Transport Trading Limited

Annual Report and Financial Statements
Year ended 31 March 2015

Registered Office
Windsor House
42-50 Victoria Street
London SW1H 0TL

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 2015.

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:

P. Hendy
H. Carter
S. Allen
M. Brown
L. Daniels

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 making reasonable adjustments to a person's working conditions wherever possible in accordance with the requirements of the Disability Discrimination Act. Part of this process includes a "Case Conference" approach, where all alternatives are explored to secure an individual's future employment.

Directors' Report (continued)

Health and safety

The Group is committed to continuous improvement in health and safety performance. In addition to safety management as part of normal business activity, safety objectives are identified and regularly reviewed to form short and longer term plans to improve safety and security for customers, employees and contractors. The Group uses a Health, Safety and Environmental (HSE) Management system to manage health and safety. This system sets out the HSE standards across each area of the business, and indicates how compliance should be met and gives methods for checking compliance and processes for reporting on performance.

Political donations

No political donations were made during the year (2013/14 £nil).

Dividends

It is not proposed to declare a dividend for the year (2013/14 £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.

Auditor

During 2014 the Group decided to change its auditors in recognition of good governance. A number of firms were approached to tender for the audit and it has been recommended to the Board that Ernst & Young LLP be proposed for appointment. As a result of the tender, KPMG LLP's appointment will expire following the approval of these accounts by the Board, after which Ernst & Young will become the Group's statutory auditor, subject to approval by the shareholders.

Approved by the Board on 29 June 2015 and signed on behalf of the Board by

H. Carter

Director

Strategic Report

Activities and future developments

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

Strategic report

2014/15 saw continued strong performance from the Group. Once again demand increased, especially on the DLR; and reliability and customer satisfaction scores remained high across the Group's network.

Work continued on major projects to improve and extend services across London. Projects included Crossrail, tube infrastructure and signalling upgrades. During the year, improvements delivered included:

- The opening of Pudding Mill Lane DLR station, boosting capacity by an extra 1,100 customers an hour.
- The introduction of five-car trains on the London Overground network, boosting capacity by 25 per cent.
- Modernisation and improvements on the Northern line, leading to a 20 per cent increase in capacity.
- Following the introduction of contactless payments on buses in December 2012, contactless payment was successfully launched on the Tube, trams, DLR, London Overground and most National Rail services in London in September 2014.

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

Underground and Rail operations

The Group's Underground and Rail operations include:

- London Underground, providing passenger rail services across the Capital and into suburban areas;
- Docklands Light Railway, providing passenger rail services to the east of the Capital;
- London Overground, providing passenger rail services across the Capital and into suburban areas;
- Tramtrack Croydon providing passenger tram services in the Croydon area and across south London;

London Underground

Demand for LU's services continues to grow, with Passenger journeys in 2014/15 reaching a new annual high of 1,305.4 million, an increase of 3.2 per cent (40.8 million journeys) from last year.

These passengers are benefitting from improved underlying performance, with LU achieving its best ever customer satisfaction score. This reflects notable improvements in reliability, the delivery of line upgrades, and increased service frequencies, with only five per cent of those surveyed saying that they had experienced a disruption or delay.

LU has launched a wide ranging programme to transform its service to its customers. Since 1 February, staff at 39 LU stations have moved out of ticket offices and back areas to public parts of the station, such as ticket halls and platforms, making them more visible and available to help customers. To support this, the first 1,318 staff members have undertaken our new customer service training. Whilst the introduction of enhanced ticket machines and contactless payments have also played an important role in making it easier for our customers to buy tickets and travel.

Strategic Report (continued)

Underground and Rail operations (continued)

New "S stock" trains, with their distinctive walk-through design, are now in timetabled passenger service on the Circle, District, Hammersmith & City and Metropolitan lines. The spacious and accessible new trains bring increased capacity, plus air conditioning, wider doors and walkways and automated visual displays. They also feature onboard station announcements, CCTV and dedicated wheelchair areas.

The first of the 35 year old District line "D stock" train carriages have been taken out of service, and will be gradually phased out until the entire fleet has been replaced by the end of 2016. The new trains have one more car than those they replace, providing a significant increase in capacity.

The 55 year old maintenance shed at Upminster has been renovated to accommodate S stock trains, and a new facility for 180 train operators, managers and support staff has opened at Barking. It provides much improved facilities for staff including new training space.

Our campaign of track renewals continues, with 31 points and crossings renewed and over 48,000 meters of track and drainage replaced or upgraded during the year. The strengthening of drainage gives better management of groundwater ingress and so reduces the signal failures it causes.

Bond Street Station reopened fully on 5 December. The Jubilee line platform strengthening works will relieve congestion and prepare it for the forecasted increased growth as Crossrail becomes operational in 2018 and more customers use the station for commuting and leisure travel. Excavation for the new northern escalators and the northern tunnels concourse enlargement has been completed. This will provide the Jubilee line with new lifts and escalators improving accessibility and providing step-free access from street to platform.

The new entrance and ticket hall at Tottenham Court Road Station opened on 12 January. The new entrance on Oxford Street has three additional escalators leading down from the entrance to the ticket hall and a further three new escalators leading from the ticket hall to the Northern line lower concourse. Work at the station continues and by 2016, the station will be fully accessible, with five new lifts providing step-free access from the ticket hall to the platforms.

The modernisation of Vauxhall station is 50 per cent complete. This work will enlarge Vauxhall's ticket hall with the aim of reducing congestion and allowing for the 40 per cent passenger growth which is expected at the station over the next few years. The ticket hall, subways and stairways are being completely refurbished, with new signage, CCTV, ceilings, floor and wall tiling.

A new lift between the ticket hall and platforms, combined with the existing lift from the bus station to the Underground ticket hall, will give step-free access from the street to Victoria line trains. New station control and electrical switch rooms, offices, a staff mess room and staff toilets are almost finished.

Modernisation work on Hammersmith station is now complete and includes a new exit and entrance on Beadon Road, an extended platform for longer trains and a new gateline. In addition, the ticket hall has been retiled and the flooring refurbished.

Following substantial work, the lifts at Russell Square, Gloucester Road and Covent Garden re-opened with enhanced capacity.

Construction work on the old cleaning shed at Ruislip depot is now complete, transforming it from a storage area into a brand new automatic train control (ATC) fitment facility that will be used to install the onboard equipment on the engineering vehicle fleet.

In June, the Edgware branch became the last section of the Northern line to be switched over to the new signalling system. The new signalling system allows LU to safely run more trains, closer together and at higher average speeds.

Underground and Rail operations (continued)

In October the Mayor and LU Managing Director, Mike Brown, formally launched our design vision for the next generation of trains to serve customers on the Piccadilly, Bakerloo, Central and Waterloo & City lines. These trains, which we aim to introduce from the mid-2020s, will be the first deep-level Underground trains to feature air-cooling. They will also be more accessible than the trains they replace, providing step-free access from the platform to the cars, and will also have wider doors and a walk-through design similar to the new trains on London Overground and the Metropolitan, Circle, Hammersmith & City and District lines. The new trains will be introduced as part of a wide-ranging modernisation project which will increase capacity on the four lines mentioned above by up to 60 per cent.

Docklands Light Railway

The year saw operational performance improve to record levels, especially in the annual departure score of 99.3%, which was a new record for Docklands Light Railway ("DLR"). DLR also achieved its highest ever full year Customer Satisfaction Survey (CSS) score of 89, three points better than target. This performance was achieved against a background where annual ridership increased to 110.2 million passengers - 8.5% higher than in the previous year and the highest in DLR's history.

The year also saw the change of Franchisee from Serco Limited to Keolis Amey Docklands Limited from 7 December 2014. This was following a successful bidding process for a new franchisee to maintain and operate the network until April 2021, with an option for this to be extended until 2023.

Full year demand on the Emirates Air Line (EAL) was 1.54 million passenger journeys, representing year on year growth of 2.1%. Full year availability was 96.4%, which was an improvement of 1.4% from 2013/14. The full year CSS score of 93 is the highest since the EAL opened.

Rail for London

Rail for London ("RFL") is responsible for the operation of the London Overground ("LO") and Infrastructure maintenance for the East London line. London Overground 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 the New South London line from Queen's Road Peckham through to Clapham Junction.

In the year LO carried 139.8 million people, 3% more than the previous year, and customer satisfaction scores remained strong at 83%, up 1% on last year.

LO's operational performance, as measured by the public performance measure (PPM) was 95.2% at the end of the year. This was significantly higher than the national average for train operators of 89.7%, and secured LO third place in the national PPM league.

The programme to equip all 20 trains on London Overground's East London line with an extra car, to make five car trains, was completed during the year. This is now being extended to the North London and West London lines. Work to increase the capacity of Brondesbury station was completed during the year. The ticket hall is now more than double its original area and has twice as many ticket gates. During the works, the opportunity was taken to replace flooring, to waterproof walls and ceilings, and to install an electronic service update board and two new ticket machines.

Tramtrack Croydon

Tramtrack Croydon ("TCL") passenger journeys were 30.9m, marginally down on last year's 31.2m. Throughout the first three quarters of the year services suffered from performance issues which can largely be attributed to problems with fleet maintenance. This has been successfully addressed by the transferring tram fleet maintenance in-house in December 2014. Since the transfer of tram fleet maintenance, tram availability has increased and is now the highest it has been for over a year.

Surface Transport

Strategic Report (continued)

The Group's Surface Transport operations include:

- London Buses, which manages bus services in London. It plans routes, specifies service levels and monitors service quality. The bus services are operated by private companies, which work under contract;
- The Barclays 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, which is the coach travel 'hub' of central London and serves both the UK and continental Europe, handling around 12.0 million passengers per year travelling on more than 480,000 coaches;
- London River Services, which owns and operates nine passenger piers on the Thames, licenses boat services using those piers and manages the operation of the Woolwich Ferry

London Buses

London Bus Services Ltd's total number of passenger journeys for the year was 2,385 million (2013/14 2,382 million*). The results for the year show an on-going increase in passenger demand. Bus network income of £1,538 million for the year was 2.5% higher than the previous year's total of £1,501 million.

Bus services remained under regular review, taking account of changing travel needs and operating conditions. Alterations included routeings, frequencies, vehicle types and schedules.

London's buses went cash free in July 2014 following extensive consultation. The new one-more journey feature on Oyster was successfully rolled out to the bus network in June 2014 allowing passengers to make one more bus journey should they have insufficient pay as you go credit to travel. This was one of several mitigation factors implemented prior to the launch.

The crucial role the bus plays in helping London retain its pre-eminence as a world-class city was celebrated as part of the Year of the Bus from the start of 2014.

In April digital arrival information was introduced at bus stops, bus stations and on large Countdown screens at several busy bus stations. More than 60 smartphone bus travel apps now use TfL's data, displaying arrival times at all 19,500 bus stops and Countdown information at public places such as hospitals and schools.

TfL Board granted approval to procure an additional 200 New Routemaster vehicles taking the total order to 800 to be delivered by 2016. Thirteen bus routes have now converted to New Routemaster bring the total to over 430 buses. Data shows their average fuel consumption is almost 50 per cent lower than the previous buses.

The first British-built pure electric buses began running in west London in July 2014 and two electric buses were introduced in Croydon in December 2014. It was announced in March 2015 that the first all electric bus route is to be introduced between South Croydon and Norwood Junction (route 312).

The Company's bus retrofit programme, the largest in the world, was completed in July 2014 and now more than 1,300 buses, on more than 50 London routes, are cleaner with a 90 per cent reduction in nitrogen oxide (NOx) emissions.

The proportion of the bus fleet served by low-carbon emission and quieter diesel-electric buses is now at 14 per cent. There are now 1,250 hybrids in the fleet and the total will now grow to 1,700 hybrids by 2016, around 20% of the fleet.

* *Prior year bus passenger journeys have been adjusted for consistency with TfL's new methodology for measuring journeys.*

Surface Transport (continued)

Cycle Hire

The Cycle Hire scheme continues to underpin the growth of cycling in London. In 2014/15 the bikes were hired more than ten million times. The scheme now has over 10,000 bikes and over 700 docking stations. To celebrate it's fourth birthday Cycle Hire offered a free weekend in August 2014, allowing customers to make as many trips as they liked for free. On Christmas Day 2014, almost 40,000 cycle hire journeys were made, beating the previous year's Christmas Day record by 41 per cent and marking the second highest day ever for non-member hires. In January 2015 the scheme successfully implemented a tariff change to simplify hire charges for customers who are now charged a flat £2 for each 30 minute period after the initial free 30 minute period. In February 2015 Santander was announced as the new sponsor in a seven year, £43.75m partnership with an additional £7m activation fund.

Dial-a-Ride

Dial-a-Ride ("DaR") services form a fundamental and integral part of the Mayor's Transport Strategy by providing a door to door transport service for members of the public who are unable to access mainstream public transport due to mobility impairment. During the year to 31 March 2015, Dial a Ride scheduled 90.2% of all trip requests received which was slightly higher than target of 90.0%. After on the day/eve cancellations of scheduled trips by passengers, the service delivered 1,300,136 trips which was 4.0% less than in 2013/14 (1,355,580) but continued to be amongst the highest annual total trips recorded by the service since it began in the 1980s. During the first quarter of the year a minority of operational grades participated in several weeks of industrial action short of a strike in support of their pay claim. The dispute was resolved following talks at ACAS.

Customer satisfaction remained high at 92% (2013/14 92%). Overall demand for the Dial a Ride service reduced by 3.6% compared to the previous year. The nature of demand continued to show change during the year, impacted by the wider economic conditions not only affecting individual personal activity but also as the provision of some public and charitable funded social activities reduced or changed across London which impacted people's travel patterns.

Victoria Coach Station

Victoria Coach Station ("VCS") provided facilities for circa 14.0 million passengers and 460,000 coach departures and arrivals serving the United Kingdom and mainland continental Europe. This compared to 2013/14 circa 14.0 million passengers and 480,000 coach departures and arrivals.

Further improvements have been made to the facilities within the station, including improvements to the ticket hall and the arrivals terminal.

Further works are planned for 2015/16 to improve the station infrastructure. These include a scheme of major works to repair the Grade II listed canopy over the East Terminal, significant repairs to the concrete coach deck and to the air handling units throughout the station complex.

The Company continued to perform well in customer satisfaction surveys. The commitment to providing a high standard of customer service continued to be reflected in very good scores for staff performance and attitude.

London River Services

During the year, a total of 8.28 million passengers used London River Services' pier facilities and non-TfL licensed river tour and river bus services. These numbers reflect strong underlying growth in passenger demand.

Surface Transport (continued)

London River Services (continued)

The Woolwich Ferry carried 0.91 million vehicles (1.03 million in 2013/14) and 1.75 million passengers inclusive of vehicle drivers (1.95 million in 2013/14). Briggs Marine continued the implementation of the TfL funded programme of infrastructure investments to extend the operating life of the ferry to at least 2024. Whilst every effort was made to minimise disruption to customers, ferry performance was affected by traffic restrictions resulting from these works throughout the year. This is reflected in the reduced vehicle and passenger numbers compared with the previous year.

During the year, progress was made on the objectives of the River Action Plan, which was launched in February 2013 with a number of specific measures to be taken by Transport for London and other stakeholders to help boost the number of river trips in line with achieving the Mayor's target of 12 million passenger journeys a year by 2020.

Total river passenger journeys in 2014/15 were 10.02 million (8.41 million in 2013/14).

Other activities

The Group's other activities include:

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

Crossrail

During the year, £1,526m was spent on the Crossrail project.

By the end of the year, the Project was broadly 65% complete. Six of the eight Tunnel Boring Machines ('TBMs') had reached their destinations and cumulatively completed 42km of tunnelling. In addition, almost 13km of Sprayed Concrete Lining Works ('SCL') have been completed, creating station platform tunnels, passenger walkways and ventilation tunnels at Whitechapel, Liverpool Street, Bond Street and Tottenham Court Road.

Crossrail is now nearing the end of tunnelling activity (due to complete in June 2015) and the contracts relating to the railway systems and stations fit-out are now the focus of its project team.

London Transport Museum

London Transport Museum is a charitable business that explores and interprets the close relationship between the capital and its transport heritage.

Strategic Report (continued)

Treasury activities

During the year, through a subsidiary, Transport for London Finance Limited ("TfLFL"), had four forward starting interest rate swaps, with a combined nominal value of £200m, came into effect to hedge the interest on £200m of floating rate borrowings lent by the Company's parent, Transport for London. As at 31 March 2015, therefore, the interest on a cumulative total of £1,997.8m of borrowings in issue had been hedged through a combination of gilt locks and interest rate swaps.

The fair value at the year end of the outstanding interest rate derivatives taken out to hedge the interest rate on borrowings was a net liability of £80.4m. Further cumulative cash payments of £118.2m made on settlement of gilt locks in prior years and which were deferred within equity and are being released to the Income Statement as an interest rate hedge over the term of borrowings issued by Transport for London. Hedging in the Group is achieved through the drawdown of intercompany loans by TfLFL from Transport for London and the onward lending of the monies to London Underground Limited, a fellow subsidiary undertaking of the Transport Trading Limited Group.

The Group also holds an amortising interest rate swap in order to fix the floating interest rate risk on operating lease payments for rolling stock under a lease taken out by RfL. The fair value of the derivative at 31 March 2015 was a liability of £20.9m (2014 £4.3m)

During the year, the Group entered into a forward foreign exchange contract programme to hedge euro payments related to the purchase of tram rolling stock. The aggregate amount of fair value losses recognised in other comprehensive income and deferred in equity at 31 March 2015 in respect of these forward foreign currency contracts was £nil (2014 £0.3m)

For the first time the Group also entered into a number of foreign exchange swaps and forwards to hedge the currency risk on foreign currency investments entered into by TfL. At 31 March 2015 the Group held forward foreign exchange contracts to sell euros to a value of £594.2m (2014 £nil). 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 gain on these contracts totalling £21.3m (2014 £nil) has been recognised directly in the Income Statement within financial income.

Risk management

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

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

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

Approved by the Board on 29 June 2015 and signed on behalf of the Board by

H. Carter

Director

Statement of Directors' Responsibilities

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

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

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

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

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

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

Independent Auditor's Report

To the members of Transport Trading Limited

We have audited the financial statements of Transport Trading Limited for the year ended 31 March 2015 set out on pages 13 to 87. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent Auditor's Report

To the members of Transport Trading Limited (continued)

Matters on which we are required to report by exception

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

R Brent

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

8 July 2015

Group Income Statement

Year ended 31 March	Note	2015 £m	2014 £m
Revenue	1	4,656.3	4,439.3
Net operating costs		(5,398.8)	(5,215.9)
Operating loss	2	(742.5)	(776.6)
Grant income	3	786.1	777.2
Other gains and losses	4	199.0	163.4
Total profit from operations		242.6	164.0
Financial income	7	21.7	23.7
Financial expenses	8	(284.3)	(301.2)
Loss before taxation		(20.0)	(113.5)
Income tax charge	9	-	(0.1)
Loss for the year attributable to owners of the Company		(20.0)	(113.6)

Group Statement of Comprehensive Income

Year ended 31 March	Note	2015 £m	2014 £m
Loss for the year		(20.0)	(113.6)
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Actuarial gain on defined benefit pension schemes	28	7.2	25.3
		7.2	25.3
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments		(33.5)	48.0
Derivative fair value loss recycled to income and expenditure		7.2	6.6
Revaluation of property, plant and equipment	11	99.2	48.6
		72.9	103.2
Total comprehensive income and expenditure for the year attributable to owners of the Company		60.1	14.9

Group Statement of Financial Position

	Note	31 March 2015 £m	31 March 2014 £m
Non-current assets			
Intangible assets	10	**83.1**	86.9
Property, plant and equipment	11	**28,262.9**	25,784.3
Investment property	12	**421.5**	576.1
Trade and other receivables	16	**861.8**	488.3
		29,629.3	26,935.6
Current assets			
Inventories	14	**52.2**	42.6
Assets classified as held for sale	15	**375.7**	-
Trade and other receivables	16	**529.9**	614.0
Derivative financial instruments	22	**22.6**	-
Cash and cash equivalents	17	**33.0**	86.8
		1,013.4	743.4
Current liabilities			
Trade and other payables	18	**(1,774.5)**	(1,789.7)
Current tax liabilities		**-**	(0.1)
Finance lease liabilities	20	**(75.7)**	(67.9)
Derivative financial instruments	22	**(1.3)**	(0.3)
Provisions	23	**(102.2)**	(81.2)
		(1,953.7)	(1,939.2)
Non-current liabilities			
Trade and other payables	18	**(90.7)**	(59.4)
Borrowings	19	**(8,098.8)**	(7,449.6)
Finance lease liabilities	20	**(494.8)**	(570.6)
Derivative financial instruments	22	**(101.3)**	(67.5)
Provisions	23	**(2.6)**	(24.1)
Deferred grant	26	**(13,022.6)**	(12,234.7)
Retirement benefit obligation	28	**(32.0)**	(47.8)
		(21,842.8)	(20,453.7)
Net assets		**6,846.2**	5,286.1
Equity			
Called up share capital	29	**5,430.0**	3,930.0
Revaluation reserve		**212.9**	117.1
Hedging reserve		**(201.0)**	(174.7)
Merger reserve		**466.1**	466.1
Retained reserves		**938.2**	947.6
Total equity attributable to owners of the Company		**6,846.2**	5,286.1

The notes on pages 21 to 87 form part of these financial statements.

These financial statements were approved by the Board on 29 June 2015 and signed on its behalf by:

P. Hendy
Director
Company Registration Number 3914810

Group Statement of Changes in Equity

	Share capital	Revaluation reserve	Hedging reserve	Merger reserve	Retained reserves	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2013	2,330.0	70.7	(229.3)	466.1	1,033.7	3,671.2
Loss for the year	-	-	-	-	(113.6)	(113.6)
Actuarial gain on defined benefit pension scheme	-	-	-	-	25.3	25.3
Movement in the fair value of derivative financial instruments	-	-	48.0	-	-	48.0
Movement in the fair value of derivative financial instruments reclassified to profit or loss	-	-	6.6	-	-	6.6
Net surplus on revaluation of property, plant and equipment	-	48.6	-	-	-	48.6
Total comprehensive income/(expense)	-	48.6	54.6	-	(88.3)	14.9
Issue of share capital	1,600.0	-	-	-	-	1,600.0
Release of revaluation reserve in respect of non-historic cost depreciation	-	(2.2)	-	-	2.2	-
Balance at 31 March 2014	3,930.0	117.1	(174.7)	466.1	947.6	5,286.1
Loss for the year	-	-	-	-	(20.0)	(20.0)
Actuarial loss on defined benefit pension scheme	-	-	-	-	7.2	7.2
Movement in the fair value of derivative financial instruments	-	-	(33.5)	-	-	(33.5)
Movement in the fair value of derivative financial instruments reclassified to profit or loss	-	-	7.2	-	-	7.2
Net surplus on revaluation of property, plant and equipment	-	99.2	-	-	-	99.2
Total comprehensive income/(expense)	-	99.2	(26.3)	-	(12.8)	60.1
Issue of share capital	1,500.0	-	-	-	-	1,500.0
Release of revaluation reserve in respect of non-historic cost depreciation	-	(3.4)	-	-	3.4	-
Balance at 31 March 2015	5,430.0	212.9	(201.0)	466.1	938.2	6,846.2

Group Statement of Cash Flows

Year ended 31 March	Note	2015 £m	2014 £m
Cash flows from operating activities			
Loss for the year		(20.0)	(113.6)
Adjustments for:			
Depreciation	11	826.3	823.8
Amortisation of intangible assets	10	24.7	18.9
Change in value of investment property	4	(198.1)	(174.1)
(Gain) / Loss on sale of property, plant and equipment	4	(1.0)	24.0
Loss / (Gain) on sale of investment property	4	0.1	(13.3)
Financial income	7	(21.7)	(23.7)
Financial expense	8	284.3	301.2
Amortisation of deferred capital grant to meet the depreciation charge	2	(598.2)	(575.1)
Reversal of defined benefit pension service costs	28	12.9	12.8
Reversal of taxation charge		-	0.1
Cash flow from operating activities before movements in working capital		309.3	281.0
Increase in inventories		(9.6)	(4.4)
Decrease / (increase) in trade and other receivables		76.4	(38.7)
Decrease in trade and other payables		(42.3)	(158.7)
(Decrease) / increase in provisions		(0.5)	88.3
Net cash generated from operations		333.3	167.5
Employer contributions to pension scheme	28	(22.9)	(22.7)
Taxation paid		(0.1)	(0.1)
Net cash generated from operating activities		310.3	144.7
Cash flows from investing activities			
Interest received		0.4	23.8
Proceeds from disposal of property, plant and equipment		6.2	2.1
Proceeds from disposal of investment properties		18.1	22.3
Repayment of loans to ultimate parent		-	72.0
Acquisition of intangible assets		(14.0)	(30.8)
Acquisition of property, plant and equipment		(3,206.2)	(2,964.5)
Interim funding to third parties in relation to Crossrail	16	(381.9)	(199.9)
Capital grants received		1,406.8	1,469.8
Net cash utilised by investing activities		(2,170.6)	(1,605.2)

Group Statement of Cash Flows (continued)

Year ended 31 March	2015	2014
	£m	£m
Cash flows from financing activities		
Settlement of derivatives	-	(0.5)
Issue of share capital	1,500.0	1,600.0
Increase in loans from ultimate parent	650.0	336.8
Net repayment of external borrowings	(0.8)	(72.0)
Capital element of finance leases repaid	(68.0)	(60.3)
Interest paid	(274.7)	(263.1)
Premiums on settlement of loans and finance lease liabilities	-	(23.2)
Net cash flow generated from financing activities	1,806.5	1,517.7
Net cash movement in the year	(53.8)	57.2
Net cash and cash equivalents at the start of the year	86.8	29.6
Net cash and cash equivalents at the end of the year	33.0	86.8

Company Statement of Financial Position

	Note	31 March 2015 £m	31 March 2014 £m
Non-current assets			
Intangible assets	10	56.8	61.2
Property, plant and equipment	11	191.6	200.8
Investment property	12	1.8	1.6
Investment in subsidiary undertakings	13	5,965.0	4,465.0
Trade and other receivables	16	0.5	3.3
		6,215.7	4,731.9
Current assets			
Trade and other receivables	16	350.1	323.5
Cash and cash equivalents	17	1.9	10.7
		352.0	334.2
Current liabilities			
Trade and other payables	18	(568.9)	(569.7)
Provisions	23	(0.9)	(0.1)
		(569.8)	(569.8)
Non-current liabilities			
Trade and other payables	18	(15.9)	(16.1)
Borrowings	19	(30.4)	(30.4)
Deferred grant	26	(116.6)	(138.6)
		(162.9)	(185.1)
Net assets		5,835.0	4,311.2
Reserves			
Share capital	29	5,430.0	3,930.0
Revaluation reserve		46.8	23.0
Retained reserves		358.2	358.2
Total equity attributable to owners of the Company		5,835.0	4,311.2

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

The notes on pages 21 to 87 form part of these financial statements.

These financial statements were approved by the Board on 29 June 2015 and signed on its behalf by:

P. Hendy

Director

Company Registration Number 3914810

Company Statement of Changes in Equity

	Share capital	Revaluation reserve	Retained reserves	Total
	£m	£m	£m	£m
At 1 April 2013	2,330.0	12.6	350.3	2,692.9
Profit for the year	-	-	6.3	6.3
Net surplus on revaluation of property, plant and equipment	-	12.0	-	12.0
Total comprehensive income	-	12.0	6.3	18.3
Issue of share capital	1,600.0	-	-	1,600.0
Release of revaluation reserve in respect of non-historic cost depreciation	-	(1.6)	1.6	-
Balance at 31 March 2014	3,930.0	23.0	358.2	4,311.2
Profit for the year	-	-	(2.3)	(2.3)
Net surplus on revaluation of property, plant and equipment	-	26.1	-	**26.1**
Total comprehensive income/(expense)	-	26.1	(2.3)	**23.8**
Issue of share capital	1,500.0	-	-	**1,500.0**
Release of revaluation reserve in respect of non-historic cost depreciation	-	(2.3)	2.3	-
Balance at 31 March 2015	**5,430.0**	**46.8**	**358.2**	**5,835.0**

Company Statement of Cash Flows

Year ended 31 March	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit for the year		(2.3)	6.3
Adjustments for:			
Depreciation	11	37.3	31.9
Amortisation of intangible assets	10	19.1	9.8
Change in value of investment property	12	(0.2)	-
Loss on sale of property, plant and equipment		-	0.2
Financial income		(0.3)	(0.5)
Financial expense		0.1	0.1
Amortisation of deferred capital grant to meet the depreciation charge	26	(37.3)	(21.9)
Cash flow from operating activities before movements in working capital		16.4	25.9
Increase in trade and other receivables		(23.7)	(36.6)
Increase in trade and other payables		2.8	29.2
Increase / (Decrease) in provisions		0.8	(4.2)
Net cash generated from operating activities		(3.7)	14.3
Cash flows from investing activities			
Interest received		0.3	0.4
Proceeds from disposal of investment properties		-	(2.8)
Acquisition of intangible assets		(7.7)	(20.9)
Acquisition of property, plant and equipment		(12.9)	(32.9)
Acquisition of investment properties		-	(1.6)
Subscription for new shares in subsidiary		(1,500.0)	(1,600.0)
Capital grants received		15.3	53.2
Net cash utilised by investing activities		(1,505.0)	(1,604.6)
Cash flows from financing activities			
Issue of share capital		1,500.0	1,600.0
Interest paid		(0.1)	(0.1)
Net cash flow generated from financing activities		1,499.9	1,599.9
Net cash movement in the year		(8.8)	9.6
Net cash and cash equivalents at the start of the year		10.7	1.1
Net cash and cash equivalents at the end of the year		1.9	10.7

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 Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

The consolidated financial statements as at 31 March 2015 include the financial statements of the Company and its subsidiaries (together referred to as the "Group").

b) Statement of accounting policies

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

c) Basis of preparation

Statement of Compliance

These financial statements have been prepared in accordance with Adopted IFRSs.

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:

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.

Leases

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

Accounting Policies (continued)

d) Uses of estimates and judgements (continued)

Determining whether an arrangement contains a lease

When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the Statement of Financial Position this can have a significant effect on the reported financial position of the Group or Company.

Classification of investment properties

IAS 40 Investment properties ("IAS 40") requires that properties are 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. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties. 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.

Investment property

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

Office buildings

Office buildings held within property, plant and equipment are held at fair value as calculated by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

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.

Useful economic life of property, plant and equipment

When determining the useful economic life of property, plant and equipment, judgement needs to be exercised in estimating the length of times the assets will be operational.

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 22 and the accounting policies note 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. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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:

- 'Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities'. The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities;
- 'Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities'. The amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement';
- 'Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets'. These amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements;
- 'Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting'. These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness; and
- 'IFRIC 21 Levies'. This interpretation addresses the issue of when to recognise a liability to pay a levy. IFRIC 21 defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

The application of these and any other standards, amendments or interpretations issued by the IASB and applicable for the first time to these Financial Statements has not had a material impact on the accounts.

f) New standards and interpretations not yet adopted

The following new and revised IFRSs will be applicable in future periods, subject to endorsement where applicable. These have been issued, and adopted by the EU, but have not been applied by the Company in these Financial Statements:

- 'IFRS 9 Financial Instruments (as revised in 2014)'. IFRS 9 (as revised in 2014) will supersede 'IAS 39 Financial Instruments: Recognition and Measurement'. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. The revised standard is mandatory for years beginning on or after 1 January 2018;

- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2017). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services;
- 'Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations' (mandatory for years commencing on or after 1 January 2016). These amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitutes a business;
- 'Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation' (mandatory for years commencing on or after 1 January 2016). The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; whilst the amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset;
- 'Amendments to IAS 19 Defined Benefit Plans: Employee Contributions' (mandatory for years commencing on or after 1 July 2014). The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service;
- 'Annual Improvements to IFRSs 2010-2012 Cycle' (mandatory for years commencing on or after 1 July 2014). The Annual Improvements include amendments to a number of IFRSs including; IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures;
- 'Annual Improvements to IFRSs 2011-2013 Cycle' (mandatory for years commencing on or after 1 July 2014). These Annual Improvements include amendments to IFRS 3 Business Combinations in relation to scope exceptions for joint ventures, IFRS 13 Fair Value Measurement (portfolio exception for fair value measurement) and IAS 40 Investment Property (clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as an investment or owner-occupied property);
- 'IFRS 14 Regulatory Deferral Accounts' (mandatory for years commencing on or after 1 January 2016). IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities, and is available only to first-time adopters of IFRS who recognised regulatory deferral account balances under their previous GAAP. This does not apply to TfL; and
- 'Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plans' (mandatory for years commencing on or after 1 January 2016).

Other than where indicated above, the Company does not consider that these or any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the Financial Statements.

g) Going concern

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

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

Accounting Policies (continued)

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

h) Revenue

Revenue is generated from the provision of travel, the letting of commercial advertising space and the rental of commercial properties.

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

Fare revenue

Revenue from annual or periodic tickets and travel cards is recognised in the Statement of Comprehensive Income on a straight line basis over the period of validity of the ticket or travel card. Revenue received in advance and not recognised in the Statement of Comprehensive Income is recorded in the Statement of Financial Position and held within current liabilities receipts in advance for travel cards, bus passes and Oyster cards. Oyster pay as you go revenue is recognised on usage and one day travel cards and single tickets are recognised on the day of purchase.

Revenue in respect of free and reduced fare travel for the elderly and disabled

Revenue from the London Borough Council and county Authorities in respect of free and reduced fare travel for the elderly and disabled is recognised as revenue on a straight line basis over the financial year to which the settlement relates.

Commercial advertising

Commercial advertising revenue is recognised on an accruals basis in accordance with the detail of the relevant agreements.

Rental income

Rental income is recognised on a straight line basis over the term of the relevant lease.

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.

Unfunded pension schemes

Until 31 March 2013 ex gratia payments were made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments were also made to the pensions of certain employees who retired prior to the index linking of pensions. The Group augmented the pensions of certain employees who retire early under voluntary severance arrangements. These unfunded pension liabilities were provided for in the Statement of Financial Position. On 31 March 2013, the liability in respect of these obligations was transferred to TfL.

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"), the scheme is accounted for as a defined contribution scheme 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.

Accounting Policies (continued)

k) Leases (the Group as lessee)

Leased assets

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

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

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

l) Leases (the Group as lessor)

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

Accounting Policies (continued)

m) Financial income and expenses

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

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

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

n) Income tax

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

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

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

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

o) Foreign currencies

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

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

p) Intangible assets

Goodwill

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

Other intangible assets

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

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

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

Software costs	Straight-line	3-5 years

q) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

These properties are valued at fair value (open market value on an existing use basis) by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. 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.

Accounting Policies (continued)

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 100 years
Bridges and viaducts	up to 100 years
Track	up to 50 years
Signalling	15-40 years
Stations	up to 50 years
Other property	20-50 years
Rolling stock	30-50 years
Lifts and escalators	25-40 years
Plant and equipment	3-40 years
Computer equipment	3 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 IAS 17 Leases ("IAS 17").

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

Accounting Policies (continued)

Liabilities

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

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

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

Life cycle replacement

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

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

t) Investment property

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

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

Properties are valued by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years.

An investment property is derecognised upon disposal. Any gain or loss arising on derecognition of the property is included in the Income Statement in the period in which the property is derecognised. The gain or loss on disposal of the property is calculated as the difference between the proceeds on disposal and the carrying amount of the asset.

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) Assets classified as Held for Sale

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

x) Inventories

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

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

y) Impairment

Non-financial assets

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

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

Impairment losses are recognised in the Income Statement.

z) Provisions

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

aa) Financial instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') are classified as:

- financial assets at fair value through the Income Statement;
- loans and receivables; or
- available for sale financial assets

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the Income Statement or financial liabilities measured at amortised cost.

Accounting Policies (continued)

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional 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 their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Income Statement' or available for sale. Such 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 loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Income Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than or equal to three months.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised on the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other payables

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

Interest bearing loans and borrowings

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

Obligations under finance leases and PFI arrangements

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

Accounting Policies (continued)

Derivative financial instruments

The Group enters into derivative instruments to manage its exposure 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 Transport for London, the Company's ultimate parent, through policies that are approved by the TfL Finance and Policy Committee. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement 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 foreign currency risk or firm commitments (cashflow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current 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 current asset or a current liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

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 objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through 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, gilt locks and foreign currency forward exchange contracts.

Accounting Policies (continued)

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

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedge asset or liability) are recognised in the Income Statement.

Hedge accounting is discontinued when the Group revokes the hedging instrument relationship, or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge account. Any cumulative gain or loss deferred in equity at that time remains in equity 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 equity is recognised immediately in the Income Statement.

Fair value measurement of financial instruments

IFRS 7 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 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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant assets are tested for impairment on an individual basis. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

All impairment losses are recognised in the Income Statement.

Notes to the Financial Statements

1 Group revenue

Year ended 31 March	2015 £m	*% of total*	2014 £m	*% of total*
Fares	3,987.2	*85.6*	3,807.4	*85.8*
Revenue in respect of free travel for the elderly and the disabled	321.0	*6.9*	308.7	*6.9*
Charges to London boroughs	2.7	*0.1*	2.7	*0.1*
Charges to transport operators	9.2	*0.2*	9.2	*0.2*
Commercial advertising receipts *	169.5	*3.6*	152.2	*3.4*
Rents receivable	57.4	*1.2*	56.8	*1.3*
Museum income	8.4	*0.2*	8.3	*0.2*
Contributions from third parties to operating costs	2.0	-	0.9	-
Ticket and photocard commission income	13.8	*0.3*	13.5	*0.3*
ATM and car parking income	12.3	*0.3*	9.9	*0.2*
Training and specialist services *	12.0	*0.3*	11.7	*0.3*
Cycle hire scheme *	15.6	*0.3*	13.1	*0.3*
Other *	45.2	*1.0*	44.9	*1.0*
	4,656.3	100.0	4,439.3	100.0

Other revenue comprises numerous other travel services, none of which are sufficiently material to warrant separation in the analysis above.

* Figures for the prior year have been amended to align with the current year presentation.

2 Group operating loss

Year ended 31 March	Note	2015 £m	2014 £m
The operating loss is stated after charging/(crediting):			
Capital items			
Amortisation of intangible assets	10	24.7	18.9
Depreciation of property, plant and equipment – owned	11	783.3	774.7
Depreciation of property, plant and equipment – leased	11	43.0	49.1
Release of grant to meet the depreciation charge on the historical cost of depreciated fixed assets	26	(598.2)	(575.1)
Other operating costs			
Employee costs	5	1,488.4	1,440.2
Payments under operating leases		51.7	23.7
Inventory expensed during the year		63.1	63.0

	2015 £m	2014 £m
Auditor's remuneration		
Fees for the audit of these financial statements	0.8	0.9
Fees for the audit of subsidiary financial statements	0.1	0.2
Fees for non-audit services	0.4	0.3
	1.3	1.4

Notes to the Financial Statements (continued)

3 Group grant income

Year ended 31 March	2015	2014
	£m	£m
Grant from Transport for London to fund operations	786.1	777.0
Other revenue grant	-	0.2
	786.1	777.2

4 Group other gains and losses

Year ended 31 March		2015	2014
	Note	£m	£m
Change in fair value of investment properties	12	198.1	174.1
Net (loss) / gain on disposal of investment properties		(0.1)	13.3
Net gain / (loss) on disposal of property, plant and equipment		1.0	(24.0)
		199.0	163.4

5 Group employee costs

Year ended 31 March	2015	2014
The average number of persons employed in the year were:	Number	Number
Bus operations	1,096	1,155
London Underground	17,188	16,447
Rail operations	181	157
Crossrail	638	576
Tube Lines	1,877	1,826
Group services	823	834
Victoria Coach Station	82	81
Other activities	109	110
Total	21,994	21,186

Their aggregate remuneration comprised:	Note	£m	£m
Wages and salaries		1,135.1	1,101.8
Social security costs		106.0	101.3
Pension costs	28	247.3	237.1
		1,488.4	1,440.2

6 Directors' emoluments

Year ended 31 March	2015 Number	2014 Number
Number of directors who were remunerated by the Group during the year:	-	-

The directors received no emoluments or benefits from the Company.
Directors' emoluments and benefits were borne by Transport for London for five directors (2013/14 five).

The amounts reported in the table above represent the amounts paid to the directors during the year.

7 Group financial income

Year ended 31 March	Note	2015 £m	2014 £m
Premiums received on the early repayment of loans to Transport for London		-	23.2
Net fair value movement on derivative financial instruments not subject to hedge accounting		21.3	-
Other		0.4	0.5
		21.7	23.7

8 Group financial expenses

Year ended 31 March	Note	2015 £m	2014 £m
Interest payable on external loans and derivative financial instruments		30.9	25.9
Interest payable to Transport for London		273.8	245.7
Interest on finance lease liabilities		43.6	47.6
Contingent rentals on PFI liabilities		8.3	8.3
Premiums on early repayment of borrowings and finance leases		-	30.2
Net interest on defined benefit obligation	28	1.4	2.8
		358.0	360.5
Less amounts capitalised into qualifying assets		(73.7)	(59.3)
		284.3	301.2

The interest rates charge on loan from Transport for London range between 1.73% and 4.5% (2013/14 1.73% and 4.5%).

Notes to the Financial Statements (continued)

9 Taxation

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

a) Corporation tax - Group

The Group tax charge/(credit) for the year, based on the rate of corporation tax of 21% (2013/14 23%) comprised:

	Group	Group
Year ended 31 March	2015	2014
	£m	£m
Current tax		
UK corporation tax	-	0.1
Total current tax charge	-	0.1
Deferred tax charge/(credit)	-	-
Total income tax charge for the year	-	0.1

Reconciliation of tax charge

	Group	Group
Year ended 31 March	2015	2014
	£m	£m
Profit/(loss) before tax	(20.0)	(113.5)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 21% (2013/14 23%)	(4.2)	(26.1)
Effects of:		
Non-taxable and non-deductible items	(0.2)	6.4
Amount credited to current tax for which no deferred tax was recognised	(13.6)	(3.1)
Tax losses carried forward for which no deferred tax was recognised	18.0	22.9
Total tax charge for the year	-	0.1

b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £1,593.6m (2014 £1,520.9m) in respect of the following items:

	Group	Group
Year ended 31 March	2015	2014
	£m	£m
Deductible temporary differences	527.6	464.5
Tax losses	1,066.0	1,056.4
	1,593.6	1,520.9

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 future taxable profit available against which the benefits can be utilised.

Notes to the Financial Statements (continued)

9 Taxation (continued)

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

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

	Balance at 1 April	Movement in year	Balance at 31 March
For the year ended 31 March 2015	£m	£m	£m
Deferred tax assets			
Deferred government grant	1,990.0	90.0	**2,080.0**
Derivative financial instruments	35.0	1.0	**36.0**
Property, plant and equipment - accelerated capital allowances	353.9	0.3	**354.2**
	2,378.9	91.3	**2,470.2**
Deferred tax liabilities			
Property, plant and equipment - potential capital gain	(2,261.3)	(56.7)	**(2,318.0)**
Investment properties - potential capital gain	(113.8)	36.8	**(77.0)**
Assets held for sale - potential capital gain	-	(75.1)	**(75.1)**
Other	(3.8)	3.7	**(0.1)**
	(2,378.9)	(91.3)	**(2,470.2)**
Net deferred tax asset/(liability)	-	-	**-**
For the year ended 31 March 2014			
Deferred tax assets			
Deferred government grant	1,588.6	401.4	1,990.0
Derivative financial instruments	52.7	(17.7)	35.0
Property, plant and equipment - accelerated capital allowances	889.4	(535.5)	353.9
	2,530.7	(151.8)	2,378.9
Deferred tax liabilities			
Property, plant and equipment - potential capital gain	(2,435.3)	174.0	(2,261.3)
Investment properties - potential capital gain	(93.1)	(20.7)	(113.8)
Other	(2.3)	(1.5)	(3.8)
	(2,530.7)	151.8	(2,378.9)
Net deferred tax asset/(liability)	-	-	-

9 Taxation (continued)

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

- The deferred tax liability arising on investment properties, including those held as available for sale, has increased due to movements in the market value of the properties.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances disclaimed.
- Included within the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £99.2m 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 £21.2m (2014 £26.0m). 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:

	2015	2014
	£m	£m
Deductible temporary differences	0.1	0.2
Tax losses	21.1	25.8
Deferred tax asset	21.2	26.0

The Corporation Tax rate was reduced from 24% to 23% on 1 April 2013, and from 23% to 21% on 1 April 2014. On 2 July 2013 a further Corporation Tax rate reduction to 20% was enacted, effective from 1 April 2015. Deferred tax balances at 31 March 2015 have been therefore calculated at a rate of 20%.

10 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 2013		89.9	349.2	31.2	470.3
Additions		13.9	-	16.9	30.8
Transfers between asset classes		10.3	-	(10.3)	-
Transfer from property, plant and equipment	11	-	-	0.1	0.1
Disposals		(7.3)	-	-	(7.3)
At 31 March 2014		106.8	349.2	37.9	493.9
Additions		7.3	-	6.7	14.0
Transfers between asset classes		30.0	-	(30.0)	-
Transfer from property, plant and equipment	11	1.4	-	5.5	6.9
Disposals		(0.2)	-	-	(0.2)
At 31 March 2015		**145.3**	**349.2**	**20.1**	**514.6**
Amortisation and impairment					
At 1 April 2013		45.9	349.2	-	395.1
Charge for the year	2	18.9	-	-	18.9
Disposals		(7.0)	-	-	(7.0)
At 31 March 2014		57.8	349.2	-	407.0
Charge for the year	2	24.7	-	-	24.7
Disposals		(0.2)	-	-	(0.2)
At 31 March 2015		**82.3**	**349.2**	-	**431.5**
Net book value at 31 March 2015		**63.0**	-	**20.1**	**83.1**
Net book value at 31 March 2014		49.0	-	37.9	86.9

Assets under construction comprise software assets under development.

Notes to the Financial Statements (continued)

10 Intangible assets

b) Company intangible assets

		Software costs	Intangible assets under construction	Total
Cost or valuation	Note	£m	£m	£m
At 1 April 2013		41.5	21.3	62.8
Additions		13.0	7.9	20.9
Transfers between asset classes		3.6	(3.6)	-
Transfer from property, plant and equipment	11	-	0.1	0.1
At 31 March 2014		58.1	25.7	83.8
Additions		6.7	1.0	7.7
Transfers between asset classes		30.0	(30.0)	-
Transfer from property, plant and equipment	11	-	7.0	7.0
At 31 March 2015		**94.8**	**3.7**	**98.5**
Amortisation and impairment				
At 1 April 2013		12.8	-	12.8
Charge for the year		9.8	-	9.8
At 31 March 2014		22.6	-	22.6
Charge for the year		19.1	-	19.1
At 31 March 2015		**41.7**	-	**41.7**
Net book value at 31 March 2015		**53.1**	**3.7**	**56.8**
Net book value at 31 March 2014		35.5	25.7	61.2

Notes to the Financial Statements (continued)

11 Property, plant and equipment

a) Group property, plant and equipment at 31 March 2015 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 2014		23,714.6	4,525.1	1,255.2	7,819.7	37,314.6
Additions		82.7	-	99.2	3,054.5	3,236.4
Transfers between asset classes		1,036.3	377.1	55.1	(1,468.5)	-
Transfer to intangible assets	10	-	-	0.1	(7.0)	(6.9)
Disposals		(296.0)	(36.5)	(22.8)	-	(355.3)
Revaluation		95.0	-	-	-	95.0
At 31 March 2015		**24,632.6**	**4,865.7**	**1,386.8**	**9,398.7**	**40,283.8**
Depreciation						
At 1 April 2014		8,747.2	1,980.3	802.8	-	11,530.3
Charge for the year	2	632.3	116.8	77.2	-	826.3
Transfers between asset classes		(9.2)	-	9.2	-	-
Disposals		(272.4)	(36.5)	(22.6)	-	(331.5)
Revaluation		(4.2)	-	-	-	(4.2)
At 31 March 2015		**9,093.7**	**2,060.6**	**866.6**	**-**	**12,020.9**
Net book value at 31 March 2015		**15,538.9**	**2,805.1**	**520.2**	**9,398.7**	**28,262.9**
Net book value at 31 March 2014		14,967.4	2,544.8	452.4	7,819.7	25,784.3

11 Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2014 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 2013		22,615.4	4,319.3	1,147.5	6,563.2	34,645.4
Additions		40.1	0.2	78.2	2,881.6	3,000.1
Transfers between asset classes		1,071.9	368.1	82.1	(1,522.1)	-
Transfers to intangible assets	10	-	-	-	(0.1)	(0.1)
Disposals		(37.2)	(162.5)	(52.6)	(102.9)	(355.2)
Revaluation		24.4	-	-	-	24.4
At 31 March 2014		23,714.6	4,525.1	1,255.2	7,819.7	37,314.6
Depreciation						
At 1 April 2013		8,190.2	2,011.1	763.7	-	10,965.0
Charge for the year	2	604.7	127.7	91.4	-	823.8
Disposals		(23.5)	(158.5)	(52.3)	-	(234.3)
Revaluation		(24.2)	-	-	-	(24.2)
At 31 March 2014		8,747.2	1,980.3	802.8	-	11,530.3

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 £73.7m (2014 £59.3m). The cumulative borrowing costs capitalised are £197.1m (2014 £123.4m).

d) Capital commitments - Group

At 31 March 2015, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £3,504.0m (2014 £2,260.5m).

11 Property, plant and equipment (continued)

e) Leased assets - Group

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

	Infrastructure and office buildings	Rolling stock	Total
Gross cost	£m	£m	£m
PFI assets	756.2	45.2	801.4
Other leased assets	-	407.7	407.7
	756.2	**452.9**	**1,209.1**
Depreciation			
PFI assets	260.9	34.6	295.5
Other leased assets	-	132.8	132.8
	260.9	**167.4**	**428.3**
Net book value at 31 March 2015	**495.3**	**285.5**	**780.8**
Net book value at 31 March 2014	524.6	299.3	823.9

f) Group office buildings

Office buildings are valued at fair value by DTZ, a property valuation company not connected with the Group, and by chartered surveyors working for Transport for London, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75% of the portfolio by value being valued each year. The value of these buildings at 31 March 2015 was £248.0m (2014 £153.4m) and the historic cost was £35.0m (2014 £36.3m).

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

g) Company property, plant and equipment at 31 March 2015 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 2014		160.0	224.2	35.5	419.7
Additions		0.6	1.3	7.1	9.0
Transfers between asset classes		1.9	20.9	(22.8)	-
Transfer to intangible assets	10	-	-	(7.0)	(7.0)
Revaluation		22.7	-	-	22.7
At 31 March 2015		**185.2**	**246.4**	**12.8**	**444.4**
Depreciation					
At 1 April 2014		49.7	169.2	-	218.9
Charge for the year		19.0	18.3	-	37.3
Revaluation		(3.4)	-	-	(3.4)
At 31 March 2015		**65.3**	**187.5**	-	**252.8**
Net book value at 31 March 2015		**119.9**	**58.9**	**12.8**	**191.6**
Net book value at 31 March 2014		110.3	55.0	35.5	200.8

11 Property, plant and equipment (continued)

h) Company property, plant and equipment at 31 March 2014 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 2013		140.6	201.6	43.0	385.2
Additions		11.9	5.0	15.6	32.5
Transfers between asset classes		0.6	22.4	(23.0)	-
Transfer to intangible assets	10	-	-	(0.1)	(0.1)
Disposals		-	(4.8)	-	(4.8)
Revaluation		6.9	-	-	6.9
At 31 March 2014		160.0	224.2	35.5	419.7
Depreciation					
At 1 April 2013		39.8	156.8	-	196.6
Charge for the year		15.0	16.9	-	31.9
Disposals		-	(4.5)	-	(4.5)
Revaluation		(5.1)	-	-	(5.1)
At 31 March 2014		49.7	169.2	-	218.9

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 (2014 £nil). The cumulative borrowing costs capitalised are also £nil (2014 £nil).

j) Capital commitments - Company

At 31 March 2015, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £13.0m (2014 £15.3m).

k) Leased assets – Company

The Company did not have any PFI or other leased assets as at 31 March 2015 and 2014.

l) Office buildings - Company

Office buildings are valued at fair value (open market value on an existing use basis), by DTZ, a property valuation company not connected with the Group, and by chartered surveyors working for Transport for London, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75% of the portfolio by value being valued each year. The value of these buildings at 31 March 2015 was £61.7m (2014 £39.0m) and the historic cost was £14.8m (2014 £15.9m).

Notes to the Financial Statements (continued)

12 Investment properties

	Note	Group £m
Valuation		
At 1 April 2013		414.2
Additions		1.6
Disposals		(13.8)
Revaluation	4	174.1
At 31 March 2014		576.1
Additions		27.3
Transfer (to)/from assets held for sale	15	(375.7)
Disposals		(4.3)
Revaluation	4	198.1
At 31 March 2015		**421.5**

The fair value of the Group's investment properties at 31 March 2015 has been arrived at on the basis of a valuation carried out at that date by DTZ, a property valuation company not connected with the Group.

Values are calculated using a discount cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties.

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

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

	Company £m
Valuation	
At 1 April 2013	-
Additions	1.6
At 31 March 2014	1.6
Revaluation	0.2
At 31 March 2015	**1.8**

The Company's investment property relates to Kingsbury Parade.

13 Investment in subsidiary and associated undertakings

	Company 2015 £m	Company 2014 £m
At 1 April	4,465.0	2,865.0
Additions	1,500.0	1,600.0
At 31 March	5,965.0	4,465.0

During the year, the Group invested £1,500.0m (2013/14 £1,600.0m) in Crossrail share capital.

13 Investment in subsidiary and associated undertakings (continued)

The Company's principal subsidiaries are;

Subsidiaries	Principal activity	Percentage holding	Registered number
London Underground Limited*	Passenger transport by underground train	100%	01900907
LUL Nominee BCV Limited*	Maintenance of underground lines	100%	06221959
LUL Nominee SSL Limited*	Maintenance of underground lines	100%	06242508
Tube Lines Limited*	Maintenance of underground lines	100%	03923425
Rail for London Limited*	Passenger transport by rail	100%	05965930
Docklands Light Railway Limited (DLR)*	Passenger transport by rail	100%	02052677
City Airport Rail Enterprises PLC*	Construction and maintenance of DLR lines	100%	04411523
City Airport Rail Enterprises (Holdings) Limited*	Holding company	100%	04602333
Woolwich Arsenal Rail Enterprises Limited*	Construction and maintenance of DLR lines	100%	05372373
Woolwich Arsenal Rail Enterprises (Holdings) Limited*	Holding company	100%	05357070
Tramtrack Croydon Limited*	Passenger transport by tram	100%	03092613
London Bus Services Limited*	Passenger transport by bus	100%	03914787
London Buses Limited*	Dial-a-Ride	100%	01900906
Victoria Coach Station Limited	Coach station	100%	00205610
London River Services Limited*	Pier operator	100%	03485723
Crossrail Limited	Construction of Crossrail infrastructure	100%	04212657
Transport for London Finance Limited *	Manages financial risk of the Group	100%	06745516
London Transport Museum Limited	Charitable company	100%	06495761
London Transport Museum (Trading) Limited	Trading company	100%	06527755
TTL Properties Limited	Holding company	100%	08961151
TTL Earl's Court Properties Limited	Holding company	100%	08951012

The financial statements of all the above companies are lodged at Companies House.

* All outstanding liabilities of these undertakings as at 31 March 2015 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 2015 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

In addition the Group and Company hold, for a nominal consideration of £3,737, a 37% holding in the ownership and voting rights of Earls Court Partnership Ltd, a newly incorporated property development company, incorporated in England. The Group's investment is accounted for using the equity method in these consolidated accounts; however as trading had not yet commenced, as at 31 March 2015, the value of the Group's holding in the associate was immaterial.

14 Inventories

	Group 2015 £m	Group 2014 £m
Raw materials and consumables	51.4	41.8
Goods held for resale	0.8	0.8
	52.2	42.6

There is no material difference between the Statement of Financial Position value of inventories and their net realisable value.

The Company did not have any inventory.

15 Assets classified as held for sale

	Note	Group 2015 £m	Group 2014 £m
Balance outstanding at start of year		-	-
Assets newly classified as held for sale:			
Investment properties	12	375.7	-
		375.7	-

The Company did not have any assets classified as held for sale.

On 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earl's Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37% by a subsidiary of the TTL Group and 63% by a subsidiary of the Capco group. Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred.

As at 31 March 2015 the Group's investment in the Earl's Court land has been reclassified from investment property into assets held for sale and is held at its sale valuation. This valuation was carried out at 31 March by Jones Lang LaSaille Limited, a property valuation company not connected with the Group.

Notes to the Financial Statements (continued)

16 Trade and other receivables

	Group 2015	Group 2014
Current	**£m**	£m
Trade receivables	71.4	112.3
Amounts due from ultimate parent	146.0	218.4
Other tax and social security	77.9	76.2
Grant debtors	4.5	6.8
Amounts due relating to sale of non-current assets	9.9	22.8
Other receivables	85.6	28.3
Prepayments	115.5	130.8
Capital debtors	6.5	6.4
Accrued income	12.6	12.0
	529.9	614.0
Non-current		
Amounts due from third parties	821.3	443.1
Prepayments	40.5	45.2
	861.8	488.3

Amounts due from third parties include funds totalling £832.0m (2014 £450.1m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £381.9m was advanced at periodic intervals during 2014/15. The receivable is non interest bearing and has been discounted to its fair value of £821.3m (2014 £439.3m) using a discount rate of 1.125 per cent (2014 1.125 per cent). It is repayable in full on 15 May 2016.

	Company 2015	Company 2014
Current	**£m**	£m
Trade receivables	42.9	58.4
Amounts due from fellow group undertakings	241.1	243.3
Other tax and social security	6.1	9.1
Other receivables	48.4	-
Prepayments	10.4	10.6
Accrued income	1.2	2.1
	350.1	323.5
Non-current		
Amounts due from third parties	-	2.8
Prepayments	0.5	0.5
	0.5	3.3

17 Cash and cash equivalents

	Group 2015 £m	Group 2014 £m
Cash at bank	13.7	65.2
Cash in hand and in transit	19.3	21.6
	33.0	86.8

	Company 2015 £m	Company 2014 £m
Cash at bank	1.3	10.4
Cash in hand and in transit	0.6	0.3
	1.9	10.7

18 Trade and other payables

	Group 2015 £m	Group 2014 £m
Current		
Trade payables	90.8	116.2
Capital works	617.8	580.1
Retentions on capital contracts	1.0	2.5
Amounts due to ultimate parent	181.5	224.7
Receipts in advance for travelcards, bus passes and Oyster cards	394.9	356.6
Wages and salaries	90.4	84.9
Interest accruals	4.5	3.6
Other deferred income	34.6	70.3
Other taxation and social security	26.5	27.8
Accruals and other payables	332.5	323.0
	1,774.5	1,789.7
Non-current		
Retentions on capital contracts	49.3	27.7
Trade payables	8.8	9.1
Other deferred income	9.6	13.9
Accruals and other payables	23.0	8.7
	90.7	59.4

	Company 2015 £m	Company 2014 £m
Current		
Trade payables	9.0	17.1
Capital works	1.4	5.3
Amounts due to fellow Group undertakings	97.8	135.9
Receipts in advance for travelcards, bus passes and Oyster cards	394.8	356.2
Wages and salaries	4.0	3.3
Other deferred income	19.7	17.2
Other taxation and social security	0.3	0.2
Accruals and other payables	41.9	34.5
	568.9	569.7
Non-current		
Trade payables	8.6	9.1
Accruals and deferred income	7.3	7.0
	15.9	16.1

19 Borrowings and overdraft

	Group 2015 £m	Group 2014 £m
Non-current		
Amounts due to ultimate parent	**8,098.8**	7,449.6

See note 27 (Funding and Financial risk management) for further information about the maturity and interest rate profiles of the Group's borrowings.

	Company 2015 £m	Company 2014 £m
Non-current		
Amounts due to ultimate parent	**30.4**	30.4

Notes to the Financial Statements (continued)

20 Finance lease liabilities

a) Group finance lease liabilities

At 31 March 2015	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
Within one year	114.9	(39.2)	**75.7**
Between one and two years	117.3	(34.1)	**83.2**
Between two and five years	257.4	(73.7)	**183.7**
Later than five years	318.7	(90.8)	**227.9**
	808.3	(237.8)	**570.5**
At 31 March 2014			
Within one year	111.6	(43.7)	67.9
Between one and two years	114.9	(39.2)	75.7
Between two and five years	295.0	(87.3)	207.7
Later than five years	398.4	(111.2)	287.2
	919.9	(281.4)	638.5

Principal outstanding	2015 £m	2014 £m
Current	**75.7**	67.9
Non-current	**494.8**	570.6
	570.5	638.5

20 Finance lease liabilities (continued)

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

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

Terminal 5

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

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

b) Company finance lease liabilities

The Company did not have any finance lease liabilities at 31 March 2015 and 2014.

21 Private finance initiative contracts

Private Finance Initiative contracts accounted for under IFRIC 12: *Service concession arrangements*

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

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

In accordance with IFRIC 12, 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.

21 Private finance initiative contracts (continued)

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

22 Derivative financial instruments

Cash flow hedges	Group 2015 Fair value £m	Group 2015 Notional amount £m	Group 2014 Fair value £m	Group 2014 Notional amount £m
Current assets				
Foreign currency forward contracts	22.6	484.0	-	-
Current liabilities				
Foreign currency forward contracts	1.3	113.4	0.3	7.0
Non-current liabilities				
Interest rate swaps and forward starting interest rate swaps	101.3	830.9	67.5	832.0

The Company has not entered into any derivative financial instruments.

23 Provisions

a) Group provisions

	At 1 April 2014 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation	68.4	(13.8)	35.6	(39.9)	50.3
Environmental harm	1.4	-	-	-	1.4
Other	35.5	(1.9)	20.3	(0.8)	53.1
	105.3	(15.7)	55.9	(40.7)	104.8

	At 1 April 2013 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2014 £m
Compensation	14.4	(3.4)	62.4	(5.0)	68.4
Environmental harm	1.4	-	-	-	1.4
Other	1.2	(0.2)	35.3	(0.8)	35.5
	17.0	(3.6)	97.7	(5.8)	105.3

	2015 £m	2014 £m
Current	102.2	81.2
Non-current	2.6	24.1
	104.8	105.3

Compensation

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

Environmental harm

Environmental harm relates to potential costs associated with damage to the environmental as a result of actions taken in the past.

Other

Other provisions include voluntary severance costs arising from reorganisations and other smaller claims.

23 Provisions

b) Company provisions

	At 1 April 2014 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation	0.1	-	0.8	-	0.9

	At 1 April 2013 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2014 £m
Compensation	4.2	-	-	(4.1)	0.1

	2015 £m	2014 £m
Current	**0.9**	0.1

Compensation

The Company has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the 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.

24 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 Company has also provided a guarantee under section 479C of the Companies Act 2006 in respect of all liabilities outstanding at 31 March 2015 of the majority of its subsidiary undertakings, in order that those subsidiaries may take advantage of the exemption from audit of their individual financial statements. Those subsidiaries for which a guarantee has been provided are as listed in note 13.

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

Notes to the Financial Statements (continued)

25 Financial commitments

a) Operating leases – The Group as lessee

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

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

At 31 March 2015	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
Within one year	29.9	4.2	3.2	18.5	**55.8**
Between one and two years	27.2	4.4	1.5	21.9	**55.0**
Between two and five years	60.4	2.5	1.3	71.5	**135.7**
Later than five years	262.8	16.9	-	219.2	**498.9**
	380.3	28.0	6.0	331.1	**745.4**
At 31 March 2014					
Within one year	35.5	10.1	4.5	17.7	67.8
Between one and two years	31.0	4.8	2.3	18.5	56.6
Between two and five years	74.4	6.2	1.0	93.5	175.1
Later than five years	232.6	7.5	0.1	219.2	459.4
	373.5	28.6	7.9	348.9	758.9

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:

At 31 March 2015	Land and buildings £m	Rail access £m	Motor vehicles £m	**Total** £m
Within one year	43.0	8.5	0.1	**51.6**
Between one and two years	36.1	4.1	0.1	**40.3**
Between two and five years	78.6	11.6	-	**90.2**
Later than five years	475.0	7.4	-	**482.4**
	632.7	31.6	0.2	**664.5**
At 31 March 2014				
Within one year	43.2	9.0	0.2	52.4
Between one and two years	38.5	5.5	0.1	44.1
Between two and five years	76.4	3.9	-	80.3
Later than five years	526.3	1.8	-	528.1
	684.4	20.2	0.3	704.9

25 Financial commitments (continued)

c) Operating leases – The Company as lessee

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

	Land and buildings
At 31 March 2015	£m
Within one year	**2.5**
Between one and two years	**2.1**
Between two and five years	**3.5**
Later than five years	**18.2**
	26.3
At 31 March 2014	
Within one year	3.4
Between one and two years	2.5
Between two and five years	4.6
Later than five years	19.3
	29.8

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 2015	£m
Within one year	1.0
Between one and two years	1.0
Between two and five years	2.0
Later than five years	2.4
	6.4
At 31 March 2014	
Within one year	1.0
Between one and two years	1.0
Between two and five years	1.0
Later than five years	1.2
	4.2

25 Financial commitments (continued)

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

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

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

	Land and buildings £m
At 31 March 2015	
Within one year	1.2
Between one and two years	1.2
Between two and five years	3.7
Later than five years	52.8
	58.9
At 31 March 2014	
Within one year	1.0
Between one and two years	1.0
Between two and five years	4.0
Later than five years	52.7
	58.7

The inter-company lease relates to Victoria Coach Station.

26 Deferred grant

	Note	Group 2015 £m	Group 2014 £m
At 1 April		12,234.7	11,439.6
Transport grant		1,356.8	1,395.1
Third party contributions and other grants to fund property, plant and equipment		47.7	70.3
Released to the Statement of Comprehensive Income			
- to meet the depreciation charge	2	(598.2)	(575.1)
- on disposal of property, plant and equipment		(18.4)	(95.2)
At 31 March		13,022.6	12,234.7

	Company 2015 £m	Company 2014 £m
At 1 April	138.6	107.4
Transport grant (see above)	15.3	46.1
Third party contributions and other grants to fund property, plant and equipment (see above)	-	7.1
Released to the Statement of Comprehensive Income account:		
- to meet the depreciation charge	(37.3)	(21.9)
- on disposal of Property, plant and equipment	-	(0.1)
At 31 March	116.6	138.6

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 TTL has incurred as a condition of receiving the grant.

Notes to the Financial Statements (continued)

27 Funding and financial risk management

Introduction

The Group's comprehensive risk management process is the responsibility of a committee, the Finance and Policy Committee ("the Committee"), of the Board of Transport for London, the Company's ultimate parent. The Committee has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, controlling and reporting structures.

The Group's financial instruments comprise derivatives, borrowings, finance leases, cash and cash equivalents and various items such as trade receivables and payables that arise directly from operations. The Group finances operations from these financial instruments. The Group does not undertake speculative treasury transactions.

Financial Risks and Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

Each of these risks is managed in accordance with the TfL Group'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 majority of the Group's trade receivables are individuals who owe amounts relating to the use of transport infrastructure. The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Investments

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

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to the credit rating of the institution (in the range of A- to AAA) from at least two credit rating agencies (at the time of making the deposit).

27 Funding and financial risk management (continued)

Derivative financial Instruments

The Group and Company spread their exposure over a number of counterparties, and have strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because there are arrangements in place that limit each bank to a threshold, which if breached, allows the Group to require the bank to post collateral in cash or eligible securities. The Group only envisages using these rights in the event that the financial strength of the institution has deteriorated from when the limits were approved.

Liquidity risk

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

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives 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 IAS 39 *Financial Instruments: Recognition and measurement* ('IAS 39'), 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)

27 Funding and financial risk management (continued)

For the years ended 31 March 2015 and 2014, all interest rate derivatives were assessed as highly effective. Accordingly, the majority of the movement in the fair value of the derivatives was recognised in other comprehensive income and expense.

Foreign exchange risk

The Group has no material financial assets or liabilities denominated in foreign currencies, and thus has no translation exposure to gains or losses arising from movements in exchange rates. For 2014/15, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. At 31 March 2015, the Group held forward foreign exchange contracts totalling £3.2m (2014 £7.0m) to hedge planned future Euro payments related to the purchase of tram rolling stock on behalf of fellow Group undertakings. These were in designated hedging relationships and have been assessed as being 100% effective. The aggregate amount of losses under forward foreign exchange contracts in formally designated hedging relationships that has been recognised in other comprehensive income and accumulated in the cash flow hedging reserve in respect of anticipated future transactions was £nil (2014 £0.3m). It is expected that the hedged purchases will take place in the period to 28 June 2016. The maturity of these contracts is disclosed later in this note.

As at 31 March 2015, the Group also held forward foreign exchange swaps to hedge £594.2m (2014 £nil) future Euro receipts in relation to short term 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 movement on these contracts totalling £21.3m (2014 £nil) has therefore been recognised directly in the Income Statement within financial income.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Investment 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.

Sensitivity analysis on foreign exchange risk

As at 31 March 2015 the Group holds Euro forward foreign exchange contracts with a combined nominal value of £591.0m (2014 £7.0m) which are designated as cash flow hedges.

A 10 per cent increase/(decrease) in GBP against the Euro would increase/(decrease) the fair value of these derivative instruments by £51.8m/(63.3m) (2014 (decrease)/increase by £(0.6)m/£0.8m)).

The Group 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.

As at 31 March 2015, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a notional value of £830.9m (2014 18 interest rate swaps at a total notional value of £832m). The net fair value of these contracts at 31 March 2015 was a liability of £101.3m (2014 £67.5m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

27 Funding and financial risk management (continued)

The maturity of the forward fixing contracts is disclosed late 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 2015, the Group holds interest rate derivative contracts with a combined notional value of £830.9m (2014 £832m) 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 £46.7m/(£48.5m) (2014 £47.4m/(£51.6m)).

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.

27 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2015 Average exchange rate	2015 Fair value £m	2015 Notional amount £m	2014 Average exchange rate	2014 Fair value £m	2014 Notional amount £m
Foreign currency forward contracts						
Buy euro						
3 to 6 months	0.729	-	3.2	-	-	-
6 to 12 months	-	-	-	0.869	(0.3)	7.0
Sell euro						
Less than 3 months	0.751	20.0	556.7	-	-	-
3 to 6 months	0.751	1.3	37.5	-	-	-
	0.751	21.3	597.4	0.869	(0.3)	7.0

	2015 Average interest rate (%)	2015 Fair value £m	2015 Notional amount £m	2014 Average interest rate (%)	2014 Fair value £m	2014 Notional amount £m
Interest rate hedges						
Between two and five years	3.504	(39.4)	500.0	3.357	(22.3)	350.0
After five years	3.810	(61.9)	330.9	3.821	(45.2)	482.0
	3.626	(101.3)	830.9	3.626	(67.5)	832.0

The Company does not hold any derivative financial instruments.

27 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 – 2015					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	597.4	-	-	-	597.4
Amounts payable	(576.1)	-	-	-	(576.1)
Derivatives settled net					
Interest rate swaps	(25.0)	(19.6)	(22.5)	(4.2)	(71.3)
	(3.7)	(19.6)	(22.5)	(4.2)	(50.0)
Group – 2014					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	6.7	-	-	-	6.7
Amounts payable	(7.0)	-	-	-	(7.0)
Derivatives settled net					
Interest rate swaps	(22.6)	(20.4)	(26.4)	(3.0)	(72.4)
	(22.9)	(20.4)	(26.4)	(3.0)	(72.7)

The total asset or liability due to the Group as recognised in the Statement of Financial Position 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 2015, the fair value of the interest rate derivatives was a net liability of £101.3m (2014 £71.1m). The fair value of forward foreign exchange derivatives was a net asset of £21.3m (2014 a liability of £0.3m).

Notes to the Financial Statements (continued)

27 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 - 2015					
Trade and other payables	**1,345.0**	**81.1**	**-**	**-**	**1,426.1**
Borrowings	**-**	**8,098.8**	**-**	**-**	**8,098.8**
Finance lease liabilities	**114.9**	**117.3**	**257.4**	**318.7**	**808.3**
	1,459.9	**8,297.2**	**257.4**	**318.7**	**10,333.2**
Group - 2014					
Trade and other payables	1,362.7	36.8	-	-	1,399.5
Borrowings	-	7,449.6	-	-	7,449.6
Finance lease liabilities	111.6	114.9	294.9	398.5	919.9
	1,474.3	7,601.3	294.9	398.5	9,769.0
Company - 2015					
Trade and other payables	**154.4**	**8.6**	**-**	**-**	**163.0**
Borrowings	**-**	**30.4**	**-**	**-**	**30.4**
	154.4	**39.0**	**-**	**-**	**193.4**
Company - 2014					
Trade and other payables	196.5	9.0	-	-	205.5
Borrowings	-	30.4	-	-	30.4
	196.5	39.4	-	-	235.9

Notes to the Financial Statements (continued)

27 Funding and financial risk management (continued)

Fair values

In accordance with IAS 39, the fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and cash equivalents – approximates to the carrying amount.
- Short term investments – approximates to the carrying amount because of the short maturity of these instruments.
- Long-term investments – 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.
- Loans to associated undertakings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate interest rates, based on observable market data, in effect at the balance sheet date at level 2 of the fair value hierarchy.
- 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 7.
    - Forward exchange contracts – 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 – based on market data in the case of fixed rate borrowings; and approximates to the carrying amount in the case of short-term commercial paper.
- Finance lease liabilities – approximates to the carrying amount.
- Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

Notes to the Financial Statements (continued)

27 Funding and financial risk management (continued)

Group	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	33.0	33.0	86.8	86.8
Trade and other receivables	1,235.7	1,235.7	926.3	926.3
Derivative financial instruments	22.6	22.6	-	-
Total financial assets	1,291.3	1,291.3	1,013.1	1,013.1
Trade and other payables	1,426.1	1,426.1	1,408.3	1,408.3
Borrowings and overdrafts	8,098.8	8,098.8	7,449.6	7,449.6
Finance lease liabilities	570.5	570.5	638.5	638.5
Derivative financial instruments	102.6	102.6	67.8	67.8
Total financial liabilities	10,198.0	10,198.0	9,564.2	9,564.2
Net financial liabilities	(8,906.7)	(8,906.7)	(8,551.1)	(8,551.1)

Company	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	1.9	1.9	10.7	10.7
Trade and other receivables	339.7	339.7	315.7	315.7
Total financial assets	341.6	341.6	326.4	326.4
Trade and other payables	170.1	170.1	212.6	212.6
Borrowings	30.4	30.4	30.4	30.4
Total financial liabilities	200.5	200.5	243.0	243.0
Net financial assets	141.1	141.1	83.4	83.4

The fair value of the Company's assets did not differ materially from the carrying value at 31 March 2015 or 2014.

Notes to the Financial Statements (continued)

28 Pensions

a) Background

The Group offers retirement plans to its employees.

The majority of the Group's staff are members of the two sections of the TfL Pension Fund, namely the Public Sector Section and the Tube Lines Section. The majority of the Group's remaining staff belong to the Railway Pension Scheme, and the Tube Lines defined contribution scheme.

b) Defined benefit schemes

TfL Pension Fund

The TfL Pension Fund is a final salary scheme established under trust. Benefits are based on employees' length of service and final pensionable pay. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of Transport for London. Under the rules of the Fund, its 18 trustee directors are nominated in equal numbers by Transport for London 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 2012 by the Actuary, a partner of consulting actuaries 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 TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2014 until 31 March 2020 will continue to be 31.0 per cent with an additional lump sum due by 31 March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2020.

For the Tube Lines Section, employers' contributions from 1 April 2013 increased from 20.95 per cent to 23.15 per cent, with additional lump sum contributions of £1.02m per month from 1 April 2012 until 31 October 2015 (adjusted annually for inflation each 1 April). The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 October 2015.

A full actuarial valuation of the Public Sector and Tube Lines section of the TfL Pension Fund as at 31 March 2015 is currently under way, and the results will be available later in 2015. Contributions payable from 1 April 2016 may differ from those set out above, dependent on the outcome of the valuation.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 48 participating employers, each (apart from CRL) having fewer than 50 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2013. The actuarial report showed that there was a deficit of assets over liabilities of £5.4m for the total Omnibus Section.

The findings of the 2013 valuation report were translated into the current contribution level of 31 per cent, effective from 1 July 2015.

28 Pensions (continued)

Other schemes

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

c) Accounting

A valuation of the Public Sector and Tube Lines Sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2015. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligations is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligations for the two sections of the TfL Pension Fund have been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2012. 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 2011 projections with a long term improvement rate of 1.0 percent per annum.

The Group's parent, Transport for London, and the Company's fellow subsidiaries participate in the Public Sector Section and it is not possible to identify the Company's or the Group's share of the underlying assets and defined benefit obligations. Thus, in accordance with the standard, the Group treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Group's contributions to the Section of £216.1m (2013/14 £207.0m) have been charged to the Income Statement.

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2015 was £2,737.5m (2014 £2,336.2m). 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. The IAS 19 deficit on the Tube Lines Section of the TfL Pension Fund has been recorded in the Statement of Financial Position of these financial statements. Further details are disclosed in the tables below.

28 Pensions (continued)

Analysis of movements in the Tube Lines Section of the TfL Pension Fund as included in the Statement of Financial Position for the Group are as follows:

Reconciliation of the Section's liabilities

	£m
At 1 April 2014	287.3
Current service cost	12.3
Interest cost	11.4
Employee contributions	2.2
Net remeasurement gains - financial	23.0
Net remeasurement gains - experience	(7.5)
Net remeasurement losses - demographic	-
Actual benefit payments	(20.4)
At 31 March 2015	308.3

Reconciliation of fair value of the Section's assets

	£m
At 1 April 2014	239.5
Interest income on scheme assets	10.0
Return on assets excluding interest income	22.7
Actual employer contributions	22.9
Employee contributions	2.2
Actual benefit payments	(20.4)
Scheme expenses	(0.6)
At 31 March 2015	276.3
Net Deficit	32.0

Notes to the Financial Statements (continued)

28 Pensions (continued)

Reconciliation of the Section's liabilities

	£m
At 1 April 2013	294.0
Current service cost	12.3
Interest cost	11.1
Employee contributions	2.2
Net remeasurement losses - financial	(25.1)
Net remeasurement losses - experience	(0.1)
Net remeasurement losses - demographic	4.9
Actual benefit payments	(12.0)
At 31 March 2014	287.3

Reconciliation of fair value of the Section's assets

	£m
At 1 April 2013	213.8
Interest income on scheme assets	8.3
Return on assets excluding interest income	5.0
Actual employer contributions	22.7
Employee contributions	2.2
Actual benefit payments	(12.0)
Scheme expenses	(0.5)
At 31 March 2014	239.5

Other schemes

Contributions of £18.4m (2013/14 £17.9m) have been charged to the Statement of Comprehensive Income, of which £6.3m (2013/14 £6.4m) pertains to the British Transport Police Pension Fund while the remaining amount was contributed towards various smaller Funds including the Railways Pension Scheme.

28 Pensions (continued)

d) Summary of pension totals for the year

		Group 2015	Group 2014
Total pension service cost for the year	Note	£m	£m
TfL Pension Fund (Public Sector Section)		216.6	207.0
TfL Pension Fund (Tube Lines Section)		12.9	12.3
Other schemes		17.8	17.8
Total pension service cost for the year	5	247.3	237.1
Scheme administrative expenses for the TfL Pension Fund (Tube Lines Section)		0.6	0.5
Amount included in cost of operations		247.9	237.6

		Group 2015	Group 2014
Net interest on defined benefit obligations		£m	£m
TfL Pension Fund (Tube Lines Section)		1.4	2.8
Amounts charged to financial expenditure	8	1.4	2.8

28 Pensions (continued)

Total actuarial gains and losses recognised	Group 2015 £m	Group 2014 £m
Actuarial gain on TfL Pension Fund (Tube Lines Section)	7.2	25.3

The fair values of the assets of the Tube Lines Section were as follows:

	Value at 31 March 2015 £m	Value at 31 March 2014 £m
Equities	232.1	194.4
Bonds	44.2	37.0
Total market value of assets	276.3	231.4

The main actuarial assumptions used for the Tube Lines Section were:

	At 31 March 2015 %	At 31 March 2014 %
RPI inflation	2.75	3.20
Rate of increase in salaries	2.75	3.70
Discount rate	2.95	4.05

28 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 for the Tube Lines Section. 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 £3.3m (increase by £3.4m).
- If the expected salary growth were increased/(decreased) by 0.1%, the defined benefit obligation would increase by £3.5m (decrease by £3.5m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. No sensitivity information on the post retirement assumptions has been presented as it assumed that a member's liability will be transferred into the Public Sector Section of the TfL Scheme on leaving active services, with a corresponding inter-section transfer value paid which has been valued on the assumptions that would be used in practice.

29 Called up share capital

Company and Group	2015	2014
	£m	£m
As at 1 April	3,930.0	2,330.0
Issued during the year	1,500.0	1,600.0
As at 31 March	5,430.0	3,930.0

	Number	Number
Issued and fully paid up £1 shares	5,430m	3,930m

During 2014/15 TTL issued 1,500m fully paid £1 ordinary shares (2013/14 1,600m fully paid £1 ordinary shares).

30 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 (2013/14 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 Transport for London is disclosed in note 8;
- Receipt of funding from Transport for London in the form of grants (notes 3, and 26), loans (note 19) or share capital (notes 13 and 29);
- Interest accrued on loans from Tube Lines (Finance) Plc to Transport for London is disclosed in note 7;
- Payment of management fees to TfL for various services and provision of equipment by TfL to the TTL Group.
- Payment of management fees totalling £243.7m by TTL's subsidiaries to TTL for various services and provision of equipment.
- TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

Notes to the Financial Statements (continued)

31 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 accounts will be available in due course from Windsor House, 42-50 Victoria Street, London SW1H 0TL.

32 Events occurring after the reporting date

As described in note 15, on 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earls Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37% by a subsidiary of the TTL Group and 63% by a subsidiary of the Capco group. It is equity accounted for as an investment in an associate by the Group.

Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred for consideration of £375.7m, in the form of loan notes from, and equity in, ECP. The Group's percentage holding in ECP however remains unchanged at 37%.

The sale of the property constitutes a non-adjusting post balance sheet event, and, as such, has not been reflected in these accounts. As at 31 March 2015 the Group's investment in the Earl's Court land has been shown in assets held for sale and is held at its sale valuation.

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