City Airport Rail Enterprises PLC

Annual Report and Financial Statements
Year ended 31 March 2014

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

Registered in England and Wales
Number 04411523

Contents

Directors' Report and Strategic Report

Introduction

The directors present their annual report on the affairs of City Airport Rail Enterprises PLC (the "Company") together with the Financial Statements for the year ended 31 March 2014 The Company is a subsidiary undertaking of City Airport Rail Enterprises (Holdings) Limited ("CARE Holdings") and is part of the group headed by Transport for London ("TfL")

Principal Activity

On 25 February 2003, the Company entered into a Private Finance Initiative ("PFI") concession contract with Docklands Light Railway Limited ("DLR") to design build, finance and maintain a 4 4km extension to the Docklands Light Railway from Canning Town to London City Airport

Strategic Report

Construction of the railway is complete and the railway was opened for public use on 2 December 2005 The Company provides maintenance services and the railway is available to Docklands Light Railway Limited ('DLR') The railway has operated successfully since opening

The shares of City Airport Rail Enterprises (Holdings) Limited, the Company's immediate parent company, were acquired by Transport Trading Limited ('TTL'), a subsidiary of the Transport for London group on 23 November 2011 Although the PFI contract remains in place to govern the relationship between DLR and the Company, the Company is now remunerated on a cost reimbursable basis

Directors

The directors, who served throughout the year and up to the date of this Report, were as follows

S Allen	
H Carter	
P Hendy	
G Powell	appointed 3 June 2013
H Smith	resigned 31 May 2013

None of the directors had any beneficial interest in the shares of the Company or any other company within the TfL Group

The Company maintains directors' and officers' liability insurance

Directors' Report and Strategic Report

Risk Management

The Company identifies manages and mitigates significant areas of business risk as part of the normal course of business The City Airport Rail Enterprises PLC Risk Management framework 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, regularly reviewed and progress tracked on the management of key business risks

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

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

Employees

The Company has no employees Employee services are provided to the Company by a fellow subsidiary undertaking of the TfL Group

Charitable Donations and Political Contributions

No donations were made to charities during the year (£nil in 2012/13) No political contributions were made during the year (£nil in 2012/13)

Dividends

No interim dividends were paid during the year (2012/13 £nil) and the directors do not recommend the payment of a final dividend (2012/13 £nil)

Corporate Governance

City Airport Rail Enterprises PLC is a wholly owned subsidiary of CARE Holdings, which in turn is controlled by TfL, which appoints all the directors of the Company The Board of City Airport Rail Enterprises PLC, through its management structure, implements the corporate aims and controls laid down by TfL Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement

Directors' Report and Strategic Report

Auditor

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006 Accordingly, KPMG LLP have not been reappointed as auditor

Signed on behalf of the Board by

G Powell

Director

25 June 2014

Statement of Directors' Responsibilities

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations

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

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

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

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

Income Statement

For the year ended 31 March	Note	2014 £000	2013 £000
Revenue	1	1,665	1,246
Net operating costs		(1,568)	(1,528)
Profit/(loss) before taxation	2	97	(282)
Income tax expense	5	-	-
Profit/(loss) for the year attributable to the owners of the Company		97	(282)

Statement of Comprehensive Income

For the year ended 31 March	2014 £000	2013 £000
Profit/(loss) for the year	97	(282)
Other comprehensive income and expenditure	-	-
Total comprehensive income and expenditure for the year attributable to owners of the Company	97	(282)

Statement of Financial Position

	Note	31 March 2014 £000	31 March 2013 £000
Current liabilities			
Trade and other payables	6	(23,076)	(23,173)
Net liabilities		(23,076)	(23,173)
Equity			
Share capital	7	4,061	4,061
Retained deficit		(27,137)	(27,234)
Total deficit attributable to the owners of the Company		(23,076)	(23,173)

The directors

(a) confirm that the Company was entitled to exemption under section 479A of the Companies Act 2006 relating to subsidiary companies from the requirement to have its Financial Statements for the financial year ended 31 March 2014 audited,

(b) confirm that members have not required the Company to obtain an audit of its Financial Statements for that financial year in accordance with section 476 of the Companies Act 2006, and

(c) acknowledge their responsibilities for

(i) ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and

(ii) preparing Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of its surplus or deficit for the financial year in accordance with the requirements of sections 393 and 394 of the Companies Act 2006, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the Company

The notes on pages 9 to 19 form part of these Financial Statements These Financial Statements were approved by the Board on 25 June 2014 and signed on its behalf by

G. Powell
Director
Company Registration Number 04411523

Statement of Changes in Equity

	Called up share capital	Retained earnings	Total
	£000	£000	£000
At 1 April 2012	4,061	(26,952)	(22,891)
Loss for the year	-	(282)	(282)
Other comprehensive income and expenditure	-	-	-
At 31 March 2013	4,061	(27,234)	(23,173)
Profit for the year	-	97	97
Other comprehensive income and expenditure	-	-	-
At 31 March 2014	4,061	(27,137)	(23,076)

Statement of Cash Flows

For the year ended 31 March	Note	2014 £000	2013 £000
Cash generated from operating activities			
Profit/(loss) for the year		97	(282)
Adjustments for			
Cash flow from operating activities before movements in working capital		97	(282)
Decrease in trade and other receivables		-	238
(Decrease)/increase in trade and other payables		(97)	22,841
Net cash generated from operating activities		-	22,797
Cash flows from financing activities			
Repayment of loans from fellow group undertakings		-	(22,798)
Net cash utilised by financing activities		-	(22,798)
Decrease in net cash during the year		-	(1)
Net cash and cash equivalents at the start of the year		-	1
Net cash and cash equivalents at the end of the year		-	-

Accounting Policies

a) Reporting entity

City Airport Rail Enterprises PLC ("the Company") is a company domiciled in the United Kingdom The Company's registration number is 04411523 The address of the Company's registered office is 42-50 Victoria Street, London, SW1H 0TL The Company is a subsidiary of City Airport Rail Enterprises (Holdings) Limited ("CARE Holdings") and forms part of the Transport Trading Limited ("TTL") group of companies TTL is, in turn, a subsidiary of Transport for London ("TfL")

b) Statement of accounting policies

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

c) Basis of preparation

Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("Adopted IFRSs")

Basis of measurement

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

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

d) Uses of estimates and judgements

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

- *Provisions*

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

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

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

- 'Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities' The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement,
- 'IFRS 13 Fair value measurement' IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements that applies to both financial instruments and non financial instrument items for which other IFRSs require or permit fair value measurements and/or disclosures It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market

conditions Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique, and

- 'Amendments to IAS 1 Presentation of Items of Other Comprehensive Income' These amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income sections (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met Income tax on items of other comprehensive income is required to be allocated on the same basis

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures As these relate to the consolidation and presentation of groups these have had no impact on these Financial Statements

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

f) New standards and interpretations not yet adopted

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

- 'IFRS 9 Financial Instruments - including Amendments to IFRS 9 and IFRS 7' ("IFRS 9") (no mandatory application date yet set) IFRS 9 introduces new requirements for the classification and measurements of financial assets and liabilities and for derecognition,
- 'Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities' (mandatory for years commencing on or after 1 January 2014), and
- 'Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities' (mandatory for years commencing on or after 1 January 2014)

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

g) Going concern

The Financial Statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons

- The Company is dependent on funds provided to it by TfL, its ultimate parent, in order to ensure working capital requirements are satisfied TfL has indicated that for at least 12 months from the date of approval of these Financial Statements, it will continue to make such funds available to the Company In addition, as set out in section 479A of the Companies Act 2006, the Company's immediate parent, TTL, has issued a guarantee over all outstanding liabilities to which the Company is subject as at 31 March 2014
- The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any Company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so

Based on this undertaking, the directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis

Accounting Policies

h) Revenue

The Company has entered into a long-term contract with DLR for the maintenance of the infrastructure of the extension of the Docklands Light Railway from Canning Town to London City Airport Turnover and attributable profits are included in the Income Statement as contract activity progresses Incentive payments and penalties are recognised in the period they arise, with amounts receivable recognised when it is probable they will be collected and they can be measured reliably

The Company recognises that the majority of income of the business (excluding interest receivable and similar income) relates to the performance of the PFI contract and as such is classified as revenue

Revenue is measured at the fair value of consideration received or receivable and excludes Value Added Tax (where applicable)

i) Grants and other funding

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

j) Private Finance Initiative ("PFI") arrangement (the Company as lessor)

Costs incurred in the construction of the railway have been accounted for under IFRIC 12 Service concession arrangements ("IFRIC 12") Applying the guidance the underlying asset is not deemed to be a tangible asset of the Company as the project's principal agreements transfer substantially all the risks and rewards of ownership to Docklands Light Railway Limited

As such, all attributable construction costs incurred on the project, including interest on finance up to the date of commission and incidental costs, were recorded as amounts recoverable under contract during the construction phase of the project On the service commencement date, the amounts outstanding under the contract were transferred from amounts recoverable under contract into the finance lease receivable Following the acquisition of the Company these amounts were settled in full

The Company recognises that the majority of income of the business (excluding interest receivable and similar income) relates to the performance of the PFI contract and as such is classified as revenue

Incentive payments and penalties are recognised in the period they arise, with amounts receivable recognised when they can be measured reliably and it is probable they will be collected

Although the PFI contract remains in place to govern the relationship between the Company and DLR, the Company is remunerated on a cost reimbursable basis

k) Financial income and expenses

Financing and investment income consists of interest income on funds invested, imputed interest on the finance lease receivable and premia received on the early settlement of borrowings and finance lease receivables 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 accrued using the effective interest rate method, commitment fees payable and the amortisation of loan arrangement costs

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

l) Income tax

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

Accounting Policies

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

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

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

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

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

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

m) Provisions

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

n) Financial instruments

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

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

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

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed The subsequent measurement of financial instruments depends on their classification as follows

- ***Loans and receivables***

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Income Statement' or available for sale Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process

Accounting Policies

- *Trade and other receivables*

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

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

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash balances and call deposits with maturity, at the date of acquisition, of less than or equal to three months

- *Financial liabilities measured at amortised cost*

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

- *Trade and other payables*

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

- *Interest bearing loans and borrowings*

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

- *Financial liabilities at fair value through the Income Statement (held for trading)*

  The Company uses derivative instruments to manage certain exposures to fluctuations in interest rates The Company does not hold or issue derivative instruments for speculative purposes Following the acquisition of the Company's immediate holding company by the TfL Group, the use of derivatives is governed by TfL's policies, approved by the TfL Board Derivative liabilities are classified as held for trading unless they are designated as hedging instruments Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value They are carried in the Statement of Financial Position at fair value with gains or losses recognised immediately in the Income Statement

Fair value measurement of financial instruments

IFRS 7 requires that financial instruments that are measured in the Statement of Financial Position at fair value are measured by level of the following fair value measurement hierarchy

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

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

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

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

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

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

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

Impairment of financial assets

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

All impairment losses are recognised in the Income Statement

Notes to the Financial Statements

1 Revenue

For the year ended 31 March	2014	2014	2013	2013
	£000	%	£000	%
Other revenue				
Intercompany	1,653	99.3%	1,156	92 8%
Other revenue	12	0 7%	90	7 2%
	1,665	100 0%	1,246	100 0%

2 Loss before taxation

Profit/(loss) before taxation is stated after charging/(crediting):

For the year ended 31 March	2014	2013
	£000	£000
Auditors' remuneration		
Fees for the audit of these Financial Statements	-	13

In 2013/14 the Company was not subject to an audit

3 Employee costs

The Company did not employ staff during the year ended 31 March 2014 or the year ended 31 March 2013

4 Directors' emoluments

The emoluments and pension contributions of all directors were borne by other Group undertakings No director received emoluments in respect of their services as director of the Company (2012/13 none)

Notes to the Financial Statements

5 Taxation

Reconciliation of tax expense

For the year ended 31 March	2014	2013
	£000	£000
Profit/(loss) before tax	**97**	(282)
Profit/(loss) before tax multiplied by standard rate of Corporation Tax in the UK of 23% (2012/13 24%)	**22**	(68)
Effects of		
Utilisation of brought forward tax losses for which no deferred tax was recognised	**-**	68
Group relief surrendered/(claimed)	**(22)**	-
Income tax expense for the year	**-**	-

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following items		
Tax losses	**-**	65

Recognised deferred tax

There were no recognised deferred tax assets or liabilities as at 31 March 2014 or 31 March 2013

The Corporation Tax rate was reduced from 26% to 24% on 1 April 2012, from 24% to 23% on 1 April 2013 and from 23% to 21% on 1 April 2014 On 2 July 2013, a further Corporation Tax rate reduction to 20% was enacted, to be effective from 1 April 2015

As the Company's deferred tax balances are not expected to be settled until after 1 April 2015, deferred tax balances at 31 March 2014 have been calculated at a rate of 20%

6 Trade and other payables

	2014	2013
	£000	£000
Current		
Accruals and other payables	**36**	133
Retentions on capital contracts	**242**	242
Amounts due to fellow Group undertakings	**22,798**	22,798
	23,076	23,173

Notes to the Financial Statements

7 Share capital

	2014	2013
	£000	£000
Share capital issued and fully paid		
4,061,498 ordinary shares of £1 each	4,061	4,061

8 Financial instruments

Financial risk management

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

The Company's financial instruments comprise trade and other payables The Company finances operations from these financial instruments The Company does not undertake speculative treasury transactions

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

Credit risk

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

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

Liquidity risk

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

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

Market risk

The Company is not exposed to any material price, currency risk or interest rate risk The Company has no interest bearing financial instruments

Interest rate risk

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

Contractual maturity of financial liabilities

All the Company's financial instruments are due within one year

Fair value of financial instruments

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

Notes to the Financial Statements

Capital management

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

The Company does not have a credit rating but TfL, the Company's ultimate parent which provides financial support to the Company, has a credit rating of AA with Fitch, AA+ with Standard & Poor's and Aa2 with Moody's

9 Capital and other financial commitments

a) At 31 March 2014, the Company had no capital commitments which are contracted for but not provided for in the Financial Statements (2013 £nil)

b) At 31 March 2014, the Company had no other financial commitments which are contracted for but not provided for in the Financial Statements (2013 £nil)

10 Contingent liabilities

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

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

11 Related party transactions

During the year none of the Company's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company (2012/13 none) Details of directors' emoluments can be found in note 4

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

The GLA and its other functional bodies and all other subsidiaries of TfL, are considered to be related parties of the Company

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

- Included in revenue (note 1) are receipts from Docklands Light Railway Limited for the upgrade and maintenance of the railway

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

Notes to the Financial Statements

12 Ultimate parent undertaking

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

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

The Board of City Airport Rail Enterprises PLC has been given assurances of financial support by TfL

Copies of the consolidated accounts for TfL are available from Windsor House, 42-50 Victoria Street, London, SW1H 0TL

13 Events occurring after the reporting date

At the date on which the financial statements were approved by the Board of Directors, there had been no event that had occurred since 31 March 2014 that would have a material impact on these Financial Statements