

# Transport Trading Limited

## Annual Report and Financial Statements Year ended 31 March 2021

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Registered in England and Wales  
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# 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 2021.

The Group has prepared the financial statements in accordance with International Financial Reporting Standards in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

## Principal activity

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

## Directors

The directors who served during the year were:

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

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

The Group maintains directors' and officers' liability insurance.

## Employee involvement and communication

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

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

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

## Equality and inclusion

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

## Directors' Report (continued)

### Health, safety and environment

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

Streamlined Energy and Carbon Reporting (SECR) helps businesses across the UK in scope of the 2018 Regulations to comply with their legal obligations in respect of energy and carbon usage reporting.

The TfL Accounts for the year ending 31 March 2021 includes the required disclosures as per these regulations for the TfL Group. The relevant disclosures for the TFL Group are made below.

On an annual basis, the safety, health, and environmental policy and performance reports, containing details of TfL's action plans in relation to furthering the green agenda are published on the TfL website.

The below table discloses the relevant energy use and corresponding carbon emissions for the Group.

<i>For the year ended 31 March</i>	2021	2021 CO <sub>2</sub>	2020	2020 CO <sub>2</sub>
	Energy use	emissions	Energy use	emissions
	MWh	tonnes	MWh	tonnes
Electricity	1,401,438	326,731	1,575,584	402,719
Gas	67,603	12,430	88,655	16,309
<i>For the year ended 31 March</i>	2021	2021 CO <sub>2</sub>	2020	2020 CO <sub>2</sub>
	Consumption	emissions	Consumption	emissions
	litres	tonnes	litres	tonnes
Fuel - petrol	45,155	98	43,997	95
Fuel - diesel	1,436,570	3,658	1,141,149	2,905

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2020.

District heating and cooling factors are specific to the Olympic Park district heating system.

In line with TfL's 2018 Energy Strategy, we have established a clear hierarchy for reducing our operational carbon emissions. The top of this hierarchy is the removal of fossil fuel use and improving our energy efficiency. We are prioritising energy efficiency measures by carbon and cost savings; starting with further rolling out LED lighting replacements across London Underground stations and depots.

### Political donations

No political donations were made during the year (2019/20 £nil).

## Directors' Report (continued)

### Dividends

No dividends have been declared for the year (2019/20 £nil).

### Corporate governance

Transport Trading Limited is a wholly owned subsidiary of Transport for London (TfL), 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 TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

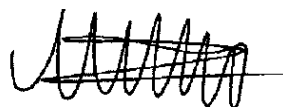
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself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

### Additional disclosures

The Group has chosen, in accordance with Section 414c(1) of the Companies Act 2006, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' report.

The Strategic report on pages 4 to 15 includes other information related to future developments and the principal risks and risk management of the Group.

Approved by the Board on 26 July 2021 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.

## Directors' statement, section 172 of the Companies Act (2006)

As the board of directors of Transport Trading Limited both collectively and individually we fulfilled our duties, as detailed in section 172 of the Companies Act (2006), to a high standard throughout this reporting period.

## Acting fairly between our stakeholders

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 GLA and reports to the Mayor of London. We are focused on promoting the success of the business and benefitting all our stakeholders. As a Local Authority, our activities and engagement are concentrated on delivering the Mayor's Transport Strategy and the needs of our passengers, our people, the general public, our supply chains and service providers.

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. (See the Delivering Mayor's Strategy section of TfL's Accounts for the year ending 31 March 2021).

The TTL Group, which comprises Transport Trading Limited (a subsidiary of TfL) and its subsidiaries, reports into TfL. Key policies and governance for all TTL Group companies are set by the TfL Board.

## High standards of business conduct

Our governance and decision-making arrangements ensure we manage the business responsibly and effectively and to high standards of business conduct (see TfL's Governance Framework in TfL's Accounts for the year end 31 March 2021). This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

The opinion for the year ending 31 March 2021 concluded that TfL's governance framework was adequate for TfL's business needs and operated in an effective manner. The opinion highlighted work that was in progress to address previously disclosed weaknesses in several audits of governance and financial controls relating to procurement and contract management. These issues are being addressed by the Procurement and Supply Chain team.

The coronavirus pandemic has had a significant impact on TfL's operational activities and its finances. A Governance Improvement Plan was developed for 2020/21 that reflects this and a review has been conducted with the Department for Transport (DfT) on TfL's sustainability and financial model. Cost control initiatives continued throughout the year as we worked towards our target of turning a deficit on the net cost of operations at the TfL Group level into a surplus.

## Strategic Report (continued)

We have established a committee structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the business effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members set out in TfL's Accounts for the year end 31 March 2021). At the date of this report just over 53 per cent of our Board members are women. We understand the benefits of diversity and are continually seeking to improve this across our Board and executive teams.

We also have a series of policies and guidance setting out expected standards of behaviour and conduct. Our policies include the TfL Code of Conduct, Anti-fraud and corruption policy, Slavery and Human Trafficking Statement and the Whistleblowing policy.

In an organisation as large as TfL, we partly fulfil our duties by delegating day-to-day decisions to company employees within our governance framework.

### Coronavirus

Our priority during the coronavirus pandemic has been to follow government recommendations for action and keep services running.

In support of the Government's efforts to stop the spread of coronavirus and mitigate the financial impact of the lockdowns, examples of measures implemented include:

- The Group, including Crossrail, brought all construction project sites to a temporary Safe Stop during the initial phases of the first lockdown unless they needed to continue for operational safety reasons or essential maintenance of the transport network
- Enhanced cleaning and use of hospital grade anti-viral cleaning fluids and ultra-violet light sanitising to kill viruses and bacteria across our network services
- Enforcement of the mandatory wearing of face coverings on all public transport modes
- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely
- Rent reliefs, including the grant of a three-month rent holiday during the initial phase of lockdown, to all small and medium enterprises across the property estate (representing 86 per cent of TfL's tenants) to enable them to continue trading

We fully supported the Government's nationwide message to 'stay at home' during the lockdowns. As a result, we saw demand reduce by over 90 per cent on the Tube and around 85 per cent on Buses in the first lockdown in March 2020. We have continued delivering essential transport services supporting the pandemic response.

We oversaw and monitored the response of our executive leadership team to the crisis and ensured that appropriate governance and decision-making frameworks were put in place. We ensured that key decisions were taken in a timely manner to safeguard our people, our passengers, and the public, and to support the country by ensuring essential services continued to run, particularly for key workers.

We maintained regular and open communications with our people, our passengers, train operating companies, key stakeholders, and supply chain to support good decision making.

## Strategic Report (continued)

### Likely consequences of decisions in the long term

We develop our strategy in consultation with our stakeholders, to improve the services we provide to our passengers, suppliers, customers and communities, and our people. We have taken the three themes of the Mayor's Transport Strategy, being Healthy Streets and Healthy People; A Good Public Transport Experience; and New Homes and Jobs; and have developed a set of five key priorities that are the focus of our efforts up until March 2022. These priorities are:

- (i) Future funding – to secure a long-term, sustainable financial deal for TfL
- (ii) Transformative projects – to complete the Northern line extension, finish Crossrail and open the Elizabeth line
- (iii) Pandemic recovery – to safely support and drive forward London's post-pandemic recovery and win back our customers
- (iv) Clear vision – to create a people-centric vision and a more diverse and inclusive organisation, informed by and for our colleagues
- (v) Green future – to improve London's air quality and accelerate decarbonisation

### Interests of the Group's employees

The safety of our people and customers remains paramount. Working alongside our suppliers and Trade Union partners, we have measures put in place to protect staff and customers ranging from installing protective screens for bus drivers, to implementing a rigorous new cleaning regime.

Our important work and partnerships with the transport Unions has continued and been strengthened this past year. We have worked hard to build up a comprehensive set of collective bargaining arrangements which provide for constructive discussions with Trade Union representatives and officials at all levels of the TfL organisation.

We ensure that local, functional and company-level meetings take place, usually on a quarterly basis, across the various employers within the TfL Group. Additionally, there are separate Safety, Health and Environment meetings and other staff network groups focused on specific issues, such as the Black, Asian and Minority Ethnic Network, the Women's Network and the Staff Network Group for Disability.

During the coronavirus pandemic we have worked hard to respond collectively and adapt our normal ways of working. We have increased the frequency of meetings and introduced a weekly TfL-wide trade union summit to ensure that important issues can be raised and dealt with more quickly. We sought advice from unions on how we can best work together to protect our bus drivers and the public who still needed to use the bus network to make essential journeys.

We have had a focus throughout the year on wellbeing support for our employees. Our internal intranet platform hosts a wide range of easy-to access resources, whilst our Occupational Health and Wellbeing team continues to provide easy access to support for employees, despite the challenges of the pandemic. In addition, we have partnered with Able Futures to offer nine months free confidential mental health support to those employees whose mental health is directly impacting their ability to work.

We have continued our annual staff survey and run other listening programmes, and business briefings.

### Impact of operations on the community and the environment

Streamlined Energy and Carbon Reporting (SECR) helps businesses across the UK in scope of the 2018 Regulations to comply with their legal obligations in respect of energy and carbon usage reporting.



## Strategic Report (continued)

The TfL Accounts for the year ending 31 March 2021 includes the required disclosures as per these regulations for the TfL Group. The relevant disclosures for the TTL Group are made within the Directors' Report of this Annual Report and Financial Statements.

On an annual basis, the safety, health, and environmental policy and performance reports, containing details of TfL's action plans in relation to furthering the green agenda are published on the TfL website.

### Fostering business relationships with suppliers, customers and others

Working alongside our suppliers and Trade Union partners, we have measures put in place to protect staff and customers during the pandemic.

During the year we developed initiatives to make us more dependable and easier to work with by working smarter with our supply chain and involving them earlier in the planning phase to help us improve efficiency. The Procurement and Supply Chain team has seen significant changes in its management, who are leading a programme of transformation activity aimed at strengthening commercial/procurement controls.

### Performance summary

Since the start of the coronavirus pandemic, and despite running a near-full level of services for the majority of the year, we have seen a significant decline in income, with passenger fares for the year totalling £1,599.6m (2019/20 £4,750.8m) a decline of 66 per cent, and with advertising and rental revenues also being significantly impacted.

The dramatic drop in income has necessitated the provision of extraordinary grant funding from the Government to TfL. The resulting revenue grant from TfL to support the Group's operations increased to £3,964.3m from £508.8m in 2019/20.

Through our savings programme, recruitment controls, tighter financial oversight and from lower network costs at the start of pandemic, we have kept operating costs low.

Property, plant & equipment additions fell to £1,797.3m (2019/20 £2,453.6m) – a 26 per cent decline. The primary reasons included delays resulting from the safe stop of capital project works at the start of the year, combined with tight spend controls and the pausing or termination of non-core capital projects due to ongoing uncertainty regarding future funding.

Major projects progressed in the year included the Four Lines Modernisation project, the Northern Line Extension, Major Station improvement works, and the design and planned construction of Piccadilly line rolling stock and associated infrastructure.

A full Narrative Report, Financial Review report and details of the Government funding agreement for the TfL Group is included in TfL's Annual Report and Statement of Accounts. This will be available on its website ([www.tfl.gov.uk](http://www.tfl.gov.uk)).

### Underground operations

#### *London Underground Limited*

Fares income has decreased by £2,079.8m compared with 2019/20. The Company carried 296 million passengers over the year, a decrease of 77.8 per cent as the coronavirus pandemic continues to impact demand, resulting in 1,041 million fewer passengers than last year.

Operating costs are below prior year levels despite £88m of additional costs from the coronavirus pandemic (PPE, new cleaning regimes, social distancing as well as stranded labour costs) and lower levels of deferred capital grant release. The reduction primarily reflects the fact that in the prior year, as part of the wider TfL Group tax strategy, the Company paid for tax losses from other subsidiaries of the TTL group. An expense of £390m was recognised within operating

## Strategic Report (continued)

expenditure in 2019/20 in relation to this transfer. No such expense was incurred in 2020/21. Underlying operating costs (adjusting for coronavirus) are £56m better than last year as we continue with our modernisation programme of change, lowering our cost of operating, improving performance and making London Underground a better place to work, all whilst maintaining a safe and reliable network. As a result of the changes we are making, some functions have also moved across directorates and companies within the TfL Group as new teams and reporting lines are formed.

Property, plant and equipment additions were £340m lower than last year as a result of the coronavirus pandemic. However, we continue to invest heavily in our infrastructure, prioritising investments based on funding and ensuring value for money.

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network. The combined effect of the coronavirus pandemic delays and the complexity of re-planning the closure-based works integrating future events in London has led to challenges to the programme, however significant progress was made in the financial year. On 7 March, the programme reached a major milestone when the new signalling system went live in Signalling Migration Area 3 between Monument, Euston Square and Stepney Green. This paves the way for frequencies to be increased and reliability to be improved for our customers once the rest of the route has been automated. This is the largest and most complex migration area commissioned to date and introduced the full complement of District Line drivers to the new signalling system.

On the Northern Line Extension the first passenger test trains ran successfully on the new extension on the 19 and 25 December 2020, ahead of the plan. The test train runs allowed testing of the new signalling system, including stabling at all platforms and bi-directional running within the Kennington loop. The successful high-voltage power installation to the switch rooms has allowed the commissioning of key systems, such as escalators, lifts and CCTV. Stations and shafts tunnel ventilation fans were commissioned. The key focus for the programme next year is on the work packages and resources required for supporting the start of trial operations planned for June 2021. Revenue service is still planned for autumn 2021.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains. On 4 March 2021, a strategic milestone "Completion of Final Design of the new Piccadilly line trains" was achieved ahead of the plan. The programme continues to work collaboratively with Siemens towards the commencement of train manufacture in the coming financial year. The contract for one-person CCTV system was awarded and the design work progresses as planned. This is a safety critical system that provides the train operator with CCTV images of the platform to enable safe departure. The programme expects the first of the new trains to be serving customers from 2025.

At Bank Station, the main tunnelling excavation and associated civil works were completed in late January 2021. The installation of new track has begun, and the project continues to progress well through the fitout phase. Cabling works have started in all areas, while installation of primary cable management and ventilation systems are approaching completion. Planning for the temporary closure of the Northern line Bank branch and some associated Northern line stations continues. This will allow the existing southbound Northern line to be connected into the new running tunnel and platform at Bank allowing the old running tunnel to be transformed into a new larger passenger concourse.

As at 31 March 2021, a further three stations (Cockfosters, Debden & Amersham) became step free, with five more to be completed by the end of 2021. Improvements and capacity increases at stations including Tottenham Hale, Paddington, Knightsbridge, Colindale & Stratford are at varying stages of completion.

Accessibility improvements on the Bakerloo line fleet have commenced, overhauls and refurbishment of the Metropolitan, Victoria, Piccadilly and Central line Fleets are ongoing. A new maintenance shed to house the Central line trains while they undergo heavy overhaul is nearing completion.

We replaced over 8km of new track and 19 points and crossing units across the Underground network to improve reliability, reduce maintenance costs and increase capacity.

## Strategic Report (continued)

We have continued our programme to replace our lighting with low-energy LED equivalents, converting 17 stations in the year. Power and signalling assets have been replaced to improve safety and reliability and work to strengthen the embankment at Grange Hill– Chigwell is underway.

### Surface Transport

The Group's Surface Transport operations include:

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

### *Rail for London Limited*

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

In the year, LO carried 54 million people, a decrease of 71 per cent over the previous year.

LO's operational performance, as measured by the public performance measure (PPM) was 96.2 per cent at the end of the year using the moving annual average. This was significantly higher than the national average for train operators.

Both LO's operational performance and customer satisfaction were affected by the ongoing delayed introduction of the new LOTRAIN fleet, although introduction is expected to complete during 2021/22. These new state-of-the-art electric trains provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new, cleaner, electric trains also improve air quality for people living and working along the route.

In 2020/21, TfL Rail carried 20 million people, which is a 66 per cent drop on the previous year due to the impact of Coronavirus pandemic.

### *Docklands Light Railway Limited*

In the year passenger ridership was 39.7 million which, compared with 2019/20 (116.8 million), is a year-on-year decrease of 66 per cent due to the impact of the Coronavirus pandemic.

## Strategic Report (continued)

In 2020/21, the Coronavirus pandemic prevented face-to-face Customer Satisfaction Surveys from being undertaken across London. Once online surveys were put in place scores dropped across all TfL modes with DLR scoring 78 percent, down from 88 percent the previous year. DLR operation performance – departure score was 99.3 per cent which is 0.9 per cent higher than the franchise agreement threshold.

There were ten weekend closures throughout the year plus an additional two minor closures where we utilised extended engineering hours. We managed to reduce the total number from sixteen in the prior year through working closely with all parties to align dates and combining closures where possible. Prince Regent station was closed during the early stages of the pandemic to support the Nightingale Hospital at the ExCeL London.

### ***Tramtrack Croydon Limited***

In the year Trams carried 11.6 million passengers which, compared with 2019/20 (27.2 million) is a year-on-year decrease of 57 per cent due to the impact of the coronavirus pandemic.

Headline operational performance was 98.3 per cent, an increase on last year (98.2 per cent) despite the impact of coronavirus. To support our customers during the pandemic London Trams returned to a full capacity service in June 2020. We are progressing our performance improvement plans to achieve 99 per cent in 2021/22.

The work to implement the Sandilands Rail Accident Investigation Branch recommendations has been signed off by the Office of Rail and Road as being complete. This includes the industry leading Physical Prevention of Overspeeding system which is in full service.

Of note on project progress was the continuation of the programme of track renewals, with the successful completion of Love Lane and Phases 1 and 2 of Reeves Corner, and fleet upgrade works: the delivery of a new cab-cooling system for the CR4000 trams; commencement of commissioning work for trams CCTV upgrades on the Stadler fleet and the completion of a correct-side door enable solution for the Stadlers in readiness for roll-out.

### ***London Bus Services Limited***

We faced unprecedented financial uncertainty in 2020/21 as lockdowns were brought in at short notice and initially permitted only essential journeys to be made. This saw bus patronage fall to as low as 15 per cent of pre-pandemic levels in spring 2020 at the height of lockdown and recover to over 50 per cent before settling back to around 45 per cent towards the end of the financial year showing the reliance on London's bus network by essential workers. To maintain essential services for groups including key workers and those caring for vulnerable relatives we returned the network to 100 per cent of normal service as part of the Government's wider pandemic response.

The impacts of these headwinds meant London's bus network carried 0.9 billion passenger journeys compared to 2.1 billion trips in 2019/20. It remained the largest public transport carrier in London despite this decline.

Buses will play a pivotal role in helping us avoid a car-led recovery from the pandemic as they continue to be a particularly inclusive, affordable and flexible form of transport. The Hopper Fare enables bus users to hop on and hop off within an hour for just £1.55. We continue to have good reliability and relatively consistent average journey times as a result of traffic signal priority for buses and the wider hours of operation on some of our busiest bus priority corridors.

As we return to more normal operating conditions, we will look to maintain a sustainable subsidy for bus services, reshape the network around new travel patterns, reduce reliance on the private motor car in outer London and enhance air quality across the capital. We will link these changes to the addition of the new Elizabeth Line and capacity improvements to the Tube.

We continue to fund safer vehicles to get us closer to our Vision Zero objective of no-one killed on or by a bus by 2030 and no-one seriously injured by a bus by 2041. We have moved to the second generation of the Bus Safety Standard which now requires additional equipment such as Camera Monitoring Systems instead of mirrors – giving drivers a wider

## Strategic Report (continued)

field of view and much better visibility in low light. The standard will continue to be toughened so that by 2024 it should be able to benefit from the expected availability of emerging technologies like automatic emergency braking. In support of these safer vehicles, we are also restarting virtual-reality safety training for our 24,700 bus drivers which had to be paused during lockdown. We have taken around a quarter of participants through the programme which tries to reduce appetites towards risk and raise awareness of vulnerable road users like pedestrians and cyclists. This is now expected to restart in spring this year and conclude by the first half of 2022. Our bus operators also introduced fatigue management systems in line with our commitments in summer 2020 to reduce one aspect of driving risk. This follows one of the principal recommendations of independent academic research from Loughborough University and the Swedish National Road Safety Authority which we commissioned for the bus industry.

### *London Buses Limited (Dial-a-Ride)*

During the year to 31 March 2021, Dial-a-Ride scheduled 97.6 per cent (2019/20 89.8 per cent) of all trip requests received which was higher than the target of 89.0 per cent. After 'on the day' cancellations of scheduled trips by passengers, the service delivered 144,907 trips which was 84 per cent less than in 2019/20 (2019/20 895,373). The 84 per cent reduction in trips was due to the sharp fall across the year caused by the coronavirus pandemic. There is a small but continuing underlying decline in demand reflecting changing shopping habits and the reduction of activities and day centres provided for disabled and elderly people.

Customer satisfaction remained high at 93.0 per cent (2019/20 90.0 per cent) against a target of 90 per cent. Driver courtesy and professionalism were called out by respondents, along with cleanliness and comfort of the buses. The ongoing renewal of the fleet will have played a significant role in this.

During the year Dial-a-Ride focussed on providing a safe socially distanced service to our customers. Dial-a-Ride continue to develop and implement the Assisted Transport Strategy and ensure our fleet is compliant with the Ultra Low Emission Zone. The latter required the purchase of another 189 new Euro VI buses and significant changes to the booking and scheduling system.

### *Victoria Coach Station Limited*

Victoria Coach Station is the biggest coach terminus in Europe. In 2020/21 there were 40,000 domestic and international accessible departures (2019/20 225,000) and 2 million passenger movements (2019/20 25 million) through the site. The sharp fall in departures and passenger movements was caused by the coronavirus pandemic and the need to close the coach terminus during lockdown.

Throughout the past year the coaching industry has seen an incredibly difficult period of operation and Victoria Coach Station has not been immune from this. However, the design, delivery and installation of a new fire control and detection system throughout the station has been a significant improvement. During the national shutdown stages, improvements have been made to coach deck safety markings and customer information screens. The new team have worked more closely than ever with our coach operating partners to ensure a smooth transition between periods of operation and those of shut down which has brought efficient approaches to internal processes – this will continue as we support a return to operating services.

The following year will look to deliver further significant asset investment for the benefit of our customers and coach operators. The coach hub will continue to be located at its historic home in Victoria, for the foreseeable future. TfL plans to work with our stakeholders to improve customer facilities at the 89-year-old, Grade-II listed station as small sections of the Victoria Coach Station lease expire in the early 2020s. This could include changes to the layout of the station to make the customer experience easier, as well as renovating and renewing facilities.

## Strategic Report (continued)

### *London River Services Limited*

During the year a total of 1.6 million passengers (9.6 million in 2019/20) used London River Services pier facilities, Woolwich Ferry and licensed river tour and river bus services. This shows a decline in passenger numbers during the year of more than 80 per cent. This drop can be attributed to the closure of river bus and river tour services, and lower road traffic volumes, during various tier restrictions and national lockdowns. For part of the year, river bus and tour piers have been closed, and the level of service on the Woolwich Ferry reduced according to demand.

On 1 January 2021, the Woolwich Ferry transitioned from being a contracted service to being operated by TfL. There will be a focus on improving reliability and customer service under the new operating model.

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

### *Crossrail Limited*

In March 2020, the Prime Minister announced unprecedented measures in the Government's bid to halt the spread of coronavirus in the UK. In response, Crossrail Ltd brought non-essential physical activity at its project sites to a temporary stop. A programme of this scale and complexity was already challenging, with pressures on the schedule even before COVID-19 became a factor; the impact of the coronavirus pandemic has made the existing pressures more acute. As the programme impacts became clearer, Crossrail Ltd issued an update to Sponsors.

Crossrail Ltd advised, in August 2020, that the cost to complete the Crossrail project could be up to £1.1bn above the financing package agreed in December 2018 (£450m more than the upper end of the range announced in November 2019) and their latest assessment is that the central section between Paddington and Abbey Wood will be ready to open in the first half of 2022.

On 1 October 2020, responsibility for the governance of the Crossrail Programme moved to sit directly with TfL. This ensures that decision making between Crossrail Ltd and TfL is seamless and fully aligned during the critical final phases of the Programme. The Elizabeth Line Committee has been established as a new Special Purpose Committee of the TfL Board to address the Crossrail project and bringing the Elizabeth line into full passenger service.

On 1 December 2020, the Mayor of London, TfL, the DfT and HM Treasury confirmed an agreed funding and financing package for the final phase of the Crossrail project. This means work on the railway can continue at pace. Crossrail Ltd is continuing to work hard to reduce its funding shortfall and TfL is ensuring that further independent analysis of costs is carried out. The shortfall will initially be covered by the Greater London Authority (GLA) borrowing up to £825m from

## Strategic Report (continued)

the DfT which will be given by the GLA to TfL as a grant. The GLA will repay this loan from the Business Rates Supplement and Mayoral Community Infrastructure Levy.

Delivery of the Elizabeth line is now in its complex final stages with a plan to complete the railway focused on the remaining construction and systems integration; extensive commissioning of the railway is expected to commence in spring 2021. This is a crucial moment in the project with the railway on track to open in the first half of 2022. Following the opening of the central section, the introduction of full services across the Elizabeth line from Reading and Heathrow in the west and Shenfield in the east will be aligned with the National Rail timetable change. Crossrail and TfL are working to ensure the earliest possible opening for the Elizabeth line.

### TTL Properties Limited

During the year ended 31 March 2021, the Company held 100 per cent of the issued share capital of TTL Earls Court Properties Limited, TTL FCHB Properties Limited, TTL Southwark Properties Limited, TTL Kidbrooke Properties Limited, TTL Landmark Court Properties Limited, TTL Blackhorse Road Properties Limited, TTL Northwood Properties Limited, TTL Build to Rent Limited, TTL South Kensington Properties Limited and TTL Wembley Park Properties Limited. These companies are property investment holding companies incorporated in England.

During the year, the gross income generated from property assets totalled £60.5m (2019/20 £84.0m) and an impairment of £296.0m (2019/20 nil) was charged to the Income Statement in relation to the impairment of equity loans granted to subsidiaries. The loss after tax was £377.8m (2019/20 profit £31.6m).

### Treasury activities

During the year, TfL increased amounts lent to subsidiaries of the TTL Group by a net £1,145.8m (2019/20 £654.8m increase). This brings total borrowings held by the TTL Group, at 31 March 2021 to £12,251.9m (2019/20 £11,106.1m). The interest payable by the Group on these borrowings increased to £400.1m (2019/20 £376.6m) reflecting increased borrowings year on year.

The fair value at the year end of outstanding interest rate derivatives taken out to hedge the interest rate on borrowings was a net liability of £9.9m (2019/20 £16.9m). Further cumulative net cash payments of £118.1m made on settlement of gilt locks in prior years are deferred within equity and are being released to the Income Statement as an interest rate hedge over the term of borrowings issued by TfL. £9.0m (2019/20 £9.0m) was released to financial expenses in 2020/21, leaving a remaining balance of £58.5m related to gilt locks deferred in the hedging reserves as at 31 March 2021. Hedging in the Group is achieved through the drawdown of intercompany loans from TfL and the onward lending of the monies to London Underground Limited, a fellow subsidiary undertaking of the TfL Group.

The Group also holds interest rate derivatives in order to fix the floating interest rate risk on operating lease payments for rolling stock under a lease taken out by Rail for London Limited ("RfL"), a subsidiary of Transport Trading Limited. The fair value of these derivatives at 31 March 2021 was a net liability of £20.9m (2018/19 £34.2m).

During the year, the Group was party to a number of forward foreign exchange contract programmes hedging planned future foreign currency expenditure, on plant and equipment, by its subsidiaries. At 31 March 2021, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swedish Krona, Swiss Francs and Chinese Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £371.5m (2019/20 £443.1m). At 31 March 2021, these contracts had a combined net fair value of £(25.7)m (2019/20 £(10.2)m). The fair value of forward contracts was recognised in equity at 31 March 2021, with the exception of Swiss Franc contracts with a fair value of £(0.3)m for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss was recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

## Strategic Report (continued)

In addition, the Group entered into a number of foreign exchange swaps and forwards to hedge the currency risk on foreign currency investments entered into by its parent undertaking, TfL. At 31 March 2021, the Group held forward foreign exchange contracts to sell euros to a value of £183.2m (2019/20 £614.2m). 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 £22.8m (2019/20 loss of £26.2m) has been recognised directly in the *Income Statement within financial expense*.

### Principal risks and risk management

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

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

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

### Funding risk

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

In response to coronavirus, the TfL Group has fully supported the Government's nationwide message to 'stay at home'. As a result, the group saw demand reduce by over 90 per cent on the Tube and around 85 per cent on Buses in March/April 2020 with significant reductions in demand expected to continue throughout 2021. This has had a profound impact on our finances as passenger revenues have contributed more than 70 per cent of total TfL Group revenue income in recent years. Other income streams, including advertising and property rentals have also been significantly adversely impacted by the changes to Londoners' travel patterns, and by TfL's implementation of other measures in response to the pandemic.

The Group has continued delivering essential transport services supporting the crisis response and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has acted to decimate our finances and has exposed the inadequacy of the Group's current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions.

During 2020/21 the Group was able to utilise the Job Retention Scheme as a source of additional funding. It also secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State which gives it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until December 2021. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023 with longer term external funding being required to support TfL's capital investment programme. Details of, and conditions attaching to the latest funding agreement,



## Strategic Report (continued)

signed on 1 June 2021 and extending to 11 December 2021, are set out in TfL's Annual Report and Statement of Accounts.

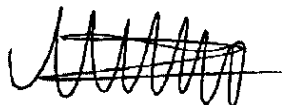
Absorption of the financial impacts of the unprecedented coronavirus directly restricts the level and availability of funding to the Group for spend on capital investment and certain projects have been and are likely to continue to be delayed as a result. Over the short to medium term we will continue with those projects critical to operational safety, those related to Governmental priorities (such as those that promote cycling or walking) or which are already committed and nearing completion. Other pipeline projects may be abandoned, as coupled with reduced availability of funding, planned infrastructure projects may be de-prioritised or no longer considered optimal.

### Brexit

Terms for the new trading relationship between the UK and European Union were confirmed in December 2020 and took effect at the end of that month. The implementation of the new trading relationship ensured greater assurance on the cost impact and availability of goods and materials. The Group has experienced some supply chain disruptions, impacting cost and project delivery including border delays on goods from the EU, import and customs arrangements and quota and tariff charges on imported materials. We continue to proactively monitor and manage risks throughout our supply chains. In addition, we continue to support our non-UK European Union citizen staff by engaging through our Human Resources team and internal communications as well as providing guidance on applying for Settled Status.

On the revenue side, we are exposed to macroeconomic conditions through impacts of changed trading terms on the UK and London economies feeding through to ridership on our services. However, the scale of such impacts is minimal in comparison to the ongoing effects of the coronavirus pandemic. We will continue to monitor economic forecasts as the impacts of both the trading relationship and the recovery from the pandemic become clearer and use these in our forecasting of future revenue.

Approved by the Board on 26 July 2021 and signed on behalf of the Board by

A handwritten signature in black ink, consisting of a series of loops and strokes, appearing to be 'H. Carter'.

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 in conformity with the requirements of the Companies Act 2006.

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

In preparing these financial statements, the directors are required to:

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

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

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Transport Trading Limited ('the parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Group Income Statement, Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes In Equity, the Group Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes 1 to 38, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006. In our opinion:

- the financial statements give a true and fair view of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- *the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.*

## Basis for opinion

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

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

## Material uncertainty relating to the availability of funding to deliver current operational and capital plans

We draw your attention to note g) of the Accounting Policies, which sets out the reliance of the Group on Transport for London for funding and that there is a material uncertainty over the availability of that funding to continue to operate the current planned level of services, including the planned capital programme, post 11 December 2021, which is the end of the period covered by Transport for London's own current funding agreement with the Department for Transport.

As disclosed, the COVID-19 pandemic has had a significant impact on fares income and the availability of funding from the Transport for London Group. During the pandemic, the Transport for London Group has secured a series of short-term Extraordinary Funding and Financing Agreements with the Department for Transport, the most recent of which provides funding through to 11 December 2021, subject to certain terms and conditions as set out in note g) of the Accounting Policies. Alongside these agreements, the Government has conducted a review of the Group, which has included a review of the capital programme; and a Financial Sustainability Plan has been drawn up identifying projects that align with Government priorities for future funding and management has categorised current and future projects according to relative funding priority. Certain projects where termination was not prohibitive have been paused or terminated during the year and the related assets under construction have been written off.

Given the Government's undertaking it is expected that a funding package will be agreed to support a balanced budget beyond 11 December 2021. However, there is material uncertainty surrounding the funding of Transport for London and

## Independent Auditor's Report

therefore its ability to provide funding to this Group, which may cast significant doubt on its ability to continue to operate the current level of services, including the planned capital programme post 11 December 2021.

*In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.*

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our evaluation of the directors' assessment of the Group and entity's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner increased his time directing and supervising the audit procedures on going concern and understanding the latest position with respect to funding arrangements
- Transport Trading Limited relies on funding from Transport for London, as a result we have:
  - Assessed management's review of the capital programme and a Financial Sustainability Plan at a Transport for London Group level by benchmarking key assumptions and considering whether key assumptions are consistent with our understanding of the business and included Transport Trading Limited's activities. We concluded that there is a significant level of uncertainty within the forecasts, surrounding the key assumption of the speed at which people return to public transport, the choices on how people travel, as well as a number of other economic factors
  - Compared scenario analysis re future fare income, to the independent forecast report of future trends on transport usage prepared and illustrated by Imperial College, the worst case fare income was used in the Financial Sustainability Plan at the Transport for London Group
  - Considered the terms of Transport for London Group's other borrowings and whether commitments were appropriately reflected in the Financial Sustainability Plan and we recalculated management's forecast covenants and assessed compliance during the period covered by the Financial Sustainability Plan
  - Compared the liquidity requirements in the Financial Sustainability Plan to the funding set out in the Extraordinary Funding and Financing Agreement to assess whether the budget indicated that this funding would allow the Transport for London Group to operate activities up to 11 December 2021
  - Compared actual performance for the Transport for London Group for the period to 31 March 2021 to the Financial Sustainability Plan for that period to assess the accuracy of historical data.
- We obtained a breakdown of capital projects in progress at 31 March 2021 and management's assessment of the likelihood of future funding, to ensure consistent with management's disclosure in Accounting Policies note 1 g)
- We obtained the Extraordinary Funding and Financing Agreement extending to 11 December 2021 from the Department of Transport and assessed the impact of the Extraordinary Funding and Financing Agreement and funding conditions on the availability of funding from Transport for London
- We read the funding conditions set out in Accounting Policies note g), to ensure the conditions were either achievable, within the Group's control or outside the going concern period which is 12 months to July 2022
- We assessed the adequacy of the disclosures of the material uncertainty relating to funding post 11 December 2021 in the financial statements

### Other information

# Independent Auditor's Report

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

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

## Independent Auditor's Report

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

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (IFRS and Companies Act 2006) and the relevant tax compliance regulations in the UK.
- We understood how the Group is complying with those frameworks by making enquiries from those charged with governance, those responsible for legal and compliance procedures and internal audit. We understood the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We corroborated our enquiries through our review of board minutes, papers provided to the TfL Audit and Assurance Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud or error.
- From time to time we have matters escalated to us by members of the public. We investigate the matters reported and assess the impact thereof on our audit risk. Any findings identified are reported to the TfL Audit and Assurance Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify and non-compliance with laws and regulations, a review of the reporting to the TfL Audit and Assurance Committee on compliance with regulations, enquiries of the Head of Counter-Fraud and Corruption and enquiries of management.

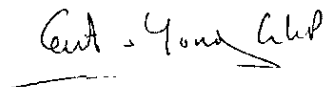
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted

## Independent Auditor's Report

by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Karl Havers (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30 July 2021

## Group Income Statement

Year ended 31 March

		2021	2020
	Note	£m	£m
Revenue	1	1,836.1	5,171.1
Net operating costs		<u>(5,674.9)</u>	<u>(5,524.6)</u>
Operating loss	2	(3,838.8)	(353.5)
Grant income	3	4,006.4	508.8
Other gains and losses	4	(105.0)	62.3
Exceptional items	5	<u>(31.6)</u>	<u>(11.5)</u>
Total profit from operations		31.0	206.1
Financial income	8	30.7	3.5
Financial expenses	9	(382.2)	(369.3)
Group share of profit after tax of joint ventures	16	0.7	(0.1)
Group share of loss after tax of associated undertakings	17	<u>(3.5)</u>	<u>(52.0)</u>
Loss before taxation		(323.3)	(211.8)
Income tax income/(expense)	10	<u>10.5</u>	<u>(106.8)</u>
Loss for the year attributable to owners of the Company		<u>(312.8)</u>	<u>(318.6)</u>



## Group Statement of Comprehensive Income

Year ended 31 March		2021	2020
	Note	£m	£m*
Loss for the year		(312.8)	(318.6)
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Revaluation of property, plant and equipment	12	8.6	18.4
Surplus on the valuation of newly created investment properties	14	72.6	858.4
Deferred tax on the surplus on valuation of newly created investment properties	10	(0.7)	(135.7)
Actuarial (loss)/gain on defined benefit pension schemes	34	(36.5)	14.2
		<u>44.0</u>	<u>755.3</u>
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments		5.1	(26.8)
Derivative fair value loss recycled to income and expenditure		9.3	9.0
		<u>14.4</u>	<u>(17.8)</u>
Total comprehensive income and expenditure for the year attributable to owners of the Company		<u>(254.4)</u>	<u>418.9</u>

\* Other comprehensive income and expenditure for 2019/20 has been restated to exclude derivative fair value losses recycled to the Balance Sheet of £0.2m, as these are not considered a reclassification under IFRS 9. They are, instead, disclosed as movements in the Group Statement of Changes in Equity.

## Group Statement of Financial Position

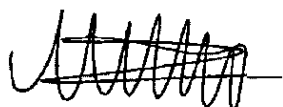
		31 March 2021	31 March 2020
	Note	£m	£m
<b>Non-current assets</b>			
Intangible assets	11	62.4	41.0
Property, plant and equipment	12	38,932.0	38,033.0
Right-of-use assets	13	1,938.2	1,888.5
Investment property	14	1,447.1	1,416.4
Equity accounted Investment in joint venture	16	41.3	7.2
Equity accounted investment in associated undertakings	17	166.9	194.6
Derivative financial instruments	28	0.2	1.5
Finance lease receivables	18	28.6	36.9
Trade and other receivables	22	44.5	48.6
		<u>42,661.2</u>	<u>41,667.7</u>
<b>Current assets</b>			
Inventories	20	51.5	58.9
Assets classified as held for sale	21	78.0	94.3
Finance lease receivables	18	15.4	15.7
Trade and other receivables	22	338.4	361.1
Derivative financial instruments	28	6.5	3.4
Cash and cash equivalents	23	41.7	115.1
		<u>531.5</u>	<u>648.5</u>
<b>Current liabilities</b>			
Trade and other payables	24	(1,499.3)	(1,842.1)
Other financing liabilities	25	(6.2)	(3.5)
Right-of-use lease liabilities	13	(302.6)	(292.5)
PFI liabilities	27	(0.3)	(4.8)
Derivative financial instruments	28	(12.0)	(26.3)
Provisions	29	(44.2)	(68.0)
		<u>(1,864.6)</u>	<u>(2,237.2)</u>
<b>Non-current liabilities</b>			
Trade and other payables	24	(32.1)	(40.9)
Other financing liabilities	25	(128.1)	(132.5)
Borrowings	26	(12,251.9)	(11,106.1)
Right-of-use lease liabilities	13	(1,793.0)	(1,685.2)
PFI liabilities	27	(0.1)	(0.4)
Derivative financial instruments	28	(47.3)	(63.1)
Provisions	29	(21.6)	(23.2)
Deferred grant	32	(12,255.6)	(12,665.6)
Retirement benefit obligation	34	(56.8)	(18.3)
Long-term deferred tax liabilities	10	(234.3)	(242.5)
		<u>(26,820.8)</u>	<u>(25,977.8)</u>
<b>Net assets</b>		<u>14,507.3</u>	<u>14,101.2</u>

## Group Statement of Financial Position (continued)

		31 March 2021	31 March 2020
	Note	£m	£m
Equity			
Called up share capital	35	12,220.0	11,560.0
Revaluation reserve		309.7	306.0
Hedging reserve		(105.0)	(119.4)
Cost of hedging reserve		(3.9)	(4.4)
Merger reserve		466.1	466.1
Retained earnings		1,620.4	1,892.9
Total equity attributable to owners of the Company		<u>14,507.3</u>	<u>14,101.2</u>

The Accounting Policies and notes on pages 34 to 132 form part of these financial statements.

These financial statements were approved by the Board on 26 July 2021 and signed on its behalf by:



H. Carter  
Director  
Company Registration Number 3914810

## Group Statement of Changes in Equity

	Note	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Cost of hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m
<b>At 31 March 2019</b>		10,320.0	325.3	(105.5)	(0.7)	466.1	1,439.4	12,444.6
Loss for the year		-	-	-	-	-	(318.6)	(318.6)
Actuarial gain on defined benefit pension scheme	34	-	-	-	-	-	14.2	14.2
Movement in the fair value of derivative financial instruments		-	-	(22.9)	(3.9)	-	-	(26.8)
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	9.0	-	-	-	9.0
Net surplus on revaluation of property, plant and equipment		-	18.4	-	-	-	-	18.4
Surplus on the revaluation of newly created investment properties		-	-	-	-	-	858.4	858.4
Deferred tax on the surplus on valuation of newly created investment properties		-	-	-	-	-	(135.7)	(135.7)
<b>Total comprehensive income/(expense)</b>		-	18.4	(13.9)	(3.9)	-	418.3	418.9
Issue of share capital	35	1,240.0	-	-	-	-	-	1,240.0
Adjustment to reserves for the implementation of IFRS 16		-	-	-	-	-	(2.5)	(2.5)
Recycling of cashflow foreign exchange hedge losses to the Balance Sheet		-	-	-	0.2	-	-	0.2
Release of revaluation reserve in respect of non-historic cost depreciation		-	(37.7)	-	-	-	37.7	-
<b>At 31 March 2020</b>		11,560.0	306.0	(119.4)	(4.4)	466.1	1,892.9	14,101.2
Loss for the year		-	-	-	-	-	(312.8)	(312.8)
Actuarial loss on defined benefit pension scheme	34	-	-	-	-	-	(36.5)	(36.5)
Movement in the fair value of derivative financial instruments		-	-	5.1	-	-	-	5.1
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	9.3	-	-	-	9.3
Net surplus on revaluation of property, plant and equipment	12	-	8.6	-	-	-	-	8.6
Surplus on the revaluation of newly created investment properties	14	-	-	-	-	-	72.6	72.6
Deferred tax on the surplus on valuation of newly created investment properties	10	-	-	-	-	-	(0.7)	(0.7)
<b>Total comprehensive income/(expense)</b>		-	8.6	14.4	-	-	(277.4)	(254.4)
Issue of share capital	35	660.0	-	-	-	-	-	660.0
Recycling of cashflow foreign exchange hedge losses to the Balance Sheet		-	-	-	0.5	-	-	0.5
Realisation of revaluation reserve on disposal		-	(2.3)	-	-	-	2.3	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	(2.6)	-	-	-	2.6	-
<b>Balance at 31 March 2021</b>		12,220.0	309.7	(105.0)	(3.9)	466.1	1,620.4	14,507.3

## Group Statement of Cash Flows

Year ended 31 March	Note	2021 £m	2020 £m
<b>Cash flows from operating activities</b>			
Loss for the year		(312.8)	(318.6)
Adjustments for:			
Depreciation, Impairment and amortisation of non-current assets	12	1,167.3	1,228.0
Reversal of change in value of investment property	4	81.1	(62.5)
Reversal of loss on disposal of property, plant and equipment	4	28.8	9.1
Reversal of gain on sale of investment property	4	(4.9)	(8.9)
Reversal of financial income	8	(30.7)	(3.5)
Reversal of financial expense	9	382.2	369.3
Amortisation of deferred capital grant to meet the depreciation charge	2	(542.7)	(692.6)
Reversal of share of net loss from associates and joint venture		2.8	52.1
Reversal of defined benefit pension service costs	34	3.0	3.5
Reversal of taxation (credit)/charge		(10.5)	106.8
<b>Cash flow from operating activities before movements in working capital</b>		<b>763.6</b>	<b>682.7</b>
Decrease in inventories		7.4	2.1
Decrease in trade and other receivables		14.5	198.6
Decrease in trade and other payables		(326.3)	(322.3)
Decrease in provisions		(25.4)	(136.8)
<b>Net cash generated from operations</b>		<b>433.8</b>	<b>424.3</b>
Employer contributions to pension scheme	34	(1.4)	(1.6)
Taxation received/(paid)		1.6	(0.1)
<b>Net cash generated from operating activities</b>		<b>434.0</b>	<b>422.6</b>
<b>Cash flows from investing activities</b>			
Interest received		2.4	3.5
Proceeds from disposal of property, plant and equipment		0.3	105.9
Net proceeds from disposal of investment properties		7.9	(2.8)
Acquisition of intangible assets		(8.3)	(4.3)
Acquisition of property, plant and equipment and investment property		(1,821.8)	(2,434.0)
Finance leases granted during the year		(9.7)	(17.9)
Finance leases repaid during the year		18.3	17.5
Investment in equity of joint ventures and associates		(9.2)	(20.4)
<b>Net cash utilised by investing activities</b>		<b>(1,820.1)</b>	<b>(2,352.5)</b>

## Group Statement of Cash Flows (continued)

Year ended 31 March

	Note	2021 £m	2020 £m
<b>Cash flows from financing activities</b>			
Issue of share capital		660.0	1,240.0
Increase in loans from ultimate parent		1,145.8	654.8
Capital grants received		155.0	624.1
Capital element of lease and PFI liabilities repaid		(274.3)	(270.7)
Capital element of other financing liabilities repaid		(1.7)	-
Cash inflow on settlement of derivatives		-	0.7
Interest paid		(372.1)	(330.5)
<b>Net cash flow generated from financing activities</b>		<b>1,312.7</b>	<b>1,918.4</b>
<b>Net cash movement in the year</b>		<b>(73.4)</b>	<b>(11.5)</b>
Net cash and cash equivalents at the start of the year		115.1	126.6
<b>Net cash and cash equivalents at the end of the year</b>	23	<b>41.7</b>	<b>115.1</b>

## Company Statement of Financial Position

		31 March 2021	31 March 2020
	Note	£m	£m
<b>Non-current assets</b>			
Intangible assets	11	41.0	30.4
Property, plant and equipment	12	149.9	180.6
Right-of-use assets	13	28.7	37.2
Investment property	14	0.2	0.7
Investment in subsidiary undertakings	15	14,090.0	12,095.0
Finance lease receivables	18	28.6	36.9
Equity loans to subsidiaries	19	220.1	269.7
Trade and other receivables	22	-	0.1
		<u>14,558.5</u>	<u>12,650.6</u>
<b>Current assets</b>			
Finance lease receivables	18	15.4	15.7
Trade and other receivables	22	301.8	329.0
Cash and cash equivalents	23	21.1	41.8
		<u>338.3</u>	<u>386.5</u>
<b>Current liabilities</b>			
Trade and other payables	24	(600.2)	(809.1)
Right-of-use lease liabilities	13	(8.5)	(8.2)
Provisions	29	-	(1.2)
		<u>(608.7)</u>	<u>(818.5)</u>
<b>Non-current liabilities</b>			
Trade and other payables	24	(10.4)	(7.6)
Borrowings	26	(1,566.0)	(54.5)
Right-of-use lease liabilities	13	(19.0)	(27.4)
Provisions	29	(2.1)	(0.1)
Deferred grant	32	(79.7)	(125.8)
		<u>(1,677.2)</u>	<u>(215.4)</u>
<b>Net assets</b>		<u>12,610.9</u>	<u>12,003.2</u>

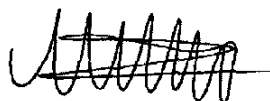
## Company Statement of Financial Position (continued)

		31 March 2021	31 March 2020
	Note	£m	£m
<b>Reserves</b>			
Share capital	35	12,220.0	11,560.0
Revaluation reserve		42.3	43.0
Merger reserve		466.1	466.1
Retained reserves		(117.5)	(65.9)
<b>Total equity attributable to owners of the Company</b>		<b>12,610.9</b>	<b>12,003.2</b>

The Accounting Policies and notes on pages 34 to 132 form part of these financial statements.

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

These financial statements were approved by the Board on 26 July 2021 and signed on its behalf by:



H. Carter

Director

Company Registration Number 3914810



## Company Statement of Changes in Equity

	Note	Share capital	Revaluation reserve	Merger reserve	Retained reserves	Total
		£m	£m	£m	£m	£m
At 1 April 2019		10,320.0	56.9	466.1	(68.4)	10,774.6
Loss for the year		-	-	-	(34.2)	(34.2)
Surplus on revaluation of newly created investment properties		-	-	-	1.5	1.5
Net surplus on revaluation of property, plant and equipment		-	21.3	-	-	21.3
<b>Total comprehensive income/(expense)</b>		-	21.3	-	(32.7)	(11.4)
Issue of share capital	35	1,240.0	-	-	-	1,240.0
Release of revaluation reserve in respect of non-historic cost depreciation		-	(35.2)	-	35.2	-
<b>Balance at 31 March 2020</b>		<b>11,560.0</b>	<b>43.0</b>	<b>466.1</b>	<b>(65.9)</b>	<b>12,003.2</b>
Loss for the year		-	-	-	(54.3)	(54.3)
Surplus on the valuation of newly created investment properties		-	-	-	0.2	0.2
Net surplus on revaluation of property, plant and equipment		-	1.8	-	-	1.8
<b>Total comprehensive income/(expense)</b>		-	1.8	-	(54.1)	(52.3)
Issue of share capital	35	660.0	-	-	-	660.0
Realisation of revaluation reserve on disposal		-	(2.3)	-	2.3	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	(0.2)	-	0.2	-
<b>Balance at 31 March 2021</b>		<b>12,220.0</b>	<b>42.3</b>	<b>466.1</b>	<b>(117.5)</b>	<b>12,610.9</b>

## Company Statement of Cash Flows

Year ended 31 March	Note	2021 £m	2020 £m
<b>Cash flows from operating activities</b>			
Loss for the year		(54.3)	(34.2)
Adjustments for:			
Depreciation	12	29.3	63.5
Amortisation of right-of-use assets	13	8.5	8.7
Amortisation of intangible assets	11	12.4	9.1
Reversal of movements in value of investment property	14	0.3	(1.2)
Reversal of profit on sale of property, plant and equipment		-	(0.1)
Reversal of loss on disposal of investment property		-	0.1
Reversal of impairment of investment	15	80.0	-
Reversal of impairment of equity loans to subsidiaries	19	59.1	-
Reversal of financial income		(2.8)	(3.2)
Reversal of financial expense		1.7	1.8
Amortisation of deferred capital grant to meet depreciation and impairment charges	32	(89.7)	(20.8)
Reversal of taxation charge		9.7	5.7
Cash flow from operating activities before movements in working capital		54.2	29.4
Decrease/(increase) in trade and other receivables		29.2	(1.7)
Decrease in trade and other payables		(203.5)	(48.4)
Increase in provisions		0.8	0.8
Cash (utilised by)/generated from operations		(119.3)	(19.9)
Taxation paid		(9.7)	(5.7)
<b>Net cash (utilised by) operating activities</b>		<b>(129.0)</b>	<b>(25.6)</b>
<b>Cash flows from investing activities</b>			
Interest received		1.3	3.2
Proceeds from disposal of property, plant and equipment		-	35.4
Proceeds from disposal of investment properties		0.4	5.1
Equity loans to subsidiaries		(9.5)	(22.1)
Acquisition of intangible assets		(0.8)	(0.8)
Acquisition of property, plant and equipment		(22.4)	(17.6)
Finance leases granted during the year		(9.7)	(17.9)
Finance leases repaid during the year		18.3	17.5
Subscription for new shares in subsidiary		(2,075.0)	(1,240.0)
Capital grants received		44.0	21.9
<b>Net cash utilised by investing activities</b>		<b>(2,053.4)</b>	<b>(1,215.3)</b>

## Company Statement of Cash Flows (continued)

Year ended 31 March

	Note	2021 £m	2020 £m
<b>Cash flows from financing activities</b>			
Issue of share capital		660.0	1,240.0
Increase in loans from ultimate parent		11.5	-
Increase in loans from fellow subsidiary undertaking		1,500.0	-
Capital element of finance leases		(8.1)	(8.2)
Interest paid		(1.7)	(1.8)
<b>Net cash flow generated from financing activities</b>		<u>2,161.7</u>	<u>1,230.0</u>
<b>Net cash movement in the year</b>		<b>(20.7)</b>	<b>(10.9)</b>
Net cash and cash equivalents at the start of the year		<u>41.8</u>	<u>52.7</u>
<b>Net cash and cash equivalents at the end of the year</b>	23	<u><b>21.1</b></u>	<u><b>41.8</b></u>

## Accounting Policies

### a) Reporting entity

Transport Trading Limited ("TTL" or the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 3914810 and its registered office is 5 Endeavour Square, London E20 1JN.

The consolidated financial statements as at 31 March 2021 include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's equity accounted share of the net assets, and net profit or loss of its joint ventures and associates.

### b) Statement of accounting policies

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

### c) Basis of preparation

#### *Statement of Compliance*

These financial statements have been prepared in sterling which is the functional currency of the Group, rounded to the nearest million (£m) and in accordance with IFRS in accordance in conformity with the requirements of the Companies Act 2006.

#### *Basis of measurement*

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

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

### d) Uses of estimates and judgements

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

#### *Uses of judgement*

##### *Determining whether an arrangement contains a lease*

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

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

## Accounting Policies (continued)

### *Classification of investment properties*

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

### *Leases*

From the lessor's perspective 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 retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Statement of Financial Position, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

### *Availability of future capital funding*

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

### *Capitalisation of assets with third party interest*

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

### *Uses of estimates and assumptions*

### *Useful economic life of property, plant and equipment*

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

### *Post-retirement benefits*

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the defined benefit obligation. More details are given in note 34.

### *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 33 and the Accounting Policy on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

## Accounting Policies (continued)

### Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group or Company. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 29.

### Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2021, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

### Releases on deferred grant balances

The release of deferred grant balances is based on a model that utilises the useful economic life of property, plant and equipment to spread the release of the grant balances over the useful life of the asset.

In 2020/21, as part of a review of the calculation for the release of deferred capital grant liabilities to income, management identified that the formula historically employed was releasing the liability to income at a higher rate than expected given the average asset lives of the assets funded by that grant. In accordance with IAS 8, and in agreement with Ernst & Young, our auditors, this is being rectified prospectively as the revision of an estimate. In these Financial Statements, the deferred capital grant liability outstanding as at 1 April 2020 is amortised over the remaining estimated useful economic lives of the assets funded through that grant. Grant allocations for 2020/21 and future years will be amortised over the weighted average asset life of assets capitalised in each year. As a consequence the amortisation release recognised in the year has fallen from £692.6m in 2019/20 to £383.6m in 2020/21.

### Taxes

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses carried forward with a tax value of £999m (2020 £1,001.9m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,119.9m (2020 £1,751.4m).

### Investment property

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

### Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are

## Accounting Policies (continued)

available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment.

### *Office buildings*

Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve.

### *Valuation of peppercorn leases*

The Group has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2020/21 in respect of these leases.

### *Release of deferred capital grant to income*

Deferred capital grant is allocated annually to fund a pool of capital expenditure. It is released to income over the weighted average estimated useful economic lives of the assets in that pool. There is a large degree of estimation involved in these calculations.

### **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 in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The following new amendments have been applied for the first time in these financial statements:

- **Amendments to IFRS 3 Definition of a business**

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments were early adopted in the consolidated financial statements of the Group for the year ended 31 March 2020.

- **Amendments to IAS 1 and IAS 8 Definition of material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose

## Accounting Policies (continued)

financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

- **Conceptual Framework for Financial Reporting**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments have no impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment has no significant impact on the consolidated financial statements of the Group.

**f) New standards and interpretations not yet adopted**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, are not in conformity with the requirements of the Companies Act 2006:

- **IFRS 17 Insurance Contracts** (mandatory for years commencing on or after 1 January 2023).

IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not expected to have a significant impact for the TfL Group.

- **Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** (effective for annual periods beginning on or after 1 January 2021)

The phase 2 amendment addresses financial reporting implications when an existing interest rate benchmark is replaced with an alternative and highlights the following:

- (i) Facilitates a practical expedient when accounting for changes in the basis for determining the contractual cash flows (and resultant carrying value) of financial assets and liabilities measured at amortised cost or fair value through comprehensive income, to allow the effective interest rate to be adjusted



## Accounting Policies (continued)

- (ii) Relief from discontinuing hedge relationships because of changes to hedge documentation required by the Reform
- (iii) Temporary relief from having to meet the separately identifiable requirement when an alternative Risk Free Rate, such as SONIA is designated as a risk component of a hedge relationship as a replacement for the existing interest rate benchmark (LIBOR)
- (iv) IFRS 16 lessees are required to remeasure their lease liabilities in similar fashion to any other change in estimate, rather than as a lease modification.

Our initial assessment of Interest Rate Benchmark Reform is that the new basis for determining the contractual cash flows would be 'economically equivalent' to the previous basis.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16** (effective for annual periods beginning on or after 1 January 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to assets made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37** (effective for annual periods beginning on or after 1 January 2022)

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

- **Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2023)

The amendments clarify the requirements for classifying liabilities as current or non-current.

- **Reference to the Conceptual Framework – Amendments to IFRS 3** (effective for annual periods beginning on or after 1 January 2022)

The amendment adds an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

## Accounting Policies (continued)

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards.

- **Amendments from the 2018-2020 annual improvements cycle** consisting of:
  - (i) **Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS 1).** The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.  
  
An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
  - (ii) **Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9.** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.  
  
An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)  
  
The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

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

### g) Going concern

The financial statements have been prepared on a going concern basis.

The TTL Group is dependent on funds provided to it by Transport for London (TfL), its parent organisation, in order to ensure working capital and funding requirements are satisfied. TfL has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make such funds available to the TTL Group.

As set out in the Strategic Report, the unprecedented global pandemic of coronavirus has significantly impacted the Group's ability to execute its activities.

In response to coronavirus, we fully supported the Government's nationwide message to 'stay at home'. As a result, the Group saw demand reduce by more than 90 per cent on the Tube and around 85 per cent on Buses in the early part of 2020/21 with significant reductions in demand expected to continue throughout 2021/22. This has had a profound impact on our finances as passenger revenues have contributed more than 70 per cent of total TfL Group revenue income in recent years. Other income streams, including advertising and property rentals have also been significantly adversely impacted by the changes to Londoners' travel patterns, and by TfL's implementation of other measures in response to the pandemic.

## Accounting Policies (continued)

The Group has continued delivering essential transport services supporting the crisis response and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has acted to decimate our finances and has exposed the inadequacy of the Group's current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions.

During 2020/21, the Group was able to utilise the Job Retention Scheme as a source of additional funding. TfL also secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement of TfL's Annual Report and Statement of Accounts, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 11 December 2021. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until April 2023, with longer term external funding being required to support TfL's capital investment programme.

A number of conditions were attached to the latest funding arrangement agreed with the DfT on 1 June 2021, details of which are set out on TfL's website ([www.tfl.gov.uk](http://www.tfl.gov.uk)). As part of the arrangement, TfL has committed to deliver savings and/or new income of at least £300m in 2021/22. However, when taking into account the amount of funding available to TfL in the arrangement, there remains a funding shortfall compared with the TfL Budget for 2020/21. This means that TfL will, in practice, need to deliver savings and/or new income of around £900m over the course of 2021/22. This is expected to be met through a combination of measures, including utilisation of cash reserves, additional non-passenger income and reduced or deferred costs. These additional savings are incremental to our existing efficiency plans.

Over the course of the funding period to 11 December 2021 TfL will be supported by the DfT in implementing a programme of work designed to allow TfL to reach a financially sustainable position as soon as possible, with a target of no later than April 2023 and a declining trajectory, in the meantime, of temporary Government grant support. TfL will also be required to make progress on longer term reforms which are likely to be implemented beyond 2023.

The programme of work will include the following initiatives (among others):

- Identification and consultation on new or increased income sources for the value of between £0.5bn-£1.0bn per annum from 2023
- A joint review of demand to inform future service level requirements and potential changes from 2022/23 onwards
- Preparation of a revised medium-term capital investment programme, which will be confirmed with Government through the 2021 Spending Review
- A review of TfL's pension scheme and potential reform options with the aim of moving TfL's Pension Fund into a financially sustainable position
- A DfT led joint programme on the implementation of Driverless Trains on the London Underground
- A TfL plan for housing delivery through a dedicated commercial property company
- A joint review of options for longer term reform of the funding framework for TfL, including governance and oversight

A material uncertainty remains as to the level of longer-term support that will be agreed. As the TTL Group is dependent on TfL for funding support, the uncertainty over levels of future longer-term funding for TfL mean that there is also significant uncertainty about levels of future longer-term funding available to support the activities of the TTL Group. Whilst directors are confident that the Group remains a going concern for at least 12 months from the date of signing these financial statements, the material uncertainty over future levels of funding casts significant doubt over the Group's

## Accounting Policies (continued)

ability both to continue operating the level of services currently provided into the future and to continue with all projects included in the capital investment plan.

Absorption of the financial impacts of the unprecedented coronavirus pandemic directly restricts the level and availability of funding to the Group for spend on capital investment and certain projects have been already terminated or paused, and others are likely to continue to be delayed as a result. Over the short to medium term we will continue with those projects critical to operational safety, those related to Governmental priorities (such as those that promote cycling or walking) or which are already committed and nearing completion. Other pipeline projects may be abandoned, as coupled with reduced availability of funding, planned infrastructure projects may be de-prioritised or no longer considered optimal.

As part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying the projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate. Work is ongoing to identify possible cost savings that could be made while delivering against the core priorities of the Investment Programme.

As at 31 March 2021, TfL Group had capital projects in the course of construction totalling £18.8bn, of which £14.7bn related to Crossrail and £1.4bn to the Four Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2021 should continue to be funded. However, until a longer-term financing package is formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2021 will be fully funded to completion. Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible further impairment of carrying values at 31 March 2021, which is not reflected in these financial statements.

### **h) Revenue recognition**

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

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

#### ***Fares revenue***

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

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

## Accounting Policies (continued)

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

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

### *Commercial advertising*

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

Where the arrangement is viewed as an operating lease under IFRS 16, revenue is recognised on a straight-line basis over the term of the contract.

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

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

### *Rental income*

Rental income from operating leases of properties, ATMs and car parks is recognised on a straight-line basis over the term of the lease. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur. Rental income based on tenant turnover is considered to be variable income and is therefore recognised as income in the period in which it is earned.

### *Third party contributions to operating costs*

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

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

### *Cycle hire scheme revenues*

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

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

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

### *Museum income*

## Accounting Policies (continued)

### Store sales

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

## Accounting Policies (continued)

### *Venue hire revenue*

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

### *Venue hire catering commission*

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

### *Corporate membership scheme*

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

### *Café concessionaire commission*

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

### *Ticket and photocard commission income*

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

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

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

Grant received on the Furlough Scheme is credited to the Income Statement upon receipt.

### **j) Exceptional items**

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

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

### **k) 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.

## Accounting Policies (continued)

### **Defined benefit plans**

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

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

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

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

### **Defined benefit plans – multi-employer exemption**

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

### **Other employee benefits**

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

### **l) Leases (the Group as lessee)**

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

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

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the TTL Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar



## Accounting Policies (continued)

economic environment with similar terms, security and conditions. The interest rate implicit in the lease is only used when that rate is readily determinable, which is mostly in respect of the Group's former finance leases. All the Group's former operating leases have been discounted using the TfL Group's incremental borrowing rate. TfL Group's incremental borrowing rate is used for the TTL Group as all TTL borrowings are passed down from TTL's parent, TfL, which is the body that raises financing from external parties on behalf of its operating subsidiaries.

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

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

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

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

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

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

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

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

The Group has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

## Accounting Policies (continued)

### m) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. *Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur.* Rental income based on turnover is considered variable and is therefore recognised in the period it is earned. The respective leased assets are included on the Statement of Financial Position within property, plant and equipment based on their nature.

Lease income in respect of property leases has been adversely impacted by the coronavirus pandemic. Bespoke support has been provided to tenants on a case-by-case basis and includes the grant of rent-free periods and other arrangements reflecting the position of each customer. The accounting treatment for the tenant support, which results in some divergence between net rental income on a reported basis and cash flow basis, is as follows:

Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance will be assessed for impairment at each reporting date. If the pandemic continues and if the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase.

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

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

### n) Financial income and expenses

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

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

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

### o) 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.

## Accounting Policies (continued)

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.

### p) 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.

### q) 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
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### r) 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.

## Accounting Policies (continued)

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

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

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

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

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

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

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

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

### **Subsequent costs**

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

### **Depreciation**

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

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

## Accounting Policies (continued)

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

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

Tunnels and embankments	up to 120 years	Bridges and viaducts	up to 120 years
Track	up to 100 years	Road pavement	up to 40 years
Road foundations	up to 50 years	Signalling	up to 40 years
Stations	up to 120 years	Other property	up to 120 years
Rolling stock	up to 50 years	Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years	Computer equipment	up to 15 years

Assets under construction and freehold land are not depreciated.

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

### *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.

### *s) 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.

### *t) 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*

## Accounting Policies (continued)

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

### **Services received**

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

### **Assets**

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IPSAS 32 Service Concession Arrangements – Grantor (“IPSAS 32”).

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

### **Liabilities**

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IPSAS 32.

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

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

### **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.

### **u) Investment property**

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with any changes therein recognised in the Income Statement in the period in which they arise. During 2019/20 and 2020/21, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which have been recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets have been created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) these valuation gains have been recognised directly within other comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the

## Accounting Policies (continued)

discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

### v) Investment in subsidiaries

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

### w) 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.

### x) Investment in joint ventures

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes a joint venture. Under the equity method, the investment is initially recognised on the Statement of Financial Position at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

### y) 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.

### z) 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.

### aa) 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.

## Accounting Policies (continued)

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.

### ab) 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.

### ac) Financial instruments

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

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

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

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

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

Financial assets are measured at amortised cost if:

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

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

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and



## Accounting Policies (continued)

- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

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

Financial assets are measured at FVTPL if they are:

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

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

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

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

Financial liabilities are measured at FVTPL if they are:

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

### ***Loans to subsidiaries***

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

### ***Cash and cash equivalents***

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

### ***Other investments***

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

### ***Trade and other receivables***

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

## Accounting Policies (continued)

### *Finance lease receivables*

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

### *Trade and other creditors*

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

### *Interest bearing loans and borrowings*

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

### *Obligations under right-of-use leases and PFI arrangements*

All obligations under right-of-use leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

### *Derivative financial instruments*

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

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

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

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

### *Hedge accounting*

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

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

- an economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument

## Accounting Policies (continued)

- credit risk does not dominate changes in the value of the hedging instrument or hedged item
- the hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

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

### *Cash flow hedges*

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

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

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

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

### *Fair value measurement of financial instruments*

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

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

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

### *Impairment of financial assets*

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

## Accounting Policies (continued)

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

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

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

### *Embedded derivatives*

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

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

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

### **ad) Fair Value Measurement**

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

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

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

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

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

## Accounting Policies (continued)

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

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

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

### ae) Reserves

#### *Share capital*

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

#### *Revaluation reserve*

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

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

#### *Hedging reserve*

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

#### *Merger reserve*

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

#### *Retained earnings reserve*

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

## Notes to the Financial Statements

### I Group revenue

Year ended 31 March

	2021	% of	2020	% of
	£m	total	£m	total
Fares	1,284.6	70.0	4,432.9	85.7
Revenue in respect of free travel for older and disabled customers	315.0	17.2	317.9	6.1
Charges to London Boroughs and Local Authorities	0.5	-	3.8	0.1
Charges to transport operators	1.6	0.1	10.2	0.2
Commercial advertising receipts	58.9	3.2	158.3	3.1
Rents receivable	76.6	4.2	93.5	1.8
Museum and other retail income	3.9	0.2	11.4	0.2
Contributions from third parties to operating costs	32.4	1.8	38.1	0.7
Ticket and photocard commission income	11.9	0.6	28.5	0.6
ATM and car parking income	3.3	0.2	21.7	0.4
Training and specialist services	1.4	0.1	3.2	0.1
Cycle hire scheme	16.8	0.9	11.0	0.2
Other	29.2	1.5	40.6	0.8
	<u>1,836.1</u>	<u>100.0</u>	<u>5,171.1</u>	<u>100.0</u>

## Notes to the Financial Statements (continued)

### 2 Group operating loss

Year ended 31 March

	Note	2021 £m	2020 £m
<b>The operating loss is stated after charging/(crediting):</b>			
<b>Capital items</b>			
Amortisation of intangible assets	11	15.0	14.3
Depreciation of property, plant and equipment – owned and PFI	12	808.3	907.5
Amortisation of right-of-use assets	13	337.7	306.2
Release of grant to meet the depreciation charge on the historical cost of depreciated fixed assets	32	(483.6)	(692.6)
Release of grant to meet the loss on impairment of investments	32	(59.1)	-
Impairment of property, plant and equipment	11	6.3	-
<b>Other operating costs</b>			
Employee costs	7	1,426.4	1,368.8
Inventory expensed during the year		<u>54.9</u>	<u>71.6</u>

Year ended 31 March

	2021 £m	2020 £m
<b>Auditor's remuneration</b>		
Fees for the audit of these financial statements	1.4	1.0
Fees for the audit of subsidiary financial statements	0.1	0.1
Fees for non-audit services: assurance related*	-	-
	<u>1.5</u>	<u>1.1</u>

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

## Notes to the Financial Statements (continued)

### 3 Group grant income

<i>Year ended 31 March</i>	2021	2020
	£m	£m
Grant from Transport for London to fund operations	3,964.3	508.8
Other revenue grant	42.1	-
	<u>4,006.4</u>	<u>508.8</u>

### 4 Group other gains and losses

<i>Year ended 31 March</i>	2021	2020
	£m	£m
Change in fair value of investment properties	(81.1)	62.5
Net gain on disposal of investment properties	4.9	8.9
Net loss on disposal of property, plant and equipment	(28.8)	(9.1)
	<u>(105.0)</u>	<u>62.3</u>

### 5 Exceptional items

<i>Year ended 31 March</i>	2021	2020
	£m	£m
Exceptional costs relating to the coronavirus pandemic	<u>31.6</u>	<u>11.5</u>

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

### 6 Directors' emoluments

<i>Year ended 31 March</i>	2021	2020
	Number	Number
Number of directors who were remunerated by the Group during the year:	-	-
The Group made contributions to a defined contribution scheme on behalf of the following number of directors	<u>-</u>	<u>-</u>

The directors received no emoluments or benefits from the Company.

Directors' emoluments and benefits were borne by Transport for London for four directors (2019/20 four).

Total remuneration paid to directors of Transport Trading Limited by Transport for London was £1,213,648 (2019/20 £1,182,042) and by its fellow subsidiaries was £307,851 (2019/20 £376,485). The apportionment of this attributable to their service as directors of Transport Trading Limited and its fellow subsidiaries cannot be individually identified.



## Notes to the Financial Statements (continued)

### 7 Group employee costs

*Year ended 31 March*

The average number of persons employed in the year were:

	2021 Number	2020 Number
Bus operations	718	715
London Underground	16,318	16,485
Rail operations	456	442
Crossrail	316	324
Victoria Coach Station	65	70
Group services and other activities	813	709
Total	<u>18,686</u>	<u>18,745</u>

Their aggregate remuneration comprised:

	Note	£m	£m
Wages and salaries		1,034.2	1,037.2
Social security costs		119.0	119.2
Pension cost	34	<u>273.2</u>	<u>212.4</u>
		<u>1,426.4</u>	<u>1,368.8</u>

## Notes to the Financial Statements (continued)

### 8 Group financial income

<i>Year ended 31 March</i>	2021	2020
	£m	£m
Interest income on bank deposits	-	0.1
Interest income received in relation to finance lease receivables	2.7	3.2
Net fair value movement on derivative financial instruments not subject to hedge accounting	26.8	-
Other	1.2	0.2
	<u>30.7</u>	<u>3.5</u>

### 9 Group financial expenses

<i>Year ended 31 March</i>		2021	2020
	Note	£m	£m
Interest payable on derivative financial instruments		21.8	20.6
Interest payable to Transport for London		400.1	376.6
Interest on PFI and right-of-use lease liabilities		46.2	50.0
Contingent rentals on PFI liabilities		0.3	3.6
Net fair value movement on derivative financial instruments not subject to hedge accounting		-	26.2
Net interest on defined benefit obligation	34	0.4	0.7
Other interest payable		3.8	0.1
		<u>472.6</u>	<u>477.8</u>
Less amounts capitalised into qualifying assets	12	<u>(90.4)</u>	<u>(108.5)</u>
		<u>382.2</u>	<u>369.3</u>

The interest rates charged on loans from Transport for London range between 2.48 per cent and 4.42 per cent (2019/20 2.56 per cent and 4.32 per cent).

## Notes to the Financial Statements (continued)

### 10 Taxation

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

#### a) Corporation tax - Group

The Group tax expense for the year, based on the rate of corporation tax of 19 per cent (2019/20 19 per cent) comprised:

	Group 2021 £m	Group 2020 £m
<i>Year ended 31 March</i>		
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior years	(1.6)	-
<b>Total current tax (income)/charge for the year</b>	<b>(1.6)</b>	<b>-</b>
<b>Deferred tax</b>		
Deferred tax - current year	(8.9)	106.8
<b>Total tax (credit)/charge for the year</b>	<b>(10.5)</b>	<b>106.8</b>

#### Reconciliation of tax charge

	Group 2021 £m	Group 2020 £m
<i>Year ended 31 March</i>		
Profit/(loss) before tax	(323.3)	(211.8)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2019/20 19%)	(61.4)	(40.2)
Effects of:		
Non-taxable and non-deductible items	(5.3)	3.3
Amount charged to current tax for which no deferred tax was recognised	58.7	138.0
Utilisation of tax losses brought forward	(0.9)	(0.9)
Tax losses carried forward for which no deferred tax was recognised	-	6.9
Tax exempt revenues	-	(0.3)
Adjustments in respect of prior years	(1.6)	-
<b>Total tax (credit)/charge for the year</b>	<b>(10.5)</b>	<b>106.8</b>

#### b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £2119.9m (2020 £1,751.4m) in respect of the following items:

	Group 2021 £m	Group 2020 £m
<i>Year ended 31 March</i>		
Deductible temporary differences	1,120.9	749.5
Tax losses	999.0	1,001.9
	<b>2,119.9</b>	<b>1,751.4</b>

## Notes to the Financial Statements (continued)

### 10 Taxation (continued)

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

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

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

	Balance at 1 April	Movement in income statement	Movement in other comprehensive income	Balance at 31 March
	£m	£m	£m	£m
<b>For the year ended 31 March 2021</b>				
<b>Deferred tax assets</b>				
Deferred government grant	1,392.4	(188.4)	-	1,204.0
Derivative financial instruments	23.3	(2.6)	-	20.7
Property, plant and equipment – accelerated capital allowances	85.0	25.8	-	110.8
	<u>1,500.7</u>	<u>(165.2)</u>	<u>-</u>	<u>1,335.5</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,461.4)	161.1	-	(1,300.3)
Investment properties – potential capital gain	(263.8)	9.9	(0.7)	(254.6)
Assets held for sale – potential capital gain	(18.0)	3.1	-	(14.9)
	<u>(1,743.2)</u>	<u>174.1</u>	<u>(0.7)</u>	<u>(1,569.8)</u>
<b>Net deferred tax liability</b>	<u>(242.5)</u>	<u>8.9</u>	<u>(0.7)</u>	<u>(234.3)</u>
<b>For the year ended 31 March 2020</b>				
<b>Deferred tax assets</b>				
Deferred government grant	1,438.5	(46.1)	-	1,392.4
Derivative financial instruments	17.3	6.0	-	23.3
Property, plant and equipment – accelerated capital allowances	189.5	(104.5)	-	85.0
	<u>1,645.3</u>	<u>(144.6)</u>	<u>-</u>	<u>1,500.7</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,550.7)	89.3	-	(1,461.4)
Investment properties – potential capital gain	(77.9)	(50.2)	(135.7)	(263.8)
Assets held for sale – potential capital gain	(16.7)	(1.3)	-	(18.0)
	<u>(1,645.3)</u>	<u>37.8</u>	<u>(135.7)</u>	<u>(1,743.2)</u>
<b>Net deferred tax liability</b>	<u>-</u>	<u>(106.8)</u>	<u>(135.7)</u>	<u>(242.5)</u>

## Notes to the Financial Statements (continued)

### 10 Taxation (continued)

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

- The deferred tax liability arising on investment properties, including those held as available for sale, has decreased due to revaluation movements in the year. Due to the level of deferred tax liability arising on investment properties and the nature of the Group's deferred tax assets it is not considered that sufficient deferred tax assets will be available to offset the deferred tax liability in full.
- The property, plant and equipment deferred tax asset and liability have changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.
- Included within the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations recognised in other comprehensive income. Where the revaluation gain has been recognised in other comprehensive income the resulting deferred tax liability has also been recognised in other comprehensive income.
- The deferred tax asset arising in respect of derivative financial instruments has decreased due to movement in the fair value of derivatives.

#### d) Unrecognised deferred tax assets – Company

The Company has a potential deferred tax asset of £11.8m (2019/20 £15.4m). 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:

	2021	2020
	£m	£m
Deductible temporary differences	4.5	7.2
Tax losses	7.3	8.2
Deferred tax asset	<u>11.8</u>	<u>15.4</u>

The Finance Bill 2020 set the main rate of Corporation Tax for all non-ringfenced profits to 19 per cent from 1 April 2020. The Corporation Tax charge and the main rate are also set at 19 per cent from April 2021. In his Spring Budget on 3 March 2021, the Chancellor of the Exchequer announced that the main rate of Corporation Tax will rise to 25 per cent from April 2023. However, as this change had not yet been substantively enacted by the end of the reporting period, deferred tax balances at 31 March 2021 have been calculated at the rate of 19 per cent.

If the recognised deferred tax liability was calculated at a rate of 25 per cent it would increase to £308.3m.

## Notes to the Financial Statements (continued)

### 11 Intangible assets

#### a) Group intangible assets

		Software costs	Goodwill	Intangible assets under construction	Total
Cost or valuation	Note	£m	£m	£m	£m
At 1 April 2019		172.1	351.8	1.9	525.8
Additions		-	-	4.3	4.3
Transfer from property, plant and equipment	12	16.7	-	-	16.7
Disposals		(57.3)	-	-	(57.3)
At 31 March 2020		131.5	351.8	6.2	489.5
Additions		3.9	-	4.4	8.3
Transfer from property, plant and equipment	12	28.1	-	-	28.1
At 31 March 2021		163.5	351.8	10.6	525.9
<i>Amortisation and impairment</i>					
At 1 April 2019		142.3	349.2	-	491.5
Charge for the year	2	14.3	-	-	14.3
Disposals		(57.3)	-	-	(57.3)
At 31 March 2020		99.3	349.2	-	448.5
Charge for the year	2	15.0	-	-	15.0
At 31 March 2021		114.3	349.2	-	463.5
Net book value at 31 March 2021		49.2	2.6	10.6	62.4
Net book value at 31 March 2020		32.2	2.6	6.2	41.0

Assets under construction comprise software assets under development.

## Notes to the Financial Statements (continued)

### 11 Intangible assets (continued)

#### b) Company intangible assets

	Software costs	Intangible assets under construction	Total
	£m	£m	£m
Cost or valuation			
At 1 April 2019	114.4	0.1	114.5
Additions	-	0.8	0.8
Transfer from property, plant and equipment	12 16.7	-	16.7
At 31 March 2020	131.1	0.9	132.0
Additions	0.1	0.7	0.8
Transfer from property, plant and equipment	12 22.2	-	22.2
At 31 March 2021	153.4	1.6	155.0
Amortisation and impairment			
At 1 April 2019	92.5	-	92.5
Charge for the year	9.1	-	9.1
At 31 March 2020	101.6	-	101.6
Charge for the year	12.4	-	12.4
At 31 March 2021	114.0	-	114.0
Net book value at 31 March 2021	39.4	1.6	41.0
Net book value at 31 March 2020	29.5	0.9	30.4

## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment

a) Group property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>						
At 1 April 2020		28,886.9	4,980.3	1,887.0	17,994.8	53,749.0
Additions		789.5	74.1	86.4	847.3	1,797.3
Transfers to investment properties	14	(21.0)	-	-	-	(21.0)
Transfer to intangible assets	11	-	-	-	(28.1)	(28.1)
Transfers between asset classes		(61.0)	(3.8)	10.8	54.0	-
Disposals		(1.1)	-	(35.9)	(0.3)	(37.3)
Write offs		-	-	(1.5)	(38.4)	(39.9)
Revaluation		5.1	-	-	-	5.1
<b>At 31 March 2021</b>		<b>29,598.4</b>	<b>5,050.6</b>	<b>1,946.8</b>	<b>18,829.3</b>	<b>55,425.1</b>
<b>Depreciation</b>						
At 1 April 2020		12,205.6	2,266.0	1,244.4	-	15,716.0
Charge for the year	2	603.4	117.4	87.5	-	808.3
Impairment charge for the year		-	-	1.4	4.9	6.3
Transfers to investment properties	14	(0.1)	-	-	-	(0.1)
Transfer between asset classes		-	0.2	(0.2)	-	-
Disposals		-	-	(33.9)	-	(33.9)
Revaluation		(3.5)	-	-	-	(3.5)
<b>At 31 March 2021</b>		<b>12,805.4</b>	<b>2,383.6</b>	<b>1,299.2</b>	<b>4.9</b>	<b>16,493.1</b>
<b>Net book value at 31 March 2021</b>		<b>16,793.0</b>	<b>2,667.0</b>	<b>647.6</b>	<b>18,824.4</b>	<b>38,932.0</b>
<b>Net book value at 31 March 2020</b>		<b>16,681.3</b>	<b>2,714.3</b>	<b>642.6</b>	<b>17,994.8</b>	<b>38,033.0</b>



## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment (continued)

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

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

As set out in the going concern note to the accounting policies, management believe that all capital projects in progress at 31 March 2021 should continue to be funded. However, until a longer-term financing package has been formally agreed between TfL and the DfT, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2021 will be fully funded to completion.

#### c) Capitalisation of borrowing costs - Group

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. The Group opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing costs ('IAS 23'). The total borrowing costs capitalised during the year were £90.4m (2019/20 £108.5m). The cumulative borrowing costs capitalised are £808.8m (2019/20 £718.4m). Borrowing costs were capitalised into fixed assets at the rate of interest borne on the borrowings used to finance those specific assets.

#### d) Capital commitments - Group

At 31 March 2021, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,175.9m (2019/20 £1,207.2m).

## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment (continued)

#### e) PFI assets – Group

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

	Infrastructure and office buildings £m	Rolling stock £m	Total £m
<b>PFI assets</b>			
Gross cost	223.9	45.2	269.1
Depreciation	(48.5)	(45.2)	(93.7)
<b>Net book value at 31 March 2021</b>	<b>175.4</b>	<b>-</b>	<b>175.4</b>
Net book value at 31 March 2020	311.3	-	311.3

#### f) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2019/20 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors. The value of these buildings at 31 March 2021 was £174.9m (2019/20 £197.1m) and the historic cost was £36.6m (2019/20 £25.7m). A related revaluation gain for the year of £8.6m (2019/20 £18.4m) has been recognised within other comprehensive income and expenditure.

## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment (continued)

g) Company property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2020		185.8	325.6	54.8	566.2
Additions		4.5	33.6	(19.1)	19.0
Transfers to intangible assets	11	-	-	(22.2)	(22.2)
Disposals		-	(6.5)	-	(6.5)
Revaluation		1.6	-	-	1.6
At 31 March 2021		<u>191.9</u>	<u>352.7</u>	<u>13.5</u>	<u>558.1</u>
<b>Depreciation</b>					
At 1 April 2020		114.7	270.9	-	385.6
Charge for the year		9.3	20.0	-	29.3
Disposals		-	(6.5)	-	(6.5)
Revaluation		(0.2)	-	-	(0.2)
At 31 March 2021		<u>123.8</u>	<u>284.4</u>	<u>-</u>	<u>408.2</u>
Net book value at 31 March 2021		<u>68.1</u>	<u>68.3</u>	<u>13.5</u>	<u>149.9</u>
Net book value at 31 March 2020		<u>71.1</u>	<u>54.7</u>	<u>54.8</u>	<u>180.6</u>

h) Company property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2019		232.7	308.9	65.9	607.5
Additions		-	-	24.8	24.8
Transfers to other Group undertakings		(35.3)	-	-	(35.3)
Transfers between asset classes		2.5	6.9	(9.4)	-
Transfer to intangible assets	11	-	9.8	(26.5)	(16.7)
Revaluation		(14.1)	-	-	(14.1)
At 31 March 2020		<u>185.8</u>	<u>325.6</u>	<u>54.8</u>	<u>566.2</u>
<b>Depreciation</b>					
At 1 April 2019		105.6	251.9	-	357.5
Charge for the year		44.5	19.0	-	63.5
Revaluation		(35.4)	-	-	(35.4)
At 31 March 2020		<u>114.7</u>	<u>270.9</u>	<u>-</u>	<u>385.6</u>

## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment (continued)

#### i) Capitalisation of borrowing costs – Company

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2019/20 £nil). The cumulative borrowing costs capitalised are also £nil (2019/20 £nil).

#### j) Capital commitments – Company

At 31 March 2021, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £36.0m (2019/20 £0.5m).

#### k) PFI assets – Company

The Company did not have any PFI assets as at 31 March 2021 (2019/20 nil).

#### l) Office buildings – Company

The existing use value of owner-occupied office buildings at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Company, and by chartered surveyors working for TTL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2019/20 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors. The value of these buildings at 31 March 2021 was £22.8m (2019/20 £21.5m) and the historic cost was £13.6m (2019/20 £13.8m).

## Notes to the Financial Statements (continued)

### 13 Right-of-use assets and lease liabilities

This note provides information for leases where the Group and/or Company is a lessee. For leases where the Group and/or Company is a lessor, see note 18.

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

#### a) The Group Balance Sheet includes the following amounts relating to its right-of-use assets

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor Vehicles £m	Other equipment £m	Total £m
<b>Cost or valuation</b>							
At 1 April 2020		123.5	1,384.8	762.1	11.4	93.8	2,375.6
Additions		23.3	127.3	244.5	2.4	6.2	403.7
Valuation adjustment		-	(16.3)	-	-	-	(16.3)
<b>At 31 March 2021</b>		<b>146.8</b>	<b>1,495.8</b>	<b>1,006.6</b>	<b>13.8</b>	<b>100.0</b>	<b>2,763.0</b>
<b>Amortisation</b>							
At 1 April 2020		13.1	245.5	213.8	2.5	12.2	487.1
Charge for the year	2	13.9	78.9	224.6	3.1	17.2	337.7
<b>At 31 March 2021</b>		<b>27.0</b>	<b>324.4</b>	<b>438.4</b>	<b>5.6</b>	<b>29.4</b>	<b>824.8</b>
<b>Net book value at 31 March 2021</b>		<b>119.8</b>	<b>1,171.4</b>	<b>568.2</b>	<b>8.2</b>	<b>70.6</b>	<b>1,938.2</b>
<b>Net book value at 31 March 2020</b>		<b>110.4</b>	<b>1,139.3</b>	<b>548.3</b>	<b>8.9</b>	<b>81.6</b>	<b>1,888.5</b>

## Notes to the Financial Statements (continued)

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

b) Group right-of-use assets at 31 March 2020 comprised the following:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor Vehicles £m	Other equipment £m	Total £m
<b>Cost or valuation</b>							
At 1 April 2019		-	-	-	-	-	-
Assets held under finance leases at 1 April 2019	12	-	407.7	0.4	-	-	408.1
Assets held under operating leases at 1 April 2019		123.5	598.5	589.1	5.7	69.6	1,386.4
Additions		-	442.0	172.6	5.7	24.2	644.5
Revaluation		-	(63.4)	-	-	-	(63.4)
At 31 March 2020		123.5	1,384.8	762.1	11.4	93.8	2,375.6
<b>Amortisation</b>							
At 1 April 2019		-	-	-	-	-	-
Assets held under finance leases at 1 April 2019	12	-	180.8	0.1	-	-	180.9
Charge for the year	2	13.1	64.7	213.7	2.5	12.2	306.2
At 31 March 2020		13.1	245.5	213.8	2.5	12.2	487.1

## Notes to the Financial Statements (continued)

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

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

	Group 2021 £m	Group 2020 £m
Principal outstanding		
Current liabilities	302.6	292.5
Non-current liabilities	<u>1,793.0</u>	<u>1,685.2</u>
<b>Total</b>	<b><u>2,095.6</u></b>	<b><u>1,977.7</u></b>

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

	Group 2021 £m	Group 2020 £m
Contractual undiscounted payments due in:		
Not later than one year	324.2	314.7
Later than one year but not later than two years	298.7	285.0
Later than two years but not later than five years	495.4	478.9
Later than five years	<u>1,535.4</u>	<u>1,507.4</u>
	2,653.7	2,586.0
Less:		
Present value discount	(557.8)	(607.6)
Prepaid amounts	-	(0.3)
Exempt cashflows	<u>(0.3)</u>	<u>(0.4)</u>
<b>Present value of minimum lease payments</b>	<b><u>2,095.6</u></b>	<b><u>1,977.7</u></b>

## Notes to the Financial Statements (continued)

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

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

		Group 2021	Group 2020
	Note	£m	£m
Amortisation charge of right-of-use assets	2	337.7	306.2
Interest payable on right-of-use lease liabilities		45.9	46.7
Expense relating to short-term leases (included in gross expenditure)		0.5	14.2
Income from sub-leasing right-of-use assets (included in gross income)		<u>10.7</u>	<u>13.4</u>

#### f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow for leases in 2020/21 was £319.5m (2019/20 £290.9m)

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

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

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



## Notes to the Financial Statements (continued)

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

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

#### Variable lease payments:

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

#### Extension and termination options:

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

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

As at 31 March 2021 two rolling stock contracts had commenced. However, while a certain number of units of rolling stock had been accepted and leased under these contracts as at 31 March, the entire quota in each contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2021 were £911.4m and £1,037.5m respectively (2020 £848.8m and £914.3m respectively), out of a total commitment of £1,100m in the contracts. Because contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TTL.

## Notes to the Financial Statements (continued)

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

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 18.

i) The Company Balance Sheet includes the following amounts relating to its right-of-use assets

	Infrastructure and office buildings £m	Other equipment £m	Total £m
<b>Cost or valuation</b>			
At 1 April 2020	44.4	1.5	45.9
At 31 March 2021	44.4	1.5	45.9
<b>Amortisation</b>			
At 1 April 2020	8.2	0.5	8.7
Charge for the year	8.1	0.4	8.5
At 31 March 2021	16.3	0.9	17.2
<b>Net book value at 31 March 2021</b>	<b>28.1</b>	<b>0.6</b>	<b>28.7</b>
Net book value at 31 March 2020	36.2	1.0	37.2

j) Company right-of-use assets at 31 March 2020 comprised the following:

	Infrastructure and office buildings £m	Other equipment £m	Total £m
<b>Cost or valuation</b>			
Assets held under operating leases at 1 April 2019	44.4	1.5	45.9
At 31 March 2020	44.4	1.5	45.9
<b>Amortisation</b>			
At 1 April 2019	-	-	-
Charge for the year	8.2	0.5	8.7
At 31 March 2020	8.2	0.5	8.7

## Notes to the Financial Statements (continued)

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

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

	Company 2021 £m	Company 2020 £m
Principal outstanding		
Current liabilities	8.5	8.2
Non-current liabilities	<u>19.0</u>	<u>27.4</u>
<b>Total</b>	<b><u>27.5</u></b>	<b><u>35.6</u></b>

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

	Company 2021 £m	Company 2020 £m
Contractual undiscounted payments due in:		
Not later than one year	9.1	9.1
Later than one year but not later than two years	8.8	9.1
Later than two years but not later than five years	<u>10.7</u>	<u>19.6</u>
	<b>28.6</b>	<b>37.8</b>
Less:		
Present value discount	<u>(1.1)</u>	<u>(2.2)</u>
<b>Present value of minimum lease payments</b>	<b><u>27.5</u></b>	<b><u>35.6</u></b>

## Notes to the Financial Statements (continued)

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

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

	Company 2021 £m	Company 2020 £m
Amortisation charge of right-of-use assets	8.5	8.1
Interest payable on right-of-use lease liabilities	0.9	1.1
Expense relating to short-term leases (included in gross expenditure)	-	0.1
Income from sub-leasing right-of-use assets (included in gross income)	<u>10.7</u>	<u>8.7</u>

#### n) Analysis of amounts included in the Company Statement of Cash Flows

The total cash outflow for leases in 2020/21 was £9.1m (19/20 £11.0m).

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

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

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

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

##### Variable lease payments:

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

##### Extension and termination options:

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

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

As at 31 March 2021 the Company is not party to any lease arrangements to which the Company as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet.

## Notes to the Financial Statements (continued)

### 14 Investment properties

a) Movements in investment properties in the Group comprised:

	Note	Group £m
<b>Valuation</b>		
At 1 April 2019		485.3
Transfers from parent organisation		10.0
Transfers from property, plant and equipment	12	10.1
Transfer to assets held for sale	21	(1.5)
Disposals		(8.4)
Revaluation	4	<u>920.9</u>
At 31 March 2020		1,416.4
Additions		5.0
Transfers from parent organisation		1.7
Transfer from property, plant and equipment	12	20.9
Transfer from assets held for sale	21	18.7
Disposals		(4.7)
Revaluation		<u>(10.9)</u>
At 31 March 2021		<u>1,447.1</u>

The fair value of the Group's investment properties at 31 March 2021 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2019/20 none).

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

## Notes to the Financial Statements (continued)

### 14 Investment properties (continued)

During 2019/20 and 2020/21, in order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2021, a total net revaluation loss of £8.5m (including movements on investment properties held for sale) was recognised for the Group (2019/20 a gain of £920.9m). Of this, a gain of £72.6m (2019/20 £858.4m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £81.1m net loss (2019/20 £62.5m net gain) relating to movements in the valuation of assets already held at valuation has been reflected within other gains and losses.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £55.7m for the Group (2019/20 £24.3m). The increase was primarily a reflection of an increased credit loss expense during 2020/21 as our tenants faced the financial challenges posed by the coronavirus pandemic.

Information about the impact of changes in unobservable inputs (level 3) on the fair value of the Group's investment portfolio is set out in the table overleaf.

All other factors being equal:

- a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- an increase in the current or estimated future rental stream would have the effect of increasing the capital value

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

b) Movements in investment properties in the Company comprised:

	Company £m
<b>Valuation</b>	
At 1 April 2019	3.2
Transfer to a subsidiary undertaking	(5.2)
Revaluation	<u>2.7</u>
At 31 March 2020	0.7
Intercompany transfer	(0.4)
Revaluation	<u>(0.1)</u>
At 31 March 2021	<u>0.2</u>

## Notes to the Financial Statements (continued)

### 14. Investment properties (continued)

Information about fair value measurements for the TTL Group using unobservable inputs (level 3) for the year ended 31 March 2021

	Estimated value		% change from baseline		Estimated value		% change from baseline		Estimated value		% change from baseline		Estimated value		% change from baseline	
	£m	Yield shift	£m	Yield shift	£m	Yield shift	£m	Yield shift	£m	Yield shift	£m	Yield shift	£m	Yield shift	£m	Yield shift
(10)%	1,415.8	(0.5)%	1,431.8	(0.25)%	1,357.5	0.0%	1,320.5	0.0%	1,236.1	0.25%	1,284.4	0.5%	1,333.2	0.5%	1,381.5	0.5%
(5)%	1,473.0	1.79%	1,408.5	(2.67)%	1,408.2	(3.46)%	1,373.3	(5.10)%	1,284.4	(11.24)%	1,333.2	(7.87)%	1,381.5	(4.53)%	1,430.2	(1.17)%
0%	1,530.0	5.73%	1,462.4	1.06%	1,447.1	0.00%	1,426.4	(1.43)%	1,333.2	(7.87)%	1,381.5	(4.53)%	1,430.2	(1.17)%	1,479.1	2.21%
5%	1,586.9	9.66%	1,516.4	4.79%	1,509.3	3.47%	1,479.1	2.21%	1,381.5	(4.53)%	1,430.2	(1.17)%	1,479.1	2.21%	1,531.9	5.86%
10%	1,643.8	13.59%	1,570.4	8.52%	1,559.9	6.94%	1,531.9	5.86%	1,430.2	(1.17)%	1,479.1	2.21%	1,531.9	5.86%	1,586.9	9.66%

The table above shows the sensitivity of the valuation of the investment property portfolio to a 5 or 10 per cent increase/(decrease) in estimated rental values, combined with a 0.5 or 0.25 per cent increase/(decrease) in yield from the baseline assumptions used to calculate the values as recorded in these accounts.

## Notes to the Financial Statements (continued)

### 15 Investment in subsidiary undertakings

	Company 2021 £m	Company 2020 £m
At 1 April	12,095.0	10,855.0
Additions	2,075.0	1,240.0
Impairment of investment	(80.0)	-
At 31 March	<u>14,090.0</u>	<u>12,095.0</u>

During the year, the Company invested in equity share capital of its subsidiaries as follows:

	Company 2021 £m	Company 2020 £m
Crossrail Limited	150.0	1,160.0
Docklands Light Railway Limited	140.0	-
London Bus Services Limited	55.0	80.0
Rail for London Limited	195.0	-
Tramtrack Croydon Limited	35.0	-
TTL Properties Limited	1,500.0	-
	<u>2,075.0</u>	<u>1,240.0</u>

During the year, the Company impaired the investment in equity share capital of its subsidiaries as follows:

	Company 2021 £m	Company 2020 £m
London Bus Services Limited	(80.0)	-

#### The parent corporation

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



## Notes to the Financial Statements (continued)

### 15 Investment in subsidiary undertakings (continued)

The Company's subsidiaries are;

Subsidiaries	Principal activity	Percentage holding	Registered number
City Airport Rail Enterprises Limited *	Dormant company	100%	04411523
Crossrail Limited	Construction of Crossrail Infrastructure	100%	04212657
Crossrail 2 Limited	Dormant company	100%	09580635
Docklands Light Railway Limited *	Passenger transport by rail	100%	02052677
London Bus Services Limited *	Passenger transport by bus	100%	03914787
London Buses Limited *	Dial-a-Ride services	100%	01900906
London Dial-a-Ride Limited	Dormant company	100%	02602192
London River Services Limited *	Pier operator	100%	03485723
London Transport Museum Limited	Charitable company	100%	06495761
London Transport Museum (Trading) Limited	Trading company	100%	06527755
London Underground Limited *	Passenger transport by underground train	100%	01900907
LUL Nominee BCV Limited *	Dormant company	100%	06221959
LUL Nominee SSL Limited *	Dormant company	100%	06242508
Rail for London Limited *	Passenger transport by rail	100%	05965930
Rail for London (Infrastructure) Limited *	Infrastructure manager for the Crossrail central operating section	100%	09366341
Tramtrack Croydon Limited *	Passenger transport by tram	100%	03092613
Transport for London Finance Limited *	Manages financial risk of the Group	100%	06745516
TTL Blackhorse Road Properties Limited *	Holding company	100%	11121664
TTL Build to Rent Limited*	Holding company	100%	12098343
TTL Earls Court Properties Limited *	Holding company	100%	08951012
TTL FCHB Properties Limited*	Dormant company	100%	12526777
TTL Kidbrooke Properties Limited *	Holding company	100%	10768138
TTL Landmark Court Properties Limited *	Dormant company	100%	11121741
TTL Northwood Properties Limited *	Dormant company	100%	11607897
TTL Properties Limited *	Holding company	100%	08961151
TTL South Kensington Properties Limited *	Property investment	100%	11403981
TTL Southwark Properties Limited *	Property investment	100%	08212651
TTL Wembley Park Properties Limited *	Dormant company	100%	12372143
Tube Lines Limited *	Maintenance of underground lines	100%	03923425
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee	100%	05024749
Victoria Coach Station Limited *	Coach station	100%	00205610
Woolwich Arsenal Rail Enterprises Limited *	Dormant company	100%	05372373

The financial statements of all the above companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. All companies are limited by shares and incorporated in the United Kingdom. The registered office of all companies is 5 Endeavour Square, London E20 1JN.

\* All outstanding liabilities of these undertakings as at 31 March 2021 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 2021 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

## Notes to the Financial Statements (continued)

### 16 Interest in joint ventures

#### Connected Living London (BTR) Limited

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

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

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

#### Balance Sheet of Connected Living London (BTR) Limited at the 100% level at 31 March

	Group 2021 £m	Group 2020 £m
Cash	3.2	5.0
Other current assets	0.2	6.6
<b>Current assets</b>	<b>3.4</b>	<b>11.6</b>
Investment property under construction	15.5	10.5
<b>Non-current assets</b>	<b>15.5</b>	<b>10.5</b>
Creditors	(1.8)	(7.4)
<b>Current liabilities</b>	<b>(1.8)</b>	<b>(7.4)</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>17.1</b>	<b>14.7</b>

## Notes to the Financial Statements (continued)

### 16 Interest in joint ventures (continued)

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

	Group 2021	Group 2020
	£m	£m
Net assets at 100%	17.1	14.7
Percentage held by the TTL Group	49%	50%
Carrying amount of the Group's equity interest in CLL	8.4	7.2

#### Group share of comprehensive income and expenditure of CLL

	Group 2021	Group 2020
	£m	£m
Group share of loss from continuing operations	(0.4)	(0.1)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(0.4)	(0.1)

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

#### b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. During 2019/20, through its voting rights it was assessed that the Group had significant influence but not control over the relevant activities of KP LLP. The Group's investment was therefore accounted for as an associate using the equity method for the that year. In 2020/21, the partnership agreements were reassessed, and through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group was assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method for 2020/21.

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

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

## Notes to the Financial Statements (continued)

### 16 Investment in joint ventures (continued)

Balance sheet of Kidbrooke Partnership LLP at the 100% level

	Group 2021 £m	Group 2020 £m
Current assets	38.9	30.8
Non-current assets	-	-
Current liabilities	(1.3)	(0.6)
Non-current liabilities	-	-
<b>Total net assets</b>	<b>37.6</b>	<b>30.2</b>

Included within current assets in the table above is £2.3m of cash (2019/20 £1.8m).

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

	Group 2021 £m	Group 2020 £m
Net assets at 100%	37.6	30.2
Percentage held by the TfL Group	49%	49%
<b>Carrying amount of the Group's equity interest in Kidbrooke Properties LLP</b>	<b>18.4</b>	<b>14.7</b>

KP LLP has recognised neither a profit nor loss in the year to 31 March 2021 (2019/20 £nil). There is therefore no impact on Group consolidated profits relating to the joint venture. The increase in the carrying amount of the Group's equity interest during the year reflects an investment of £3.7m in additional equity share capital of KP LLP during the year. The Group's percentage shareholding has remained unchanged.

#### c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. During 2019/20, through its voting rights it was assessed that the Group had significant influence but not control over the relevant activities of BRP LLP. The Group's investment was therefore accounted for as an associate using the equity method for the that year. In 2020/21, the partnership agreements were reassessed, and through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group was assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method for 2020/21.

During 2019/20 the Group granted a 999 year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

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

## Notes to the Financial Statements (continued)

### 16 Investment in joint ventures (continued)

#### Balance sheet of BRP LLP at the 100% level

	Group 2021 £m	Group 2020 £m
Current assets	38.2	33.4
Non-current assets	-	-
Current liabilities	(8.7)	(5.9)
Non-current liabilities	-	-
<b>Total net assets</b>	<b>29.5</b>	<b>27.5</b>

Included within current assets in the table above is £9.4m of cash (2019/20 £14.6m).

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

	Group 2021 £m	Group 2020 £m
Net assets at 100%	29.5	27.5
Percentage held by the TfL Group	49%	49%
<b>Carrying amount of the Group's equity interest in BRP LLP</b>	<b>14.5</b>	<b>13.4</b>

#### Group share of comprehensive income and expenditure of BRP LLP

	Group 2021 £m	Group 2020 £m
Group share of profit from continuing operations	1.1	2.1
Group share of other comprehensive income	-	-
<b>Total Group share of comprehensive income and expenditure for the year</b>	<b>1.1</b>	<b>2.1</b>

## Notes to the Financial Statements (continued)

### 17 Investment in associated undertakings

#### a) Earls Court Partnership Limited

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

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2021 the Group had invested £44.4m in share capital and a further £416.2m in loan notes, of which a total of £3.9m was invested in 2020/21.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March. On 31 March 2021, TFL obtained an independent valuation of the underlying investment and development property assets of ECP. This indicated no material movement in the value of the assets between 31 December and 31 March. Neither were there any material movements in net income/expenditure or in the net assets of ECP between 31 December 2020 and 31 March 2021.

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

#### Balance Sheet of Earls Court Partnership Limited at the 100% level at 31 December

	Group 2020 £m	Group 2019 £m
Current assets	6.9	10.4
Non-current assets	516.2	514.5
Current liabilities	(1.8)	(3.2)
Non-current liabilities	(73.4)	(71.7)
<b>Total net assets</b>	<b>447.9</b>	<b>450.0</b>

Included within current assets above is £5.7m of cash (2020 £9.2m). Long-term liabilities represent third-party borrowings.

## Notes to the Financial Statements (continued)

### 17. Investment in associated undertakings (continued)

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

	Group 2021 £m	Group 2020 £m
Net assets at 100% at 31 December	447.9	450.0
Percentage held by the TfL Group	37%	37%
TfL Group share of net assets	165.7	166.5
Revaluation adjustment as at 31 March	-	-
Investment in equity loan notes between 31 December 2020 and 31 March 2021	1.2	-
<b>Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March</b>	<b>166.9</b>	<b>166.5</b>

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

	Group 2021 £m	Group 2020 £m
Group share of loss from continuing operations	(3.5)	(54.1)
Group share of other comprehensive income	-	-
<b>Total Group share of comprehensive income and expenditure for the year</b>	<b>(3.5)</b>	<b>(54.1)</b>

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

## Notes to the Financial Statements (continued)

### 18 Finance lease receivables

#### Group and Company finance lease receivables

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

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

At 31 March	2021 £m	2020 £m
<b>Minimum cash receipts:</b>		
Within one year	17.2	18.4
Between one and five years	29.7	39.8
	<u>46.9</u>	<u>58.2</u>
Less unearned finance income	(2.9)	(5.6)
	<u>44.0</u>	<u>52.6</u>
	2021 £m	2020 £m
<b>Principal outstanding</b>		
At 1 April	52.6	52.2
Additions	7.0	14.7
Interest	2.7	3.2
Repayments	(18.3)	(17.5)
	<u>44.0</u>	<u>52.6</u>
	2021 £m	2020 £m
<b>Principal outstanding</b>		
Current	15.4	15.7
Non-current	28.6	36.9
	<u>44.0</u>	<u>52.6</u>



## Notes to the Financial Statements (continued)

### 19 Equity loans to subsidiaries

	Company 2021 £m	Company 2020 £m
Non-current		
Equity loans to subsidiary companies	<u>220.1</u>	<u>269.7</u>
	Company 2021 £m	Company 2020 £m
Balance at 1 April	506.6	484.5
New loans issued	9.5	22.1
	<u>516.1</u>	<u>506.6</u>
Less provisions for impairment:		
Balance at 1 April	(236.9)	-
Impairment	(59.1)	(236.9)
As at 31 March	<u>(296.0)</u>	<u>(236.9)</u>
Net book value at 31 March	<u>220.1</u>	<u>269.7</u>

Equity loans to subsidiaries are non-interest bearing.

## Notes to the Financial Statements (continued)

### 20 Inventories

	Group 2021 £m	Group 2020 £m
Raw materials and consumables	51.2	58.8
Goods held for resale	0.3	0.1
	<u>51.5</u>	<u>58.9</u>

There is no material difference between the Statement of Financial Position value of inventories and their net realisable value. The Company had no inventories at 31 March 2021 or 31 March 2020.

### 21 Assets classified as held for sale

		Group 2021 £m	Group 2020 £m
Balance outstanding at start of year		94.3	99.1
Assets newly classified as held for sale:			
Investment properties	14	(18.7)	1.5
Revaluation gains:			
Investment properties		2.4	-
Disposals:			
Investment properties		-	(6.3)
Balance outstanding at end of year		<u>78.0</u>	<u>94.3</u>

As at 31 March 2021, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those arrangements.

The Company had no assets classified as held for sale at 31 March 2021 or 31 March 2020.

## Notes to the Financial Statements (continued)

### 22 Trade and other receivables

	Group 2021	Group 2020
	£m	£m
Current		
Trade receivables	97.4	56.5
Other tax and social security	51.2	61.8
Grant debtors	51.1	53.4
Other receivables	27.5	17.2
Prepayments	82.2	103.0
Capital debtors	4.8	16.3
Interest receivable	1.5	-
Contract assets: accrued income	22.7	52.9
	<u>338.4</u>	<u>361.1</u>
Non-current		
Other receivables	17.4	16.5
Prepayments	27.1	32.1
	<u>44.5</u>	<u>48.6</u>

Trade receivables are non-interest bearing and are generally paid within 28 days. In 2021, £30.6m (2020 £9.6m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 33).

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

## Notes to the Financial Statements (continued)

### 22 Trade and other receivables (continued)

	Company £m	Company £m
<b>Current</b>		
Trade receivables	34.0	29.1
Amounts due from fellow group undertakings	216.9	256.1
Other tax and social security	5.2	6.2
Other receivables	3.6	2.5
Grant receivable	0.4	-
Interest receivable	1.5	-
Prepayments	32.2	27.1
Contract assets: accrued income	8.0	8.0
	<u>301.8</u>	<u>329.0</u>
<b>Non-current</b>		
Prepayments	-	0.1
	<u>-</u>	<u>0.1</u>

Trade receivables are non-interest bearing and are generally received within 28 days. In 2021, £24.5m (2020 £5.8m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 33).

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

### 23 Cash and cash equivalents

	Group 2021 £m	Group 2020 £m
Cash at bank	33.9	104.8
Cash in hand and in transit	7.8	10.3
	<u>41.7</u>	<u>115.1</u>

	Company 2021 £m	Company 2020 £m
Cash at bank	20.6	41.7
Cash in hand and in transit	0.5	0.1
	<u>21.1</u>	<u>41.8</u>

## Notes to the Financial Statements (continued)

### 24 Trade and other payables

	Group 2021	Group 2020
	£m	£m
<b>Current</b>		
Trade payables	120.1	51.7
Capital works	528.4	558.2
Retentions on capital contracts	7.6	8.5
Amounts due to ultimate parent	95.8	280.3
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	217.7	348.2
Wages and salaries	99.7	116.3
Interest accruals	2.4	2.0
Contract liabilities: other deferred income	32.3	40.4
Other taxation and social security	46.5	46.1
Capital grants received in advance	18.1	15.1
Accruals and other payables	330.7	375.3
	<u>1,499.3</u>	<u>1,842.1</u>
<b>Non-current</b>		
Retentions on capital contracts	3.9	4.7
Capital grants received in advance	2.8	-
Trade payables	-	0.7
Contract liabilities: deferred income	13.4	28.2
Accruals and other payables	12.0	7.3
	<u>32.1</u>	<u>40.9</u>

The level of outstanding long-term liabilities as at 31 March 2021 has decreased from the prior year primarily as a result of £16.3m of deferred income recorded at 31 March 2020, relating to the redevelopment of a depot, being released to income during 2020/21.

The performance obligations, related to deferred income balances recorded as at 31 March 2021, which are expected to be met in more than one year relate to:

- i. License revenue and funding received from developers for improvements to bus services, which together total £11.8m (2020 £8.9m), of which £3.8m (2020 £5.9m) relates to obligations that are to be satisfied within two to three years, and £4.1m (2020 £3.0m) within five years and £3.8m (2020 £nil) over 5 years.
- ii. Other miscellaneous contracts totalling £1.6m (2020 £4.7m)

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

	Group 2021	Group 2020
	£m	£m
<b>Year ended 31 March</b>		
Amounts included in contract liabilities at the beginning of the year	198.1	283.2
Performance obligations satisfied in previous years	-	-

## Notes to the Financial Statements (continued)

### 24 Trade and other payables (continued)

	Company 2021	Company 2020
	£m	£m
<b>Current</b>		
Trade payables	11.8	6.8
Capital works	8.2	11.6
Amounts due to fellow Group undertakings	288.6	339.1
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	217.7	346.6
Wages and salaries	1.7	2.9
Contract liabilities: other deferred income	24.1	19.4
Other taxation and social security	0.1	0.1
Capital grants received in advance	0.9	0.1
Accruals and other payables	47.1	82.5
	<b>600.2</b>	<b>809.1</b>
<b>Non-current</b>		
Contract liabilities: deferred income	0.1	0.4
Accruals	10.3	7.2
	<b>10.4</b>	<b>7.6</b>

The level of outstanding non-current and current contract liabilities as at 31 March 2021 remained consistent.

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

	Company 2021	Company 2020
	£m	£m
<b>Year ended 31 March</b>		
Amounts included in contract liabilities at the beginning of the year	180.8	270.5
Performance obligations satisfied in previous years	-	-

## Notes to the Financial Statements (continued)

### 25 Other financing liabilities

	Group 2021 £m	Group 2020 £m
<b>Current</b>		
Other financing liabilities	<u>6.2</u>	<u>3.5</u>
<b>Non-current</b>		
Other financing liabilities	<u>128.1</u>	<u>132.5</u>

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £162.1m (2020 £159.7m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2019 2.5 per cent) to the present value recorded in the table above.

The Company had no other financing liabilities at 31 March 2021 or 31 March 2020.

### 26 Borrowings

	Group 2021 £m	Group 2020 £m
<b>Non-current</b>		
Amounts due to ultimate parent	<u>12,251.9</u>	<u>11,106.1</u>

See note 33 (Funding and financial risk management) for further information about the maturity and interest rate profiles of the Group's borrowings.

	Company 2021 £m	Company 2020 £m
<b>Non-current</b>		
Amount due to fellow Group undertakings	1,500.0	-
Amounts due to ultimate parent	<u>66.0</u>	<u>54.5</u>
	<u>1,566.0</u>	<u>54.5</u>

Amount due to fellow Group undertakings is interest bearing at a rate of 2.191% and is repayable on demand with a two year notice period.

## Notes to the Financial Statements (continued)

### 26 Borrowings (continued)

#### Changes in liabilities arising from financing activities

	Group 2021 £m	Group 2020 £m
Balance at 1 April		
Current	300.8	59.3
Non-current	12,924.2	10,811.9
	<u>13,225.0</u>	<u>10,871.2</u>
Right-of-use lease liabilities recognised on Implementation of IFRS 16	-	1,417.9
Increase in loans from ultimate parent	1,145.8	654.8
Repayment of right-of-use liabilities during the year	(279.1)	(227.6)
Non-cash increase in right-of-use liabilities	397.0	548.5
Repayment of PFI liabilities	(4.8)	(43.1)
Net increase in other financing liabilities	(1.7)	3.3
As at 31 March	<u>14,482.2</u>	<u>13,225.0</u>
Current	309.1	300.8
Non-current	<u>14,173.1</u>	<u>12,924.2</u>
	<u>14,482.2</u>	<u>13,225.0</u>

	Company 2021 £m	Company 2020 £m
Balance at 1 April		
Current	8.2	-
Non-current	81.9	54.5
	<u>90.1</u>	<u>54.5</u>
Right-of-use lease liabilities recognised on implementation of IFRS 16	-	42.6
Repayment of right-of-use liabilities during the year	(8.1)	(8.2)
Non-cash increase in right-of-use liabilities	-	1.2
Increase in loans from fellow Group undertakings	1,500.0	-
Increase in loans from ultimate parent	11.5	-
As at 31 March	<u>1,593.5</u>	<u>90.1</u>
Current	8.5	8.2
Non-current	<u>1,585.0</u>	<u>81.9</u>
	<u>1,593.5</u>	<u>90.1</u>



## Notes to the Financial Statements (continued)

### 27 Private finance initiative contracts

#### Private Finance Initiative (“PFI”) contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

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

## Notes to the Financial Statements (continued)

### 27 Private finance initiative contracts (continued)

Contract	Contract dates	Description
<b>London Underground (LU)</b>		
British Transport Police (London Underground)	1999 to 2022	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.
<b>Docklands Light Railway Limited ('DLR')</b>		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway.  The contract required 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. The contract terminated on 31 March 2021.

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

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
<b>At 31 March 2021</b>				
Less than 1 year	-	0.3	4.2	4.5
Between 1 and 5 years	-	0.1	0.7	0.8
	-	0.4	4.9	5.3
<b>At 31 March 2020</b>				
Less than 1 year	0.3	4.8	20.0	25.1
Between 1 and 5 years	-	0.4	4.9	5.3
	0.3	5.2	24.9	30.4

## Notes to the Financial Statements (continued)

### 28 Derivative financial instruments

#### Group cash flow hedges

	Fair value	Notional amount	Fair value	Notional amount
	2021	2021	2020	2020
	£m	£m	£m	£m
<b>Non-current assets</b>				
Foreign currency forward contracts	0.2	19.7	1.5	20.1
	<u>0.2</u>	<u>19.7</u>	<u>1.5</u>	<u>20.1</u>
<b>Current assets</b>				
Foreign currency forward contracts	6.5	229.1	3.4	40.5
	<u>6.5</u>	<u>229.1</u>	<u>3.4</u>	<u>40.5</u>
<b>Current liabilities</b>				
Interest rate swaps	(1.2)	75.0	(0.2)	25.0
Foreign currency forward contracts	(10.8)	165.7	(26.1)	688.5
	<u>(12.0)</u>	<u>240.7</u>	<u>(26.3)</u>	<u>713.5</u>
<b>Non-current liabilities</b>				
Interest rate swaps	(29.6)	336.9	(50.9)	408.6
Foreign currency forward contracts	(17.7)	271.5	(12.2)	316.6
	<u>(47.3)</u>	<u>608.4</u>	<u>(63.1)</u>	<u>725.2</u>

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

## Notes to the Financial Statements (continued)

### 29 Provisions

#### a) Group provisions

	At 1 April 2020	Payments in the year	Charge for the year	Releases in the year	At 31 March 2021
	£m	£m	£m	£m	£m
Compensation and contractual	69.5	(16.8)	9.2	(17.7)	44.2
Environmental harm	1.4	-	-	-	1.4
Severance and other	20.3	(4.7)	6.3	(1.7)	20.2
	<u>91.2</u>	<u>(21.5)</u>	<u>15.5</u>	<u>(19.4)</u>	<u>65.8</u>

	2021 £m	2020 £m
Due		
Current	44.2	68.0
Non-current	21.6	23.2
At 31 March	<u>65.8</u>	<u>91.2</u>

#### b) Company provisions

	At 1 April 2020	Payments in the year	Charge for the year	Releases in the year	At 31 March 2021
	£m	£m	£m	£m	£m
Compensation and contractual	1.3	-	-	(1.2)	0.1
Severance and other	-	-	1.4	0.6	2.0
	<u>1.3</u>	<u>-</u>	<u>1.4</u>	<u>(0.6)</u>	<u>2.1</u>

	2021 £m	2020 £m
Due		
Current	-	1.2
Non-current	2.1	0.1
At 31 March	<u>2.1</u>	<u>1.3</u>

## Notes to the Financial Statements (continued)

### 29 Provisions (continued)

#### c) Nature of provisions

##### Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded as at 31 March are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

##### Environmental harm

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

##### Severance and other

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

### 30 Contingencies

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

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

The Company has also provided a guarantee under section 479C of the Companies Act 2006 in respect of all liabilities outstanding at 31 March 2021 of the majority of its subsidiary undertakings, in order that those subsidiaries may take advantage of the exemption from audit of their individual financial statements. Those subsidiaries for which a guarantee has been provided are as listed in note 15.

## Notes to the Financial Statements (continued)

### 31 Financial commitments

#### a) Operating leases – The Group as lessor

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

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

	Land and buildings £m
<b>At 31 March 2021</b>	
Within one year	56.5
Between one and two years	51.4
Between two and five years	109.7
Later than five years	612.8
	<u>830.4</u>
<b>At 31 March 2020</b>	
Within one year	70.1
Between one and two years	61.8
Between two and five years	141.7
Later than five years	558.2
	<u>831.8</u>

#### b) 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 £m
<b>At 31 March 2021</b>	
Within one year	2.5
Between one and two years	2.2
Between two and five years	4.6
Later than five years	10.7
	<u>20.0</u>
<b>At 31 March 2020</b>	
Within one year	6.3
Between one and two years	6.3
Between two and five years	14.9
Later than five years	0.1
	<u>27.6</u>

## Notes to the Financial Statements (continued)

### 32 Deferred grant

		Group 2021 £m	Group 2020 £m
	Note		
At 1 April		12,665.6	12,726.0
Transport grant		69.9	566.5
Third party contributions and other grants to fund property, plant and equipment		77.0	87.3
Released to the Statement of Comprehensive Income			
- to meet the depreciation charge	2	(483.6)	(692.6)
- to meet the impairment charge	2	(59.1)	-
- on disposal of property, plant and equipment		(14.2)	(21.6)
At 31 March		<u>12,255.6</u>	<u>12,665.6</u>

		Company 2021 £m	Company 2020 £m
At 1 April		125.8	124.7
Transport grant		43.6	22.0
Third party contributions and other grants to fund property, plant and equipment		-	(0.1)
- to meet the depreciation charge		(30.6)	(20.8)
- to meet the impairment of equity loans to subsidiaries		(59.1)	-
At 31 March		<u>79.7</u>	<u>125.8</u>

In 2020/21, as part of a review of the calculation for the release of deferred capital grant liabilities to income, management identified that the formula historically employed was releasing the liability to income at a higher rate than expected given the average asset lives of the assets funded by that grant. In accordance with IAS 8, and in agreement with Ernst & Young, our auditors, this is being rectified prospectively as the revision of an estimate. In these Financial Statements, the deferred capital grant liability outstanding as at 1 April 2020 is amortised over the remaining estimated useful economic lives of the assets funded through that grant. Grant allocations for 2020/21 and future years will be amortised over the weighted average asset life of assets capitalised in each year. As a consequence the amortisation release recognised in the year has fallen from £692.6m in 2019/20 to £483.6m in 2020/21.

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

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management

#### Introduction

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

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

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

The Group does not undertake speculative treasury transactions.

#### Financial Risks and Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, approves and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

#### Credit risk

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

#### Trade and other receivables

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in both notes 19 and 22.

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

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



## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Trade and other receivables (continued)

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

Despite the application of this allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2021 was determined as follows for both trade receivables and contract assets:

#### Age of trade and other receivables Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
<b>At 31 March 2021</b>						
Expected credit loss rate	1.1%	18.5%	90.9%	70.6%	80.6%	10.1%
Estimated total gross carrying amount at default	232.9	46.6	6.6	10.9	7.2	304.2
Expected credit loss allowance	(2.5)	(8.6)	(6.0)	(7.7)	(5.8)	(30.6)
	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
<b>At 31 March 2020</b>						
Expected credit loss rate	0.4%	2.9%	67.5%	100.0%	100.0%	3.4%
Estimated total gross carrying amount at default	264.3	10.4	4.0	3.4	2.1	284.2
Expected credit loss allowance	(1.1)	(0.3)	(2.7)	(3.4)	(2.1)	(9.6)

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Age of trade and other debtors: Company

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
<b>At 31 March 2021</b>						
Expected credit loss rate	0.5%	0.0%	98.4%	100.0%	95.0%	8.3%
Estimated total gross carrying amount at default	263.2	11.6	6.1	7.2	6.0	294.1
Expected credit loss allowance	(1.4)	(4.2)	(6.0)	(7.2)	(5.7)	(24.5)

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
<b>At 31 March 2020</b>						
Expected credit loss rate	0.1%	0.0%	64.3%	100.0%	100.0%	1.9%
Estimated total gross carrying amount at default	295.2	6.1	2.8	2.3	1.3	307.7
Expected credit loss allowance	(0.4)	-	(1.8)	(2.3)	(1.3)	(5.8)

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### *Cash and Cash Equivalents*

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

Throughout 2020/21 investments are made within limits approved by the TfL Board. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

Cash and investments are considered to have low credit risk; the counterparties are highly rated by major rating agencies, have a low risk of default and a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance as at 31 March 2021 and 31 March 2020 was immaterial.

#### *Derivative financial Instruments*

Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Investments, which, for 2020/21, was approved by the TfL Board. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

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

#### **Market risk**

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

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

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### *Foreign exchange risk*

As at 31 March 2021, the Group held forward foreign exchange swaps to hedge €215.0m (2019/20 €720.4m) future Euro receipts in relation to Euro investments held by the Company's parent, Transport for London. These contracts were not in formally designated hedging relationships for accounting purposes, as TfL is outside the Transport Trading Limited Group, and hence hedge accounting has not been applied. A fair value net gain movement on these contracts totalling £22.8m (2019/20 £26.2m net loss) has therefore been recognised directly in the Income Statement within financial expenditure. These derivative instruments mature in the period to May 2021.

For 2020/21, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

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

#### **Effects of hedge accounting**

##### **Foreign currency hedges in relation to capital expenditure**

At 31 March 2021, the Group held forward foreign derivative contracts in Euros, Swedish Krona, Swiss Francs, Chinese Yuan Renminbi and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £371.5m (2019/20 £443.1m). At 31 March 2021, these contracts had a combined net fair value of £(25.7)m (2019/20 £(10.2)m). The effective portion of the fair value of forward contracts was recognised in equity at 31 March 2021, with the exception of Swiss Franc contracts with a fair value of £(0.3m) for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss was recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships have been assessed as effective and the change in value of hedged items since 1 April 2020 has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to March 2027. Detail on the maturity of these contracts is disclosed later in this note.

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### *Sensitivity analysis on foreign exchange risk*

As at 31 March 2021, the Group held forward euro foreign exchange contracts with a combined total net nominal buy value of £119.3m (2020 £264.7m nominal sell value) and a net fair value asset of £20.8m (2020 a liability of £12.9m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £(31.9)m/£(7.1)m (2020 £(6.3)m/£(66.5)m).

As at 31 March 2021, the Group also holds forward foreign exchange contracts with a combined net notional value of £36.4m (2020 £62.3m) and a fair value of £1.2m (2020 £2.5m) to purchase Canadian dollars. A 10% increase/(decrease) in GBP against the Canadian dollar would (decrease)/increase the fair value of these derivative instruments to £(2.1)m/£5.2m (2020 £(3.4)m/£9.6m).

As at 31 March 2021, the Group also holds forward foreign exchange contracts with a combined net notional value of £23.3m (2020 £22.5m) and a fair value of £(1.8)m (2020 £(2.9)m) to purchase Swedish Krona. A 10% increase/(decrease) in GBP against the Swedish Krona would (decrease)/increase the fair value of these derivative instruments to £(3.9)m/£0.8m (2019/20 £(4.4)m/£(0.5)m).

As at 31 March 2021, the Group did not hold forward foreign exchange contracts (2020 £2.3m combined notional value and a fair value £(0.1)m) to purchase Swiss Francs. A 10% increase/(decrease) in GBP against the Swiss Franc would (decrease)/increase the fair value of these derivative instruments to £nil/£nil (2020 £(0.3)m/£0.2m).

As at 31 March 2021, the Group also holds forward foreign exchange contracts with a combined net notional value of £6.8m (2020 £6.4m) and a fair value of £6.4m (2020 £0.5m) to purchase Chinese Renminbi. A 10% increase/(decrease) in GBP against the Chinese Renminbi would (decrease)/increase the fair value of these derivative instruments to £(0.7)m/£0.6m (2020 £(0.1)m/£1.3m). The Company has no other material exposure to foreign exchange rate movements.

#### *Interest risk*

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

#### **Effects of IBOR reform**

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

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

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### *Effects of hedge accounting*

##### **Interest rate swaps**

As at 31 March 2021, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held eight interest rate swaps at a notional value of £411.9m (2020 nine interest rate swaps at a total notional value of £433.6m). The net fair value of these contracts at 31 March 2021 was a liability of £30.8m (2020 £51.1m). The fair value is recognised in equity at 31 March 2021 and will be transferred to net financing costs within the Income Statement as the hedged payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2019 has been offset by the change in value of hedging instruments. For the years ended 31 March 2021 and 2020, no ineffectiveness was recognised in relation to interest rate hedges and the movement in the fair value of those derivatives was taken to reserves.

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

#### *Sensitivity analysis on interest risk*

##### **Fair value sensitivity analysis for fixed interest instruments**

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

##### **Fair value sensitivity analysis for derivative instruments**

As at 31 March 2021, the Group holds interest rate derivative contracts with a combined notional value of £411.9m (2019/20 £433.6m) 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 £29.6m/£(24.9)m (2019/20 £31.9m/£(30.3)m).

#### *Inflation risk*

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

#### *Liquidity risk*

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

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Liquidity risk (continued)

Transport for London has access to several external sources of debt financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, it can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged uncommitted £0.2bn overdraft facility. Funding facilities are not subject to financial covenants.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures faced over the course of 2020/21, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 11 December 2021. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support the Group's capital investment programme.

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

Following the announcement of the latest Funding and Financing Agreement, on 15 June 2021 Moody's credit rating agency downgraded TfL's long-term credit rating from A1 to A3, maintaining the negative outlook. The short-term rating has also been downgraded from Prime-1 to Prime-2. TfL is rated A+/Stable by S&P and Fitch rating agencies. The credit rating downgrade by Moody's may result in an increase in financing costs associated with refinancing of maturing debt, however this impact is not expected to be material. TfL's access to liquidity is also not expected to be materially affected.

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

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Maturity profile of derivatives

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

	2021	2021	2021	2020	2020	2020
	Average exchange rate	Fair value £m	Notional amount £m	Average exchange rate	Fair value £m	Notional amount £m
<b>Foreign currency forward contracts</b>						
<i>Buy euro</i>						
Less than one year	0.874	(8.3)	79.2	0.898	(0.7)	54.3
Between one and two years	0.885	(3.3)	43.3	0.916	(2.2)	97.6
Between two and five years	0.916	(13.0)	173.8	0.950	(5.4)	154.1
After five years	0.914	(0.1)	6.2	0.970	(1.9)	43.6
<i>Sell euro</i>						
Less than one year	0.870	3.9	(183.2)	0.853	(23.1)	(614.3)
<b>Total euro</b>	<b>0.892</b>	<b>(20.8)</b>	<b>119.3</b>	<b>0.883</b>	<b>(33.3)</b>	<b>(264.7)</b>
<i>Buy Canadian Dollars</i>						
Less than one year	0.560	1.2	36.1	0.542	1.8	38.4
Between one and two years	0.590	-	0.3	0.550	0.7	23.6
Between two and five years	-	-	-	0.590	-	0.3
<b>Total Canadian Dollars</b>	<b>0.561</b>	<b>1.2</b>	<b>36.4</b>	<b>0.545</b>	<b>2.5</b>	<b>62.3</b>



## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Maturity profile of derivatives

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

	2021	2021	2021	2020	2020	2020
	Average exchange rate	Fair value £m	Notional amount £m	Average exchange rate	Fair value £m	Notional amount £m
<b>Foreign currency forward contracts</b>						
<i>Buy Swiss Francs</i>						
Less than one year	0.868	(0.2)	2.1	0.864	-	0.9
Between one and two years	0.889	(0.1)	0.2	0.878	(0.1)	1.0
Between two and five years	0.905	-	0.2	0.899	-	0.4
<b>Total Swiss Francs</b>	<b>0.880</b>	<b>(0.3)</b>	<b>2.5</b>	<b>0.877</b>	<b>(0.1)</b>	<b>2.3</b>
<i>Buy Swedish Krona</i>						
Less than one year	0.086	(0.9)	2.4	0.093	(1.0)	7.6
Between one and two years	0.087	(0.4)	3.7	0.093	(1.1)	8.7
Between two and five years	0.086	(0.5)	15.0	0.094	(0.8)	6.2
After five years	0.086	-	2.2	-	-	-
<b>Total Swedish Krona</b>	<b>0.086</b>	<b>(1.8)</b>	<b>23.3</b>	<b>0.093</b>	<b>(2.9)</b>	<b>22.5</b>
<i>Buy Chinese Yuan Renminbi</i>						
Less than one year	0.103	-	-	0.104	0.8	9.8
Between one and two years	0.110	(0.1)	6.3	0.100	0.1	0.8
Between two and five years	0.107	-	0.5	-	-	-
<i>Sell Chinese Yuan Renminbi</i>						
Less than one year	-	-	-	0.104	(0.4)	3.8
Between one and two years	-	-	-	0.100	-	0.4
<b>Total Chinese Yuan Renminbi</b>	<b>0.106</b>	<b>(0.1)</b>	<b>6.8</b>	<b>0.104</b>	<b>0.5</b>	<b>14.8</b>
<b>Grand total</b>	<b>n/a</b>	<b>(21.8)</b>	<b>188.3</b>	<b>n/a</b>	<b>(33.3)</b>	<b>(162.8)</b>
	2021	2021	2021	2020	2020	2020
	Average interest rate (%)	Fair value £m	Notional amount £m	Average interest rate (%)	Fair value £m	Notional amount £m
<b>Interest rate hedges</b>						
Less than one year	3.837	(1.2)	75.0	3.548	(0.2)	25.0
Between one and two years	4.284	(6.4)	100.0	3.837	(3.6)	75.0
Between two and five years	4.489	(2.3)	25.0	4.325	(13.1)	125.0
After five years	2.285	(20.9)	211.9	2.306	(34.2)	208.6
	<b>3.187</b>	<b>(30.8)</b>	<b>411.9</b>	<b>3.224</b>	<b>(51.1)</b>	<b>433.6</b>

The Company does not hold any derivative financial instrument contracts.

## Notes to the Financial Statements (continued)

### 33 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
<b>Group – 2021</b>					
<b>Derivatives settled gross</b>					
Foreign exchange forward contracts:					
Amounts receivable	453.3	76.7	206.5	8.4	744.9
Amounts payable	(457.8)	(81.1)	(226.5)	(8.9)	(774.3)
<b>Derivatives settled net</b>					
Interest rate swaps	(11.8)	(9.2)	(13.3)	(3.5)	(37.8)
	(16.3)	(13.6)	(33.3)	(4.0)	(67.2)
<b>Group – 2020</b>					
<b>Derivatives settled gross</b>					
Foreign exchange forward contracts:					
Amounts receivable	721.8	128.7	154.8	41.7	1,047.0
Amounts payable	(744.4)	(131.3)	(161.0)	(43.6)	(1,080.3)
<b>Derivatives settled net</b>					
Interest rate swaps	(11.4)	(10.6)	(16.4)	(15.8)	(54.2)
	(34.0)	(13.2)	(22.6)	(17.7)	(87.5)

The total asset or liability due to the Group as recognised on the Balance Sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2021, the fair value of the interest rate derivatives was a net liability of £30.8m (2020 £51.1m). The fair value of forward foreign exchange derivatives was a net liability of £21.8m (2020 £33.3m).

## Notes to the Financial Statements (continued)

### 33 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 £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
<b>Group - 2021</b>					
Trade and other payables	1,231.2	18.7	-	-	1,249.9
Borrowings	-	12,251.9	-	-	12,251.9
Right-of-use-lease liabilities	324.2	298.7	495.4	1,535.4	2,653.7
PFI liabilities	0.4	-	-	-	0.4
Other financing liabilities	10.4	10.4	47.7	93.6	162.1
	<u>1,566.2</u>	<u>12,579.7</u>	<u>543.1</u>	<u>1,629.0</u>	<u>16,318.0</u>
<b>Group - 2020</b>					
Trade and other payables	1,438.4	12.7	-	-	1,451.1
Borrowings	-	11,106.1	-	-	11,106.1
Right-of-use-lease liabilities	314.7	285.0	478.9	1,507.4	2,586.0
PFI liabilities	5.1	0.4	-	-	5.5
Other financing liabilities	6.9	12.7	38.2	101.9	159.7
	<u>1,765.1</u>	<u>11,416.9</u>	<u>517.1</u>	<u>1,609.3</u>	<u>15,308.4</u>
<b>Company - 2021</b>					
Trade and other payables	357.5	357.5	-	-	715.0
Borrowings	-	1,566.0	-	-	1,566.0
Right-of-use-lease liabilities	9.1	8.8	10.7	-	28.6
	<u>366.6</u>	<u>1,932.3</u>	<u>10.7</u>	<u>-</u>	<u>2,309.6</u>
<b>Company - 2020</b>					
Trade and other payables	443.0	7.2	-	-	450.2
Borrowings	-	54.5	-	-	54.5
Right-of-use-lease liabilities	9.1	9.1	19.6	-	37.8
	<u>452.1</u>	<u>70.8</u>	<u>19.6</u>	<u>-</u>	<u>542.5</u>

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

#### Fair values

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

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

- Cash and cash equivalents – approximates to the carrying amount
- Trade and other receivables – approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted *forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date)*. Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
  - Forward exchange contracts and currency options – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other payables – approximates to the carrying amount
- Long-term borrowings – approximates to the carrying amount
- PFI and right-of-use lease liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

## Notes to the Financial Statements (continued)

### 33 Funding and financial risk management (continued)

Group	2021	2021	2020	2020
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	41.7	41.7	115.1	115.1
Trade and other receivables	273.6	273.6	274.6	274.6
Derivative financial Instruments	6.7	6.7	4.9	4.9
Finance lease receivables	44.0	44.0	52.6	52.6
<b>Total financial assets</b>	<b>366.0</b>	<b>366.0</b>	<b>447.2</b>	<b>447.2</b>
Trade and other payables	(1,249.9)	(1,249.9)	(1,451.1)	(1,451.1)
Borrowings and overdrafts	(12,251.9)	(12,251.9)	(11,106.1)	(11,106.1)
Right-of-use lease liability	(2,095.6)	(2,095.6)	(1,977.7)	(1,977.7)
PFI liabilities	(0.4)	(0.4)	(5.2)	(5.2)
Other financing liabilities	(134.3)	(134.3)	(136.0)	(136.0)
Derivative financial instruments	(59.3)	(59.3)	(89.4)	(89.4)
<b>Total financial liabilities</b>	<b>(15,791.4)</b>	<b>(15,791.4)</b>	<b>(14,765.5)</b>	<b>(14,765.5)</b>
<b>Net financial liabilities</b>	<b>(15,425.4)</b>	<b>(15,425.4)</b>	<b>(14,318.3)</b>	<b>(14,318.3)</b>

Company	2021	2021	2020	2020
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	21.1	21.1	41.8	41.8
Trade and other receivables	269.6	269.6	301.9	301.9
Finance lease receivables	44.0	44.0	52.6	52.6
Equity loans to subsidiaries	220.1	220.1	269.7	269.7
<b>Total financial assets</b>	<b>554.8</b>	<b>554.8</b>	<b>666.0</b>	<b>666.0</b>
Trade and other payables	(367.8)	(367.8)	(450.2)	(450.2)
Borrowings	(1,566.0)	(1,566.0)	(54.5)	(54.5)
Right-of-use lease liability	(27.5)	(27.5)	(35.6)	(35.6)
<b>Total financial liabilities</b>	<b>(1,961.3)</b>	<b>(1,961.3)</b>	<b>(540.3)</b>	<b>(540.3)</b>
<b>Net financial assets</b>	<b>(1,406.5)</b>	<b>(1,406.5)</b>	<b>125.7</b>	<b>125.7</b>

The fair value of the Company's assets did not differ materially from the carrying value at 31 March 2021 or 2020.

## Notes to the Financial Statements (continued)

### 34 Pensions

#### a) Background

The Group offers retirement plans to its employees.

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

#### b) Defined benefit schemes

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

##### Public Sector Section of the TfL Pension Fund (TfL Pension Fund)

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

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

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions for the period from 1 April 2019 until 31 March 2020 represented future service contributions at the rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions have risen to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made from 1 April 2020 if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of the Group's entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. In accordance with IAS 19, the ultimate parent Corporation, Transport for London, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts. The Group treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Group's contributions to the Section of £266.8m (2019/20 £209.4m) have been charged to the Income Statement.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2021. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligations is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2020 projections with a long term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 mortality experience.

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

## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2021 was £5,372.1m (2020 £3,941.7m). As stated above, it is not possible to identify the Group's particular share of the deficit. Further details can be found in the Statement of Accounts of Transport for London.

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

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2021 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2021, of £56.8m (2020 £18.3m). The discounted Crossrail Section liabilities have a duration of approximately 24 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2019. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2020 projections with a long term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 mortality experience.

#### **Unfunded pension costs**

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

#### **Other schemes**

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

## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

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

Reconciliation of the Section's liabilities	2021	2020
	£m	£m
At 1 April	94.8	104.2
Current service cost	2.7	3.3
Interest cost	2.2	2.5
Employee contributions	0.3	0.3
Net remeasurement gains - financial	43.7	(15.5)
Net remeasurement gains - experience	0.4	-
Net remeasurement gains - demographic	1.6	0.2
Actual benefit payments	(1.8)	(0.2)
At 31 March	143.9	94.8
Reconciliation of fair value of the Section's assets	2021	2020
	£m	£m
At 1 April	76.5	74.3
Interest income on scheme assets	1.8	1.8
Return on assets excluding interest income	9.2	(1.1)
Actual employer contributions	1.4	1.6
Employee contributions	0.3	0.3
Actual benefit payments	(1.8)	(0.2)
Scheme expenses	(0.3)	(0.2)
At 31 March	87.1	76.5
Net deficit	56.8	18.3

Total contributions of £1.4m are expected to be made to the Crossrail Section of the Railways Pension Fund in the year ending 31 March 2022.



## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

#### d) Summary of pension totals for the year

		Group 2021	Group 2020
	Note	£m	£m
Total pension service cost for the year			
TfL Pension Fund (Public Sector Section)		266.8	209.4
Crossrail Section		2.7	3.5
Other schemes		6.7	3.0
Pension service cost capitalised by Crossrail Limited		(3.0)	(3.5)
Total pension service cost for the year	7	273.2	212.4
Scheme administrative expenses for the Crossrail Section		0.3	0.1
Amount included in cost of operations		273.5	212.5

		Group 2021	Group 2020
		£m	£m
Net interest on defined benefit obligations			
Crossrail Section of the Railways Pension Fund		0.4	0.7
Amounts charged to financial expenditure	9	0.4	0.7

		Group 2021	Group 2020
		£m	£m
Total actuarial gains and losses recognised			
Actuarial (loss)/gain on Crossrail Section of the Railways Pension Fund		(36.5)	14.2

## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

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

	Value at 31 March 2021 £m	Value at 31 March 2020 £m
Equities	74.8	67.2
Bonds	11.8	8.7
Cash, property and other assets	0.5	0.6
Total market value of assets	87.1	76.5

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

	At 31 March 2021 %	At 31 March 2020 %
RPI inflation	3.15	2.35
Rate of increase in salaries	3.15	2.35
Discount rate	1.95	2.30

## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

#### e) Sensitivities

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

- If the discount rate were 0.1% higher/(lower), the defined benefit obligation would decrease by £3.4m/(increase by £3.8m)
- If the expected salary growth were increased/(decreased) by 0.1%, the defined benefit obligation would increase by £0.4m/(decrease by £0.4m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £6m/(decrease by £5.9m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £3.3m/(decrease by £3.1m).

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

#### f) Other pension arrangements

##### Docklands Light Railway Pension Scheme

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

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

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

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6% per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5% per annum (up to RPI inflation + 1.5% per annum).

## Notes to the Financial Statements (continued)

### 34 Pensions (continued)

Over the year beginning 1 April 2021 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5% per annum.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2021. A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2021. This gave a valuation for the net obligation as at 31 March 2021 of £36.6m. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

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

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

Contributions totalling £4.3m were paid by DLR in 2021/20, with an additional £5.5m being paid by KAD (2019/20 £2.2m paid by DLR and £5.9m by KAD). These costs are not reflected within staff costs for the TTL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's *concessionaire*.

### 35 Called up share capital

Company and Group	2021	2020
	£m	£m
As at 1 April	11,560.0	10,320.0
Issued during the year	660.0	1,240.0
As at 31 March	<u>12,220.0</u>	<u>11,560.0</u>

During the year the Company issued 660 million fully paid £1 ordinary shares (2019/20 1,240 million fully paid £1 ordinary shares). These were settled for consideration of £660m of cash.

## Notes to the Financial Statements (continued)

### 36 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 (2019/20 none).*

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

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

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

- Interest accrued by the Group on loans from TfL is disclosed in note 9
- Receipt of funding from TfL in the form of grants (notes 3 and 32), loans (note 26) or share capital (note 35)
- Payment of management fees to and from TfL 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

### 37 Ultimate parent undertaking

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

## Notes to the Financial Statements (continued)

### 38 Events after the reporting date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Strategic Report and going concern Accounting Policy.

Since 31 March 2021, the Group has continued to experience revenue shortfalls as a result of the pandemic, and the TfL Group remains reliant on extraordinary funding support from the Department for Transport (DfT) for the continued provision of services. The latest funding package, agreed on 1 June 2021, extends to 11 December 2021 and contains an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 2022/23, with longer term external funding being required to support TfL's capital investment programme.

Management have considered the impact of the pandemic and the status of ongoing discussions with Government regarding TfL's longer term funding requirements on the values at which income, assets and liabilities have been recorded in these accounts. We do not consider that there has been any post-Balance Sheet event that would require a further adjustment being made to the carrying values at 31 March 2021 as reported in these financial statements. As at the date of signing of the accounts, the Group continues to provide a full level of service.

Throughout 2021/22, TfL will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. We will make decisions regarding the future of assets under construction at the Balance Sheet date as and when Government priorities in relation to future Transport investment, and the quantum of likely future funds, become clearer. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post Balance Sheet events for the purposes of these Financial Statements.