

Tramtrack Croydon Limited

Annual Report and Financial Statements Year ended 31 March 2018

Registered Office
55 Broadway
London
SW1H 0BD

Registered in England and Wales
Number 03092613



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Directors' Report

Corporate Governance

Tramtrack Croydon 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 Tramtrack Croydon Limited, through its management structure, implements the corporate aims and controls laid down by TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

Auditor

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

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to be 'H. Carter', written over a series of horizontal lines.

H. Carter

Company Secretary

18 June 2018

Strategic Report

Activities and Future Developments

As stated in the Directors' Report, the principal activity of the Company is the operation of a light rail tram system ("Tramlink") in the London Boroughs of Croydon, Merton, Sutton and Bromley. Operations are outsourced to a fellow subsidiary of the TfL Group, Rail for London Limited. Tramlink operates services over 28 route kilometres between Croydon and Wimbledon, New Addington, Beckenham Junction and Elmers End and serves 39 tram stops. The Company does not anticipate any changes in its principal activities in the foreseeable future.

Financial and Business Review

The result for the year was £nil (2016/17 £nil).

In the year, Trams carried 29.1 million passengers, one per cent lower than last year. Customer satisfaction scores at 91 continue to be strong and are 1 point higher than last year.

Following the tragic derailment of 9 November 2016, we continue to work to ensure that we offer those affected any support they need. In addition to addressing immediate actions arising from our thorough safety assessment and advice from independent tram experts, we now also work to satisfy the recommendations issued by RAIB after conclusion of their investigation into the incident. Measures taken to date include the introduction of a network wide speed reduction, the deployment of additional network wide step down speed signage and the introduction of a Driver Protection Device to promote tram driver vigilance at all times. We continue to investigate and deliver a wide range of further enhanced safety measures, whilst assisting the RAIB, BTP and ORR with their ongoing investigations into this tragic incident.

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 Tramtrack Croydon 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 safety, terrorism, employee relations, contractual claims, 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

Company Secretary

18 June 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

Income Statement

For the year ended 31 March

		2018	2017
	Note	£000	£000
Revenue	1	24,510	26,552
Net operating costs		<u>(48,996)</u>	<u>(44,136)</u>
Operating loss	3	(24,486)	(17,584)
Grant income	2	28,667	22,399
Other gains and losses	4	<u>3</u>	<u>(515)</u>
Total profit from operations		4,184	4,300
Financial expenses	7	<u>(4,312)</u>	<u>(4,312)</u>
Loss before taxation		(128)	(12)
Income tax credit	8	<u>128</u>	<u>12</u>
Result for the year attributable to the owners of the Company		<u>-</u>	<u>-</u>

Statement of Comprehensive Income

For the year ended 31 March

	2018	2017
	£000	£000
Result for the year	-	-
Other comprehensive income and expenditure	<u>-</u>	<u>-</u>
Total comprehensive income and expenditure for the year attributable to owners of the Company	<u>-</u>	<u>-</u>

Statement of Financial Position

		31 March 2018	31 March 2017
	Note	£000	£000
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	164,624	171,955
Trade and other receivables	12	114	-
		<u>164,738</u>	<u>171,955</u>
Current assets			
Inventories	11	3,398	3,820
Trade and other receivables	12	3,488	1,907
		<u>6,886</u>	<u>5,727</u>
Current liabilities			
Trade and other payables	13	(4,311)	(7,182)
Provisions	15	(6,046)	(351)
		<u>(10,357)</u>	<u>(7,533)</u>
Non-current liabilities			
Borrowings	14	(98,000)	(98,000)
Deferred grants and other contributions	16	(79,654)	(88,536)
		<u>(177,654)</u>	<u>(186,536)</u>
Net liabilities		<u>(16,387)</u>	<u>(16,387)</u>
Equity			
Share capital	17	2,333	2,333
Retained deficit		<u>(18,720)</u>	<u>(18,720)</u>
Total deficit attributable to the owners of the Company		<u>(16,387)</u>	<u>(16,387)</u>

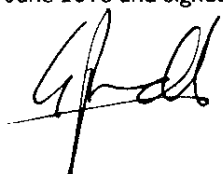
Statement of Financial Position

The directors:

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

The notes on pages 10 to 31 form part of these Financial Statements. These Financial Statements were approved by the Board on 18 June 2018 and signed on its behalf by:

G. Powell
Director



Company Registration Number 03092613

Statement of Changes in Equity

	Called up share capital £000	Retained earnings £000	Total £000
At 1 April 2016	2,333	(18,720)	(16,387)
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2017	2,333	(18,720)	(16,387)
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2018	2,333	(18,720)	(16,387)

Statement of Cash Flows

For the year ended 31 March

		2018	2017
	Note	£000	£000
Cash generated from operating activities			
Result for the year		-	-
Adjustments for			
Depreciation of property, plant and equipment	10	17,249	13,673
(Gain)/loss on disposal of property, plant and equipment	4	(3)	515
Financial expenses	7	4,312	4,312
Reversal of tax credit	8	(128)	(12)
Release of deferred grant to the Income Statement	16	(8,882)	(7,579)
Cash flow from operating activities before movements in working capital		12,548	10,909
Decrease in inventories		422	44
Increase in trade and other receivables		(1,695)	(1,907)
(Decrease)/increase in trade and other payables		(250)	1,238
Increase in provisions		5,695	351
Cash generated from operations		16,720	10,635
Income tax credit		128	12
Net cash generated from operating activities		16,848	10,647
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		29	-
Acquisition of property, plant and equipment		(12,565)	(6,400)
Capital grants received		-	65
Net cash utilised by investing activities		(12,536)	(6,335)
Cash flows from financing activities			
Interest paid		(4,312)	(4,312)
Net cash utilised by financing activities		(4,312)	(4,312)
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

Tramtrack Croydon Limited (the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 03092613. The address of the Company's registered office is 55 Broadway, London, SW1H 0BD. The Company is a subsidiary of Transport Trading Limited ("TTL") which is in turn a subsidiary of Transport for London ("TfL").

b) Statement of accounting policies

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

c) Basis of preparation

Statement of Compliance

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

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention.

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

d) Uses of estimates and judgements

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

- **Leases**

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

- **Provisions**

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

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

When determining the useful economic life of property, plant and equipment, judgement must be exercised in estimating the lengths of time the assets will be operational.

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

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

Accounting Policies

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

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

f) New standards and interpretations not yet adopted

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

- 'IFRS 9 Financial Instruments' (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) will supersede 'IAS 39 Financial Instruments: Recognition and Measurement'. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments;
- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services;
- 'IFRS 16 Leases' (mandatory for years beginning 1 January 2019). This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low

Accounting Policies

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

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

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

g) Going concern

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

- The Company is dependent on funds provided to it by TfL, its ultimate parent, in order to ensure working capital requirements are satisfied. TfL has indicated that for at least 12 months from the date of approval of these Financial Statements, it will continue to make such funds available to the Company. In addition, as set out in section 479A of the Companies Act 2006, the Company's immediate parent, TTL, has issued a guarantee over all outstanding liabilities to which the Company is subject as at 31 March 2018; and
- The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

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

h) Revenue

Revenue comprises fares collected and revenue in respect of free travel for the elderly and disabled.

Other revenue arises from commercial advertising receipts and rental income.

Accounting Policies

Revenue is measured after deductions for value added tax (where applicable).

Fare revenue

This relates to passenger fares income from the light rail system in the London Boroughs of Croydon, Merton, Sutton and Bromley. Fare revenue is recognised as revenue in the financial year in which the services are rendered.

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

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

i) Grants and other funding

Grants and other contributions received towards the cost of capital expenditure are recorded as deferred income in the Statement of Financial Position and released to the Income Statement over the estimated useful economic lives of the assets to which they relate.

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

j) Financial expenses

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

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

k) 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.

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.

Accounting Policies

l) Intangible fixed 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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m) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, track, signalling, tram stops and stands, properties attached to infrastructure which are not separable from infrastructure and surplus properties held to facilitate the service provision and which are limited in use by operational constraints.

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

Assets under construction are measured at cost less accumulated impairment losses.

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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Depreciation

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

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

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

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

Tunnels and embankments	10-100 years
Bridges and viaducts	10-100 years
Track	15-50 years

Accounting Policies

Trams	20–35 years
Plant and equipment	3–40 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.

n) 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.

o) Inventories

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.

p) Impairment

Non-financial assets

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

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

Impairment losses are recognised in the Income Statement.

q) 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.

r) 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

Accounting Policies

- available for sale financial assets.

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

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

- ***Loans and receivables***

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

- ***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.

- ***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.

The Company has designated its derivative as a hedge of a highly probable forecast transaction (cash flow hedge).

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

Accounting Policies

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.

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

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

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

Notes to the Financial Statements

1 Revenue

For the year ended 31 March

	2018 £000	2018 %	2017 £000	2017 %
Traffic revenue				
Fares collected	19,942	81.3%	21,036	79.2%
Revenue in respect of free travel for the elderly and disabled	4,156	17.0%	4,475	16.9%
	<u>24,098</u>	<u>98.3%</u>	<u>25,511</u>	<u>96.1%</u>
Other revenue				
Commercial advertising	324	1.3%	344	1.3%
Other revenue	88	0.4%	697	2.6%
	<u>412</u>	<u>1.7%</u>	<u>1,041</u>	<u>3.9%</u>
Total revenue	<u>24,510</u>	<u>100.0%</u>	<u>26,552</u>	<u>100.0%</u>

2 Grant income

For the year ended 31 March

	2018 £000	2017 £000
Revenue grant income receivable		
Grant from TfL to fund operations	<u>28,667</u>	<u>22,399</u>

Notes to the Financial Statements

3 Operating loss

For the year ended 31 March

	2018	2017
Note	£000	£000

Operating loss is stated after charging/(crediting):

Capital items

Depreciation of property, plant and equipment – owned	10	17,249	13,673
Release of deferred capital grants to the Income Statement	16	(8,882)	(7,579)

Other operating costs

Inventory expensed	422	1,356
Payments under operating leases	175	324

Auditors' remuneration

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

4 Other gains and losses

For the year ended 31 March

	2018	2017
	£000	£000
Net gain/(loss) on disposal of property, plant and equipment	3	(515)

5 Employee costs

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

6 Directors' emoluments

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

7 Financial expenses

For the year ended 31 March

	2018	2017
	£000	£000
Interest on loans from fellow Group undertakings	4,312	4,312

Notes to the Financial Statements

8 Taxation

For the year ended 31 March

	2018	2017
	£000	£000
Adjustments in respect of prior years	(128)	(12)
Total income tax credit for the year	(128)	(12)

Reconciliation of tax credit

For the year ended 31 March

	2018	2017
	£000	£000
Loss before tax	(128)	(12)
Loss before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2016/17 20%)	(24)	(2)
Effects of:		
Prior period adjustment	(128)	(12)
Amount charged to the current tax computation for which no deferred tax was recognised	1,588	1,321
Utilisation of brought forward tax losses for which no deferred tax was recognised	(782)	(1,319)
Group relief claimed	(782)	-
Income tax credit for the year	(128)	(12)

Unrecognised deferred tax

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

	31 March 2018	31 March 2017
	£000	£000
Deductible temporary differences	11,038	11,618
Tax losses	1,704	1,142
	12,742	12,760

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

Notes to the Financial Statements

Recognised deferred tax

Deferred tax assets have been recognised to the extent of the deferred tax liabilities.

Movements were in respect of the following items:

	Opening balance £000	Movement in profit or loss £000	Closing balance £000
<i>For the year ended 31 March 2018</i>			
Deferred tax assets			
Deferred government grants	3,433	(930)	2,503
Deferred tax liabilities			
Property, plant and equipment – potential capital gain	(3,433)	930	(2,503)
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>	<u>-</u>
<i>For the year ended 31 March 2017</i>			
Deferred tax assets			
Deferred government grants	4,625	(1,192)	3,433
Deferred tax liabilities			
Property, plant and equipment – potential capital gain	(4,625)	1,192	(3,433)
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>	<u>-</u>

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

Notes to the Financial Statements

9 Intangible assets

a) Intangible assets at 31 March 2018 comprised the following elements:

	Software costs £000
Cost or valuation	
At 1 April 2017	-
At 31 March 2018	-
Amortisation	
At 1 April 2017	-
At 31 March 2018	-
Net book value at 31 March 2018	-
Net book value at 1 April 2017	-

b) Intangible assets at 31 March 2017 comprised the following elements:

	Software costs £000
Cost or valuation	
At 1 April 2016	954
Disposals	(954)
At 31 March 2017	-
Amortisation	
At 1 April 2016	954
Disposals	(954)
At 31 March 2017	-

Notes to the Financial Statements

10 Property, plant and equipment

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

	Note	Infrastructure and other property £000	Rolling stock £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation						
At 1 April 2017		171,216	75,754	31,191	12,826	290,987
Additions		1,556	428	51	7,909	9,944
Transfers (to)/from other asset classes		2,545	3,131	259	(5,935)	-
Disposals		-	-	(497)	-	(497)
At 31 March 2018		175,317	79,313	31,004	14,800	300,434
Depreciation						
At 1 April 2017		78,755	25,812	14,465	-	119,032
Charge for the year	3	10,102	3,571	3,576	-	17,249
Disposals		-	-	(471)	-	(471)
At 31 March 2018		88,857	29,383	17,570	-	135,810
Net book value at 31 March 2018		86,460	49,930	13,434	14,800	164,624
Net book value at 1 April 2017		92,461	49,942	16,726	12,826	171,955

Notes to the Financial Statements

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

	Note	Infrastructure and other property £000	Rolling stock £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation						
At 1 April 2016		153,578	60,738	19,548	47,664	281,528
Additions		1,236	3,820	703	6,585	12,344
Transfers (to)/from other asset classes		17,435	13,048	10,940	(41,423)	-
Disposals		(1,033)	(1,852)	-	-	(2,885)
At 31 March 2017		171,216	75,754	31,191	12,826	290,987
Depreciation						
At 1 April 2016		70,530	24,304	12,255	-	107,089
Charge for the year	3	8,966	2,497	2,210	-	13,673
Disposals		(741)	(989)	-	-	(1,730)
At 31 March 2017		78,755	25,812	14,465	-	119,032

Notes to the Financial Statements

11 Inventories

	2018	2017
	£000	£000
Raw materials and consumables	<u>3,398</u>	<u>3,820</u>

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

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

12 Trade and other receivables

	2018	2017
	£000	£000
Current		
Amounts due from fellow Group undertakings	3,262	1,778
Prepayments	108	107
Accrued income	118	22
	<u>3,488</u>	<u>1,907</u>
Non-current		
Prepayments and accrued income	<u>114</u>	<u>-</u>

13 Trade and other payables

	2018	2017
	£000	£000
Current		
Accruals and other payables	896	1,238
Project accruals	3,323	5,944
Deferred income	92	-
	<u>4,311</u>	<u>7,182</u>

Notes to the Financial Statements

14 Borrowings

	2018 £000	2017 £000
Non-current		
Amounts due to fellow Group undertakings	<u>98,000</u>	<u>98,000</u>

Amounts due to fellow Group undertakings

All borrowings due to fellow Group undertakings are repayable on demand with a two year notice period.

No notice has been given on these loans as at the date of signing of these accounts.

The weighted average interest rates on borrowings outstanding at the year end were as follows:

	2018	2017
Weighted average interest rate	4.40%	4.40%

15 Provisions

	2018 £000	2017 £000
Current		
Provisions	<u>6,046</u>	<u>351</u>

	At 1 April 2017 £000	Utilised in the year £000	Charge for the year £000	Reversed during the year £000	At 31 March 2018 £000
Movement on provisions					
Compensation provision	351	(55)	6,000	(250)	6,046
	<u>351</u>	<u>(55)</u>	<u>6,000</u>	<u>(250)</u>	<u>6,046</u>

	At 1 April 2016 £000	Utilised in the year £000	Charge for the year £000	Reversed during the year £000	At 31 March 2017 £000
Movement on provisions					
Compensation provision	-	-	351	-	351
	<u>-</u>	<u>-</u>	<u>351</u>	<u>-</u>	<u>351</u>

Compensation provision

This provision represents Management's best estimate of the amount that will be paid in relation to compensation and contractual claims. The provision is expected to be settled within the next year.

Notes to the Financial Statements

16 Deferred grants and other contributions

	2018	2017
Note	£000	£000
Deferred grants and other contributions at start of year	88,536	96,690
Third party contributions and other capital grants	-	65
Released to the income statement:		
To meet the depreciation charge	3 (8,882)	(7,579)
On disposal of property, plant and equipment	-	(640)
Deferred grants and other contributions at end of year	79,654	88,536

17 Share capital

	2018	2017
	£000	£000
Share capital issued and fully paid		
233,000 ordinary 'A' shares of £1 each	233	233
233,000 ordinary 'B' shares of £1 each	233	233
466,600 ordinary 'C' shares of £1 each	467	467
466,600 ordinary 'D' shares of £1 each	467	467
466,600 ordinary 'E' shares of £1 each	467	467
466,600 ordinary 'F' shares of £1 each	466	466
	2,333	2,333
Authorised share capital	Number	Number
Ordinary share of £1 each	'000	'000
	2,333	2,333

Notes to the Financial Statements

18 Financial instruments

Financial risk management

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

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

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

Credit risk

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

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

Liquidity risk

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

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

Market risk

The Company is not exposed to any material price, currency risk or interest rate risk. The Company's only interest bearing financial instruments are fixed interest loans from TfL.

Interest rate risk

The Company does not have any exposure to interest rate risk on its financial liabilities as the only interest bearing financial instruments are fixed interest loans from TfL.

Sensitivity analysis

Fair value sensitivity analysis for fixed interest instruments

Changes in the market interest rates of financial instruments with fixed interest rates only affect income if these are measured at their fair value. All the Company's financial instruments with fixed rates of interest are accounted for at amortised cost and are not subject to interest rate risk as defined in IFRS 7 Financial Instruments: Disclosures.

Contractual maturity of financial liabilities

Borrowings from TfL are repayable on demand with a two year notice period. Interest on borrowings from TfL is paid annually. All other non derivative 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 and borrowings 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 and capital projects.

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

19 Operating lease commitments

Operating lease commitments – The Company as lessee in third party contracts

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

	Land and property £000
At 31 March 2018	
Amounts due in less than one year	137
Amounts due in years 1 to 5	243
	<hr/> 380
At 31 March 2017	
Amounts due in less than one year	137
Amounts due in years 1 to 5	380
	<hr/> 517

Operating lease commitments – The Company as lessee in related party contracts

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

	Motor vehicles £000
At 31 March 2018	
Amounts due in less than one year	15
Amounts due in years 1 to 5	19
	<hr/> 34
At 31 March 2017	
Amounts due in less than one year	22
Amounts due in years 1 to 5	29
	<hr/> 51

Notes to the Financial Statements

20 Capital and other financial commitments

a) At 31 March 2018, the Company had capital commitments of £6,376,000 which are contracted for but not provided for in the Financial Statements (2017 £3,752,000).

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

21 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.

22 Related party transactions

During the year none of the Company's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company (2016/17 none). Details of directors' emoluments can be found in note 6.

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:

- Receipt of funding from TfL in the form of grants and loans (see notes 2, 14 and 16);
- Interest accrued on loans from TfL as disclosed in note 7.

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

23 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 Tramtrack Croydon 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.

24 Events occurring after the reporting date

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