Transport Trading Limited

Annual Report and Financial Statements
Year ended 31 March 2023

Registered Office
5 Endeavour Square
London E20 1JN

Registered in England and Wales
03914810

Contents

Directors' Report

Introduction

The directors present their annual report on the affairs of Transport Trading Limited ("TTL" or "the Company") and its subsidiaries ("the Group") together with the audited financial statements for the year ended 31 March 2023.

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

Principal activity

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

Directors

The directors who served during the year were:

G. Barton	(appointed 19 December 2022)
A. Byford	(resigned 28 October 2022)
H. Carter	
P. Doig	(resigned 15 December 2022)
S. Kilonback	(resigned 29 April 2022)
A. Lord	
L. Matson	(appointed 15 December 2022)
R. Mclean	(appointed 19 December 2022)
G. Powell	(resigned 15 September 2022)
A. Williams	(appointed 20 December 2022)

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

The Group maintains directors' and officers' liability insurance.

Employee involvement and communication

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

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

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

Equality and inclusion

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

Directors' Report (continued)

Health, safety and environment

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

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

The relevant disclosures for the TTL Group are made below.

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

For the year ended 31 March	**2023**	**2022**
	Energy use	**Energy use**
	MWh	MWh
Electricity	1,519,366	1,481,400
Gas	83,309	80,575

For the year ended 31 March	**2023**	**2022**
	Consumption	**Consumption**
	litres	**litres**
Fuel - petrol	122,437	129,265
Fuel - diesel	1,111,146	1,366,770

Emissions Breakdown	**2023 Amounts**	**Units**	**Conversion Factor**
Scope 1 Emissions from combustion of gas	15,207	tCO_2e	0.18254 (natural gas)
Scope 1 Emissions from combustion of fuel for transport purposes	3,107	tCO_2e	2.55784 (diesel) 2.16185 (petrol)
Scope 2 Emissions from purchased electricity	293,815	tCO_2e	0.19338 (UK grid electricity)
Scope 2 Emissions from purchased heating and cooling	503	tCO_2e	0.2319 (district heating) 0.0581 (district coolth)
Total gross CO_2e based on the above	**312,632**	**tCO_2e**	
Total gross CO_2e including energy/fuel purchased by public transport service operators	**801,704**	**tCO_2e**	

Directors' Report (continued)

Intensity metric	Amounts	Units	
Operating train km	99,443,290	3.14	kgCO2e / operated train km
Average headcount	18,721	16.70	tCO2e / employee

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2021.

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

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

Political donations

No political donations were made during the year (2021/22 £nil).

Dividends

No dividends have been declared for the year (2021/22 £nil).

Corporate governance

Transport Trading Limited is a wholly owned subsidiary of Transport for London (TfL), which appoints all the directors of the Company. The Board of Transport Trading Limited, through its standing orders and management structure, implements the corporate aims and controls laid down by TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

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

Additional disclosures

The Group has chosen, in accordance with Section 414c(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.

The Strategic report on pages 4 to 23 includes other information related to future developments and the principal risks and risk management of the Group.

Approved by the Board on 14 July 2023 and signed on behalf of the Board by

R. McLean

Director

2 October 2023

Strategic Report

Activities and future developments

As stated in the Directors' Report, the principal activity of the Group is the provision of passenger transport services within London. The Group does not anticipate any changes in its principal activities in the foreseeable future.

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

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

Acting fairly between our stakeholders

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

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the GLA and reports to the Mayor of London. We are focused on promoting the success of the business and benefitting all our stakeholders. As a Local Authority, our activities and engagement are concentrated on delivering the Mayor's Transport Strategy and the needs of our passengers, our people, the general public, our supply chains and service providers.

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. (See the Delivering Mayor's Strategy section of TfL's Accounts for the year ending 31 March 2023).

High standards of business conduct and governance

Our governance and decision-making arrangements ensure we manage the organisation responsibly and effectively and to high standards of business conduct (see TfL's Governance Framework in TfL's accounts for the year ended 31 March 2023). This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

The opinion for the year ending 31 March 2023 concluded that TfL's governance framework was satisfactory for TfL's needs and operated in an effective manner. The opinion highlighted the progress to address previously disclosed weaknesses in several audits of governance and financial controls relating to procurement and contract management.

We have established a Committee and Panel structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the business effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members set out in TfL's Accounts for the year end 31 March 2023). At the date of this report just over 47 per cent of our Board members are women. We understand the benefits of diversity and are continually seeking to improve this across our Board and executive teams.

We also have a series of policies and guidance setting out expected standards of behaviour and conduct. These include the TfL Code of Conduct, anti-fraud and corruption policy and the whistleblowing policy.

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

Strategic Report (continued)

Likely consequences of decisions in the long term

The Mayor's Transport Strategy sets out plans to transform London's streets, improve public transport and create opportunities for new homes and jobs. We develop our strategy in consultation with our stakeholders, to improve the services we provide to our passengers. This includes how we engage and work with suppliers, communities, and our people.

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs.

TfL produces business plan, approved by the TfL Board, which sets out the medium term plan for the organisation, demonstrating how it will achieve the Mayor's Transport Strategy. In December 2022, the TfL Board approved the 2023 TfL Business Plan which was the first business plan since the pandemic.

The first full year of the business plan is used as the basis for an annual budget, which allocates resource to individual departments and projects for the year ahead. In March 2023, the TfL Board approved the 2023/24 TfL Budget.

Interests of the Group's employees

We strive to create a workplace that is safe, secure and contributes to an engaged workforce.

Our Vision and Values is a culmination of what our people said our future should look like and how they said we should work together to achieve it. This includes our organisational values – caring, open and adaptable.

Our colleague strategy sets out how we will deliver our ambition to be a great place to work for everyone to thrive. We have introduced a new approach to managing talent and career progression, supporting everyone to have regular conversations about their role and their development.

Whilst the majority of our colleagues are in roles which require them to be at an operational or project location, for our office-based colleagues we are operating a hybrid-working approach, which offers flexibility and is valued by them.

Those who are hybrid working have been expected to be in the office on average two occasions per week, which will increase to three in the near future, for the purpose of what we call the three Cs: Collaboration, Culture and Coaching.

The wellbeing of our employees remains a priority and we continue to offer a range of services and resources to support physical and mental health.

Ensuring we hear the voice of our employees remains important to us. While our Trade Union relationships – with local, functional and company-level meetings take place across different parts of the organisation - play a significant role in achieving this, our staff network groups provide employees the chance to share ideas and support each other in developing our equality agenda in all areas of employment.We strive to create a workplace that is safe, secure and contributes to an engaged workforce.

Impact of operations on the community and the environment

We are working to ensure our priorities support a sustainable future for the capital

Through our network, we aim to create a resilient, attractive, nature- rich, and liveable city, which supports biodiversity and contributes to the mental and physical health of Londoners.

Climate change poses severe risks for us, but it also comes with opportunities to deliver a safer and more sustainable future for the communities we serve.

Strategic Report (continued)

Environmental sustainability is integral to our business and the way we work. We face huge environmental challenges, as we are London's biggest user of electricity, and a quarter of London's greenhouse gas emissions are from transport. We are London's second largest landowner, which brings a number of environmental risks and opportunities. Our transport network is woven throughout the city, we take a leading role in managing climate risks in partnership with stakeholders across London. Managing our climate risks will enable us to provide a safer and more reliable transport network for Londoners. As well as allowing us to make well- informed investment decisions and reduce our financial liability from climate disasters. We are also uniquely positioned to provide opportunities for London.

We are taking leadership in the management of physical climate risks by working with stakeholders across London and beyond. Through the London Surface Water Strategic Group, we are working with key stakeholders across the city to procure London's first surface water flood risk management strategy. We are leading work on the Transport Adaptation Steering Group, to improve consistency across the transport sector for Adaptation Reporting Power submissions, as well as exploring how best to assess and score key interdependency risks. Other areas of collaboration include, being a key partner in developing the rail sector adaptation maturity matrix through the Rail Safety and Standards Board project and developing a transport sector handbook for asset managers through the Transport Research and Innovation Board project. We are constantly working to improve our understanding of climate risks. Following the July 2022 heatwave, a PhD project on the impact of high temperatures on London Underground is coming to an end. We are exploring how best to communicate and embed research findings in TfL's activities.

Our target is to be net zero by 2030, and we are working with others to achieve this. TfL has drawn on its experience developing renewable energy contracts to drive efforts to establish GLA Group-wide purchasing of wind and solar energy. By working together, the GLA, TfL, the Metropolitan Police, the London Fire Brigade, and the London Legacy Development Corporation aim to use their enhanced purchasing power to negotiate a Power Purchase Agreement. This would secure new renewable power, provide longer term stability on energy prices, and contribute to the Mayor's ambition for London to reach net zero carbon by 2030. We are also working with the London Anchor Institutes Network; TfL is an active participant in its Green New Deal Working Group. The purpose of the group is for anchors to work collaboratively to support the capital's net zero targets by accelerating public estate decarbonisation and developing an appropriately skilled workforce to meet the demands of a growing green economy. In 2022/23 TfL made commitments in relation to subjects including its carbon literacy training roll-out and the publishing of its climate adaptation plan.

In line with TfL's 2021 Corporate Environment Plan, we have established a clear hierarchy for reducing our operational carbon emissions. At the top of this hierarchy is the removal of fossil fuel use and improving our energy efficiency. We are prioritising energy efficiency measures by carbon and cost savings; starting with the further rolling out of LED lighting and commencing a programme to decarbonise our buildings by removing fossil fuel usage and improving fabric performance.

On an annual basis, the safety, health, and environment reports, containing details of TfL's carbon emissions, environmental performance and action plans are published on the TfL website. Further detail on how we monitor and report on climate change risk and adaptation is set out in the principal risks section of this Narrative Report

Streamlined Energy and Carbon Reporting helps businesses across the UK in scope of the 2018 Regulations to comply with their legal obligations in respect of energy usage and carbon emissions reporting. [2022/23 Table outstanding]

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2022. District heating and cooling factors are specific to the Olympic Park district heating system.

Our financial disclosure on climate change

Environmental sustainability is integral to our business and the way we work, but we face huge challenges in a changing world.

Strategic Report (continued)

In 2017, the Taskforce on Climate-related Financial Disclosures (TCFD) released climate-related financial disclosure recommendations designed to help organisations assess and manage climate-related risks and opportunities. The disclosure recommendations are structured around four thematic areas which provide a framework for us to understand and take action on our climate risks and opportunities. These thematic areas represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Ultimately, widespread adoption of the recommendations is aimed at enabling financial risks and opportunities, related to climate change, to become a natural part of organisations' risk management and strategic planning processes.

TCFD disclosures will become mandatory from the next financial year. The Group has disclosed its progress against all four themes as we mature our adoption of the TCFD recommendations and as we move forward in developing scenario analysis.

Our climate governance

Achievements in 2022/23

- Sustainability Executive committee established, responsible for management of environmental risks and opportunities
- Executive Committee completed Sustainability training
- Over 800 people completed carbon literacy training, including our senior leaders

Responsibility for managing climate risk sits with our Executive Committee, overseen by the TfL Board. Environment management is embedded across the organisation, with all areas represented at our Executive Committee Sustainability Group. The Executive Committee Sustainability Group meet every six weeks and they oversee the strategic and operational direction on our behalf by ensuring we align between the vision, purpose, and corporate plans relating to climate risks and opportunities.

We delivered sustainability training to our Executive Committee in November 2022, enabling our directors to engage and lead with confidence on sustainability. We are also rolling out carbon literacy training across the organisation to increase awareness of the carbon impacts of everyday activities and give people the ability and motivation to reduce emissions. Our training course, accredited by the Carbon Literacy Project, encourages us to incorporate carbon into our decision-making processes.

Governance structure for Environmental Management

Group	Role
TfL Board	• The Board has overall responsibility for the oversight of TfL's environmental management which includes our risks and opportunities associated with climate change. TfL's Enterprise-level environmental risk is scrutinised by the Board's Audit and Assurance Committee, Safety, Sustainability Human Resources (SSHR) Panel • The Board meets a minimum of six times a year • In the last 12 months the SSHR Panel have discussed: progress against TfL's Corporate Environment Plan, Power Purchase Agreement (PPA) tender, Sustainability Network, Carbon Literacy training, Natural Capital Account, Climate Change Adaptation Plan
Executive Committee	• TfL's Commissioner and Chief Officers are responsible for fulfilling the priorities and objectives set out in the Mayor's Transport Strategy and TfL Business Plan

Strategic Report (continued)

	• The Executive Committee is responsible for the management of TfL's Enterprise-level environmental risk • The Executive Committee meets on a weekly cadence, and has performance and strategic meetings every four weeks.
Executive Committee Sustainability Group	• The Executive Committee Sustainability Group is responsible for the co-ordination of cross-organisational environmental and sustainability issues and work-programmes, on behalf of the Executive Committee • The group is chaired by TfL's Chief Safety, Health and Environment Officer and Chief Capital Officer, and includes representation from all TfL business units The Executive Committee Sustainability Group meets every six weeks and their role includes: • Agreeing the strategy for environmental management, including setting targets, monitoring, and reporting on performance. • Providing central oversight of the Group's management of climate impact to ensure that climate chance informs strategic planning and decision making across all TfL activities. • Overseeing management practices that ensure that these exposures are controlled in line with TfL's risk appetite and Corporate Environment Plan • Promoting internal awareness and understanding of climate- related threats and opportunities • Ensuring actions and responses to climate are proportionate

Engaging colleagues in sustainability is important to us. We have a Sustainability staff network which has over 400 active members, and is a place for colleagues to share, learn and support each other in regard to sustainability challenges and initiatives.

We delivered sustainability training to the TfL Executive Committee in November 2022; enabling our Directors to engage and lead with confidence on sustainability. We are also working to make our workforce carbon literate.

Our climate strategy

Achievements in 2022/23

- Published our 2023 Business Plan, which prioritises progress against key green enablers, such as decarbonising operations and green infrastructure
- Established our Green roadmap

Strategic Report (continued)

- Published our Climate Change Adaptation Plan
- Updated the Board on our progress on our Corporate Environment Plan
- Launched procurement for our first renewable energy Power Purchasing Agreement (PPA) to achieve our goal of running a zero- carbon railway

Our strategy for the environment has been built to support the Mayor's London Environment Strategy (LES). Our response to the LES is set out in the TfL Corporate Environment Plan, published in 2021, which describes our environmental priorities and how we will manage any key risks and opportunities. This includes a focus on how we will respond to the climate emergency by reducing carbon emissions, and how we will adapt to physical climate risks through adaptation.

The CEP provides the foundation for developing environmental strategies and delivery plans. At a business level, this is considered as part of the development of the TfL Business Plan, which determines our strategic plan over the medium-term, the most recent version of which covers the three-year period between 2023/24 and 2025/26. This includes a summary of where we will allocate resources across our various strategic priorities, including our plans for the environment, covering our operations, asset renewals portfolio and capital investment programme. Our 2023 Business Plan also included our first ever submission to the GLA Group 'Climate Budget' process, providing a forecast of the carbon emissions resulting from TfL Operations over the next seven years, and in addition highlighted key risks and opportunities, and potential funding requirements over the longer-term.

The overall business strategy is supported and informed by a number of policies, technical strategies and analysis. For example, our asset management strategies provide a set of options for how we might deliver our green ambitions. Once we have decided on a preferred approach, we are then able to include this in our main plans and/or engineering standards in order to provide clarity regarding specific challenges and environmental interventions.

To deliver the Mayor's Transport Strategy, it is important to consider potential funding requirements over the long-term, beyond the TfL Business Plan. In 2023, this will be undertaken as an internal exercise looking at the next 25 to 50 years, and will include assumptions outlining our key environmental ambitions, risks and opportunities from the CEP. We will work in tandem to develop our longer-term business planning and climate risk scenario analysis.

Types of risk and risk management

- Transition risks - these arise from actions associated with the transition to a low-carbon economy, including the introduction of new climate policies and technologies. For TfL, these include:
  - Policy and legal - meeting enhanced compliance requirements relating to building efficiency standards. Embodied carbon, future planning requirements and building regulations for projects and carbon pricing
  - Market - greater demands from customers to meet higher sustainability standards
  - Reputational - loss of reputation in market due to greenwashing or by slow response or inaction
  - Technology - additional capital, operational and maintenance costs incurred from lower emission technologies
- Physical risks - these come from the physical impacts of climate change. For TfL, these include:
  - Acute - increased severity of extreme weather events
  - Chronic - longer-term shifts in variability of weather patterns and precipitation, rising mean temperatures and rising sea levels.

Strategic Report (continued)

Physical climate change poses significant risk to us. Our transition to net zero poses significant risks, as well as opportunities.

We published Adaptation Reporting Power third round, in 2021. This was our most comprehensive climate risk assessment to date on physical risks. As part of the assessment, 333 climate risks were identified. Precipitation, including both too much and too little rain, is the climate hazard with the greatest number of identified risks. Temperatures, both high and low, are the climate hazards with the next greatest number of identified risks. Some of our most at-risk assets are: Bridges and viaducts; Drainage – track, civil infrastructure, buildings and highways; Rolling stock; Signalling systems. We have conducted workshops with asset and engineering teams to better understand these risks and identify adaptation measures.

Of the 333 climate risks identified, five of these risks scored as major or above today and four of these were linked to extreme high temperatures. Risks scored as major or above increases to 11 risks in the 2050s and 13 in the 2080s.

Key findings included that:

- All TfL assets are, or will be, affected by severe weather and climate change. Across all of TfL, climate risks will increase in severity over time
- We use resilience to manage short-term weather-related disruption. However, as severe weather becomes more frequent over time due to climate change, the cost, and time spent on, resilience will increase
- Precipitation, both too much and too little, is our most common climate hazard
- Drainage represents a crucial supporting asset for other asset types. If drainage (both ours and third parties') fails, other assets become more exposed to flooding

Using this information as a baseline, in March 2023, we published our Climate Change Adaptation Plan, which outlines what we need to do by 2030 to manage our risks from physical climate hazards. The plan details the actions we need to undertake to improve our understanding of physical risk. As we mature on our adaptation journey, we will continue to build on our strategic adaptation actions. Physical risk will increase the likelihood of safety issues for staff and customers, increase the likelihood of operational disruption including delays and cancellations, and have negative financial impacts in terms of recovery from events and reduced revenue. We manage these risks through robust resilience processes. We monitor weather and coordinate emergency plans, as well as organising for recovery after extreme weather events. Resilience will become more expensive as extreme weather events become more frequent, therefore it is important we embed our Adaptation Plan across the organisation.

For transition risks, we have a target to be net-zero carbon by 2030 in our transport operations. We are moving forward with our strategy to achieve this. By the end of March 2023, more than 50 per cent of our bus shelters were converted to LED, and we aim to convert all of our bus shelters by March 2024, saving more than 1,000 tonnes of carbon dioxide equivalent each year. As of 31 March 2023, around 11 per cent of our bus fleet operated with zero-emission buses, 970 zero-emission buses in total, helping us reduce our reliance on diesel, cut emissions and reduce carbon dioxide.

Decarbonising our buildings is integral to our net-zero strategy. In 2022, we conducted a baseline assessment of the carbon emissions associated with our buildings, using existing data, supplemented with 40 site visits. This year, we will conduct 20 feasibility studies to move forward with our buildings decarbonisation.

We have allocated up to £2m additional funding per year to improve our understanding of the impacts of climate change and to develop and deliver plans to adapt to it. This is in addition to the £4m Green and Healthy Streets Fund provided by the Mayor to deliver sustainable drainage on both our roads and the boroughs.

Our climate risks

Strategic Report (continued)

Achievements in 2022/23 included:

- Developed and agreed an adaptation enterprise risk on the environment

Climate risks are considered across our organisation, which is reflected at different levels in our risk hierarchy. We have developed our enterprise- and strategic level risks relating to the environment, including climate adaptation since the last Annual Report. Enterprise-level risks are reviewed each year by our Executive Committee and Safety, Sustainability and Human Resources Panel. Our strategic climate and environment risks are reviewed in detail each year, as well as an ongoing review by our sustainability sub-group.

We have a risk database that enables climate and environment risks to be tagged and monitored. Interdependencies between risks are also considered. For example, climate change could cause potentially significant disruption to our supply chain, which must be monitored and mitigated.

We have assessed the risks on assets and people under different climate scenarios. There is more work we must do to understand our climate risks in more detail. We need to continue to collect quantitative data, as well as understand our transition risks within the stated timeframes and under different scenarios.

We also have research projects ongoing. Through internal projects, we have modelled the risk to flooding on the London Underground network. We are now expanding this to cover flooding risks on other modes. As part of this, we identified risk levels at Underground stations and are putting measures in place to reduce risk where appropriate. We also work with external partners such as academics and universities to gain a great understanding of our risks.

Our climate metrics and targets

Achievements in 2022/23 included:

- Green measures added to TfL scorecard
- Scorecard measure developed for the Sustainable Drainage System (SuDS)
- 970 zero-emission buses in operation
- 50 per cent of bus shelters converted to LED lighting
- 50 per cent of all lamp columns on our road network now fitted with LED lighting

Carbon emissions is a key metric on TfL's scorecard, the tool by which TfL measures its performance, and will be reported on quarterly across the business in 2023/24.

Our target set out in the Mayor's Climate Budget, is to be net zero by 2030 for TfL's operational emissions. This includes all energy and fuel that TfL purchases directly (scope 1 & 2 emissions), along with emissions associated with the operation of branded services.

Our plan to achieve net zero is:

Item	Narrative
Buses	All buses to be zero emission by 2034, with a target to accelerate this to 2030 (subject to funding)
Support fleet	All cars and vans in the TfL support fleet to be zero emission by 2030

Strategic Report (continued)

Piccadilly line rolling stock	Lighter, more energy efficient trains with regenerative braking
Private wire	Directly receive a proportion of our electricity from zero-carbon, private, dedicated solar installations
Our buildings	Decarbonising our buildings through removal of fossil fuel heating and increasing energy efficiency
Power purchase agreements	50 per cent of our grid purchased electricity will be from fully renewable sources by 2030

We have identified risks to achieving net zero by 2030, these include changes to regulation which could impact progress of PPA procurement. In addition, to achieve our net zero target by 2030, we will require additional funding.

With additional funding, we could lock-in the pathway to making the bus fleet zero emission by our target 2030, which in combination with existing and funded initiatives would save an additional three hundred thousand tonnes of carbon. This would require significant additional funding, although this cost would be spread over the lifetime of the new vehicles which extends beyond 2030. There is currently no certainty on Government funding for capital investment beyond March 2024. The TfL Business Plan makes an assumption on the level of funding that will be made available for rolling stock and signalling replacement. If this funding is not confirmed in future, this will impact the ability to fund all of TfL's capital investment including green initiatives.

Our metrics and targets in relation to physical climate risks are related to tree coverage and Sustainable Drainage Systems. Through the Mayor's Transport Strategy, we have a target to increase tree numbers on TfL owned roads by one per cent per year between 2016 and 2025. We increased the tree coverage on our network to 24,795, planting 453 in 2022/23. This is an increase of 21 trees above target. The Mayor's Transport Strategy includes a target to deliver an effective surface area of 50,000 square metres to first drain into Sustainable Drainage System features rather than conventional drains and sewers. We are committed to delivering 5,000 square metres a year along our road network as part of this target. These targets will help to protect London from flooding, and provide shade and shelter from extreme weather events.

Our next steps

We are continually improving our approach to TCFD by improving our understanding of climate risks and opportunities through more detailed data and research.

In the next 12 months, we plan to:

Governance

- Robust tracking of climate risks and opportunities
- All senior leaders to complete Sustainability training
- Over 3,000 colleagues trained on carbon literacy
- Agree a TfL value framework for capital investment
- Start implementing an asset management decision support system

Strategy

- Strategic research programme to continue

Strategic Report (continued)

- Strategic actions from the adaptation plan to be progressed
- Continue transition of the bus fleet to net zero and deliver buildings decarbonisation projects
- Begin work on risks and opportunities for scenario analysis
- Expand climate budget to include adaptation
- GI and biodiversity plan published
- Launch our transition plan for zero-emission support fleet vehicles

Risk

- Enterprise risk register expanded to cover strategic and tactical risks
- Physical climate risks to be incorporated into the Active Risk Management system
- All risks across enterprise risk framework that link to climate, identified, and tagged

Metrics and targets

- Agree an emissions reduction target for TfL's scope 3 measures
- Deliver SuDS to allow 5,000 square metres of drainage
- 845ktonnes carbon dioxide emissions from our operations and building

Fostering business relationships with suppliers, customers and others

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

Performance summary

Passenger fares for the year totalled £4,241m, an increase from the £3,154m experienced in 2021/22. Journey numbers are now at 85 per cent of pre-pandemic levels, an increase from 68 per cent in 2021/22.

The revenue shortfall has necessitated the continued provision of extraordinary grant funding from the Government to TfL. The current funding agreement until the end of March 2024, which supports the running of our capital programme and protects our growing passenger income against demand shocks. TfL continued to receive funding from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant. The resulting revenue grant from TfL to support the Group's operations totalled £1,574.7m, a decrease from the £2,310.4m received in 2021/22.

Operating costs of £(6,146.6)m increased from £5,785.5m in 2021/22 due to high levels of inflation by remain down in real terms. We remain focused on increase spend controls and reducing our core costs where possible.

As a result, assets under construction reduced from £18,432.5 in 2021/22 to £2,416.5m at the end of 2022/23. This resulted from major projects completed during the year including the Elizabeth Line and Bank Station upgrade.

The Elizabeth line opened on Tuesday 24 May 2022 with services between Paddington and Abbey Wood. TfL Rail services from Reading and Heathrow to Paddington mainline, and Shenfield to Liverpool Street mainline were also rebranded to the Elizabeth line on this day.

Strategic Report (continued)

Bond Street's Elizabeth line station opened on 24 October 2022. The station can accommodate nearly 140,000 Elizabeth line passengers daily, contributing to an overall station capacity of 225,000 across the Jubilee, Central and Elizabeth lines, providing a new link to one of the busiest shopping districts in Europe. The station features two brand-new, spacious ticket halls which lead passengers to the 255-metre long Elizabeth line platforms. The journey is step-free from street to train, with two lifts, further enhancing accessibility on the Elizabeth line and across the TfL network.

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

Underground operations

London Underground Limited

Fares income has increased by £688.4m compared with last year. The Company carried 1,063m passengers over the year as the easing of coronavirus restrictions in the latter part of the year resulted in 315m more passengers, an increase of 42 per cent on last year.

Capital expenditure increased compared to last year as we recover from the coronavirus pandemic and continue to invest heavily in our infrastructure, prioritising investments based on funding and ensuring value for money.

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network. On 11 September 2022, a new timetable was introduced enabling a journey time improvement of around five per cent on average on the Circle and District lines between Monument, Fulham Broadway, Barons Court and Paddington. This adds to the journey time improvements already introduced on the north side of the Circle line through a timetable change in September 2021. We continue to make good progress on the programme, which is delivered by progressively installing new signalling onto sections of the railway called signal migration areas. The signalling section between Stepney Green and Becontree, called signal migration area six, went live on 15 January. This represented a major achievement for the programme as it completes the roll out of the new signalling on the Hammersmith & City line, further improving reliability for customers. The signalling section between Dagenham East and Upminster, SMA7, went live on 19 March. This is another significant achievement for the programme as it extends the roll-out of the new signalling system on the District line, completes automatic running on the east of the railway, and connects the first depot to the network.

In December, Siemens completed the manufacture of the second in type key motor car shell for the first new Piccadilly line train. This follows the successful assembly of the first intermediate motor cars back in June. This keeps us on target for the first train to be fully formed and ready to start testing from summer 2023. The Piccadilly line upgrade project team has set key performance indicators across the programme focusing on how they will reduce carbon, the values of which are reported. Top carbon risks and opportunities are reported in our internal Programme Performance report. Objectives have been set for all staff to attend carbon literacy training courses to support the delivery of carbon savings within the programme. Work continues revising the baseline to reflect a developing understanding of the programme. In February we delivered 22 out of 44 power connections in the communication equipment room, a significant step towards enabling train and platform CCTV to be installed. This marks the completion of 50 per cent of planned installations. Once completed, this work will enable the one-person operation and off-train communications equipment to be installed. One person operation CCTV is a safety related system that allows the train operator to view passengers along the platform at the interface with the train.

Bank station capacity upgrade increases by 40 per cent. The capacity upgrades are alongside additional upgrades improves the passenger flows and overall experience. Improvements include step-free access to the Northern line, improved access to DLR platforms, two new moving walkways, 12 new escalators and two new lifts to serve the Northern line and DLR. There are more direct routes within the station and a new station entrance on Cannon Street. The new street-level entrance on Cannon Street was officially opened by the Mayor of London on 27 February. This includes six further escalators between street level and the Northern line platform level, step-free access to the

Strategic Report (continued)

Northern line for the first time and improved step-free access to the DLR via new lifts. This completes the transformation of Bank Station which is a significant milestone.

Surface Transport

The Group's Surface Transport operations include:

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

Rail for London Limited

The Company is responsible for the operation of London Overground (LO), Elizabeth line (previously known as TfL Rail) and London Trams, plus the infrastructure for the East London line.

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

In the year, LO carried 157 million people, an increase of 40 per cent over the previous year.

LO's operational performance, as measured by the public performance measure (PPM) was 93.6 per cent at the end of the year using the moving annual average. This was significantly higher than the national average for train operators.

Both LO's operational performance and customer satisfaction were affected by the ongoing delayed introduction of the new LOTRAIN fleet, although introduction is expected to complete during 2023/24. These new state-of-the-art electric trains provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new, cleaner, electric trains also improve air quality for people living and working along the route.

In 2022/23, Elizabeth line had 138 million passenger journeys. This is an increase of 98 million over the previous year. The growth is due to the opening of the Elizabeth line central operating section in May 2022, followed by the commencement of partial through running in November 2022. 2023/24 will see full through running of the Elizabeth line from May 2023.

Strategic Report (continued)

The new extension between Gospel Oak and Barking Riverside opened on 18 July 2022. We were able to open Barking Riverside station ahead of the previously scheduled autumn completion date due to good progress in driver training, support from Network Rail, and by applying finishing touches to the station. It has been running a good service. Signal assets have also been transferred to Network Rail following the commissioning of the banner repeater signal in January 2023.

Handover of the station assets to London Overground Infrastructure Maintenance and Arriva Rail London (ARL) is progressing slowly. The main contractor has been slow in submitting documentation and London Underground asset engineers have been taking their time to review the completed works including design. ARL have a continual list of changes and snagging items to the completed works which is also prolonging completion and increase main contractor and TfL cost. An escalation of this issue within TfL has taken place in an effort to agree a plan to take this activity forward.

Docklands Light Railway Limited

The loss for the year was £0.2m (2021/22 loss was £1.9m) mainly due to an increase of £23.3m on passenger income. In the year passenger ridership was 92.3 million which, compared with 2021/22 (77.1 million), is an increase of 20 per cent. This increase was supported by a new timetable, launched in September 2021, improving frequencies across much of the network.

DLR Customer Satisfaction score for 2022/23 was 78 which remained consistent to the previous financial year. Due to the Coronavirus pandemic DLR continued surveying online along with the other TfL modes. Station customer satisfaction scores were broadly consistent throughout the year. Train scores for crowding and availability of seats and comfort all improved – likely helped by the improved timetable in September 22 and the reintroduction of on-board staff moving around the train having had them stationed at the front during covid. DLR operation performance departure score was 98.3 per cent which is 0.1 per cent higher than the franchise agreement threshold. Removing impact from LUL industrial action, the departure score would have been 98.5 per cent.

There were 22 weekend closures affecting parts of the DLR in 22/23. This can be broken down as the following:

- 18 full weekend closures
- two partial weekend closures (one day)
- two bank holiday weekends (three day closures on both)

These closures were for capital renewals, maintenance and as part of our programme to replace our older trains with 54 brand new trains. We continue to minimise closures by working closely with all parties to align dates and combining closures where possible, noting that this coming year has record activity across the DLR and therefore closures will be needed.

The manufacture of the new rolling stock in Spain is continuing to plan with eleven trains completed this year. The second new train was delivered to Beckton depot in early March 2023, whilst the first train delivered is now undergoing testing on DLR Network in engineering hours. We completed signalling testing of the new software on the DLR network with the existing fleet in preparation for the arrival of the new trains in early 2023. Following this, we have successfully completed the first stage of signalling integration testing with the new train running under automatic signalling control.

We have received confirmation from the Government to activate an option to purchase eleven additional trains which are funded through the Housing Infrastructure Fund. This will provide additional capacity and unlock further housing benefits in the Royal Docks and Isle of Dogs. We are currently finalising negotiations with the supplier for the delivery of these trains

Tramtrack Croydon Limited

Strategic Report (continued)

The loss for the year was £0.8m (£0.6m in 2021/22). Passenger income increased because of recovery from the coronavirus pandemic.

In the year Trams carried 20.9 million passengers which, compared with 2021/22 (19.1 million), is a year-on-year increase of nine per cent due to the impact of recovery from the coronavirus pandemic.

Headline operational performance was 92.3 per cent, a decrease on last year (98.5 per cent). Performance was significantly impacted by issues with fleet availability caused primarily by supply chain issues from mainland Europe. Difficulties in getting key spare parts for the fleet which are all sourced from Europe meant that some trams were not available for service for extended periods. This was broadly resolved towards the end of the year, but some residual issues remain.

Of note on project progress was the continuation of the programme of track renewals, with the successful completion of Love Lane and Phases 1 and 2 of Reeves Corner, and fleet upgrade works: the delivery of a new cab-cooling system for the CR4000 trams; commencement of commissioning work for trams CCTV upgrades on the Stadler fleet and the completion of a correct-side door enable solution for the Stadlers in readiness for roll-out.We successfully carried out a number of large infrastructure renewal projects throughout the year, most notably at Church Street and Mitcham Junction. Work also continued on fleet improvements too, but this was hampered by the tram availability issue mentioned above.

We will never forget those who lost their lives or were injured when the tram derailed and overturned as it approached Sandilands junction in Croydon on 9 November 2016.

Following an independent investigation, the Rail Accident Investigation Branch (RAIB) published its report in December 2017. It included 15 recommendations to address safety on London's tram network, as well as other networks across the country. Safety remains our number one priority. We keep our network under constant review, and we have made a number of improvements to the tram network.

Following the conclusion of the Sandilands Inquest held in 2021, we provided our response to the Prevention of Future Deaths report on 16 November 2021 in which we confirmed that we have been working with Alstom, formally Bombardier, to commission a fresh engineering study to look at whether it is possible to strengthen the existing door mechanisms on the CR4000 fleet. Alstom have provided a number of potential changes to the door systems which are now being reviewed by TfL Engineers ahead of determining a way forward and identifying funding for any work. For any new tram fleet, we are committed to ensuring that manufacturers comply with all appropriate LRSSB guidance and that any design of the door mechanism takes into account learning from the work currently underway.

Since the conclusion of the Inquests, five of the families of those who lost their lives have written to the Attorney General to request that she considers using powers under section 13 of the Coroner's Act 1988 to apply to the High Court for an order seeking fresh Inquests. The Senior Coroner provided submissions to the Attorney General. We understand that the request to the Attorney General may have been withdrawn.

The focus now must be on ensuring every practical safety measure is taken and we will take into account any further learning that may come out of the inquests to make sure such a tragedy never happens again. The work to implement the Sandilands Rail Accident Investigation Branch recommendations has been signed off by the Office of Rail and Road as being complete. This includes the industry leading Physical Prevention of Overspeeding system which is in full service.

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

Strategic Report (continued)

London Bus Services Limited

The result for the year was a loss of £4.0m (2021/22 loss £4.3m).

London's bus network saw an increase in passenger journeys of circa 294 million with demand steadily improving during the year. By the end of the financial year patronage had improved to 82 per cent of a pre covid level, having started the year at 72 per cent.

Buses carried 1.78 billion passenger journeys on the network during 2022-23, the largest public transport carrier in London. Income was also up on the previous year by £255m driven by the recovery in demand and higher yields.

Buses will play a pivotal role in helping with the recovery as they continue to be a particularly inclusive, affordable and flexible form of transport. Throughout the year, and as patronage continues to recover following the effect of the pandemic, we have continued to monitor the level of service to ensure it matches demand.

Since publishing our Bus Action Plan on 11 March 2022, setting out TfL's new priorities for faster journeys, an improved customer experience, and further decarbonisation of the network, we have commenced a wide range of initiatives to enhance our services, including:

- Running a Route 63 'whole route' trial which has included new layout and design features across the entire route fleet to assess the customer response. The features seek to improve the travel experience and accessibility inside the bus, such as better lighting and seating, and enhanced customer information on board
- Trialling new bus stop information technology with new innovative screens which give customers live bus arrival information, alongside a variety of other live mapping and travel information such as disruptions and diversions. This trial includes new energy efficient displays attached to the bus stop pole itself with features such as audio announcements to assist the visually impaired
- Introducing 'Welcome Aboard' to encourage dialogue between customers and drivers and create a more positive travel experience for all
- Procuring 321 new countdown signs to further improve access to live information at a wider range of bus stops
- Saving 15,000 bus passenger hours through 1,200 signal timing reviews and approximately, 3km of new bus lanes constructed to support bus priority
- Refurbishing 280 New Routemaster buses to bring them to the latest specification for comfort and accessibility
- Publishing Bus Station Design Guidelines and Bus Priority Best Practice Guidelines
- Hosting 142 Project Guardian sessions in 2022 to tackle sexual harassment on the network
- Building 11 new and enhanced facilities to enhance the working environment for our bus drivers and staff
- Retrofitting 1,204 buses with Intelligent Speed Assistance (ISA) technology to limit buses to the posted speed limit

Buses continues to improve air quality across London, operating with a Euro VI, or better fleet. At the end of March 2023, we had increased the total number of zero-emission buses from 805 to 970 – with over 600 more new buses on order. Over 10 per cent of the fleet now operates with zero-emission buses.

Strategic Report (continued)

We continue to fund safer buses to get us closer to our Vision Zero objective of no-one killed on or by a bus by 2030 and no-one seriously injured on or by a bus by 2041, with 168 new buses entering service this year meeting the 2021 Standard which delivers a range of safety improvements. Around ten per cent of the fleet (942 buses) now meets the Bus Safety Standard and are fitted with Intelligent Speed Assistance (ISA), improved visibility side mirrors or Camera Monitoring Systems (CMS) and software innovations to eliminate bus rollaway and mitigate pedal application error. 802 of this number also have Acoustic Vehicle Alerting Systems (AVAS) to make their presence more obvious to people walking and cycling. We have an active retrofit programme for ISA technology to increase the benefits received from speed limiting our bus fleet and reducing associated risk.

The standard will continue to be toughened so that by the end of 2024 it should be able to benefit from the expected availability of emerging technologies like automatic emergency braking as well as redesign of the front of the bus to improve the safety of other road users.

In support of these safer vehicles, we have also continued to deliver our virtual-reality safety training, Destination Zero, to bus drivers which tries to reduce appetites towards risk and increase awareness of those most vulnerable – bus passengers, people walking and cycling.

We continue to work with bus operators to reduce fatigue and improve health and wellbeing, following the recommendations of independent academic research from Loughborough University and the Swedish National Road Safety Authority on bus driver fatigue, and University College London's report into bus driver's chronic health conditions. We have completed a review of bus operators Fatigue Risk Management Systems, rolled out health kiosks or assessments to bus drivers, and are carrying out trials of ten innovations through the bus safety Fatigue, Health and Wellbeing Innovation Challenge.

To ensure we keep working effectively towards achieving our Vision Zero targets for the bus network, we have developed a new Bus Safety Strategy which brings together our actions under the Bus Action Plan and Vision Zero Action Plan and sets out what new activities we need to focus on to achieve our goal.

London Buses Limited (Dial-a-Ride)

The loss for the year was £116,000 (2021/22 loss £85,000).

During the year to 31 March 2023, Dial-a-Ride (DaR) scheduled 89.4 per cent of all trip requests received (2021/22 95.1 per cent), which was higher than the target of 89 per cent. After 'on the day' cancellations of scheduled trips by passengers, the service delivered 503,035 trips which was 34 per cent more than in 2021/22 (375,045 trips). DaR expects to see an increase in demand through 2023/24, aided by expanded operating hours and changes to driver rotas.

Customer satisfaction remained high at 90.5 per cent (2021/22 92.0 per cent) against a target of 90 per cent. In 2022/23 DaR call centre received 372,094 calls, out of which 335,328 were answered, giving an acceptance rate of 90.1 per cent (10 per cent improvement on 2021/22).

Throughout the year, DaR remained committed to supporting our customers. When one of our external operators withdrew from the market, DaR stepped in to provide services directly using internal resources. DaR continues to develop and implement the Assisted Transport Strategy and are in the process of implementing a new booking and scheduling services which is a key enabler.

Strategic Report (continued)

Victoria Coach Station Limited

The loss for the year was £124,000 (2021/22 loss £122,000).

Victoria Coach Station (VCS) is the biggest coach terminus in Europe. In 2022/23 there were 182,827 domestic and international accessible departures (2021/22 118,000) and approx. 17 million passenger movements (2021/22 11 million) through the site. This year has continued the increase in departures and passenger movements seen in 2021/22, and performance against agreed targets is currently at 98 per cent (84 per cent of pre-pandemic levels).

The coach industry continues to show good growth in the domestic, international and tour markets with VCS supporting our coach operating partners. The forecast for coach departures over the coming months look promising with the introduction of an increased seasonal timetable for domestic and tour services.

Our investment in VCS continues with safety and security projects taking primacy such as CCTV or personal address systems, while the customer toilets, coach movement area and drainage systems will also receive attention.

The coach station will continue to be located at its historic home in Victoria, for the foreseeable future, and we will be exploring coach departure opportunities at other locations across London to benefit operations and customers. TfL plans to work with our stakeholders to improve customer experience and facilities at the 91-year-old Grade-II listed station as small sections of the Victoria Coach Station lease expired in the early 2020s. This could include changes to the layout of the station to improve the customer experience, as well as renovating and renewing facilities on a wider scale.

London River Services Limited

The loss for the year was £118,900 (2021/22 loss: £122,000).

During the year a total of 8.5 million passenger journeys were made (5.3 million in 2021/22) using London River Services pier facilities, Woolwich Ferry and licensed river tour and river bus services. This shows an increase in passenger numbers during the year of more than 60 per cent. This increase can be attributed to the re-opening of river bus and river tour services, and higher road traffic volumes, during the easing of restrictions.

Other activities

The Group's other activities include:

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

Crossrail Limited

Crossrail helped successfully deliver the opening of the Elizabeth line on 24 May 2022 including nine of the ten new central section stations, with the opening of Bond Street following on 24 October 2022.

The commencement of direct Elizabeth line services to central London from all destinations marks the introduction of a huge range of extra benefits, including reduced journey times, additional capacity, greater accessibility, and better

Strategic Report (continued)

connectivity to jobs, opportunities, and leisure for communities across London and the South East, as well as increasing the capacity of London's rail network by around 10 per cent.

People landing at Heathrow Airport are now able to travel straight through central London on a direct train to areas such as Farringdon and Canary Wharf in as little as 36 and 45 minutes respectively at weekends and 40 and 51 minutes respectively during the week

Each of the new stations in the central section has its own distinct character, conceived by different architects, which reflects the environment and heritage of the local area. However, at platform level, common design components such as seating, signage and full-height platform screen doors create a consistent and familiar feel to the rest of the TfL network. 31 of the 41 stations along the Elizabeth line route are on the Surface rail network to the east and west. Upgrades to these stations included platform lengthening, improved customer information screens, signage, new ticket machines and CCTV.

Performance on the Elizabeth line, including the Central Section, and the surface services to the east and west has been very good and this continues to be an important focus for the project. Ongoing work is being carried out to achieve end-to-end integration and other residual work items required due to safety, reliability or performance improvements. A final Elizabeth line timetable was implemented at the end of May 2023 and includes up to 24 trains per hour at peak between Paddington and Whitechapel, and 16 trains per hour off-peak.

Places for London Limited (formerly TTL Properties Limited)

During the year, the gross income generated from property assets totalled £75.1m (2021/22 £69.1m). Places for London Limited aims to diversity and improve the quality of its income. Over the last twelve months it has introduced a sector led operating model responding to its investment strategy.

Throughout the year the real estate market has been significantly influenced by various factors. Primarily global inflation has driven a substantial increase in interest rates. This has led to increase project costs and target returns rates, as government gifts have also risen. Places for London Limited saw net revaluation losses on its investment property portfolio for the year of £122.9m, (2021/22 net revaluation gains of £89m).

On 3 July 2023, TTL Properties Limited changed its name to Places for London Limited.

Treasury activities

Total borrowings held by TTL Group, at 31 March 2023 was £12,290.0m (2021/22 £12,325.9m). The interest payable by the Group on these borrowings decreased to £438.9m (2021/22 £456.9m) reflecting decreased borrowings year on year.

During the year, one interest rate swap was terminated in March 2023 following the termination of the respective lease the interest rate swap was hedging, and hedge accounting on the interest rate swap discontinued. The termination gain of £13.5m was recorded in the Income Statement. One additional interest rate swap contract was entered into in December 2022, hedging interest rate risk on lease payments on an existing lease that was already partially hedged. This new swap was designated in a hedge relationship with the lease payments for the respective lease now fully hedged. Further cumulative net cash payments of £118.1m made on settlement of gilt locks in prior years are deferred within equity and are being released to the Income Statement as an interest rate hedge over the term of borrowings issued by TfL. £9.6m (2021/22 £9.3m) was released to financial expenses in 2022/23, leaving a remaining balance of £29.9m related to gilt locks deferred in the hedging reserves as at 31 March 2023. Hedging in the Group is achieved through the drawdown of intercompany loans from TfL and the onward lending of the monies to London Underground Limited, a fellow subsidiary undertaking of the TfL Group.

The Group also holds interest rate derivatives in order to fix the floating interest rate risk on operating lease payments for rolling stock under a lease taken out by Rail for London Limited ("RfL"), a subsidiary of Transport Trading Limited. The fair value of these derivatives at 31 March 2023 was a net asset of £24.7m (2021/22 £13.0m).

Strategic Report (continued)

At 31 March 2023, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £259.7m (2022 £278.6m). At 31 March 2023, these contracts had a combined net fair value of £(11.1)m (2022 £(17.0)m). The fair value of forward contracts was recognised in equity at 31 March 2023, with the exception of Swiss Franc contracts with a fair value of £nil for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value gain/loss is recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

In addition, the Group entered into a number of foreign exchange swaps and forwards to hedge the currency risk on foreign currency investments entered into by its parent undertaking, TfL. At 31 March 2023, the Group held forward foreign exchange contracts to sell euros to a value of £105.6m (2021/22 £238.9m). Although fully effective as hedges at the TfL Group level, as the hedged investments are in a different legal entity to the derivatives, these contracts were not in formally designated hedging relationships for accounting purposes. Hedge accounting has not therefore been applied. The fair value on these contracts recognised directly in the Income Statement within financial expense is a gain of £2.7m (2021/22 loss of £5.6m).

Principal risks and risk management

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

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

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

Funding risk

TfL is one of the only major cities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares having made up over 70 per cent of our operating budget, pre-pandemic. Our efficiency programme meant that we had been on a path to break even on the cost of operations, maintenance, financing costs and core renewals, having taken almost £1bn out of our net operating costs over the four years prior to the pandemic.

Despite this, even before the pandemic, we still required external support for new capital investment. TfL has lacked certainty on capital funding since around 2018 and before the short-term extraordinary funding settlements during the pandemic, TfL was subject to single-year rollovers and unclear capital funding arrangements.

The pandemic devastated our finances and exposed the inadequacy of our current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions, changed travel patterns and other travel demand shocks.

To keep the city moving throughout the pandemic while supporting the Government's guidance on social distancing, we had to secure emergency financial support from the Government.

TfL has been rebuilding its finances and has been on a trajectory of declining Government support. It is now on course to achieve operating financial sustainability in 2023/24.

Strategic Report (continued)

However, the current Government funding settlement expires on 31 March 2024 and there is no certainty on future capital funding support from Government. In its funding settlement letters, the Government has consistently recognised that TfL – similar to transport authorities around the world – cannot solely finance investment in major capital projects and renewals from its own operating incomes.

Based on these statements, the 2023 TfL Business Plan assumes that further Government capital funding is provided from April 2024 onwards to contribute towards rolling stock and signalling programmes. In 2024/25, TfL is able to fund around three-quarters of its total £2bn capital investment, but a Government funding contribution of £475m is assumed. Without certainty on this funding from Government, TfL will have to descope and defer planned capital investment in its 2024 Business Plan, due to be published in December 2023.

Without a clear picture of future resources, TfL cannot plan for the future of its network and optimise the benefits it can bring nationally. This short-term approach and lack of certainty undermines the ability of the supply chain to invest, limiting job creation, skills development and ability to command more efficient prices for work – for TfL and other transport operators in the UK and beyond.

Details of, and conditions attaching to the latest funding agreement are set out in TfL's Annual Report and Statement of Accounts and on the TfL website (www.tfl.gov.uk).

Approved by the Board on 14 July 2023 and signed on behalf of the Board by

R McLean

R. McLean

Director

2 October 2023

Statement of Directors' Responsibilities

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

The directors are responsible for preparing the Directors' report, the Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

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

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

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

Independent Auditor's Report

Opinion

We have audited the financial statements of Transport Trading Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows, Accounting Policies and the related notes 1 to 38, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, it should be noted that there is a reliance of the Group on Transport for London ('TfL'), its parent undertaking for funding. We have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures which includes those on TfL:

- We understood management's assessment of funding requirements and commitments for the going concern period to the 31 March 2025 by reconciling 2023/24 and 2024/25 budget back to supporting evidence and testing the mathematical accuracy of the forecast;
- We considered the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, to assess the risk of the budgets used in the funding discussions omitting material commitments;
- We validated performance to date on efficiency savings programmes, to determine the potential risk of non-delivery of the savings assumed within the budget;

- We understood the nature of the conditions set out in the agreement with the DfT dated 30 August 2022. In particular, we understood the terms and availability of funding related to inflation, cost savings, the dispute mechanism and the utilisation of funding for the planned operating services or capital purposes;

- We validated the performance against conditions set out in DfT funding agreement with Transport for London dated 30 August 2022 and the control mechanisms in place at TfL to monitor performance, to assess the risk of noncompliance with conditions which could therefore result in a reduction in funding in the going concern period to 31 March 2025;

- We challenged each material element of downside risk identified by management, including those related to inflation and cost savings and tested to supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations;

- We stress tested the downside risk, using severe but plausible parameters, considered completeness of downside risks and calculated a "worst case" downside risk– this included using increased inflation rates, reduced cost savings, changes to passenger fares and other reductions to revenue;

- We considered the mitigations available to TfL, challenged the assumptions over access to further borrowing and other potential mitigations to determine the reasonableness of those options. We concluded that TfL has significant borrowing headroom available against its Authorised Prudential Borrowing Limit over the going concern period and borrowing for capital purposes is easily accessible from the Public Works Loans Board;

- We assessed the adequacy of the going concern disclosures relating to the ability to deliver current planned operational services within available sources of funding in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 March 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

Independent Auditor's Report

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we considered that there are certain significant laws and regulations which could have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, Civil Enforcement of Road Traffic Contraventions Regulation and those laws and regulations relating to health and safety.

- We understood how the Group is complying with those frameworks by making enquiries from those charged with governance, those responsible legal and compliance procedures and internal audit. We understood the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Assurance Committee and correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud or error.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading of board minutes to identify noncompliance with laws and regulations, a review of the reporting to the Audit and Assurance Committee on compliance with regulations, enquiries of the Head of Counter-Fraud and Corruption and enquiries of management.

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

Independent Auditor's Report

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Philip Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 20 October 2023

Group Income Statement

Year ended 31 March	Note	**2023 £m**	2022 £m
Revenue	1	**4,637.4**	3,450.3
Net operating costs		**(6,146.6)**	(5,785.5)
Operating loss	2	**(1,509.2)**	(2,335.2)
Grant income	3	**1,575.4**	2,312.4
Other gains and losses	4	**(128.9)**	52.3
Total (loss)/profit from operations		**(62.7)**	29.5
Financial income	7	**41.4**	55.8
Financial expenses	8	**(488.4)**	(421.1)
Group share of profit after tax of joint ventures	15	**8.8**	7.9
Group share of (loss)/gain after tax of associated undertakings	16	**(41.5)**	24.0
Loss before taxation		**(542.4)**	(303.9)
Income tax	9	**4.8**	(86.2)
Loss for the year attributable to owners of the Company		**(537.6)**	(390.1)

Group Statement of Comprehensive Income

Year ended 31 March	Note	**2023** £m	2022 £m
Loss for the year		**(537.6)**	(390.1)
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Revaluation of property, plant and equipment	11	**3.1**	20.7
Surplus on the valuation of newly created investment properties	13	**6.0**	48.2
Deferred tax on the surplus on valuation of newly created investment properties	9	**-**	(54.7)
Actuarial loss on defined benefit pension schemes	33	**46.5**	17.7
		55.6	31.9
Items that may be subsequently reclassified to profit or loss			
Movement in fair value of derivative financial instruments		**18.3**	51.8
Derivative fair value gain recycled to income and expenditure		**9.4**	10.2
Discontinued hedging relationship		**13.5**	(15.0)
		41.2	47.0
Total comprehensive income and expenditure for the year attributable to owners of the Company		**(440.8)**	(311.2)

Group Statement of Financial Position

	Note	31 March 2023 £m	31 March 2022 £m
Non-current assets			
Intangible assets	10	**89.4**	71.9
Property, plant and equipment	11	**40,291.4**	39,691.3
Right-of-use assets	12	**1,614.6**	1,841.3
Investment property	13	**1,497.1**	1,626.6
Equity accounted investment in joint venture	15	**79.7**	47.3
Equity accounted investment in associated undertakings	16	**166.7**	197.5
Derivative financial instruments	27	**26.2**	13.2
Finance lease receivables	17	**9.1**	23.2
Trade and other receivables	21	**24.5**	37.1
		43,798.7	43,549.4
Current assets			
Inventories	19	**78.7**	58.1
Assets classified as held for sale	20	**50.7**	148.8
Finance lease receivables	17	**5.2**	13.8
Trade and other receivables	21	**488.2**	380.3
Derivative financial instruments	27	**1.7**	1.4
Cash and cash equivalents	22	**219.4**	120.5
		843.9	722.9
Current liabilities			
Trade and other payables	23	**(1,499.5)**	(1,459.7)
Other financing liabilities	24	**(6.6)**	(6.4)
Right-of-use lease liabilities	12	**(272.6)**	(307.1)
Derivative financial instruments	27	**(3.4)**	(6.5)
Provisions	28	**(62.0)**	(46.1)
		(1,844.1)	(1,825.8)
Non-current liabilities			
Trade and other payables	23	**(35.4)**	(27.7)
Other financing liabilities	24	**(115.1)**	(121.7)
Borrowings	25	**(12,290.0)**	(12,325.9)
Right-of-use lease liabilities	12	**(1,574.8)**	(1,735.1)
Derivative financial instruments	27	**(10.1)**	(14.2)
Provisions	28	**(20.9)**	(35.2)
Deferred grant	31	**(13,787.0)**	(13,011.8)
Retirement benefit obligation	33	**1.4**	(42.7)
Long-term deferred tax liabilities	9	**(370.4)**	(375.2)
		(28,202.3)	(27,689.5)
Net assets		**14,596.2**	14,757.0

Group Statement of Financial Position (continued)

		31 March 2023	31 March 2022 (Restated)*
Equity	Note	**£m**	£m
Called up share capital (restated)*	34	**840.0**	560.0
Revaluation reserve		**193.4**	213.7
Hedging reserve		**(17.4)**	(58.0)
Cost of hedging reserve		**(2.4)**	(3.0)
Merger reserve		**466.1**	466.1
Retained earnings (restated)*		**13,116.5**	13,578.2
Total equity attributable to owners of the Company		**14,596.2**	14,757.0

* Share capital and retained earnings have been restated at 31 March 2022 to reflect a share reduction exercise that was undertaken in the prior year. Refer to prior period error Note 37.

The Accounting Policies and notes on pages 46 to 146 form part of these financial statements.

These financial statements were approved by the Board on 14 July 2023 and signed on its behalf by:

R. McLean

Director

2 October 2023

Company Registration Number 03914810

Group Statement of Changes in Equity

	Note	Share capital (restated)*	Revaluation reserve £m	Hedging reserve £m	Cost of hedging reserve £m	Merger reserve £m	Retained earnings (restated)* £m	Tot £
At 1 April 2021		12,220.0	309.7	(105.0)	(3.9)	466.1	1,620.4	14,507.
Loss for the year		-	-	-	-	-	(390.1)	(390.
Actuarial gain on defined benefit pension scheme	33	-	-	-	-	-	17.7	17.
Movement in the fair value of derivative financial instruments		-	-	51.8	0.9	-	-	52.
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	10.2	-	-	-	10.
Net surplus on revaluation of property, plant and equipment	11	-	20.7	-	-	-	-	20.
Surplus on the revaluation of newly created investment properties		-	-	-	-	-	48.2	48.
Deferred tax on the surplus on valuation of newly created investment properties		-	-	-	-	-	(54.7)	(54.
		-	-	(15.0)	-	-	-	(15.
Total comprehensive income/(expense)		-	20.7	47.0	0.9	-	(378.9)	(310.
Issue of share capital	34	560.0	-	-	-	-	-	560.
Realisation of revaluation reserve on disposal		-	(114.3)	-	-	-	114.3	
Release of revaluation reserve in respect of non-historic cost depreciation		-	(2.4)	-	-	-	2.4	
At 31 March 2022 (as previously stated)*		12,780.0	213.7	(58.0)	(3.0)	466.1	1,358.2	14,757.
Share capital reduction*		(12,220.0)	-	-	-	-	12,220.0	
At 31 March 2022 (restated)*		560.0	213.7	(58.0)	(3.0)	466.1	13,578.2	14,757.
Loss for the year		-	-	-	-	-	(537.6)	**(537.**
Actuarial gain on defined benefit pension scheme	33	-	-	-	-	-	46.5	**46.**
Movement in the fair value of derivative financial instruments		-	-	17.7	0.6	-	-	**18.**
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	9.4	-	-	-	**9.**
Net surplus on revaluation of property, plant and equipment	11	-	3.1	-	-	-	-	**3.**
Surplus on the revaluation of newly created investment properties	13	-	-	-	-	-	6.0	**6.**
Deferred tax on the surplus on valuation of newly created investment properties	9	-	-	-	-	-	-	
Discontinued hedging relationship		-	-	13.5	-	-	-	**13.**
Total comprehensive income/(expense)		-	3.1	40.6	0.6	-	(485.1)	**(440.**
Issue of share capital	34	280.0	-	-	-	-	-	**280.**
Realisation of revaluation reserve on disposal		-	(22.6)	-	-	-	22.6	
Release of revaluation reserve in respect of non-historic cost depreciation		-	(0.8)	-	-	-	0.8	
Balance at 31 March 2023		**840.0**	**193.4**	**(17.4)**	**(2.4)**	**466.1**	**13,116.5**	**14,596.**

Group Statement of Changes in Equity

* In the previous financial year, on 3 March 2022, Transport Trading Limited reduced the number shares issued from 12,220,000,000 ordinary shares with a nominal value of £12,220,000,000 to 1 ordinary share with a normal value of £1 through a share reduction exercise. Subsequently additional share capital of 560,000,000 ordinary shares with a nominal value of £560,000,000 were issued.

Group Statement of Cash Flows

Year ended 31 March	Note	2023 £m	2022 £m
Cash flows from operating activities			
Loss for the year		(537.6)	(390.1)
Adjustments for:			
Depreciation, impairment and amortisation of non-current assets	11	1,317.7	1,190.6
Change in value of investment property	4	141.9	(43.7)
Loss on disposal of property, plant and equipment	4	9.4	11.6
Gain on sale of investment property	4	(10.9)	(20.2)
Financial income	7	(41.4)	(55.8)
Interest received		43.8	54.9
Reversal of financial expense	8	488.4	535.7
Interest paid		(467.8)	(536.3)
Amortisation of deferred capital grant to meet the depreciation charge	2	(525.0)	(497.6)
Share of net loss/(profit) from associates and joint venture		32.7	(31.9)
Defined benefit pension service costs	33	2.2	3.6
Employer contributions to pension scheme	33	(0.6)	(1.1)
Reversal of taxation charge		(4.8)	86.2
Cash flow from operating activities before movements in working capital		448.0	305.9
Increase in inventories		(20.6)	(6.6)
Increase in trade and other receivables		(104.1)	(63.3)
(Decrease)/increase in trade and other payables		(32.5)	36.2
Increase in provisions		1.6	15.5
Net cash generated from operating activities		292.4	287.7
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		14.6	0.1
Net proceeds from disposal of investment properties		70.9	45.4
Acquisition of intangible assets	10	(25.1)	(17.6)
Acquisition of property, plant and equipment and investment property		(1,581.8)	(1,878.8)
Finance leases granted during the year		(1.3)	(6.8)
Finance leases repaid during the year		19.9	13.8
Investment in equity of joint ventures and associates		(34.3)	(4.7)
Net cash utilised by investing activities		(1,537.1)	(1,848.6)

Group Statement of Cash Flows (continued)

Year ended 31 March	Note	2023 £m	2022 £m
Cash flows from financing activities			
Issue of share capital		280.0	560.0
(Repayment)/increase in loans from ultimate parent		(35.9)	74.0
Capital grants received		1,402.5	1,300.6
Capital element of lease		(296.6)	(288.7)
Capital element of other financing liabilities repaid		(6.4)	(6.2)
Net cash flow generated from financing activities		1,343.6	1,639.7
Net cash movement in the year		98.9	78.8
Net cash and cash equivalents at the start of the year		120.5	41.7
Net cash and cash equivalents at the end of the year	22	219.4	120.5

Company Statement of Financial Position

	Note	31 March 2023 £m	31 March 2022 £m
Non-current assets			
Intangible assets	10	**38.5**	26.1
Property, plant and equipment	11	**420.9**	124.5
Right-of-use assets	12	**13.2**	20.5
Investment property	13	**0.1**	0.1
Investment in subsidiary undertakings	14	**15,280.0**	14,800.0
Finance lease receivables	17	**9.1**	23.2
Equity loans to subsidiaries	18	**0.6**	-
Trade and other receivables	21	**0.3**	0.4
		15,762.7	14,994.8
Current assets			
Finance lease receivables	17	**5.2**	13.8
Trade and other receivables	21	**364.3**	292.8
Cash and cash equivalents	22	**106.0**	74.1
		475.5	380.7
Current liabilities			
Trade and other payables	23	**(492.1)**	(409.2)
Right-of-use lease liabilities	12	**(8.5)**	(8.5)
Provisions	28	**-**	(0.2)
		(500.6)	(417.9)
Non-current liabilities			
Trade and other payables	23	**(12.6)**	(11.0)
Borrowings	25	**(1,916.0)**	(1,716.0)
Right-of-use lease liabilities	12	**(3.3)**	(10.6)
Provisions	28	**(1.8)**	(8.9)
Deferred grant	31	**(370.4)**	(63.0)
		(2,304.1)	(1,809.5)
Net assets		**13,433.5**	13,148.1

Company Statement of Financial Position (continued)

	Note	31 March 2023 £m	31 March 2022 (Restated) £m
Reserves			
Share capital (restated refer to note)*	34	**840.0**	560.0
Revaluation reserve		**35.3**	58.0
Merger reserve		**466.1**	466.1
Retained reserves		**12,092.1**	12,064.0
Total equity attributable to owners of the Company		**13,433.5**	13,148.1

* Share capital and retained earnings have been restated at 31 March 2022 to reflect a share reduction exercise that was undertaken in the prior year. Refer to prior period error Note 37.

The Accounting Policies and notes on pages 46 to 146 form part of these financial statements.

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

These financial statements were approved by the Board on 14 July 2023 and signed on its behalf by:

R McLean

R. McLean

Director

2 October 2023

Company Registration Number 03914810

Company Statement of Changes in Equity

	Note	Share capital (restated)*	Revaluation reserve	Merger reserve	Retained reserves (restated)*	Total
		£m	£m	£m	£m	£m
At 1 April 2021		12,220.0	42.3	466.1	(117.5)	12,610.9
Loss for the year		-	-	-	(22.8)	(22.8)
Total comprehensive expense		-	-	-	(22.8)	(22.8)
Issue of share capital	34	560.0	-	-	-	560.0
Realisation of revaluation reserve on disposal		-	15.8	-	(15.8)	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	(0.1)	-	0.1	-
Balance at 31 March 2022 (as previously stated)		12,780.0	58.0	466.1	(156.0)	13,148.1
Reduction of share capital *		(12,220.0)	-	-	12,220.0	-
Balance at 31 March 2022 (restated) *		560.0	58.0	466.1	12,064.0	13,148.1
Profit for the year		-	-	-	5.4	**5.4**
Total comprehensive expense		-	-	-	5.4	**5.4**
Issue of share capital	34	280.0	-	-	-	**280.0**
Realisation of revaluation reserve on disposal		-	(22.6)	-	22.6	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	-	-	-	-
Balance at 31 March 2023		**840.0**	**35.4**	**466.1**	**12,092.0**	**13,433.5**

Company Statement of Changes in Equity

* In the previous financial year, on 3 March 2022, Transport Trading Limited reduced the number shares issued from 12,220,000,000 ordinary shares with a nominal value of £12,220,000,000 to 1 ordinary share with a normal value of £1 through a share reduction exercise. Subsequently additional share capital of 560,000,000 ordinary shares with a nominal value of £560,000,000 were issued.

Company Statement of Cash Flows

Year ended 31 March	Note	2023	2022
		£m	£m
Cash flows from operating activities			
Profit/(loss) for the year		5.4	(22.8)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	11	27.6	30.4
Amortisation of right-of-use assets	12	8.9	8.6
Amortisation of intangible assets	10	16.2	18.0
Movements in value of investment property	13	-	0.3
Gain on sale of property, plant and equipment		(0.1)	(0.7)
Financial income		(0.8)	(1.1)
Interest received		3.2	0.2
Financial expense		40.2	37.6
Interest paid		(73.0)	(4.8)
Amortisation of deferred capital grant to meet depreciation and impairment charges	31	(47.8)	(40.8)
Taxation		-	(3.5)
Tax refund		-	3.5
Cash flow from operating activities before movements in working capital		(20.2)	24.9
(Increase)/decrease in trade and other receivables		(73.8)	10.3
Decrease/(increase) in trade and other payables		117.5	(222.3)
(Decrease)/increase in provisions		(7.2)	7.0
Net cash generated from/(utilised by) operating activities		16.3	(180.1)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	22.8
Equity loans to subsidiaries		(0.6)	220.1
Acquisition of intangible assets		(12.0)	(3.0)
Acquisition of property, plant and equipment		(340.7)	(30.5)
Finance leases granted during the year		(1.3)	(6.8)
Finance leases repaid during the year		23.9	13.8
Subscription for new shares in subsidiary		(480.0)	(710.0)
Capital grants received		355.2	25.3
Net cash utilised by investing activities		(455.5)	(468.3)

Company Statement of Cash Flows (continued)

Year ended 31 March	Note	2023 £m	2022 £m
Cash flows from financing activities			
Issue of share capital		**280.0**	560.0
Increase in loans from fellow subsidiary undertaking		**200.0**	150.0
Capital element of finance leases		**(8.9)**	(8.6)
Net cash flow generated from financing activities		**471.1**	701.4
Net cash movement in the year		**31.9**	53.0
Net cash and cash equivalents at the start of the year		**74.1**	21.1
Net cash and cash equivalents at the end of the year	22	**106.0**	74.1

Accounting Policies

a) Reporting entity

Transport Trading Limited ("TTL" or the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 03914810 and its registered office is 5 Endeavour Square, London E20 1JN.

The consolidated financial statements as at 31 March 2023 include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's equity accounted share of the net assets, and net profit or loss of its joint ventures and associates.

b) Statement of accounting policies

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

c) Basis of preparation

Statement of Compliance

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

Basis of measurement

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

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

d) Uses of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) requires the use of certain critical accounting estimates, which by definition will seldom equal the actual results. Management additionally exercise judgement in applying the Group's accounting policies.

Accounting Policies (continued)

Outlined below is a summary of areas which involve a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions changing. Detailed information about the sensitivity of such judgement is including within the relevant note.

Uses of Estimates

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the defined benefit obligation. More details are given in note 33.

Taxes

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

The Group has tax losses carried forward with a tax value of £596.8m (2022 £1,313.4m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £600m (2022 £2,950.1m).

Uses of Judgements

Determining whether an arrangement contains a lease

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

e) New standards and interpretations adopted for the first time in these financial statements

Standards and interpretations issued by the International Accounting Standards Board ("IASB") are only applicable if in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The following new amendments have been applied for the first time in these financial statements:

- **Property, Plant and Equipment: Proceeds before Intended Use**

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

  The amendments to IAS 16 were assessed to have a minimal impact on the Group's financial statements for the year ending 31 March 2023.

- **Onerous Contracts – Costs of Fulfilling a Contract**

Accounting Policies (continued)

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

The amendments to IAS 37 were assessed to have a minimal impact on the Group's financial statements for the year ending 31 March 2023.

- **Reference to the Conceptual Framework – Amendments to IFRS 3**

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

  The amendments to IFRS 3 were assessed to have a minimal impact on the Group's financial statements for the year ending 31 March 2023.

- **Amendments from the 2018-2020 annual improvements cycle consisting of:**

  Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments to IFRS 9 were assessed to have a minimal impact on the Group's financial statements for the year ending 31 March 2023.

f) New standards and interpretations not yet adopted

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

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024). The amendments clarify the requirements for classifying liabilities as current or non-current.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method). The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

- Amendment to IAS 8 on Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) - The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Accounting Policies (continued)

- Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (effective for annual periods beginning on or after 1 January 2023) - The entity is now required to disclose its 'material' accounting policy information.

- Amendment to IAS 12 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023) - The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to IAS 1 on non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024). The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- Amendments to IFRS 16 on lease liabilities in a sale and leaseback transaction (effective for annual periods beginning on or after 1 January 2024). The amendments focus on providing additional guidance as to how a seller-lessee should measure the right-of-use asset arising from a leaseback with variable lease payments. The amendments clarify that the seller-lessee must only record a gain or loss relating to the rights transferred to the buyer-lessor.

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

g) Going concern

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

The Group is dependant on funds provided to it by Transport for London (TfL), its ultimate parent, in order to ensure working capital requirements are satisfied. TfL has committed to providing the TTL Group with sufficient financial means to meet all its liabilities when they fall due for payment. TfL's going concern assessment period ending 31 March 2025 (i.e. the remainder of 2023/24 and 2024/25 financial years), indicates that it will continue to make such funds available to the TTL Group up until at least the same date, and represents the same going concern assessment period for TTL Group.

In the prior period 2021/22 financial statements, for the going concern assessment period ending 31 March 2024 (i.e. the remainder of 2022/23 and 2023/24 financial years), management assessed that the combination of the risks and uncertainties it faced at the time, created a material uncertainty which casted doubt on TfL's ability to continue to operate planned operational services within available sources of funding. As the TTL Group is dependent on TfL for funding support, this also indicated that a material uncertainty exists that may cast doubt on the TTL Group's ability to operate planned operational services.

Although the August 2022 funding settlement set out sufficient funding to take TfL to the point of financial sustainability, material uncertainty remained on the level of operational funding that will actually be received during the funding period, with three areas of significant uncertainty: The three areas assessed at the time were:

a) The settlement enables the Secretary of State for Transport to adjust the amount of funding provided to TfL under this settlement using the 'dispute mechanism' if it believes that measures within the funding settlement have not been met. The dispute mechanism has been included in all previous funding settlements during the pandemic and has not been used to implement a deduction in funding in these settlements. However, as the dispute mechanism is uncapped, the impact could have been up to £1.1bn funding outstanding at the date of approving the 2021/22 TfL accounts.

Accounting Policies (continued)

b) The inflation review mechanism, which may provide TfL more funding as expected inflation is likely to exceed the level assumed in TfL's Budget in 2022/23, is not certain as it is subject to Government ministerial approval. However, TfL has the information required under the funding settlement to clearly set out the impact of inflation on its operating costs. The impact was up to £165m expected through this mechanism at the date of approving the 2021/22 TfL accounts.

c) The requirement to deliver cost savings of £230m in addition to those already assumed in TfL's 2022/23 Budget.

Since making this assessment, TfL published its 2023 Business Plan in December 2022, confirming how we will meet the conditions of the funding settlement and build a positive but realistic plan to 2025/26 through our strategy to rebuild our finances to secure our future by:

- Actively growing passenger demand, while creating new sources of revenue to reduce our reliance on fares income. This includes increasing passenger demand to 86 per cent for Tube and rail (excluding Elizabeth line) and 91 per cent for buses of pre-pandemic levels by 2025/26. As well as grow new revenue sources of at least £500m by 2023.
- Continue to deliver recurring cost savings to remain affordable for customers and taxpayers including delivering a further £600m of recurring operating cost savings by 2025/26 and continuing to reduce like-for-like operating costs in real terms.
- Create and grow an operating surplus based on our own sources of income to fund investment.
- Fully fund our capital programme with a long-term Government settlement and an affordable level of debt.
- Maintain cash reserves to make payments and protect against shocks, with average cash balances of 60 days operating expenses which is around £1.2bn.

For the year-ended 31 March 2023 we have revisited the risk factors outlined above.

a) Over the past 11 months there has been no reductions in funding under the August settlement and TfL have performed positively against the conditions. As such the risk of dispute is reduced.

b) On 26 July 2023, TfL were informed that the Department for Transport was not in a position to provide a specific inflation uplift for 2023/24. However this can be mitigated through a combination of operating savings, reprofiling of capital spend and bringing forward planned borrowing from 2024/25 (subject to affordability assessment).

c) TfL stretched its business plan savings target to £600m to 25/26, delivering an additional £27m in 2022/23 compared to its target of £65m and is making good progress towards its £204m target in 2023/24.

On this basis we do not believe there is a material uncertainty.

However, the current Government funding settlement expires on 31 March 2024 and there is no certainty on future capital funding support from Government. In its funding settlement letters, the Government has consistently recognised that TfL – similar to transport authorities around the world – cannot solely finance investment in major capital projects and renewals from its own operating incomes.

Accounting Policies (continued)

Based on these statements, TfL's 2023 Business Plan assumes £475m of further Government capital funding is provided in 2024/25 to contribute towards rolling stock and signalling programmes, with TfL able to fund the other three-quarters of its total £2bn capital investment.

The level of funding support assumed alongside our strategy to rebuild our finances are sufficient to create a balanced budget for the going concern assessment period ending 31 March 2025.

However, there remains two key areas that represent significant judgement to this position:

A The dispute mechanism in the funding settlement to 31 March 2024 remains, with outstanding funding of £385m at the date of approving the TfL accounts.

B. The Government capital funding contribution of £475m assumed in the 2023 Business Plan for 2024/25.

Management has mitigations available to support continuation of its capital programme over the going concern period which include:

1. Descoping and deferring planned capital investment in its 2024 Business Plan, due to be published in December 2023 including delaying those elements of the programme that are not subject to contractual delivery commitments into future periods beyond 31 March 2025. This would require approval from the Board and assessment against contracts but is within TfL's control.
2. Accelerating planned borrowing from beyond March 2025. This reduces available funding in future years, but could enable TfL to continue to meet its contractual commitments as they fall due over the going concern period. TfL has headroom against its Authorised External Debt Limits which can be accessed at short notice from a number of sources including the Public Works Loan Board (PWLB) for capital expenditure purposes.
3. Completing asset disposals, which would take longer to deliver and offer poor value. This would only be utilised in a severe downside case scenario should multiple risks highlighted above crystallise. This would require approval from the Board and assumes a buyer can be found.

On this basis, management has a reasonable expectation that they will have adequate resources to continue in operational existence throughout the going concern period ending 31 March 2025 maintaining the provision of its services and the level of funding provided to the TTL Group without significant amendment or reductions. For this reason we continue to adopt the going concern basis in preparing these financial statements.

h) Revenue recognition

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

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

Fares revenue

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

Accounting Policies (continued)

Revenue received in advance is not recognised in the Comprehensive Income and Expenditure Statement and is recorded on the Balance Sheet within current liabilities as contract liabilities. Contract liabilities represent receipts in advance for Travelcards, bus passes and Oyster cards.

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

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

Commercial advertising

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

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

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

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

Rental income

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

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Third party contributions to operating costs

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

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

Cycle hire scheme revenues

Accounting Policies (continued)

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

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

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

Museum income

Store sales

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

Venue hire revenue

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

Venue hire catering commission

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

Corporate membership scheme

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

Café concessionaire commission

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

Ticket and photocard commission income

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

Charges to transport operators

Charges to transport operators mainly relate to charges levied by the Group, as the Infrastructure Manager of the Crossrail Central Operating Section ('CCOS'), on operators of railway passenger services on the CCOS. Currently the charges levied under the CCOS relate solely to the Costs Directly Incurred Charge ('CDIC') whereby an element of the operational costs of the CCOS is recovered from operators by reference to the number train movements by each operator. Amounts are recognised evenly over the rail period for which the operator is granted CCOS access as this represents the performance obligation under the contract.

ATM and car parking income

ATM and car parking income is predominantly in relation to income generated from operating leases of car parks. Rental amounts are recognised on a straight-line basis over the term of the contractual arrangement with the car park management company. Incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases are treated as contingent rents and are recognised as income when they occur.

Accounting Policies (continued)

i) Grants and other funding

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

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

j) Exceptional items

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

k) Employee benefits

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Income Statement in the periods during which services are rendered by employees.

Defined benefit plans

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

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

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

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

Defined benefit plans – multi-employer exemption

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

Accounting Policies (continued)

Employee benefits ("IAS 19R"), these schemes are accounted for as defined contribution schemes and contributions are charged to the Income Statement as incurred.

Other employee benefits

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

l) Leases (the Group as lessee)

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

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

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

The lease payments are discounted using the Group's incremental borrowing rate, being the rate the TTL Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The interest rate implicit in the lease is only used when that rate is readily determinable. All the Group's former operating leases have been discounted using the TfL Group's incremental borrowing rate. TfL Group's incremental borrowing rate is used for the TTL Group as all TTL borrowings are passed down from TTL's parent, TfL, which is the body that raises financing from external parties on behalf of its operating subsidiaries.

TfL's incremental borrowing rate for each tenor consists of Public Works Loan Board (PWLB) as this is the current source of borrowing.

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

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

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

Accounting Policies (continued)

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

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

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

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

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

m) Leases (the Group as lessor)

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

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

- Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance is assessed for impairment at each reporting date. If the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase
- Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease

Accounting Policies (continued)

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

n) Financial income and expenses

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

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

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

o) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted 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. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

p) Foreign currencies

Accounting Policies (continued)

Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

q) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each Statement of Financial Position date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated amortisation and accumulated impairment losses. Assets under construction are measured at cost less accumulated impairment losses.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	3-5 years

r) Property, plant and equipment

Recognition and measurement

Infrastructure consists of tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands, properties attached to infrastructure and surplus properties held to facilitate construction of infrastructure.

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

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

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

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

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This

Accounting Policies (continued)

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

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of that asset. Proceeds generated from an asset prior to its intended use are not deducted from the cost of the asset and area instead charged to the Comprehensive Income and Expenditure Statement as generated.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Where there are similar assets with identical useful lives e.g. cabling, these assets are accounted for as pooled items of property, plant and equipment and are depreciated over their useful lives. When pooled items are fully depreciated the gross acquisition value and accumulated depreciation are derecognised.

Subsequent costs

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

Depreciation

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

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

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

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

Tunnels and embankments	up to 120 years	Bridges and viaducts	up to 120 years
Track	up to 120 years	Road pavement	up to 40 years
Road foundations	up to 50 years	Signalling	up to 40 years
Stations	up to 120 years	Other property	up to 120 years

Accounting Policies (continued)

Rolling stock	up to 50 years	Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years	Computer equipment	up to 15 years

Assets under construction and freehold land are not depreciated.

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

Gains and losses on disposal

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

s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are ready for their intended use. Qualifying assets are defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time has been interpreted as being one year.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

t) Private Finance Initiative ("PFI") arrangements

The Group through TfL is party to the following PFI arrangements where the Group through TfL controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. As TfL is a public sector body, these arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32) consistent with TfL accounting treatment.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

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

Services received

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

Assets

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

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

Accounting Policies (continued)

Liabilities

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

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

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

Life cycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

u) Investment property

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

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss within financing and investment income or expenditure. During 2020/21, and 2021/22 and 2022/23, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, ofrecognition of newly separable investment property assets which were recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets were created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) and the revaluation uplift recorded on initial recognition does not fairly represent the increase in value in the period of the underlying assets, these valuation gains were recognised directly within other comprehensive income. Movement in the fair values of existing investment properties continued to be recognised within financing income or expenditure.

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

Investment properties are valued annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

v) Investment in subsidiaries

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

w) Investment in associated undertakings

Accounting Policies (continued)

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the Statement of Financial Position at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

x) Investment in joint ventures

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

y) Assets classified as Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

z) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as stock until they are issued to the project, at which stage they become part of assets under construction.

Inventories are carried at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

aa) Impairment

Non-financial assets

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

At each reporting date, the Group reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. In assessing whether impairment indicators exist Management have considered climate change risks and the impact of any commitments under the Group's Climate Change Adaptation Plan.

Impairment losses are recognised in the Income Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the Impairment line of the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Accounting Policies (continued)

ab) Provisions

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

ac) Financial instruments

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

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

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

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

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

Financial assets are measured at amortised cost if:

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

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

Financial assets are measured at FVTOCI if:

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

Accounting Policies (continued)

included in the Income Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amount in Other Comprehensive Income to the Income Statement.

Financial assets are measured at FVTPL if they are:

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

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

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

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

Financial liabilities are measured at FVTPL if they are:

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

Loans to subsidiaries

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant changes in value. 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.

Finance lease receivables

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

Trade and other creditors

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

Interest bearing loans and borrowings

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

Accounting Policies (continued)

Obligations under right-of-use leases and PFI arrangements

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

Derivative financial instruments

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

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

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

The fair value of derivatives are classified as a long-term asset or a long-term liability if the remaining maturity of the derivative contract is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the derivative contract is less than 12 months.

Hedge accounting

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

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

- an economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- credit risk does not dominate changes in the value of the hedging instrument or hedged item
- the hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

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

Cash flow hedges

Hedge relationships are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps (where floating rate interest is swapped to fixed) and foreign currency forward exchange contracts.

Accounting Policies (continued)

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

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

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

Fair value measurement of financial instruments

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

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

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

Impairment of financial assets

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

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

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

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

Embedded derivatives

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

Accounting Policies (continued)

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

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

ad) Fair Value Measurement

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

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

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

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

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

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

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

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

ae) Reserves

Share capital

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

Revaluation reserve

Accounting Policies (continued)

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

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

Hedging reserve

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

Cost of hedging reserve

The cost of hedging reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Statement of Comprehensive Income in the period(s) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Statement of Comprehensive Income.

Merger reserve

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

Retained earnings reserve

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

af) Climate change

In preparing the Group's financial statements, consideration has been given to the impact of both physical and transition climate change risks as described within the Task Force on Climate-related Financial Disclosures (TCFD) section of the Strategic Report, and how these impact the financial statements. Management have considered the commitments made under the Group's Climate Change Adaptation Plan and Bus Action Plan and have concluded that there is no material impact to the Group's financial statements.

Policies and market changes in response to climate change are continually developing and therefore the financial statements cannot capture all possible outcomes as these are not yet known. The degree of uncertainty of these changes may also mean they cannot be considered in the determination of asset and liability valuations and the timing of future cashflows.

Notes to the Financial Statements

1 Group revenue

Year ended 31 March	**2023**	***% of***	2022	*% of*
	£m	***total***	£m	*total*
Fares	**4,046.6**	***87.2***	2,880.2	*83.5*
Revenue in respect of free travel for older and disabled customers	**194.2**	***4.2***	273.8	*8.0*
Charges to London Boroughs and Local Authorities	**1.3**	**-**	0.8	-
Charges to transport operators	**53.1**	***1.1***	21.3	*0.6*
Commercial advertising receipts	**144.8**	***3.1***	105.1	*3.0*
Rents receivable	**77.0**	***1.7***	77.7	*2.3*
Museum and other retail income	**13.0**	***0.3***	8.3	*0.2*
Contributions from third parties to operating costs	**1.3**	**-**	4.8	*0.1*
Ticket and photocard commission income	**27.1**	***0.6***	18.8	*0.6*
ATM and car parking income	**16.6**	***0.4***	10.5	*0.3*
Training and specialist services	**7.5**	***0.2***	9.1	*0.3*
Cycle hire scheme	**14.5**	***0.3***	15.2	*0.4*
Other	**40.4**	***0.9***	24.7	*0.7*
	4,637.4	**100.0**	3,450.3	100.0

Notes to the Financial Statements (continued)

2 Group operating loss

Year ended 31 March	Note	**2023** **£m**	2022 £m
The operating loss is stated after charging/(crediting):			
Capital items			
Amortisation of intangible assets	10	**25.2**	23.5
Depreciation of property, plant and equipment – owned and PFI	11	**982.3**	798.1
Amortisation of right-of-use assets	12	**328.5**	331.8
Release of grant to meet the depreciation and impairment charge on the historical cost of depreciated fixed assets	31	**(534.0)**	(497.6)
Net of impairment charges and reversals of property, plant and equipment	11	**(9.1)**	37.1
Other operating costs			
Employee costs	6	**1,486.2**	1,429.8
Inventory expensed during the year		**100.1**	67.8

Year ended 31 March	**2023** **£m**	2022 £m
Auditor's remuneration		
Fees for the audit of these financial statements	**1.5**	1.3
Fees for the audit of subsidiary financial statements	**0.2**	0.2
Fees for non-audit services: assurance related*	**-**	-
	1.7	1.5

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

Notes to the Financial Statements (continued)

3 Group grant income

Year ended 31 March	2023	2022
	£m	£m
Grant from Transport for London to fund operations	**1,574.7**	2,310.4
Other revenue grant	**0.7**	2.0
	1,575.4	2,312.4

4 Group other gains and losses

Year ended 31 March	2023	2022
	£m	£m
Change in fair value of investment properties	**(141.9)**	43.7
Net gain on disposal of investment properties	**10.9**	20.2
Net loss on disposal of property, plant and equipment	**(9.4)**	(11.6)
Net loss on revaluation of property, plant and equipment	**(2.2)**	-
Net gain on termination of right of use assets	**13.7**	-
	(128.9)	52.3

5 Directors' emoluments

The directors received no emoluments or benefits from the Company.

Directors' emoluments and benefits were borne by Transport for London for ten directors (2021/22 five).

Total remuneration paid to directors of Transport Trading Limited by Transport for London was £1,950,485 (2021/22 £1,427,112) and by its fellow subsidiaries was £441,366 (2021/22 £380,293). The apportionment of this attributable to their service as directors of Transport Trading Limited and its fellow subsidiaries cannot be individually identified.

Notes to the Financial Statements (continued)

6 Group employee costs

Year ended 31 March		**2023**	2022
The average number of persons employed in the year were:		**Number**	Number
Bus operations		**568**	579
London Underground		**16,657**	16,151
Rail operations		**540**	503
Crossrail		**127**	252
Victoria Coach Station		**64**	63
Group services and other activities		**765**	578
Total		**18,721**	18,126

Their aggregate remuneration comprised:	Note	**£m**	£m
Wages and salaries		**1,119.2**	1,037.3
Social security costs		**138.1**	119.8
Pension cost	33	**228.9**	272.7
		1,486.2	1,429.8

Notes to the Financial Statements (continued)

7 Group financial income

Year ended 31 March	2023	2022
	£m	£m
Interest income received from Transport for London	35.4	53.6
Premiums received on the early repayment of loans to Transport for London	-	1.1
Interest income on bank deposits	0.1	-
Interest income received in relation to finance lease receivables	0.8	-
Net fair value movement on derivative financial instruments not subject to hedge accounting	2.7	-
Other	2.4	1.1
	41.4	55.8

8 Group financial expenses

Year ended 31 March		2023	2022
	Note	£m	£m
Interest payable on loans		1.0	-
Interest payable on derivative financial instruments		7.1	18.8
Interest payable to Transport for London		438.9	456.9
Interest on PFI		7.3	4.9
Interest on right-of-use lease liabilities		59.6	39.7
Contingent rentals on PFI liabilities		-	0.3
Net fair value movement on derivative financial instruments not subject to hedge accounting		-	9.8
Net interest on defined benefit obligation	33	1.0	1.1
Other interest payable		5.3	4.2
		520.2	535.7
Less amounts capitalised into qualifying assets	11	(31.8)	(114.6)
		488.4	421.1

The interest rates charged on loans from Transport for London range between 2.48 per cent and 4.42 per cent (2021/22 2.48 per cent and 4.42 per cent).

Notes to the Financial Statements (continued)

9 Taxation

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

a) Corporation tax - Group

The Group tax charge for the year, based on the rate of corporation tax of 19 per cent (2021/22 19 per cent) comprised:

	Group	Group
Year ended 31 March	**2023**	2022
	£m	£m
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
Total current tax credit for the year	-	-
Deferred tax		
Deferred tax - current year	**(4.8)**	86.2
Total tax charge/(credit) for the year	**(4.8)**	86.2

Reconciliation of tax credit

	Group	Group
Year ended 31 March	**2023**	2022
	£m	£m
Loss before tax	**(542.4)**	(303.9)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021/22 19%)	**(103.1)**	(57.7)
Effects of:		
Non-taxable and non-deductible items	**10.3**	6.0
Amount charged to current tax for which no deferred tax was recognised	**89.0**	138.9
Utilisation of tax losses brought forward	**(1.0)**	(1.0)
Total tax (credit)/charge for the year	**(4.8)**	86.2

b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £600.0m (2022 £2,950.1m) in respect of the following items:

	Group	Group
Year ended 31 March	**2023**	2022
	£m	£m
Deductible temporary differences	**3.2**	1,636.7
Tax losses	**596.8**	1,313.4
	600.0	2,950.1

Notes to the Financial Statements (continued)

9 Taxation (continued)

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

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

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

	Balance at 1 April	Movement in income statement	Movement in other comprehensive income	Balance at 31 March
For the year ended 31 March 2023	£m	£m	£m	£m
Deferred tax assets				
Deferred government grant	1,614.1	1,826.2	-	**3,440.3**
Derivative financial instruments	11.6	(6.9)	-	**4.7**
Property, plant and equipment	193.1	(193.1)	-	-
Tax value of losses carried forward	-	781.7	-	**781.7**
	1,818.8	2,407.9	-	**4,226.7**
Deferred tax liabilities				
Property, plant and equipment	(1,727.4)	(2,495.9)	-	**(4,223.3)**
Investment properties	(429.3)	68.3	-	**(361.0)**
Assets held for sale	(37.3)	24.5	-	**(12.8)**
	(2,194.0)	(2,403.1)	-	**(4,597.1)**
Net deferred tax liability	**(375.2)**	**4.8**	**-**	**(370.4)**
For the year ended 31 March 2022				
Deferred tax assets				
Deferred government grant	1,204.0	410.1	-	1,614.1
Derivative financial instruments	20.7	(9.1)	-	11.6
Property, plant and equipment	110.8	82.3	-	193.1
	1,335.5	483.3	-	1,818.8
Deferred tax liabilities				
Property, plant and equipment	(1,300.3)	(427.1)	-	(1,727.4)
Investment properties	(254.6)	(120.0)	(54.7)	(429.3)
Assets held for sale	(14.9)	(22.4)	-	(37.3)
	(1,569.8)	(569.5)	(54.7)	(2,194.0)
Net deferred tax liability	(234.3)	(86.2)	(54.7)	(375.2)

Notes to the Financial Statements (continued)

9 Taxation (continued)

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

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

d) Unrecognised deferred tax assets - Company

The Company has a potential deferred tax asset of £21.6m (2021/22 £21.7m). No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profit available against which the unused tax losses and unused tax credits can be utilised. The deductible temporary differences do not expire under current tax legislation.

The potential deferred tax asset can be attributed to the following:

	2023	2022
	£m	£m
Deductible temporary differences	**12.0**	12.1
Tax losses	**9.6**	9.6
Deferred tax asset	**21.6**	21.7

UK Corporation Tax is calculated at a rate of 19 per cent (2021/22 19 per cent). In the Spring Budget 2021, it was announced that the main rate of Corporation Tax will increase to 25 per cent with effect from 1 April 2023, this amendment was substantively enacted in May 2021. As the Group's deferred tax balances are not expected to be settled until after 1 April 2023, deferred tax balances at 31 March 2023 have been calculated at a rate of 25 per cent.

Notes to the Financial Statements (continued)

10 Intangible assets

a) Group intangible assets

Cost	Note	Software costs £m	Goodwill £m	Intangible assets under construction £m	Total £m
At 1 April 2021		163.5	351.8	10.6	525.9
Additions		12.2	-	5.4	17.6
Transfers between asset classes		15.5	-	(15.5)	-
Transfer from property, plant and equipment	11	-	-	15.4	15.4
At 31 March 2022		191.2	351.8	15.9	558.9
Additions		23.1	-	2.0	25.1
Transfer from property, plant and equipment	11	16.8	-	0.6	17.4
Transfers between asset classes		10.3		(10.3)	-
Disposals		(8.1)	-	-	(8.1)
At 31 March 2023		**233.3**	**351.8**	**8.2**	**593.3**
Amortisation and impairment					
At 1 April 2021		114.3	349.2	-	463.5
Charge for the year	2	23.5	-	-	23.5
At 31 March 2022		137.8	349.2	-	487.0
Charge for the year	2	25.2	-	-	25.2
Disposals		(8.3)	-	-	(8.3)
At 31 March 2023		**154.7**	**349.2**	**-**	**503.9**
Net book value at 31 March 2023		**78.6**	**2.6**	**8.2**	**89.4**
Net book value at 31 March 2022		53.4	2.6	15.9	71.9

Assets under construction comprise of software assets under development.

Notes to the Financial Statements (continued)

10 Intangible assets (continued)

b) Company intangible assets

		Software costs	Intangible assets under construction	Total
Cost		£m	£m	£m
At 1 April 2021		153.4	1.6	155.0
Additions		-	3.1	3.1
At 31 March 2022		153.4	4.7	158.1
Additions		10.1	1.8	11.9
Transfer from property, plant and equipment	11	16.7	-	16.7
Disposals		(8.1)	-	(8.1)
At 31 March 2023		**172.1**	**6.5**	**178.6**
Amortisation and impairment				
At 1 April 2021		114.0	-	114.0
Charge for the year		18.0	-	18.0
At 31 March 2022		132.0	-	132.0
Charge for the year		16.2	-	16.2
Disposals		(8.1)	-	(8.1)
At 31 March 2023		**140.1**	**-**	**140.1**
Net book value at 31 March 2023		**32.0**	**6.5**	**38.5**
Net book value at 31 March 2022		21.4	4.7	26.1

11 Property, plant and equipment

a) Group property, plant and equipment at 31 March 2023 comprised the following elements:

	Note	Office buildings £m	Infrastructure and operational properties £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation							
At 1 April 2022		282.3	27,515.9	5,087.5	1,612.6	18,468.2	52,966.5
Additions		-	416.8	320.8	32.0	865.0	1,634.6
Transfers to investment properties	13	(22.8)	-	-	-	(3.1)	(25.9)
Transfer to intangible assets	10	-	-	-	-	(17.4)	(17.4)
Transfers between asset classes		-	16,813.5	39.0	26.3	(16,878.8)	-
Disposals		-	(19.9)	-	(2.6)	-	(22.5)
Reversal of impairments		-	-	-	-	24.6	24.6
Write offs		-	(76.0)	-	(0.4)	-	(76.4)
Revaluation		0.9	-	-	-	-	0.9
At 31 March 2023		**260.4**	**44,650.3**	**5,447.3**	**1,667.9**	**2,458.5**	**54,484.4**
Depreciation							
At 1 April 2022		61.6	9,661.3	2,506.7	1,009.9	35.7	13,275.2
Charge for the year	2	0.9	761.0	131.7	88.7	-	982.3
Impairment charge for the year		-	-	-	-	6.3	6.3
Transfers to investment properties	13	22.8	(23.3)	-	-	-	(0.5)
Disposals		-	(19.9)	-	(2.7)	-	(22.6)
Write offs		-	(47.2)	-	-	-	(47.2)
Revaluation		(0.5)	-	-	-	-	(0.5)
At 31 March 2023		**84.8**	**10,331.9**	**2,638.4**	**1,095.9**	**42.0**	**14,193.0**
Net book value at 31 March 2023		**175.6**	**34,318.4**	**2,808.9**	**572.0**	**2,416.5**	**40,291.4**
Net book value at 31 March 2022		220.7	17,854.6	2,580.8	602.7	18,432.5	39,691.3

11 Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2022 comprised the following elements:

	Note	Office buildings £m	Infrastructure and operational property £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation							
At 1 April 2021		274.0	29,324.4	5,050.6	1,946.8	18,829.3	55,425.1
Prior period adjustment *		-	(3,152.9)	-	(335.3)	-	(3,488.2)
At 1 April 2021 (restated)		274.0	26,171.5	5,050.6	1,611.5	18,829.3	51,936.9
Additions		-	377.4	23.2	13.9	1,368.6	1,783.1
Transfers to assets held for sale		-	-	-	-	(33.4)	(83.4)
Transfers to investment properties	13	(5.0)	(0.3)	-	-	(72.1)	(77.4)
Transfers to intangible assets	10	-	-	-	-	(15.4)	(15.4)
Transfers between asset classes		1.0	1,476.6	13.7	39.3	(1,530.6)	-
Disposals (restated) *		-	(509.3)	-	(46.8)	-	(556.1)
Write-offs		-	-	-	(5.3)	(28.2)	(33.5)
Revaluation		12.3	-	-	-	-	12.3
At 31 March 2022		282.3	27,515.9	5,087.5	1,612.6	18,468.2	52,966.5
Depreciation							
At 1 April 2021		61.0	12,744.4	2,383.6	1,299.2	4.9	16,493.1
Prior period adjustment *		-	(3,152.9)	-	(335.3)	-	(3,488.2)
At 1 April 2021		61.0	9,591.5	2,383.6	963.9	4.9	13,004.9
Charge for the year	2	9.0	575.4	123.1	90.6	-	798.1
Impairment charge for the year	2	-	-	-	6.4	30.8	37.2
Transfers to investment properties	13	-	(0.5)	-	-	-	(0.5)
Disposals (restated) *		-	(505.1)	-	(51.0)	-	(556.1)
Revaluation		(8.4)	-	-	-	-	(8.4)
At 31 March 2022		61.6	9,661.3	2,506.7	1,009.9	35.7	13,275.2

Notes to the Financial Statements (continued)

* During the year management identified £4bn of fully depreciated assets that were not derecognised from gross cost and accumulated depreciation in line with the pooled assets accounting policy of the Group (£nil net book value). As this is a prior period error, opening balances as at 1 April 2021 and 1 April 2022 have been restated for infrastructure assets and plant and equipment. There is no impact on the primary statements or other notes to the accounts.

1 April 2021 - £3,488m gross cost and accumulated depreciation adjusted to the opening balance. Made up of £3,153m infrastructure assets and £335m plant and equipment.

1 April 2022 - £503m gross cost and accumulated depreciation adjusted to disposals in 2021/22. Made up of £497m infrastructure assets and £6m plant and equipment.

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

c) Capitalisation of borrowing costs - Group

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. The Group opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing costs ('IAS 23'). The total borrowing costs capitalised during the year were £31.8m (2021/22 £114.6m). The cumulative borrowing costs capitalised are £955.2m (2021/22 £923.4m). Borrowing costs were capitalised into fixed assets at the rate of interest borne on the borrowings used to finance those specific assets.

d) Capital commitments - Group

At 31 March 2023, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,792.25m (2021/22 £1,060.5m).

e) PFI assets - Group

The Group did not have any PFI assets as at 31 March 2023 (2021/22 £nil).

f) Group office buildings

The existing use value of owner-occupied office buildings at the end of the financial year has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2021/22 none).

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

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

g) Company property, plant and equipment at 31 March 2023 comprised the following elements:

	Note	Office buildings	Infrastructure and office buildings	Rolling stock	Plant and equipment	Assets under construction	Total
		£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2022		78.8	87.6	-	335.5	32.9	534.8
Additions		-	0.8	280.8	22.1	36.9	340.6
Transfers to intangible assets	10	-	-	-	-	(16.7)	(16.7)
Transfers between asset classes		-	0.3	-	3.8	(4.1)	-
Impairment reversal		-	-	-	-	0.7	0.7
At 31 March 2023		**78.8**	**88.7**	**280.8**	**361.4**	**49.7**	**859.4**
Depreciation							
At 1 April 2022		49.5	77.0	-	282.9	0.9	410.3
Charge for the year		2.7	3.7	-	21.8	-	28.2
At 31 March 2023		**52.2**	**80.7**	**-**	**304.7**	**0.9**	**438.5**
Net book value at 31 March 2023		**26.6**	**8.0**	**280.8**	**56.7**	**48.8**	**420.9**
Net book value at 31 March 2022		29.3	10.6	-	52.6	32.0	124.5

Notes to the Financial Statements (continued)

h) Company property, plant and equipment at 31 March 2022 comprised the following elements:

	Note	Office buildings £m	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Tota. £rr
Cost or valuation						
At April 2021		102.7	89.2	352.7	13.5	558.1
Additions			1.3	2.8	24.3	28.4
Transfers to other Group undertakings		(23.9)	-	-	-	(23.9;
Transfers to investment properties			-	-	(0.1)	(0.1)
Transfers between asset classes			(0.2)	5.0	(4.8)	-
Disposals			(2.7)	(25.0)	-	(27.7)
At 31 March 2022		78.8	87.6	335.5	32.9	534.8
Depreciation						
At 1 April 2021		47.3	76.5	284.4	-	408.2
Charge for the year		3.3	3.2	23.1	-	29.6
Impairment charge for the year			-	-	0.8	0.8
Transfers to other Group undertakings		(1.1)	-	-	0.1	(1.0)
Disposals			(2.7)	(24.6)	-	(27.3)
At 31 March 2022		49.5	77.0	282.9	0.9	410.3

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

i) Capitalisation of borrowing costs - Company

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2021/22 £nil). The cumulative borrowing costs capitalised are also £nil (2021/22 £nil).

j) Capital commitments - Company

At 31 March 2023, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £27.7m (2021/22 £24.0m).

k) PFI assets – Company

The Company did not have any PFI assets as at 31 March 2023 (2021/22 nil).

l) Office buildings - Company

The existing use value of owner-occupied office buildings at the end of the financial year has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Company. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2021/22 none).

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

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities

This note provides information for leases where the Group and/or Company is a lessee. For leases where the Group and/or Company is a lessor, see note 17.

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

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor Vehicles £m	Other equipment £m	Total £m
Cost							
At 1 April 2022		154.5	1,546.6	1,175.9	14.1	98.1	2,989.2
Additions		7.0	3.8	128.5	0.3	1.1	140.7
Modifications (rent changes/extensions)		3.7	9.7	37.6	-	0.8	51.8
Disposals		(1.4)	(163.6)	-	-	-	(165.0)
Adjustment		-	(0.9)	-	-	(0.6)	(1.5)
At 31 March 2023		**163.9**	**1,395.6**	**1,342.0**	**14.4**	**99.5**	**3,015.2**
Amortisation							
At 1 April 2022		41.0	405.0	650.8	8.6	42.5	1,147.9
Charge for the year	2	14.4	83.3	214.8	2.3	13.7	328.5
Disposals		-	(75.7)	-	-	-	(75.7)
At 31 March 2023		**55.4**	**412.6**	**865.6**	**10.9**	**56.2**	**1,400.6**
Net book value at 31 March 2023		**108.4**	**983.0**	**476.4**	**3.4**	**43.4**	**1,614.6**
Net book value at 31 March 2022		113.5	1,141.6	525.1	5.5	55.6	1,841.3

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

b) Group right-of-use assets at 31 March 2022 comprised the following:

	Note	Infrastructure and office buildings	Rolling stock	Buses	Motor Vehicles	Other equipment	Total
		£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2021		146.8	1,495.8	1,006.6	13.8	100.0	2,763.0
Additions		7.9	44.5	110.8	0.3	-	163.5
Modifications (rent changes/extensions)		0.7		65.7		(0.4)	66.0
Disposals		-	-	(7.2)	-	(1.5)	(8.7)
Revaluation		(0.9)	6.3	-	-	-	5.4
At 31 March 2022		154.5	1,546.6	1,175.9	14.1	98.1	2,989.2
Amortisation							
At 1 April 2021		27.0	324.4	438.4	5.6	29.4	824.8
Charge for the year	2	14.0	80.6	219.6	3.0	14.6	331.8
Disposals		-	-	(7.2)	-	(1.5)	(8.7)
At 31 March 2022		41.0	405.0	650.8	8.6	42.5	1,147.9

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

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

	Group 2023 £m	Group 2022 £m
Principal outstanding		
Current liabilities	**272.6**	307.1
Non-current liabilities	**1,574.8**	1,735.1
Total	**1,847.4**	2,042.2

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

	Group 2023 £m	Group 2022 £m
Contractual undiscounted payments due in:		
Not later than one year	**322.8**	328.2
Later than one year but not later than two years	**262.3**	291.3
Later than two years but not later than five years	**456.5**	477.4
Later than five years	**1,620.0**	1,491.9
	2,661.6	2,588.8
Less:		
Present value discount	**(814.2)**	(546.6)
Present value of minimum lease payments	**1,847.4**	2,042.2

12 Right-of-use assets and lease liabilities (continued)

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

	Note	Group 2023 £m	Group 2022 £m
Amortisation charge of right-of-use assets	2	**328.5**	331.8
Interest payable on right-of-use lease liabilities		**64.6**	48.6
Expense relating to short-term leases (included in gross expenditure)		**1.5**	3.0
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**0.1**	0.1
Income from sub-leasing right-of-use assets (included in gross income)		**14.8**	12.5

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

The total cash outflow for leases in 2022/23 was £356.7m (2021/22 £339.3m)

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

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

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

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

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

Variable lease payments:

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

Extension and termination options:

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

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

As at 31 March 2023, for one rolling stock contract, a certain number of units of rolling stock had been accepted and leased, but the entire quota in this contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2023 were £215.6m and £245.3m respectively (2022 £226.5m and £248.6m respectively), out of a total commitment of £259.8m (2022 £268.1m) in the contract. Because the contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TTL.

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 17.

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

	Infrastructure and office buildings	Other equipment	Total
	£m	£m	£m
Cost			
At 1 April 2022	44.8	1.5	46.3
Additions	-	1.0	1.0
Modifications	0.6	-	0.6
At 31 March 2023	**45.4**	**2.5**	**47.9**
Amortisation			
At 1 April 2022	24.5	1.3	25.8
Charge for the year	8.6	0.3	8.9
At 31 March 2023	**33.1**	**1.6**	**34.7**
Net book value at 31 March 2023	**12.3**	**0.9**	**13.2**
Net book value at 31 March 2022	20.3	0.2	20.5

j) Company right-of-use assets at 31 March 2022 comprised the following:

	Infrastructure and office buildings	Other equipment	Total
	£m	£m	£m
Cost			
At 1 April 2021	44.4	1.5	45.9
Modifications	0.4	-	0.4
At 31 March 2022	44.8	1.5	46.3
Amortisation			
At 1 April 2021	16.3	0.9	17.2
Charge for the year	8.2	0.4	8.6
At 31 March 2022	24.5	1.3	25.8

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

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

	Company 2023 £m	Company 2022 £m
Principal outstanding		
Current liabilities	**8.5**	8.5
Non-current liabilities	**3.3**	10.6
Total	**11.8**	19.1

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

	Company 2023 £m	Company 2022 £m
Contractual undiscounted payments due in:		
Not later than one year	**8.8**	8.9
Later than one year but not later than two years	**3.0**	8.2
Later than two years but not later than five years	**0.2**	2.6
	12.0	19.7
Less:		
Present value discount	**(0.3)**	(0.6)
Present value of minimum lease payments	**11.8**	19.1

Notes to the Financial Statements (continued)

12 Right-of-use assets and lease liabilities (continued)

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

	Company 2023 £m	Company 2022 £m
Amortisation charge of right-of-use assets	**8.9**	8.6
Interest payable on right-of-use lease liabilities	**0.4**	0.6
Income from sub-leasing right-of-use assets (included in gross income)	**14.8**	12.5

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

The total cash outflow for leases in 2022/23 was £9.3 m (2021/22 £8.9m).

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

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

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

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

Variable lease payments:

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

Extension and termination options:

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

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

As at 31 March 2023 the Company is not party to any lease arrangements to which the Company as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet.

Notes to the Financial Statements (continued)

13 Investment properties

a) Movements in investment properties in the Group comprised:

	Note	Group £m
Valuation		
At 1 April 2021		1,447.1
Additions		23.1
Transfers from parent organisation		9.5
Transfers from property, plant and equipment	11	76.9
Transfers to assets held for sale	20	(17.4)
Disposals		(8.6)
Revaluation	4	96.0
At 31 March 2022		1,626.6
Additions		18.8
Transfer from property, plant and equipment	11	25.4
Transfer from assets held for sale	20	0.8
Disposals		(37.2)
Revaluation		(137.3)
At 31 March 2023		**1,497.1**

b) Movements in investment properties in the Company comprised:

	Company £m
Valuation	
At 1 April 2021	0.2
Additions	0.1
Transfer from property, plant and equipment	0.1
Revaluation	(0.3)
At 31 March 2022	0.1
Revaluation	-
At 31 March 2023	**0.1**

The fair value of the Group and Company's investment properties, including assets held for sale, has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TTL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2021/22 none).

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

13 Investment properties (continued)

In the year to 31 March 2023, a total net revaluation loss of £135.9m (including movements on investment properties held for sale) was recognised for the Group (2021/22 a net gain of £91.1m). Of this, a gain of £6.0m (2021/22 £48.2m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £141.9m net loss (2021/22 £43.7m net gain) relating to movements in the valuation of assets already held at valuation has been reflected within other gains and losses.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £32.7m for the Group (2021/22 £39.8m).

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

All other factors being equal:

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

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

13. Investment properties (continued)

Information about fair value measurements for the TTL Group using unobservable inputs (level 3) for the year ended 31 March 2023

		Estimated value £m	% change from baseline	Estimated value £m	% change from baseline	**Estimated value £m**	**% change from baseline**	Estimated value £m	% change from baseline	Estimated value £m	% change from baseline
		Yield shift (0.5)%	Yield shift (0.5)%	Yield shift (0.25)%	Yield shift (0.25)%	**Yield shift 0.0%**	**Yield shift 0.0%**	Yield shift 0.25%	Yield shift 0.25%	Yield shift 0.5%	Yield shift 0.5%
Estimated rental value	(10)%	1,550.2	3.55%	1,466.6	(2.04)%	1,392.3	(7.00)%	1,366.1	(8.75)%	1,287.5	(14.00)%
	(5)%	1,610.1	7.55%	1,522.6	1.70%	1,444.9	(3.49)%	1,417.6	(5.31)%	1,335.6	(10.79)%
	0%	1,669.6	11.52%	1,577.9	5.40%	1,497.1	0.00%	1,469.3	(1.86)%	1,383.5	(7.59)%
	5%	1,729.0	15.49%	1,634.1	9.15%	1,550.1	3.54%	1,520.6	1.57%	1,431.2	(4.40)%
	10%	1,788.6	19.47%	1,689.8	12.87%	1,602.6	7.05%	1,572.3	5.02%	1,479.4	(1.18)%

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

Notes to the Financial Statements (continued)

14 Investment in subsidiary undertakings

	Company 2023 £m	Company 2022 £m
At 1 April	**14,800.0**	14,090.0
Additions	**480.0**	710.0
At 31 March	**15,280.0**	14,800.0

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

	Company 2023 £m	Company 2022 £m
Crossrail Limited	**280.0**	560.0
Places for London Limited (formerly TTL Properties Limited)	**200.0**	150.0
	480.0	710.0

The parent corporation

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

Notes to the Financial Statements (continued)

14 Investment in subsidiary undertakings (continued)

The Company's subsidiaries are;

Subsidiaries	Principal activity	Percentage holding	Registered number
City Airport Rail Enterprises Limited *	Dormant company	100%	04411523
Crossrail Limited	Construction of Crossrail infrastructure	100%	04212657
Crossrail 2 Limited	Dormant company	100%	09580635
Docklands Light Railway Limited *	Passenger transport by rail	100%	02052677
London Bus Services Limited *	Passenger transport by bus	100%	03914787
London Buses Limited *	Dial-a-Ride services	100%	01900906
London Dial-a-Ride Limited	Dormant company	100%	02602192
London River Services Limited *	Pier operator	100%	03485723
London Transport Museum Limited	Charitable company	100%	06495761
London Transport Museum (Trading) Limited	Trading company	100%	06527755
London Underground Limited *	Passenger transport by underground train	100%	01900907
LUL Nominee BCV Limited	Dormant company	100%	06221959
LUL Nominee SSL Limited	Dormant company	100%	06242508
Rail for London Limited *	Passenger transport by rail	100%	05965930
Rail for London (Infrastructure) Limited *	Infrastructure manager for the Crossrail central operating section	100%	09366341
Tramtrack Croydon Limited *	Passenger transport by tram	100%	03092613
Transport for London Finance Limited *	Manages financial risk of the Group	100%	06745516
TTL Blackhorse Road Properties Limited *	Holding company	100%	11121664
TTL Build to Rent Limited*	Holding company	100%	12098343
TTL Earls Court Properties Limited *	Holding company	100%	08951012
TTL Office Properties Limited *	Dormant company	100%	12526777
TTL Kidbrooke Properties Limited *	Holding company	100%	10768138
TTL Landmark Court Properties Limited *	Dormant company	100%	11121741
TTL Northwood Properties Limited *	Dormant company	100%	11607897
Places for London Limited (formerly TTL Properties Limited) *	Property investment and development	100%	08961151
TTL South Kensington Properties Limited *	Property investment	100%	11403981
TTL Southwark Properties Limited *	Property investment	100%	08212651
TTL Wembley Park Properties Limited *	Property investment	100%	12372143
TTL West London Properties Limited * #	Holding company	100%	14743259
Tube Lines Limited *	Maintenance of underground lines	100%	03923425
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee	100%	05024749
Victoria Coach Station Limited *	Coach station	100%	00205610
Woolwich Arsenal Rail Enterprises Limited *	Dormant company	100%	05372373

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

* All outstanding liabilities of these undertakings as at 31 March 2023 have been provided with a parent company guarantee under s.479C of the Companies Act 2006. Their individual financial statements for the year ended 31 March 2023 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

Notes to the Financial Statements (continued)

15 Interest in joint ventures

Connected Living London (BTR) Limited

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

As the Group has joint control over the net assets and operations of its investment through equal representation on the board and equal voting rights, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September.

During 2022/23 the Group invested a further £35m in the equity of CLL (2021/22 £2.8m). Summarised financial information in respect of the Group's investment is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

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

	Group 2023 £m	Group 2022 £m
Cash	**9.6**	4.5
Other current assets	**0.5**	-
Current assets	**10.1**	4.5
Investment property under construction	**80.3**	17.9
Non-current assets	**80.3**	17.9
Creditors	**(0.1)**	(2.9)
Current liabilities	**(0.1)**	(2.9)
Non-current liabilities	**-**	-
Total net assets	**90.3**	19.5

Notes to the Financial Statements (continued)

15 Interest in joint ventures (continued)

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

	Group 2023 £m	Group 2022 £m
Net assets at 100%	**90.3**	19.5
Percentage held by the TTL Group	**49%**	49%
Carrying amount of the Group's equity interest in CLL	**44.1**	9.6

Group share of comprehensive income and expenditure of CLL

	Group 2023 £m	Group 2022 £m
Group share of loss from continuing operations	**(0.7)**	(1.7)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(0.7)**	(1.7)

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

b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method in these financial statements.

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

During 2022/23 the Group had no additional investment in the equity of KP LLP (2021/22 £nil). Summarised financial information in respect of the Group's investment in KP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

Notes to the Financial Statements (continued)

15 Investment in joint ventures (continued)

Balance sheet of Kidbrooke Partnership LLP at the 100% level

	Group 2023 £m	Group 2022 £m
Current assets	41.7	39.9
Non-current assets	-	-
Current liabilities	(4.4)	(2.5)
Non-current liabilities	-	-
Total net assets	**37.3**	37.4

Included within current assets in the table above is £2m of cash (2021/22 £8.9m).

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

	Group 2023 £m	Group 2022 £m
Net assets at 100%	37.3	37.4
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	**18.2**	18.3

KP LLP has recognised neither a profit nor a loss in the year 31 March 2023 (2021/22 £nil). There is therefore no impact on Group consolidated profits relating to the joint venture.

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

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

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

Notes to the Financial Statements (continued)

15 Investment in joint ventures (continued)

Balance sheet of BRP LLP at the 100% level

	Group 2023 £m	Group 2022 £m
Current assets	4.0	42.8
Non-current assets	-	-
Current liabilities	(2.4)	(8.2)
Non-current liabilities	-	-
Total net assets	1.6	34.6

Included within current assets in the table above is £2.5m of cash (2021/22 £21.3m).

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

	Group 2023 £m	Group 2022 £m
Net assets at 100%	1.6	34.6
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in BRP LLP	0.8	17.0

Group share of comprehensive income and expenditure of BRP LLP

	Group 2023 £m	Group 2022 £m
Group share of profit from continuing operations	7.2	7.3
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	7.2	7.3

d) Landmark Court Partnership

In 2021/22 the Group acquired a 49 per cent holding in the members' interest of Landmark Court Partnership Limited (LCP Limited), a newly created property development partnership, for a cash consideration of £1. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Landmark Court Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2021/22, the Group granted a 299 year lease over land at Liberty, Southwark site, at 15-33 Southwark Street to LCP Limited for a consideration of £41.8m. The financial year end of LCP Limited is 31 March.

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

Notes to the Financial Statements (continued)

15 Investment in joint ventures (continued)

Balance sheet of LMCP at the 100% level

	Group 2023 £m	Group 2022 £m
Cash	-	1.3
Other short term assets	24.9	46.5
Current assets	24.9	47.8
Other short-term liabilities	(15.3)	(38.2)
Current liabilities	(15.3)	(38.2)
Total net assets	9.6	9.6

Included within current assets in the table above is £0m of cash (2021/22 £1.3m).

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

	Group 2023 £m	Group 2022 £m
Net assets at 100%	9.6	9.6
Percentage held by the TfL Group	49%	49%
TfL Group share of net assets	4.7	4.7
Adjustment for distribution of land receipt*	-	(2.3)
Carrying amount of the Group's equity interest in LMCP Limited	4.7	2.4

* Available profits in relation to the land receipt distributed at 25% to TTL Landmark Court Properties Limited.

Group share of comprehensive income and expenditure of LMCP Limited

	Group 2023 £m	Group 2022 £m
Group share of profit from continuing operations	2.3	2.4
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	2.3	2.4

e) Wembley Park Properties LLP

In 2022/23 the Group acquired a 49 per cent holding in the members' interest of Wembley Park Properties LLP (WPP LLP), a newly created property development partnership, for a cash consideration of £12m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Wembley Park Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2022/23, the Group granted a 999 year lease over land at Wembley Park station car park to WPP LLP for a consideration of £16.25m. The financial year end of WPP LLP is 30 June.

Notes to the Financial Statements (continued)

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

15 Investment in joint ventures (continued)

Balance sheet of Wembley Park Properties LLP at the 100% level

	Group 2023 £m	Group 2022 £m
Cash	7.9	-
Other short term assets	23.3	-
Current assets	31.2	-
Other short-term liabilities	(6.7)	
Current liabilities	(6.7)	-
Total net assets	**24.5**	-

Included within current assets in the table above is £7.9m of cash (2021/22 £0m).

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

	Group 2023 £m	Group 2022 £m
Net assets at 100%	24.5	-
Percentage held by the TfL Group	49%	-
TfL Group share of net assets	11.9	-
Carrying amount of the Group's equity interest in Wembley Park Properties LLP	11.9	-

Group share of comprehensive income and expenditure of Wembley Park Properties LLP

	Group 2023 £m	Group 2022 £m
Group share of profit from continuing operations	-	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	-	-

Notes to the Financial Statements (continued)

16 Interest in associated undertakings

Earls Court Partnership Limited

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

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2023 the Group had invested £44.4m (2022 £44.4m) in share capital and a further £433.9m (2022 £423m) in loan notes.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 March 2023 have been used. (2021/22: financial statements of ECP for the year ended 31December 2021). In the prior year there were no material movements between 31 December 2022 and 31 March 2023.

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

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

At 31 March (2021/22 31 December)	Group 2023 £m	Group 2022 £m
Current assets	17.6	8.1
Non-current assets	541.2	596.0
Current liabilities	(9.5)	(1.7)
Non-current liabilities	(98.3)	(74.7)
Total net assets	**451.0**	527.7

Included within current assets above is £15.7m of cash (2021/2022 £6.4m). Long-term liabilities represent third-party borrowings.

Notes to the Financial Statements (continued)

16. Investment in associated undertakings (continued)

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

	Group £m	Group £m
Net assets at 100% at 31 March (2021/22: 31 December 2021)	**451.0**	527.7
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets	**166.7**	195.3
Investment in equity loan notes between 31 December 2021 and 31 March 2022	**-**	2.2
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	**166.7**	197.5

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

	Group 2023 £m	Group 2022 £m
Group share of (loss)/profit from continuing operations	**(41.5)**	24.0
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(41.5)**	24.0

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

Notes to the Financial Statements (continued)

17 Finance lease receivables

Group and Company finance lease receivables

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

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

At 31 March	2023 £m	2022 £m
Minimum cash receipts:		
Within one year	5.2	14.8
Between one and five years	10.7	23.6
	15.9	38.4
Less unearned finance income	(1.6)	(1.4)
	14.3	37.0

Principal outstanding	2023 £m	2022 £m
At 1 April	37.0	44.0
Additions	0.5	8.6
Interest	0.8	(1.8)
Lease terminations	(4.1)	-
Repayments	(19.9)	(13.8)
	14.3	37.0

Principal outstanding	2023 £m	2022 £m
Current	5.2	13.8
Non-current	9.1	23.2
	14.3	37.0

18 Equity loans to subsidiaries

	Company	Company
	2023	2022
Non-current	**£m**	£m
Equity loans to subsidiary companies	**0.6**	-

	Company	Company
	2023	2022
	£m	£m
Balance at 1 April	296.0	516.1
New loans issued	0.6	-
Repayments	-	(220.1)
	296.6	296.0
Less provisions for impairment:		
Balance at 1 April	(296.0)	(296.0)
As at 31 March	**(296.0)**	(296.0)
Net book value at 31 March	**0.6**	-

Equity loans to subsidiaries are non-interest bearing.

Notes to the Financial Statements (continued)

19 Inventories

	Group 2023 £m	Group 2022 £m
Raw materials and consumables	**78.4**	57.8
Goods held for resale	**0.3**	0.3
	78.7	58.1

There is no material difference between the Statement of Financial Position value of inventories and their net realisable value. The Company had no inventories at 31 March 2023 or 31 March 2022.

20 Assets classified as held for sale

	Note	Group 2023 £m	Group 2022 £m
Balance outstanding at start of year		**148.8**	78.0
Assets newly classified as held for sale:			
Investment properties	13	**2.5**	17.4
Property, plant and equipment		**-**	83.4
Investment properties		**(3.3)**	-
Transfers from parent organisation		**7.4**	
Revaluation gains:			
Investment properties		**1.4**	(3.9)
Disposals:			
Investment properties		**(22.8)**	(26.1)
Property, plant and equipment		**(83.3)**	-
Balance outstanding at end of year		**50.7**	148.8

As at 31 March 2023, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those arrangements.

The Company had no assets classified as held for sale at 31 March 2023 and 31 March 2022.

Notes to the Financial Statements (continued)

21 Trade and other receivables

	Group 2023	Group 2022
Current	**£m**	£m
Trade receivables	**67.4**	73.0
Amounts due from ultimate parent	**18.2**	-
Other tax and social security	**191.6**	51.7
Grant debtors	**13.3**	17.9
Other receivables	**35.6**	20.8
Prepayments	**126.3**	130.7
Capital debtors	**0.9**	54.7
Interest receivable	**-**	2.4
Contract assets: accrued income	**34.9**	29.1
	488.2	380.3
Non-current		
Other receivables	**12.1**	18.5
Prepayments	**12.4**	18.6
	24.5	37.1

Trade receivables are non-interest bearing and are generally paid within 28 days. In 2023, £28.7m (2022 £29.0m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 32).

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

Notes to the Financial Statements (continued)

21 Trade and other receivables (continued)

	Company 2023	Company 2022
Current	**£m**	£m
Trade receivables	**24.3**	29.7
Capital debtor	**0.9**	1.2
Amounts due from fellow group undertakings	**213.7**	213.6
Other tax and social security	**93.8**	5.2
Other receivables	**1.9**	0.5
Grant receivable	**1.1**	0.7
Interest receivable	**-**	2.4
Prepayments	**17.6**	27.8
Contract assets: accrued income	**11.0**	11.7
	364.3	292.8
Non-current		
Prepayments	**0.3**	0.4
	0.3	0.4

Trade receivables are non-interest bearing and are generally received within 28 days. In 2023, £26.3m (2022 £26.5m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 32).

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

22 Cash and cash equivalents

	Group 2023 £m	Group 2022 £m
Cash at bank	**207.2**	109.5
Cash in hand and in transit	**12.2**	11.0
	219.4	120.5

	Company 2023 £m	Company 2022 £m
Cash at bank	**105.6**	73.9
Cash in hand and in transit	**0.4**	0.2
	106.0	74.1

Notes to the Financial Statements (continued)

23 Trade and other payables

	Group	Group
	2023	2022
Current	**£m**	£m
Trade payables	**139.4**	152.6
Capital works	**535.1**	464.3
Retentions on capital contracts	**5.5**	5.6
Amounts due to ultimate parent	**-**	158.5
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	**185.9**	120.9
Wages and salaries	**115.3**	101.8
Interest accruals	**-**	0.2
Contract liabilities: other deferred income	**36.9**	35.4
Other taxation and social security	**53.0**	46.8
Capital grants received in advance	**19.1**	9.9
Accruals and other payables	**409.3**	363.7
	1,499.5	1,459.7
Non-current		
Capital grants received in advance	**3.1**	2.8
Contract liabilities: deferred income	**12.9**	12.4
Accruals and other payables	**19.4**	12.5
	35.4	27.7

The level of outstanding long-term liabilities as at 31 March 2023 are broadly consistent with the prior year.

The performance obligations, related to deferred income balances recorded as at 31 March 2023, which are expected to be met in more than one year relate to:

i. License revenue and funding received from developers for improvements to bus services, which together total £12.9m (2022 £12.3m), of which £11.6m (2022 £2.9m) relates to obligations that are to be satisfied within two to three years, and £0.8m (2022 £3.4m) within five years and £0.5m (2022 £6m) over 5 years.

ii. Other miscellaneous contracts, together totalling £nil (2022 £0.1m)

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

	Group 2023	Group 2022
Year ended 31 March	**£m**	£m
Amounts included in contract liabilities at the beginning of the year	**33.8**	**151.1**
Performance obligations satisfied in previous years	**-**	-

Notes to the Financial Statements (continued)

23 Trade and other payables (continued)

	Company 2023	Company 2022
Current	£m	£m
Trade payables	9.3	14.7
Capital works	7.0	7.3
Amounts due to fellow Group undertakings	131.3	132.2
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	185.9	120.9
Wages and salaries	1.6	0.8
Interest accruals	-	32.9
Contract liabilities: other deferred income	16.5	16.2
Other taxation and social security	0.6	0.3
Capital grants received in advance	1.8	1.4
Accruals and other payables	138.1	82.5
	492.1	409.2
Non-current		
Contract liabilities: deferred income	0.1	0.1
Accruals	12.5	10.9
	12.6	11.0

The level of outstanding non-current and current contract liabilities as at 31 March 2023 remained consistent with prior year levels.

The performance obligations related to deferred income balances recorded as at 31 March 2023, which are expected to be met in more than one year, relate to other miscellaneous contracts, together totalling £0.1m (2022 £0.1m).

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

	Company 2023	Company 2022
Year ended 31 March	£m	£m
Amounts included in contract liabilities at the beginning of the year	32.0	146.1
Performance obligations satisfied in previous years	-	-

Notes to the Financial Statements (continued)

24 Other financing liabilities

	Group 2023 £m	Group 2022 £m
Current		
Other financing liabilities	**6.6**	6.4
Non-current		
Other financing liabilities	**115.1**	121.7

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £141.3m (2022 £151.7m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2022 3.2 per cent) to the present value recorded in the table above.

The Company had no other financing liabilities at 31 March 2023 or 31 March 2022.

25 Borrowings

	Group 2023 £m	Group 2022 £m
Non-current		
Amounts due to ultimate parent	**12,290.0**	12,325.9

See note 32 (Funding and financial risk management) for further information about the maturity and interest rate profiles of the Group's borrowings.

	Company 2023 £m	Company 2022 £m
Non-current		
Amount due to fellow Group undertakings	**1,850.0**	1,650.0
Amounts due to ultimate parent	**66.0**	66.0
	1,916.0	1,716.0

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

Notes to the Financial Statements (continued)

25 Borrowings (continued)

Changes in liabilities arising from financing activities

	Group 2023 £m	Group 2022 £m
Balance at 1 April		
Current	313.5	309.1
Non-current	14,182.7	14,173.1
	14,496.2	14,482.2
(Repayment)/Increase in loans from ultimate parent	(35.9)	74.0
Repayment of right-of-use liabilities during the year	(296.6)	(288.7)
Non-cash increase in right-of-use-liabilities	101.8	235.3
Repayment of PFI liabilities	-	(0.4)
Net increase in other financing liabilities	(6.4)	(6.2)
As at 31 March	14,259.1	14,496.2
Current	279.2	313.5
Non-current	13,979.9	14,182.7
	14,259.1	14,496.2

	Company 2023 £m	Company 2022 £m
Balance at 1 April		
Current	8.5	8.5
Non-current	1,726.6	1,585.0
	1,735.1	1,593.5
Repayment of right-of-use liabilities during the year	(8.5)	(8.6)
Non-cash increase in right-of-use-liabilities	1.2	0.2
Increase in loans from fellow Group undertakings	200.0	150.0
As at 31 March	1,927.8	1,735.1
Current	8.5	8.5
Non-current	1,919.3	1,726.6
	1,927.8	1,735.1

27 Derivative financial instruments

Group cash flow hedges

	Fair value 2023 £m	Notional amount 2023 £m	Fair value 2022 £m	Notional amount 2022 £m
Non-current assets				
Interest rate swaps	26.2	96.0	13.0	215.6
Foreign currency forward contracts	-	14.6	0.2	5.8
	26.2	110.6	13.2	221.4
Current assets				
Foreign currency forward contracts	1.7	146.9	1.4	23.8
	1.7	146.9	1.4	23.8
Current liabilities				
Foreign currency forward contracts	(3.4)	59.8	(6.5)	296.2
	(3.4)	59.8	(6.5)	296.2
Non-current liabilities				
Interest rate swaps	(1.5)	51.0	-	-
Foreign currency forward contracts	(8.6)	144.0	(14.2)	203.4
	(10.1)	195.0	(14.2)	203.4

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

Notes to the Financial Statements (continued)

28 Provisions

a) Group provisions

	At 1 April 2022 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2023 £m**
Compensation and contractual	43.8	(5.5)	30.7	(19.2)	**49.8**
Environmental harm	7.8	(1.1)	3.8	(0.4)	**10.1**
Severance and other	29.7	(5.4)	11.2	(12.5)	**23.0**
	81.3	(12.0)	45.7	(32.1)	**82.9**

Due	**2023 £m**	2022 £m
Current	**62.0**	46.1
Non-current	**20.9**	35.2
At 31 March	**82.9**	81.3

b) Company provisions

	At 1 April 2022 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2023 £m**
Compensation and contractual	0.1	-	-	(0.1)	**-**
Severance and other	9.0	(4.8)	2.7	(5.1)	**1.8**
	9.1	(4.8)	2.7	(5.2)	**1.8**

Due	**2023 £m**	2022 £m
Current	**-**	0.2
Non-current	**1.8**	8.9
At 31 March	**1.8**	9.1

Notes to the Financial Statements (continued)

28 Provisions (continued)

c) Nature of provisions

Compensation and contractual

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

Environmental harm

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

Severance and other

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

29 Contingencies

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

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

The Company has also provided a guarantee under section 479C of the Companies Act 2006 in respect of all liabilities outstanding at 31 March 2023 of the majority of its subsidiary undertakings, in order that those subsidiaries may take advantage of the exemption from audit of their individual financial statements. Those subsidiaries for which a guarantee has been provided are as listed in note 14.

Notes to the Financial Statements (continued)

30 Financial commitments

a) Operating leases – The Group as lessor

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

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

	Land and buildings £m
At 31 March 2023	
Within one year	**61.9**
Between one and two years	**53.0**
Between two and five years	**113.4**
Later than five years	**834.8**
	1,063.1
At 31 March 2022	
Within one year	58.3
Between one and two years	51.6
Between two and five years	107.6
Later than five years	613.1
	830.6

b) Operating leases – The Company as lessor with third parties

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

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

	Land and buildings £m
At 31 March 2023	
Within one year	**4.9**
Between one and two years	**3.0**
Between two and five years	**2.0**
Later than five years	**10.6**
	20.5
At 31 March 2022	
Within one year	5.0
Between one and two years	4.7
Between two and five years	3.6
Later than five years	10.7
	24.0

Notes to the Financial Statements (continued)

31 Deferred grant

	Note	Group 2023 £m	Group 2022 £m
At 1 April		13,011.8	12,255.6
Transport grant		1,342.3	1,216.0
Third party contributions and other grants to fund property, plant and equipment		46.1	59.6
Released to the Statement of Comprehensive Income			
- to meet the depreciation and impairment charges on fixed assets	2	(525.0)	(497.6)
- on disposal of property, plant and equipment		(88.2)	(21.8)
At 31 March		**13,787.0**	13,011.8

	Company 2023 £m	Company 2022 £m
At 1 April	63.0	79.7
Transport grant	355.2	25.4
Third party contributions and other grants to fund property, plant and equipment	-	(0.2)
- to meet the depreciation and impairment charges on fixed assets	(47.8)	(40.8)
- on disposal of property, plant and equipment	-	(1.1)
At 31 March	**370.4**	63.0

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

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management

Introduction

The Group operates within the risk management process outlined by the Treasury Management Policy, under which the Finance Committee, (a sub-committee of the Board of Transport for London, the Company's ultimate parent), approves a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

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

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

The Group does not undertake speculative treasury transactions.

Financial Risks and Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

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

Credit risk

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

Trade and other receivables

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in both notes 18 and 21.

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

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Trade and other receivables (continued)

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

Despite the application of this allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2023 was determined as follows for both trade receivables and contract assets:

Age of trade and other receivables Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2023						
Expected credit loss rate	**0.5%**	**27.1%**	**75.0%**	**95.5%**	**95.7%**	**7.1%**
Estimated total gross carrying amount at default	**367.6**	**9.6**	**0.4**	**6.6**	**18.5**	**402.7**
Expected credit loss allowance	**(1.8)**	**(2.6)**	**(0.3)**	**(6.3)**	**(17.7)**	**(28.7)**

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2022						
Expected credit loss rate	0.2%	65.1%	74.3%	89.9%	94.5%	9.3%
Estimated total gross carrying amount at default	261.0	14.9	3.5	6.9	9.1	295.4
Expected credit loss allowance	(0.5)	(9.7)	(2.6)	(6.2)	(8.6)	(27.6)

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Age of trade and other debtors: Company

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
At 31 March 2023						
Expected credit loss rate	**0.5%**	**28.1%**	**98.5%**	**99.8%**	**100.2%**	**7.1%**
Estimated total gross carrying amount at default	**343.1**	**7.4**	**0.3**	**6.4**	**15.9**	**373.0**
Expected credit loss allowance	**(1.7)**	**(2.1)**	**(0.3)**	**(6.3)**	**(15.9)**	**(26.3)**

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
At 31 March 2022						
Expected credit loss rate	0.0%	77.5%	95.5%	97.8%	97.0%	6.7%
Estimated total gross carrying amount at default	261.7	12.0	2.2	4.6	3.3	283.8
Expected credit loss allowance	-	(9.3)	(2.1)	(4.5)	(3.2)	(19.1)

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Expected credit loss allowance

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
At 1 April	**29.0**	**26.5**	30.5	24.4
Provision for expected credit losses	**1.2**	**0.9**	1.1	4.6
Write offs	**(1.2)**	**(1.2)**	(2.6)	(2.5)
At 31 March	**29.0**	**26.3**	29.0	26.5

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Cash and Cash Equivalents

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

Throughout 2022/23 investments were made within limits approved by the Finance Committee of the TfL Board. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

Cash and investments are considered to have low credit risk; the counterparties are highly rated by major rating agencies, have a low risk of default and a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance as at 31 March 2023 and 31 March 2022 was immaterial.

Derivative financial Instruments

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

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

Market risk

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

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

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Foreign exchange risk

As at 31 March 2023, the Group held forward foreign exchange swaps to hedge €119.6m (2021/22 €283.3m) future Euro receipts in relation to Euro investments held by the Company's parent, Transport for London. These contracts were not in formally designated hedging relationships for accounting purposes, as TfL is outside the Transport Trading Limited Group, and hence hedge accounting has not been applied. A fair value net loss movement on these contracts totalling £0.7m (2021/22 £(2.0)m net loss) has therefore been recognised directly in the Income Statement within financial expenditure. These derivative instruments mature in the period to June 2023.

For 2022/23, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

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

Effects of hedge accounting

Foreign currency hedges in relation to capital expenditure

At 31 March 2023, the Group held forward foreign derivative contracts Euros, Canadian Dollars, Swedish Krona and Chinese Yuan Renminbi These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £266.9m (2021/22 £278.6m). At 31 March 2023, these contracts had a combined net fair value of £(11.1)m (2021/22 £(17.1)m). The effective portion of the fair value of forward contracts was recognised in equity at 31 March 2023, with the exception of Swiss Franc contracts with a fair value of £nil for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss is recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

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

It is expected that the hedged purchases will take place in the period to September 2029. Detail on the maturity of these contracts is disclosed later in this note.

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

The currency the Group predominantly trades in is euro. The volume of other currencies the Group trades in is very low and any movement in the currency exchange rate for those currencies would have an immaterial impact on the financial statements.

As at 31 March 2023, the Group held forward euro foreign exchange contracts hedging future foreign currency expenditure with a total nominal buy value of £217.1m (2022 £248.4m) and a net fair value liability of £(9.4)m (2022 a loss of £16.4m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £(28.2)m/£13.6m (2022 £(38.9)m/£11.0m) which would impact reserves as these derivatives are part of a formal hedge relationship.

As at 31 March 2023, the Group held forward euro foreign exchange contracts relating to investments with a total nominal sell value of £105.6m (2022 £238.9m net nominal sell value) and a net fair value gain of £0.7m (2022 a net liability of £(2.0)m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £10.3m/£(11.0)m (2022 £19.8m/£(28.5)m) which would impact finance income/expense as these derivatives are not part of a formal hedge relationship.

The Company has no other material exposure to foreign exchange rate movements.

Interest risk

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

Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') became a priority for global regulators. LIBOR ceased to be published for GBP immediately after 31 December 2021. Sterling Overnight Index Average (SONIA) was selected as the preferred sterling risk-free rate by the Bank of England's Working Group on Sterling Risk Free Reference Rates.

The Group's most significant risk exposure affected by these changes relate to its LIBOR linked floating rate lease payments and the interest rate derivatives that hedged this variability. During the year, TfL restructured the lease contracts to reference SONIA and their associated derivatives.

The notional amount of interest rate swaps designated as hedges is disclosed below.

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Effects of hedge accounting

Interest rate swaps

As at 31 March 2023, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held two float interest rate swaps at a notional value of £147.0m (2022 two interest rate swaps at a total notional value of £215.6m).

During the year, one interest rate swap was terminated in March 2023 following the termination of the respective lease the interest rate swap was hedging, and hedge accounting on the interest rate swap discontinued. One additional interest rate swap contract was entered into in December 2022, hedging interest rate risk on lease payments on an existing lease that was already partially hedged. This new swap was designated in a hedge relationship with the lease payments for the respective lease now fully hedged.

The net fair value of outstanding contracts at 31 March 2022 was an asset of £24.7m (2022 asset of £13.0m). The fair value is recognised in equity at 31 March 2023 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged lease payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2022 has been offset by the change in value of hedging instruments. For the years ended 31 March 2023 and 2022, no ineffectiveness was recognised in relation to interest rate hedges and the movement in the fair value of those derivatives was taken to reserves.

It is expected that the hedged interest payments will take place in the period to December 2037. Details on the maturity of these contracts is disclosed later in this note.

Sensitivity analysis on interest risk

Fair value sensitivity analysis for fixed interest instruments

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

Fair value sensitivity analysis for derivative instruments

As at 31 March 2023, the Group holds interest rate derivative contracts with a combined notional value of £147.0m (2021/22 £215.6m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £12.5m/£(14.4)m (2021/22 £30.6m/£(7.0)m).

Inflation risk

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Liquidity risk

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

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

32 Funding and financial risk management (continued)

Liquidity risk (continued)

Transport for London has access to several external sources of debt financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, it can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.1bn overdraft facility and a further £0.1bn uncommitted money market line facility. Funding facilities are not subject to financial covenants.

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

A Long-Term Funding Settlement was agreed in August 2022, as set out in the Narrative Report. This has secured receipt of grant funding, allowing TfL to maintain liquidity levels of around 60 days' worth of forecast operating expenditure, on average, which is the main aim of our Liquidity Policy.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2023	**2023**	**2023**	2022	2022	2022
	Average exchange rate	**Fair value £m**	**Notional amount £m**	Average exchange rate	Fair value £m	Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.888**	**(1.5)**	**69.6**	0.874	(3.2)	68.5
Between one and two years	**0.913**	**(5.0)**	**85.9**	0.889	(2.8)	42.6
Between two and five years	**0.917**	**(2.9)**	**58.1**	0.921	(10.4)	137.3
After five years	**0.952**	**(0.1)**	**3.5**	-	-	-
Sell euro						
Less than one year	**0.886**	**0.7**	**(105.6)**	0.840	(2.0)	(238.9)
Total euro	**0.910**	**(8.8)**	**111.5**	0.895	(18.4)	9.5
Buy Canadian Dollars						
Less than one year	**0.610**	**(0.3)**	**15.3**	0.591	-	0.8
Between one and two years	**-**	**-**	**-**	-	-	-
Between two and five years	**-**	**-**	**-**	-	-	-
Total Canadian Dollars	**0.610**	**(0.3)**	**15.3**	0.591	-	0.8

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2023 Average exchange rate	2023 Fair value £m	2023 Notional amount £m	2022 Average exchange rate	2022 Fair value £m	2022 Notional amount £m
Buy Swedish Krona						
Less than one year	**0.084**	**(0.7)**	**9.5**	0.085	(0.5)	4.8
Between one and two years	**0.086**	**(0.4)**	**5.5**	0.085	(0.4)	6.2
Between two and five years	**0.086**	**(0.3)**	**5.1**	0.086	(0.4)	11.0
After five years	**-**	**-**	**-**	-	-	-
Total Swedish Krona	**0.085**	**(1.4)**	**20.1**	0.085	(1.3)	22.0
Buy Chinese Yuan Renminbi						
Less than one year	**0.115**	**0.1**	**6.7**	0.110	0.6	6.9
Between one and two years	**0.122**	**-**	**0.5**	0.107	-	0.5
Between two and five years	**-**	**-**	**-**	-	-	-
Sell Chinese Yuan Renminbi						
Less than one year	**-**	**-**	**-**	-	-	-
Between one and two years	**-**	**-**	**-**	-	-	-
Total Chinese Yuan Renminbi	**0.117**	**0.1**	**7.2**	0.109	0.6	7.4
Grand total	**n/a**	**(10.4) -**	**154.1**	n/a	(19.1) -	39.7

	2023 Average interest rate (%)	2023 Fair value £m	2023 Notional amount £m	2022 Average interest rate (%)	2022 Fair value £m	2022 Notional amount £m
Interest rate hedges						
Less than one year	**-**	**-**	**-**	-	-	-
Between one and two years	**-**	**-**	**-**	-	-	-
Between two and five years	**-**	**-**	**-**	-	-	-
After five years	**1,866**	**24.7**	**147.0**	1,037	13.0	215.6
	1,866	**24.7**	**147.0**	1,037	13.0	215.6

During the financial year 2021/22, as a result of the replacement of LIBOR with SONIA, all interest rate swaps referencing GBP LIBOR were terminated. The derivatives that hedged variable financing costs within certain lease contracts were replaced with two interest rate swaps. The Company does not hold any derivative financial instrument contracts.

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Contractual maturity of derivatives

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year	Between one and two years	Between two and five years	More than five years	**Total**
	£m	£m	£m	£m	**£m**
Group – 2023					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**232.7**	**96.2**	**70.6**	**3.5**	**403.0**
Amounts payable	**(234.9)**	**(103.7)**	**(76.0)**	**(3.8)**	**(418.4)**
Derivatives settled net					
Interest rate swaps	**3.7**	**2.3**	**6.7**	**18.3**	**31.0**
	1.5	**(5.2)**	**1.3**	**18.0**	**15.6**
Group – 2022					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	342.9	67.1	148.4	-	558.4
Amounts payable	(348.2)	(71.8)	(166.0)	-	(586.0)
Derivatives settled net					
Interest rate swaps	0.5	3.0	4.2	5.1	12.8
	(4.8)	(1.7)	(13.4)	5.1	(14.8)

The total asset or liability due to the Group as recognised on the Balance Sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2023, the fair value of the interest rate derivatives was a net asset of £24.7m (2022 £13.0m). The fair value of forward foreign exchange derivatives was a net liability of £(10.4)m (2022 £(19.1)m).

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Company's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Company can be required to pay, and therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year	Between one and two years	Between two and five years	More than five years	**Total**
	£m	£m	£m	£m	£m
Group - 2023					
Trade and other payables	**1,257.6**	**22.5**	**-**	**-**	**1,280.1**
Borrowings	**-**	**12,290.0**	**-**	**-**	**12,290.0**
Right-of-use-lease liabilities	**322.8**	**262.3**	**456.5**	**1,620.0**	**2,661.6**
PFI liabilities	**-**	**-**	**-**	**-**	**-**
Other financing liabilities	**20.9**	**13.4**	**40.1**	**66.9**	**141.3**
	1,601.3	**12,588.2**	**496.6**	**1,686.9**	**16,373.0**
Group - 2022					
Trade and other payables	1,293.5	15.3	-	-	1,308.8
Borrowings	-	12,325.9	-	-	12,325.9
Right-of-use-lease liabilities	328.2	291.3	477.4	1,491.9	2,588.8
Other financing liabilities	10.4	20.9	40.1	80.3	151.7
	1,632.1	12,653.4	517.5	1,572.2	16,375.2
Company - 2023					
Trade and other payables	**287.9**	**287.9**	**-**	**-**	**575.8**
Borrowings	**-**	**1,916.0**	**-**	**-**	**1,916.0**
Right-of-use-lease liabilities	**8.8**	**3.0**	**0.2**	**-**	**12.0**
	296.7	**2,206.9**	**0.2**	**-**	**2,503.8**
Company - 2022					
Trade and other payables	270.7	270.7	-	-	541.4
Borrowings	-	1,716.0	-	-	1,716.0
Right-of-use-lease liabilities	8.9	8.2	2.6	-	19.7
	279.6	1,994.9	2.6	-	2,277.1

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Fair values

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

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

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

Notes to the Financial Statements (continued)

32 Funding and financial risk management (continued)

Group	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Cash and cash equivalents	219.4	219.4	120.5	120.5
Trade and other receivables	374.0	374.0	268.1	268.1
Derivative financial instruments	27.9	27.9	14.6	14.6
Finance lease receivables	14.3	14.3	37.0	37.0
Total financial assets	635.6	635.6	440.2	440.2
Trade and other payables	(1,280.1)	(1,280.1)	(1,308.8)	(1,308.8)
Borrowings and overdrafts	(12,290.0)	(12,290.0)	(12,325.9)	(12,325.9)
Right-of-use lease liability	(1,847.4)	(1,847.4)	(2,042.2)	(2,042.2)
Other financing liabilities	(121.7)	(121.7)	(128.1)	(128.1)
Derivative financial instruments	(13.5)	(13.5)	(20.7)	(20.7)
Total financial liabilities	(15,552.7)	(15,552.7)	(15,825.7)	(15,825.7)
Net financial liabilities	(14,917.1)	(14,917.1)	(15,385.5)	(15,385.5)

Company	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Cash and cash equivalents	106.0	106.0	74.1	74.1
Trade and other receivables	346.7	346.7	265.0	265.0
Finance lease receivables	14.3	14.3	37.0	37.0
Equity loans to subsidiaries	0.6	0.6	-	-
Total financial assets	467.6	467.6	376.1	376.1
Trade and other payables	(300.4)	(300.4)	(281.6)	(281.6)
Borrowings	(1,916.0)	(1,916.0)	(1,716.0)	(1,716.0)
Right-of-use lease liability	(11.8)	(11.8)	(19.1)	(19.1)
Total financial liabilities	(2,228.2)	(2,228.2)	(2,016.7)	(2,016.7)
Net financial liabilities	(1,760.6)	(1,760.6)	(1,640.6)	(1,640.6)

The fair value of the Company's net financial liabilities did not differ materially from the carrying value at 31 March 2023 or 2022.

Notes to the Financial Statements (continued)

33 Pensions

a) Background

The Group offers retirement plans to its employees

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

b) Defined benefit schemes

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

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

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

Every three years, the TfL Pension Fund's Actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2021 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the surplus of the Fund was £179m as at 31 March 2021. Assets totalled £13,085m and the defined benefit obligation totalled £12,906m. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation. This set out a future service contribution rate of 27.3 per cent for the employers and five per cent for members.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of the Group's entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. In accordance with IAS 19, the ultimate parent Corporation, Transport for London, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts. The Group treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Group's contributions to the Section of £266.8m (2021/22 £266.6m) have been charged to the Income Statement.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2023. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2021. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2021 projections with a long term improvement rate of 1.25 per cent per annum. [No weighting has been given to 2020 or 2021 mortality experience given the exceptional impact of the coronavirus pandemic on these years.

The discounted scheme liabilities have an average duration of 16 years.

Notes to the Financial Statements (continued)

33 Pensions (continued)

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

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

The latest available full actuarial valuation of the Scheme was carried out at 31 December 2019. The report showed a funding surplus of £5.9m. This was translated into a current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2023 by actuaries at the XPS Pensions Group. Assumptions underlying this valuation have been updated from the full actuarial valuation of the scheme carried out at 31 December 2019. The Group's share of the underlying assets and defined benefit obligation resulted in an IAS 19 surplus, as at 31 March 2023, of £1.4m (2022 £42.7m). The discounted Crossrail Section liabilities have a duration of approximately 19 years. Management has assessed that TfL has an unconditional right to a refund of surplus assets for accounting purposes under IAS 19 assuming the gradual settlement of plan liabilities after consideration of the deed of the established section together with the Adopted Rules. Therefore, any net surplus is recognised in full.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the funding valuation as at 31 December 2019. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience.

Docklands Light Railway Pension Scheme

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

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent available valuation was effective 1 April 2021.

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

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2021 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2020 to 31 March 2022, amounting to £3.3m in respect of 2020/21, which was paid on 30 July 2021 and £3.1m, which was paid on 28 July 2022: plus in respect of subsequent Scheme Years, commencing 1 April 2022:

- 21.7 per cent per annum of Pensionable Salaries in respect of the cost of accrual for active members payable within 4four months of the end of the relevant Scheme Year;
- £957,000 per annum in respect of administration expenses and the cost of death in service benefit for active members payable on or before each 10 April, from 10 April 2023 onwards;

Notes to the Financial Statements (continued)

- £800,000 per annum payable on or before each 10 April from 2023 to 2025 inclusive (£800,000 per annum in respect of 2021 and 2022 were paid on 30 April 2021 and 12 April 2022 respectively)

In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to a maximum of RPI inflation + 1.5 per cent per annum)..

Over the year beginning 1 April 2023 the contributions payable to the DLR Scheme are expected to be around £5.1m from KAD and £4.8m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum or any changes as a result of a new schedule of contributions.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2023. This gave a valuation for the net surplus as at 31 March 2023 of £30.5m (2022 £3.9m deficit). The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 18 years.

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

Contributions totalling £3.1m were paid by DLR in 2022/23. These costs are not reflected within staff costs for the TfL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's concessionaire.

Unfunded pension costs

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

Other schemes

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

Notes to the Financial Statements (continued)

33 Pensions (continued)

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

Reconciliation of the Section's liabilities	**2023**	2022
	£m	£m
At 1 April	**138.1**	143.9
Current service cost	**1.7**	3.3
Interest cost	**3.5**	2.8
Employee contributions	**0.2**	0.3
Net remeasurement gains - financial	**(59.7)**	(10.5)
Net remeasurement gains - experience	**8.3**	
Net remeasurement gains - demographic	**-**	(0.2)
Actual benefit payments	**(1.8)**	(1.5)
At 31 March	**90.3**	138.1

Reconciliation of fair value of the Section's assets	**2023** **£m**	2023 £m
At 1 April	**95.4**	87.1
Interest income on scheme assets	**2.5**	1.7
Return on assets excluding interest income	**(4.9)**	7.0
Actual employer contributions	**0.6**	1.1
Employee contributions	**0.2**	0.3
Actual benefit payments	**(1.8)**	(1.5)
Scheme expenses	**(0.3)**	(0.3)
At 31 March	**91.7**	95.4
Net (surplus)/deficit	**(1.4)**	42.7

Total contributions of £0.8m are expected to be made to the Crossrail Section of the Railways Pension Fund in the year ending 31 March 2023.

Notes to the Financial Statements (continued)

33 Pensions (continued)

d) Summary of pension totals for the year

Total pension service cost for the year	Note	Group 2023 £m	Group 2022 £m
TfL Pension Fund (Public Sector Section)		**226.8**	266.8
Crossrail Section		**1.9**	3.3
Other schemes		**0.2**	5.9
Pension service cost capitalised by Crossrail Limited		**-**	(3.3)
Total pension service cost for the year	6	**228.9**	272.7
Scheme administrative expenses for the Crossrail Section		**0.3**	0.3
Amount included in cost of operations		**229.2**	273.0

Net interest on defined benefit obligations	Note	Group 2023 £m	Group 2022 £m
Crossrail Section of the Railways Pension Fund		**1.0**	1.1
Amounts charged to financial expenditure	8	**1.0**	1.1

Total actuarial gains and losses recognised	Group 2023 £m	Group 2022 £m
Actuarial gain on Crossrail Section of the Railways Pension Fund	**46.5**	17.7

Notes to the Financial Statements (continued)

33 Pensions (continued)

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

	Value at 31 March 2023	Value at 31 March 2022
	£m	£m
Equities	**91.6**	80.1
Bonds	**-**	15.0
Cash, property and other assets	**0.1**	0.3
Total market value of assets	**91.7**	95.4

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

	At 31 March 2023	At 31 March 2022
	%	%
RPI inflation	**3.20**	3.50
Rate of increase in salaries	**3.20**	3.50
Discount rate	**4.75**	2.60

Notes to the Financial Statements (continued)

33 Pensions (continued)

e) Sensitivities

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

- If the discount rate were 0.1% higher/(lower), the defined benefit obligation would decrease by £1.7m/((increase by £1.7m).
- If the expected salary growth were increased/(decreased) by 0.1%, the defined benefit obligation would increase by £0.3m/(decrease by £0.3m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £2.8m/(decrease by £2.8m).
- If the inflation rate were 0.1per cent higher/(lower), the defined benefit obligation would increase by £1.4m/(decrease by £1.4m).

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

34 Called up share capital

Company and Group	2023	2022 (Restated)
	£m	£m
As at 1 April	**560.0**	12,220.0
Issued during the year	**280.0**	560.0
Share capital reduction	-	(12,220.0)
As at 31 March	**840.0**	560.0

In the previous financial year, on 3 March 2022, Transport Trading Limited reduced the number shares issued from 12,220,000,000 ordinary shares with a nominal value of £12,220,000,000 to 1 ordinary share with a normal value of £1 through a share reduction exercise. Subsequently additional share capital of 560,000,000 ordinary shares with a nominal value of £560,000,000 were issued.

During the year the Company issued 280 million fully paid £1 ordinary shares (2021/22 560 million fully paid £1 ordinary shares). These were settled for consideration of £280m of cash.

Notes to the Financial Statements (continued)

35 Related party transactions

During the year none of TTL's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company or its subsidiaries (2021/22 none).

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

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

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

- Interest accrued by the Group on loans from TfL is disclosed in note 8
- Receipt of funding from TfL in the form of grants (notes 3 and 31), loans (note 25) or share capital (note 34)
- Payment of management fees to and from TfL for various services and provision of equipment
- TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways

36 Ultimate parent undertaking

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

Notes to the Financial Statements (continued)

37 Prior period error

On 3 March 2022, Transport Trading Limited reduced the number shares issued from 12,220,000,000 ordinary shares with a nominal value of £12,220,000,000 to 1 ordinary share with a normal value of £1 through a share reduction exercise. Subsequently additional share capital of 560,000,000 ordinary shares with a nominal value of £560,000,000 were issued.

The adjustment of the share reduction was not reflected in the 31 March 2022 financial statements. This was a prior period error and therefore has been adjusted retrospectively. The financial statements line items impacted are outlined below.

The Company remains a 100% owned subsidiary of Transport for London.

	31 March 2022 (as previously stated) £'m	Adjustment £'m	31 March 2022 (as restated) £'m
Balance sheet			
Share capital	12,780.0	(12,220.0)	560.0
Retained earnings	1,358.2	12,220.0	13,578.2

Notes to the Financial Statements (continued)

38 Events after the reporting date

Management do not consider that there has been any post-Balance Sheet event that would required a further adjustment being made to the carrying values at 31 March 2023 as reported in these financial statements.