

# LUL Nominee SSL Limited

## Annual Report and Financial Statements Year ended 31 March 2018

Registered Office  
55 Broadway  
London  
SW1H 0BD

Registered in England and Wales  
Number 06242508



# Contents

	Page
	1
Directors' Report	3
Strategic Report	4
Statement of Directors' Responsibilities	5
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	18
Notes to the Financial Statements	



# Directors' Report

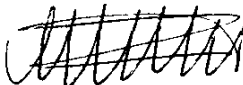
## Corporate Governance

LUL Nominee SSL Limited is a wholly owned subsidiary of TTL, which in turn is controlled by TfL, which appoints all the directors of the Company. The Board of LUL Nominee SSL Limited, through its management structure, implements the corporate aims and controls laid down by TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

## Auditor

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. Accordingly, no auditors have been appointed.

Signed on behalf of the Board by:



H. Carter

Director

19 June 2018

# Strategic Report

## Activities and Future Developments

As stated in the Directors' Report, the principal activities of the Company are to perform maintenance and renewal of the infrastructure and rolling stock for the London Underground. The Company does not anticipate any changes in its principal activities in the foreseeable future.

## Financial and Business Review

The Company will continue to support London Underground in the maintenance of the railway and the delivery of its upgrade programme.

The Company has generated neither profit nor a loss during the year, with materially all of its revenue generated by services provided to other Transport for London Group companies.

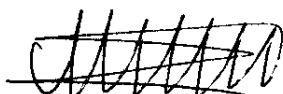
## Principal Risks and Risk Management

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

The principal risks to which the Company is exposed include safety, terrorism, contractual claims, reputation and financial. All business risks are recorded in a risk register. For each risk, an owner has been identified who is responsible for implementing the mitigation strategy that has been identified.

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

Signed on behalf of the Board by:



H. Carter

Director

19 June 2018

# 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 European Union ("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 Company and of the profit or loss of the Company 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

# Income Statement

*For the year ended 31 March*

		2018	2017
	Note	£m	£m
Revenue	1	757.8	756.3
Net operating costs		(757.8)	(756.3)
Result before taxation	2	-	-
Income tax expense	5	-	-
Result for the year attributable to the owners of the Company		-	-

# Statement of Comprehensive Income

*For the year ended 31 March*

	2018	2017
	£m	£m
Result for the year	-	-
Other comprehensive income and expenditure	-	-
Total comprehensive income and expenditure for the year attributable to owners of the Company	-	-

## Statement of Financial Position

		31 March 2018	31 March 2017
	Note	£m	£m
<b>Non-current assets</b>			
Property, plant and equipment	6	0.1	0.2
		<u>0.1</u>	<u>0.2</u>
<b>Current assets</b>			
Inventories	7	25.4	28.0
Trade and other receivables	8	54.8	53.9
Cash and cash equivalents	9	1.2	0.9
		<u>81.4</u>	<u>82.8</u>
<b>Current liabilities</b>			
Trade and other payables	10	(73.9)	(76.8)
Provisions	11	(2.4)	-
		<u>(76.3)</u>	<u>(76.8)</u>
<b>Non-current liabilities</b>			
Trade and other payables	10	(5.0)	(3.9)
Provisions	11	(0.2)	(2.3)
		<u>(5.2)</u>	<u>(6.2)</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Equity</b>			
Share capital	12	-	-
Retained earnings		<u>-</u>	<u>-</u>
<b>Total equity attributable to the owners of the Company</b>		<u>-</u>	<u>-</u>

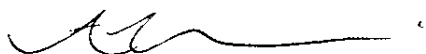


# Statement of Financial Position

The directors:

- (a) confirm that the Company was entitled to exemption under section 479A of the Companies Act 2006 relating to subsidiary companies from the requirement to have its Financial Statements for the financial year ended 31 March 2018 audited;
- (b) confirm that members have not required the Company to obtain an audit of its Financial Statements for that financial year in accordance with section 476 of the Companies Act 2006; and
- (c) acknowledge their responsibilities for:
  - (i) ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
  - (ii) preparing Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of its surplus or deficit for the financial year in accordance with the requirements of sections 393 and 394 of the Companies Act 2006, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the Company.

The notes on pages 10 to 26 form part of these Financial Statements. These Financial Statements were approved by the Board on 19 June 2018 and signed on its behalf by:



**A. Pollins**

Director

Company Registration Number 06242508

## Statement of Changes in Equity

	Called up share capital £m	Retained earnings £m	Total £m
At 1 April 2016	-	-	-
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2017	-	-	-
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2018	-	-	-

# Statement of Cash Flows

*For the year ended 31 March*

		2018	2017
	Note	£m	£m
<b>Cash generated from operating activities</b>			
Result for the year		-	-
<i>Adjustments for</i>			
Depreciation of property, plant and equipment	6	0.1	0.1
Cash flow from operating activities before movements in working capital		0.1	0.1
Decrease/(increase) in inventories		2.6	(0.7)
(Increase)/decrease in trade and other receivables		(0.9)	68.1
Decrease in trade and other payables		(1.8)	(66.8)
Increase in provisions		0.3	0.2
<b>Cash generated from operations</b>		<b>0.3</b>	<b>0.9</b>
<b>Increase in net cash during the year</b>		<b>0.3</b>	<b>0.9</b>
Net cash and cash equivalents at the start of the year		0.9	-
<b>Net cash and cash equivalents at the end of the year</b>		<b>1.2</b>	<b>0.9</b>

# Accounting Policies

## a) Reporting entity

LUL Nominee SSL Limited (the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 06242508. The address of the Company's registered office is 55 Broadway, London, SW1H 0BD. The Company is a subsidiary of Transport Trading Limited ("TTL") which is in turn a subsidiary of Transport for London ("TfL").

## 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("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.

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 Company's financial performance.

## d) Uses of estimates and judgements

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

- **Leases**

In assessing whether a lease is an operating lease or a finance lease, judgement must 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 Company.

- **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 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 must be exercised in estimating the lengths of time the assets will be operational.

## 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 amendments have been applied for the first time in these Financial Statements:

## Accounting Policies

- 'Amendments to IAS 7 Disclosure Initiative' (mandatory for years beginning on or after 1 January 2017). The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.
- 'Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses' (mandatory for years on or after 1 January 2017). The amendments clarify that (i) unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows. (ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits. (iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. (iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
- 'Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle' (mandatory for years beginning on or after 1 January 2017). IFRS 12 Disclosure of Interests in Other Entities states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

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 by the EU, but have not been applied by the Company in these Financial Statements:

- 'IFRS 9 Financial Instruments' (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) 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;
- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It 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;
- 'IFRS 16 Leases' (mandatory for years beginning 1 January 2019). This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low

## Accounting Policies

value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach;

- 'Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements;
- 'Amendments to IAS 40 Transfers of Investment Property' (mandatory for years commencing on or after 1 January 2018). The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- 'IFRIC 22 Foreign Currency Transactions and Advance Consideration' (mandatory for years commencing on or after 1 January 2018). IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.
- 'IFRIC 23 Uncertainty over tax treatments (not yet endorsed by the EU; effective for periods beginning on or after 1 January 2019). The interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

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, which the directors believe to be appropriate for the following reasons:

- The Company is dependent on funds provided to it by TfL, its ultimate parent, in order to ensure working capital requirements are satisfied. TfL has indicated that for at least 12 months from the date of approval of these Financial Statements, it will continue to make such funds available to the Company. In addition, as set out in section 479A of the Companies Act 2006, the Company's immediate parent, TTL, has issued a guarantee over all outstanding liabilities to which the Company is subject as at 31 March 2018; and
- The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company 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 comprises the value of sales of services or goods in the normal course of business (excluding Value Added Tax). The majority of the Company's revenue arises from services that the Company provides to London Underground Limited, a fellow subsidiary undertaking. Revenue for services rendered is recognised by reference to the stage of

# Accounting Policies

completion of services rendered. The stage of completion is determined by reference to the total cost of providing services.

## **i) Grants and other funding**

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

## **j) Leases (the Company as lessee)**

### ***Leased assets***

Leases under which the Company 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 Company'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.

## **k) Financial expenses**

Financing costs comprise the interest expense on borrowings accrued using the effective interest rate method. 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 First time adoption of International Financial Reporting Standards ("IFRS 1") and IAS 23 Borrowing Costs ("IAS 23"), the Company 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.

## **l) 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 profit 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.

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 Company has the right of set off.

## Accounting Policies

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.

### **m) Property, plant and equipment**

#### ***Recognition and measurement***

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of certain items of property, plant and equipment was determined by reference to a previous GAAP valuation. The Company 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.

These properties are valued at fair value 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% of the portfolio by value being valued each year. Movements in the fair value of the property are taken to the revaluation reserve, with the exception of permanent diminutions in value which are recognised in the Income Statement.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 Company 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 Company will obtain ownership by the end of the lease term.

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

Plant and equipment	3-40 years
Computer equipment	3 years

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

#### ***Gains and losses on disposal***

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



# Accounting Policies

## n) Inventories

Inventories consist primarily of materials required for the operation and maintenance of infrastructure.

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.

## o) 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 Company 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.

## p) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company 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.

## q) 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.

The Company 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 through the Income Statement, 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.

## Accounting Policies

- **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 Company 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, at the date of acquisition, 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 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.

### **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.

### **r) Fair value measurement**

IFRS 13 Fair Value Measurement requires that financial instruments and other assets and liabilities 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.

## Accounting Policies

- ***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.

# Notes to the Financial Statements

## 1 Revenue

<i>For the year ended 31 March</i>	2018	2018	2017	2017
	£m	%	£m	%
Other revenue				
Intercompany	757.2	99.9%	755.9	99.9%
Contributions from third parties to operating costs	0.1	0.0%	-	-%
Other revenue	0.5	0.1%	0.4	0.1%
	<u>757.8</u>	<u>100.0%</u>	<u>756.3</u>	<u>100.0%</u>

## 2 Result before taxation

<i>For the year ended 31 March</i>		2018	2017
	Note	£m	£m
<b>Operating result is stated after charging/(crediting):</b>			
<b>Capital items</b>			
Depreciation of property, plant and equipment - owned	6	<u>0.1</u>	<u>0.1</u>
<b>Other operating costs</b>			
Inventory expensed		42.5	40.3
Payments under operating leases		<u>2.0</u>	<u>3.4</u>

### Auditors' remuneration

The Company had no audit fees for the years ending 31 March 2018 or 31 March 2017.

## 3 Employee costs

The Company did not employ staff during the year ended 31 March 2018 or the year ended 31 March 2017.

## 4 Directors' emoluments

The emoluments and pension contributions of all directors were borne by other Group undertakings. No director received emoluments in respect of their services as director of the Company (2016/17 none).

# Notes to the Financial Statements

## 5 Taxation

### Reconciliation of tax expense

For the year ended 31 March

	2018	2017
	£m	£m
Result before tax	-	-
Result before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2016/17 20%)	-	-
Effects of:		
Amount charged to the current tax computation for which no deferred tax was recognised	(7.9)	(10.4)
Group relief surrendered/(claimed)	7.9	10.4
Income tax expense for the year	-	-

### Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following items:

Deductible temporary differences	61.8	60.0
----------------------------------	------	------

The items above do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

### Recognised deferred tax

There were no recognised deferred tax assets or liabilities as at 31 March 2018 or 31 March 2017.

The Corporation Tax rate was reduced from 21 per cent to 20 per cent on 1 April 2015. On 18 November 2015, further legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019. In September 2016, the main rate of Corporation Tax was further reduced to 17 per cent from 1 April 2020. As the Company's deferred tax balances are not expected to be settled until after April 2020 deferred tax balances at 31 March 2018 have therefore been calculated at the enacted rate of 17 per cent.

## Notes to the Financial Statements

### 6 Property, plant and equipment

a) Property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Plant and equipment £m
<b>Cost or valuation</b>		
At 1 April 2017		2.0
<b>At 31 March 2018</b>		<b>2.0</b>
<b>Depreciation</b>		
At 1 April 2017		1.8
Charge for the year	2	0.1
<b>At 31 March 2018</b>		<b>1.9</b>
<b>Net book value at 31 March 2018</b>		<b>0.1</b>
Net book value at 1 April 2017		0.2

b) Property, plant and equipment at 31 March 2017 comprised the following elements:

	Note	Plant and equipment £m
<b>Cost or valuation</b>		
At 1 April 2016		2.0
<b>At 31 March 2017</b>		<b>2.0</b>
<b>Depreciation</b>		
At 1 April 2016		1.7
Charge for the year	2	0.1
<b>At 31 March 2017</b>		<b>1.8</b>

# Notes to the Financial Statements

## 7 Inventories

	2018 £m	2017 £m
Raw materials and consumables	23.5	27.3
Work in progress	1.9	0.7
	<u>25.4</u>	<u>28.0</u>

There is no material difference between the carrying value of inventories and their net realisable value.

## 8 Trade and other receivables

	2018 £m	2017 £m
Current		
Trade receivables	0.5	-
Amounts due from fellow Group undertakings	32.3	35.5
Other tax and social security	8.9	9.7
Capital debtors	-	0.5
Prepayments	0.2	0.2
Other receivables	12.9	8.0
	<u>54.8</u>	<u>53.9</u>

## 9 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank	<u>1.2</u>	<u>0.9</u>

# Notes to the Financial Statements

## 10 Trade and other payables

	2018 £m	2017 £m
<b>Current</b>		
Trade payables	11.8	10.7
Accruals and other payables	16.7	15.0
Project accruals	44.3	50.1
Retentions on contracts	1.1	1.0
	<u>73.9</u>	<u>76.8</u>
<b>Non-current</b>		
Retentions on contracts	<u>5.0</u>	<u>3.9</u>

## 11 Provisions

	2018 £m	2017 £m
<b>Current</b>		
Provisions	<u>2.4</u>	<u>-</u>
<b>Non-current</b>		
Provisions	<u>0.2</u>	<u>2.3</u>

	At 1 April 2017 £m	Utilised in the year £m	Charge for the year £m	Reversed during the year £m	At 31 March 2018 £m
<b>Movement on provisions</b>					
Contractual provisions	<u>2.3</u>	<u>-</u>	<u>0.3</u>	<u>-</u>	<u>2.6</u>

	At 1 April 2016 £m	Utilised in the year £m	Charge for the year £m	Reversed during the year £m	At 31 March 2017 £m
<b>Movement on provisions</b>					
Contractual provisions	<u>2.1</u>	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>2.3</u>

### Contractual provisions

Contractual provisions include claims in respect of ongoing contracts and are provided for at Management's best estimate of the likely outcome. These provisions are expected to be settled within one to five years.



# Notes to the Financial Statements

## 12 Share capital

	2018 £m	2017 £m
Share capital issued and fully paid		
2 ordinary shares of £1 each	-	-
	<hr/>	<hr/>
	Number	Number
Authorised share capital		
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

## 13 Financial instruments

### Financial risk management

The Company's financial risk management operations are ultimately carried out by the Board of Directors.

The Company's financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. The Company finances operations from these financial instruments. The Company does not undertake speculative treasury transactions.

The Company is exposed to a number of financial risks in the normal course of its business operations, the key of which are laid out in the paragraphs below:

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations. Credit risk arises from deposits with banks and financial institutions and from the Company's customers and suppliers.

The Company follows the TfL Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and obtaining additional security when required.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk is low as TfL provides financial support to the Company.

In accordance with the Local Government Act 2003 TfL sets an affordable borrowing limit. As long as the affordable borrowing limit is not exceeded TfL is able to borrow from the Public Works Loan Board and raise debt on capital markets. There is no significant risk that TfL would be unable to raise finance to meet the TfL Group financial commitments.

#### Market risk

The Company is exposed to market risk in respect of interest rate risk only. The Company is not exposed to any material price or currency risk.

#### Interest rate risk

The Company does not have any exposure to interest rate risk on its financial liabilities as none of the Company's financial liabilities are interest bearing.

## Notes to the Financial Statements

The Company is exposed to interest rate risk on cash balances. This risk is managed by TfL, the Company's ultimate parent.

### **Contractual maturity of financial liabilities**

All the Company's financial instruments are due within one year, with the exception of certain trade and other payables which are due between 12 and 24 months.

### **Fair value of financial instruments**

The fair value of the Company's financial instruments is not materially different to their carrying value.

### **Capital management**

The capital structure of the Company consists entirely of shareholders' equity. The Company has no external borrowings and no externally imposed capital requirements. It is not anticipated that the Company will require external borrowings for the foreseeable future as it is provided with grants and borrowings from its ultimate parent, TfL, to fund operations and capital projects.

The Company does not have a credit rating but TfL, the Company's ultimate parent which provides financial support to the Company, has a credit rating of AA- with Fitch, AA- with Standard & Poor's and Aa3 with Moody's.

# Notes to the Financial Statements

## 14 Operating lease commitments

### Operating lease commitments - The Company as lessee in third party contracts

The Company is committed to the following future minimum lease payments under non-cancellable operating leases with third parties. All leases have been entered into on commercial terms.

	Land and property £m
<b>At 31 March 2018</b>	
Amounts due in less than one year	2.6
	<hr/> 2.6
<b>At 31 March 2017</b>	
Amounts due in less than one year	3.3
Amounts due in years 1 to 5	2.6
	<hr/> 5.9

### Operating lease commitments - The Company as lessee in related party contracts

The Company is committed to the following future minimum lease payments under non-cancellable operating leases with fellow undertakings within the Transport for London Group. All leases have been entered into on commercial terms.

	Motor vehicles £m
<b>At 31 March 2018</b>	
Amounts due in less than one year	-
Amounts due in years 1 to 5	-
	<hr/> -
<b>At 31 March 2017</b>	
Amounts due in less than one year	0.1
Amounts due in years 1 to 5	0.1
	<hr/> 0.2

## 15 Capital and other financial commitments

a) At 31 March 2018, the Company had no capital commitments which are contracted for but not provided for in the Financial Statements (2017 £nil).

b) At 31 March 2018, the Company had other financial commitments of £455.8m which are contracted for but not provided for in the Financial Statements (2017 £669.1m).

# Notes to the Financial Statements

## 16 Contingent liabilities

There are a number of uncertainties surrounding projects, including potential claims, which may affect the financial performance of the Company. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Statement of Financial Position, 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. It is not currently possible to estimate any likely liability reliably.

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

## 17 Related party transactions

During the year none of the Company's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company (2016/17 none). Details of directors' emoluments can be found in note 4.

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 ("GLA 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 Disclosures* ("IAS 24") and the Company is therefore also classified as a government entity 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.*

The Company has traded with the following related parties that are classified as government entities:

- Revenue received from London Underground Limited for maintenance and expansion of rail infrastructure (note 1).

These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not government-related.

## 18 Ultimate parent undertaking

The Company is a wholly owned subsidiary of TTL, a company controlled by TfL which is the ultimate parent undertaking.

*The largest group in which the results of the Company are consolidated is that headed by TfL, a statutory corporation. The smallest group in which they are consolidated is that headed by TTL, a company incorporated in England and Wales.*

The Board of LUL Nominee SSL Limited has been given assurances of financial support by TfL.

*Copies of the consolidated accounts for TfL are available from 55 Broadway, London, SW1H 0BD.*

## 19 Events occurring after the reporting date

At the date on which the Financial Statements were approved by the Board of Directors, there had been no event that had occurred since 31 March 2018 that would have a material impact on these Financial Statements.