	(99.2)
Decrease in trade and other payables		(322.3)	(130.6)
Decrease in provisions		(136.8)	(17.3)
Net cash generated from operations		424.3	384.9
Employer contributions to pension scheme	35	(1.6)	(2.0)
Taxation (paid)/received		(0.1)	2.0
Net cash generated from operating activities		422.6	384.9
Cash flows from investing activities			
Interest received		3.5	2.6
Proceeds from disposal of property, plant and equipment		105.9	796.3
Proceeds from disposal of investment properties		(2.8)	80.3
Acquisition of intangible assets		(4.3)	(8.4)
Acquisition of property, plant and equipment and investment property		(2,434.0)	(3,324.7)
Loan notes acquired		-	(8.0)
Finance leases granted during the year		(17.9)	(35.6)
Finance leases repaid during the year		17.5	9.0
Investment in equity of associates and joint venture		(20.4)	(0.8)
Capital grants received		624.1	472.3
Net cash utilised by investing activities		(1,728.4)	(2,017.0)

Group Statement of Cash Flows (continued)

Year ended 31 March		2020	2019
		£m*	£m
Cash flows from financing activities			
Issue of share capital		1,240.0	1,560.0
Increase in loans from ultimate parent		654.8	917.4
Repayment of loans from ultimate parent		-	(454.1)
Capital element of leases repaid		(270.7)	(58.7)
Capital element of other financing liabilities		-	(8.8)
Cash inflow on settlement/(outflow on purchase) of derivative option		0.7	(4.7)
Interest paid		(330.5)	(306.1)
Net cash flow generated from financing activities		1,294.3	1,645.0
Net cash movement in the year		(11.5)	12.9
Net cash and cash equivalents (net of overdrafts) at the start of the year		126.6	113.7
Net cash and cash equivalents at the end of the year	23	115.1	126.6

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

Company Statement of Financial Position

	Note	31 March 2020 £m*	31 March 2019 £m
Non-current assets			
Intangible assets	11	30.4	22.0
Property, plant and equipment	12	180.6	250.0
Right-of-use assets*	13	37.2	-
Investment property	14	0.7	3.2
Investment in subsidiary undertakings	15	12,095.0	10,855.0
Finance lease receivables	18	36.9	39.4
Equity loans to subsidiaries	19	269.7	247.6
Trade and other receivables	22	0.1	-
		12,650.6	11,417.2
Current assets			
Finance lease receivables	18	15.7	12.8
Trade and other receivables	22	329.0	329.4
Cash and cash equivalents	23	41.8	52.7
		386.5	394.9
Current liabilities			
Trade and other payables	24	(809.1)	(828.5)
Right-of-use lease liabilities*	13	(8.2)	-
Provisions	30	(1.2)	(0.4)
		(818.5)	(828.9)
Non-current liabilities			
Trade and other payables	24	(7.6)	(29.3)
Borrowings	26	(54.5)	(54.5)
*Right-of-use lease liabilities**	13	(27.4)	-
Provisions	30	(0.1)	(0.1)
Deferred grant	33	(125.8)	(124.7)
		(215.4)	(208.6)
Net assets		12,003.2	10,774.6

Company Statement of Financial Position (continued)

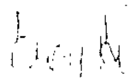
Reserves			
Share capital	36	**11,560.0**	10,320.0
Revaluation reserve		**43.0**	56.9
Merger reserve		**466.1**	466.1
Retained reserves		**(65.9)**	(68.4)
Total equity attributable to owners of the Company		**12,003.2**	10,774.6

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

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

The Accounting Policies and notes on pages 29 to 125 form part of these financial statements.

These financial statements were approved by the Board on 28 September 2020 and signed on its behalf by:



A. Byford

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 2018		8,760.0	56.0	466.1	(85.9)	9,196.2
Loss for the year		-	-	-	-	-
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	36	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
Loss for the year		-	-	-	(34.2)	(34.2)
Surplus on the valuation of newly created investment properties		-	-	-	1.5	1.5
Net surplus on revaluation of property, plant and equipment		-	21.3	-	-	21.3
Total comprehensive income/(expense)		-	21.3	-	(32.7)	(11.4)
Issue of share capital	36	1,240.0	-	-	-	1,240.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(35.2)	-	35.2	-
Balance at 31 March 2020		11,560.0	43.0	466.1	(65.9)	12,003.2

Company Statement of Cash Flows

Year ended 31 March	Note	2020 £m*	2019 £m
Cash flows from operating activities			
Loss for the year		(34.2)	-
Adjustments for:			
Depreciation	12	63.5	46.6
Amortisation of right-of-use assets	13	8.7	-
Amortisation of intangible assets	11	9.1	7.5
(Increase)/decrease in value of investment property	14	(1.2)	0.1
Profit on sale of property, plant and equipment		(0.1)	-
Loss on disposal of investment property		0.1	-
Impairment of equity loans to subsidiaries	19	-	236.9
Financial income		(3.2)	(2.3)
Financial expense		1.8	0.1
Amortisation of deferred capital grant to meet the depreciation charge	33	(20.8)	(17.2)
Release of deferred capital grant to meet the impairment of equity loans to subsidiaries		-	(236.9)
Reversal of taxation charge		5.7	-
Cash flow from operating activities before movements in working capital		29.4	34.8
(Increase)/decrease in trade and other receivables		(1.7)	6.5
(Decrease)/increase in trade and other payables		(48.4)	233.5
Increase/(decrease) in provisions		0.8	(9.0)
Taxation paid		(5.7)	-
Net cash (utilised by)/generated from operating activities		(25.6)	265.8
Cash flows from investing activities			
Interest received		3.2	2.4
Proceeds from disposal of property, plant and equipment		35.4	-
Proceeds from disposal of investment properties		5.1	-
Equity loans to subsidiaries		(22.1)	(484.5)
Acquisition of intangible assets		(0.8)	(6.4)
Acquisition of property, plant and equipment		(17.6)	(31.1)
Finance leases granted during the year		(17.9)	(35.6)
Finance leases repaid during the year		17.5	9.0
Subscription for new shares in subsidiary		(1,240.0)	(1,560.0)
Capital grants received		21.9	259.6
Net cash utilised by investing activities		(1,215.3)	(1,846.6)

Company Statement of Cash Flows

Year ended 31 March	Note	2020	2019
		£m*	£m
Cash flows from financing activities			
Issue of share capital		1,240.0	1,560.0
Increase in loans from ultimate parent		-	24.1
Capital element of finance leases		(8.2)	-
Interest paid		(1.8)	(0.1)
Net cash flow generated from financing activities		1,230.0	1,584.0
Net cash movement in the year		(10.9)	3.2
Net cash and cash equivalents at the start of the year		52.7	49.5
Net cash and cash equivalents at the end of the year	23	41.8	52.7

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

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 5 Endeavour Square, London E20 1JN.

The consolidated financial statements as at 31 March 2020 include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's equity accounted share of the net assets, and net profit or loss of its joint ventures and associates.

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 IFRS 16 Leases Standard, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is finance or an operating lease.

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)

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.

Availability of future capital funding

In assessing whether any impairment of the carrying value of assets under construction on the Balance Sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

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 35.

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 34 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 30.

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 Comprehensive Income and Expenditure Statement for the period in which they arise. Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Accounting Policies (continued)

Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

Office buildings

Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve. Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

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 16 (mandatory for years beginning on or after 1 January 2019) 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 Group applied this standard from 1 April 2019 (the date of initial application).

  The Group adopted IFRS 16 from 1 April 2019, using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of reserves at 1 April 2019, with no restatement of comparative information.

  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 IFRS 16 and has performed an assessment to identify significant contracts which had not been previously classified as leases under IAS 17, but which may be a lease under IFRS 16. As part of this exercise it was determined that the bus service contracts were a lease under IFRS 16.

  Lessee accounting

  On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the TfL Group's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.43 per cent. The corresponding right-of-use assets were recognised at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the Statement of Financial Position immediately prior to the date of initial application.

Accounting Policies (continued)

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. Any remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedient applied

In applying IFRS 16 for the first time, the Group has used the following 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.

(ii) Measurement of lease liabilities

	Group 2019 £m
Operating lease commitments disclosed as at 31 March 2019	1,282.0
Discounted using the TfL Group's incremental borrowing rate of 2.43% at the date of initial application	724.7
Add: finance lease liabilities recognised as at 31 March 2019	238.8
Less: finance lease liabilities adjustment from IFRS 16	(60.8)
Add: contracts assessed as lease contracts under IFRS 16	657.3
Less: recognition exemption for leases with less than 12 months of lease term at transition	(0.3)
Lease liability recognised as at 1 April 2019	**1,560.0**

(iii) Measurement of right-of-use assets

The right-of use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the Statement of Financial Position as at 31 March 2019.

(iv) Adjustments recognised in the Group Statement of Financial Position on 1 April 2019

IFRS 16 affected the following items in the Group Statement of Financial Position on 1 April 2019:

- property, plant and equipment – decrease by £227.2m
- right-of-use assets – increase by £1,648.0m
- prepayments – decrease by £3.0m
- finance lease liabilities – decrease by £287m
- lease liabilities – increase by £1,704.9m
- retained earnings – decrease by £2.5m

Accounting Policies (continued)

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under finance leases (see note 17) and operating leases as a result of adoption of IFRS 16.

- Inter-Bank Offered Rate ("IBOR") Reform – Phase 1 amendments to IFRS 9 Financial Instruments ("IFRS 9") and IFRS 7 Financial Instruments: Disclosures ("IFRS 7") were issued in September 2019. The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The Phase 1 amendments contain a temporary exception from applying specific hedge accounting requirements pre-IBOR reform.

  TfL has early adopted the Phase 1 amendment and applied the temporary exception in IFRS 9 on hedge relationships directly affected by the IBOR reform.

  Specifically, a portion of TfL's floating rate borrowing and certain floating rate lease liabilities, which have been hedged to fixed rate debt using interest rate swaps, will be affected by the market-wide replacement of London Inter-Bank Offered Rate ("LIBOR") to alternative risk-free reference rates. The notional amount of interest rate swaps that were designated in hedge relationships, and affected by the reform, at 31 March 2020 was £433.6m.

  In relation to the required prospective assessment of the existence of an economic relationship between the hedged items and hedging instruments for these hedge relationships. By applying the exception, TfL assumes the interest rate benchmark on which the hedged risk is based is not altered as a result of the IBOR reform.

  A Group-wide project is in progress to manage the transition to alternative benchmark rates.

f) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, have, not yet been adopted by the EU:

- Amendments to IFRS 3 Definition of a business

  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

  Additional guidance is provided that helps to determine whether a substantive process has been acquired.

  The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

  The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

- Amendments to IAS 1 and IAS 8 Definition of material

  The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

  The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

Accounting Policies (continued)

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

- The Conceptual Framework for Financial Reporting

  The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

  The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

  For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023). 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.
- Issuance of Inter-Bank Offered Rate ("IBOR") Reform – Phase 2 amendments to IFRS 9 and IFRS 7 is anticipated in 2020 and expected to address potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative.

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

g) Going concern

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

The TTL Group is dependent on funds provided to it by Transport for London (TfL), its ultimate parent, in order to ensure working capital requirements are satisfied. TfL 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 TTL Group, to the extent that TfL has funds available to provide to the TTL Group.

As set out in the Strategic Report, the coronavirus pandemic has had a significant impact on the finances of the wider TfL operations. TfL has modelled the impact of a number of revenue scenarios based on Imperial College's modelling of the impact on the UK. These indicated a possible reduction in passenger revenues ranging from £1.4bn to £ 3.5bn by the end of 2020/21. As a consequence, and alongside seeking opportunities to further minimise its expenditure and maximise its other sources of income, TfL has worked and continues to work closely with the Government to secure additional support to alleviate the financial impact of the pandemic on TTL and the wider TfL operations.

In addition to making use of the Government's job retention scheme, TfL has also secured an Extraordinary Funding and Financing Agreement from the Secretary of State which gives it secure access to funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, agreement of a further medium-term support package is planned. As at the date of approval of these financial statements, based on the continuing uncertainty in respect of the coronavirus outbreak and ongoing discussions with the Government, it is expected that a further funding agreement will be received prior to 17 October 2020, covering the next six month period. The terms of this funding agreement are not yet known. Discussions will continue in respect of medium-term funding for the period thereafter.

Material uncertainties remain as to the level of support that will be agreed, and what this means for the shape of TfL's, and hence also TTL's, planned future activities. These material uncertainties cast significant doubt over the TTL's ability to continue as going concern and as a result to continue operating the level of services currently provided and to continue with all projects included currently in the capital investment plan. As part of the wider Government review of

Accounting Policies (continued)

the whole of TfL's operations, a review is underway of the capital programme to identify which projects can and will be funded to completion. Management have undertaken an exercise to categorise the TTL's current and planned future capital investment projects according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted.

As at 31 March 2020, TTL had capital projects in the course of construction totalling £18.0bn, of which £14.0bn related to Crossrail and £1.3bn to the 4 Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing current discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2020 should continue to be funded. However, until the review is complete and a longer-term financing package formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion. Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in- progress projects are not funded, or if changes in services provided are required, there could be a possible impairment of carrying values at 31 March 2020, which is not reflected in these financial statements.

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.

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.

Accounting Policies (continued)

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 IFRS 16, 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.

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.

Accounting Policies (continued)

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)

As explained in note (e) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new accounting policy is described below and the impact of the change is in note (e).

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option, and

Accounting Policies (continued)

- lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the TTL Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The interest rate implicit in the lease is only used when that rate is readily determinable, which is mostly in respect of the Group's former finance leases. All the Group's former operating leases have been discounted using the TfL Group's incremental borrowing rate. TfL Group's incremental borrowing rate is used for the TTL Group as all TTL borrowings are passed down from TTL's parent, TfL, which is the body that raises financing from external parties on behalf of its operating subsidiaries.

TfL's incremental borrowing rate for each tenor consists of two elements: an underlying rate, which is the UK Gilt rate and a credit spread representing the percentage payable above the underlying rate to reflect the credit profile of the TfL Group. TfL has a number of outstanding public bonds that can be used to estimate the credit spread payable for a range of tenors. For rolling stock leased assets, an adjustment to the rate was made to reflect the additional credit risk inherent in these lease arrangements.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Income and Expenditure Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Group will exercise a purchase option, then the right of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

IFRS 16 allows a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. Contracts for bus services contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Group's Accounting Policy is to apply this expedient to other equipment as a class of underlying asset. If the total non-lease components over the contract duration is less than 5% of the total contract value or £500,000 whichever is lower, then we can treat the non-lease and lease components are treated as a single lease.

Accounting Policies (continued)

l) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position within property, plant and equipment based on their nature.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

On lease commencement the carrying value of the asset is derecognised, the net investment in the lease is recognised as a finance lease receivable and any selling profit or loss is recognised in the Income and Expenditure Statement.

The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

m) Financial income and expenses

Financing and investment income consists of interest income on funds invested and expected return on pension assets and interest receivable on leases. 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, interest expense on lease liabilities 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 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

Accounting Policies (continued)

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.

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).

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction

Accounting Policies (continued)

is made to reflect purchaser's acquisition costs. 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	up to 40 years
Stations	up to 120 years	Other property	up to 120 years
Rolling stock	up to 50 years	Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years	Computer equipment	up to 15 years

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.

Accounting Policies (continued)

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 IPSAS 32 Service Concession Arrangements – Grantor ("IPSAS 32"). 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 IPSAS 32.

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. During 2019/20, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which have been recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets have been created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) these valuation gains have been recognised directly within other comprehensive income.

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.

Investment properties are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. 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 at least every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued at least 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.

Accounting Policies (continued)

w) Investment in joint ventures

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes a joint venture. 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 joint venture.

x) 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.

y) 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. 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.

z) 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.

aa) 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.

ab) 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

Accounting Policies (continued)

- 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.

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.

Accounting Policies (continued)

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.

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 right-of-use leases, finance leases and PFI arrangements

All obligations under right-of-use leases, 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.

Accounting Policies (continued)

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 hedge 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:

- 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,

Accounting Policies (continued)

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.

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

Accounting Policies (continued)

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.

ac) 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.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and are 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.

ad) 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.

Accounting Policies (continued)

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 earnings reserve

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

ae) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the company, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a Safe Stop, have been considered exceptional items. These costs have been identified separately above the operating profit on the face of the Income Statement.

Notes to the Financial Statements

1 Group revenue

Year ended 31 March	**2020**	***% of***	2019	*% of*
	£m	***total***	*£m*	*total*
Fares	**4,432.9**	***85.7***	4,533.7	*85.8*
Revenue in respect of free travel for older and disabled customers	**317.9**	***6.1***	320.3	*6.1*
Charges to London Boroughs and Local Authorities	**3.8**	***0.1***	1.1	-
Charges to transport operators	**10.2**	***0.2***	10.0	*0.2*
Commercial advertising receipts	**158.3**	***3.1***	149.9	*2.8*
Rents receivable	**93.5**	***1.8***	85.2	*1.6*
Museum and other retail income	**11.4**	***0.2***	9.4	*0.2*
Contributions from third parties to operating costs	**38.1**	***0.7***	74.3	*1.4*
Ticket and photocard commission income	**28.5**	***0.6***	30.5	*0.6*
ATM and car parking income	**21.7**	***0.4***	19.3	*0.4*
Training and specialist services	**3.2**	***0.1***	2.0	-
Cycle hire scheme	**11.0**	***0.2***	11.7	*0.2*
Other	**40.6**	***0.8***	36.8	*0.7*
	5,171.1	**100.0**	5,284.2	100.0

Notes to the Financial Statements (continued)

2 Group operating loss

Year ended 31 March	Note	2020 £m	2019 £m
The operating loss is stated after charging/(crediting):			
Capital items			
Amortisation of intangible assets	11	14.3	13.1
Depreciation of property, plant and equipment – owned	12	907.5	843.3
Depreciation of property, plant and equipment – leased	12	-	51.5
Amortisation of right-of-use assets	13	306.2	-
Release of grant to meet the depreciation charge on the historical cost of depreciated fixed assets	33	(692.6)	(916.9)
Other operating costs			
Employee costs	7	1,368.8	1,387.5
Payments under operating leases*		-	77.7
Inventory expensed during the year		71.6	70.8

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

Year ended 31 March	2020 £m	2019 £m
Auditor's remuneration		
Fees for the audit of these financial statements	1.0	0.8
Fees for the audit of subsidiary financial statements	0.1	-
Fees for non-audit services: assurance related*	-	-
	1.1	0.8

* The TfL Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

Notes to the Financial Statements (continued)

3 Group grant income

Year ended 31 March	2020	2019
	£m	£m
Grant from Transport for London to fund operations	**508.8**	639.9

4 Group other gains and losses

Year ended 31 March		2020	2019
	Note	£m	£m
Change in fair value of investment properties	14, 21	**62.5**	3.3
Net gain on disposal of investment properties		**8.9**	35.1
Net (loss)/gain on disposal of property, plant and equipment		**(9.1)**	197.6
		62.3	236.0

5 Exceptional items

Year ended 31 March	2020	2019
	£m	£m
Exceptional costs relating to the coronavirus pandemic	**11.5**	-

Exceptional costs included in the table above comprise costs relating to the safe stop of capital projects during the lockdown phase of the pandemic.

6 Directors' emoluments

Year ended 31 March	2020	2019
	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 four directors (2018/19 five).

Total remuneration paid to directors of Transport Trading Limited by Transport for London was £1,182,042 (2018/19 £1,181,099) and by its fellow subsidiaries was £376,485 (2018/19 £366,158). The apportionment of this attributable to their service as directors of Transport Trading Limited and its fellow subsidiaries cannot be individually identified.

Notes to the Financial Statements (continued)

7 Group employee costs

Year ended 31 March		2020	2019
The average number of persons employed in the year were:		**Number**	Number
Bus operations		**715**	708
London Underground		**16,485**	16,706
Rail operations		**442**	386
Crossrail		**324**	352
Group services		**586**	574
Victoria Coach Station		**70**	72
Other activities		**123**	155
Total		**18,745**	18,953

Their aggregate remuneration comprised:	Note	**£m**	£m
Wages and salaries		**1,037.2**	1,024.6
Social security costs		**119.2**	116.6
Pension cost	35	**212.4**	246.3
		1,368.8	1,387.5

Notes to the Financial Statements (continued)

8 Group financial income

Year ended 31 March	**2020**	2019
	£m	£m
Interest income on bank deposits	**0.1**	-
Interest income received in regard to finance lease receivables	**3.2**	2.3
Other	**0.2**	0.3
	3.5	2.6

9 Group financial expenses

Year ended 31 March		**2020**	2019
	Note	**£m**	£m
Interest payable on derivative financial instruments		**20.6**	21.3
Interest payable to Transport for London		**376.6**	362.6
Interest on finance, PFI and right-of-use lease liabilities*		**50.0**	24.5
Contingent rentals on PFI liabilities		**3.6**	5.5
Net fair value movement on derivative financial instruments not subject to hedge accounting		**26.2**	0.3
Net interest on defined benefit obligation	35	**0.7**	0.6
Other interest payable		**0.1**	3.6
		477.8	418.4
Less amounts capitalised into qualifying assets	12	**(108.5)**	(103.7)
		369.3	314.7

*IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in Accounting Policies section (e).

The interest rates charged on loans from Transport for London range between 2.56 per cent and 4.32 per cent (2018/19 2.44 per cent and 4.32 per cent).

Notes to the Financial Statements (continued)

10 Taxation

The Company and its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies are able to claim group relief.

a) Corporation tax - Group

The Group tax expense for the year, based on the rate of corporation tax of 19 per cent (2018/19 19 per cent) comprised:

Year ended 31 March	Group 2020 £m	Group 2019 £m
Current tax		
UK corporation tax	-	0.1
Adjustments in respect of prior years	-	(2.1)
Total current tax charge/(income) for the year	-	(2.0)
Deferred tax		
Deferred tax - current year	106.8	-
Total tax charge/(income) for the year	106.8	(2.0)

Reconciliation of tax credit

Year ended 31 March	Group 2020 £m	Group 2019 £m
(Loss)/profit before tax	(211.8)	463.1
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018/19 19%)	(40.2)	88.0
Effects of:		
Non-taxable and non-deductible items	3.3	(24.5)
Amount charged to current tax for which no deferred tax was recognised	138.0	(62.5)
Utilisation of tax losses brought forward	(0.9)	(1.0)
Tax losses carried forward for which no deferred tax was recognised	6.9	-
Tax exempt revenues	(0.3)	0.1
Adjustments in respect of prior years	-	(2.1)
Total tax charge/(credit) for the year	106.8	(2.0)

b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £1,751.4m (2019 £1,613.6m) in respect of the following items:

Year ended 31 March	Group 2020 £m	Group 2019 £m
Deductible temporary differences	749.5	722.6
Tax losses	1,001.9	891.0
	1,751.4	1,613.6

Notes to the Financial Statements (continued)

10 Taxation (continued)

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.

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 income statement	Movement in other comprehensive income	Balance at 31 March
For the year ended 31 March 2020	£m	£m	£m	£m
Deferred tax assets				
Deferred government grant	1,438.5	(46.1)	-	**1,392.4**
Derivative financial instruments	17.3	6.0	-	**23.3**
Property, plant and equipment - accelerated capital allowances	189.5	(104.5)	-	**85.0**
	1,645.3	(144.6)	-	**1,500.7**
Deferred tax liabilities				
Property, plant and equipment	(1,550.7)	89.3	-	**(1,461.4)**
Investment properties - potential capital gain	(77.9)	(50.2)	(135.7)	**(263.8)**
Assets held for sale - potential capital gain	(16.7)	(1.3)	-	**(18.0)**
	(1,645.3)	37.8	(135.7)	**(1,743.2)**
Net deferred tax asset/(liability)	-	(106.8)	(135.7)	(242.5)
For the year ended 31 March 2019				
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
Tax value of losses carried forward	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)	-	-	-	-

Notes to the Financial Statements (continued)

10 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 increased due to the revaluation movements in the year. The investment properties were revalued prior to transfer to TTL Properties Limited (a subsidiary of Transport Trading Limited), including properties that had not previously been revalued. Due to the level of deferred tax liability arising on the investment properties and the nature of the Group's deferred tax assets it is not considered that sufficient deferred tax assets will be available to offset the deferred tax liability in full.
- The property, plant and equipment deferred tax asset and liability have changed 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 recognised in other comprehensive income. Where the revaluation gain has been recognised in other comprehensive income the resulting deferred tax liability has also been recognised in other comprehensive income.
- The deferred tax asset arising in respect of derivative financial instruments has increased due to movement in the fair value of derivatives.

d) Unrecognised deferred tax assets - Company

The Company has a potential deferred tax asset of £15.4m (2018/19 £2.5m). 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:

	2020	2019
	£m	£m
Deductible temporary differences	7.2	-
Tax losses	8.2	2.5
Deferred tax asset	15.4	2.5

In September 2016 legislation was enacted reducing the main rate of Corporation Tax to 17 per cent from 1 April 2020. However, the Finance Bill 2020 repealed this reduction, maintaining the main rate of Corporation Tax at 19 per cent for financial year 2020. The main rate of Corporation Tax will also be set at 19 per cent for financial year 2021. As the Group's deferred tax balances are not expected to be settled until after April 2021, deferred tax balances at 31 March 2020 have been calculated at the rate of 19 per cent.

Notes to the Financial Statements (continued)

11 Intangible assets

a) Group intangible assets

Cost or valuation	Note	Software costs £m	Goodwill £m	Intangible assets under construction £m	Total £m
At 1 April 2018		165.2	351.8	3.6	520.6
Additions		-	-	8.4	8.4
Transfer from property, plant and equipment	12	10.1	-	(10.1)	-
Disposals		(3.2)	-	-	(3.2)
At 31 March 2019		172.1	351.8	1.9	525.8
Additions		-	-	4.3	4.3
Transfer from property, plant and equipment	12	16.7	-	-	16.7
Disposals		(57.3)	-	-	(57.3)
At 31 March 2020		**131.5**	**351.8**	**6.2**	**489.5**
Amortisation and impairment					
At 1 April 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
Charge for the year	2	14.3	-	-	14.3
Disposals		(57.3)	-	-	(57.3)
At 31 March 2020		**99.3**	**349.2**	**-**	**448.5**
Net book value at 31 March 2020		**32.2**	**2.6**	**6.2**	**41.0**
Net book value at 31 March 2019		29.8	2.6	1.9	34.3

Assets under construction comprise software assets under development.

Notes to the Financial Statements (continued)

11 Intangible assets (continued)

b) Company intangible assets

		Software costs	Intangible assets under construction	Total
Cost or valuation		£m	£m	£m
At 1 April 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
Additions		-	0.8	0.8
Transfer from property, plant and equipment	12	16.7	-	16.7
At 31 March 2020		**131.1**	**0.9**	**132.0**
Amortisation and impairment				
At 1 April 2018		85.0	-	85.0
Charge for the year		7.5	-	7.5
At 31 March 2019		92.5	-	92.5
Charge for the year		9.1	-	9.1
At 31 March 2020		**101.6**	-	**101.6**
Net book value at 31 March 2020		**29.5**	**0.9**	**30.4**
Net book value at 31 March 2019		21.9	0.1	22.0

Notes to the Financial Statements (continued)

12 Property, plant and equipment

a) Group property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings	Rolling stock	Plant and equipment	Assets under construction	Total
		£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2019		28,380.6	5,414.9	1,816.1	16,323.2	51,934.8
Additions		346.9	9.6	25.8	2,071.3	2,453.6
Transfers to investment properties	14	(29.0)	-	-	-	(29.0)
Transfer to intangible assets	11	-	-	(16.7)	-	(16.7)
Finance leased assets transferred to right-of-use assets	13	-	(407.7)	(0.4)	-	(408.1)
Transfers between asset classes		338.9	(36.0)	92.1	(395.0)	-
Disposals		(132.9)	(0.5)	(29.9)	(4.7)	(168.0)
Revaluation		(17.6)	-	-	-	(17.6)
At 31 March 2020		**28,886.9**	**4,980.3**	**1,887.0**	**17,994.8**	**53,749.0**
Depreciation						
At 1 April 2019		11,567.6	2,358.6	1,149.2	-	15,075.4
Charge for the year	2	694.2	114.2	99.1	-	907.5
Transfers to right-of-use assets	13	-	(180.8)	(0.1)	-	(180.9)
Transfers to investment properties	14	(18.9)	-		-	(18.9)
Transfer between asset classes		-	(25.8)	25.0	-	(0.8)
Disposals		(1.3)	(0.2)	(28.8)	-	(30.3)
Revaluation		(36.0)	-	-	-	(36.0)
At 31 March 2020		**12,205.6**	**2,266.0**	**1,244.4**	**-**	**15,716.0**
Net book value at 31 March 2020		**16,681.3**	**2,714.3**	**642.6**	**17,994.8**	**38,033.0**
Net book value at 31 March 2019		16,813.0	3,056.3	666.9	16,323.2	36,859.4

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

b) 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	14	(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

As set out in the going concern note to the accounting policies, management believe that all capital projects in progress at 31 March 2020 should continue to be funded. However, until a longer-term financing package has been formally agreed between TfL and the DfT, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion.

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 £108.5m (2018/19 £103.7m). The cumulative borrowing costs capitalised are £718.4m (2018/19 £609.9m). 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 2020, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,207.2m (2018/19 £2,144.9m).

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

e) PFI assets - Group

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

	Infrastructure and office buildings	Rolling stock	Total
Gross cost	£m	£m	£m
PFI assets	767.5	45.2	812.7
	767.5	**45.2**	**812.7**
Depreciation			
PFI assets	456.2	45.2	501.4
	456.2	**45.2**	**501.4**
Net book value at 31 March 2020	**311.3**	**-**	**311.3**
Net book value at 31 March 2019*	347.0	228.7	575.7

* IFRS16 Leases has been applied to these financial statements from 1 April 2019. The tables above include a net book value for other leases assets as at 31 March 2019 of £228.7m. On 1 April 2019 these assets were derecognised from property, plant and equipment and instead shown separately as 'right-of-use assets', measured under IFRS16. See note 13 for further detail.

f) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2020 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2018/19 none).

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

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 2020 was £197.1m (2018/19 £321.7m) and the historic cost was £25.7m (2018/19 £31.3m). A related revaluation gain for the year of £18.4m (2018/19 £40.1m) has been recognised within other comprehensive income and expenditure.

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

g) Company property, plant and equipment at 31 March 2020 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 2019		232.7	308.9	65.9	607.5
Additions		-	-	24.8	24.8
Transfers to other Group undertakings		(35.3)	-	-	(35.3)
Transfers between asset classes		2.5	6.9	(9.4)	-
Transfers to intangible assets	11	-	9.8	(26.5)	(16.7)
Revaluation		(14.1)	-	-	(14.1)
At 31 March 2020		**185.8**	**325.6**	**54.8**	**566.2**
Depreciation					
At 1 April 2019		105.6	251.9	-	357.5
Charge for the year		44.5	19.0	-	63.5
Revaluation		(35.4)	-	-	(35.4)
At 31 March 2020		**114.7**	**270.9**	**-**	**385.6**
Net book value at 31 March 2020		**71.1**	**54.7**	**54.8**	**180.6**
Net book value at 31 March 2019		127.1	57.0	65.9	250.0

h) 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

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

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 (2018/19 £nil). The cumulative borrowing costs capitalised are also £nil (2018/19 £nil).

j) Capital commitments - Company

At 31 March 2020, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £0.5m (2018/19 £16.6m).

k) Leased assets – Company

The Company did not have any PFI assets as at 31 March 2020 (2018/19 nil).

l) Office buildings - Company

The existing use value of owner-occupied office buildings at 31 March 2020 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Company, and by chartered surveyors working for TTL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2018/19 none).

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

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 2020 was £21.5m (2018/19 £69.2m) and the historic cost was £13.8m (2018/19 £12.2m).

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities

This note provides information for leases where the Group and/or Company is a lessee. For leases where the Group and/or Company is a lessor, see note 18. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to accounting policies note (e).

The Group adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of reserves at 1 April 2019, with no restatement of comparative information.

a) The Group balance sheet includes the following amounts relating to its right-of-use assets

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor Vehicles £m	Other equipment £m	Total £m
Right-of-use assets							
Cost							
Assets held under finance leases at 1 April 2019*	12	-	407.7	0.4	-	-	408.1
Asset held under operating leases at 1 April 2019		123.5	598.5	589.1	5.7	69.6	1,386.4
Additions		-	442.0	172.6	5.7	24.2	644.5
Revaluation		-	(63.4)	-	-	-	(63.4)
At 31 March 2020		**123.5**	**1,384.8**	**762.1**	**11.4**	**93.8**	**2,375.6**
Amortisation							
Asset held under finance leases at 1 April 2019*	12	-	180.8	0.1	-	-	180.9
Charge for the year	2	13.1	64.7	213.7	2.5	12.2	306.2
At 31 March 2020		**13.1**	**245.5**	**213.8**	**2.5**	**12.2**	**487.1**
Net book value at 31 March 2020		**110.4**	**1,139.3**	**548.3**	**8.9**	**81.6**	**1,888.5**
Net book value at 31 March 2019*		-	-	-	-	-	-

* In 2018/19, the Group only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. At 31 March 2019, these finance lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Statement of Financial Position. The net book value at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16. See note 39 for further details.

13 Right-of-use assets and lease liabilities (continued)

b) Group lease liabilities in relation to right-of-use assets

Principal outstanding	Group 2020 £m	Group 2019 £m*
Current liabilities	292.5	-
Non-current liabilities	1,685.2	-
Total	1,977.7	-

c) Group maturity analysis of right-of-use lease liabilities

At 31 March 2020	Group 2020 £m	Group 2019 £m*
Contractual undiscounted payments due in:		
Not later than one year	314.7	-
Later than one year but not later than two years	285.0	-
Later than two years but not later than five years	478.9	-
Later than five years	1507.4	-
	2,586.0	-
Less:		
Present value discount	(607.6)	-
Prepaid amounts	(0.3)	-
Exempt cashflows	(0.4)	-
Present value of minimum lease payments	1,977.7	-

* IFRS 16 Leases has been applied to these financial statements from 1 April 2019. For further detail on the impact of transition to the new standard, see note 39.

13 Right-of-use assets and lease liabilities (continued)

d) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

	Note	Group 2020 £m	Group 2019 £m
Amortisation charge of right-of-use assets	2	306.2	-
Interest payable on right-of-use lease liabilities		46.7	-
Expense relating to short-term leases (included in gross expenditure)		14.2	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		-	-
Income from sub-leasing right-of-use assets (included in gross income)		13.4	-

e) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow for leases in 2019/20 was £290.9m

f) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting of the above leases is described within Accounting Policies section (k) and (l).

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities (continued)

g) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

Variable lease payments:

Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

Extension and termination options:

Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

Leases not yet commenced to which the TfL Group as a lessee is committed:

As at 31 March 2020 two rolling stock contracts had commenced. However, while a certain number of units of rolling stock had been accepted and leased under these contracts as at 31 March, the entire quota in each contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2020 were £848.8m and £914.3m respectively, out of a total commitment of £1,100m in the contracts. Because contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TTL.

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities

h) The Company balance sheet includes the following amounts relating to its right-of-use assets

	Infrastructure and office buildings £m	Other equipment £m	Total £m
Right-of-use assets			
Cost			
Assets held under operating leases at 1 April 2019	44.4	1.5	45.9
At 31 March 2020	**44.4**	**1.5**	**45.9**
Amortisation			
Charge for the year	8.2	0.5	8.7
At 31 March 2020	**8.2**	**0.5**	**8.7**
Net book value at 31 March 2020	**36.2**	**1.0**	**37.2**
Net book value at 1 April 2019*	-	-	-

* In 2018/19, the Company only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. At 31 March 2019, these lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Balance Sheet. The net book value at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16. See note 39 for further details.

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities (continued)

i) Company lease liabilities in relation to right-of-use assets

	Company 2020 £m	Company 2019 £m*
Principal outstanding		
Current liabilities	8.2	-
Non-current liabilities	27.4	-
Total	35.6	-

j) Company maturity analysis of right-of-use lease liabilities

At 31 March 2020	Company 2020 £m	Company 2019 £m*
Contractual undiscounted payments due in:		
Not later than one year	9.1	-
Later than one year but not later than two years	9.1	-
Later than two years but not later than five years	19.6	-
Later than five years	-	-
	37.8	-
Less:		
Present value discount	(2.2)	-
Prepaid amounts	-	-
Exempt cashflows	-	-
Present value of minimum lease payments	35.6	-

* IFRS 16 Leases has been applied to these financial statements from 1 April 2019. For further detail on the impact of transition to the new standard, see note 39.

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities (continued)

k) Analysis of amounts included in the Company Comprehensive Income and Expenditure Statement

	Company 2020 £m	Company 2019 £m
Depreciation charge on right-of-use assets	8.7	-
Interest payable on right-of-use lease liabilities	1.1	-
Expense relating to short-term leases (included in gross expenditure)	0.1	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)	-	-
Income from sub-leasing right-of-use assets (included in gross income)	8.7	-

l) Analysis of amounts included in the Company Statement of Cash Flows

The total cash outflow for leases in 2019/20 was £11.0m.

m) The Company's leasing activities and how these are accounted for

As a lessee, the Company leases various infrastructure and office buildings and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting of the above leases is described within Accounting Policies section (k) and (l). g) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

n) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

Variable lease payments:

Most of the Company's infrastructure and office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

Extension and termination options:

Some of the Company's lease contracts have extension and termination options. These options and related payments are only included when the Company is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Company to extend or terminate the lease.

Leases not yet commenced to which the Company as a lessee is committed:

As at 31 March 2020 the Company is not party to any lease arrangements to which the Company as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet.

Notes to the Financial Statements (continued)

14 Investment properties

	Note	Group £m
Valuation		
At 1 April 2018		526.3
Additions		0.2
Transfer from property, plant and equipment	12	16.6
Transfer to assets held for sale	21	(15.2)
Disposals		(45.2)
Revaluation	4	2.6
At 31 March 2019		485.3
Transfers from parent organisation		10.0
Transfer from property, plant and equipment	12	10.1
Transfer to assets held for sale	21	(1.5)
Disposals		(8.4)
Revaluation		920.9
At 31 March 2020		**1,416.4**

The fair value of the Group's investment properties at 31 March 2020 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2018/19 none).

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 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 at least every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued at least every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

Notes to the Financial Statements (continued)

14 Investment properties (continued)

During the year, in order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. As a result, in the year to 31 March 2020, a total revaluation uplift of £920.9m was recognised for the Group (2018/19 £2.6m). Of this a gain of £858.4m in relation to the initial valuation of newly created assets has been recognised within other comprehensive income. The remaining £62.5m net gain relating to movements in the valuation of assets already held at valuation has been reflected within other gains and losses.

No sensitivity analysis is presented in relation to these values due to the complex nature of the portfolio and the unusual nature of many of the properties. As previously highlighted there is a material degree of uncertainty in respect of the valuations prepared at 31 March 2020.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £24.3m for the Group (2018/19 £24.6m).

	Company £m
Valuation	
At 1 April 2018	3.3
Revaluation	(0.1)
At 31 March 2019	3.2
Intercompany transfer	(5.2)
Revaluation	2.7
At 31 March 2020	**0.7**

15 Investment in subsidiary undertakings

	Company 2020 £m	Company 2019 £m
At 1 April	**10,855.0**	9,295.0
Additions	**1,240.0**	1,560.0
At 31 March	**12,095.0**	10,855.0

During the year, the Company invested £1,160.0m (2018/19 £1,560.0m) in the ordinary share capital of Crossrail Limited and £80.0m (2018/19 £nil) in the equity share capital of London Bus Services Limited, both of which are 100 per cent owned subsidiaries.

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.

Notes to the Financial Statements (continued)

15 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 *	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 *	Dormant company	100%	06221959
LUL Nominee SSL Limited *	Dormant company	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 Build to Rent Limited*#	Holding company	100%	12098343
TTL Earls Court Properties Limited *	Holding company	100%	08951012
TTL FCHB Properties Limited#	Dormant company	100%	12526777
TTL Kidbrooke Properties Limited *	Holding company	100%	10768138
TTL Landmark Court Properties Limited *	Dormant company	100%	11121741
TTL Northwood Properties Limited *	Dormant 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
TTL Wembley Park Properties Limited#	Dormant company	100%	12372143
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 and also at the Charity Commission for the London Transport Museum Limited. All companies are limited by shares and incorporated in the United Kingdom. The registered office of all companies is 5 Endeavour Square, London E20 1JN.

Incorporated during the year

* All outstanding liabilities of these undertakings as at 31 March 2020 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 2020 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

Notes to the Financial Statements (continued)

16 Interest in joint ventures

Connected Living London (BTR) Limited

In 2019/20, the Group via its subsidiary, TTL Build to Rent Limited, acquired a 49% interest in a joint arrangement called Connected Living London (BTR) Limited (CLL), which was set up as a partnership together with Grainger Plc, to fund the development of a major build to rent portfolio across London. The registered office address of CLL is Citygate, St James Boulevard, Newcastle Upon Tyne, Tyne & Wear, United Kingdom, NE1 4JE.

As the Group has joint control over the net assets and operations of its investment through its voting rights and representation on the Board of directors, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September. For the purposes of applying the equity method of accounting, unaudited management accounts from the date of incorporation of 25 April 2019 up to 31 March 2020 have been employed.

During 2019/20 the Group invested £7.3m in the equity of CLL. Summarised financial information in respect of the Group's investment is set out below:

Balance sheet of Connected Living London (BTR) Limited at the 100% level

At 31 March	Group 2020 £m	Group 2019 £m
Current assets	11.6	-
Non-current assets	10.5	-
Current liabilities	(7.4)	-
Non-current liabilities	-	-
Total net assets	14.7	-

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

	Group 2020 £m	Group 2019 £m
Net assets at 100%	14.7	-
Percentage held by the TfL Group	49%	n/a
Carrying amount of the Group's equity interest in CLL	7.2	-

Group share of comprehensive income and expenditure of CLL	Group 2020 £m	Group 2019 £m
Group share of loss from continuing operations	(0.1)	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(0.1)	-

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

Notes to the Financial Statements (continued)

17 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.

The Group has invested share capital and non-interest bearing loans 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. As at 31 March 2019 and 31 March 2020 the Group had invested £44.4m in share capital and a further £413.1m in loan notes.

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 2019 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2020. An independent valuation of the development site held by ECP was not sought as at 31 March 2020. Management are satisfied that, after taking into account the long-term nature of the investment and evidence provided by recent market transactions, the value of the investment reflected in these financial statements is reflective of the fair value at 31 March, albeit subject to the material uncertainty inherent in real estate valuations more generally at the year end date resulting from the coronavirus situation.

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 at 31 December

	Group 2019 £m	Group 2018 £m
Current assets	10.4	8.8
Non-current assets	514.5	731.2
Current liabilities	(3.2)	(5.7)
Non-current liabilities	(71.7)	(65.8)
Total net assets	450.0	668.5

Included within current assets above is £9.2m of cash (2019 £8.0m). Long-term liabilities represent third-party borrowings.

Notes to the Financial Statements (continued)

17. Investment in associated undertakings (continued)

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

	Group 2020 £m	Group 2019 £m
Net assets at 100% at 31 December	**450.0**	668.5
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets	**166.5**	247.3
Revaluation adjustment as at 31 March	**-**	(27.7)
Investment in equity loan notes between 31 December 2019 and 31 March 2020	-	1.0
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	166.5	220.6

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

	Group 2020 £m	Group 2019 £m
Group share of loss from continuing operations	(54.1)	(94.5)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(54.1)	(94.5)

The share of loss from continuing operations primarily reflects fair value losses recognised in respect of the revaluation of the Earl's Court development site.

b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. 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 as an associate using the equity method in these consolidated accounts.

KP LLP has a 299 year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

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

Notes to the Financial Statements (continued)

17. Investment in associated undertakings (continued)

Balance sheet of Kidbrooke Partnership LLP at the 100% level

	Group 2020 £m	Group 2019 £m
Current assets	30.8	0.6
Non-current assets	-	25.9
Current liabilities	(0.6)	(0.2)
Non-current liabilities	-	-
Total net assets	30.2	26.3

Included within current assets in the table above is £1.8m of cash (2018/19 £nil).

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

	Group 2020 £m	Group 2019 £m
Net assets at 100%	30.2	26.3
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	14.7	12.9

KP LLP has recognised neither a profit nor loss in the year to 31 March 2020 (2018/19 £nil). There is therefore no impact on Group consolidated profits relating to the associate. The increase in the carrying amount of the Group's equity interest during the year represents an investment of £1.8m in additional equity share capital of KP LLP. The Group's percentage shareholding has remained unchanged.

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road 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 BRP LLP. The Group's investment is therefore accounted for as an associate, using the equity method in these consolidated accounts.

During the year the Group granted a 999 year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

Notes to the Financial Statements (continued)

17. Investment in associated undertakings (continued)

Balance sheet of BRP LLP at the 100% level

	Group 2020 £m	Group 2019 £m
Current assets	33.4	-
Non-current assets	-	-
Current liabilities	(5.9)	-
Non-current liabilities	-	-
Total net assets	**27.5**	-

Included within current assets in the table above is £14.6m of cash (2018/19 £nil).

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

	Group 2020 £m	Group 2019 £m
Net assets at 100%	27.5	-
Percentage held by the TfL Group	49%	n/a
Carrying amount of the Group's equity interest in BRP LLP	**13.4**	-

Group share of comprehensive income and expenditure of BRP LLP

	Group 2020 £m	Group 2019 £m
Group share of profit from continuing operations	2.1	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	2.1	-

Notes to the Financial Statements (continued)

18 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.

At 31 March	2020	2019
Minimum cash receipts:	£m	£m
Within one year	18.4	15.5
Between one and five years	39.8	43.2
	58.2	58.7
Less unearned finance income	(5.6)	(6.5)
	52.6	52.2

	2020	2019
Principal outstanding	£m	£m
Current	15.7	12.8
Non-current	36.9	39.4
	52.6	52.2

19 Equity loans to subsidiaries

	Company	Company
	2020	2019
Non-current	£m	£m
Equity loans to subsidiary companies	269.7	247.6

	Company	Company
	2020	2019
	£m	£m
Balance at 1 April	247.6	-
New loans issued	22.1	484.5
Impairment	-	(236.9)
As at 31 March	269.7	247.6

Equity loans to subsidiaries are non-interest bearing.

Notes to the Financial Statements (continued)

20 Inventories

	Group 2020 £m	Group 2019 £m
Raw materials and consumables	**58.8**	60.4
Goods held for resale	**0.1**	0.6
	58.9	61.0

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 2020 or 31 March 2019.

21 Assets classified as held for sale

	Note	Group 2020 £m	Group 2019 £m
Balance outstanding at start of year		**99.1**	83.2
Assets newly classified as held for sale:			
Investment properties	14	**1.5**	15.2
Revaluation gains on investment properties		**-**	0.7
Disposals:			
Investment properties		**(6.3)**	-
Balance outstanding at end of year		**94.3**	99.1

As at 31 March 2020, 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 2020 or 31 March 2019.

Notes to the Financial Statements (continued)

22 Trade and other receivables

	Group 2020	Group 2019
Current	**£m**	£m
Trade receivables	56.5	119.5
Amounts due from ultimate parent	-	17.5
Other tax and social security	61.8	48.2
Grant debtors	53.4	11.8
Other receivables	17.2	129.9
Prepayments	103.0	87.1
Capital debtors	16.3	6.6
Contract assets: accrued income	52.9	77.4
	361.1	498.0
Non-current		
Other receivables	16.5	-
Prepayments	32.1	46.2
	48.6	46.2

Trade receivables are non-interest bearing and are generally paid within 28 days. In 2020, £9.6m (2019 £7.7m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 34).

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 receivables.

Notes to the Financial Statements (continued)

22 Trade and other receivables (continued)

	Company 2020 £m	Company 2019 £m
Current		
Trade receivables	**29.1**	58.3
Amounts due from fellow group undertakings	**256.1**	227.6
Other tax and social security	**6.2**	1.1
Other receivables	**2.5**	0.9
Prepayments	**27.1**	33.8
Contract assets: accrued income	**8.0**	7.7
	329.0	329.4
Non-current		
Prepayments	**0.1**	-

Trade receivables are non-interest bearing and are generally received within 28 days. In 2020, £5.8m (2019 £5.5m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 34).

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.

23 Cash and cash equivalents

	Group 2020 £m	Group 2019 £m
Cash at bank	**104.8**	98.1
Cash in hand and in transit	**10.3**	28.5
	115.1	126.6

	Company 2020 £m	Company 2019 £m
Cash at bank	**41.7**	52.4
Cash in hand and in transit	**0.1**	0.3
	41.8	52.7

Notes to the Financial Statements (continued)

24 Trade and other payables

	Group 2020 £m	Group 2019 £m
Current		
Trade payables	51.7	80.8
Capital works	558.2	514.1
Retentions on capital contracts	8.5	11.5
Amounts due to ultimate parent	280.3	490.2
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	348.2	394.5
Wages and salaries	116.3	73.2
Interest accruals	2.0	2.4
Contract liabilities: other deferred income	40.4	47.8
Other taxation and social security	46.1	147.1
Capital grants received in advance	15.1	3.2
Accruals and other payables	375.3	344.2
	1,842.1	2,109.0
Non-current		
Retentions on capital contracts	4.7	3.7
Trade payables	0.7	0.2
Contract liabilities: deferred income	28.2	31.8
Accruals and other payables	7.3	7.2
	40.9	42.9

The level of outstanding non-current and current contract liabilities as at 31 March 2020 was broadly consistent with last year. The remaining performance obligations expected to be met in more than one year include:

i. Amounts received for the redevelopment of a depot amounting to £16.3m (2019 £nil), of which £6.5m relates to obligations that are to be satisfied within two to three years and the remaining £9.8m to obligation expected to be satisfied over 5 years

ii. License revenue and funding received from developers for improvements to bus services, which together total £8.9m (2019 £9.5m), of which £5.9m (2019 £6.5m) relates to obligations that are to be satisfied within two to three years, and £3m (2019 £3m) within five years

At 31 March 2019, contract liabilities with performance obligations expected to be met in more than one year included £21.5m of lease incentives received in respect of head office buildings of that were expected to be released within 18 to 24 years. On implementation of IFRS 16, on 1 April 2019, this balance was released and instead included in the calculation of the right-of-use lease liability outstanding.

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

	Group 2020 £m	Group 2019 £m
Year ended 31 March		
Amounts included in contract liabilities at the beginning of the year	283.2	354.8
Performance obligations satisfied in previous years	-	-

Notes to the Financial Statements (continued)

24 Trade and other payables (continued)

	Company 2020	Company 2019
Current	**£m**	£m
Trade payables	**6.8**	9.7
Capital works	**11.6**	4.1
Amounts due to fellow Group undertakings	**339.1**	305.0
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	**346.6**	388.1
Wages and salaries	**2.9**	2.3
Contract liabilities: other deferred income	**19.4**	26.1
Other taxation and social security	**0.1**	0.2
Capital grants received in advance	**0.1**	0.1
Accruals and other payables	**82.5**	92.9
	809.1	828.5
Non-current		
Contract liabilities: deferred income	**0.4**	22.1
Accruals	**7.2**	7.2
	7.6	29.3

The level of outstanding non-current and current contract liabilities as at 31 March 2020 has decreased significantly. At 31 March 2019, contract liabilities with performance obligations expected to be met in more than one year included £21.5m of lease incentives received in respect of head office buildings of that were expected to be released within 18 to 24 years. On implementation of IFRS 16, on 1 April 2019, this balance was released and instead included in the calculation of the right-of-use lease liability outstanding.

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

	Company 2020	Company 2019
Year ended 31 March	**£m**	£m
Amounts included in contract liabilities at the beginning of the year	**270.5**	333.1
Performance obligations satisfied in previous years	**-**	-

Notes to the Financial Statements (continued)

25 Other financing liabilities

	Group 2020 £m	Group 2019 £m
Current		
Other financing liabilities	3.5	-
Non-current		
Other financing liabilities	132.5	132.7

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £159.7m (2019 £159.7m) fall due over the period to March 2033. *These have been discounted back at an effective rate of interest of 2.5 per cent (2019 2.5 per cent) to the* present value recorded in the table above.

The Company had no other financing liabilities at 31 March 2020 or 31 March 2019.

26 Borrowings

	Group 2020 £m	Group 2019 £m
Non-current		
Amounts due to ultimate parent	11,106.1	10,451.3

See note 34 (Funding and financial risk management) for further information about the maturity and interest rate profiles of the Group's borrowings.

	Company 2020 £m	Company 2019 £m
Non-current		
Amounts due to ultimate parent	54.5	54.5

Notes to the Financial Statements (continued)

26 Borrowings and overdraft (continued)

Changes in liabilities arising from financing activities

	Group 2020 £m	Group 2019 £m
Balance at 1 April		
Current	59.3	59.2
Non-current	10,811.9	10,274.8
	10,871.2	10,334.0
Right-of-use lease liabilities recognised on implementation of IFRS 16	1,417.9	-
Increase in loans from ultimate parent	654.8	917.4
Net additions to right-of-use lease liabilities during the year	320.9	-
Repayment of loans from ultimate parent	-	(454.1)
Repayment of bank overdraft	-	(0.1)
Net repayment of finance leases and PFIs	(43.1)	(58.7)
Net increase in other financing liabilities	3.3	132.7
As at 31 March	13,225.0	10,871.2
Current	300.8	59.3
Non-current	12,924.2	10,811.9
	13,225.0	10,871.2

	Company 2020 £m	Company 2019 £m
Balance at 1 April		
Non-current	54.5	30.4
	54.5	30.4
Right-of-use lease liabilities recognised on implementation of IFRS 16	42.6	-
Net repayments to right-of-use lease liabilities during the year	(7.0)	-
Increase in loans from ultimate parent	-	24.1
As at 31 March	90.1	54.5
Current	8.2	-
Non-current	81.9	54.5
	90.1	54.5

Notes to the Financial Statements (continued)

27 Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under PFI arrangements as outlined in note 12. In 2018/19 the group also held a further proportion of its property, plant and equipment under other finance lease arrangements.

PFI and other finance lease liabilities on the balance sheet under IAS 17 were calculated as the present value of minimum lease payments outstanding. IFRS 16 Leases has been applied from 1 April 2019, and all other lease liabilities thenceforth have been recognised and measured as 'right-of-use' lease liabilities under this new standard. See accounting policies note (e) for the impact of implementation of IFRS 16, and note 12 for details of right-of-use lease liabilities recognised on the Statement of Financial Position at 31 March 2020. At 31 March 2020, PFI liabilities are disclosed in note 28. The following 31 March 2019 disclosure has been adjusted to reflect this.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2019			
Within one year	33.7	(17.5)	16.2
Between one and two years	33.4	(16.2)	17.2
Between two and five years	102.0	(39.4)	62.6
Later than five years	177.3	(34.4)	142.9
	346.4	(107.5)	238.9

	2020 £m	2019 £m
Principal outstanding		
Current	-	16.2
Non-current	-	222.7
	-	238.9

Notes to the Financial Statements (continued)

28 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 IPSAS 32 Service Concession Arrangements - Grantor.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 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)

28 Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground (LU)		
Connect	1999 to November 2019	Design, installation, management and maintenance of an integrated digital radio system. The contract required LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Power	1998 to 2028 with a voluntary break option from 2013 and every five years thereafter, subject to at least 12 months' written notice	Procurement, maintenance and management of the electricity supply services for the Emergency Supply Plan for London Underground and the Northern Line Power Upgrade. The contract required LU to make an annual unitary payment which is charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract. On 12 August 2012 LU exercised its break option under the contract and, during the year, repaid the finance lease liability outstanding in respect of the assets. The contract is due to fully terminate in August 2013.
British Transport Police (London Underground)	1999 to 2021	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)

28. Private finance initiative contracts (continued)

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2020				
Less than 1 year	0.3	4.8	20.0	25.1
Between 1 and 5 years	-	0.4	4.9	5.3
	0.3	**5.2**	**24.9**	**30.4**
At 31 March 2019				
Less than 1 year	3.0	43.1	44.5	90.6
Between 1 and 5 years	0.3	5.2	25.0	30.5
	3.3	48.3	69.5	121.1

Notes to the Financial Statements (continued)

29 Derivative financial instruments

Group cash flow hedges

	Fair value	Notional amount	Fair value	Notional amount
	2020	2020	2019	2019
	£m	£m	£m	£m
Non-current assets				
Interest rate swaps	-	-	2.7	96.0
Foreign currency forward contracts	1.5	20.1	4.1	49.6
	1.5	20.1	6.8	145.6
Current assets				
Foreign currency forward contracts	3.4	40.5	7.8	272.4
Foreign currency options	-	-	4.0	299.0
	3.4	40.5	11.8	571.4
Current liabilities				
Interest rate swaps	0.2	25.0	1.2	150.0
Foreign currency forward contracts	26.1	688.5	1.8	220.9
	26.3	713.5	3.0	370.9
Non-current liabilities				
Interest rate swaps	50.9	408.6	43.0	334.9
Foreign currency forward contracts	12.2	316.6	3.5	74.4
	63.1	725.2	46.5	409.3

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

Notes to the Financial Statements (continued)

30 Provisions

a) Group provisions

	At 1 April 2019 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2020 £m
Compensation and contractual	205.3	(92.6)	36.7	(79.9)	**69.5**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	34.3	(7.2)	3.1	(9.9)	**20.3**
	241.0	(99.8)	39.8	(89.8)	**91.2**

Due	2020 £m	2019 £m
Short-term	**68.0**	218.1
Long-term	**23.2**	22.9
At 31 March	**91.2**	241.0

b) Company provisions

	At 1 April 2019 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2020 £m
Compensation and contractual	0.5	-	2.3	(1.5)	**1.3**

Due	2020 £m	2019 £m
Short-term	**1.2**	0.4
Long-term	**0.1**	0.1
At 31 March	**1.3**	0.5

Notes to the Financial Statements (continued)

30 Provisions (continued)

c) Nature of provisions

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 as at 31 March are based on management's best estimate at the balance sheet 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

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

31 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 2020 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 15.

Notes to the Financial Statements (continued)

32 Financial commitments

a) Operating leases – The Group as lessee

Up to and including 31 March 2020 the Group applied IAS 17 Leases to accounting for its obligations in respect of leased assets. The Group's commitments under operating lease agreements as at 31 March 2019 are therefore set out below. They primarily related to office space, motor vehicles and rail access. All leases were entered into on commercial terms. For lease obligations as at 31 March 2020, recognised under IFRS 16, see note 13.

The Group was 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

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 2020				
Within one year	**70.1**	-	-	**70.1**
Between one and two years	**61.8**	-	-	**61.8**
Between two and five years	**141.7**	-	-	**141.7**
Later than five years	**558.2**	-	-	**558.2**
	831.8	-	-	**831.8**
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

* Under IFRS 16, the rail access arrangements are no longer classified as a lease. Only prior year commitments under IAS 17 are shown.

Notes to the Financial Statements (continued)

32 Financial commitments (continued)

c) Operating leases – The Company as lessee

Up to and including 31 March 2019 the Company applied IAS 17 Leases to accounting for its obligations in respect of leased assets. The Company's commitments under operating lease agreements as at 31 March 2019 are therefore set out below. They primarily relate to office space. All leases were entered into on commercial terms. For lease obligations as at 31 March 2020, recognised under IFRS 16, see note 13(a) for further information. Only prior year commitments are shown here.

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

	Land and buildings
At 31 March 2019	£m
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

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 2020	£m
Within one year	6.3
Between one and two years	6.3
Between two and five years	14.9
Later than five years	0.1
	27.6
At 31 March 2019	
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

Notes to the Financial Statements (continued)

32 Financial commitments (continued)

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

The Company leased 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 2020	£m
Within one year	-
Between one and two years	-
Between two and five years	-
Later than five years	-
	-
At 31 March 2019	
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

The inter-company lease arrangement has been dissolved during the year.

Notes to the Financial Statements (continued)

33 Deferred grant

	Note	Group 2020 £m	Group 2019 £m
At 1 April		12,726.0	13,388.2
Transport grant		566.5	369.7
Third party contributions and other grants to fund property, plant and equipment		87.3	107.9
Released to the Statement of Comprehensive Income			
- to meet the depreciation charge	2	(692.6)	(916.9)
- on disposal of property, plant and equipment		(21.6)	(222.9)
At 31 March		12,665.6	12,726.0

	Company 2020 £m	Company 2019 £m
At 1 April	124.7	119.2
Transport grant	22.0	259.2
Third party contributions and other grants to fund property, plant and equipment	(0.1)	0.4
Released to the Statement of Comprehensive Income account:	(20.8)	
- to meet the depreciation charge		(17.2)
- to meet the impairment of equity loans to subsidiaries	-	(236.9)
At 31 March	125.8	124.7

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)

34 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, 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
- Market risk
- Liquidity 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 19 and 22.

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.

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Trade and other receivables (continued)

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.

As indicated in the table below a credit loss allowance of £9.6m has been provided in respect of trade receivables and contract assets for 2019/20 financial year end (£7.7m for 2018/19 financial year end). Despite the application of this 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 2020 was determined as follows for both trade receivables and contract assets:

Age of trade and other receivables Group

	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
At 31 March 2020						
Expected credit loss rate	0.4%	2.9%	67.5%	100.0%	100.0%	3.4%
Estimated total gross carrying amount at default	264.3	10.4	4.0	3.4	2.1	284.2
Expected credit loss allowance	(1.1)	(0.3)	(2.7)	(3.4)	(2.1)	(9.6)

	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
At 31 March 2019						
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)

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Age of trade and other debtors: Company

At 31 March 2020	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	0.1%	0.0%	64.3%	100.0%	100.0%	1.9%
Estimated total gross carrying amount at default	295.2	6.1	2.8	2.3	1.3	307.7
Expected credit loss allowance	(0.4)	-	(1.8)	(2.3)	(1.3)	(5.8)

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.

Notes to the Financial Statements (continued)

34 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 as at 31 March 2020 and 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.

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.

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Market risk (continued)

For the years ended 31 March 2020 and 2019, 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 2020, the Group held forward foreign exchange swaps to hedge €720.4m (2018/19 €285.7m) 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 £26.2m (2018/19 £0.3m net loss) has therefore been recognised directly in the Income Statement within financial expenditure. These derivative instruments mature in the period to August 2020.

For 2019/20, 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.

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 2020, the Group held forward foreign derivative contracts in Euros, Swedish Krona, Swiss Francs, Chinese Yuan Renminbi and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £443.1m (2018/19 £187.1m). At 31 March 2020, these contracts had a combined net fair value of £(10.5)m (2018/19 £3.5m). The fair value of forward contracts were recognised in equity at 31 March 2020 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 2019 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 22 September 2025. 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.

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

As at 31 March 2020, the Group held forward euro foreign exchange contracts with a combined total net nominal sell value of £264.7m (2019 £91.2m nominal buy value) and a net fair value liability of £12.9m (2019 an asset of £5.6m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £(6.3)m/£(66.5)m (2019 £18.1m/£(18.0)m).

As at 31 March 2020, the Group also holds forward foreign exchange contracts with a combined net notional value of £62.3m (2019 £96.0m) and a fair value of £2.5m (2019 £7.3m) to purchase Canadian dollars. A 10% increase/(decrease) in GBP against the Canadian dollar would (decrease)/increase the fair value of these derivative instruments to £(3.4)m/£9.6m (2019 £0.2m/£15.4m).

As at 31 March 2020, the Group also holds forward foreign exchange contracts with a combined net notional value of £22.5m (2019 £26.1m) and a fair value of £(2.9)m (2019 £(2.5)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 to £(4.4)m/£(0.5)m (2018/19 £(4.6)m/£0.2m).

As at 31 March 2020, the Group also holds forward foreign exchange contracts with a combined net notional value of £2.3m (2019 £2.8m) and a fair value of £(0.1)m (2019 £(0.2)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 to £(0.3)m/£0.2m (2019 £(0.5)m/£0.1m).

As at 31 March 2020, the Group also holds forward foreign exchange contracts with a combined net notional value of £6.4m (2019 £6.4m) and a fair value of £0.5m (2019 £0.4m) to purchase Chinese Renminbi. A 10% increase/(decrease) in GBP against the Chinese Renminbi would (decrease)/increase the fair value of these derivative instruments to £(0.1)m/£1.3m (2019 £(0.2)m/£1.7m). 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 IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group's most significant risk exposure affected by these changes relates to its LIBOR linked floating rate borrowing and lease payments.

The notional amount of interest rates swaps designated as hedges relating to LIBOR is disclosed below.

In assessing whether the hedge is expected to be highly effective on a forward looking basis, the Group has early adopted IFRS 9 Phase 1 amendments and applied the associated temporary reliefs to assume that the GBP LIBOR interest rate, upon which the cashflows of the interest rate swaps and the cashflows attributable to the hedged risk are based, are not altered by IBOR reform.

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Effects of hedge accounting

Interest rate swaps

As at 31 March 2020, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 9 interest rate swaps at a notional value of £433.6m (2019 12 interest rate swaps at a total notional value of £580.9m). The net fair value of these contracts at 31 March 2020 was a liability of £51.1m (2019 £41.5m). The fair value is recognised in equity at 31 March 2020 and will be transferred to net financing costs within the Income Statement as the hedged 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 2019 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.

Fair value sensitivity analysis for derivative instruments

As at 31 March 2020, the Group holds interest rate derivative contracts with a combined notional value of £433.6m (2018/19 £580.9m) 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 £31.9m/£(30.3)m (2018/19 £34.5m/£(32.6)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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has ample liquidity to meet its liabilities, in both normal and stressed conditions.

The Group's exposure to liquidity risk is low as Transport for London provides financial support to the Group. Liquidity risk is primarily managed by Transport for London maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure of the Transport for London Group, equivalent to approximately £1.2bn.

Transport for London has access to several external sources of debt financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, it can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Liquidity risk (continued)

Commercial Paper programme. Alternatively and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged uncommitted £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions and has a committed undrawn facility with the Export Development Canada which it will likely utilise over the course of the next financial year.

In response to the funding pressures experienced post 31 March 2020 as a result of the coronavirus pandemic, TfL has also secured an extraordinary funding and financing package from the Secretary of State for Transport that gives TfL secure access to £1.6bn of funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, a further, medium-term funding package will be put in place.

Due to the active liquidity management and risk mitigations by Transport for London and the financial support provided to the Transport Trading Limited Group on an ongoing basis, there is no significant risk that the Company or Group will be unable to meet planned financial commitments.

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

Maturity profile of derivatives

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

	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	0.898	(0.7)	54.3	0.862	0.1	102.1
Between one and two years	0.916	(2.2)	97.6	0.893	(0.3)	20.2
Between two and five years	0.950	(5.4)	154.1	0.912	(0.7)	37.4
After five years	0.970	(1.9)	43.6	-	-	-
Sell euro						
Less than one year	0.853	(23.1)	614.2	0.870	2.8	340.0
Total euro	0.883	(33.3)	963.8	0.880	1.9	499.7
Buy Canadian Dollars						
Less than one year	0.542	1.8	38.4	0.518	3.3	31.6
Between one and two years	0.550	0.7	23.6	0.515	2.5	24.4
Between two and five years	0.590	-	0.3	0.513	1.2	12.5
Total Canadian Dollars	0.545	2.5	62.3	0.516	7.0	68.5

Notes to the Financial Statements (continued)

34 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m
Foreign currency forward contracts						
Buy Swedish Krona						
Less than one year	0.093	(1.0)	7.6	0.093	(0.4)	3.6
Between one and two years	0.093	(1.1)	8.7	0.093	(0.7)	7.6
Between two and five years	0.094	(0.8)	6.2	0.093	(1.4)	14.9
Total Swedish Krona	0.093	(2.9)	22.5	0.093	(2.5)	26.1
Buy Swiss Francs						
Less than one year	0.864	-	0.9	0.851	-	0.5
Between one and two years	0.878	(0.1)	1.0	0.864	(0.1)	0.9
Between two and five years	0.899	-	0.4	0.885	(0.1)	1.4
Total Swiss Francs	0.877	(0.1)	2.3	0.872	(0.2)	2.8
Buy Chinese Yuan Renminbi						
Less than one year	0.104	0.8	9.8	0.106	0.6	9.1
Between one and two years	0.100	0.1	0.8	0.104	0.3	3.8
Between two and five years	-	-	-	0.100	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	0.104	(0.4)	3.8	0.106	(0.5)	6.5
Between one and two years	0.100	-	0.4	0.101	-	0.4
Total Chinese Yuan Renminbi	0.104	0.5	14.8	0.105	0.4	20.2
Grand total	n/a	(33.3)	1,065.7	n/a	6.6	617.3

	2020 Average interest rate (%)	2020 Fair value £m	2020 Notional amount £m	2019 Average interest rate (%)	2019 Fair value £m	2019 Notional amount £m
Interest rate hedges						
Less than one year	3.548	(0.2)	25.0	3.849	(1.1)	150.0
Between one and two years	3.837	(3.6)	75.0	3.548	(0.9)	25.0
Between two and five years	4.325	(13.1)	125.0	4.142	(20.7)	200.0
After five years	2.306	(34.2)	208.6	2.293	(18.8)	205.9
	3.224	(51.1)	433.6	3.385	(41.5)	580.9

The Company does not hold any derivative financial instrument contracts.

Notes to the Financial Statements (continued)

34 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 – 2020					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	721.8	128.7	154.8	41.7	1,047.0
Amounts payable	(744.4)	(131.3)	(161.0)	(43.6)	(1,080.3)
Derivatives settled net					
Interest rate swaps	(11.4)	(10.6)	(16.4)	(15.8)	(54.2)
	(34.0)	(13.2)	(22.6)	(17.7)	(87.5)
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)

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 2020, the fair value of the interest rate derivatives was a net liability of £51.1m (2019 £41.5m). The fair value of forward foreign exchange derivatives was a net liability of £33.3m (2019 a net asset of £6.6m).

Notes to the Financial Statements (continued)

34 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 - 2020					
Trade and other payables	**1,438.4**	**12.7**	-	-	**1,451.1**
Borrowings	-	**11,106.1**	-	-	**11,106.1**
Lease liabilities	**314.7**	**285.0**	**478.9**	**1,507.4**	**2,586.0**
PFI liabilities	**5.1**	**0.4**	-	-	**5.5**
Other financing liabilities	**6.9**	**12.7**	**38.2**	**101.9**	**159.7**
	1,765.1	**11,416.9**	**517.1**	**1,609.3**	**15,308.4**
Group - 2019					
Trade and other payables	1,663.5	11.1	-	-	1,674.6
Borrowings	-	10,451.3	-	-	10,451.3
Lease liabilities	33.7	33.4	102.0	177.3	346.4
PFI liabilities	46.1	5.5	-	-	51.6
Other financing liabilities	-	6.9	38.2	114.6	159.7
	1,743.3	10,508.2	140.2	291.9	12,683.6
Company - 2020					
Trade and other payables	**443.0**	**7.2**	-	-	**450.2**
Borrowings	-	**54.5**	-	-	**54.5**
Lease liabilities	**9.1**	**9.1**	**19.6**	-	**37.8**
	452.1	**70.8**	**19.6**	-	**542.5**
Company - 2019					
Trade and other payables	414.2	7.2	-	-	421.4
Borrowings	-	54.5	-	-	54.5
	414.2	61.7	-	-	475.9

Notes to the Financial Statements (continued)

34 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, PFI and right-of-use 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)

34 Funding and financial risk management (continued)

Group	2020 Carrying value £m	2020 Fair value £m	2019 Carrying value £m	2019 Fair value £m
Cash and cash equivalents	115.1	115.1	126.6	126.6
Trade and other receivables	274.6	274.6	410.9	410.9
Derivative financial instruments	4.9	4.9	18.6	18.6
Finance lease receivables	52.6	52.6	52.2	52.2
Total financial assets	447.2	447.2	608.3	608.3
Trade and other payables	(1,451.1)	(1,451.1)	(1,674.6)	(1,674.6)
Borrowings and overdrafts	(11,106.1)	(11,106.1)	(10,451.3)	(10,451.3)
Right-of-use lease liability	(1,977.7)	(1,977.7)	-	-
PFI Lease liabilities	(5.2)	(5.2)	(48.3)	(48.3)
Finance lease liabilities	-	-	(238.9)	(238.9)
Other financing liabilities	(136.0)	(136.0)	(132.7)	(132.7)
Derivative financial instruments	(89.4)	(89.4)	(49.5)	(49.5)
Total financial liabilities	(14,765.5)	(14,765.5)	(12,595.3)	(12,595.3)
Net financial liabilities	(14,318.3)	(14,318.3)	(11,987.0)	(11,987.0)

Company	2020 Carrying value £m	2020 Fair value £m	2019 Carrying value £m	2019 Fair value £m
Cash and cash equivalents	41.8	41.8	52.7	52.7
Trade and other receivables	301.9	301.9	295.6	295.6
Finance lease receivables	52.6	52.6	52.2	52.2
Equity loans to subsidiaries	269.7	269.7	247.6	247.6
Total financial assets	666.0	666.0	648.1	648.1
Trade and other payables	(450.2)	(450.2)	(421.4)	(421.4)
Borrowings	(54.5)	(54.5)	(54.5)	(54.5)
Right-of-use lease liability	(35.6)	(35.6)	-	-
Total financial liabilities	(540.3)	(540.3)	(475.9)	(475.9)
Net financial assets	125.7	125.7	172.2	172.2

The fair value of the Company's assets did not differ materially from the carrying value at 31 March 2020 or 2019.

Notes to the Financial Statements (continued)

35 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. The majority of the Group's remaining staff are members of the Crossrail Shared Cost Section of the Railway Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

Public Sector Section of the TfL Pension Fund (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.

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions for the period from 1 April 2019 until 31 March 2020 represented future service contributions at the 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 underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of the Group's entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. In accordance with IAS 19, the ultimate parent Corporation, Transport for London, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts. 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 £209.4m (2018/19 £236.3m) 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 2020. 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 obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available 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 2019 projections with a long term improvement rate of 1.25 per cent per annum.

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

Notes to the Financial Statements (continued)

35 Pensions (continued)

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2020 was £3,941.7m (2019 £5,189.4m). 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.

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

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is 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 2020 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 2020, of £18.3m (2019 £29.9m). The discounted Crossrail Section liabilities have a duration of approximately 21 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2016. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2019 projections with a long term improvement rate of 1.25 per cent per annum.

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)

35 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	2020 £m	2019 £m
At 1 April	104.2	95.6
Current service cost	3.3	4.1
Interest cost	2.5	2.3
Employee contributions	0.3	0.5
Net remeasurement losses - financial	(15.5)	4.8
Net remeasurement losses - demographic	0.2	(1.8)
Actual benefit payments	(0.2)	(1.3)
At 31 March	**94.8**	104.2

Reconciliation of fair value of the Section's assets	2020 £m	2019 £m
At 1 April	74.3	69.5
Interest income on scheme assets	1.8	1.7
Return on assets excluding interest income	(1.1)	2.0
Actual employer contributions	1.6	2.0
Employee contributions	0.3	0.5
Actual benefit payments	(0.2)	(1.3)
Scheme expenses	(0.2)	(0.1)
At 31 March	**76.5**	74.3
Net deficit	**18.3**	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 2021.

Notes to the Financial Statements (continued)

35 Pensions (continued)

d) Summary of pension totals for the year

		Group 2020	Group 2019
Total pension service cost for the year	Note	**£m**	£m
TfL Pension Fund (Public Sector Section)		**209.4**	236.3
Crossrail Section		**3.5**	4.1
Other schemes		**3.0**	5.9
Pension service cost capitalised by Crossrail Limited		**(3.5)**	-
Total pension service cost for the year	7	**212.4**	**246.3**
Scheme administrative expenses for the TfL Pension Funds		**0.1**	0.1
Amount included in cost of operations		**212.5**	**246.4**

		Group 2020	Group 2019
Net interest on defined benefit obligations		**£m**	£m
Crossrail Section of the Railways Pension Fund		**0.7**	0.6
Amounts charged to financial expenditure	9	**0.7**	0.6

	Group 2020	Group 2019
Total actuarial gains and losses recognised	**£m**	£m
Actuarial gain/(loss) on Crossrail Section of the Railways Pension Fund	**14.2**	(1.0)

Notes to the Financial Statements (continued)

35 Pensions (continued)

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

	Value at 31 March 2020	Value at 31 March 2019
	£m	£m
Equities	67.2	65.7
Bonds	8.7	8.3
Cash, property and other assets	0.6	0.3
Total market value of assets	76.5	74.3

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

	At 31 March 2020	At 31 March 2019
	%	%
RPI inflation	2.35	3.15
Rate of increase in salaries	2.35	3.15
Discount rate	2.30	2.35

Notes to the Financial Statements (continued)

35 Pensions (continued)

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 £2.0m (increase by £2.0m).
- 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 £2.9m/(decrease by £3.1m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £2.0m/(decrease by £2.0m).

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.

f) Other pension arrangements

Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR Scheme) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7% per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5% per annum.

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6% per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the

Notes to the Financial Statements (continued)

first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5% per annum (up to RPI inflation + 1.5% per annum).

Over the year beginning 1 April 2020 the contributions payable to the DLR Scheme are expected to be around £5.5m from KAD and £4.3m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5% per annum.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2020. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the balance sheet in respect of this scheme.

Contributions totalling £2.2m were paid by DLR in 2019/20, with an additional £5.9m being paid by KAD (2018/19 £3.0m paid by DLR and £6.6m by KAD).

36 Called up share capital

Company and Group	2020	2019
	£m	£m
As at 1 April	10,320.0	8,760.0
Issued during the year	1,240.0	1,560.0
As at 31 March	11,560.0	10,320.0

During the year the Company issued 1,240m fully paid £1 ordinary shares (2018/19 1560m fully paid £1 ordinary shares). These were settled for consideration of £1,240m of cash.

Notes to the Financial Statements (continued)

37 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 (2018/19 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 9;
- Receipt of funding from TfL in the form of grants (notes 3 and 33), loans (note 26) or share capital (note 36);
- Payment of management fees to and from TfL for various services and provision of equipment.
- Payment of management fees totalling £71m by TTL's subsidiaries to TTL for various services and provision of equipment (2018/19 £142.2m).
- TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

38 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Transport for London whose Board members are appointed by the Mayor of London. Copies of Transport for London's, which consolidates this company's results, accounts will be available in due course from 5 Endeavour Square, London E20 1JN.

39. Application of IFRS 16 Leases

As outlined in the Accounting Policies, on adoption of IFRS 16 on 1 April 2019, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the TfL Group's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.43%. The corresponding right-of-use assets were recognised at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised on the Balance Sheet immediately prior to the date of initial application.

Notes to the Financial Statements (continued)

39. Application of IFRS 16 Leases (continued)

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. Any remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Practical expedient applied

In applying IFRS 16 for the first time, the Group and Company have used the following 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.

Measurement of total lease liabilities

	Group £m	Company £m
Operating lease commitments disclosed as at 31 March 2019	1,282.0	21.7
Discounted using the TfL Group's incremental borrowing rate at the date of initial application	724.7	15.6
Effects of:		
Addition of other finance lease liabilities as at 31 March 2019	238.8	-
Less: finance lease liabilities adjustment from IFRS 16	(60.8)	-
Addition of contracts reassessed as lease contracts	657.3	27.2
Exemption for low value leases at 1 April 2019	-	(0.2)
Exemption for leases with less than 12 months of lease term at 1 April 2019	(0.3)	-
Right-of-use lease liability as at 31 March 2020	**1,559.7**	**42.6**

Measurement of right-of-use assets

Newly recognised right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised on the Balance Sheet as at 31 March 2019.

Notes to the Financial Statements (continued)

39. Application of IFRS 16 Leases (continued)

Reconciliation of Summarised Group Balance Sheet as at 1 April 2019

	As previously reported £m	Application of IFRS 16 Leases £m	Restated £m
Assets			£m
Intangible assets	34.3	-	34.3
Property, plant and equipment	36,859.4	(227.2)	36,632.2
Right-of-use assets	-	1,553.0	1,553.0
Investment property	485.3	-	485.3
Equity accounted investment in associated undertakings	233.5	-	233.5
Derivative financial instruments	18.6	-	18.6
Inventories	61.0	-	61.0
Assets classified as held for sale	99.1	-	99.1
Finance lease receivables	52.2	-	52.2
Trade and other receivables	544.2	(7.5)	536.7
Cash and cash equivalents	126.6	-	126.6
	38,514.2	1,318.3	39,832.5
Liabilities			
Trade and other payables	(2,151.9)	-	(2,151.9)
Current tax liabilities	(0.1)	-	(0.1)
Other financing liabilities	(132.7)	-	(132.7)
Borrowings	(10,451.3)	-	(10,451.3)
Right-of-use lease liabilities	-	(1,559.7)	(1,559.7)
PFI lease liabilities	(48.3)	-	(48.3)
Other finance lease liabilities	(238.9)	238.9	-
Derivative financial instruments	(49.5)	-	(49.5)
Provisions	(241.0)	-	(241.0)
Deferred grant	(12,726.0)	-	(12,726.0)
Retirement benefit obligation	(29.9)	-	(29.9)
	(26,069.6)	(1,320.8)	(27,390.4)
Net assets	12,444.6	(2.5)	12,442.1
Equity			
Called up share capital	10,320.0	-	10,320.0
Reserves	2,124.6	(2.5)	2,122.1
Total equity attributable to owners of the Company	12,444.6	(2.5)	12,442.1

Notes to the Financial Statements (continued)

39. Application of IFRS 16 Leases (continued)

Reconciliation of Summarised Company Balance Sheet as at 1 April 2019

	As previously reported £m	Application of IFRS 16 Leases £m	Restated £m
Assets			
Intangible assets	22.0	-	22.0
Property, plant and equipment	250.0	-	250.0
Right-of-use assets	-	44.6	44.6
Investment property	3.2	-	3.2
Investment in subsidiary undertaking	10,855.0	-	10,855.0
Derivative financial instruments	-	-	-
Equity loans to subsidiaries	247.6	-	247.6
Finance lease receivables	52.2	-	52.2
Trade and other receivables	329.4	(2.0)	327.4
Cash and cash equivalents	52.7	-	52.7
	11,812.1	42.6	11,854.7
Liabilities			
Trade and other payables	(857.8)	-	(857.8)
Borrowings	(54.5)	-	(54.5)
Right-of-use lease liabilities	-	(42.6)	(42.6)
Provisions	(0.5)	-	(0.5)
Deferred grant	(124.7)	-	(124.7)
	(1,037.5)	(42.6)	(1,080.1)
Net assets	10,774.6	-	10,774.6
Equity			
Called up share capital	10,320.0	-	10,320.0
Reserves	454.6	-	454.6
Total equity attributable to owners of the Company	10,774.6	-	10,774.6

Lessor accounting

Neither the Group nor the Company needed to make any adjustments to the accounting for assets held as lessor under finance leases (see note 13) or operating leases (see note 34) as a result of adoption of IFRS 16.

Notes to the Financial Statements (continued)

40 Events after the reporting date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Strategic Report.

As at 31 March 2020, the lockdown had started in the UK and the Group had begun to experience a significant reduction in its weekly revenues. As discussed in the going concern section of the Accounting Policies note to these financial statements, we have modelled the severe, but possible, downside scenario for coronavirus and the steps being undertaken to address the risks contained therein. TfL has agreed an Extraordinary Funding and Financing package with the Secretary of State to ensure the Group is able meet any funding shortfall necessary to allow us to continue providing services.

We have considered the impact of the pandemic and the changes in public transport advice on the values at which income, assets and liabilities have been recorded in these accounts. As at the date of signing of the accounts, TTL continues to provide a near-full level of service.

TfL will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. Management believe that all capital projects in progress at 31 March 2020 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post balance sheet events for the purposes of these financial statements.

PAGE LEFT INTENTIONALLY BLANK