Transport Trading Limited

Annual Report and Financial Statements
Year ended 31 March 2022

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 2022.

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

Principal activity

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

Directors

The directors who served during the year were:

A. Byford	
H. Carter	
S. Kilonback	(resigned 29 April 2022)
A. Lord	
G. Powell	(resigned 15 September 2022)
P. Doig	(appointed 18 May 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 TfL Annual Report and Statement of Accounts for the year ended 31 March 2022 includes the required disclosures as per these regulations for the TfL Group. The relevant disclosures for the TTL Group are made below.

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

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

For the year ended 31 March	**2022**	**2022 CO_2 emissions**	2021	2021 CO_2 emissions
	Energy use		Energy use	
	MWh	**tonnes**	MWh	tonnes
Electricity	**1,481,400**	**314,546**	1,401,438	326,731
Gas	**80,575**	**14,758**	67,603	12,430

For the year ended 31 March	**2022**	**2022 CO_2 emissions**	2021	2021 CO_2 emissions
	Consumption		Consumption	
	litres	**tonnes**	litres	tonnes
Fuel - petrol	**129,265**	**284**	45,155	98
Fuel - diesel	**1,366,770**	**3,434**	1,436,570	3,658

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

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

In line with TfL's 2018 Energy Strategy, we have established a clear hierarchy for reducing our operational carbon emissions. The top of this hierarchy is the removal of fossil fuel use and improving our energy efficiency. We are prioritising energy efficiency measures 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 (2020/21 £nil).

Directors' Report (continued)

Dividends

No dividends have been declared for the year (2020/21 £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 16 includes other information related to future developments and the principal risks and risk management of the Group.

Approved by the Board on 12 September 2022 and signed on behalf of the Board by

P. Doig

Director

14 October 2022

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 2022).

High standards of business conduct

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 2022). 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 2022 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.

Strategic Report (continued)

We have established a committee structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the business effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members set out in TfL's Accounts for the year end 31 March 2022). 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.

Coronavirus

Our priority during the coronavirus pandemic has been to follow Government recommendations for action and keep services running, while protecting staff and customer safety.

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

- Using long-lasting, hospital-grade cleaning substances that kill viruses and bacteria on contact
- Cleaning key interchanges more frequently throughout the day
- Trialling continuous UV cleaning of escalator handrails
- Wiping down all touch surfaces on buses, such as poles and doors with strong disinfectant every day
- Added more than 1,000 hand sanitiser points across the network
- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely

We continued to support the recovery of London following the Government's roadmap for coming out of lockdown. Passenger journeys have seen significant growth since the removal of Government restrictions, with total TfL journeys increasing to 68 per cent of pre-pandemic levels at the end of 2021/22.

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

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

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. We have created our new Vision and Values – a bold, long-term vision for the next era for TfL – that sets out our ambitions for the future and outlines what we need to achieve them. We have developed a set of five Roadmaps that chart our next steps towards becoming London's strong, green heartbeat. These Roadmaps are:

Strategic Report (continued)

- Colleague roadmap – be a great place to work for everyone to thrive
- Customer roadmap – give customers more reasons to choose sustainable travel
- Finance roadmap – rebuild our finances, be more efficient and secure our future
- Green roadmap – reduce emissions in London and protect and improve our environment
- Our Foundation – operational and project delivery

Interests of the Group's employees

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

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

We continue to work closely with our Trade Unions, ensuring that local, functional, and company-level meetings take place across different parts of the organisation.

As coronavirus restrictions ease, we are supporting those employees who have been working remotely to come in and spend more time in the office. We are operating a hybrid working approach which offers more flexibility and means we can offer a richer, more enjoyable working experience.

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 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.

Impact of operations on the community and the environment

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

Fostering business relationships with suppliers, customers and others

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

During the year we developed initiatives to make us more dependable and easier to work with by working smarter with our supply chain partners and involving them earlier in the planning phase to help us improve efficiency. The

Strategic Report (continued)

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

As the impact of the coronavirus pandemic continued to be felt, despite running a near-full level of services we continued to see levels of fares income falling below pre-pandemic levels, with passenger fares for the year totalling £3,154m, an increase from the £1,599.6m experienced in 2020/21, but still a significant shortfall against the £4,750.8m of fares revenue seen in 2019/20.

The revenue shortfall has necessitated the continued provision of extraordinary grant funding from the Government to TfL. The resulting revenue grant from TfL to support the Group's operations totalled £2,310.4, a decrease from the £3,964.3m received in 2020/21.

Operating costs are consistent with the prior year total, despite inflationary pressures, demonstrating our commitment to reducing our core costs where possible. This has been achieved through continued tight cost controls and progressing our long-term savings programme.

Major projects progressed in the year included the Four Lines Modernisation project, Barking Riverside, the opening of the Northern Line Extension, the Bank Station upgrade and the design and planned construction of DLR rolling stock and systems integration.

A full Narrative Report, Financial Review report and details of the latest Government funding agreement, which was agreed on 30 August 2022, for the TfL Group is included in TfL's Annual Report and Statement of Accounts. This will be *available on its website* (www.tfl.gov.uk).

Underground operations

London Underground Limited

Fares income has increased by £873.5m compared with last year. The Company carried 748m passengers over the year as the easing of coronavirus restrictions in the latter part of the year resulted in 452m more passengers, an increase of 152.7 per cent on last year.

Operating costs are £70.0m lower than last year, inflationary pressures are offset by a reduction in additional coronavirus costs (PPE, new cleaning regimes, social distancing) following the coronavirus vaccine roll-out and the easing of Government restrictions together with our modernisation programme of change, lowering our cost of operating, improving performance and making London Underground a better place to work, all whilst maintaining a safe and reliable network. As a result of the changes we are making, some functions have also moved across directorates and companies within the TfL Group as new teams and reporting lines are formed.

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.

On the Northern Line Extension, the project came in £160m under budget, bringing its estimated final total cost to £1.1bn, despite the cost pressures brought about by the pandemic. On 20 September 2021, two new stations at Nine Elms and Battersea Power Station welcomed their first customers. The two step-free Zone 1 stations are set to dramatically improve the connectivity of these vibrant south London neighbourhoods and contribute to the Capital's recovery from the pandemic. December 2021, we were awarded 'Excellent' for Civil Engineering Environmental Quality Assessment & Award Scheme (CEEQUAL), which is a sustainability assessment awarded by the British Research Establishment. Sustainability was considered at all stages of the project, including efficient use of materials,

Strategic Report (continued)

responsible procurement, and the use of barges to remove construction spoil from site to be used in land reclamation. This award was achieved by the hard work and commitment of Ferrovial Laing O'Rourke and ourselves, with the support from the many suppliers and subcontractors. The team is now focused on closing out snagging items, completing assurance documentation, achieving commercial closure and working towards project closure in 2022.

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network. The combined effect of the coronavirus pandemic delays and the complexity of re-planning the closure-based works integrating future events in London has led to challenges to the programme, however significant progress was made and two major milestones were achieved in the financial year. On 24 April 2021 with the extension of the section of new signalling on the District and Circle lines from Monument to Sloane Square. This paves the way for frequencies to be increased and service reliability to be further improved as soon as the rest of the route has been automated. On 27th March, the programme reached a major milestone when the new signalling system went live in Signalling Migration Area 5 between Sloane Square, Paddington, Fulham Broadway and Barons Court. This phase involves upgrading the highly complex junction at Earl's Court and marks the entire Circle line has been upgraded to the new signalling system.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains. In August 2021 our train supplier Siemens achieved a key milestone to begin the manufacture of the first intermediate car as planned in line with the phased assurance of the design to achieve assurance stage 1 in December 2021. This was confirmed by Siemens with a virtual tour of the factories. On 15 December, the new Piccadilly line train cab mock-up arrived at the Tunnelling and Construction Academy in East London from Siemens in Germany. The design and build contract for the high voltage power for immunisation works was awarded in November 2021, with work starting on site in December 2021. This contract will deliver the power infrastructure to support the frequency conversion of this equipment.

At Bank Station, the works and preparation for the Northern Line Bank branch closure have concluded. We ran an extensive communication, marketing and operational campaign to manage travel demand and minimise the impact on customers. This line closure between Kennington and Moorgate started as planned on 15 January and will last for 17 weeks. At the end of this closure, a new platform and central concourse will be brought into use, which will help relieve congestion on the Northern line platform. Station wall cladding finishes and floor tiling work continues, although it was impacted by supply chain challenges. The installation of 12 escalators, two moving walkways, power, lighting, fire and communications systems has progressed to plan. The testing and commissioning of all systems is being conducted in tandem to prepare for handover to operations for passenger use.

Harrow-on-the-Hill was the 91st station to be delivered as step-free and means that 33.5 per cent of Tube stations are now step-free. Work on the final 3 stations in the current programme has been paused while our funding position is clarified.

The redevelopment scheme at Tottenham Hale, which includes a new integrated ticket hall providing seamless step-free interchange with National Rail, was successfully brought into customer service on 13 December 2021. Work is progressing on co-funded station enhancement schemes at Knightsbridge and Paddington, which are on target to be open to the public next year.

We achieved our key programme milestone by installing 8 kilometres of new track in the year and replaced 12 sets of points at Northfields over the Christmas period, which will enable the future Piccadilly line trains to be introduced and run safely through the area. We took delivery of two rail-mounted cranes and eight tilting wagons for modular points and crossings renewals which will yield significant time and quality benefits.

Our ongoing programme of modernisation works on the Bakerloo, Central & Jubilee line fleets is critical to improving safety, reliability, accessibility and lowering our running costs. These projects continue to progress with detailed

Strategic Report (continued)

design validation through the installation and testing of prototype systems. In addition we are continuing to deliver large-scale heavy maintenance work on our fleet.

Contracts have been signed for the Central line signalling and control system life extension. The first five-year tranche of the incremental signalling upgrade programme is progressing well, with concept and detailed design starting on updating the Bakerloo line control system.

We are continuing to upgrade key components of our Connect radio system and are now focusing on rolling out new radio hardware base-stations which will enable the Connect system to function into the 2030s. We have delivered Critical Incident Management (CIM) functionality at 62 stations, enabling us to remotely control and evacuate a station in the event of a critical incident, and also upgraded our CCTV at 75 stations. To tackle fare evasion, we have continued work on enable us to target fare evasion more effectively which has directly contributed to the identification and prosecution of fare evaders.

Surface Transport

The Group's Surface Transport operations include:

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

Rail for London Limited

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

In the year, LO carried 112 million people, an increase of 107 per cent over the previous year.

LO's operational performance, as measured by the public performance measure (PPM) was 95.2 per cent at the end of the year using the moving annual average. This was significantly higher than the national average for train operators.

Both LO's operational performance and customer satisfaction were affected by the ongoing delayed introduction of the new LOTRAIN fleet, although introduction is expected to complete during 2022/23. These new state-of-the-art electric trains provide customers with increased capacity and feature walk-through carriages, air conditioning, live

Strategic Report (continued)

network information screens and improved reliability. The new, cleaner, electric trains also improve air quality for people living and working along the route.

In 2021/22, TfL Rail carried 40 million passenger journeys. Although this is 6 million lower than budget, compared to last year, this is a 100 per cent increase in demand which shows the continuing recovery from the pandemic.

Docklands Light Railway Limited

The loss for the year was £1.9 m (2020/21 loss was £87.8m) mainly due to an increase of £55.9m on passenger income.

In the year passenger ridership was 77.1 m which, compared with 2020/21 (39.7 m), is an increase of 94 per cent.

DLR Customer Satisfaction score for 2021/22 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. The majority of the DLR station satisfaction metrics scores show very slight increases in satisfaction with significant movement seen in the Helpfulness and general attitude of staff score which has improved. DLR operation performance departure score was 98.5 per cent which is 0.1 per cent higher than the franchise agreement threshold.

There were eleven weekend closures throughout the year plus a five-day closure after Christmas, affecting parts of the DLR. In addition, we had twelve late evening closures where we utilised extended engineering hours, and four weekends where London City Airport station was partially closed. We continue to minimise closures by working closely with all parties to align dates and combining closures where possible.

Tramtrack Croydon Limited

The loss for the year was £559,000 (£298,000 in 2020/21). Passenger income increased year-on-year by £5.4 million (47 per cent) because of recovery from the coronavirus pandemic.

In the year Trams carried 19.1 million passengers which, compared with 2020/21 (11.6 million), is a year-on-year increase of 65 per cent due to the impact of recovery from the coronavirus pandemic. Headline operational performance was 98.5 per cent, an increase on last year (98.3 per cent).

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.

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.

Strategic Report (continued)

On 10 June 2022, TfL indicated its intention to plead guilty to a prosecution brough by the Office of Rail and Road relating to health and safety failings relating to the Sandilands tram overturning on 9 November 2016. The best estimate of the assessed outcome of this prosecution is included within these financial statements. Refer to Note 29.

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

London Bus Services Limited

The result for the year was a loss of £4.3m (2020/21 loss £0.5m).

London's bus network saw an increase in passenger journeys of circa 621 million with demand steadily improving during the year following the gradual easing of government restrictions associated with the covid pandemic. By the end of the financial year patronage had improved to 72 per cent of a pre covid level, having started the year at 54 per cent.

Buses carried 1.49 billion passenger journeys on the network during 2021-22, the largest public transport carrier in London. Income was also up on the previous year by £422.2m primarily as a result of the recovery of demand following the easing of covid restrictions.

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

As a result of the decline in passenger journeys from the pandemic we have implemented a series of frequency reductions in inner London on routes that operate on corridors where there is anticipated to be spare capacity with demand not forecast to return to a pre covid level. This is the first step in delivering the 3.7 per cent reduction in bus scheduled kilometres by 2024/25 included in our financial sustainability plan.

Buses continues to improve air quality across London, operating with a Euro VI, or better fleet. In summer 2021, we launched our first double deck hydrogen fuel cell trial – with 20 new hydrogen buses joining the fleet, and the construction of a Hydrogen Refuelling Station at Perivale bus garage. At the end of March 2022, we increased the total number of zero-emission buses from 487 to 805.

We continued rolling out the Bus Safety Standard to harness new technologies and better vehicle designs to help avoid deaths and reduce the severity of injuries on our roads. Just under 775 vehicles now meet this standard and are fitted with improved visibility side mirrors, Intelligent Speed Assistance (ISA) and more slip-resistant floors. Around 630 of this number also have Acoustic Vehicle Alerting Systems (AVAS) to make their presence more obvious to pedestrians, cyclists and motorcyclists. We have also completed the development of an enhancement to AVAS to enable the volume of the specially created Urban Bus Sound to alter dependent on time of day and location in response to ambient noise conditions. We have an active retrofit programme for ISA technology to increase the benefits received from speed limiting our bus fleet and reducing associated risk. We continue to fund safer vehicles to get us closer to our Vision Zero objective of no-one killed on or by a bus by 2030 and no-one seriously injured by a bus by 2041. We have moved to the *second generation of the Bus Safety Standard which now requires additional equipment* such as Camera Monitoring Systems instead of mirrors – giving drivers a wider field of view and much better visibility in low light. The standard will continue to be toughened so that by 2024 it should be able to benefit from the expected availability of emerging technologies like automatic emergency braking.

Strategic Report (continued)

In support of these safer vehicles, we have also restarted virtual-reality safety training, Destination Zero, for our 24,700 bus drivers which had to be paused during lockdown. Just under half of bus drivers have completed the training which tries to reduce appetites towards risk and raise awareness of vulnerable road users like pedestrians and cyclists. This is now expected to conclude by the end of 2022.

Following the recommendations of independent academic research from Loughborough University and the Swedish National Road Safety Authority which we commissioned for the bus industry, our bus operators have introduced fatigue risk management systems, and we have supported them in delivering fatigue management training to around 1,700 operational managers and supervisors. A communications programme is underway to support bus driver understanding and response to fatigue, in line with our commitments in summer 2020 to reduce this aspect of driving risk. Separately, acting upon the recommendations of University College London's report into COVID19 related bus driver deaths and chronic health conditions, we are supporting bus operators in rolling out health assessments and kiosks for use by bus drivers and other staff to aid them in managing and improving their health. Healthy bus drivers reduces the risk of collisions arising from health-related conditions such as diabetes and sleep apnoea.

On 11 March we published our Bus Action Plan which sets out TfL's new priorities for faster journeys, an improved customer experience, and further decarbonisation of the network. The plan provides the basis for creating an even more attractive alternative to car use by focusing on five key areas:

i. An inclusive customer experience - a modern, relevant bus network that allows for spontaneous, independent travel, including improved customer information and bus station refurbishment

ii. Safety and security - a safe, secure bus network, with no one killed on or by a bus by 2030, and with all elements of the Bus Safety Standard implemented by 2024; and ensuring all customers and staff feel confident on the bus network travelling day and night

iii. Faster journeys - a faster and more efficient bus network, with journeys 10 per cent quicker than in 2015, with initiatives including the aim to introduce 25km of new and improved bus lanes by 2025

iv. Improved connections - a bus network better suited to longer trips with better interchanges, especially in outer London; and ensuring London residents remain close to a bus stop

v. Decarbonisation and climate resilience - a zero-emission bus fleet to tackle climate change and improve air quality; and safeguarding the network from extreme weather conditions

London Buses Limited (Dial-a-Ride)

During the year to 31 March 2022, Dial-a-Ride scheduled 95.1 per cent (2020/21 97.6 per cent) of all trip requests received which was higher than the target of 89.0 per cent. After 'on the day' cancellations of scheduled trips by passengers, the service delivered 375,045 trips which was 159 per cent more than in 2020/21 (2020/21 144,907) due to the lifting of Covid-19 restrictions. There is a small but continuing underlying decline in demand reflecting changing shopping habits and the reduction of activities and day centres provided for disabled and elderly people.

Customer satisfaction remained high at 92.0 per cent (2020/21 93.0 per cent) against a target of 90 per cent. Driver courtesy and professionalism were called out by respondents, along with cleanliness and comfort of the buses. The ongoing renewal of the fleet will have played a significant role in this.

During the year Dial-A-Ride focussed on providing a safe socially distanced service to our customers. Since Covid-19 restrictions have been lifted our commitment to safety is paramount with vehicles regularly cleared with anti-viral fluid to keep customers and staff safe. Dial-A-Ride continue to develop and implement the Assisted Transport Strategy and are in the process of tendering for a new booking and scheduling services which is a key enabler.

Victoria Coach Station Limited

Strategic Report (continued)

The loss for the year was £122,000 (2020/21 a loss of £9,000).

Victoria Coach Station is the biggest coach terminus in Europe. In 2021/22 there were 118,000 domestic and international accessible departures (2020/21 40,000) and 11 million passenger movements (2020/21 2 million) through the site. This year has seen an increase in departures and passenger movements due to less restrictions on travel caused by the coronavirus pandemic compared to 2020/21, and on average were 52 per cent of pre pandemic levels.

The Coaches team continue to support the domestic, foreign and tour operators to rebuild their business operations to enable UK and wider market growth in the coach industry. Early indications show that passenger numbers are positive and customer confidence is increasing. Our investment in Victoria Coach Station continues with safety and security projects taking primacy such as CCTV or personal address systems, while the coach deck 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 90-year-old Grade-II listed station as small sections of the Victoria Coach Station lease expire in the early 2020s. This could include changes to the layout of the station to 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 £123,000 (2020/21 profit £174,000).

During the year a total of 5.3 million passengers (1.6 million in 2020/21) used 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 330 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:

- The Crossrail project to construct a rail tunnel under central London in order to provide a new passenger service linking Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east, covering Canary Wharf and Stratford;
- Cycle Hire self-service bike sharing scheme;
- 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

Delivery of the Elizabeth Line is now in its complex final stages of delivery; with the Central Operating Section opening on 24 May 2022. Elizabeth Line services from Reading and Heathrow through the central tunnels to Shenfield and Abbey Wood could be implemented from late 2022, with the final timetable being in place in 2023.

Strategic Report (continued)

In March 2021, the Project hit the important milestone of entering the Trial Running phase under Railways and Other Guided Systems regulations. This involved operating multiple trains within the new tunnels to demonstrate how the infrastructure and operating software performed. Trial Operations commenced in Nov 2021 and involved operational exercises being carried out to ensure the safety and reliability of the railway for public use, and to fully run the timetables.

More than 150 real-life scenarios were carried out to provide key learnings ahead of Passenger Service, making sure that all systems and procedures work effectively, and staff can respond to any incidents. This involved collaborating on the response to the trial scenarios with thousands of staff volunteers and Emergency services. Following the completion of Trial Operations, there is a period of time dedicated to timetabled running to demonstrate improved reliability across the railway.

All central section stations with the exception of Bond Street are now ready to support Passenger Service. Bond Street has been decoupled from the opening of the railway as per the Earliest Opening Plan agreed with the Sponsors in 2019. Good progress continues to be made at Bond Street station, but this will not be fully operational until after the opening of the central section in the first half of 2022.

TTL Properties Limited

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

During the year, the gross income generated from property assets totalled £69.1m (2020/21 £60.5m). Income continued to be impacted by Covid, as footfall and thus trade was reduced for our tenants and at our car parks. The Group's focus throughout the pandemic has been to support and retain tenants, enabling them to continue trading over the long term as far as possible. Towards the later part of the year, trade started returning to more normal levels, with new lease activity ticking up.

Costs and spend were constrained during the period.

TTL Properties Limited saw net revaluation gains on its investment property portfolio for the year of £89m, (2020/21 net revaluation losses of £69.4m).

Treasury activities

During the year, TfL increased amounts lent to subsidiaries of the TTL Group by a net £74m (2020/21 £1,145.8m increase). This brings total borrowings held by the TTL Group, at 31 March 2022 to £12,325.9m (2020/21 £12,251.9m). The interest payable by the Group on these borrowings increased to £456.9m (2020/21 £400.1m) reflecting increased borrowings year on year.

During the year the interest rate derivatives taken out to hedge the interest rate on borrowings were terminated as a result of the IBOR reform. The termination loss of £5m was recorded in the Income Statement. 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. £9.3m (2020/21 £9.0m) was released to financial expenses in 2021/22, leaving a remaining balance of £39.5m related to gilt locks deferred in the hedging reserves as at 31 March 2022. 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.

Strategic Report (continued)

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 2022 was a net asset of £13.0m (2020/21 a net liability of £20.9m).

During the year, the Group was party to a number of forward foreign exchange contract programmes hedging planned future foreign currency expenditure, on plant and equipment, by its subsidiaries. At 31 March 2022, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swedish Krona, Swiss Francs and Chinese Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £278.6m (2020/21 £371.5m). At 31 March 2022, these contracts had a combined net fair value of £(17.0)m (2020/21 £(25.7)m). The fair value of forward contracts was recognised in equity at 31 March 2022, 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 was recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

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 2022, the Group held forward foreign exchange contracts to sell euros to a value of £238.9m (2020/21 £183.2m). Although fully effective as hedges at the TfL Group level, as the hedged investments are in a different legal entity to the derivatives, these contracts were not in formally designated hedging relationships for accounting purposes. Hedge accounting has not therefore been applied. A fair value loss on these contracts totalling £5.6m (2020/21 gain of £22.8m) has been recognised directly in the Income Statement within financial expense.

Principal risks and risk management

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

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

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

Funding risk

The TTL Group is dependent on funds provided to it by Transport for London ('TfL'), its parent organisation, in order to ensure working capital and funding requirements are satisfied. TfL has 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 up to 31 March 2024 (i.e. the remainder of 2022/23 and 2023/24 financial years) indicates that it will continue to make such funds available to the TTL Group up and until at least the same date, and represents the going concern assessment period for the TTL Group. As outlined in more detail below and in note g) of the Accounting Policies, TfL has reported a material uncertainty relating to the ability to deliver current planned operational services within available sources of funding. Given the reliable of the TTL Group on TfL for funding, the above events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the TTL Group's ability to continue as a going concern.

Strategic Report (continued)

The pandemic has acted to decimate our finances and has 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 and other travel demand shocks.

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

For the period 1 April 2020 to 31 March 2022, the Secretary of State for Transport has provided a series of extraordinary funding grants through four distinct funding agreements. On top of this grant funding, a further additional borrowing from the PWLB was agreed in 2020/21.

On 30 August 2022 the TfL Board approved a long term 20-month funding settlement with the DfT until 31 March 2024. This is significantly longer than any of the previous settlements during the pandemic. The agreement provides TfL £1.2bn of Government funding along with guaranteeing passenger revenue of the period.

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).

The Government recognises the need for certainty and stability for TfL's capital investment pipeline and the settlement will ensure delivery of key capital renewals and investment in London. Reaching agreement this is crucial for the coming years in order to avoid a 'managed decline' of London's transport network.

Approved by the Board on 12 September 2022 and signed on behalf of the Board by

P. Doig

Director

14 October 2022

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 2022 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 2022 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.

Material uncertainty relating to the ability to deliver current planned operational services within available sources of funding

We draw your attention to note g) of Accounting Policies, which indicates that there is a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern, arising from the reliance of the Group on Transport for London ('TfL') for funding as a result of a material uncertainty relating to TfL's ability to continue to operate the current planned operational services within available sources of funding. The material uncertainty relating to TfL is caused by the combination of the risks and uncertainties of the following:

- the 'dispute mechanism' within the funding settlement agreement dated 30 August 2022, with the Department for Transport ('funding settlement');
- the inflation review mechanism within the funding settlement agreement; and
- the ability to delivery cost savings in addition to those already assumed in TfL's budget ('central case forecast').

As stated in note g) of Accounting Policies, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Independent Auditor's Report

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We evaluated the capacity and ability of Transport for London ('TfL') to provide the necessary financial support, including obtaining the letter of Parent support as written evidence of such intent. We identified that the support provided is unconditional and that TfL will not require repayment of intercompany debts within the going concern period if the Company is unable to settle these balances;

- We have assessed the TfL's ability to provide ongoing support to the Company by reviewing cash flow forecasts and considered the liquidity headroom for the group, considering the cash in hand and the forecast level of future cash generation. Procedures performed included: obtaining actual results and comparing them to the forecasts audited during the Group audit; assessing the underlying assumptions and performing stress testing.

- We confirmed with management that no changes have occurred since the Group audit and considered whether there had been any changes to the groups' debt facilities and liquidity.

- We assessed the wording specified in the Parental Support Letter and associated disclosures.

Our responsibilities and the responsibilities of management 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.

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.

Independent Auditor's 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.

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.
- We understood how the Group is complying with those frameworks by making enquiries from this 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.
- From time to time we have matters escalated to us by members of the public. We investigate the matters reported and assess the impact thereof on our audit risk. Any findings identified are reported to the Audit and Assurance Committee.

Independent Auditor's Report

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify and 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.

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
14 October 2022

Group Income Statement

Year ended 31 March	Note	**2022** £m	2021 £m
Revenue	1	**3,450.3**	1,836.1
Net operating costs		**(5,785.5)**	(5,674.9)
Operating loss	2	**(2,335.2)**	(3,838.8)
Grant income	3	**2,312.4**	4,006.4
Other gains and losses	4	**52.3**	(105.0)
Exceptional items	5	**-**	(31.6)
Total profit from operations		**29.5**	31.0
Financial income	8	**55.8**	30.7
Financial expenses	9	**(421.1)**	(382.2)
Group share of profit after tax of joint ventures	16	**7.9**	0.7
Group share of gain/(loss) after tax of associated undertakings	17	**24.0**	(3.5)
Loss before taxation		**(303.9)**	(323.3)
Income tax	10	**(86.2)**	10.5
Loss for the year attributable to owners of the Company		**(390.1)**	(312.8)

Group Statement of Comprehensive Income

Year ended 31 March	Note	**2022** £m	2021 £m
Loss for the year		**(390.1)**	(312.8)
Other comprehensive income and expenditure:			
Items that will not subsequently be reclassified to profit or loss			
Revaluation of property, plant and equipment	12	**20.7**	8.6
Surplus on the valuation of newly created investment properties	14	**48.2**	72.6
Deferred tax on the surplus on valuation of newly created investment properties	10	**(54.7)**	(0.7)
Actuarial loss on defined benefit pension schemes	34	**17.7**	(36.5)
		31.9	44.0
Items that may be subsequently reclassified to profit or loss			
Movement in fair value of cash flow hedges		**51.8**	5.1
Derivative fair value loss recycled to income and expenditure		**10.2**	9.3
Discontinued hedging relationship		**(15.0)**	-
		47.0	14.4
Total comprehensive income and expenditure for the year attributable to owners of the Company		**(311.2)**	(254.4)

Group Statement of Financial Position

	Note	31 March 2022 £m	31 March 2021 £m
Non-current assets			
Intangible assets	11	**71.9**	62.4
Property, plant and equipment	12	**39,691.3**	38,932.0
Right-of-use assets	13	**1,841.3**	1,938.2
Investment property	14	**1,626.6**	1,447.1
Equity accounted investment in joint venture	16	**47.3**	41.3
Equity accounted investment in associated undertakings	17	**197.5**	166.9
Derivative financial instruments	28	**13.2**	0.2
Finance lease receivables	18	**23.2**	28.6
Trade and other receivables	22	**37.1**	44.5
		43,549.4	42,661.2
Current assets			
Inventories	20	**58.1**	51.5
Assets classified as held for sale	21	**148.8**	78.0
Finance lease receivables	18	**13.8**	15.4
Trade and other receivables	22	**380.3**	338.4
Derivative financial instruments	28	**1.4**	6.5
Cash and cash equivalents	23	**120.5**	41.7
		722.9	531.5
Current liabilities			
Trade and other payables	24	**(1,459.7)**	(1,499.3)
Other financing liabilities	25	**(6.4)**	(6.2)
Right-of-use lease liabilities	13	**(307.1)**	(302.6)
PFI liabilities	27	**-**	(0.3)
Derivative financial instruments	28	**(6.5)**	(12.0)
Provisions	29	**(46.1)**	(44.2)
		(1,825.8)	(1,864.6)
Non-current liabilities			
Trade and other payables	24	**(27.7)**	(32.1)
Other financing liabilities	25	**(121.7)**	(128.1)
Borrowings	26	**(12,325.9)**	(12,251.9)
Right-of-use lease liabilities	13	**(1,735.1)**	(1,793.0)
PFI liabilities	27	**-**	(0.1)
Derivative financial instruments	28	**(14.2)**	(47.3)
Provisions	29	**(35.2)**	(21.6)
Deferred grant	32	**(13,011.8)**	(12,255.6)
Retirement benefit obligation	34	**(42.7)**	(56.8)
Long-term deferred tax liabilities	10	**(375.2)**	(234.3)
		(27,689.5)	(26,820.8)
Net assets		**14,757.0**	14,507.3

Group Statement of Financial Position (continued)

Equity	Note	31 March 2022 £m	31 March 2021 £m
Called up share capital	35	**12,780.0**	12,220.0
Revaluation reserve		**213.7**	309.7
Hedging reserve		**(58.0)**	(105.0)
Cost of hedging reserve		**(3.0)**	(3.9)
Merger reserve		**466.1**	466.1
Retained earnings		**1,358.2**	1,620.4
Total equity attributable to owners of the Company		**14,757.0**	14,507.3

The Accounting Policies and notes on pages 34 to 136 form part of these financial statements.

These financial statements were approved by the Board on 12 September 2022 and signed on its behalf by:

P. Doig
Director
14 October 2022
Company Registration Number 3914810

Group Statement of Changes in Equity

	Note	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Cost of hedging reserve £m	Merger reserve £m	Retained *earnings* £m	Total £m
At 31 March 2020		11,560.0	306.0	(119.4)	(4.4)	466.1	1,892.9	14,101.2
Loss for the year		-	-	-	-	-	(312.8)	(312.8)
Actuarial loss on defined benefit pension scheme	34	-	-	-	-	-	(36.5)	(36.5)
Movement in the fair value of derivative financial instruments		-	-	5.1	-	-	-	5.1
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	9.3	-	-	-	9.3
Net surplus on revaluation of property, plant and equipment		-	8.6	-	-	-	-	8.6
Surplus on the revaluation of newly created investment properties		-	-	-	-	-	72.6	72.6
Deferred tax on the surplus on valuation of newly created investment properties		-	-	-	-	-	(0.7)	(0.7)
Total comprehensive income/(expense)		-	8.6	14.4	-	-	(277.4)	(254.4)
Issue of share capital	35	660.0	-	-	-	-	-	660.0
Recycling of cashflow foreign exchange hedge losses to the Balance Sheet		-	-	-	0.5	-	-	0.5
Realisation of revaluation reserve on disposal		-	(2.3)	-	-	-	2.3	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	(2.6)	-	-	-	2.6	-
At 31 March 2021		12,220.0	309.7	(105.0)	(3.9)	466.1	1,620.4	14,507.3
Loss for the year		-	-	-	-	-	(390.1)	**(390.1)**
Actuarial loss on defined benefit pension scheme	34	-	-	-	-	-	17.7	**17.7**
Movement in the fair value of derivative financial instruments		-	-	51.8	0.9	-	-	**52.7**
Movement in the fair value of derivative financial instruments reclassified to profit or loss		-	-	10.2	-	-	-	**10.2**
Net surplus on revaluation of property, plant and equipment	12	-	20.7	-	-	-	-	**20.7**
Surplus on the revaluation of newly created investment properties	14	-	-	-	-	-	48.2	**48.2**
Deferred tax on the surplus on valuation of newly created investment properties	10	-	-	-	-	-	(54.7)	**(54.7)**
Discontinued hedging relationship		-	-	(15.0)	-	-	-	**(15.0)**
Total comprehensive income/(expense)		-	20.7	47.0	0.9	-	(378.9)	**(310.3)**
Issue of share capital	35	560.0	-	-	-	-	-	**560.0**
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	-
Balance at 31 March 2022		**12,780.0**	**213.7**	**(58.0)**	**(3.0)**	**466.1**	**1,358.2**	**14,757.0**

Group Statement of Cash Flows

Year ended 31 March	Note	2022 £m	2021 £m
Cash flows from operating activities			
Loss for the year		**(390.1)**	(312.8)
Adjustments for:			
Depreciation, impairment and amortisation of non-current assets	12	**1,190.6**	1,167.3
Reversal of change in value of investment property	4	**(43.7)**	81.1
Reversal of loss on disposal of property, plant and equipment	4	**11.6**	28.8
Reversal of gain on sale of investment property	4	**(20.2)**	(4.9)
Reversal of financial income	8	**(55.8)**	(30.7)
Interest received		**54.9**	2.4
Reversal of financial expense	9	**535.7**	382.2
Interest paid		**(536.3)**	(372.1)
Amortisation of deferred capital grant to meet the depreciation charge	2	**(497.6)**	(542.7)
Reversal of share of net loss from associates and joint venture		**(31.9)**	2.8
Reversal of defined benefit pension service costs	34	**3.6**	3.0
Employer contributions to pension scheme	34	**(1.1)**	(1.4)
Reversal of taxation charge		**86.2**	(10.5)
Taxation received		**-**	1.6
Cash flow from operating activities before movements in working capital		**305.9**	394.1
(Increase)/decrease in inventories		**(6.6)**	7.4
(Increase)/decrease in trade and other receivables		**(63.3)**	14.5
Increase/(decrease) in trade and other payables		**36.2**	(326.3)
Increase/(decrease) in provisions		**15.5**	(25.4)
Net cash generated from operating activities		**287.7**	64.3
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**0.1**	0.3
Net proceeds from disposal of investment properties		**45.4**	7.9
Acquisition of intangible assets		**(17.6)**	(8.3)
Acquisition of property, plant and equipment and investment property		**(1,878.8)**	(1,821.8)
Finance leases granted during the year		**(6.8)**	(9.7)
Finance leases repaid during the year		**13.8**	18.3
Investment in equity of joint ventures and associates		**(4.7)**	(9.2)
Net cash utilised by investing activities		**(1,848.6)**	(1,822.5)

Group Statement of Cash Flows (continued)

Year ended 31 March	Note	**2022**	2021
		£m	£m
Cash flows from financing activities			
Issue of share capital		**560.0**	660.0
Increase in loans from ultimate parent		**74.0**	1,145.8
Capital grants received		**1,300.6**	155.0
Capital element of lease and PFI liabilities repaid		**(288.7)**	(274.3)
Capital element of other financing liabilities repaid		**(6.2)**	(1.7)
Net cash flow generated from financing activities		**1,639.7**	1,684.8
Net cash movement in the year		**78.8**	(73.4)
Net cash and cash equivalents at the start of the year		**41.7**	115.1
Net cash and cash equivalents at the end of the year	23	**120.5**	41.7

Company Statement of Financial Position

	Note	31 March 2022 £m	31 March 2021 £m
Non-current assets			
Intangible assets	11	**26.1**	41.0
Property, plant and equipment	12	**124.5**	149.9
Right-of-use assets	13	**20.5**	28.7
Investment property	14	**0.1**	0.2
Investment in subsidiary undertakings	15	**14,800.0**	14,090.0
Finance lease receivables	18	**23.2**	28.6
Equity loans to subsidiaries	19	**-**	220.1
Trade and other receivables	22	**0.4**	-
		14,994.8	14,558.5
Current assets			
Finance lease receivables	18	**13.8**	15.4
Trade and other receivables	22	**292.8**	301.8
Cash and cash equivalents	23	**74.1**	21.1
		380.7	338.3
Current liabilities			
Trade and other payables	24	**(409.2)**	(600.2)
Right-of-use lease liabilities	13	**(8.5)**	(8.5)
Provisions	29	**(0.2)**	-
		(417.9)	(608.7)
Non-current liabilities			
Trade and other payables	24	**(11.0)**	(10.4)
Borrowings	26	**(1,716.0)**	(1,566.0)
Right-of-use lease liabilities	13	**(10.6)**	(19.0)
Provisions	29	**(8.9)**	(2.1)
Deferred grant	32	**(63.0)**	(79.7)
		(1,809.5)	(1,677.2)
Net assets		**13,148.1**	12,610.9

Company Statement of Financial Position (continued)

	Note	31 March 2022 £m	31 March 2021 £m
Reserves			
Share capital	35	**12,780.0**	12,220.0
Revaluation reserve		**58.0**	42.3
Merger reserve		**466.1**	466.1
Retained reserves		**(156.0)**	(117.5)
Total equity attributable to owners of the Company		**13,148.1**	12,610.9

The Accounting Policies and notes on pages 34 to 136 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 12 September 2022 and signed on its behalf by:

P. Doig

Director

14 October 2022

Company Registration Number 3914810

Company Statement of Changes in Equity

	Note	Share capital	Revaluation reserve	Merger reserve	Retained reserves	Total
		£m	£m	£m	£m	£m
At 1 April 2020		11,560.0	43.0	466.1	(65.9)	12,003.2
Loss for the year		-	-	-	(54.3)	(54.3)
Surplus on revaluation of newly created investment properties		-	-	-	0.2	0.2
Net surplus on revaluation of property, plant and equipment		-	1.8	-	-	1.8
Total comprehensive income/(expense)		-	1.8	-	(54.1)	(52.3)
Issue of share capital	35	660.0	-	-	-	660.0
Realisation of revaluation reserve on disposal		-	(2.3)	-	2.3	-
Release of revaluation reserve in respect of non-historic cost depreciation		-	(0.2)	-	0.2	-
Balance at 31 March 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	35	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		**12,780.0**	**58.0**	**466.1**	**(156.0)**	**13,148.1**

Company Statement of Cash Flows

Year ended 31 March	Note	**2022**	2021
		£m	£m
Cash flows from operating activities			
Loss for the year		**(22.8)**	(54.3)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	**30.4**	29.3
Amortisation of right-of-use assets	13	**8.6**	8.5
Amortisation of intangible assets	11	**18.0**	12.4
Reversal of movements in value of investment property	14	**0.3**	0.3
Reversal of gain on sale of property, plant and equipment		**(0.7)**	-
Reversal of impairment of investment	15	**-**	80.0
Reversal of impairment of equity loans to subsidiaries	19	**-**	59.1
Reversal of financial income		**(1.1)**	(2.8)
Interest received		**0.2**	1.3
Reversal of financial expense		**37.6**	1.7
Interest paid		**(4.8)**	(1.7)
Amortisation of deferred capital grant to meet depreciation and impairment charges	32	**(40.8)**	(89.7)
Reversal of taxation (credit)/charge		**(3.5)**	9.7
Taxation (received)/paid		**3.5**	(9.7)
Cash flow from operating activities before movements in working capital		**24.9**	44.1
Decrease in trade and other receivables		**10.3**	29.2
Decrease in trade and other payables		**(222.3)**	(203.5)
Increase in provisions		**7.0**	0.8
Net cash utilised by operating activities		**(180.1)**	(129.4)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**22.8**	-
Proceeds from disposal of investment properties		**-**	0.4
Equity loans to subsidiaries		**220.1**	(9.5)
Acquisition of intangible assets		**(3.0)**	(0.8)
Acquisition of property, plant and equipment		**(30.5)**	(22.4)
Finance leases granted during the year		**(6.8)**	(9.7)
Finance leases repaid during the year		**13.8**	18.3
Subscription for new shares in subsidiary		**(710.0)**	(2,075.0)
Capital grants received		**25.3**	44.0
Net cash utilised by investing activities		**(468.3)**	(2,054.7)

Company Statement of Cash Flows (continued)

Year ended 31 March	Note	**2022** £m	2021 £m
Cash flows from financing activities			
Issue of share capital		**560.0**	660.0
Increase in loans from ultimate parent		**-**	11.5
Increase in loans from fellow subsidiary undertaking		**150.0**	1,500.0
Capital element of finance leases		**(8.6)**	(8.1)
Net cash flow generated from financing activities		**701.4**	2,163.4
Net cash movement in the year		**53.0**	(20.7)
Net cash and cash equivalents at the start of the year		**21.1**	41.8
Net cash and cash equivalents at the end of the year	23	**74.1**	21.1

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 3914810 and its registered office is 5 Endeavour Square, London E20 1JN.

The consolidated financial statements as at 31 March 2022 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. It also requires management to exercise judgement in applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the balance sheet at fair value.

Uses of judgement

Determining whether an arrangement contains a lease

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

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

Accounting Policies (continued)

Classification of investment properties

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

Leases

From the lessor's perspective in assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Statement of Financial Position, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

Availability of future capital funding

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

Capitalisation of assets with third party interest

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

Uses of estimates and assumptions

Useful economic life of property, plant and equipment

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

Post-retirement benefits

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

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 33 and the Accounting Policy on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Accounting Policies (continued)

Provisions

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

Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2022, management were required to make estimates regarding future losses in the face of significant macro economic uncertainty arising as a result of the coronavirus pandemic and Brexit. Given the unprecedented nature of these events, a greater than usual level of judgement was involved in reaching this estimate.

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 £1,313.4m (2021 £999.0m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,950.1m (2021 £2,119.9m).

Investment property

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

Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

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

Office buildings

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

Accounting Policies (continued)

Valuation of peppercorn leases

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

Release of deferred capital grant to income

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

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

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

- **Reporting requirements of Interest Rate Benchmark Reform**

  Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform and additional disclosures related to interest rate benchmark reform.

  The impact of the IBOR reform has been documented and it has been assessed to have minimal impact on TTL's Accounts for year ending 31 March 2022. The instruments that used to reference GBP LIBOR are lease contracts and interest rate swaps hedging the finance cost related to those leases and commercial papers. The interest rate swaps have been treated under the normal IFRS 9 hedge discontinuation rules as they were terminated, while the leases met the economically equivalent criteria for the application of the practical expedient allowed under the guidance for derecognition.

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:

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

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

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

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

  The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of

Accounting Policies (continued)

costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

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

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

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

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

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

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

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

  (i) Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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

  An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)**

Accounting Policies (continued)

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.

- **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).

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

g) Going concern

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

The TTL Group is dependent on funds provided to it by Transport for London (TfL), its parent organisation, in order to ensure working capital and funding requirements are satisfied. TfL has 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 up to 31 March 2024 (i.e. the remainder of 2022/23 and 2023/24 financial years), indicates that it will continue to make such funds available to the TTL Group up and until at least the same date, and represents the going concern assessment period for the TTL Group. As outlined in more detail below, TfL has reported a material uncertainty relating to the ability to deliver current planned operational services within available sources of funding. Given the reliance of the TTL Group on Transport for London ('TfL') for funding, the above events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the TTL Group's ability to continue as a going concern.

As set out in the Strategic Report, the unprecedented Covid-19 pandemic significantly impacted the Group's ability to execute its activities.

The Group has continued delivering essential transport services throughout the pandemic and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has had a significant and negative impact on our finances. 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 economic and other demand shocks.

During 2020/21,2021/22 and recently in 2022/23, TfL secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Narrative Report and Financial Review of TfL's Annual Report and Statement of Accounts, which gave it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board.

Accounting Policies (continued)

On 30 August 2022, the TfL Board approved a long term 20-month funding settlement with the DfT, which is significantly longer than any of the previous settlements during the pandemic. This funding settlement provided £1.2bn of Government funding along with the guaranteeing of passenger revenue over the period to 31 March 2024, but is subject to a number of conditions which are set out below.

The agreement that has been reached is crucial for the coming years and will avoid the 'managed decline' of London's transport network and reduce somewhat the risk of major service reductions across the network, during the going concern assessment period, as was assumed in TfL's most recent budget presented to the TfL Board in March 2022.

TfL's funding request from Government was derived through its 2022/23 budgeting process, which is built bottom-up from its delivery targets and cost base. This includes detailed analysis of income drivers and macroeconomic outlook. The level of funding provided was calculated by the DfT after a review of the TfL 2022/23 Budget, including the underlying assumptions, risks and current trends. This has also included a detailed review of the budget and all supporting information by the DfT's financial advisors.

The settlement will ensure the delivery of key capital renewals and investment in London worth £3.6bn to March 2024. This provides TfL with the ability to deliver committed major projects, much of which the Group will be expected to deliver.

The agreement outlines committed major projects in our capital programme. The current agreement only covers the period up to 31 March 2024. TfL is not expected to solely finance these commitments from operating incomes, as is consistent with other transport authorities. Government recognises that TfL, including its subsidiaries in the Group, has near and long-term financial commitments that extend beyond the funding period set out in the agreement. A combination of future measures from TfL, the GLA and Government will enable TfL to continue to meet these obligations and commitments during the going concern assessment period and underpin the plan to reach a balanced budget from the period commencing 1 April 2024.

Government recognises that further capital funding beyond this funding settlement may be required by TfL should it not be able to generate such resources from its own means for future projects after 31 March 2024. Further capital funding support will be subject to TfL demonstrating real-terms like-for-like reductions in its cost base and TfL having met the condition in the funding settlement to generate at least £500m in new revenue sources. This agreement provides continuing evidence that Government remains committed to supporting London and the transport network on which it depends via this funding settlement, which recognises the reliance of London's transport network on fare revenue, and Government's commitment to mitigating loss of fare revenue as a result of the pandemic.

The funding settlement is set out on TfL's website, but the key features, which apply to the TfL Group as a whole include:

- TfL will maintain an average cash balance of £1.2bn each quarter, in line with our current liquidity policy.
- TfL will remain committed to the recurring savings programme of £730m per annum.
- TfL will consider and respond to the findings of the Independent Review into the TfL Pension Fund with deliverables to submit options for future service reform, which aim to reduce future service costs by circa £100m per annum, agree a detailed final proposal and implementation plan and commence a consultation by May 2023 (if the recommended approach requires consultation).
- The quantum of funding may be amended if the actual level of inflation exceeds the level contained within TfL's 2022/23 Budget.
- TfL is expected to follow 'public sector pay guidance' more generally, defined by DfT as general guidance on departmental pay budgets.

Accounting Policies (continued)

- TfL will allocate £80m per year (on average) to spending on active travel projects, which are defined as those which support cycling and walking only.
- Government funding cannot be used to cover the costs of any policy decisions which charge road users, such as the Greater London ULEZ.
- TfL will continue to deliver its Capital Efficiency Plan and will present its annual efficiencies report to the DfT.
- TfL will work with the DfT to develop evidence and a business case for investment for introducing driverless trains (to Grade of Automation 4) on London Underground.
- An Oversight Group will take place each quarter to provide oversight and assurance of capital expenditure, operating expenditure, financial reporting and ongoing workstreams. The Oversight Group is chaired by a senior official in the DfT and made up of key senior officials from DfT, HM Treasury and TfL. It will continue to meet for the duration of the agreement. The key purpose is to monitor progress and act as an escalation point for issues.
- A Strategic Special Representative and a Technical Special Representative will be appointed by the Secretary of State. They will be invited to attend the Oversight Group Meetings, attend TfL Board and Committee meetings and request additional information.
- If a condition under the funding agreement has not been met and following consideration by the Oversight Group of proposals for resolution from TfL, such proposals have not been agreed, a 'dispute' will have arisen and shall be addressed by a proposed mechanism which enables the Secretary of State to reduce the funding contained within the funding settlement.

The level of funding support provided by this funding settlement – once the cost of meeting the conditions is considered – is around £740m less than assumed in TfL's 2022/23 Budget. However, TfL has developed a revised plan to address this funding gap, which includes:

- Holding lower levels of cash and contingency, as the funding settlement provides mitigation against the key risks of passenger demand uncertainty and inflation.
- Delivering further efficiency savings, although there are currently £230m of savings over 2022/23 and 2023/24 for which plans still need to be identified.

In its central case forecast, these mitigations are sufficient to create a balanced budget for the going concern assessment period. However, TfL has stress tested this revised plan against a number of different risks, including the inability to deliver these further efficiencies and further cost increases. In a severe downside scenario, the level of risk to the TfL Budget could be up to £900m over 2022/23 and 2023/24.

TfL has also assessed the ability to mitigate this level of risk in the downside scenario. A key part of these mitigations is that the Mayor has confirmed the GLA will provide a £500m financing facility, for which TfL can draw down on as required over the period in to March 2024. This will take the form of an advance in business rates funding from GLA, which will be offset in future years with a lower level of business rates being provided to TfL. The GLA also has alternative funding sources from borrowing and have a credit rating of 'AA' with Standard & Poors, therefore the Board have concluded it is possible to place reliance on this financing facility as part of their going concern consideration.

In addition, TfL has a number of risk mitigations within its direct control, including utilising its cash reserves of £1.2bn, accessing the Public Works Loan Board for further borrowing and completing asset disposals. These measures would only be required in the severe downside case scenario.

Although – with the measures outlined above – the funding settlement sets out sufficient funding to take TfL to the point of financial sustainability, material uncertainty remains on the level of operational funding that will actually be

Accounting Policies (continued)

received during the funding period, and the level of funding it can provide to the TTL Group as there remains three areas of significant uncertainty:

a) The settlement enables the Secretary of State for Transport to adjust the amount of funding provided to TfL under the 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 against TfL in funding in these settlements. However, as the dispute mechanism is uncapped, the impact could be up to £1.1bn funding outstanding at the date of approving the TfL accounts.

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 could be up to £165m that is currently expected through this mechanism.

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

Therefore, management has assessed that, the combination of the risks and uncertainties of the above three areas creates a material uncertainty, which may cast significant doubt on TfL's ability to continue to operate the current planned operational services within available sources of funding and impact the level of funding provided to the TTL Group, through this funding settlement.

Given the reliance of the TTL Group on Transport for London ('TfL') for funding, the above events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the TTL Group's ability to continue as a going concern.

Impact of material uncertainty on the level of funding on capital asset values within the going concern period

In the TTL Group's 2020/21 Financial Statements, a material uncertainty was disclosed as to the level of longer-term funding support that would be agreed, and what this meant for the shape of TfL's planned future activities and the impact that would have on the TTL Group's planned activities. The material uncertainty at that point in time cast significant doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects included in the capital investment plan.

The agreement of a long term funding settlement on 30 August 2022 for the period to 31 March 2024, includes funding for ongoing capital projects. Therefore, management's assessment on the level of uncertainty over TfL's ability to continue with all projects in the capital investment plan is significantly reduced.

As at 31 March 2022, TTL Group had capital projects in the course of construction totalling £18.4bn, of which £15bn related to Crossrail and £0.5bn for the Four Lines Modernisation project. Since this date approximately £14bn has been brought into service at the commencement of Elizabeth Line operations (excluding Bond Street station). The remaining balance related to a range of projects across the network at varying stages of completion.

Whilst a reduction in funding levels in the going concern period could mean that TfL has insufficient funding to undertake its capital programme as planned, management mitigations in addition to those set out above could include delaying those elements of the programme that are not subject to contractual delivery commitments into future periods beyond 31 March 2024.

Therefore, management has concluded that there is no impairment of assets under construction and there is no material uncertainty relating to assets in the course of construction included in the financial statements as at 31 March 2022.

h) Revenue recognition

Accounting Policies (continued)

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

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

Fares revenue

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

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

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.

As a result of the pandemic, there have been instances where credit notes have been issued to tenants after the invoice has been issued. In such instances, it is our accounting policy to account for the rent forgiveness as a loss (that is, not a

Accounting Policies (continued)

reduction in lease income) in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

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.

Revenue from telecoms concessionaire arrangements

Revenue from the concessionaire arrangements relates to the exclusive right granted to the concessionaire to access TfL's broader asset base to install and maintain its new telecommunications assets. The Fixed Concession Fee is recognised on a straight-line basis over the period of the concessionaire term. Revenue share fees are recognised as income when they occur.

Cycle hire scheme revenues

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

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

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

Museum income

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

Accounting Policies (continued)

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

i) Grants and other funding

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

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

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

j) Exceptional items

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

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

k) Employee benefits

Defined contribution scheme

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

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

Accounting Policies (continued)

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

Other employee benefits

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

l) Leases (the Group as lessee)

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

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

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

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

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 we can treat the non-lease and lease components are treated as a single lease.

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

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

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

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

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 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

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

Accounting Policies (continued)

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 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

Accounting Policies (continued)

deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

Assets under construction and freehold land are not depreciated.

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

Accounting Policies (continued)

Gains and losses on disposal

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

s) Borrowing costs

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

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

t) Private Finance Initiative ("PFI") arrangements

The Group has entered into PFI arrangements with the private sector in relation to the construction, maintenance and operation of parts of London Underground and Docklands Light Railway infrastructure. In the absence of alternative guidance, these arrangements are treated as service concession arrangements following the guidance, from a lessor's point of view, contained in IFRIC 12 Service Concession Arrangements ("IFRIC 12"), an interpretation under Adopted IFRS.

IFRIC 12 requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. The Group therefore recognises PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

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

a) The service charge

b) Repayment of the capital

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

Services received

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

Assets

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

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

Liabilities

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

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

Accounting Policies (continued)

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

Life cycle replacement

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

u) Investment property

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with any changes therein recognised in the Income Statement in the period in which they arise. During 2020/21 and 2021/22, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which have been recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets have been created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) these valuation gains have been recognised directly within other comprehensive income.

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

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

v) Investment in subsidiaries

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

w) Investment in associated undertakings

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

x) Investment in joint ventures

Accounting Policies (continued)

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

y) Assets classified as Held for Sale

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

z) Inventories

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

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

aa) Impairment

Non-financial assets

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

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

Impairment losses are recognised in the Income Statement.

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.

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:

Accounting Policies (continued)

- 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 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

Accounting Policies (continued)

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

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

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

Financial liabilities are measured at FVTPL if they are:

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

Loans to subsidiaries

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

Cash and cash equivalents

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

Other investments

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

Trade and other receivables

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

Finance lease receivables

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

Trade and other creditors

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

Interest bearing loans and borrowings

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

Obligations under right-of-use leases and PFI arrangements

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

Accounting Policies (continued)

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.

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.

Accounting Policies (continued)

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:

- the host contract is a financial liability or an asset not within the scope of IFRS 9 and;

Accounting Policies (continued)

- 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

TTL makes use of reasonable and supportable information make accounting judgement and estimates. This includes information about the observable effects of physical environment risks and transition risks. The following items represent the most significant effects:

- Financial impact of acute physical risk resulting in service disruption and asset damage;
- Financial impact of chronic physical risk resulting in increased operating costs and higher costs from lower asset resilience and replacement;
- Financial impact of transition risks such as higher costs through our net-zero ambition and cost of materials, construction and procurement. In addition, the impact on our assessment of asset impairments; and
- Opportunities from being more energy efficient, using renewable energy and waste heat, as well as revenue from electric vehicle charging points.

Accounting Policies (continued)

TfL is developing a Pan-TfL climate change adaptation plan which will focus on the actions needed across the organisation to improve our maturity in adapting to climate change impacts, and how we will report on progress. Many of the effects of climate change will be long term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgement and estimates for the current period.

Notes to the Financial Statements

1 Group revenue

Year ended 31 March	**2022**	***% of***	2021	*% of*
	£m	***total***	£m	*total*
Fares	**2,880.2**	***83.5***	1,284.6	*70.0*
Revenue in respect of free travel for older and disabled customers	**273.8**	***8.0***	315.0	*17.2*
Charges to London Boroughs and Local Authorities	**0.8**	**-**	0.5	-
Charges to transport operators	**21.3**	***0.6***	1.6	*0.1*
Commercial advertising receipts	**105.1**	***3.0***	58.9	*3.2*
Rents receivable	**77.7**	***2.3***	76.6	*4.2*
Museum and other retail income	**8.3**	***0.2***	3.9	*0.2*
Contributions from third parties to operating costs	**4.8**	***0.1***	32.4	*1.8*
Ticket and photocard commission income	**18.8**	***0.6***	11.9	*0.6*
ATM and car parking income	**10.5**	***0.3***	3.3	*0.2*
Training and specialist services	**9.1**	***0.3***	1.4	*0.1*
Cycle hire scheme	**15.2**	***0.4***	16.8	*0.9*
Other	**24.7**	***0.7***	29.2	*1.5*
	3,450.3	**100.0**	1,836.1	100.0

Notes to the Financial Statements (continued)

2 Group operating loss

Year ended 31 March	Note	**2022** £m	2021 £m
The operating loss is stated after charging/(crediting):			
Capital items			
Amortisation of intangible assets	11	**23.5**	15.0
Depreciation of property, plant and equipment – owned and PFI	12	**798.1**	808.3
Amortisation of right-of-use assets	13	**331.8**	337.7
Release of grant to meet the depreciation and impairment charge on the historical cost of depreciated fixed assets	32	**(497.6)**	(483.6)
Release of grant to meet the loss on impairment of investments	32	**-**	(59.1)
Impairment of property, plant and equipment	12	**37.1**	6.3
Other operating costs			
Employee costs	7	**1,429.8**	1,426.4
Inventory expensed during the year		**67.8**	54.9

Year ended 31 March	**2022** £m	2021 £m
Auditor's remuneration		
Fees for the audit of these financial statements	**1.3**	1.4
Fees for the audit of subsidiary financial statements	**0.2**	0.1
Fees for non-audit services: assurance related*	**-**	-
	1.5	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	**2022**	2021
	£m	£m
Grant from Transport for London to fund operations	**2,310.4**	3,964.3
Other revenue grant	**2.0**	42.1
	2,312.4	4,006.4

4 Group other gains and losses

Year ended 31 March	**2022**	2021
	£m	£m
Change in fair value of investment properties	**43.7**	(81.1)
Net gain on disposal of investment properties	**20.2**	4.9
Net loss on disposal of property, plant and equipment	**(11.6)**	(28.8)
	52.3	(105.0)

5 Exceptional items

Year ended 31 March	**2022**	2021
	£m	£m
Exceptional costs relating to the coronavirus pandemic	**-**	31.6

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

6 Directors' emoluments

Year ended 31 March	**2022**	2021
	Number	Number
Number of directors who were remunerated by the Group during the year:	**-**	-
The Group made contributions to a defined contribution scheme on behalf of the following number of directors	**-**	-

The directors received no emoluments or benefits from the Company.

Directors' emoluments and benefits were borne by Transport for London for five directors (2020/21 four).

Total remuneration paid to directors of Transport Trading Limited by Transport for London was £1,427,112 (2020/21 £1,213,648) and by its fellow subsidiaries was £380,293 (2020/21 £307,851). The apportionment of this attributable to their service as directors of Transport Trading Limited and its fellow subsidiaries cannot be individually identified.

Notes to the Financial Statements (continued)

7 Group employee costs

Year ended 31 March		**2022**	2021*
The average number of persons employed in the year were:		**Number**	Number Restated
Bus operations		**579**	718
London Underground		**16,151**	16,318
Rail operations		**503**	456
Crossrail		**252**	316
Victoria Coach Station		**63**	65
Group services and other activities		**578**	644
Total		**18,126**	18,517

Their aggregate remuneration comprised:	*Note*	**£m**	£m Restated
Wages and salaries		**1,037.3**	1,021.3
Social security costs		**119.8**	117.5
Pension cost	34	**272.7**	273.2
		1,429.8	1,412.0

* Restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020. This includes £14.4m of staff costs.

Notes to the Financial Statements (continued)

8 Group financial income

Year ended 31 March	2022	2021
	£m	£m
Interest income received from Transport for London	**53.6**	-
Interest income received in relation to finance lease receivables	**1.1**	2.7
Net fair value movement on derivative financial instruments not subject to hedge accounting	**-**	26.8
Other	**1.1**	1.2
	55.8	30.7

9 Group financial expenses

Year ended 31 March		**2022**	2021
	Note	**£m**	£m
Interest payable on derivative financial instruments		**18.8**	21.8
Interest payable to Transport for London		**456.9**	400.1
Interest on PFI and right-of-use lease liabilities		**44.6**	46.2
Contingent rentals on PFI liabilities		**0.3**	0.3
Net fair value movement on derivative financial instruments not subject to hedge accounting		**9.8**	-
Net interest on defined benefit obligation	34	**1.1**	0.4
Other interest payable		**4.2**	3.8
		535.7	472.6
Less amounts capitalised into qualifying assets	12	**(114.6)**	(90.4)
		421.1	382.2

The interest rates charged on loans from Transport for London range between 2.48 per cent and 4.42 per cent (2020/21 2.48 per cent and 4.42 per cent).

Notes to the Financial Statements (continued)

10 Taxation

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

a) Corporation tax - Group

The Group tax charge for the year, based on the rate of corporation tax of 19 per cent (2020/21 19 per cent) comprised:

	Group	Group
Year ended 31 March	**2022**	2021
	£m	£m
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years	-	(1.6)
Total current tax credit for the year	-	(1.6)
Deferred tax		
Deferred tax - current year	**86.2**	(8.9)
Total tax charge/(credit) for the year	**86.2**	(10.5)

Reconciliation of tax credit

	Group	Group
Year ended 31 March	**2022**	2021
	£m	£m
Loss before tax	**(303.9)**	(323.3)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2020/21 19%)	**(57.7)**	(61.4)
Effects of:		
Non-taxable and non-deductible items	**6.0**	(5.3)
Amount charged to current tax for which no deferred tax was recognised	**138.9**	58.7
Utilisation of tax losses brought forward	**(1.0)**	(0.9)
Adjustments in respect of prior years	-	(1.6)
Total tax charge/(credit) for the year	**86.2**	(10.5)

b) Unrecognised deferred tax assets - Group

The Group has a potential net deferred tax asset of £2,950.1m (2021 £2,119.9m) in respect of the following items:

	Group	Group
Year ended 31 March	**2022**	2021
	£m	£m
Deductible temporary differences	**1,636.7**	1,120.9
Tax losses	**1,313.4**	999.0
	2,950.1	2,119.9

Notes to the Financial Statements (continued)

10 Taxation (continued)

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

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

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

	Balance at 1 April	Movement in income statement	Movement in other comprehensive income	Balance at 31 March
For the year ended 31 March 2022	£m	£m	£m	£m
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)**
For the year ended 31 March 2021				
Deferred tax assets				
Deferred government grant	1,392.4	(188.4)	-	1,204.0
Derivative financial instruments	23.3	(2.6)	-	20.7
Property, plant and equipment	85.0	25.8	-	110.8
	1,500.7	(165.2)	-	1,335.5
Deferred tax liabilities				
Property, plant and equipment	(1,461.4)	161.1	-	(1,300.3)
Investment properties	(263.8)	9.9	(0.7)	(254.6)
Assets held for sale	(18.0)	3.1	-	(14.9)
	(1,743.2)	174.1	(0.7)	(1,569.8)
Net deferred tax liability	(242.5)	8.9	(0.7)	(234.3)

Notes to the Financial Statements (continued)

10 Taxation (continued)

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

- An increase in the UK Corporation Tax rate to 25 per cent, with effect from 1 April 2023, was substantively enacted in the period. As the deferred tax balances are not expected to be settled until after 1 April 2023, they have been calculated at a rate of 25 per cent (2020/21 19 per cent). This change in tax rate has led to an increase in all deferred tax assets and liabilities.

- The deferred tax liability arising on investment properties, including those held as available for sale, has increased due to revaluation movements in the year. Due to the level of deferred tax liability arising on investment properties and the nature of the Group's deferred tax assets it is not considered that sufficient deferred tax assets will be available to offset the deferred tax liability in full.

- The property, plant and equipment deferred tax asset and liability have changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.

- Included within the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations recognised in other comprehensive income. Where the revaluation gain has been recognised in other comprehensive income the resulting deferred tax liability has also been recognised in other comprehensive income.

- The deferred tax asset arising in respect of derivative financial instruments has decreased due to movement in the fair value of derivatives.

d) Unrecognised deferred tax assets - Company

The Company has a potential deferred tax asset of £21.7m (2020/21 £11.8m). 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:

	2022	2021
	£m	£m
Deductible temporary differences	**12.1**	4.5
Tax losses	**9.6**	7.3
Deferred tax asset	**21.7**	11.8

UK Corporation Tax is calculated at a rate of 19 per cent (2020/21 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 2022 have been calculated at a rate of 25 per cent.

Notes to the Financial Statements (continued)

11 Intangible assets

a) Group intangible assets

Cost or valuation	Note	Software costs £m	Goodwill £m	Intangible assets under construction £m	Total £m
At 1 April 2020		131.5	351.8-	6.2	489.5
Additions		3.9	-	4.4	8.3
Transfer from property, plant and equipment	12	28.1	-	-	28.1
At 31 March 2021		163.5	351.8	10.6	525.9
Additions		12.2	-	5.4	17.6
Transfer from property, plant and equipment	12	-	-	15.4	15.4
Transfers between asset classes		15.5		(15.5)	-
At 31 March 2022		**191.2**	**351.8**	**15.9**	**558.9**
Amortisation and impairment					
At 1 April 2020		99.3	349.2	-	448.5
Charge for the year	2	15.0	-	-	15.0
At 31 March 2021		114.3	349.2	-	463.5
Charge for the year	2	23.5	-	-	23.5
At 31 March 2022		**137.8**	**349.2**	**-**	**487.0**
Net book value at 31 March 2022		**53.4**	**2.6**	**15.9**	**71.9**
Net book value at 31 March 2021		49.2	2.6	10.6	62.4

Assets under construction comprise software assets under development.

Notes to the Financial Statements (continued)

11 Intangible assets (continued)

b) Company intangible assets

	Note	Software costs	Intangible assets under construction	Total
Cost or valuation		£m	£m	£m
At 1 April 2020		131.1	0.9	132.0
Additions		0.1	0.7	0.8
Transfer from property, plant and equipment	12	22.2	-	22.2
At 31 March 2021		153.4	1.6	155.0
Additions		-	3.1	3.1
At 31 March 2022		**153.4**	**4.7**	**158.1**
Amortisation and impairment				
At 1 April 2020		101.6	-	101.6
Charge for the year		12.4	-	12.4
At 31 March 2021		114.0	-	114.0
Charge for the year		18.0	-	18.0
At 31 March 2022		**132.0**	-	**132.0**
Net book value at 31 March 2022		**21.4**	**4.7**	**26.1**
Net book value at 31 March 2021		39.4	1.6	41.0

Notes to the Financial Statements (continued)

12 Property, plant and equipment

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

	Note	Infrastructure and office buildings	Rolling stock	Plant and equipment	Assets under construction	Total
		£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2021		29,598.4	5,050.6	1,946.8	18,829.3	55,425.1
Additions		377.4	23.2	13.9	1,368.6	1,783.1
Transfers to assets held for sale		-	-	-	(83.4)	(83.4)
Transfers to investment properties	14	(5.3)	-	-	(72.1)	(77.4)
Transfer to intangible assets	11	-	-	-	(15.4)	(15.4)
Transfers between asset classes		1,477.6	13.7	39.3	(1,530.6)	-
Disposals		(12.7)	-	(40.8)	-	(53.5)
Write offs		-	-	(5.3)	(28.2)	(33.5)
Revaluation		12.3	-	-	-	12.3
At 31 March 2022		**31,447.7**	**5,087.5**	**1,953.9**	**18,468.2**	**56,957.3**
Depreciation						
At 1 April 2021		12,805.4	2,383.6	1,299.2	4.9	16,493.1
Charge for the year	2	584.4	123.1	90.6	-	798.1
Impairment charge for the year		-	-	6.4	30.8	37.2
Transfers to investment properties	14	(0.5)	-	-	-	(0.5)
Disposals		(8.5)	-	(45.0)	-	(53.5)
Revaluation		(8.4)	-	-	-	(8.4)
At 31 March 2022		**13,372.4**	**2,506.7**	**1,351.2**	**35.7**	**17,266.0**
Net book value at 31 March 2022		**18,075.3**	**2,580.8**	**602.7**	**18,432.5**	**39,691.3**
Net book value at 31 March 2021		16,793.0	2,667.0	647.6	18,824.4	38,932.0

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

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

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

As set out in the going concern note to the accounting policies, management believe that all capital projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package has been formally agreed between TfL and the DfT, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

c) Capitalisation of borrowing costs - Group

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. The Group opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing costs ('IAS 23'). The total borrowing costs capitalised during the year were £114.6m (2020/21 £90.4m). The cumulative borrowing costs capitalised are £923.4m (2020/21 £808.8m). 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 2022, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,060.5m (2020/21 £1,175.9m).

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

e) PFI assets - Group

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

	Infrastructure and office buildings	Rolling stock	Total
	£m	£m	£m
PFI assets			
Gross cost	223.9	45.2	269.1
Depreciation	(84.0)	(45.2)	(129.2)
Net book value at 31 March 2022	**139.9**	**-**	**139.9**
Net book value at 31 March 2021	175.4	-	175.4

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 (2020/21 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors. The value of these buildings at 31 March 2022 was £73.4m (2020/21 £174.9m) and the historic cost was £26.9m (2020/21 £36.6m). A related revaluation gain for the year of £20.7m (2020/21 £8.6m) has been recognised within other comprehensive income and expenditure.

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

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

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2021		191.9	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	14	-	-	(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		**166.4**	**335.5**	**32.9**	**534.8**
Depreciation					
At 1 April 2021		123.8	284.4	-	408.2
Charge for the year		6.5	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		**126.5**	**282.9**	**0.9**	**410.3**
Net book value at 31 March 2022		**39.9**	**52.6**	**32.0**	**124.5**
Net book value at 31 March 2021		68.1	68.3	13.5	149.9

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

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2020		185.8	325.6	54.8	566.2
Additions		4.5	33.6	(19.1)	19.0
Transfer to intangible assets	11	-	-	(22.2)	(22.2)
Disposals		-	(6.5)	-	(6.5)
Revaluation		1.6	-	-	1.6
At 31 March 2021		191.9	352.7	13.5	558.1
Depreciation					
At 1 April 2020		114.7	270.9	-	385.6
Charge for the year		9.3	20.0	-	29.3
Disposals		-	(6.5)	-	(6.5)
Revaluation		(0.2)	-	-	(0.2)

Notes to the Financial Statements (continued)

At 31 March 2021	123.8	284.4	-	408.2

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

i) Capitalisation of borrowing costs - Company

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2020/21 £nil). The cumulative borrowing costs capitalised are also £nil (2020/21 £nil).

j) Capital commitments - Company

At 31 March 2022, the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £24.0m (2020/21 £36.0m).

k) PFI assets – Company

The Company did not have any PFI assets as at 31 March 2022 (2020/21 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 (2020/21 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors. The value of these buildings at 31 March 2022 was nil (2020/21 £22.8m) and the historic cost was £7.6m (2020/21 £13.6m).

Notes to the Financial Statements (continued)

13 Right-of-use assets and lease liabilities

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

As described in note e) to the Accounting Policies, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. In a few instances, particularly on property leases, a rent concession in the form of a rent holiday was received in 2020/21. We applied the practical expedient where TfL as a lessee elected not to assess whether a COVID-19-related rent concession from a lessor was a lease modification. This resulted in a remeasurement of the lease liability with a corresponding adjustment to the right-of-use asset.

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 or valuation							
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)
Valuation adjustment		(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**
Net book value at 31 March 2022		**113.5**	**1,141.6**	**525.1**	**5.5**	**55.6**	**1,841.3**
Net book value at 31 March 2021		119.8	1,171.4	568.2	8.2	70.6	1,938.2

Notes to the Financial Statements (continued)

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

b) Group right-of-use assets at 31 March 2021 comprised the following:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor Vehicles £m	Other equipment £m	Total £m
Cost or valuation							
At 1 April 2020		123.5	1,384.8	762.1	11.4	93.8	2,375.6
Additions		23.3	127.3	244.5	2.4	6.2	403.7
Revaluation		-	(16.3)	-	-	-	(16.3)
At 31 March 2021		146.8	1,495.8	1,006.6	13.8	100.0	2,763.0
Amortisation							
At 1 April 2020		13.1	245.5	213.8	2.5	12.2	487.1
Charge for the year	2	13.9	78.9	224.6	3.1	17.2	337.7
At 31 March 2021		27.0	324.4	438.4	5.6	29.4	824.8

Notes to the Financial Statements (continued)

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

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

	Group 2022 £m	Group 2021 £m
Principal outstanding		
Current liabilities	**307.1**	302.6
Non-current liabilities	**1,735.1**	1,793.0
Total	**2,042.2**	2,095.6

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

	Group 2022 £m	Group 2021 £m
Contractual undiscounted payments due in:		
Not later than one year	**328.2**	324.2
Later than one year but not later than two years	**291.3**	298.7
Later than two years but not later than five years	**477.4**	495.4
Later than five years	**1,491.9**	1,535.4
	2,588.8	2,653.7
Less:		
Present value discount	**(546.6)**	(557.8)
Exempt cashflows	**-**	(0.3)
Present value of minimum lease payments	**2,042.2**	2,095.6

Notes to the Financial Statements (continued)

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

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

	Note	Group 2022 £m	Group 2021 £m
Amortisation charge of right-of-use assets	2	**331.8**	337.7
Interest payable on right-of-use lease liabilities		**48.6**	45.9
Expense relating to short-term leases (included in gross expenditure)		**3.0**	0.5
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**0.1**	-
Income from sub-leasing right-of-use assets (included in gross income)		**12.5**	10.7

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

The total cash outflow for leases in 2021/22 was £339.3m (2020/21 £319.5m)

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

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

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

Notes to the Financial Statements (continued)

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

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

Variable lease payments:

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

Extension and termination options:

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

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

As at 31 March 2022 two rolling stock contracts had commenced. However, while a certain number of units of rolling stock had been accepted and leased under these contracts as at 31 March, the entire quota in each contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2022 were £226.5m and £248.6m respectively (2021 £911.4m and £1,037.5m respectively), out of a total commitment of £268.1m (2021 £1,100m) in the contracts. Because contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TTL.

Notes to the Financial Statements (continued)

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

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

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

	Infrastructure and office buildings	Other equipment	Total
	£m	£m	£m
Cost or valuation			
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**
Net book value at 31 March 2022	**20.3**	**0.2**	**20.5**
Net book value at 31 March 2021	28.1	0.6	28.7

j) Company right-of-use assets at 31 March 2021 comprised the following:

	Infrastructure and office buildings	Other equipment	Total
	£m	£m	£m
Cost or valuation			
A1 April 2020	44.4	1.5	45.9
At 31 March 2021	44.4	1.5	45.9
Amortisation			
At 1 April 2020	8.2	0.5	8.7
Charge for the year	8.1	0.4	8.5
At 31 March 2021	16.3	0.9	17.2

Notes to the Financial Statements (continued)

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

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

	Company 2022 £m	Company 2021 £m
Principal outstanding		
Current liabilities	**8.5**	8.5
Non-current liabilities	**10.6**	19.0
Total	**19.1**	27.5

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

	Company 2022 £m	Company 2021 £m
Contractual undiscounted payments due in:		
Not later than one year	**8.9**	9.1
Later than one year but not later than two years	**8.2**	8.8
Later than two years but not later than five years	**2.6**	10.7
	19.7	28.6
Less:		
Present value discount	**(0.6)**	(1.1)
Present value of minimum lease payments	**19.1**	27.5

Notes to the Financial Statements (continued)

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

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

	Company 2022 £m	Company 2021 £m
Amortisation charge of right-of-use assets	**8.6**	8.5
Interest payable on right-of-use lease liabilities	**0.6**	0.9
Income from sub-leasing right-of-use assets (included in gross income)	**12.5**	10.7

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

The total cash outflow for leases in 2021/22 was £8.9m (2020/21 £9.1m).

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 2022 the Company is not party to any lease arrangements to which the Company as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet.

Notes to the Financial Statements (continued)

14 Investment properties

a) Movements in investment properties in the Group comprised:

	Note	Group £m
Valuation		
At 1 April 2020		1,416.4
Additions		5.0
Transfers from parent organisation		1.7
Transfers from property, plant and equipment	12	20.9
Transfers from assets held for sale	21	18.7
Disposals		(4.7)
Revaluation	4	(10.9)
At 31 March 2021		1,447.1
Additions		23.1
Transfers from parent organisation		9.5
Transfer from property, plant and equipment	12	76.9
Transfer from assets held for sale	21	(17.4)
Disposals		(8.6)
Revaluation		96.0
At 31 March 2022		**1,626.6**

The fair value of the Group's investment properties 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 (2020/21 none).

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

Notes to the Financial Statements (continued)

14 Investment properties (continued)

During 2020/21 and 2021/22, in order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2022, a total net revaluation gain of £91.1m (including movements on investment properties held for sale) was recognised for the Group (2019/20 a net loss of £8.5m). Of this, a gain of £48.2m (2020/21 £72.6m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £43.7m net gain (2020/21 £81.1m net loss) 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 £39.8m for the Group (2020/21 £55.7m).

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

All other factors being equal:

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

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

b) Movements in investment properties in the Company comprised:

	Company
	£m
Valuation	
At 1 April 2020	0.7
Transfer to a subsidiary undertaking	(0.4)
Revaluation	(0.1)
At 31 March 2021	0.2
Additions	0.1
Transfer from property, plant and equipment	0.1
Revaluation	(0.3)
At 31 March 2022	**0.1**

14. Investment properties (continued)

Information about fair value measurements for the TTL Group using unobservable inputs (level 3) for the year ended 31 March 2022

		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)%	1,684.3	3.55%	1,593.4	(2.04)%	1,512.7	(7.00)%	1,484.3	(8.75)%	1,398.9	(14.00)%
	(5)%	1,749.4	7.55%	1,654.3	1.70%	1,569.8	(3.49)%	1,540.2	(5.31)%	1,451.1	(10.79)%
	0%	1,814.0	11.52%	1,714.4	5.40%	1,626.6	0.00%	1,596.3	(1.86)%	1,503.1	(7.59)%
	5%	1,878.6	15.49%	1,775.4	9.15%	1,684.2	3.54%	1,652.1	1.57%	1,555.0	(4.40)%
	10%	1,943.3	19.47%	1,835.9	12.87%	1,741.3	7.05%	1,708.3	5.02%	1,607.4	(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)

15 Investment in subsidiary undertakings

	Company 2022 £m	Company 2021 £m
At 1 April	**14,090.0**	12,095.0
Additions	**710.0**	2,075.0
Impairment of investment	**-**	(80.0)
At 31 March	**14,800.0**	14,090.0

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

	Company 2022 £m	Company 2021 £m
Crossrail Limited	**560.0**	150.0
Docklands Light Railway Limited	**-**	140.0
London Bus Services Limited	**-**	55.0
Rail for London Limited	**-**	195.0
Tramtrack Croydon Limited	**-**	35.0
TTL Properties Limited	**150.0**	1,500.0
	710.0	2,075.0

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

	Company 2022 £m	Company 2021 £m
London Bus Services Limited	**-**	(80.0)

The parent corporation

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

Notes to the Financial Statements (continued)

15 Investment in subsidiary undertakings (continued)

The Company's subsidiaries are;

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

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

* All outstanding liabilities of these undertakings as at 31 March 2022 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 2022 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

Notes to the Financial Statements (continued)

16 Interest in joint ventures

Connected Living London (BTR) Limited

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

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

During 2021/22 the Group invested a further £2.8m in the equity of CLL (2020/21 £1.6m). 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 2022 £m	Group 2021 £m
Cash	**4.5**	3.2
Other current assets	**-**	0.2
Current assets	**4.5**	3.4
Investment property under construction	**17.9**	15.5
Non-current assets	**17.9**	15.5
Creditors	**(2.9)**	(1.8)
Current liabilities	**(2.9)**	(1.8)
Non-current liabilities	**-**	-
Total net assets	**19.5**	17.1

Notes to the Financial Statements (continued)

16 Interest in joint ventures (continued)

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

	Group 2022 £m	Group 2021 £m
Net assets at 100%	**19.5**	17.1
Percentage held by the TTL Group	**49%**	49%
Carrying amount of the Group's equity interest in CLL	**9.6**	8.4

Group share of comprehensive income and expenditure of CLL

	Group 2022 £m	Group 2021 £m
Group share of loss from continuing operations	**(1.7)**	(0.4)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(1.7)**	(0.4)

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.

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 2021/22 the Group had no additional investment in the equity of KP LLP (2020/21 £3.6m). 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)

16 Investment in joint ventures (continued)

Balance sheet of Kidbrooke Partnership LLP at the 100% level

	Group 2022 £m	Group 2021 £m
Current assets	**39.9**	38.9
Non-current assets	**-**	-
Current liabilities	**(2.5)**	(1.3)
Non-current liabilities	**-**	-
Total net assets	**37.4**	37.6

Included within current assets in the table above is £8.9m of cash (2020/21 £2.3m).

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

	Group 2022 £m	Group 2021 £m
Net assets at 100%	**37.4**	37.6
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	**18.3**	18.4

KP LLP has recognised neither a profit nor loss in the year to 31 March 2022 (2020/21 £nil). There is therefore no impact on Group consolidated profits relating to the joint venture. The increase in the carrying amount of the Group's equity interest during the prior year reflects an investment of £3.7m in additional equity share capital of KP LLP during that year. The Group's percentage shareholding has remained unchanged.

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. 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)

16 Investment in joint ventures (continued)

Balance sheet of BRP LLP at the 100% level

	Group 2022 £m	Group 2021 £m
Current assets	**42.8**	38.2
Non-current assets	**-**	-
Current liabilities	**(8.2)**	(8.7)
Non-current liabilities	**-**	-
Total net assets	**34.6**	29.5

Included within current assets in the table above is £21.3m of cash (2020/21 £9.4m).

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

	Group 2022 £m	Group 2021 £m
Net assets at 100%	**34.6**	29.5
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in BRP LLP	**17.0**	14.5

Group share of comprehensive income and expenditure of BRP LLP

	Group 2022 £m	Group 2021 £m
Group share of profit from continuing operations	**7.3**	1.1
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**7.3**	1.1

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)

16 Investment in joint ventures (continued)

Balance sheet of LMCP at the 100% level

	Group 2022 £m	Group 2021 £m
Cash	**1.3**	-
Other short term assets	**46.5**	-
Current assets	**47.8**	-
Other short-term liabilities	**(38.2)**	
Current liabilities	**(38.2)**	-
Total net assets	**9.6**	-

Included within current assets in the table above is £1.3m of cash (2020/21 £0m).

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

	Group 2022 £m	Group 2021 £m
Net assets at 100%	**9.6**	-
Percentage held by the TfL Group	**49%**	-
TfL Group share of net assets	**4.7**	-
Adjustment for distribution of land receipt*	**(2.3)**	-
Carrying amount of the Group's equity interest in LMCP Limited	**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 2022 £m	Group 2021 £m
Group share of profit from continuing operations	**2.4**	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	**2.4**	-

Notes to the Financial Statements (continued)

17 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 2022 the Group had invested £44.4m (2021 £44.4m) in share capital and a further £423m (2021 £416.2m) 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 December have been used. There were no material movements in net income/expenditure or in the net assets of ECP between 31 December 2021 and 31 March 2022.

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

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

	Group 2022 £m	Group 2021 £m
Current assets	**8.1**	6.9
Non-current assets	**596.0**	516.2
Current liabilities	**(1.7)**	(1.8)
Non-current liabilities	**(74.7)**	(73.4)
Total net assets	**527.7**	447.9

Included within current assets above is £6.4m of cash (2020 £5.7m). Long-term liabilities represent third-party borrowings.

Notes to the Financial Statements (continued)

17. Investment in associated undertakings (continued)

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

	Group £m	Group £m
Net assets at 100% at 31 December 2021 (31 December 2020)	**527.7**	447.9
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets	**195.3**	165.7
Investment in equity loan notes between 31 December 2021 and 31 March 2022 (between 31 December 2020 and 31 March 2021)	**2.2**	1.2
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	**197.5**	166.9

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

	Group 2022 £m	Group 2021 £m
Group share of profit/(loss) from continuing operations	**24.0**	(3.5)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**24.0**	(3.5)

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.

18 Finance lease receivables

Group and Company finance lease receivables

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

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

At 31 March	2022 £m	2021 £m
Minimum cash receipts:		
Within one year	**14.8**	17.2
Between one and five years	**23.6**	29.7
	38.4	46.9
Less unearned finance income	**(1.4)**	(2.9)
	37.0	44.0

Principal outstanding	2022 £m	2021 £m
At 1 April	**44.0**	52.6
Additions	**8.6**	7.0
Interest	**(1.8)**	2.7
Repayments	**(13.8)**	(18.3)
	37.0	44.0

Principal outstanding	2022 £m	2021 £m
Current	**13.8**	15.4
Non-current	**23.2**	28.6
	37.0	44.0

Notes to the Financial Statements (continued)

19 Equity loans to subsidiaries

	Company	Company
	2022	2021
Non-current	**£m**	£m
Equity loans to subsidiary companies	-	220.1

	Company	Company
	2022	2021
	£m	£m
Balance at 1 April	516.1	506.6
New loans issued	-	9.5
Repayments	(220.1)	-
	296.0	516.1
Less provisions for impairment:		
Balance at 1 April	(296.0)	(236.9)
Impairment	-	(59.1)
As at 31 March	**(296.0)**	(296.0)
Net book value at 31 March	-	220.1

Equity loans to subsidiaries are non-interest bearing.

Notes to the Financial Statements (continued)

20 Inventories

	Group 2022 £m	Group 2021 £m
Raw materials and consumables	**57.8**	51.2
Goods held for resale	**0.3**	0.3
	58.1	51.5

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 2022 or 31 March 2021.

21 Assets classified as held for sale

	Note	Group 2022 £m	Group 2021 £m
Balance outstanding at start of year		**78.0**	94.3
Assets newly classified as held for sale:			
Investment properties	14	**17.4**	(18.7)
Property, plant and equipment		**83.4**	-
Revaluation gains:			
Investment properties		**(3.9)**	2.4
Disposals:			
Investment properties		**(26.1)**	-
Balance outstanding at end of year		**148.8**	78.0

As at 31 March 2022, 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 2022 or 31 March 2021.

Notes to the Financial Statements (continued)

22 Trade and other receivables

	Group 2022 £m	Group 2021 £m
Current		
Trade receivables	**73.0**	97.4
Other tax and social security	**51.7**	51.2
Grant debtors	**17.9**	51.1
Other receivables	**20.8**	27.5
Prepayments	**130.7**	82.2
Capital debtors	**54.7**	4.8
Interest receivable	**2.4**	1.5
Contract assets: accrued income	**29.1**	22.7
	380.3	338.4
Non-current		
Other receivables	**18.5**	17.4
Prepayments	**18.6**	27.1
	37.1	44.5

Trade receivables are non-interest bearing and are generally paid within 28 days. In 2022, £27.6m (2021 £30.6m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 33).

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

Notes to the Financial Statements (continued)

22 Trade and other receivables (continued)

	Company	Company
Current	**£m**	£m
Trade receivables	**29.7**	34.0
Capital debtor	**1.2**	-
Amounts due from fellow group undertakings	**213.6**	216.9
Other tax and social security	**5.2**	5.2
Other receivables	**0.5**	3.6
Grant receivable	**0.7**	0.4
Interest receivable	**2.4**	1.5
Prepayments	**27.8**	32.2
Contract assets: accrued income	**11.7**	8.0
	292.8	301.8
Non-current		
Prepayments	**0.4**	-
	0.4	-

Trade receivables are non-interest bearing and are generally received within 28 days. In 2021, £19.1m (2021 £24.5m) was recognised as provision for expected credit losses on trade receivables and contract assets (see note 33).

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

23 Cash and cash equivalents

	Group	Group
	2022	2021
	£m	£m
Cash at bank	**109.5**	33.9
Cash in hand and in transit	**11.0**	7.8
	120.5	41.7

	Company	Company
	2022	2021
	£m	£m
Cash at bank	**73.9**	20.6
Cash in hand and in transit	**0.2**	0.5
	74.1	21.1

Notes to the Financial Statements (continued)

24 Trade and other payables

	Group	Group
	2022	2021
Current	**£m**	£m
Trade payables	**152.6**	120.1
Capital works	**464.3**	528.4
Retentions on capital contracts	**5.6**	7.6
Amounts due to ultimate parent	**158.5**	95.8
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	**120.9**	217.7
Wages and salaries	**101.8**	99.7
Interest accruals	**0.2**	2.4
Contract liabilities: other deferred income	**35.4**	32.3
Other taxation and social security	**46.8**	46.5
Capital grants received in advance	**9.9**	18.1
Accruals and other payables	**363.7**	330.7
	1,459.7	1,499.3
Non-current		
Retentions on capital contracts	**-**	3.9
Capital grants received in advance	**2.8**	2.8
Contract liabilities: deferred income	**12.4**	13.4
Accruals and other payables	**12.5**	12.0
	27.7	32.1

The level of outstanding long-term liabilities as at 31 March 2022 are broadly consistent with the prior year.

The performance obligations, related to deferred income balances recorded as at 31 March 2022, 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 £12.3 (2021 £11.8m), of which £2.9m (2021 £3.8m) relates to obligations that are to be satisfied within two to three years, and £3.4m (2021 £4.2m) within five years and £6m (2021 £3.8m) over 5 years.

ii. Other miscellaneous contracts, together totalling £0.1m (2021 £1.6m)

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

	Group	Group
	2022	2021
Year ended 31 March	**£m**	£m
Amounts included in contract liabilities at the beginning of the year	**151.1**	198.1
Performance obligations satisfied in previous years	**-**	-

Notes to the Financial Statements (continued)

24 Trade and other payables (continued)

	Company	Company
	2022	2021
Current	**£m**	£m
Trade payables	**14.7**	11.8
Capital works	**7.3**	8.2
Amounts due to fellow Group undertakings	**132.2**	288.6
Contract liabilities: receipts in advance for travelcards, bus passes and Oyster cards	**120.9**	217.7
Wages and salaries	**0.8**	1.7
Interest accruals	**32.9**	-
Contract liabilities: other deferred income	**16.2**	24.1
Other taxation and social security	**0.3**	0.1
Capital grants received in advance	**1.4**	0.9
Accruals and other payables	**82.5**	47.1
	409.2	600.2
Non-current		
Contract liabilities: deferred income	**0.1**	0.1
Accruals	**10.9**	10.3
	11.0	10.4

The level of outstanding non-current and current contract liabilities as at 31 March 2022 remained consistent with prior year levels.

The performance obligations related to deferred income balances recorded as at 31 March 2022, which are expected to be met in more than one year, relate to other miscellaneous contracts, together totalling £0.1m (2021 £0.1m).

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

	Company **2022**	Company 2021
Year ended 31 March	**£m**	£m
Amounts included in contract liabilities at the beginning of the year	**146.1**	180.8
Performance obligations satisfied in previous years	**-**	-

Notes to the Financial Statements (continued)

25 Other financing liabilities

	Group 2022 £m	Group 2021 £m
Current		
Other financing liabilities	**6.4**	6.2
Non-current		
Other financing liabilities	**121.7**	128.1

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £151.7m (2021 £162.1m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2021 3.2 per cent) to the present value recorded in the table above.

The Company had no other financing liabilities at 31 March 2022 or 31 March 2021.

26 Borrowings

	Group 2022 £m	Group 2021 £m
Non-current		
Amounts due to ultimate parent	**12,325.9**	12,251.9

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

	Company 2022 £m	Company 2021 £m
Non-current		
Amount due to fellow Group undertakings	**1,650.0**	1,500.0
Amounts due to ultimate parent	**66.0**	66.0
	1,716.0	1,566.0

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)

26 Borrowings (continued)

Changes in liabilities arising from financing activities

	Group 2022 £m	Group 2021 £m
Balance at 1 April		
Current	**309.1**	300.8
Non-current	**14,173.1**	12,924.2
	14,482.2	13,225.0
Increase in loans from ultimate parent	**74.0**	1,145.8
Repayment of right-of-use liabilities during the year	**(288.7)**	(279.1)
Non-cash increase in right-of-use-liabilities	**235.3**	397.0
Repayment of PFI liabilities	**(0.4)**	(4.8)
Net increase in other financing liabilities	**(6.2)**	(1.7)
As at 31 March	**14,496.2**	14,482.2
Current	**313.5**	309.1
Non-current	**14,182.7**	14,173.1
	14,496.2	14,482.2

	Company 2022 £m	Company 2021 £m
Balance at 1 April		
Current	**8.5**	8.2
Non-current	**1,585.0**	81.9
	1,593.5	90.1
Repayment of right-of-use liabilities during the year	**(8.6)**	(8.1)
Non-cash increase in right-of-use-liabilities	**0.2**	-
Increase in loans from fellow Group undertakings	**150.0**	1,500.0
Increase in loans from ultimate parent	**-**	11.5
As at 31 March	**1,735.1**	1,593.5
Current	**8.5**	8.5
Non-current	**1,726.6**	1,585.0
	1,735.1	1,593.5

Notes to the Financial Statements (continued)

27 Private finance initiative contracts

Private Finance Initiative ("PFI") contracts

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

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

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

Notes to the Financial Statements (continued)

27 Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground (LU)		
British Transport Police (London Underground)	1999 to 2022	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited ('DLR')		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract required DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract. The contract terminated on 31 March 2021.

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

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2022				
Between 1 and 5 years	-	-	-	-
	-	-	-	-
At 31 March 2021				
Less than 1 year	-	0.3	4.2	4.5
Between 1 and 5 years	-	0.1	0.7	0.8
	-	0.4	4.9	5.3

Notes to the Financial Statements (continued)

28 Derivative financial instruments

Group cash flow hedges

	Fair value 2022 £m	**Notional amount 2022 £m**	Fair value 2021 £m	Notional amount 2021 £m
Non-current assets				
Interest rate swaps	**13.0**	**215.6**	-	-
Foreign currency forward contracts	**0.2**	**5.8**	0.2	19.7
	13.2	**221.4**	0.2	19.7
Current assets				
Foreign currency forward contracts	**1.4**	**23.8**	6.5	229.1
	1.4	**23.8**	6.5	229.1
Current liabilities				
Interest rate swaps	**-**	**-**	(1.2)	75.0
Foreign currency forward contracts	**(6.5)**	**296.2**	(10.8)	165.7
	(6.5)	**296.2**	(12.0)	240.7
Non-current liabilities				
Interest rate swaps	**-**	**-**	(29.6)	336.9
Foreign currency forward contracts	**(14.2)**	**203.4**	(17.7)	271.5
	(14.2)	**203.4**	(47.3)	608.4

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

Notes to the Financial Statements (continued)

29 Provisions

a) Group provisions

	At 1 April 2021 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2022 £m**
Compensation and contractual	44.2	(4.4)	13.6	(9.6)	**43.8**
Environmental harm	1.4	-	5.3	1.1	**7.8**
Severance and other	20.2	(7.3)	11.2	5.6	**29.7**
	65.8	(11.7)	30.1	(2.9)	**81.3**

Due	**2022 £m**	2021 £m
Current	**46.1**	44.2
Non-current	**35.2**	21.6
At 31 March	**81.3**	65.8

b) Company provisions

	At 1 April 2021 £m	Payments in *the year* £m	Charge for *the year* £m	Releases in *the year* £m	**At 31 March 2022 £m**
Compensation and contractual	0.1	-	-	-	**0.1**
Severance and other	2.0	(0.3)	7.3	-	**9.0**
	2.1	(0.3)	7.3	-	**9.1**

Due	**2022 £m**	2021 £m
Current	**0.2**	-
Non-current	**8.9**	2.1
At 31 March	**9.1**	2.1

Notes to the Financial Statements (continued)

29 Provisions (continued)

c) Nature of provisions

Compensation and contractual

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

Environmental harm

Environmental harm relates to potential costs associated with damage to the 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.

30 Contingencies

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

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

The Company has also provided a guarantee under section 479C of the Companies Act 2006 in respect of all liabilities outstanding at 31 March 2022 of the majority of its subsidiary undertakings, in order that those subsidiaries may take advantage of the exemption from audit of their individual financial statements. Those subsidiaries for which a guarantee has been provided are as listed in note 15.

Notes to the Financial Statements (continued)

31 Financial commitments

a) Operating leases – The Group as lessor

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

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

	Land and buildings £m
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
At 31 March 2021	
Within one year	56.5
Between one and two years	51.4
Between two and five years	109.7
Later than five years	612.8
	830.4

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 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
At 31 March 2021	
Within one year	2.5
Between one and two years	2.2
Between two and five years	4.6
Later than five years	10.7
	20.0

Notes to the Financial Statements (continued)

32 Deferred grant

	Note	Group 2022 £m	Group 2021 £m
At 1 April		**12,255.6**	12,665.6
Transport grant		**1,216.0**	69.9
Third party contributions and other grants to fund property, plant and equipment		**59.6**	77.0
Released to the Statement of Comprehensive Income			
- *to meet the depreciation and impairment charges on fixed assets*	2	**(497.6)**	(483.6)
- to meet the impairment charge on investments	2	**-**	(59.1)
- on disposal of property, plant and equipment		**(21.8)**	(14.2)
At 31 March		**13,011.8**	12,255.6

	Company 2022 £m	Company 2021 £m
At 1 April	**79.7**	125.8
Transport grant	**25.4**	43.6
Third party contributions and other grants to fund property, plant and equipment	**(0.2)**	-
- to meet the depreciation and impairment charges on fixed assets	**(40.8)**	(30.6)
- to meet the impairment of equity loans to subsidiaries	**-**	(59.1)
- on disposal of property, plant and equipment	**(1.1)**	-
At 31 March	**63.0**	79.7

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

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management

Introduction

The Group operates within the risk management process outlined by the Treasury Management Policy, 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 19 and 22.

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

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Trade and other receivables (continued)

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

Despite the application of this allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2022 was determined as follows for both trade receivables and contract assets:

Age of trade and other receivables Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £1m	Overdue by more than 1 year £m	Total £m
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)**

	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 2021						
Expected credit loss rate	1.1%	18.5%	90.9%	70.6%	80.6%	10.1%
Estimated total gross carrying amount at default	232.9	46.6	6.6	10.9	7.2	304.2
Expected credit loss allowance	(2.5)	(8.6)	(6.0)	(7.7)	(5.8)	(30.6)

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Age of trade and other debtors: Company

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £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)**

	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 2021						
Expected credit loss rate	0.5%	36.2%	98.4%	100.0%	95.0%	8.3%
Estimated total gross carrying amount at default	263.2	11.6	6.1	7.2	6.0	294.1
Expected credit loss allowance	(1.4)	(4.2)	(6.0)	(7.2)	(5.7)	(24.5)

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Cash and Cash Equivalents

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

Throughout 2021/22 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 2022 and 31 March 2021 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)

33 Funding and financial risk management (continued)

Foreign exchange risk

As at 31 March 2022, the Group held forward foreign exchange swaps to hedge €283.3m (2020/21 €215.0m) 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 £5.6m (2020/21 £22.8m net gain) has therefore been recognised directly in the Income Statement within financial expenditure. These derivative instruments mature in the period to June 2022.

For 2021/22, 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 2022, the Group held forward foreign derivative contracts Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £278.6m (2020/21 £371.5m). At 31 March 2022, these contracts had a combined net fair value of £(17.0)m (2020/21 £(25.7)m). The effective portion of the fair value of forward contracts was recognised in equity at 31 March 2022, 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 March 2027. Detail on the maturity of these contracts is disclosed later in this note.

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

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 2022, the Group held forward euro foreign exchange contracts hedging future foreign currency expenditure with a total nominal buy value of £248.4m (2021 £302.5m) and a net fair value liability of £(16.6)m (2021 an asset of £24.7m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £(38.9)m/£(11.0)m (2021 £(52.5)m/£(9.3)m) which would impact reserves as these derivatives are part of a formal hedge relationship.

As at 31 March 2022, the Group held forward euro foreign exchange contracts relating to investments with a total nominal sell value of £238.9m (2021 £183.2m net nominal sell value) and a net fair value liability of £(2.0)m (2021 a net asset of £3.9m). A 10% increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments to £19.8m/£(28.5)m (2021 £20.6m/£(16.4)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)

33 Funding and financial risk management (continued)

Effects of hedge accounting

Interest rate swaps

As at 31 March 2022, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held two float interest rate swaps at a notional value of £215.6m (2021 eight interest rate swaps at a total notional value of £411.9m).

As at 31 March 2022, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held two float interest rate swaps at a notional value of £215.6m (2021 eight interest rate swaps at a total notional value of £411.9m).

During the year, three interest rate swaps referencing GBP LIBOR that had been hedging the interest rate risk on short term rolling Commercial Paper were terminated, and hedge accounting on these discontinued. Three interest rate swaps hedging interest rate risk on lease payments were terminated and replaced by two new swaps at current market rates referencing SONIA. These new swaps were designated in hedge relationships with the restructured lease payments that also reference SONIA.

The net fair value of outstanding contracts at 31 March 2022 was an asset of £13.0m (2021 liability of £30.8m). The fair value is recognised in equity at 31 March 2022 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 2021 has been offset by the change in value of hedging instruments. For the years ended 31 March 2022and 2021, 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 2022, the Group holds interest rate derivative contracts with a combined notional value of £215.6m (2020/21 £411.9m) 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 £30.6m/£(7)m (2020/21 £29.6m/£(24.9)m).

Inflation risk

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

Liquidity risk

Notes to the Financial Statements (continued)

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.

33 Funding and financial risk management (continued)

Liquidity risk (continued)

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

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

In response to the funding pressures faced over the course of 2020/21 and 2021/22, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State which give it secure access to funding in the form of a mixture of Government grant until 24 June 2022. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support the Group's capital investment programme.

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

During the course of the year, Moody's credit rating agency downgraded TfL's long-term credit rating from A1 to A3, maintaining the negative outlook. TfL is rated A+/Stable by S&P and Fitch rating agencies. The credit rating downgrade by Moody's may result in an increase in financing costs associated with refinancing of maturing debt, however this impact is not expected to be material. TfL's access to liquidity has not been materially affected.

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2022 Average exchange rate	**2022** Fair value £m	**2022** Notional amount £m	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.874**	**(3.2)**	**68.5**	0.874	(8.3)	79.2
Between one and two years	**0.889**	**(2.8)**	**42.6**	0.885	(3.3)	43.3
Between two and five years	**0.921**	**(10.4)**	**137.3**	0.916	(13.0)	173.8
After five years	-	-	-	0.914	(0.1)	6.2
Sell euro						
Less than one year	**0.840**	**(2.0)**	**(238.9)**	0.870	3.9	(183.2)
Total euro	**0.895**	**(18.4)**	**9.5**	0.892	(20.8)	119.3
Buy Canadian Dollars						
Less than one year	**0.591**	-	**0.8**	0.560	1.2	36.1
Between one and two years	-	-	-	0.590	-	0.3
Between two and five years	-	-	-	-	-	-
Total Canadian Dollars	**0.591**	-	**0.8**	0.561	1.2	36.4

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Maturity profile of derivatives

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

	2022 Average exchange rate	**2022 Fair value £m**	**2022 Notional amount £m**	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	-	-	-	0.868	(0.2)	2.1
Between one and two years	-	-	-	0.889	(0.1)	0.2
Between two and five years	-	-	-	0.905	-	0.2
Total Swiss Francs	-	-	-	0.880	(0.3)	2.5
Buy Swedish Krona						
Less than one year	**0.085**	**(0.5)**	**4.8**	0.086	(0.9)	2.4
Between one and two years	**0.085**	**(0.4)**	**6.2**	0.087	(0.4)	3.7
Between two and five years	**0.086**	**(0.4)**	**11.0**	0.086	(0.5)	15.0
After five years	-	-	-	0.086	-	2.2
Total Swedish Krona	**0.085**	**(1.3)**	**22.0**	0.086	(1.8)	23.3
Buy Chinese Yuan Renminbi						
Less than one year	**0.110**	**0.6**	**6.9**	0.103	-	-
Between one and two years	**0.107**	-	**0.5**	0.110	(0.1)	6.3
Between two and five years	-	-	-	0.107	-	0.5
Sell Chinese Yuan Renminbi						
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Total Chinese Yuan Renminbi	**0.109**	**0.6**	**7.4**	0.106	(0.1)	6.8
Grand total	**n/a**	**(19.1) -**	**39.7**	n/a	(21.8) -	188.3

	2022 Average interest rate (%)	**2022 Fair value £m**	**2022 Notional amount £m**	2021 Average interest rate (%)	2021 Fair value £m	2021 Notional amount £m
Interest rate hedges						
Less than one year	-	-	-	3.837	(1.2)	75.0
Between one and two years	-	-	-	4.284	(6.4)	100.0
Between two and five years	-	-	-	4.489	(2.3)	25.0
After five years	**1,037**	**13.0**	**215.6**	2.285	(20.9)	211.9
	1,037	**13.0**	**215.6**	3.724	(30.8)	411.9

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 derivates 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)

33 Funding and financial risk management (continued)

Contractual maturity of derivatives

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

	Less than one year	Between one and two years	Between two and five years	More than five years	**Total**
	£m	£m	£m	£m	**£m**
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)**
Group – 2021					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	453.3	76.7	206.5	8.4	744.9
Amounts payable	*(457.8)*	*(81.1)*	*(226.5)*	*(8.9)*	*(774.3)*
Derivatives settled net					
Interest rate swaps	(11.8)	(9.2)	(13.3)	(3.5)	(37.8)
	(16.3)	(13.6)	(33.3)	(4.0)	(67.2)

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 2022, the fair value of the interest rate derivatives was a net asset of £13.0m (2021 £30.8 net liability). The fair value of forward foreign exchange derivatives was a net liability of £19.1m (2021 £21.83m).

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Contractual maturity of financial liabilities

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

	Less than one year	Between one and two years	Between two and five years	More than five years	**Total**
	£m	£m	£m	£m	£m
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**
PFI liabilities	-	-	-	-	-
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**
Group - 2021					
Trade and other payables	1,231.2	18.7	-	-	1,249.9
Borrowings	-	12,251.9	-	-	12,251.9
Right-of-use-lease liabilities	324.2	298.7	495.4	1,535.4	2,653.7
PFI liabilities	0.4	-	-	-	0.4
Other financing liabilities	10.4	10.4	47.7	93.6	162.1
	1,566.2	12,579.7	543.1	1,629.0	16,318.0
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**
Company - 2021					
Trade and other payables	357.5	357.5	-	-	715.0
Borrowings	-	1,566.0	-	-	1,566.0
Right-of-use-lease liabilities	9.1	8.8	10.7	-	28.6
	366.6	1,932.3	10.7	-	2,309.6

33 Funding and financial risk management (continued)

Fair values

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

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

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

Notes to the Financial Statements (continued)

33 Funding and financial risk management (continued)

Group	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Cash and cash equivalents	**120.5**	**120.5**	41.7	41.7
Trade and other receivables	**268.1**	**268.1**	273.6	273.6
Derivative financial instruments	**14.6**	**14.6**	6.7	6.7
Finance lease receivables	**37.0**	**37.0**	44.0	44.0
Total financial assets	**440.2**	**440.2**	366.0	366.0
Trade and other payables	**(1,308.8)**	**(1,308.8)**	(1,249.9)	(1,249.9)
Borrowings and overdrafts	**(12,325.9)**	**(12,325.9)**	(12,251.9)	(12,251.9)
Right-of-use lease liability	**(2,042.2)**	**(2,042.2)**	(2,095.6)	(2,095.6)
PFI liabilities	**-**	**-**	(0.4)	(0.4)
Other financing liabilities	**(128.1)**	**(128.1)**	(134.3)	(134.3)
Derivative financial instruments	**(20.7)**	**(20.7)**	(59.3)	(59.3)
Total financial liabilities	**(15,825.7)**	**(15,825.7)**	(15,791.4)	(15,791.4)
Net financial liabilities	**(15,385.5)**	**(15,385.5)**	(15,425.4)	(15,425.4)

Company	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Cash and cash equivalents	**74.1**	**74.1**	21.1	21.1
Trade and other receivables	**265.0**	**265.0**	269.6	269.6
Finance lease receivables	**37.0**	**37.0**	44.0	44.0
Equity loans to subsidiaries	**-**	**-**	220.1	220.1
Total financial assets	**376.1**	**376.1**	554.8	554.8
Trade and other payables	**(281.6)**	**(281.6)**	(367.8)	(367.8)
Borrowings	**(1,716.0)**	**(1,716.0)**	(1,566.0)	(1,566.0)
Right-of-use lease liability	**(19.1)**	**(19.1)**	(27.5)	(27.5)
Total financial liabilities	**(2,016.7)**	**(2,016.7)**	(1,961.3)	(1,961.3)
Net financial liabilities	**(1,640.6)**	**(1,640.6)**	(1,406.5)	(1,406.5)

The fair value of the Company's net financial liabilities did not differ materially from the carrying value at 31 March 2022 or 2021.

Notes to the Financial Statements (continued)

34 Pensions

a) Background

The Group offers retirement plans to its employees.

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

b) Defined benefit schemes

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

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

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

Every three years, the TfL Pension Fund's Actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 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 £266.6m (2020/21 £266.8m) 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 2022. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligations is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 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 20 years.

Notes to the Financial Statements (continued)

34 Pensions (continued)

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2022 was £2,997m (2021 £5,372m). As stated above, it is not possible to identify the Group's particular share of the deficit. Further details can be found in the Statement of Accounts of Transport for London.

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

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

A full actuarial valuation of the Scheme was carried out at 31 December 2019. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2022, of £42.7m (2021 £56.8m). The discounted Crossrail Section liabilities have a duration of approximately 23 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest 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.

Unfunded pension costs

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

Other schemes

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

Notes to the Financial Statements (continued)

34 Pensions (continued)

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	**2022**	2021
	£m	£m
At 1 April	**143.9**	94.8
Current service cost	**3.3**	2.7
Interest cost	**2.8**	2.2
Employee contributions	**0.3**	0.3
Net remeasurement gains - financial	**(10.5)**	43.7
Net remeasurement gains - experience		0.4
Net remeasurement gains - demographic	**(0.2)**	1.6
Actual benefit payments	**(1.5)**	(1.8)
At 31 March	**138.1**	143.9

Reconciliation of fair value of the Section's assets	**2022**	2021
	£m	£m
At 1 April	**87.1**	76.5
Interest income on scheme assets	**1.7**	1.8
Return on assets excluding interest income	**7.0**	9.2
Actual employer contributions	**1.1**	1.4
Employee contributions	**0.3**	0.3
Actual benefit payments	**(1.5)**	(1.8)
Scheme expenses	**(0.3)**	(0.3)
At 31 March	**95.4**	87.1
Net deficit	**42.7**	56.8

Total contributions of £1.3m 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)

34 Pensions (continued)

d) Summary of pension totals for the year

		Group	Group
		2022	2021
Total pension service cost for the year	Note	**£m**	£m
TfL Pension Fund (Public Sector Section)		**266.8**	266.8
Crossrail Section		**3.3**	2.7
Other schemes		**5.9**	6.7
Pension service cost capitalised by Crossrail Limited		**(3.3)**	(3.0)
Total pension service cost for the year	7	**272.7**	273.2
Scheme administrative expenses for the Crossrail Section		**0.3**	0.3
Amount included in cost of operations		**273.0**	273.5

		Group	Group
		2022	2021
Net interest on defined benefit obligations		**£m**	£m
Crossrail Section of the Railways Pension Fund		**1.1**	0.4
Amounts charged to financial expenditure	9	**1.1**	0.4

	Group	Group
	2022	2021
Total actuarial gains and losses recognised	**£m**	£m
Actuarial gain/(loss) on Crossrail Section of the Railways Pension Fund	**17.7**	(36.5)

Notes to the Financial Statements (continued)

34 Pensions (continued)

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

	Value at 31 March 2022	Value at 31 March 2021
	£m	£m
Equities	**80.1**	74.8
Bonds	**15.0**	11.8
Cash, property and other assets	**0.3**	0.5
Total market value of assets	**95.4**	87.1

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

	At 31 March 2022	At 31 March 2021
	%	%
RPI inflation	**3.50**	3.15
Rate of increase in salaries	**3.50**	3.15
Discount rate	**2.60**	1.95

Notes to the Financial Statements (continued)

34 Pensions (continued)

e) Sensitivities

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

- If the discount rate were 0.1% higher/(lower), the defined benefit obligation would decrease by £3.1m/((increase by £3.2m).
- If the expected salary growth were increased/(decreased) by 0.1%, the defined benefit obligation would increase by £0.4m/(decrease by £0.4m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £5.7m/(decrease by £5.7m).
- If the inflation rate were 0.1per cent higher/(lower), the defined benefit obligation would increase by £2.8m/(decrease by £2.8m).

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

f) Other pension arrangements

Docklands Light Railway Pension Scheme

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

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent available valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019. The 1 April 2021 valuation is currently in progress.

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

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

Notes to the Financial Statements (continued)

from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5% per annum (up to RPI inflation + 1.5% per annum).

Notes to the Financial Statements (continued)

34 Pensions (continued)

Over the year beginning 1 April 2022 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum or any changes as a result of a new schedule of contributions following completion of the 2021 valuation.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022. This gave a valuation for the net obligation as at 31 March 2022 of £3.9m. 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 20 years.

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

Contributions totalling £4.1m were paid by DLR in 2021/22, with an additional £5.2m being paid by KAD (2020/21 £4.3m paid by DLR and £5.5m by KAD). 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.

35 Called up share capital

Company and Group	**2022**	2021
	£m	£m
As at 1 April	**12,220.0**	11,560.0
Issued during the year	**560.0**	660.0
As at 31 March	**12,780.0**	12,220.0

During the year the Company issued 560 million fully paid £1 ordinary shares (2020/21 660 million fully paid £1 ordinary shares). These were settled for consideration of £560m of cash.

Notes to the Financial Statements (continued)

36 Related party transactions

During the year none of TTL's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company or its subsidiaries (2020/21 none).

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

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

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

- Interest accrued by the Group on loans from TfL is disclosed in note 9
- Receipt of funding from TfL in the form of grants (notes 3 and 32), loans (note 26) or share capital (note 35)
- Payment of management fees to and from TfL for various services and provision of equipment
- TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways

37 Ultimate parent undertaking

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

Notes to the Financial Statements (continued)

38 Events after the reporting date

Since 24 June 2022, TfL has been operating under a series of extensions to the previous funding settlement, which provided revenue top up, but no base funding. The last of these expired on 3 August 2022. TfL continued to operate on the assumption of a balanced budget over the full year, on the basis that an acceptable funding settlement with Government would be achieved.

On 30 August 2022, a long-term 20-month funding settlement with wide ranging and complex conditions was agreed with the DfT. This long-term capital funding provides the certainty and stability required to make long-term decisions on infrastructure investments in an effective and efficient manner.

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 2022 as reported in these financial statements.