City Airport Rail Enterprises Limited

Annual Report and Financial Statements
Year ended 31 March 2019

Registered Office
55 Broadway
London
SW1H 0BD

Registered in England and Wales
Number 04411523

Contents

Directors' Report

Introduction

The directors present their annual report on the affairs of City Airport Rail Enterprises Limited (the "Company") together with the Financial Statements for the year ended 31 March 2019. The Company is a subsidiary undertaking of Transport Trading Limited ("TTL") and is part of the group headed by Transport for London ("TfL"), the "TfL Group".

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. The contract was terminated in December 2014, and the Company ceased trading.

Directors

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

H. Carter

P. Doig

G. Powell

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.

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 (2017/18 £nil). No political contributions were made during the year (2017/18 £nil).

Dividends

No interim dividends were paid during the year (2017/18 £nil) and the directors do not recommend the payment of a final dividend (2017/18 £nil).

Directors' Report

Corporate Governance

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

Additional disclosures

The Company has chosen, in accordance with Section 414c(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report.

Other information that is relevant to the Directors' report can be located in the Strategic report as follows:

Future developments	page 3
Principal risks and risk management	page 3

Auditor

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

Signed on behalf of the Board by:

H. Carter

Director

18 December 2019

Strategic Report

Activities and Future Developments

As stated in the Directors' Report, 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. The contract was terminated in December 2014, and the Company ceased trading.

Financial and Business Review

Construction of the railway is complete and the railway was opened for public use on 2 December 2005. The Company provided 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 former 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 remained in place to govern the relationship between DLR and the Company, the Company was remunerated on a cost reimbursable basis until December 2014 when the contract was terminated and the Company ceased trading.

Principal Risks and Risk Management

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

The principal risks that the Company is exposed to include 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.

Signed on behalf of the Board by:

H. Carter

Director

18 December 2019

Statement of Directors' Responsibilities

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

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

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

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

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

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

Income Statement

For the year ended 31 March	Note	2019 £000	2018 £000
Result before taxation	1	-	-
Income tax expense	4	-	-
Result for the year attributable to the owners of the Company		-	-

Statement of Comprehensive Income

For the year ended 31 March	2019 £000	2018 £000
Result for the year	-	-
Other comprehensive income and expenditure	-	-
Total comprehensive income and expenditure for the year attributable to owners of the Company	-	-

Statement of Financial Position

	Note	31 March 2019 £000	31 March 2018 £000
Current liabilities			
Trade and other payables	5	**(23,056)**	(23,056)
Net liabilities		**(23,056)**	(23,056)
Equity			
Share capital	6	**4,061**	4,061
Retained deficit		**(27,117)**	(27,117)
Total deficit attributable to the owners of the Company		**(23,056)**	(23,056)

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 2019 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 15 July 2019 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 2017	4,061	(27,117)	(23,056)
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2018	4,061	(27,117)	(23,056)
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2019	**4,061**	**(27,117)**	**(23,056)**

Statement of Cash Flows

For the year ended 31 March	2019	2018
	£000	£000
Cash generated from operating activities		
Result for the year	-	-
Increase in net cash during the year	-	-
Net cash and cash equivalents at the start of the year	-	-
Net cash and cash equivalents at the end of the year	-	-

Accounting Policies

a) Reporting entity

City Airport Rail Enterprises Limited (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 55 Broadway, London, SW1H 0BD. The Company is a subsidiary of Transport Trading Limited ("TTL") which is in turn a subsidiary of Transport for London ("TfL").

b) Statement of accounting policies

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

c) Basis of preparation

Statement of Compliance

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

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention, 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 amendments have been applied for the first time in these Financial Statements:

- IFRS 9 Financial Instruments (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) supersedes IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting.

  With respect to classification and measurement, all recognised financial assets that are currently within the scope of IFRS 9 are now measured at either amortised cost or fair value as set out in the note on financial instruments. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. The Company has applied the new standard from 1 April 2018, but the application has had no impact on balances previously reported in these Financial Statements.

With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. As set out in the note on financial instruments, the Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments to which the Company is party, these are deemed to have low credit risk and there has not been a significant increase in credit risk since initial recognition. As such a loss allowance for 12 month expected credit losses has been calculated upon transition to IFRS 9. This has had no impact on balances previously reported in the Financial Statements of the Company.

With regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

The application of the hedge accounting requirements has had no impact on the results and financial position of the Company for the current or prior year.

- IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The Company has applied the standard from 1 April 2018 using the modified retrospective approach. The introduction of this standard has not had a material impact on these Financial Statements. The Company's accounting policies for its revenue streams are set out in these accounting policies.

The Company has also applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods beginning on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

- IAS 40 (amendments) Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments include amendments to IAS 28 Investments in Associates and Joint Ventures that clarify that for qualifying entities, the option to measure investments in associates and joint ventures at Fair Value Through Profit and Loss is available separately for each associate or joint venture and that election should be made at initial recognition.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This IFRIC addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or liability (e.g. deferred revenue).
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions. These amendments clarify certain aspects of the accounting for cash and equity-settled share-based payments.

f) New standards and interpretations not yet adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these Financial Statements:

Accounting Policies

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (mandatory for years beginning on or after 1 January 2019). The amendments specify that when a pension plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used to remeasure the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event. It is also required to determine the net interest cost for the remainder of the period using the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability.
- Amendments to IAS 28 Long-term interests in associates and joint ventures (mandatory for years commencing on or after 1 January 2019). The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (mandatory for years commencing on or after 1 January 2019). Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Annual Improvements 2015/2017 Cycle (issued in December 2017, mandatory for years commencing on or after 1 January 2019). These improvements include:

- IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
- IFRS 11 Joint Arrangements. Where an entity that participates in, but does not have joint control of, a joint operation obtains joint control of that joint operation, the amendments clarify that that the previously held interests in that joint operation are not remeasured.
- IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions that generated the distributable profits, than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income, or equity in line with where the entity originally recognised those past transactions or events.
- IAS 23 Borrowing Costs. The amendments clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings once substantially all of the activities necessary to prepare that asset for its intended use are complete.
- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2021). IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not applicable to the Company.

Accounting Policies

Transition to IFRS 16

IFRS 16 was issued in January 2016, replacing IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). The Group will initially apply this standard from 1 April 2019. The Group will initially apply this standard from 1 April 2019.

Application of the standard is not expected to have a material impact on the Company.

The Company does not consider that 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 2019; and
- The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

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

h) Income tax

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

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

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

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

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

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

Accounting Policies

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

i) 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.

j) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) 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 Company determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Company 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 is applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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.

Trade and other receivables

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

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 point of initial recognition. Fair values calculated using the market rate of interest at the reporting date are also determined for disclosure purposes.

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.

Impairment of financial assets

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

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

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

Expected credit loss allowances are recognised in the Income Statement.

k) Fair value measurement

IFRS 13 Fair Value Measurement requires that financial instruments and other assets and liabilities that are measured in the Statement of Financial Position at fair value are measured by level of the following fair value measurement hierarchy:

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

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

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

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

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

Notes to the Financial Statements

1 Result before taxation

Auditors' remuneration

The Company had no audit fees for the years ending 31 March 2019 or 31 March 2018.

2 Employee costs

The Company did not employ staff during the year ended 31 March 2019 or the year ended 31 March 2018.

3 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 (2017/18 none).

4 Taxation

Reconciliation of tax expense

For the year ended 31 March	2019	2018
	£000	£000
Result before tax	-	-
Result before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2017/18 19%)	-	-
Effects of:		
Non-taxable and non deductible items	-	-
Income tax expense for the year	-	-

Unrecognised deferred tax

There were no unrecognised deferred tax assets as at 31 March 2019 or 31 March 2018.

Recognised deferred tax

There were no recognised deferred tax assets or liabilities as at 31 March 2019 or 31 March 2018.

Notes to the Financial Statements

5 Trade and other payables

	2019	2018
	£000	£000
Current		
Amounts due to fellow Group undertakings	**23,056**	23,056

6 Share capital

	2019	2018
	£000	£000
Share capital issued and fully paid		
4,061,498 ordinary shares of £1 each	**4,061**	4,061
	Number	Number
Authorised share capital		
Ordinary share of £1 each	**4,061,498**	4,061,498

7 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. Although actively managed, credit risk is an immaterial risk to the company.

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.

Notes to the Financial Statements

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.

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 Aa3 with Moody's.

8 Capital and other financial commitments

a) At 31 March 2019, the Company had no capital commitments which are contracted for but not provided for in the Financial Statements (2018 £nil).

b) At 31 March 2019, the Company had no other financial commitments which are contracted for but not provided for in the Financial Statements (2018 £nil).

9 Contingent liabilities

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

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

Notes to the Financial Statements

10 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 (2017/18 none). Details of directors' emoluments can be found in note 3.

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 not traded with any related parties during the year.

11 Ultimate parent undertaking

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

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

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

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

12 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 2019 that would have a material impact on these Financial Statements.