TRAFNIDIAETH CYMRU
TRANSPORT FOR WALES

Annual Report

2025/26

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AT A GLANCE

87.7%
customer satisfaction

up 3.3 percentage points on last year

71.2g
carbon dioxide emissions

per passenger kilometre, down from 80.5g in 2024/25

5.2%
increase in passengers on last year

on TrawsCymru services we manage

8.9%
rail revenue increase on last year

Our rail revenue has increased steadily since 2022/23. This year, it stood at £190.3 million

92.6%
of trains ran on time

on the Core Valley Lines to three minutes up from 85.7% in 2024/25

170km
completed electrification

of the Core Valley Lines

34.9 million
rail passenger journeys

Passenger numbers are rising on our trains

3.94 million

pay-as-you-go rail journeys in 2025/26

Vernon Everitt

CHAIR'S STATEMENT

Transport is not an end in itself. It's about delivering for the people, communities and businesses we serve. For Transport for Wales, this has been a year of steady and sustained improvements in transport and of laying the ground for further progress that will benefit people in every part of Wales for generations to come.

Passenger numbers and revenue from the rail and bus services we manage continued to increase, as has been the case every year since 2022. Punctuality on the Core Valley Lines is now up there with the best train operators in the UK. The opening of the Walnut Tree Depot at Taff's Well and the completion of the electrification of the Core Valley Lines demonstrate TfW's ability to deliver big and transformative infrastructure projects while tackling the strong headwinds created by the pandemic and price inflation.

We will work hard to continue this rate of progress in the period ahead. Bus journeys make up two-thirds of all travel by public transport. We will soon start franchising Welsh bus services alongside our existing rail services to better join up transport, introduce more convenient tap on, tap off payment and improve customer information.

We will push on to complete the key projects in North Wales and get going on the delivery of a raft of rail improvements in South Wales.

To better understand the issues facing the diverse communities of Wales, we have held Board meetings in different locations around the country. This has underlined the needs of people in rural as well as urban areas and highlighted that more must be done to improve safety for women and girls. To realise the full potential of transport as an enabler of better lives, it must be accessible to all. We will build on the level boarding facilities on our new trains to ensure continued improvements for disabled customers.

The safety of our passengers and colleagues remains paramount. It is vital that we learn lessons from the tragic collision at Talerddig. The Board has examined the recommendations for TfW from the Rail Accident Investigation Branch and, with the Executive Leadership Team, we will ensure that they are implemented in full. My thoughts and sympathies remain with everyone affected.

I want to thank our customers for their patience as we work to continuously improve transport and for using us in ever growing numbers. I also want to thank the people of Transport for Wales and the trades unions for their hard work, for the pride and kindness they show and for always looking to see what we can do better.

My thanks also go to the TfW Board and to James Price, Chief Executive Officer and his Executive Leadership Team. We all realise that it is a privilege to do the jobs we do and we will continue to work hard to deliver better transport for Wales.

James Price

CHIEF EXECUTIVE OFFICER'S STATEMENT

This has been a landmark year for Transport for Wales. As this report sets out, we have overcome significant challenges and delivered major improvements for the people, communities and businesses we serve. Our passenger numbers for rail are up 9.9% on last year and bus passenger numbers on services we manage have grown over 5%.

This is the tenth year since Transport for Wales was founded, providing me with an opportunity to reflect on the journey we've been on so far. All of what we've achieved has been down to the talented people we have at Transport for Wales and working effectively with our partners. My sincere thanks to the TfW team for all have they have done and continue to do, day in and day out.

In less than ten years, Transport for Wales has developed from an idea on a whiteboard to a fully-fledged transport company. We now employ over 4,500 people, run the Wales & Borders rail franchise, have transformed the Core Valley Lines and are operating TrawsCymru and fflecsi buses.

When people stop me in the street, they're now far more likely to talk about the new trains they've travelled on than to share their frustrations about delays or overcrowding. We now consistently rank as the most improved operator in the UK for quarter-on-quarter punctuality, according to Office of Rail and Road statistics. We've also improved our customer satisfaction steadily and complaints remain low. We'll not rest on our laurels and instead we'll seek to continuously improve our services.

We've innovated to deliver significant change very quickly, but we know there is much more to do. Officially opening the Walnut Tree Depot and completing the electrification work on the Core Valley Lines this year were major achievements alongside improving services for our customers. These are all signs that things are moving in the right direction.

Bus franchising is a critical part of our building of the T Network. The Bus Services (Wales) Act 2026 has now passed into law, a key milestone this year. At the heart of bus franchising is a simple promise: a reliable service people can trust, planned in a strategic and integrated way. We have no illusions about the scale of the change that franchising represents, but we've got the right people in place to achieve it. To turn this ambition into reality, it will take the collective effort of our partners in local government, bus operators, trades unions, community groups and our passengers.

This report focuses on our people and their commitment to being one team. From colleagues checking tickets or cleaning our trains to those answering customer queries or drawing up timetables, everyone has played their part. Without them, none of this work would have happened nor would we be in the position we are now. I want to thank the trades unions for their support of our colleagues and representation of their interests.

We need to ensure that our colleagues have a rewarding experience and equitable access to opportunities for advancement. Our gender pay gap stands at over 20% – we need to be more radical in working to close it. I'm committed to embedding anti-racism and increasing accessibility in our organisation. We want to become Wales' favourite way to travel, but we recognise the significance of this statement and how far we still have to go to achieve this. To achieve it, we'll embrace emerging technology and improve how we use data and insight to improve services for our customers and colleagues.

There are many risks and opportunities. We have more opportunity than ever to support change through regional working, better use of strategic land planning and contribute to wider areas of policy across government. We're always looking to improve safety and, working alongside others in the industry, we're collectively learning lessons, including from the tragic collision at Talerddig.

My thanks to the Board who continue to offer valuable insight and constructive challenge. I'd like to thank both those retiring members of the board for their contributions and the new members who have brought fresh perspectives. I want to thank our chair Vernon Everitt for his strategic steer, considered interventions and the sharing of his extensive experience. Finally, I want to take this opportunity to thank our customers for their support and hope that they are now beginning to see the benefits of our hard work.

OUR STRUCTURE AND MEASURING OUR PERFORMANCE

Transport for Wales (TfW) is wholly owned by the Welsh Government. We're a not-for-profit organisation. We have four operating subsidiaries: Transport for Wales Rail Limited, TfW Innovation Services Limited, Pullman Rail Limited and TfW Fibre Limited.

As a publicly funded body, we're committed to being open and transparent in the way we operate our business. To measure our progress, we use key performance indicators. 14 of these are published in this report. The full 20 measures are available on our website, the results updated quarterly and annually. These show our progress in achieving against the remit we've been set by the Welsh Government.

TRAFNIDIAETH CYMRU
TRANSPORT FOR WALES

Transport for Wales Rail Limited

A Transport for Wales wholly owned company.

Pullman Rail Limited

A Transport for Wales wholly owned company.

TfW Innovation Services

A Transport for Wales, Keolis and Amey joint venture.

TfW Fibre Limited

A Transport for Wales wholly owned company.

THE T NETWORK

We're building the T Network. It's the integrated, multimodal and customer-first transport network in Wales and the borders. With the T Network, our team is making travel easier, simpler and better for the people, communities and businesses we serve.

We employ over 4,500 people across Wales and the borders. We nurture a culture rooted in inclusivity, growth and learning. Our people should always thrive and contribute to a purpose-driven workplace.

VISION

- Wales' favourite way to travel

MISSION

- One Network
- One Timetable
- One Ticket
- One Team

PURPOSE

- We help people travel in ways that are good for the planet, good for the pocket and good for real life

VALUES

- We do the right thing
- We challenge ourselves
- We are one

WELL-BEING OBJECTIVES

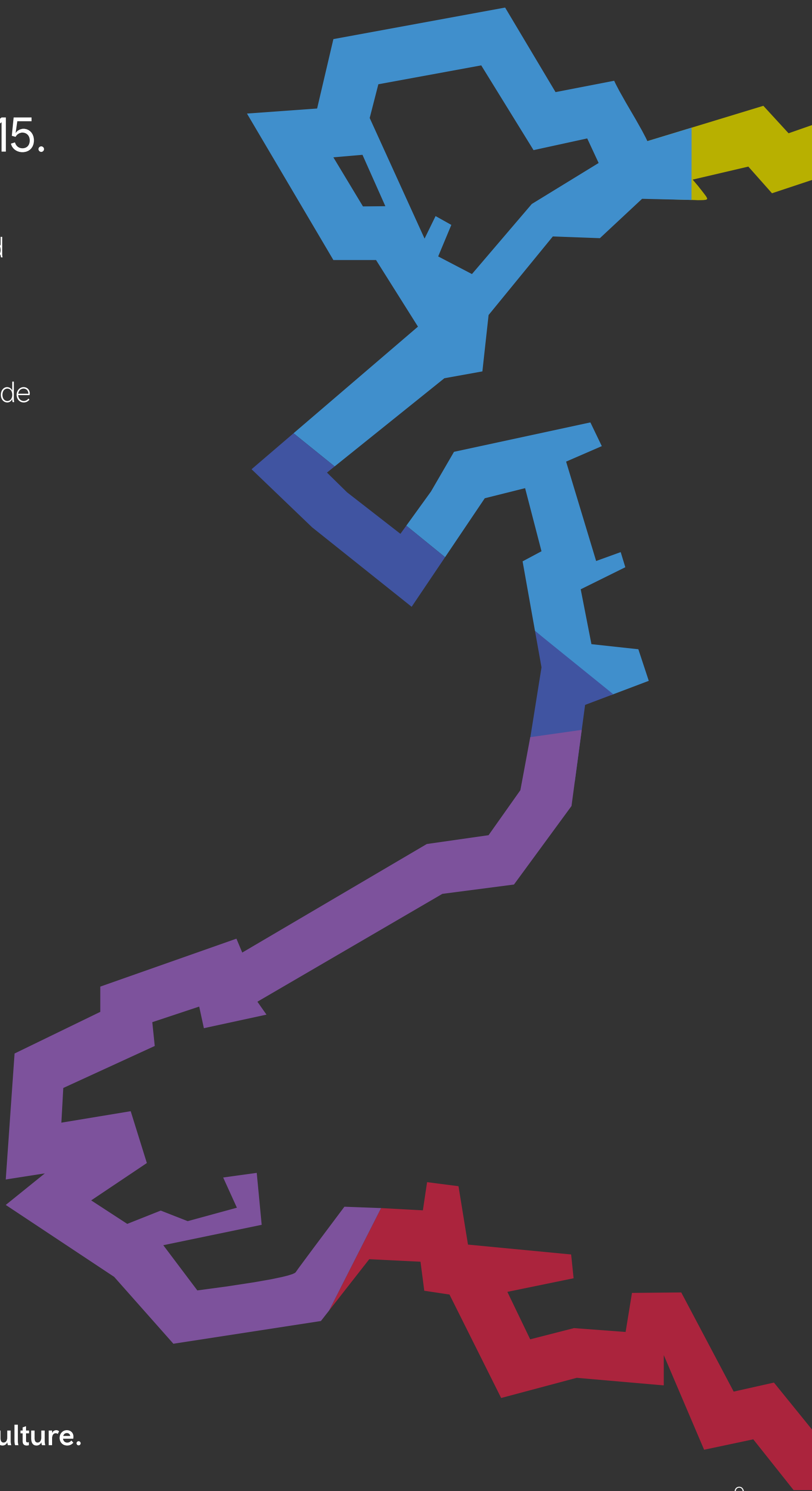
LLESIANT CENEDLAETHAU'R DYFODOL
WELL-BEING OF FUTURE GENERATIONS

In June 2024, TfW became a named body under the Well-being of Future Generations (Wales) Act 2015.

Becoming a named body places a new duty to set and publish well-being objectives, designed to maximise our contributions towards the well-being goals.

We've set out four well-being objectives to guide us in shaping a better Wales:

1. **Enabling people and communities**
2. **Benefitting the environment**
3. **Supporting local areas and the economy**
4. **Elevating Welsh language and culture**



**These objectives are part of who we are.
They shape our decisions, operations and culture.**

Heather Clash

CHIEF OFFICER OF FINANCE, GOVERNANCE AND CORPORATE SERVICES

I am pleased to report that revenue and passenger numbers are again up this year. This puts us in a good position to continue to improve public transport in Wales.

Last year, I stated that to increase our market share, we had to raise our customer satisfaction. Our score is now up to 87.7%, a 3.3 percentage point increase. To ensure continued improvement, we must remain focused on strengthening our services, enhancing customers' experience and increasing our efficiency.

We need to ensure people using our services get value for money. Through pay as you go, we're ensuring customers can travel more cheaply and easily by rail in South East Wales – over the coming year, we will expand it into North East Wales.

We continue to advance infrastructure projects. We've had funding agreed for enhancements to Cardiff Central station. Such projects will have a real positive impact for our customers and it's important, alongside our partners that we provide value for money. This is particularly important in the current economic climate with the impact of international conflicts on infrastructure costs. We will bring to bear our extensive experience from previous infrastructure projects.

We've been developing the skills of our colleagues. Colleague turnover remains low. Such retention of talented people and teams will allow flexibility and responsiveness to future challenges. Narrowing the gender pay gap and increasing recruitment from underrepresented groups remains important to our approach. It is through having the right people in the right place that we can ensure future success.

We continue to learn and progress. We're building our data driven approaches, developing on our practical experience and focusing on making a difference. This is how we'll build the T network, ensuring better and more convenient travel for people across Wales.

Performance for the year

The table below sets out the results of the TfW Group for the year. Expenditure is split by type of Welsh Government funding. Our spend was in line with our remitted funding and other authorised spend, which was varied during the year.

Our financial performance is measured using Departmental Expenditure Limit (DEL) as defined by HM Treasury, which differs from our Welsh Government revenue set out in Note 2 to the Financial Statements, as the accounting policies for capital grants and lease funding vary from the Central Government Budgetary treatment. This is also based on the central government accounting budget, which excludes Pullman Rail Limited and TfW Fibre Limited as they are classified as arm's length public corporations.

Table 1: Outturn vs funding 2025/26.

Expenditure	Welsh Government funding (remit and additional)	Total expenditure	Less external revenue	Total Welsh Government funded outturn
Revenue DEL	£426m	£682m	(£260m)	£422m
Capital DEL	£383m	£380m	–	£380m
Total	**£809m**	**£1,062m**	**(£260m)**	**£802m**

The Welsh Government outturn is made up of the following elements:

Table 2: Welsh Government Outturn breakdown.

Expenditure	Rail services grant funding	Bus and active travel grants to local authorities and bus operators	Other Welsh Government remit grant funding	Total Welsh Government funded outturn
Revenue	£341m	£7m	£74m	£422m
Capital	£62m	£42m	£276m	£380m
Total	**£403m**	**£49m**	**£350m**	**£802m**

The rail services grant funding received relates to payments made under the grant agreement to operate the Wales & Borders rail franchise which is administered by TfW on behalf of the Welsh Government.

The performance of the rail franchise is below. Rail revenue has grown 8.9% and passenger journey numbers 9.9% on last year. The Wales & Borders network saw record levels of revenue. This year has set us in good stead to continue to grow rail revenue in Wales and the borders and meet the ambitious target set by the Welsh Government.

Table 3: Rail franchise performance 2025/26.

Description	£m
Total passenger and other non-Welsh Government revenue	**222.3**
Staff costs	(269.7)
Rolling stock charges	(131.7)
Performance charges (net of income from Network Rail and other train operating companies for service disruptions)	(2.5)
Infrastructure charges	(86.8)
Other operating costs*	(57.1)
Total operating expenditure	**(547.8)**
IFRS16 lease interest and other finance costs	(15.3)
Pension deficit contributions	–
Welsh Government revenue subsidy required (Post IFRS16)	**(340.8)**

**Other operating costs are mostly related to safety and security measures, IT and digital projects, marketing and advertising campaigns, insurance and industry schemes.*

Our financial statements

The consolidated income statement shows a loss for the year of £17 million (2024/25: £32 million).

This accounting loss is generated because TfW applies a revaluation policy to its rail network assets, which results in the annual depreciation of £72 million (2024/25: £64 million) for the rail network being significantly higher than the related grant funding amortised through the income statement of £53 million (2024/25: £37 million).

This will therefore result in an ongoing annual loss in the income statement alone. This loss is offset through a transfer within the Statement of Changes in Equity from the revaluation reserve to retained surplus of £19 million (2024/25: £27 million).

The retained surplus/(loss) after these adjustments is set out below:

Table 4: Underlying retained surplus.

Description	2025/26 £m	2024/25 £m
Surplus/(loss) before reserves transfer	(£16.8)	(£32.3)
Reserves transfer	£19.5	£26.5
Other movements in comprehensive income	£1.0	£0.2
Retained surplus/(loss) for the year	£3.7	(£5.5)

As TfW and TfWRL are not for profit, the retained surplus is mainly made up of:

- timing differences between costs and income in relation to lease and pensions.
- performance of our arm's length trading subsidiaries Pullman Rail Limited and TfW Fibre.
- the land element of grant funding for property acquisitions, mainly for the South Wales Metro project and future bus franchising, which is recognised as income in full in the year of acquisition.

Total expenses for the year were £877 million (2024/25: £827 million). This growth continues to be driven by staffing increases (reflecting our increased services and responsibilities), depreciation and other costs related to new rail rolling stock and increased rail services, alongside increased maintenance and depreciation costs resulting from the Core Valley Lines network enhancements.

We also facilitated direct grant payments of £42 million of active travel grant payments to local authorities and £8 million of TrawsCymru bus funding payments to local authorities and bus operators (2024/25: £47 million and £5 million). While these grant payments are included in our remit and outturn reporting on page 11, the funding and payments are not shown as income and costs within TfW's Consolidated Income Statement on page 77. This is because TfW currently acts as administering agent to Welsh Government for this funding, not the grantor. From 2026/27, this Active Travel grant funding will be part of the Regional Transport Fund which will not be administered by TfW.

At the end of the year, the capital assets we hold were valued at £4.5 billion (2024/25: £4.1 billion). We incurred £330 million of capital additions during the year (2024/25: £430 million). In addition we incurred £30 million of capital grant-funded expenditure (2024/25: £23 million) in relation to spend which is eligible for capital grant funding but does not meet the criteria for capitalisation on our balance sheet. This is included within administrative expenses in the income statement.

We assess the worth of the Core Valley Lines rail network through a valuation process, which is set out in note 8 to the accounts. The valuation is based on a modern equivalent depreciated replacement cost. The value as at March 2026 is £3.4 billion. The value continues to increase year-on-year as elements of our South Wales Metro development are completed and enter into use. £440 million was brought into use this year, with a remaining balance of £240 million in assets under construction to be completed in the next two years.

While most of our property, plant and equipment assets are rail infrastructure-related, we also hold £730 million of other in-use capital assets.

The majority of this balance relates to leased rolling stock (right of use assets and attributable spend). Our other assets include owned and leased property and related improvements, plant and machinery, IT equipment and software.

We have £411 million of assets under construction as at March 2026, which includes the remaining works being carried out to support the development of the South Wales Metro that have not yet entered into use, and capital costs in relation to the introduction of new fleet.

We have £216 million of current assets, mostly trade receivables and £251 million of current liabilities, mainly accrued trade payables. Invoiced trade payables are relatively low (£24 million) as we aim to pay all suppliers promptly.

We have non-current liabilities of £2.8 billion. The majority of this balance is deferred capital grant funding, which is released over the useful economic life of the related capital assets. There is also a lease liabilities balance which mainly relates to leases for our rolling stock fleet.

Forward look

The Welsh Government issued a remit letter to TfW in 2023 and provides a separate annual funding letter for the budget allocated to carry out specific activities for that financial year. TfW is held accountable against delivery of activities from the business plan and we track performance through measures such as key performance indicators, published four times a year and rail performance every four weeks. This enables us to be transparent and held accountable for the spending of public money.

These measures guide our investment, help improve services, show potential efficiencies and drive increased revenue over the coming years.

Above all, we want to continue to sustain a high level of customer satisfaction, increase revenue and ensure value for money in regard to the public subsidy of passengers. The more revenue we can generate, the less we will rely on the subsidy from Welsh Government.

REVENUE: £422M

£422M

£361M
Rail passenger services and transport interchanges

£4M
Bus, road and multi-modal revenue funded services

£49M
Other rail related spend
Including infrastructure owner costs and pre-capital works on station improvements

£8M
Grants to support bus services

CAPITAL: £380M

£380M

£119M
Investment for rail passenger services
Including new rolling stock, depot and station improvements

£138M
Design and build works to the Core Valley Lines rail assets

£25M
Infrastructure management renewals and other rail asset management related spend

£30M
Acquisition of buses and other bus development and mobilisation projects

£42M
Active Travel grants to local authorities

£26M
Other projects
Including regional transport, active travel programmes, roads and electric vehicles

ENABLING PEOPLE AND COMMUNITIES

34.9 million passengers used our service. Ticket revenue was up 8.9% to £190.3 million ▲

Increasing rail passenger numbers and revenue

This increase has been driven by growth across Wales and the borders in both commuting and leisure journeys.

We ran several campaigns to encourage people to use the train including a £1 ticket on the Core Valley Lines in summer 2025. We also launched our new brand campaign, Woven Through Wales.

Pay as you go

We're making ticketing simpler for customers across our network. Last year, we introduced pay as you go in South East Wales. This year, there were 3.9 million pay-as-you-go journeys.

Later this year, we'll expand pay as you go to North East Wales.

Punctuality and reliability

On the Core Valley Lines, 92.6% of trains ran to time (to three minutes), up 7.3 percentage points on last year. We made these improvements with the introduction of new trains and investment in infrastructure we own.

On the Wales and Cross Borders services, 77.1% of trains ran on time (to three minutes), up 2.4 percentage points on last year. We made these improvements by working closely with Network Rail.

Between October and December 2025, we were the most improved train operating company for punctuality and the second most improved for reliability. When compared to last year, our on-the-day cancellations have fallen 1.5 percentage points to 3.9%.

Certain lines have seen specific issues which we have sought to rectify. To reduce delays on the Coryton line, for example, we scheduled trains to run without stopping between Caerphilly and Cardiff Queen Street.

Our customer satisfaction has improved to 87.7%, up 3.3 percentage points on 2024/25. Our Trustpilot score is 3.9.

We still want to improve. In the short term, reliability may fluctuate as we bring new trains into service. However, longer term, this should allow us to improve reliability and punctuality still further.

On the Core Valley Lines, 92.6% of trains ran on time

Reflecting on Talerddig and Nordan Farm

Safety is fundamental to all that we do. As well as designing systems that are fundamentally safe, it's important that we continually learn lessons and improve.

Following the Talerddig train collision in October 2024, Rail Accident Investigation Branch has released their final report. We have already introduced additional safety mitigations and will work closely with industry partners to ensure the report's recommendations are fully considered and acted upon.

In May 2025, a TfW train collided with an agricultural trailer at Nordan Farm. Six passengers were treated for minor injuries. The tractor driver was uninjured. Rail Accident Investigation Branch has released their report which concluded that our train was being driven appropriately and that the actions of the train crew were not a contributing factor to the collision. We'll continue to work closely with Network Rail to improve the safety of level crossings.

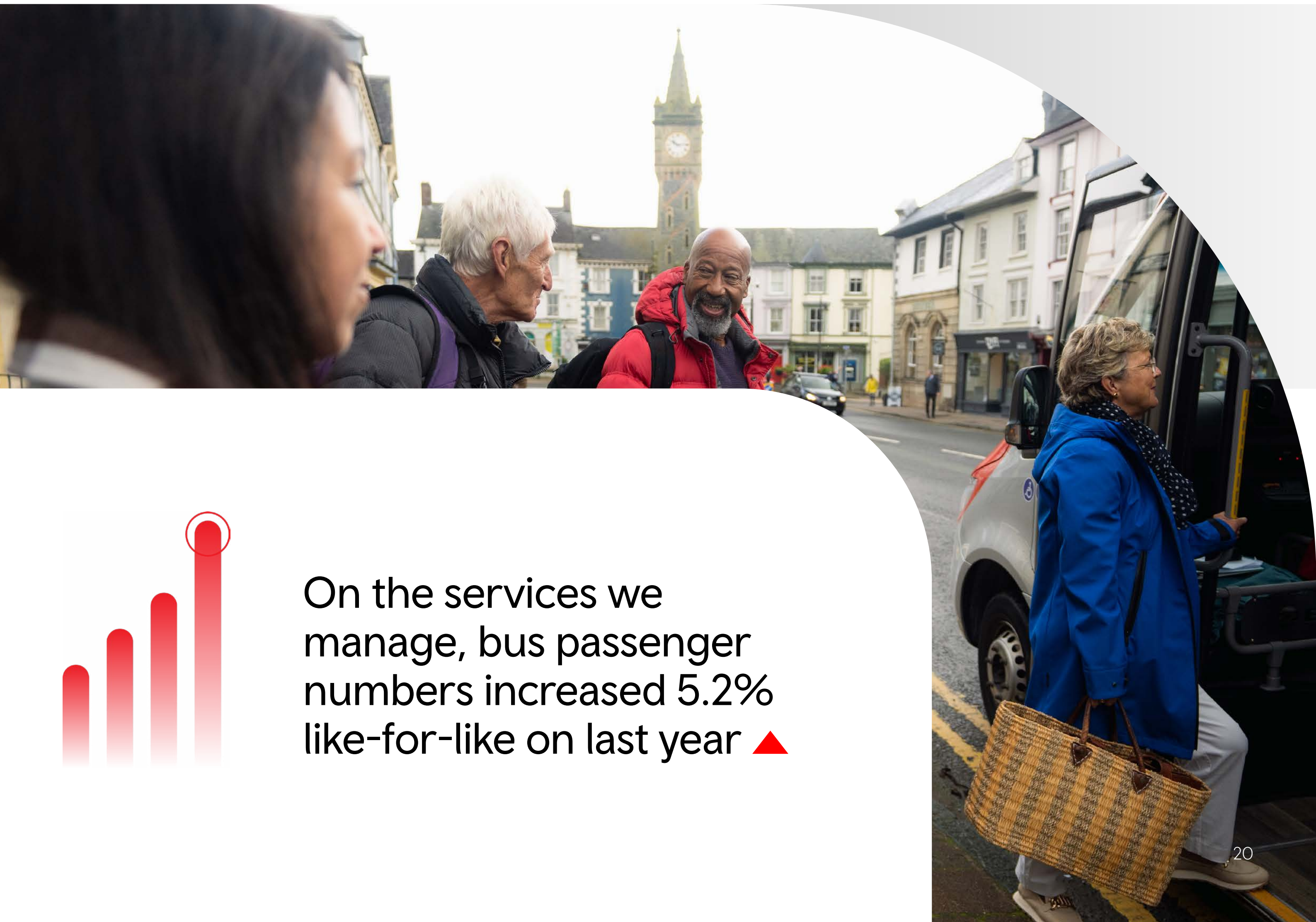
Increase in bus passengers

On the services we manage, bus passenger numbers increased 5.2% like-for-like on last year. The increase in absolute passenger numbers on services we manage was 39.8%, driven by the T4 and T5 services coming under our control in August 2025.

To improve customer satisfaction, we've:

- Run offers such as £1 for single journeys after 5pm, helping people come together over the Christmas period.
- Introduced a new fflecsi zone serving Llanarmon, Denbighshire. We worked with Denbighshire County Council, to ensure the service is designed around the needs of local communities.
- Improved the customer service training drivers receive.
- Produced clearer information on delays and cancellations.

Despite introducing more services, TrawsCymru cancellations were down 0.1 percentage points on last year.



On the services we manage, bus passenger numbers increased 5.2% like-for-like on last year ▲

Bus franchising

In February, the Bus Services (Wales) Act 2026 became law. Once the secondary legislation is completed, we'll be able (in partnership with local authorities) to set routes, timetables, fares and service quality standards. We want the result to be a bus service that is more used, reliable and sustainable.

To understand what people and communities want from bus franchising, we're running consultations across Wales. In the first of these, in South West Wales during summer 2025, our team ran 22 events and over 600 people responded to our consultation.

In Powys, we've been running routes and projects that have improved current bus services. This includes upgrading bus stops and timetables across the county. We've also introduced new bus branding and uniforms for the drivers. We'll use this project to develop a blueprint for how franchising could work.

Ran confidence to travel programme for over 500 participants

Access and inclusion

Travel should be for everyone. We've been working in partnership with Network Rail and the Department for Transport to improve accessibility at six stations. We've opened new footbridges and lifts at Abergavenny, Cwmbran, Flint, Llanelli, Ludlow and Newtown.

We're identifying where we can improve accessibility at bus stops and bus stations in Wales. All our customer-facing colleagues receive access and inclusion training. We're refreshing this training to ensure it is up to date and will roll it out in 2027.

This year we've:

- Engaged with disabled people, community groups and charities to understand where we can improve.
- Run confidence building events so more people feel confident travelling on our services.
- Launched a film in partnership with the Innovate Trust, highlighting the challenges disabled people may encounter on public transport and how participants have learned new skills to overcome them.

Reducing harassment and violence on our network

Critical to our success is that customers and colleagues are and feel safe on our network. To better protect our customers and colleagues, we're improving our reporting procedures, increasing uptake of wearable cameras for our colleagues and working closely with British Transport Police.

We've also introduced a process whereby all assaults reported on our network are investigated so we can better understand trends and strengthen how we support colleagues.

We're putting together guidance and concrete measures to improve the safety of women and girls. We've conducted a review of our stations and depots through a gender lens to identify areas for improvement and address gender-specific issues. With Aberystwyth University, we published guidance for local authorities on encouraging more women and girls to walk, wheel and cycle everyday journeys.

With the Rail Delivery Group and the University of Cambridge, we've started a comparative research study at 18 of our stations aimed at reducing crime. In March, we ran a conference on safety, sharing best practice across Wales.

Walnut Tree Depot opening at Taff's Well

In November 2025, we opened our new depot at Taff's Well. It houses our new tram-trains and Integrated Control Centre. We'll be introducing the tram-trains into service later in 2026.

Trauma training

A company-wide survey showed colleagues felt they did not receive enough support during or after difficult experiences.

In summer 2025, we launched new training to help managers provide effective support to colleagues who've experienced traumatic events. It won an award at the Spotlight Cymru Awards in the training excellence category.

BENEFITTING THE ENVIRONMENT

71.2 grams carbon dioxide emissions per passenger kilometre, down from 80.5 grams in 2024/25 ▼

Electrifying railway lines

We've installed electrification equipment on the Rhymney and Cardiff Bay lines, completing our electrification project on the Core Valley Lines. We've now installed 170km of electrified line.

Electrification of lines will allow us to introduce our tram-trains. The new fleet will initially operate between Pontypridd and Cardiff Bay, providing greener and more frequent services.

Electric vehicles

In partnership with local authorities and other landowners, we supported the continued roll out of rapid charging infrastructure across Wales. We assisted the Welsh Government in assessing, and monitoring the use of the infrastructure.

Installed 40 secure cycle hangars ▲

Cycle hangars and parking

We installed 40 secure cycle hangar units with five housing associations at eight different locations across Wales.

Bus repowering

We're always looking to make transport more sustainable. In partnership, we've converted two diesel buses into electric vehicles to reduce transport emissions as a pilot for future potential work.

Extreme weather

Severe weather events like storm Goretti impact our ability to run rail and bus services.

We're continuing to improve our resilience to extreme weather by working more closely with Network Rail and improving the immediacy of data reporting.

SUPPORTING LOCAL AREAS AND THE ECONOMY

£140 million funding approved ▲

Cardiff Central improvements

We've had £140 million funding approved for improving Cardiff Central station. Work will begin later in 2026. The improvements include:

- enlarging the southern concourse to increase capacity
- better passenger flow measures
- work to alleviate overcrowding
- better accessibility for disabled people.

TfW ffeibr

Launched in November 2024, ffeibr is a full-fibre network built in parallel with the electrification of the Core Valley Lines. It offers robust connectivity to some of the most deprived areas of Wales.

Wales National Travel Survey

We run the Wales National Travel Survey. We've now published our first set of results. The survey collects data on travel attitudes and information on how, why, when and where people travel. It is the first time Wales-specific travel survey data has been available since 2012.

Helping local authorities encourage walking, wheeling and cycling

We provide design advice, reviews and technical guidance to local authorities to improve walking, wheeling and cycling in Wales.

This includes:

- Running a training course for council officers to support their delivery of high-quality walking, wheeling and cycling schemes.
- Working with Wrexham, Powys, the Vale of Glamorgan and Monmouthshire councils to produce early-stage scheme drawings of active travel proposals.
- Producing construction-ready detailed design packs for Powys County Council.

TIMETABLE IMPROVEMENTS

In December 2025, we introduced a new rail timetable. The benefits included:

- Frequency doubled between Chester and Wrexham.
- Running Sunday services on the Coryton line.
- Five trains a day (up from four) on the Heart of Wales line.
- Later trains on Friday night from Cardiff to Treherbert, Aberdare and Merthyr.

Regional transport

We supported Corporate Joint Committees to produce region-specific plans for developing public transport and active travel. This includes plans to improve Wrexham Gateway and Cardiff Central.

Charity support

Our colleagues raised over £17,000 in private donations for Seren Dwt, a charity which gifts welcome boxes to babies born with Down Syndrome in Wales.

Holyhead wheel lathe

In March 2026, our new wheel lathe entered service in Holyhead. It will help us correct wheel damage caused by autumn and winter conditions. The lathe can service any train in our fleet.

Over £17k raised in private donations for Seren Dwt

Inclusion at TfW

It's important that our company reflects the communities we serve. We're running paid 20 week placements for young people in the local community. The proportion of colleagues who are women increased over the year. Colleague Support Networks allow our people to foster inclusivity and support one another.

We've got further progress to make with racial and gender equality and inclusion. This year, we introduced an Anti-racism Advisory Panel to support and scrutinise our progress. We run racism awareness and anti-racism training for colleagues.

Our overall median gender pay gap widened this year. To close it, we're looking to:

- improve our data reporting so we know which areas to target.
- equality assess any pay changes.
- continue to improve our culture.

44.8% of women applicants who were successful in gaining a role with TfW

ELEVATING WELSH LANGUAGE AND CULTURE

PERSON OF THE YEAR AWARD

Lowri Joyce, Welsh Language Strategy Lead was named Person of the Year at the Spotlight Cymru Awards. The award honours exceptional leadership in the rail industry in Wales.

"I thoroughly believe that everyone, from learners to those who are confident speakers and everything in between, should be given the opportunity to use their Cymraeg. Cymraeg is for everyone."

Lowri Joyce

Eisteddfod

This year, the Eisteddfod was held in Wrexham. To help people travel there sustainably, we put in place shuttle buses which carried 23,500 people between the station and the Maes.

We engaged with thousands of attendees and hosted choirs, a panel with CyclingUK and singer Al Lewis.

Events

This year, we helped customers travel to and from major events in Cardiff, Chester and Wrexham. This included: Chester Races, Oasis concert, Blackweir live music events, Six Nations Championship rugby matches, and national and international football matches.

To encourage more people to travel to events by public transport, we ran a later train to North Wales after several international football matches.

Community partnerships

We work with local communities wherever possible. This year our work included:

- Producing a new community art initiative at Colwyn Bay railway station.
- Supporting the 3 Counties Connected Community Rail Partnership to run a series of free, expert-led tours taking place in Chester and Wrexham.
- Setting up a new Community Rail Partnership to promote sustainable travel, health and well-being, tourism and economic development along the Core Valley Lines.
- Partnering with Heartbeat Trust UK to support the installation of 18 bleed control kits to stations across Cardiff.
- Sponsoring Urdd Eisteddfod, Tafwyl festival and The Welsh Music Prize.

Railway 200

This year marked the 200th anniversary of the modern railway. We helped celebrate it by:

- Launching an event at Aberystwyth.
- Welcoming Inspiration, an exhibition train, to Llandudno.
- Running 96 events and activities with over 100 partners.

RISK

Risk management is an integral, visible and consistent part of our work. We integrate it in our values, governance and behaviours. Through our risk management processes, we're embedding a culture of risk awareness across TfW.

The Executive Leadership Team owns the relevant actions and risk management is scrutinised by the Board through the Audit and Risk Committee.

Our enterprise risk management framework is aligned to the International Standard for Risk Management (ISO 31000) and follows HM Treasury's Management of Risk – Principles and Concepts, Risk Appetite Guidance. Risk management is an essential part of all our activities and is a core responsibility of all colleagues, consultants and our supply chain.

This year, the Board conducted an in-depth review of both the enterprise-level risks and the organisation's risk and opportunity appetite. This approach is also used at TfW's subsidiaries.

We take a global view of risk management. This is exemplified by our early identification of the risks around the conflict in the Middle East and its impact on fuel and the wider supply chain. Mitigation plans, including confirmation of national readiness plans, were developed.

Cyber risk, in particular the risk to critical national infrastructure such as public transportation, is a key risk with numerous global bad actors keen to probe and test cyber precautions. We have built, tested and bolstered its cyber defences.

The Office for Rail and Road completed an inspection of our digital security, as part of a national campaign, to confirm that TfW recognises and manages digital security risk. This inspection built on the 2025 inspection that found TfW to be proactive in this area and we were taking an integrated approach, including with procurement contracting and assurance.

Over the past year, the Core Valley Lines transformation programme has significantly enhanced its approach to risk management. We undertake monthly programme-level risk reviews and systematic quantified cost risk assessments. These provide clearer visibility of cost and delivery uncertainty, while increased engagement from risk owners has improved data quality, strengthened mitigation planning and enabled senior leaders to make more informed decisions.

Other risks are considered strategic-level risks. These are:

- owned by an Executive Director
- escalated to the Executive Leadership Team for review
- scrutinised and challenged by Board and the Audit and Risk Committee.

The table below outlines these risks and opportunities, and how we mitigate them.

Table 5: Risks and mitigations.

Risk	Mitigation
Changes to government funding	Working with Welsh Government to secure funding and to agree the Medium Term Financial Plan.
Recovery of European Regional Development Fund funding	Maintaining clear evidence and audit trail.
Delivery of rail projects	Phasing works to requirements.
Overall revenue generation	Maximise rail and TrawsCymru patronage, including First Class ticket sales.
Middle East conflict, fuel and supply chain	Early supplier engagement underway for critical contracts. Engage with suppliers and others.
Cybersecurity and terrorism	Building greater resilience and recovery plans.
Relationship with partners, delivering bus franchising and meeting customer expectations	Engaging with local authorities and key stakeholders across Wales. Clear and consistent communication and customer propositions.
Extreme weather	Implement the objectives set out in our Climate Resilience and Adaptation Plan. Develop and deploy plans to keep our colleagues and customers safe.
Organisational culture and workforce planning	Embedding our values into work practices. Deliver People Strategy outcomes.
Great British rail reform	Work closely with Welsh Government on rail reform implications for Wales. Continue to work in partnership with Network Rail.
Integration of travel modes, reliable rail services and the introduction of new trains	Align timetables and networks wherever possible. Continue planned maintenance and renewals forecasting. Leverage the joint performance strategy with partners.

SECTION 172 STATEMENT

Direct statement

The Board of Directors confirm that they have acted in good faith to promote TfW's long-term success for the benefit of its owner (the Welsh Government), customers and other key stakeholders, while having due regard to the matters set out in section 172 (s172) of the Companies Act 2006.

How the Board fulfils its duties under s172

TfW's Directors and the Board collectively are bound by the duties set out under s172 of the Companies Act 2006 to promote the success of TfW for the benefit of the Welsh Government, customers and other key stakeholders. Understanding the requirements, concerns and ambitions of our stakeholders is key to informing the Board's creation of an effective and sustainable business strategy. Ongoing consideration of these matters is integral to Board discussions and decisions to ensure the progression of TfW's corporate plan, strategic objectives and promotion of TfW's long-term success.

The Board understands the importance of TfW maintaining its reputation for the highest standards of business conduct. The Board ensures that different stakeholder groups are considered and treated fairly in its deliberations, while all decisions are taken in accordance with our purpose, culture and values.

We have integrated our reporting across this annual report to make it clear how we've had regard to the long term consequences of our decisions. Particularly, we have regard to our legal responsibilities under the Well-being of Future Generations (Wales) Act 2015, the interests of employees, customers and suppliers, the environment, our communities and the Welsh Government.

The Board promotes TfW's long-term success by ensuring the Board adheres to the highest standards of conduct, through both its own actions and those of its employees and understanding the long-term implications of its decisions. It does this through the below.

Defining TfW's purpose, culture, values and strategy

Over the past two years, TfW established its new vision, mission, purpose and values which are now embedded across the organisation, guiding strategic development and Board decision making. At the centre of TfW's long-term strategy is the T Network, our ambition to deliver an integrated, multimodal transport system for Wales. TfW's values have supported collaborative, ethical and long-term decision making. This enables an aligned, resilient and customer-focused approach to transport that balances financial, social and environmental outcomes for Wales.

Ensuring high-quality Board information

Annually, the Board sets the Chief Executive Officer's objectives and core areas of focus. The Chair and Board use these to plan agendas. These are reviewed regularly and updated during the year to ensure that Board meetings are to a high standard and that the Board meets the evolving demands of the business and its stakeholders. TfW subjects Board papers to a robust review process to ensure they are focused, clear, accurate and of high quality.

Open Board discussion and decision-making processes

TfW's Board environment encourages an open, honest and accountable discussion and decision-making culture. Their decision making is subject to rigorous challenge to ensure stakeholder interests are understood and considered. This means decisions are made that support overall long-term sustainable success.

Our Board holds its meetings at various locations across Wales and the borders so it can hear first-hand from transport users, and understand the varied economic, social and geographic challenges they face. This enables the Board to ground its strategic decision making in a direct and current understanding of the communities it serves. In 2025/26, the Board met in Carmarthen, Llandudno, Machynlleth, Newport, Pontypridd, Shrewsbury and Wrexham.

Understanding the required Board skills, knowledge and experience

Board members have wide ranging, relevant expertise and experience. They use this to inform and guide decision making to ensure this is of the highest quality and in TfW's long-term interests. Directors focus their varied expertise on different areas of the business to provide balance and robust oversight.

Considering stakeholder interests and impact

To assist the Board in fulfilling its obligations under s172, each Board paper is accompanied by a covering document outlining:

- which stakeholders could potentially be impacted by a decision taken by the Board on the matter in question
- an explanation of how those stakeholder interests have been considered
- the impact of potential Board decisions.

How we engage our customers

The interests of our customers are a core part of our decision-making processes. We regularly invite feedback from our customer and advisory groups to improve our customer experience. Customers can contact us by phone, letter and online to register complaints and provide feedback. On our website, we provide information about our services and any changes, especially any planned and unplanned disruption. We ensure information is available about how to book travel assistance.

The communities we serve

Our services impact communities across Wales and the borders. Our Community Rail and Stakeholder Engagement team builds links and promote community needs via local projects and events ahead of, for example, major infrastructure work.

While we cannot always prevent disruption, feedback is regularly reviewed and incorporated into lessons learnt. Our quarterly Advisory Panel (including representatives from customer groups, government, industry and marginalised communities) offers feedback and advice to guide our decisions. We've also introduced a quarterly All Wales and Borders stakeholder forum, divided into four regional forums, to inform and gather feedback on public transport issues.

Our suppliers

Our supplier partnerships are crucial to our long-term plans and services and we continually improve our supply chain through close engagement with suppliers. The Board regularly reviews and provides feedback on supply chain matters through reports and risk assessments. The Audit and Risk Committee also receives updates and can challenge procurement decisions.

Sustainable decision making

Our Board recognises the long-term impact of its decisions on future generations, including the communities we serve, the environment, the economy and public health. We have a legal responsibility to align our actions with the Well-being of Future Generations (Wales) Act 2015, the five ways of working towards sustainable development, and the Welsh socio-economic duty.

We aim to consider the consequences of our decisions early, addressing any negative impacts promptly to make better choices. Our Board is dedicated to reducing our contribution to climate change, enhancing biodiversity, and leading efforts in decarbonisation and sustainable travel.

Moving forward

In the coming year, our Board is committed to further developing our existing work to enhance the way they make decisions and have due regard for the matters under s172 of the Companies Act 2006.

Board Committees

Audit and Risk Committee

The Audit and Risk Committee provides oversight over TfW's risk management and internal control system, financial and non-financial reporting, and the Welsh language within and outside of TfW.

Customer and Communications Committee

The Customer and Communications Committee oversees TfW's customer strategy and delivery plans. The Committee reviews non-financial operational performance metrics along with customer and stakeholder feedback. The Committee ensures our customers are placed at the heart of everything we do and that there is a clear plan in place to achieve the service delivery and transformation that our customers expect.

Health, Safety and Sustainability Committee

The Health, Safety and Sustainability Committee provides assurance to the Board that its interests and accountabilities for health, safety, well-being, sustainability, climate adaptation, resilience, security and business continuity are appropriately managed. It ensures robust measures are in place in relation to the activities of the company as they affect the general public (including customers), direct and indirect employees, contractors and suppliers. It reviews a range of key performance indicators making recommendations, offering challenge and reinforcing positive activities to promote continuous improvement and the sharing of best practice across TfW's interests.

The Major Projects Committee

The Major Projects Committee ensures a rigorous focus by the executive on major project safety, delivery, controls and risk management. The committee also monitors the pipeline of potential new projects. The committee takes regular reports on project delivery on behalf of the Board. It monitors and challenges risk mitigation and the control environment put in place by the Executive.

People and Remuneration Committee

The People Committee assists the Board to review the TfW People Strategy. It ensures that the Board and Executive Leadership Team retain an appropriate structure, size and balance. It reviews the annual development plans of leadership teams. The Committee monitors key metrics and dashboards to support assessment of current performance and future goals of TfW. This includes oversight of the diversity and inclusion programme.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION (NFSI) STATEMENT

Climate change

The Board is fully committed to ensuring that Welsh Government's ambitions on tackling climate change are met. These include meeting decarbonisation targets, responding to the climate emergency and adapting to the changing climate. We have assessed climate to be a principal risk to the organisation, primarily because of the risk of disruption and damage due to an increase in extreme weather events.

This section of the Strategic Report includes our climate-related financial disclosures. It has been written in accordance with the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We've aligned with the recommendations of the Task Force on Climate-related Financial Disclosures and guidance provided by HM Treasury in December 2024.

Governance

The Board has the ultimate responsibility for setting TfW's strategy which incorporates climate risks and opportunities. Strategic risks are owned, managed, and monitored by TfW's Board, Executive Leadership Team and Audit and Risk Committee.

We identify risks and opportunities from a range of sources. For example, through project risk assessments or through workshops on themes. They are logged and assessed against our risk appetite profile, allowing for prioritisation and mitigation. Monthly Strategic Risk Reports are presented to TfW Board and Executive Leadership Team by the Risk Team for ongoing monitoring and management. Strategic risks have an assigned Executive Leadership Team Member who provides ownership of the risk and the mitigations.

The Board oversees and monitors progress against goals and targets both directly and via its sub-committees. The Audit and Risk Committee monitor our internal controls for managing climate change risks and opportunities. These include risks relating to:

- transition risks (changes required to address climate change)
- the delivery of objectives outlined in the Climate Adaptation and Resilience Plan
- the Energy Strategy
- our future Carbon Management Plan.

This enables the TfW Board to oversee and provide scrutiny of decisions that may impact the corporate risk appetite.

To maintain and develop climate related expertise, the Climate Change Team provides briefings on climate science, regulatory requirements, and sector specific risks to the wider organisation. The team supports senior leadership in reviewing climate metrics, targets, and reporting.

More detail is provided in the governance section of our Carbon Report 2026.

Strategy

Our Corporate Strategy outlines key priorities and objectives to challenge and overturn longstanding transport behaviours. This will encourage more people to travel actively and by public transport, reducing emissions from private car use.

We recognise the importance of identifying and managing climate-related risks and opportunities to ensure the long-term sustainability of our operations. We've developed a Climate Adaptation and Resilience Plan (CARP). Published in 2023, the CARP ensures that all our operations, assets, services, and future investments are designed, delivered, and managed in a way that is resilient to the current and future impacts of climate change. This includes embedding climate resilience into everyday decision making, assessing risks, implementing adaptation solutions, and ensuring we can restore them after extreme weather.

We've utilised information from our Rapid Adaptation Pathways Assessment (undertaken in August 2024). We've begun setting out adaptation pathways and resilience interventions for key stations, routes, and assets. We've collaborated with Network Rail to better understand options to implement climate adaptation and weather resilience on our network.

We've used our Adaptive Capacity assessment (Maturity Matrix) to build our current adaptation maturity level. We currently sit at a level of 2-3 out of 5, suggesting we are strong in governance and strategy for climate resilience and adaptation. We've taken further steps to improve our maturity level and adaptive capacity by embedding and implementing the five strategic objectives of our TfW Climate Adaptation and Resilience Plan across the organisation.

Some examples of this include:

- Embedding climate resilience into the initial stages of major project development
- Communicating climate change risks to relevant teams across the organisation
- Implementing risk and impact reduction measures.

Climate-related risks and adaptation costs are being integrated into our long-term financial planning and capital allocation processes. Where relevant, provisions for climate adaptation are disclosed in our financial statements and scenario analysis informs asset valuation and impairment testing.

Future investment decisions will be assessed against representative concentration pathways (RCP), standardised climate scenarios used by the Intergovernmental Panel on Climate Change to model future changes. We use RCP6.0 and RCP8.5 scenarios to ensure financial resilience under a range of climate outcomes. These scenarios were chosen to:

- Ensure consistency across the rail sector in risk assessments and strategic planning.
- Reflect both realistic and worst-case climate futures, supporting robust adaptation planning.

We conducted our annual adaptive capacity assessment for the 2026 financial year in April and May 2026.

More detail is provided in the strategy section of our Carbon Report 2026.

Financial impact

Climate-related risks and opportunities could affect our financial performance, position and revenue. These include:

- shorter-term impact like extreme weather events
- longer-term impacts like rising temperatures and changing rainfall patterns
- risks linked to the transition to a low-carbon economy.

We're working to improve data quality, modelling capability and the robustness of our financial impact assessments, including through collaboration with partners and stakeholders. The information below is based on our current best estimates using available data.

Extreme weather events represent the most significant short-term climate-related financial risk to the organisation. On the Core Valley Lines, severe disruption could result in financial losses from £100,000 to £600,000 per day. We calculated this figure using historical fare revenue and estimating the loss which could result from service disruption. Where disruption persists for multiple days, extreme weather events may result in much higher total losses.

For the Wales and Cross-Border network, Network Rail has a financial mechanism that compensates us for unplanned service disruptions caused by factors outside of our control (including storms).

We'll continue to enhance our approach to quantifying climate-related financial impacts and develop more metrics and KPIs.

More detail is provided in the finance section of our Carbon Report 2026.

Risk management

Our most significant climate-related risk and the most material is weather-related and more detail is provided in the Risk section of this Annual Report on page 39.

Climate-related risks are integrated into our overall risk management framework. We identify, assess, and manage these risks with site and asset-specific risk assessments and regular monitoring.

A summary table of some of our other climate risks and associated mitigation controls is provided below.

We define the time scales as follows.

Short term (0–5 years)

This period aligns with our operational planning cycles, rolling stock programmes, and near-term infrastructure maintenance schedules. Climate-related risks in this horizon typically relate to immediate operational disruption, compliance requirements and delivery of the 2030 net zero target.

Medium term (5–15 years)

This timeframe reflects the expected lifecycle of major assets, infrastructure upgrades, and land-use planning decisions. Risks in this horizon relate to strategic investment choices, land development impacts, and the evolution of supply-chain emissions.

Long term (15+ years)

This period corresponds to the lifespan of significant infrastructure assets and long-range climate projections for Wales. Risks in this horizon relate to long-term climate adaptation, asset resilience, and the cumulative effects of extreme weather on service reliability and safety.

Table 6: Climate-related risks.

Risk term	Risk	Impact	Mitigation control
Short term	Extreme weather events (such as flooding, extreme heat, ice, and snow) may cause disruption to infrastructure which could have operational and cost implications.	Inability for TfW to maintain service provision, with cost implications/financial implications due to accidents, asset damage, and service disruption.	Future-proof mitigation (such as new infrastructure construction) and pre-work environmental assessments. Continue to conduct risk assessments across the network to ensure climate change risks are captured and appropriate mitigations are in place for future occurrences. Set up governance channels for monitoring our progress to enhance our adaptive capacity to climate change-induced extreme weather events.
Short term	The decarbonisation target of net zero by 2030 may not be met if diesel trains are unable to be refurbished or repurposed.	This could have reputational, legal, and cost implications and mean that commitments are not met.	This will be managed through the Rolling Stock Decarbonisation Strategy.
Short term	Failure to deliver on 2030 net zero target due to supply chain emissions.	This could affect TfW's ability to reduce its corporate emissions and Welsh Government requirements.	In collaboration with Procurement and Finance, the Climate Change Team, we'll conduct an in-depth analysis of supply chain emissions to obtain more accurate data and add this to offset higher level reporting. We'll collaborate with Welsh Government to develop a hybrid approach to carbon accounting for this activity. We're taking part in a pilot for a supply chain reporting tool with other Welsh public bodies.
Medium term	Failure to deliver on net zero target due to development on greenfield land assets.	Our transformation programme could result in development of our greenfield assets. This could reduce the sequestration potential of the land we own. If they become an overall net source of emissions, this could reduce their offset potential. We may then have to buy other offsets to compensate.	Work with our land management, engineering, and projects teams to ensure that due diligence is done when considering development of any TfW land assets. Develop governance structure for stakeholder consultation on land purchases and assets.

Risk term	Risk	Impact	Mitigation control
Medium and long term	Risks to assets, health and safety, reputation, and costs due to absence of impact assessments, appropriate response plans and policies associated with extreme and adverse weather.	Potential damage and premature failure of assets. Increased disruption to services and financial impacts of asset repair, delay compensation, and other losses.	Work collaboratively with infrastructure owner team to develop impact assessments for extreme and adverse weather events and share learning. Set up extreme weather working group to coordinate development of appropriate extreme weather response plans and policies. Publish TfW extreme weather guidance for staff and customers to reduce the risk of weather-related impacts on health, journeys, assets, and ways of working. Coordinate the development of contingency plans with the asset management team. This includes implementing asset protection measures and renewals on CVL infrastructure.

More detail is provided in the risk section of our Carbon Report 2026.

Metrics and targets

We're developing adaptation metrics and using industry guidance and standards to develop targets for adaptation and resilience. This includes:

- Adaptation Metrics set by the Rail Safety Standards Board
- Resilience standards for train performance, safety, and asset health
- Metrics and targets for adaptation and resilience as part of our environmental management system
- Train performance data around punctuality of our services
- Asset management planning with specific climate change-related scoring for renewals.

We're committed to aligning our climate resilience and adaptation efforts with Welsh Government objectives. We recognise that addressing climate-related risks and opportunities requires robust governance, strategic foresight, and measurable progress.

In line with the Welsh Government's Prosperity for All: A Climate Conscious Wales and the Wales Resilience Framework 2025, we're working to embed climate resilience. These national strategies emphasise the need for public bodies to build adaptive capacity, reduce exposure to climate hazards, and protect vulnerable communities.

Our Business Plan sets out our work to build the resilience of our network and services and embed climate considerations in major programmes and investments.

While we have made progress in establishing initial targets and indicators, we acknowledge the need to develop a more comprehensive suite of quantitative and qualitative metrics. These will align with changing climate risks and opportunities and support transparent reporting.

Our current focus is on:

- Refining methodologies for assessing climate impacts and adaptation effectiveness.
- Enhancing data collection to support evidence-based decision making.
- Developing KPIs that reflect both physical and transition risks, as well as resilience outcomes.
- Establishing monitoring and evaluation routines to track progress against baselines and inform future investment.

A key deliverable in this area is the development of our Weather Resilience and Climate Change Adaptation Strategy, with a target publication timeframe of Autumn 2026. This will provide a structured approach to tracking performance and aligning with both national and international climate disclosure standards.

More detail is provided in the metrics section of our Carbon Report 2026.

Table 7: Carbon metrics and targets.

Description of risk	Risk term	Commitment	Our objectives, targets and KPIs
Welsh Government targets and commitments	Short term (to 2030)	By 2030, choosing zero carbon options will be routine and embedded.	100% renewable energy on CVL.
Welsh Government targets and commitments	Medium term (to 2040)	Increase the public transport mode share from an estimated 5% today to 7% by 2030, and 13% by 2040.	Deliver the commitments set out in the 2022–27 Sustainable Development Plan, including promoting sustainable travel and reducing reliance on private car use.
Industry targets	Medium term (to 2040)	Phasing out diesel-only trains by 2040, in line with UK-rail industry commitments.	Phasing out diesel-only trains on CVL and South West Main Line by 2040.

Carbon emissions report

Governance

We account and report our annual carbon emissions in line with the Welsh Government Reporting Requirements which is consistent with globally accepted standards. The guidance has been developed to support Welsh public sector bodies to reduce collective emissions to net zero by 2030.

Our Carbon Management Plan and associated carbon targets are in development. We report our rolling stock carbon intensity (grams of carbon dioxide equivalent per passenger km) to Service Excellence Steering Group every four-week financial period. We also report on our annual rolling stock carbon intensity as part of our business KPIs.

Strategy

We're committed to supporting the Welsh Government's ambition for a net zero public sector by 2030. Our strategy focuses on reducing operational emissions, improving energy efficiency, and transitioning to low-carbon transport services. Key strategic initiatives include:

- **Carbon Management Plan:** We're developing a costed action plan to manage Scope 1, 2, and 3 emissions.
- **Energy Strategy:** Published as an internal document this is a roadmap for decarbonising our energy supply and improving energy efficiency across our estate.
- **Energy and Carbon Improvement Plan:** Outlines technical pathways for implementing low-carbon energy schemes and enhancing long-term operational resilience.
- **Modal transport shift and Electrification:** Investment in electrified rail networks and low-emission bus fleets to reduce transport-related emissions.

We recognise that as our services expand and electrification increases, energy demand will rise. Our strategy includes measures to reduce energy expenditure and emissions through renewable energy sourcing, energy audits, and infrastructure upgrades.

Table 8: Our Scope 1, 2 and 3 emissions for financial year 2025/26.

Scope	2020-21 emissions tCO_2e	2021-22 emissions tCO_2e	2022-23 emissions tCO_2e	2023-24 emissions tCO_2e	2024-25 emissions tCO_2e	2025-26 emissions tCO_2e
Scope 1	70,674	81,572	91,338	92,348	100,225	99,245
Scope 2	2,647	2,736	2,514	2,060	2,453	4,971
Scope 3	176,482	184,193	198,651	221,911	188,113	175,332
Land use emissions	-689	-702	-757	-591	-565	-564
Out of scope emissions	N/A	N/A	N/A	68	134	3,483
Total	249,114	267,799	291,746	315,728	290,226	278,984

The total figures in the table above have been amended to exclude the 'out of scope' emissions as per standard reporting procedure. The figures for 2024/25 have also been amended to reflect corrected emissions from commuting.

The annual carbon intensity for total rolling stock emissions (Scope 1) was 71 gCO_2e/PAX km. Scope 1 emissions are those arising from activities within our direct operational control, in this instance fuel consumption by our trains. The carbon intensity of our rolling stock has reduced by 11% compared with 2024/25.

Our total emissions decreased by 4% or 11,242 tCO_2e in 2025/26 from 2024/25. 35% of our emissions were Scope 1, 2% from Scope 2 and 63% from Scope 3. The decrease in emissions this year compared with the previous year can be attributed to decreased supply chain emissions, namely the majority completion of the Overhead Line Electrification. We currently report on supply chain emissions based on spend data which can lead to significant variations in emissions year on year.

We have seen an increase in Scope 2 emissions due to a full year of operational overhead line equipment. These emissions have been calculated using the location-based methodology, reflecting average grid emissions. We have a 100% renewable, REGO backed electricity contract meaning we can report zero emissions associated with electricity via the market-based methodology. However, Welsh Government require us to report location-based data.

This year we have begun reporting on the following activities:

- TrawsCymru bus services (Scopes 1 and 2)
- Rail Replacement Operations (Scope 3)
- Hotel stays (Scope 3).

These new reporting activities have resulted in the addition of 1,914 tCO_2e scope 1 emissions, 73 tCO_2e scope 2 emissions and 7,404 tCO_2e scope 3 emissions.

Update on carbon targets

In 2019, we published our Low Carbon Impact Strategy which, includes the following targets for our carbon emissions, we were delayed in our achievement of these targets due to the coronavirus pandemic.

This year we will publish new targets in our Carbon Management Plan.

Table 9: Rail decarbonisation targets.

Scope	Target	Status
Scope 1 (CVL traction)	100% reduction*	In progress: we expect a 100% reduction by end of 2027.
Scope 1 (Wales and Cross-Border traction)	30% reduction*	In progress: as of December 2025, 71% of timetabled journeys are served by new trains and trains new to Wales.
Scope 2	100% reduction*	We have had a 100% renewable electricity contract in place since 2023/24. Under Welsh Government methodology, we cannot count this as zero emissions. See the Climate Report for more information.

* Targets are measured against a 2020/21 baseline year. The target date is currently under revision and will be published in our Carbon Management Plan during 2026/27.

Reporting enhancements

To help us understand more about the emissions we produce, we have developed robust accounting and reporting processes for our carbon emissions in line with Welsh Government's reporting guidance for the public sector.

- Emissions tracked every four weeks across electricity, gas, water, waste, fuel, and renewable generation.
- Commuting and homeworking emissions estimated via annual staff travel surveys and FTE-based modelling.
- Data submitted to Welsh Government for validation and benchmarking.

The strategic report has been approved by the Board of Directors on 23 June 2026 and signed on its behalf by:

James Price.

James Price
Chief Executive and Accounting Officer

CORPORATE GOVERNANCE STATEMENT

Governance at Transport for Wales

As Accounting Officer, I am personally responsible for the overall management and governance of the Transport for Wales (TfW) Group and for ensuring that public funds are used appropriately, efficiently, and in accordance with the relevant statutory, regulatory, and policy frameworks. I am accountable to the TfW Board and, through the Welsh Government Permanent Secretary as Principal Accounting Officer, to Welsh ministers and Senedd Cymru. This Corporate Governance Statement explains how these responsibilities have been discharged during 2025/26 and how high standards of governance have been maintained across the TfW Group.

TfW is committed to the highest standards of governance, accountability, transparency and ethical conduct. Strong governance is essential to maintaining public and customer trust and to ensure that TfW delivers its statutory remit and strategic objectives effectively on behalf of the Welsh Government.

Governance framework

TfW operates within a clearly defined governance framework, underpinned by:

- its Articles of Association
- a formal Management Agreement with the Welsh ministers
- its Corporate Governance Framework and Schedule of Delegations.

These documents and framework collectively set out the roles, responsibilities, and accountability arrangements for TfW and ensure alignment with Welsh ministers' transport objectives and priorities. The framework is further informed by Managing Welsh Public Money and wider governance requirements, both statutory and voluntary.

TfW is not a listed company and is therefore not required to comply with the UK Corporate Governance Code. However, the Board has determined that TfW will voluntarily comply with the Wates Corporate Governance Principles, as they provide an appropriate and proportionate framework for a publicly owned company operating in the public interest.

Governance structure and accountability

TfW is governed through a multi-layered structure designed to provide effective leadership, oversight, and assurance.

Overall responsibility for TfW rests with the Welsh ministers. The Welsh Government Permanent Secretary acts as Principal Accounting Officer for TfW's expenditure and management and is accountable directly to Senedd Cymru. As Accounting Officer for TfW, I am responsible for day-to-day management and for ensuring that appropriate systems of control, risk management and governance are in place and operating effectively.

The TfW Board has collective responsibility for setting the strategic direction of the organisation and for overseeing the delivery of its objectives. The Board provides leadership, challenge, and scrutiny and ensures that TfW operates within an effective framework of internal control and assurance. The Board is supported by its committees and by the Executive Leadership Team, although ultimate accountability for all matters remains with the Board.

Board and committees

The TfW Board comprises Non-Executive and Executive Directors with a diverse range of skills, knowledge and experience relevant to TfW's remit and operating environment. The Board operates collectively, fostering an open and constructive culture that supports effective challenge and informed decision making.

This year, our Board met eleven times. The minutes of all Board meetings are published at https://tfw.wales/about-us/transparency/our-company-boards.

Table 10: Directors' attendance at TfW Board meetings for the year ending 31 March 2026.

TfW Board member	Attendance
Alun Bowen	8/8
Louise Cheeseman	7/7
Heather Clash	11/11
Vernon Everitt	10/11
Rhian Langham	10/11
Vinay Parmar	11/11
James Price	11/11
Marcia Sinfield	3/3
Peter Strachan	6/7
Scott Waddington	4/4

To support its work, the Board has established five formal committees, each operating under Board approved terms of reference and chaired by a Board Non-Executive Director. These committees provide focused oversight and assurance in key areas including audit and risk, people and remuneration, customer growth and safety. Committee chairs report regularly to the Board on matters within their remit, including key decisions, risks, and emerging issues.

Executive leadership and delegations

The Board has approved a Schedule of Delegations that clearly sets out which matters are reserved to the Board, and which are delegated to the Chief Executive Officer, the Executive Leadership Team and Chief Officers. This ensures clarity of accountability while enabling timely and effective operational decision making.

The Chief Executive Officer, supported by the Executive Leadership Team, is responsible for the delivery of TfW's strategy and business plan, for operational performance, and for embedding TfW's values and governance standards throughout the organisation. High risk or high impact matters are escalated to the Board as appropriate.

Subsidiary governance

TfW operates through a group structure comprising four wholly owned subsidiary companies, including Transport for Wales Rail, Transport for Wales Innovation Services, TfW Fibre, and Pullman Rail Ltd. Each subsidiary has its own company Board, which is responsible for the governance and performance of that company within the parameters set by TfW Group policies and delegations.

The TfW Board maintains oversight of subsidiary activities to ensure consistency, alignment with group strategy, and effective management of risk. Group governance arrangements are designed to ensure that subsidiary operations are subject to appropriate control, assurance and transparency, while allowing sufficient autonomy to deliver their specific objectives.

Risk management and internal control

The Board is responsible for ensuring that TfW has an effective system of internal control to manage the risks inherent in delivering its objectives. The system of control is designed to manage risk to a reasonable level rather than eliminate it entirely and is based on an ongoing process of identifying, evaluating, and managing risks.

Risk management is embedded throughout the organisation, supported by a corporate risk framework and regular reporting to the Board and its committees. The Audit and Risk Committee provides independent oversight of the effectiveness of risk management, internal control and assurance arrangements.

During 2025/26, we continued to embed internal control methodologies in TfW and began implementing analysis across our financial information. This information will be refined in 2026/27 and will assist in safeguarding and protecting our assets. It will ensure accuracy in our financial statements, adherence to policies, regulations and laws. It will promote efficiencies in our processes.

Ethics, conduct and conflicts of interest

TfW is committed to the highest standards of ethical conduct, underpinned by the Seven Principles of Public Life. All Board members and Directors are required to comply with TfW's Code of Conduct and Corporate Governance Framework.

Directors and senior leaders are required to declare interests on appointment and to update those declarations regularly. Robust arrangements are in place to identify, manage and, where necessary, mitigate conflicts of interest to safeguard the integrity of decision making.

During the year, TfW has continued to strengthen its organisational ethics framework, including preparatory work to ensure readiness for the forthcoming Public Office (Accountability) Bill. This has included reviewing and enhancing policies, governance arrangements, and internal controls relating to ethical conduct, accountability, decision making transparency, and the handling of conflicts of interest. This work reflects TfW's commitment to maintaining high standards of integrity and public accountability and to ensuring that its governance arrangements remain robust, proportionate and aligned with emerging legislative expectations.

Review of effectiveness

The Board keeps its own effectiveness under regular review, including consideration of Board composition, skills, and ways of working. This includes periodic Board and committee effectiveness reviews and ongoing development to ensure that the Board continues to operate effectively and in line with best practice.

Assurance

TfW's prime source of assurance comes from identifying how well its objectives are being met and risks managed. As well as TfW's internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees, the Executive Leadership Team, risk registers, and other management information. We have also provided reports to the Welsh Government at Steering Board meetings.

During 2025/26, internal audit activities have continued across the TfW Group. The team continues to improve their ways of working to cover new areas of business and risk. This has enabled the team to further support the business with recommendations for continuous improvement.

The audit plan (approved in March 2025) has been delivered over the year including reviews in the areas of cyber security, the use of consultants for procurement, customer invoicing, the finance system controls, insurance, records management, payroll, safeguarding, decarbonisation, procurement of key operational replacements, risk management, Well-being of Future Generations (Wales) Act 2015 compliance, Cardiff Bus Interchange, Pullman Rail, depot training and maintenance and KPIs.

The Audit and Risk Committee approved the internal audit plan for 2026/27 in March 2026 with a risk-based programme covering all business entities and a variety of financial and non-financial areas.

Conclusion

The Board and Executive are satisfied that TfW has operated within a sound and effective governance framework throughout the year and that appropriate arrangements have been maintained to ensure accountability, transparency and the proper stewardship of public resources. Governance arrangements will continue to be kept under review to ensure that they remain effective, proportionate and aligned to TfW's evolving remit and strategic priorities.

James Price
Chief Executive and Accounting Officer

AUDIT AND RISK COMMITTEE REPORT 2025/26

The Audit and Risk Committee (the Committee) supports the Board by providing independent assurance on the effectiveness of risk management, internal control, governance processes, and financial and non-financial (largely carbon emissions) reporting.

During the period 1 April 2025 to 31 March 2026, the Committee has maintained a strong focus on ensuring that these arrangements operate effectively across a complex and evolving organisation, and that the Board receives high-quality, timely assurance to support decision making.

Committee activity and oversight

The Committee has continued to discharge its core responsibilities in line with its Terms of Reference. These include:

- Scrutiny of financial and non-financial reporting, including review of the Annual Report and financial statements. The Committee ensures they are fair, balanced and understandable, and challenges key assumptions and estimates.
- Oversight of risk management and internal control frameworks, including review of strategic risks, control effectiveness and the organisation's risk appetite.
- Monitoring audit and assurance activity by maintaining oversight of internal and external audit plans and outputs, and assessing the adequacy of assurance across the organisation.
- Review of compliance and counter fraud arrangements, including progress in strengthening controls and enhancing fraud prevention capabilities.

The Committee has also ensured appropriate engagement with senior management and auditors, enabling robust challenge and constructive dialogue in key areas of judgement and risk.

Key areas of focus in 2025/26

During the year, the Committee has concentrated its work on several priority areas.

- **Audit and Assurance Framework:** oversight of the continued implementation of the Audit and Assurance Policy, strengthening transparency and coherence of assurance activity across TfW.
- **Internal control environment:** continued progress in enhancing controls over both financial and non-financial reporting, with particular focus on improving consistency, documentation and assurance coverage.
- **Cyber security and resilience:** significant attention has been given to TfW's cyber defences and recovery capabilities, recognising the increasing threat to critical national infrastructure.
- **Risk management maturity:** review and development of risk management processes, embedding a stronger culture of risk awareness and ensuring alignment with recognised good practice and standards.
- **Financial reporting judgements:** ongoing scrutiny of key estimates, including the valuation of infrastructure assets, which remains a material area of judgement in the financial statements.

Committee effectiveness

The Committee has continued to review its own effectiveness and its Terms of Reference during the year, ensuring they remain appropriate for the scale and complexity of TfW's operations. Through its work, the Committee is satisfied that it has been able to provide the Board with assurance over the adequacy and effectiveness of TfW's governance, risk management and internal control arrangements during the year.

Chair transition

The Committee records its sincere thanks to Alun Bowen, the outgoing Chair, who stepped down in December 2025, for his significant contribution, leadership and commitment to strengthening governance and assurance across TfW. His stewardship has supported the development of the Committee's role and the maturity of TfW's assurance framework.

The Committee also welcomes the appointment of the incoming Chair, Marcia Sinfield, who was appointed from January 2026 and will build on this strong foundation and continue to drive forward the Committee's effectiveness and impact in the coming year.

Looking ahead

In 2026/27, the Committee will continue to prioritise:

- further strengthening of the internal control environment
- continued development of the audit and assurance framework
- its oversight of key strategic and operational risks, including cyber security and organisational resilience
- ensuring that high standards of financial reporting and governance are maintained.

The Committee remains committed to supporting the Board in maintaining robust governance and assurance arrangements, and in ensuring that TfW continues to meet the expectations of the Welsh Government and the public we serve.

REMUNERATION REPORT

The following sections provide details of the remuneration of Board members. This includes salary and pension entitlements.

Table 11: Single total figure of remuneration.

Board members	Salary 2025/26 £000	Salary 2024/25 £000	Pension benefits 2025/26 £000	Pension benefits 2024/25 £000	Total 2025/26 £000	Total 2024/25 £000
James Price Chief Executive Officer	250-255	240-245	–	–	250-255	240-245
Heather Clash Executive Director of Finance	175-180	165-170	10-15	10-15	190-195	175-180
Vernon Everitt Non-Executive Director – Chair (from 17/07/2025)	45-50	20-25	–	–	45-50	20-25
Vinay Parmar Non-Executive Director (from 16/09/2024)	20-25	10-15	–	–	20-25	10-15
Rhian Langham Non-Executive Director (from 16/09/2024)	20-25	10-15	–	–	20-25	10-15
Louise Cheeseman Non-Executive Director (from 18/11/2024 to 13/11/2025)	15-20	5-10	–	–	15-20	5-10
Marcia Sinfield Non-Executive Director (from 02/01/2026)	5-10	–	–	–	5-10	–
Peter Strachan Non Executive Director (from 01/08/2025)	15-20	–	–	–	15-20	–
Scott Waddington Non-Executive Director – Chair (to 17/07/2025)	10-15	35-40	–	–	10-15	35-40
Alun Bowen Non-Executive Director (to 31/12/2025)	15-20	20-25	–	–	15-20	20-25

Board members	Salary 2025/26 £000	Salary 2024/25 £000	Pension benefits 2025/26 £000	Pension benefits 2024/25 £000	Total 2025/26 £000	Total 2024/25 £000
Nicola Kemmery Non-Executive Director (to 07/07/2024)	–	5-10	–	–	–	5-10
Sarah Howells Non-Executive Director (to 17/10/2024)	–	15-20	–	–	–	15-20
Alison Noon-Jones Non-Executive Director (to 17/10/2024)	–	15-20	–	–	–	15-20

Salary

'Salary' includes gross salary and overtime. No benefits in kind or bonuses have been paid by TfW to Board members.

Pensions

TfW employees are members of a defined contribution pension scheme. The pension benefits figure for this scheme represents the employer contribution (8% default). Non-executive directors are not members of the TfW pension scheme.

Fair pay disclosures

The following Fair Pay Disclosures are calculated as required by HM Treasury Government Financial Reporting Manual (FReM). Total remuneration used in the calculations includes salary and excludes employer pension contributions.

The banded remuneration of the highest paid director of TfW in the financial year 2025/26 was £250,000-£255,000 (in 2024/25 it was £240,000-245,000). No employee received remuneration in excess of the highest paid director.

The pay multiple ratio between the highest paid director's remuneration and the pay and benefits of the employee at various percentiles of pay and benefits of the group's employees as at 31 March is set out below:

Table 12: Pay percentiles and ratio with the highest paid director.

Percentile	Pay and benefits 2025/26	Ratio 2025/26	Pay and benefits 2024/25	Ratio 2024/25
25th percentile	£41,643	6.1 times	£41,057	5.9 times
50th percentile (median)	£53,487	4.7 times	£54,195	4.5 times
75th percentile	£73,285	3.4 times	£68,758	3.5 times

Annual basic salaries for the group ranged from £22,222 to £250,000-255,000 (2024/25: £21,649 to £240,000-245,000).

The average change from the previous financial year in respect of salary and allowances for all group employees (calculated by dividing total annualised salaries by the number of employees) is 1.9%. This average pay percentage increase includes various pay deals under different pay models.

While salary increases within the TfW Group reflect the performance of individuals, there is a very limited amount of specific performance pay and bonuses above base salaries paid across the TfW Group to certain groups of employees (for example, commission for front-line staff). The total performance related pay paid across the group during the year ended 2025/26 was £827,471, which, when applied as an average across all employees in accordance with the FReM calculation requirements, has decreased by 22% compared with 2024/25 (£1,037,921). The decrease is mostly because, prior to April 2024, front-line Train Manager (conductor) commission payments were made every six months in arrears and the 2024/25 figure includes £297,178 for commission earned during 2023/24. Since April 2024, payments are made every 4 weeks so there is no longer a significant arrears element. The like-for-like performance pay for 2024/25 is £740,743.

There are no senior management bonus schemes.

Exit packages

There were no early retirement or severance schemes during 2025/26 or 2024/25 and only individual exit packages were in place. The majority of exits were ill-health retirements. This reflects the age profile of our workforce and is in line with contractual payments for ill health.

The table below shows the total cost of exit packages agreed and accounted for during the year (with last year as a comparative). The costs included in the table represent the cost to TfW of any exit including National Insurance and pensions contributions, but excluding standard contractual pay elements such as payment in lieu of notice and accrued annual leave balance.

Table 13: Exit packages.

Exit packages	Number of compulsory redundancies	Number of other departures agreed	Total number 2025/26	Total number 2024/25
<£10,000	–	17	17	16
£10,000 – £25,000	–	2	2	2
£25,000 – £50,000	–	2	2	5
£50,000 – £100,000	–	2	2	–
£100,000 – £150,000	–	5	5	–
£150,000 – £200,000	–	–	–	–
£200,000 +	–	–	–	–
Total number of exit packages	**–**	**28**	**28**	**23**
Total cost £	**–**	**919,988**	**919,988**	**261,344**

DIRECTORS' REPORT

Our Directors present their report for the year ended 31 March 2026.

Directors

The Directors who held office during the year to the date of this report are below.

Table 14: Directors who held office during the year to date of this report.

Name	Role
V J Everitt	Chair and Non-Executive Director (appointed Chair 17 July 2025. Non-Executive Director since 30 September 2019)
V D Parmar	Non-Executive Director
R L Langham	Non-Executive Director
M A Sinfield	Non-Executive Director (appointed 2 January 2026)
P Strachan	Non-Executive Director (appointed 1 August 2025)*
J S Waddington	Chair and Non-Executive Director (resigned 17 July 2025)
D A Bowen	Non-Executive Director (resigned 31 December 2025)
L M Cheeseman	Non-Executive Director (resigned 13 November 2025)
J R Price	Executive Director
H J Clash	Executive Director

*P Strachan was appointed to the TfW Board in August 2025 but, due to an administrative issue, his appointment on Companies House was not formally registered until February 2026.

Financial instruments

Liquidity and cash flow risk

We monitor our working capital on a regular basis to ensure that sufficient funds have been drawn down from the Welsh Government to meet our liabilities as they fall due.

The Group has a fuel price hedge to mitigate exposure to fluctuations in the price of fuel that would otherwise import uncertainty to the financial performance of the business. The Group currently has several hedge arrangements in place lasting up to three years.

Credit risk

We do not have significant credit risk exposure as the majority of the Group's activity is either funded through the Welsh Government grants received in advance, through trading with other public sector organisations or through cash sales to the public. Our credit risk is monitored on an ongoing basis.

Proposed dividend

The Directors do not recommend the payment of a dividend. The retained surplus is to be used to fund our future activities.

Employees

Information on diversity and inclusion is detailed on page 34. Further information on employee engagement is included within the Section 172 statement on page 41.

Engagement with suppliers, customers and others in a business relationship with the company

Information on how we engage with our suppliers, customers and other stakeholders is included in our Section 172 statement on page 41.

Energy and carbon reporting

Information on our energy consumption and actions is included in the transport decarbonisation statement on page 45.

Political contributions

As a wholly owned subsidiary of the Welsh Government, TfW is not allowed to be involved in political activity and accordingly we have made no political donations or incurred any political expenditure during the year.

Whistleblowing procedures

We're committed to our colleagues achieving and maintaining high standards of behaviour at work, service to the public and in all our working practices. Our employees are expected to conduct themselves with integrity, impartiality and honesty and we seek to develop a culture where we challenge inappropriate behaviour at all levels. To achieve this, we encourage the reporting of genuine concerns about malpractice, illegal acts or failures to comply with recognised standards of work without fear of reprisal or victimisation.

Qualifying third party indemnity provisions

TfW Group has granted indemnities to the extent permitted by law to certain Directors. These indemnities are in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director of the Company or any of its associated companies, and whereby they have acted in good faith whilst performing their duties. The indemnity is categorised as a 'qualifying third-party indemnity' for the purposes of the Companies Act 2006 and will continue in force for the benefit of Directors throughout the year and at the date of approval of the financial statements.

Disclosure of information to auditor

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 TfW's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that our auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

James Price.

J R Price | Director
23 June 2026
Company registered number: 9476013

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Independent auditor's report to the members of Transport for Wales

Opinion

We have audited the financial statements of Transport for Wales ("the Company") for the year ended 31 March 2026 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2026 and of the Group's deficit 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 accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period was the continued availability of funding from Welsh Government.

Since the Group and Company are reliant on continued funding from Welsh Government, we assessed the risk that this support would not be available. We inspected letters received by the directors indicating Welsh Government's intention to provide this support, examined financial statements to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and, dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit and Risk committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements] such as revaluation of assets. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-complex revenue recognition criteria, which limits the opportunity to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with unusual characteristics compared to the total journal population.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation, and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulations applicable to public sector bodies in Wales, transport related legislation, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The directors are responsible for the other information, which comprises the Strategic report, Director report and Governance reports. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic report and the Director report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 70, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

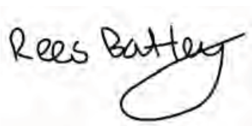
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Rees Batley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queens Square
Bristol
BS1 4BE

25 June 2026

Consolidated income statement

For the year ended 31 March 2026

Description	Note	2026 £000	2025 £000
Revenue	2	**875,831**	807,557
Administrative expenses	-	**(877,556)**	(827,456)
Operating surplus/(deficit)	-	**(1,725)**	(19,899)
Finance income	6	**210**	13
Finance expense	6	**(16,696)**	(13,947)
Net financing income/(expense)	-	**(16,486)**	(13,934)
Surplus/(deficit) before tax	-	**(18,211)**	(33,833)
Taxation credit/(charge)	7	**1,452**	1,571
Surplus/(deficit) for the year	-	**(16,759)**	(32,262)
Statement of Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	8	**325,296**	(42,621)
Remeasurements of defined benefit liability/asset	18	**148**	245
Relaxed tax	7	**836**	-
Total items that will not be reclassified to profit or loss	-	**326,280**	(42,376)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	19	**8,781**	(3,813)
Related tax	7	**(2,195)**	68
Total items that may be reclassified subsequently to profit or loss	-	**6,586**	(3,745)
Other comprehensive income for the year, net of tax	-	**332,866**	(46,121)
Total comprehensive income for the year	-	**316,107**	(78,383)

All comprehensive income is attributable to the equity holder of Transport for Wales.

The notes on pages 84 to 127 form an integral part of these financial statements.

Consolidated statement of financial position

At 31 March 2026

Description	Note	2026 £000	2025 £000
Non-current assets			
Property, plant and equipment	8	**4,549,024**	4,088,180
Intangible assets	9	**1,069**	3,768
Goodwill	9	**3,546**	3,546
Non-current financial assets	19	**952**	-
Employee benefits	18	**403**	202
Total non-current assets	-	**4,554,994**	4,095,696
Current assets			
Inventories	11	**13,400**	12,409
Trade and other receivables	12	**137,802**	138,154
Cash and cash equivalents	13	**64,818**	39,634
Total current assets	-	**216,020**	190,197
Total assets	-	**4,771,014**	4,285,893
Current liabilities			
Trade and other payables	14	**196,165**	178,133
Lease liabilities	20	**54,269**	61,178
Provisions	15	**384**	341
Total current liabilities	-	**250,818**	239,652
Non-current liabilities			
Trade and other payables	14	**7,700**	7,700
Lease liabilities	20	**467,415**	459,419
Deferred capital grants	17	**2,322,586**	2,176,769
Provisions	15	**6,885**	2,850
Total non-current liabilities	-	**2,804,586**	2,646,738
Total liabilities	-	**3,055,404**	2,886,390
Net assets	-	**1,715,610**	1,399,503

Consolidated statement of financial position (continued)

At 31 March 2026

Description	Note	2026 £000	2025 £000
Equity			
Retained surplus	-	**8,093**	4,383
Capital contribution reserve	-	**11,097**	11,097
Revaluation reserve	-	**1,693,409**	1,387,598
Hedging reserve	-	**3,011**	(3,575)
Total equity	-	**1,715,610**	1,399,503

These financial statements were approved by the Board of Directors on 23 June 2026 and were signed on its behalf by:

J R Price | Director
Company registered number: 9476013

Consolidated statement of changes in equity

For the year ended 31 March 2026

Description	Retained surplus £000	Capital contribution reserve £000	Revaluation reserve £000	Hedging reserve £000	Total equity £000
Balance at 1 April 2024	9,872	11,097	1,456,747	170	1,477,886
Total comprehensive income for the period					
Deficit	(32,262)	-	-	-	(32,262)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	(42,621)	-	(42,621)
Remeasurements of defined benefit liability/ assets	245	-	-	-	245
Effective portion of changes in fair value of cash flow hedges	-	-	-	(3,813)	(3,813)
Tax on other comprehensive income	-	-	-	68	68
Total comprehensive income for the period	**(32,017)**	**-**	**(42,621)**	**(3,745)**	**(78,383)**
Transfer from revaluation reserve to retained surplus	26,528	-	(26,528)	-	-
Balance at 31 March 2025	**4,383**	**11,097**	**1,387,598**	**(3,575)**	**1,399,503**
Balance at 1 April 2025	4,383	11,097	1,387,598	(3,575)	1,399,503
Total comprehensive income for the period					
Deficit	(16,759)	-	-	-	(16,759)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	325,296	-	325,296
Remeasurements of defined benefit liability/ assets	148	-	-	-	148
Effective portion of changes in fair value of cash flow hedges	-	-	-	8,781	8,781
Tax on other comprehensive income	836	-	-	(2,195)	(1,359)
Total comprehensive income for the period	**(15,775)**	**-**	**325,296**	**6,586**	**316,107**
Transfer from revaluation reserve to retained surplus	19,485	-	(19,485)	-	-
Balance at 31 March 2026	**8,093**	**11,097**	**1,693,409**	**3,011**	**1,715,610**

All equity is attributable to the equity holder of Transport for Wales.

Consolidated statement of cash flows

For the year ended 31 March 2026

Description	Note	2026 £000	2025 £000
Cash flows from operating activities			
Surplus/(deficit) for the year	-	(16,759)	(32,262)
Adjustments for:			
Depreciation, amortisation, impairment and profit/loss on disposal	8 and 9	169,280	154,223
Loss on disposal of fixed assets	8	362	-
Release of deferred government grants	-	(90,745)	(61,042)
Net finance expense	-	16,486	13,934
Taxation	7	(1,452)	(1,571)
(Increase)/decrease in inventory	11	(1,155)	2,449
(Increase)/decrease in trade and other receivables	12	(5,332)	(17,417)
Increase/(decrease) in trade and other payables	14	(1,432)	(30,312)
Increase/(decrease) in provisions and employee benefits	15	3,877	627
Tax received/(paid)	7	-	79
Net cash from operating activities	-	**73,130**	**28,708**
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(222,795)	(296,565)
Proceeds from the disposal of property, plant and equipment	8	5	22
Acquisition of intangibles	-	-	7
Proceeds from the receipt of capital government grants	17	254,566	321,455
Proceeds from the receipt of third party grants	-	219	1,090
Interest received	-	234	13
Net cash from investing activities	-	**32,229**	**26,022**
Cash flows from financing activities			
Receipt of loan from parent	-	-	7,700
Repayment of loan to parent	-	(6,000)	-
Interest paid	-	(1,085)	(423)
Payment of lease liabilities	-	(73,090)	(64,490)
Net cash from financing activities	-	**(80,175)**	**(57,213)**
Net increase/(decrease) in cash and cash equivalents	-	25,184	(2,483)
Cash and cash equivalents at 1 April	-	39,634	42,117
Cash and cash equivalents at 31 March	-	**64,818**	**39,634**

Company statement of financial position

At 31 March 2026

Description	Note	2026 £000	2025 £000
Non-current assets			
Property, plant and equipment	8	**3,725,013**	3,287,994
Intangible assets	9	**1,069**	1,919
Investments	10	**11,097**	11,097
Employee benefits	18	**403**	202
Total non-current assets	-	**3,737,582**	**3,301,212**
Current assets			
Inventories	11	**44**	41
Trade and other receivables	12	**90,474**	95,899
Cash and cash equivalents	13	**21,940**	14,566
Total current assets	-	**112,458**	110,506
Total assets	-	**3,850,040**	3,411,718
Current liabilities			
Trade and other payables	14	**106,203**	104,242
Lease liabilities	20	**1,302**	1,017
Provisions	15	**384**	341
Total current liabilities	-	**107,889**	105,600
Non-current liabilities			
Lease liabilities	20	**8,991**	9,596
Deferred capital grants	17	**2,011,472**	1,887,860
Provisions	15	**3,043**	2,850
Total non-current liabilities	-	**2,023,506**	1,900,306
Total liabilities	-	**2,131,395**	2,005,906
Net assets	-	**1,718,645**	1,405,812
Equity			
Retained surplus	-	**14,139**	7,117
Capital contribution reserve	-	**11,097**	11,097
Revaluation reserve	-	**1,693,409**	1,387,598
Total equity	-	**1,718,645**	1,405,812

These financial statements were approved by the Board of Directors on 23 June 2026 and were signed on its behalf by:

J R Price | Director
Company registered number: 9476013

Company statement of changes in equity

For the year ended 31 March 2026

Description	Retained surplus £000	Capital contribution reserve £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2024	6,720	11,097	1,456,747	1,474,564
Total comprehensive income for the period				
Deficit	(26,376)	-	-	(26,376)
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	(42,621)	(42,621)
Remeasurements of defined benefit liability/assets	245	-	-	245
Total comprehensive income for the period	**(26,131)**	**-**	**(42,621)**	**(68,752)**
Transfer from revaluation reserve to retained surplus	26,528	-	(26,528)	-
Balance at 31 March 2025	**7,117**	**11,097**	**1,387,598**	**1,405,812**
Balance at 1 April 2025	7,117	11,097	1,387,598	1,405,812
Total comprehensive income for the period				
Deficit	(12,612)	-	-	(12,612)
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	325,297	325,297
Remeasurements of defined benefit liability/assets	148	-	-	148
Total comprehensive income for the period	**(12,464)**	**-**	**325,297**	**312,833**
Transfer from revaluation reserve to retained surplus	19,486	-	(19,486)	-
Balance at 31 March 2026	**14,139**	**11,097**	**1,693,409**	**1,718,645**

All equity is attributable to the equity holder of Transport for Wales.

Notes

Transport for Wales ("the Company") is a company limited by guarantee incorporated, domiciled and registered in England and Wales in the UK. The registered number is 09476013 and the registered address is 3 Llys Cadwyn, Taff Street, Pontypridd CF37 4TH. The Company is a wholly controlled subsidiary of the Welsh Ministers (a body defined in the Welsh Government Act 2006) and therefore the Welsh Government is regarded as a related party.

1. Accounting policies

Basis of preparation

The consolidated financial statements for Transport for Wales and its subsidiaries (together "the group" or "TfW") have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("IFRS").

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The Parent Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements are prepared on the historical cost basis except for the Core Valley Lines (CVL) rail network asset and certain financial assets and liabilities (including derivatives) measured at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Result for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account for the year.

The deficit for the financial year attributable to the Company amounted to £12,612,000 (2025: £26,376,000).

Newly adopted IFRSs and IFRSs issued but not yet applied

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, is effective for periods beginning on or after 1 January 2025 but has no impact on the Group financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. IFRS 18 Presentation and Disclosure in Financial Statements is effective for periods beginning on or after 1 January 2027 and will be applied retrospectively from this date. Other UK-adopted IFRSs not yet applied are not expected to have a material effect on the financial statements.

Going concern

The Company's directors have at the time of approving the financial statements, a reasonable expectation (based on assurance as set out below) that TfW will have adequate funding allocated from the Welsh Government to fulfil its operational remit and to continue in operational existence for the going concern period for at least 12 months from the signing date of these financial statements.

The Welsh Government has issued TfW with a remit letter, which sets out the priorities for TfW over the current term of government to 2026. TfW also receives an annual funding letter, the most recent of which covers the financial year ending 31 March 2027.

In addition, the Welsh Government has provided a letter of support setting out its intention to continue to provide funding (including continuing funding for Transport for Wales Rail Limited) for at least 12 months from the signing date of these accounts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Critical accounting judgements

The key judgements TfW makes in applying its accounting policies are in relation to the valuation of the CVL rail network valuation, in particular in relation to the depreciation period (see depreciation policy), and the assumptions used to arrive at the estimates for remaining useful lives, land compensation costs and risk. Further detail on these assumptions and their sensitivity is set out in note 8.

Key sources of estimation uncertainty

TfW makes estimates and assumptions based on historical experience and other factors that are considered to be relevant. These estimates and assumptions are reviewed on an ongoing basis and revisions are recognised in the period in which the estimate is revised.

The main estimate impacting on the current financial year is the valuation of the CVL rail network asset (see note 8).

Revenue

TfW has six income categories:

- Government grants (resource and capital grants from the Welsh Government and other government bodies)
- Other projects with the Welsh Government
- Franchise subsidy income
- Passenger revenue
- Rail maintenance revenue
- Other revenue.

Government grants

- Welsh Government resource grant

  The resource grant TfW receives from the Welsh Government is for the reimbursement of operating costs that TfW has incurred or will incur. The grant in relation to reimbursement of operating costs will be recognised as income in the period when the relevant expenses are incurred, with the remaining balance due to/from Welsh Government being recognised as deferred or accrued income in the statement of financial position.

- Welsh Government capital grant

  TfW receives grants from the Welsh Government in relation to capital expenditure within its remit, as well as expensed costs which are eligible for capital budget funding under HM Treasury Consolidated Budgeting Guidance. For grant funding in relation to TfW capitalised spend, TfW has chosen to present the grant as deferred income rather than deduct the grant from the carrying amount of the asset. The income is recognised in the income statement to match with the relevant costs. For a capital grant, this means recognising the income over the useful life of the asset so that the grant is matched with the depreciation charge (i.e. the relevant cost). Capital grant funding in relation to expensed costs is recognised as income in the period when relevant expenses are incurred. Any difference between grant funded spend and grant received is recognised as a balance due to/from Welsh Government in the statement of financial position.

- Other government grants

  In addition to grants received from the Welsh Government, TfW receives grants from the European Regional Development Fund (ERDF) in relation to the CVL transformation project (previously received by Welsh Government but now paid directly to TfW as the lead beneficiary role has transferred to TfW). These grants are accounted for in the same manner as Welsh Government grants. As ERDF funding is paid in arrears, accrued funding is recognised to the value of the works expected to be funded by ERDF but the grant has not yet been received. This is presented as accrued other government grant funding within receivables. TfW also receives a number of smaller grants from other government bodies as contributions for specific projects.

Other projects with the Welsh Government

The Welsh Government can commission TfW to perform other works/services which result in a direct provision of services to the Welsh Government.

The amount of revenue recognised over time is measured by the progress towards complete satisfaction of the performance obligation (the scope of works identified within the project). TfW has elected to base the measurement of revenue on an input method on the basis of costs incurred.

Franchise subsidy income

Franchise subsidy income represents amounts due to Transport for Wales Rail Limited from the Welsh Government under the Operator of Last Resort (OLR) grant agreement to subsidise the net operating loss of the company (after passenger and other revenue), as well as funding certain capital asset spend.

The release of franchise subsidy income to the income statement is aligned to the relevant spend (or asset depreciation in respect of capital funding).

Passenger revenue

Passenger income represents amounts agreed as attributed to Transport for Wales Rail Limited by the income allocation systems of the Rail Settlement Plan Limited (RSP), mainly in respect of passenger receipts. RSP administers the income allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage. Income is principally attributed based on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income can involve some estimation – for example revenue is deferred within creditors and released to the Income Statement over the year of the relevant season ticket.

Revenue is deferred when passengers purchase tickets for travel in future financial periods or season tickets. This is then released in the same financial period as the length of the travel or season ticket.

Rail maintenance revenue

Rail maintenance income represents revenue generated by Pullman Rail Limited from the provision of rolling stock repair and maintenance services to the rail industry. Revenue is recognised over time, with the amount recognised measured by the progress towards complete satisfaction of the scope of works identified within each contract. The Company has elected to base the measurement of revenue on an input method on the basis of costs incurred, as it is unable to accurately measure the outcome of contracts in progress but expects to recover the costs incurred.

Contract costs

The costs incurred in fulfilling third-party contracts are recognised as an asset as long as the costs relate directly to a contract or to an anticipated contract, the costs generate or enhance resources that will be used to satisfy performance obligations in the future; and the costs are expected to be recovered. General and administrative costs or costs that relate to satisfied performance obligations in the contract are expensed when incurred. A contract asset is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Financial instruments

Financial assets

The Group holds two different types of financial asset, which are categorised according to the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- Trade, intergroup and other receivables which are categorised as held at amortised cost. These are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. These assets are subsequently measured at nominal value. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- Derivative fuel hedge financial instruments which are categorised at fair value through profit and loss with the effective part of the hedge recognised in the hedging reserve – see derivatives below.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements. The Group's financial liabilities constitute trade payables which are subsequently measured at amortised cost, using the effective interest rate method, and any derivative financial instruments classed as liabilities at the balance sheet date.

Derivatives and hedging activities

The Group accounts for one derivative item, a fixed cash flow hedge for rolling stock fuel, which is used to hedge its exposure to fuel price fluctuation. This is recognised at fair value. The effective part of the gain or loss on the fuel hedge is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Property, plant and equipment

Assets are recognised initially at cost, which comprises purchase price or construction cost, as well as any costs attributable to bringing the assets to the location and condition necessary for it to be capable of operating (e.g. directly attributable employee costs, cost of site preparation and clearance, initial delivery and handling costs, installation and assembly costs and professional fees).

The Rail Network Assets category is subsequently measured at its fair value – see below. In addition, other operational rail infrastructure and property assets which do not form part of the CVL rail network are also revalued. Other categories of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Rail Network and other rail infrastructure

On 28 March 2020, TfW acquired certain Rail Network Assets known as the Core Valley Lines (CVL) from Network Rail. This acquisition comprised the Aberdare, Coryton, Merthyr, Rhymney and Treherbert lines.

These railway infrastructure, stations, bridges and other assets are part of a specialised integrated network servicing a geographical area and therefore have been treated equivalently to the guidance under HM Treasury's Government Financial Reporting Manual ("FReM") for networked assets (which TfW's parent, the Welsh Government, applies in its consolidated accounts). We consider that this approach is reasonable under IFRS given that IAS 16 is less prescriptive in its valuation, and the FReM provides additional interpretations.

Other TfW-owned rail-related property assets which are part of the Network Rail-owned route and not part of CVL are included as other rail infrastructure and revalued separately to the CVL rail network.

The CVL network fair value is based on Depreciated Replacement Cost ("DRC"), because it is a specialised asset used to deliver a service to the public. To produce this valuation requires the use of assumptions, estimates and professional judgement.

The DRC is calculated by first determining a gross replacement cost for the CVL network. The gross replacement cost is then adjusted (or "depreciated") to reflect management's best estimate of the condition and capacity of the CVL network. This adjusted gross replacement cost is the depreciated replacement cost. The gross replacement cost is determined in line with guidelines issued by the Royal Institute of Chartered Surveyors. The guidelines require specific assumptions including:

- a modern equivalent asset which is treated as being a network identical in function, scale and connectivity, but constructed using modern specifications and methods
- instantaneous build on a green-field site.

To arrive at the final DRC valuation, the gross replacement value is adjusted to reflect management's best estimate of the remaining useful lives of the assets, taking into account the condition and capacity of the network. A full valuation takes place at least every five years, with inflation indices applied to a standard price list of the network's components in interim periods. Judgement is required to determine the nature of a modern equivalent asset and the current condition of the assets.

Modern Equivalent Asset valuation uses repeatable 'components' which are aggregated to form the network. These components are:

- Earthworks
- Structures
- Signalling
- Electrification and plant
- Operational property
- Track
- Telecoms.

All renewals that maintain the service potential of the rail network are capitalised. Subsequent expenditure that adds to the services or life of the CVL network is capitalised.

Enhancements and renewals of the CVL asset are included as a single amount at cost as assets under construction, until they are brought into use, at which point the asset is transferred into the Rail Network category and valued at DRC.

Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Income Statement.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for assets held at cost are as follows:

- Fixtures and fittings: 5-7 years
- Plant and machinery: 5-10 years
- Buildings: ≤25 years
- Improvement to property: 2 years
- Computer equipment: 3-5 years
- Motor vehicles: 3 years
- Rolling stock: ≤35 years
- Bus vehicles: 15 years.

The components of the railway network are depreciated over their estimated remaining useful economic lives; these are typically weighted averages for a range of components, given the complexity of these structures. These weighted averages and ranges are summarised below:

Component	Weighted average	Range
Earthwork	91 years	85 – 100 years
Structures	27 years	16 – 100 years
Signalling	12 years	7 – 17 years
Electrification and Plant	52 years	5 – 99 years
Operational Property	29 years	13 – 49 years
Track	16 years	14 – 32 years
Telecoms	19 years	4 – 34 years

This is a critical judgement based on the data available to TfW, and careful judgement is required in some cases, especially for components that are rarely replaced, such as structures and earthworks. Some components are capable of very long lives, however for the annual depreciation calculation, remaining lives are capped at 100 years due to inherent uncertainty beyond that period.

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Intangible assets and goodwill

Intangible assets largely comprise software, data models intellectual property licences which are amortised over 5-10 years and customer relationship assets resulting from the acquisition of Pullman Rail Limited which are amortised over 5 years. In addition the Group holds goodwill related to the acquisition of Pullman Rail in 2021/22 that is not amortised but is tested annually for impairment.

Employee benefits

Pension plans

The Group sponsors two defined benefit pension plans as well as defined contribution plans expensed in the income statement. The defined benefit plans are:

- TfW's section of the Railways Pension Scheme (RPS) in respect of staff who transferred to TfW from Network Rail as part of the CVL assets acquisition.
- Transport for Wales Rail Limited's section of the RPS in respect of staff transferring from Keolis Amey under the Operator of Last Resort arrangements.

RPS is a pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The accounting for each section of the scheme differs as set out below:

TfW section

The Group's net obligation in respect of the TfW Section is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted, with a final adjustment to recognise the employer's share of the net liability as set out above.

The Group determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset). The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

TfWRL section

The Group is only obligated to fund the TfWRL section of the scheme over the duration of the Operator of Last Resort Grant Agreement. At the end of the contract term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next operator or back to the Welsh Government. As there is no requirement to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by the next operator or the Welsh Government. Therefore, at each balance sheet date, a 'franchise adjustment' is recognised to offset the amount of the net pension asset or liability. The contract adjustment franchise adjustment is measured at the amount expected to be passed on to the next operator or the Welsh Government at the end of the Operator of Last Resort Grant Agreement.

When service costs are recognised in the income statement, a 'franchise adjustment' offsets an element of the service costs that would otherwise remain after reflecting the cost sharing with the members. This reflects the company's understanding of the legal position that some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. In the absence of specific guidance on this matter, the Directors believe that recognising a 'franchise adjustment' in the income statement to offset the excess service costs is the most appropriate reflection of the value of services attributable to the Company, and more accurately reflects the expense incurred by the Company in respect of operating the franchise contract.

Under circumstances where contributions are renegotiated, such as following a statutory valuation, an adjustment will be recognised in the income statement, while changes in actuarial assumptions continue to be recognised through other comprehensive income.

The Directors consider this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the franchise agreement with the Welsh Government where the contract commitment is only to pay contributions during the duration of the Operator of Last Resort Grant Agreement.

An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement 'contract franchise adjustment' but recognising all changes in the 'contract franchise adjustment' in Other Comprehensive Income.

Provisions

The Group's provisions relate to dilapidations for certain property and rolling stock leases and self-insurance claims relating to the CVL infrastructure.

A dilapidations provision is capitalised as part of the cost of the asset at the inception of leases when significant expenditure will be required to return the asset to its condition at commencement of the lease and remove any modifications made. The value of the provision is based on the net present value of future cash flows expected to settle the liability at the end of the lease and is reviewed at each balance sheet date. The discount is unwound through the income statement until the end of the lease period.

The self-insurance provision is expected to fully unwind in the next period and as such no discounting is required. The provision represents the best estimate of the expenditure required to settle the claims at the balance sheet date.

Leases

As a lessee

The Group holds a number of leases, primarily in relation to rail rolling stock as well as certain property assets.

At the lease commencement date (generally when the asset is made available for use), the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset (e.g. dilapidation costs), less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term (or the life of the underlying asset/asset component if shorter).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. It is remeasured when there is a change in future lease payments.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Track, depot and station access charges

Transport for Wales Rail Limited incurs track, station and depot access charges from Amey (in respect of CVL) and Network Rail (in respect of the rest of the rail network) which do not meet the definition of a lease under IFRS 16. This reflects the fact that either no identified asset exists or that the Group does not have the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of use, or that Network Rail/Amey, not the Group, direct how and for what purpose the assets are used.

Equity

Retained surplus

The retained surplus represents the cumulative surplus/(deficit) recognised in the income statement.

Capital contribution reserve

The Group received a capital contribution from the Welsh Ministers, which is the ultimate parent and controlling entity, with no issue of shares.

Revaluation reserve

The revaluation reserve represents upwards movements in the value of the revalued property and infrastructure assets. Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Income Statement.

Hedging reserve

The Group applies hedge accounting to its fixed cash flow hedge for rolling stock fuel. The effective part of the fair value gain or loss on the fuel hedge is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

2. Revenue from contracts with customers

Disaggregation of revenue

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition.

Description	2026 £000	2025 £000
Major products/service lines		
Core Welsh Government revenue grant	**72,600**	61,480
Capital Welsh Government grant release in line with depreciation	**87,835**	59,824
Core Welsh Government capital grant (expensed)	**30,176**	23,483
Other Welsh Government consultancy projects	**5,810**	11,453
Other capital grants release in line with depreciation	**2,910**	1,218
Franchise subsidy	**406,708**	370,381
Passenger receipts	**190,264**	174,795
Rail maintenance revenue	**11,006**	26,931
Transport consultancy and development	**11,271**	17,570
Rental income	**5,391**	8,710
Other income	**51,860**	51,712
Total	**875,831**	807,557
Timing of transfer of goods or services		
Grant income accounted under IAS 20	**575,642**	499,801
Products and services transferred at a point in time	**260,482**	246,359
Products and services transferred over time	**34,316**	53,074
Rental income accounted for under IFRS 16	**5,391**	8,323
Total	**875,831**	807,557

Other revenue includes contact centre services provided to third parties, station access charges, fuel sales, maintenance income, on-train catering sales and recharges.

Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers excluding grant income.

Description	Note	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Receivables (trade and due from other group companies)	12	**44,864**	51,929	**29,542**	27,140
Contract assets (accrued income)	12	**11,853**	6,595	**4,193**	951
Contract liabilities (deferred income)	14	**(4,357)**	(4,019)	**(3,042)**	(3,078)
Total	-	**52,360**	**54,505**	**30,693**	**25,013**

The contract assets relate to TfW's rights to consideration for work completed but not billed at the reporting date on services provided to the Welsh Government and third-party customers (accrued income). The contract assets are transferred to receivables when the rights become unconditional. All contract assets are expected to be invoiced during 2026/27.

The contract liabilities relate to advance consideration received from customers for services. The balance at the end of the year will be recognised as revenue when the performance obligations are performed which is expected to be during 2026/27.

Assets recognised from costs to fulfil contracts

TfW recognises the costs incurred in fulfilling third-party contracts with customers as an asset if these costs are expected to be recoverable. At the statement of financial position date this asset amounted to £517,000 (2025: £1,990,000).

Transaction price allocated to the remaining performance obligations

All remaining performance obligations that are unsatisfied at the statement of financial position date have original expected durations of one year or less. At the statement of financial position date, the deferred income balance relating to unsatisfied performance obligations is £4,357,000 (2025: £4,019,000).

3. Expenses and auditor's remuneration

Included in profit/loss are the following:

Description	Note	2026 £000	2025 £000
Depreciation of property, plant and equipment	8	**163,713**	148,985
Impairment of property, plant and equipment	8	**2,868**	1,925
Amortisation of intangible assets	9	**2,699**	3,272

Auditor's Remuneration

Description	2026 £000	2025 £000
Audit of these financial statements	**124**	120
Audit of subsidiary financial statements	**283**	271
Audit-related assurance services	**7**	7
Total	**414**	398

4. Employee numbers and costs

Description	Number of employees in 2026	Number of employees in 2025
Rail and bus operations	**3,971**	3,884
Multi modal central services	**341**	295
Rail maintenance	**153**	206
Consultancy services	**124**	121
Customer engagement centre	**94**	68
Total	**4,683**	4,574

The aggregate payroll costs of these persons were as follows:

Description	2026 £000	2025 £000
Wages and salaries	**266,103**	252,453
Social security costs	**30,987**	24,924
Contributions to defined contribution plans	**2,996**	2,615
Current service cost	**16,107**	14,671
Total	**316,193**	294,663

5. Directors' remuneration

Description	2026 £000	2025 £000
TfW Directors' remuneration through payroll	**605**	576
TfW Company contributions to money purchase pension plans	**14**	13
Total	**619**	589

Retirement benefits are accruing to one director under a money purchase scheme (2025: one).

6. Finance income and expense

Finance income

Description	2026 £000	2025 £000
Bank interest receivable	**194**	6
Other interest receivable	**-**	7
Net interest on net defined benefit pension plan liability/asset	**16**	-
Total finance income	**210**	13

Finance expense

Description	2026 £000	2025 £000
Interest on loan from parent company	**448**	390
Interest expense on lease liabilities	**15,479**	13,300
Unwind of discount on provisions	**214**	210
Net interest on net defined benefit pension plan liability/asset	**-**	2
Other interest payable	**555**	45
Total finance expense	**16,696**	13,947

7. Taxation

Recognised in the income statement

Description	2026 £000	2025 £000
Current tax expense		
Current year	**40**	-
Adjustment for prior years	**-**	(26)
Total current tax expense/(credit)	**40**	(26)
Deferred tax expense		
Origination and reversal of temporary differences	**(1,041)**	(1,563)
Adjustments in respect of prior periods	**(451)**	18
Total deferred tax expense/(credit)	**(1,492)**	(1,545)
Total tax expense/(credit)	**(1,452)**	(1,571)

Recognised in other comprehensive income

Description	2026 £000	2025 £000
Effective portion of changes in fair value of cash flow hedges	**2,195**	(68)
Disposal of revalued land and buildings	**(836)**	-
Total	**1,359**	(68)

The current UK tax rate that has been used for the year is 25% (2025: 25%).

Reconciliation of effective tax rate

Description	2026 £000	2025 £000
Surplus/(deficit) for the year	**(16,759)**	(32,262)
Total tax expense/(credit)	**(1,452)**	(1,571)
Total surplus/(deficit) excluding tax	**(18,211)**	(33,833)
Tax using the current UK corporation tax rate of 25% (2025: 25%)	**(4,553)**	(8,458)
Expenses or income not deductible	**3,332**	7,238
Movement in deferred tax not recognised	**179**	(429)
Adjustments in respect of previous periods	**(410)**	78
Tax charge/(credit) for the year	**(1,452)**	(1,571)

8. Property, plant and equipment

Group

Description	Rail network & other rail infrastructure £000	Other land, buildings & leasehold improvement £000	Plant & equipment fixtures & fittings £000	Rolling stock & bus vehicles £000	Assets under construction (AUC) £000	Total £000
Cost						
Balance at 1 April 2024	2,252,415	38,271	55,582	628,157	1,074,367	4,048,792
Additions	742	307	223	148,726	279,914	429,912
Transfers from AUC	576,854	76,556	22,799	37,445	(713,654)	-
Disposals	-	(41)	(98)	(39,210)	-	(39,349)
Revaluations	(106,123)	-	-	-	-	(106,123)
Impairment losses	-	(1,901)	-	-	-	(1,901)
Balance at 31 March 2025	**2,723,888**	**113,192**	**78,506**	**775,118**	**640,627**	**4,331,331**
Balance at 1 April 2025	2,723,888	113,192	78,506	775,118	640,627	4,331,331
Additions	-	314	110	98,405	231,364	330,193
Transfers from AUC	432,280	2,901	14,241	9,199	(458,621)	-
Disposals	(5)	(314)	(3,118)	(53,789)	(37)	(57,263)
Revaluations	253,093	-	-	-	-	253,093
Impairment losses	-	(166)	-	-	(2,702)	(2,868)
Balance at 31 March 2026	**3,409,256**	**115,927**	**89,739**	**828,933**	**410,631**	**4,854,486**
Depreciation & impairment						
Balance at 1 April 2024	717	8,072	22,001	166,162	-	196,952
Depreciation charge	63,561	4,805	11,148	69,471	-	148,985
Revaluations	(63,502)	-	-	-	-	(63,502)
Disposals	-	(41)	(34)	(39,209)	-	(39,284)
Balance at 31 March 2025	**776**	**12,836**	**33,115**	**196,424**	**-**	**243,151**
Balance at 1 April 2025	776	12,836	33,115	196,424	-	243,151
Depreciation charge	72,142	5,038	12,638	73,895	-	163,713
Revaluations	(72,203)	-	-	-	-	(72,203)
Disposals	-	(314)	(3,055)	(25,830)	-	(29,199)
Balance at 31 March 2026	**715**	**17,560**	**42,698**	**244,489**	**-**	**305,462**
Net book value						
Balance at 1 April 2024	2,251,698	30,199	33,581	461,995	1,074,367	3,851,840
At 31 March 2025 and 1 April 2025	2,723,112	100,356	45,391	578,694	640,627	4,088,180
Balance at 31 March 2026	**3,408,541**	**98,367**	**47,041**	**584,444**	**410,631**	**4,549,024**

Company

Description	Rail network & other rail infrastructure £000	Other land, buildings & leasehold improvement £000	Plant & equipment fixtures & fittings £000	Rolling stock & bus vehicles £000	Assets under construction (AUC) £000	Total £000
Cost						
Balance at 1 April 2024	2,252,415	20,710	4,904	-	893,362	3,171,391
Additions	742	-	-	-	234,142	234,884
Transfers from AUC	576,854	33,047	1,723	1,887	(613,511)	-
Disposals	-	-	(30)	-	-	(30)
Revaluations	(106,123)	-	-	-	-	(106,123)
Impairment losses	-	-	-	-	-	-
Balance at 31 March 2025	**2,723,888**	**53,757**	**6,597**	**1,887**	**513,993**	**3,300,122**
Balance at 1 April 2025	2,723,888	53,757	6,597	1,887	513,993	3,300,122
Additions	-	890	-	-	189,664	190,554
Transfers from AUC	432,280	8,031	1,912	-	(442,223)	-
Disposals	(5)	(315)	(2,799)	-	-	(3,119)
Revaluations	253,094	-	-	-	-	253,094
Impairment losses	-	-	-	-	(2,702)	(2,702)
Balance at 31 March 2026	**3,409,257**	**62,363**	**5,710**	**1,887**	**258,732**	**3,737,949**
Depreciation & impairment						
Balance at 1 April 2024	717	5,268	2,518	-	-	8,503
Depreciation charge	63,561	2,423	1,066	100	-	67,150
Disposals	-	-	(23)	-	-	(23)
Revaluations	(63,502)	-	-	-	-	(63,502)
Balance at 31 March 2025	**776**	**7,691**	**3,561**	**100**	**-**	**12,128**
Balance at 1 April 2025	776	7,691	3,561	100	-	12,128
Depreciation charge	72,142	2,755	1,102	126	-	76,125
Disposals	-	(315)	(2,799)	-	-	(3,114)
Revaluations	(72,203)	-	-	-	-	(72,203)
Balance at 31 March 2026	**715**	**10,131**	**1,864**	**226**	**-**	**12,936**
Net book value						
Balance at 1 April 2024	2,251,698	15,442	2,386	-	893,362	3,162,888
At 31 March 2025 and 1 April 2025	2,723,112	46,066	3,036	1,787	513,993	3,287,994
Balance at 31 March 2026	**3,408,542**	**52,232**	**3,846**	**1,661**	**258,732**	**3,725,013**

Property, plant and equipment under construction

Assets under the course of construction comprise the programme of capital works being carried out by TfW to support development and renewal of the South Wales Metro and other infrastructure projects. The wider group balance also includes capital costs in relation to the introduction of new fleet, refurbishment of existing fleet, the Station Improvement Programme and new or upgraded retail and IT equipment.

Impairment and constructive loss

As at 31 March 2025, TfW held £2.7 million in assets under construction relating to design and survey costs for the footbridge, car park & ride and proving line location at Llanwern. Following the UK Spending Review 2025, we now have greater clarity on the design requirements and future delivery of the stations between Severn Tunnel Junction and Cardiff Central recommended by Lord Burns and the South East Wales Transport Commission. Therefore a prudent decision has been made to impair the balance during 2025/26. This impairment is also considered as a Constructive Loss under the definitions set out in Managing Welsh Public Money.

CVL revaluation

The CVL network fair value is based on Depreciated Replacement Cost (DRC), because it is a specialised asset used to deliver a service to the public. The valuation of the CVL is revised each year based on the latest available information from asset condition surveys and construction costs. This valuation is performed by TfW, with support from Atkins Limited (professional valuers) using data provided by TfW.

To produce this valuation requires the use of assumptions, estimates and professional judgement (see note 1 for a description of the process to produce the valuation).

The key assumptions and judgements within the valuation are considered to be:

- Asset lives and remaining asset lives of the network components – the valuation applies an adjustment to the gross replacement cost to reflect the estimated level of accumulated depreciation based on management's judgement of the remaining useful lives of the existing network components as a proportion of the estimated useful lives of the components if new. Different methodologies are applied to each component using the data available at the time of preparing the estimates. These estimates are complex and require the use of judgement and estimation, which results in a degree of estimation uncertainty. TfW relies on industry expertise and gathers renewed data on the assets (e.g. asset condition) via on an ongoing basis via rolling inspection plans, and the assumptions are being adjusted where the latest data suggests this is appropriate.
- Land compensation adjustment – a 45% uplift is applied to the land market value to reflect the estimated cost of Compulsory Purchase Orders and potential compensation payments to adjacent landowners. As TfW does not purchase large parcels of land, this estimate reflects the experience of Welsh Government and is also used for trunk road network valuations. This figure was last revised in 2022 following a review of recent compensation costs paid by Welsh Government. Management considers the 45% is an appropriate figure to use, but there is a degree of estimation uncertainty.

- Risk factor – after allowing for known costs in constructing assets, there remain unknown and localised costs that are captured using a risk factor of 42.6%. This is arrived at using a build up of the various types of risk that can arise (for example technology, weather, physical access, skills and resource availability and supply chain) weighted based on their level of applicability to a project to construct a modern equivalent CVL network (which is assumed to be at a stage where asset requirement is known but detailed design development is ongoing). Given that the project is conceptual in nature, and the scale of the build project, this risk factor is inherently judgemental and thus has a degree of estimation uncertainty.

  The risk factor has increased from 37.8% in the prior year. Recent global events (such as, the Middle East conflict and the Ukraine conflict) have highlighted supply chain volatility, leading to an increase in assessed risk levels. Ongoing disruption, particularly from energy price volatility, is expected to drive rising input costs, with a typical lag of 3-4 months before impacting customer pricing. While the Middle East is not a major supplier of finished materials, its role in raw material processing (e.g. aluminium) is expected to push global metals prices higher later in the year. These factors have been reflected in updated risk assumptions.

- Assets brought into use – judgement is applied in determining when assets under construction for major infrastructure projects (in particular CVL transformation) are available for use and transferred to assets in use. This assessment is based on the overall programme plan, review of individual work package completion, engagement with project managers, review of asset management system records, and senior management oversight. Judgement is also required in allocating programme-level design costs to individual assets. These costs are apportioned across the programme and recognised based on the percentage completion of the underlying projects.

The following sensitivity analysis reflects the key sources of estimation uncertainty in the valuation, showing the impact of changes in assumptions on the overall value of the rail network asset (excluding other rail infrastructure).

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- Scenario 2 shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10 percentage points; i.e. a compensation adjustment of 35% or 55% respectively.
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 42.6%, by an increase or decrease of 10 percentage points, effectively showing risk factors of 52.6% and 32.6%.

Type	Depreciated replacement cost (-) £m	Depreciated replacement cost £m	Depreciated replacement cost (+) £m
Base value	-	3,396	-
Scenario 1	(276)	-	216
Scenario 2	(44)	-	44
Scenario 3	(194)	-	194

The model applies annual indexation to unit rates which have not undergone a full refresh during the year. For all asset categories except land, the index used is consumer price index (CPI). Land is revalued annually using the latest available land rates from the Valuation Office Agency, with indexation applied using consumer prices index including owner occupiers' housing costs (CPIH) for any gap between the Valuation Office Agency data and the year-end date.

Lease right-of-use assets

At 31 March 2026 property, plant and equipment includes lease right-of-use assets recognised under IFRS 16 as follows:

Description	Land and buildings £000	Rolling stock £000	Other £000	Total £000
Group	34,291	497,492	406	532,189
Company	29,959	-	-	29,959

Reconciliation to group statement of cash flows

Description	2026 £000	2025 £000
Tangible additions (note 8)	**330,193**	429,912
Movement in capital creditors	**(13,282)**	15,327
Recognition of dilapidations provision	**3,821**	541
Capitalised lease right-of-use assets	**(97,936)**	(149,214)
Payments to acquire capital assets per statement of cash flows	**222,796**	296,565

9. Intangible assets

Group

Description	Goodwill £000	Customer relationships £000	Data Models £000	Software and IP licences £000	Assets under construction (AUC) £000	Total £000
Cost						
Balance at 1 April 2024	3,546	2,367	3,137	13,481	85	22,616
Additions	-	-	-	-	(7)	(7)
Transfers from AUC	-	-	-	78	(78)	-
Balance at 31 March 2025	**3,546**	**2,367**	**3,137**	**13,559**	**-**	**22,609**
Balance at 1 April 2025	3,546	2,367	3,137	13,559	-	22,609
Additions	-	-	-	-	-	-
Transfers from AUC	-	-	-	-	-	-
Disposals	-	-	-	(10,000)	-	(10,000)
Balance at 31 March 2026	**3,546**	**2,367**	**3,137**	**3,559**	**-**	**12,609**
Amortisation & impairment						
Balance at 1 April 2024	-	1,868	1,569	8,586	-	12,023
Amortisation for the year	-	365	523	2,384	-	3,272
Balance at 31 March 2025	**-**	**2,233**	**2,092**	**10,970**	**-**	**15,295**
Balance at 1 April 2025	-	2,233	2,092	10,970	-	15,295
Amortisation for the year	-	134	523	2,042	-	2,699
Disposals	-	-	-	(10,000)	-	(10,000)
Balance at 31 March 2026	**-**	**2,367**	**2,615**	**3,012**	**-**	**7,994**
Net book value						
Balance at 1 April 2024	3,546	499	1,568	4,895	85	10,593
At 31 March 2025 and 1 April 2025	3,546	134	1,045	2,589	-	7,314
Balance at 31 March 2026	**3,546**	**-**	**522**	**547**	**-**	**4,615**

Company

Description	Data Models £000	Software and IP licences £000	Assets under construction (AUC) £000	Total £000
Cost				
Balance at 1 April 2024	3,137	1,537	85	4,759
Additions	-	-	(7)	(7)
Impairments	-	-	-	-
Transfers from AUC	-	78	(78)	-
Balance at 31 March 2025	**3,137**	**1,615**	**-**	**4,752**
Balance at 1 April 2025	3,137	1,615	-	4,752
Additions	-	-	-	-
Impairments	-	-	-	-
Transfers from AUC	-	-	-	-
Balance at 31 March 2026	**3,137**	**1,615**	**-**	**4,752**
Amortisation & impairment				
Balance at 1 April 2024	1,569	428	-	1,997
Amortisation for the year	523	313	-	836
Balance at 31 March 2025	**2,092**	**741**	**-**	**2,833**
Balance at 1 April 2025	2,092	741	-	2,833
Amortisation for the year	521	329	-	850
Balance at 31 March 2026	**2,613**	**1,070**	**-**	**3,683**
Net book value				
Balance at 1 April 2024	1,568	1,109	85	2,762
At 31 March 2025 and 1 April 2025	1,045	874	-	1,919
Balance at 31 March 2026	**524**	**545**	**-**	**1,069**

The goodwill and customer relationships balances relate to the acquisition of Pullman Rail Limited in 2021/22. The Group tests goodwill annually for indicators of impairment – there are no indicators of impairment as at the balance sheet date.

Other intangible assets are made up of external data purchases and internal development relating to the North Wales and Mid & West Wales transport data models, as well as software, data model development relating to bus reform projects and a range of intellectual properties licences in relation to rail and other public transport delivery. The wider group balance also includes the licences for access to software and other intellectual property related to public transport service and infrastructure delivery.

10. Investments

The Company is a 100% shareholder in the following companies:

- **Transport for Wales Rail Limited.** This company was incorporated on 26 May 2020 with an investment of £1.
- **Pullman Rail Limited.** This company was acquired on 8 August 2021 for consideration of £11,097,000.
- **Wales Infrastructure Manager of Last Resort Limited.** This company was incorporated on 18 September 2019 with an investment of £1. The company is currently dormant.
- **TfW Fibre Ltd.** This company was incorporated on 7 February 2024 with an investment of £1.

The Company is also a 51% shareholder in TfW Innovation Services Limited.

All the above companies are registered in England and Wales and have the same registered address as Transport for Wales and all are consolidated in this set of financial statements.

TfW also holds 33% of the shares in Cardiff Interchange Manco Limited for consideration of £33. This company is dormant with net assets of £99 and has no post-acquisition profit or loss.

For all shareholdings above, TfW holds the stated percentage in all classes of shares and voting rights.

Company

Description	Investments in subsidiaries £000
Cost and net book value	
Balance at 1 April 2024	11,097
Additions	-
Balance at 31 March 2025	**11,097**
Balance at 1 April 2025	11,097
Additions	-
Balance at 31 March 2026	**11,097**

11. Inventories

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Raw materials and consumables	**13,356**	12,368	**-**	-
Finished goods	**44**	41	**44**	41
Total	**13,400**	12,409	**44**	41

12. Trade and other receivables

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Trade receivables	**41,812**	48,947	**6,743**	5,635
Receivables due from parent and other group companies	**3,052**	2,982	**22,799**	21,505
Contract assets (accrued income)	**11,853**	6,595	**4,193**	951
Accrued funding – core Welsh Government capital grant	**28,699**	37,876	**28,699**	37,876
Other receivables	**26,915**	18,675	**25,704**	26,922
Prepayments	**21,002**	23,077	**2,336**	3,010
Deferred tax (Note 16)	**103**	-	**-**	-
Derivative financial Instrument assets (Note 19)	**4,366**	2	**-**	-
Total	**137,802**	138,154	**90,474**	95,899

13. Cash and cash equivalents

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Cash and cash equivalents per statement of financial position	**64,818**	39,634	**21,940**	14,566
Cash and cash equivalents per statement of cash flows	**64,818**	39,634	**-**	-

14. Trade and other payables

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Amounts falling due within one year				
Trade payables	**23,751**	28,945	**1,657**	7,093
Payables due to parent and other group companies	**1,371**	9,096	**1,142**	7,953
Other trade payables	**3,065**	2,974	**1,982**	792
Accrued expenses	**145,947**	120,970	**86,513**	82,834
Deferred income – core revenue grant	**10,652**	578	**10,652**	578
Deferred income – third party	**4,357**	4,019	**3,042**	3,078
Social security and other taxation	**6,910**	7,944	**1,215**	1,914
Deferred tax (Note 16)	**-**	30	**-**	-
Derivative financial instrument liabilities (Note 19)	**112**	3,577	**-**	-
Total amounts falling due within one year	**196,165**	178,133	**106,203**	104,242
Amounts falling due after more than one year				
Payables due to parent and other group companies	**7,700**	7,700	**-**	-
Total amounts falling due after more than one year	**7,700**	7,700	**-**	-
Total trade and other payables	**203,865**	185,833	**106,203**	104,242

At the balance sheet date, the Company had an intercompany loan of £0.9m (2025: £6.9m) from Welsh Government in relation to the acquisition of Pullman Rail Limited in August 2021. The agreement stipulates an interest rate of “the Bank of England base rate plus 4%” and repayment terms to “as agreed between the parties from time to time”. As the loan is technically repayable on demand, the loan has been classed as short-term.

In addition, in September 2024 TfW Fibre entered into a loan of £7.7m from Welsh Government to provide working capital and to support the mobilisation of the Company. The agreement stipulates an interest rate of 7% per annum and repayments to be made on an annual basis between 2033 and 2038. This loan is therefore classified as long-term.

15. Provisions

Group

Movement in provisions

Description	CVL self-insurance £000	Dilapidations £000	Total £000
Opening balance	341	2,850	3,191
Change in estimate	1,040	3,821	4,861
Use of provision	(997)	-	(997)
Unwind of discount on provisions	-	214	214
Closing balance	**384**	**6,885**	**7,269**

Timing of expected cash flows

Description	CVL self-insurance £000	Dilapidations £000	Total £000
Less than one year	384	-	384
Later than five years	-	6,885	6,885
Total	**384**	**6,885**	**7,269**

Company

Movement in provisions

Description	CVL self-insurance £000	Dilapidations £000	Total £000
Opening balance	341	2,850	3,191
Change in estimate	1,040	(21)	1,019
Use of provision	(997)	-	(997)
Unwind of discount on provisions	-	214	214
Closing balance	**384**	**3,043**	**3,427**

Timing of expected cash flows

Description	CVL self-insurance £000	Dilapidations £000	Total £000
Less than one year	384	-	384
Later than five years	-	3,043	3,043
Total	**384**	**3,043**	**3,427**

16. Deferred tax – Group

The deferred tax liability/(asset) is made up of the balances below. The comparative in this note has been adjusted to present IFRS 16 right of use assets and liabilities separately in accordance with IAS 12 amendments on deferred tax.

Description	Balance at 1 April 2024 £000	Movement in OCI £000	Movement in income statement £000	Balance at 31 March 2025 £000
Non-current assets				
Property, plant and equipment	67,011	-	(450)	66,561
IFRS 16 lease right of use assets	125,785	-	32	125,817
Current assets				
Fuel hedge	68	(68)	-	-
Non-current liabilities				
Short-term provisions	-	-	(32)	(32)
Deferred capital grants	(65,291)	-	-	(65,291)
Pension liabilities	(7)	-	2	(5)
IFRS 16 lease right of use liabilities	(125,785)	-	(32)	(125,817)
Tax losses	(138)	-	(1,065)	(1,203)
Total	**1,643**	**(68)**	**(1,545)**	**30**

Description	Balance at 1 April 2025 £000	Movement in OCI £000	Movement in income statement £000	Balance at 31 March 2026 £000
Non-current assets				
Property, plant and equipment	66,561	(836)	12,080	77,805
IFRS 16 lease right of use assets	125,817	-	(88,295)	37,522
Current assets				
Fuel hedge	-	2,195	(877)	1,318
Non-current liabilities				
Short-term provisions	(32)	-	28	(4)
Deferred capital grants	(65,291)	-	(12,488)	(77,779)
Pension liabilities	(5)	-	6	1
Unpaid remuneration	-	-	(201)	(201)
IFRS 16 lease right of use liabilities	(125,817)	-	88,295	(37,522)
Tax losses	(1,203)	-	(40)	(1,243)
Total	**30**	**1,359**	**(1,492)**	**(103)**

17. Deferred capital grants

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Balance at 1 April	**2,176,769**	1,957,602	**1,887,860**	1,693,701
Additions	**236,562**	280,209	**189,665**	234,812
Release in line with asset depreciation/impairment	**(90,745)**	(61,042)	**(66,053)**	(40,653)
Balance at 31 March	**2,322,586**	**2,176,769**	**2,011,472**	**1,887,860**

£103.2m is expected to be released within 12 months in line with the depreciation charge on the grant-funded assets – this has been included as a non-current liability aligned to the presentation of the corresponding non-current assets.

18. Employee benefits

Defined contribution pension schemes

The total expense relating to defined contribution plans is as follows:

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Total expense	**2,996**	2,615	**2,860**	2,445

Defined benefit pension schemes

The Group operates two sections of the RPS. The first is within Transport for Wales in respect of staff transferring to TfW from Network Rail as part of the CVL assets acquisition. The second is within Transport for Wales Rail Limited in respect of staff transferring as part of the OLR transition. The disclosures for each of these sections are set out below.

The directors believe that separate consideration should be given to the Transport for Wales Rail Limited section under IAS 19 "Employee benefits" as the company has no rights or obligations in respect of the scheme following expiry of the OLR Agreement. Despite remaining open to new entrants and future accrual, the risks posed by the Transport for Wales Rail Limited RPS are limited as, under the OLR Agreement, the company is not responsible for any residual deficit at the end of the contract. As such, there is only short-term cash-flow risk within the business.

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
TfW Section liability/(asset)	**(403)**	(202)	**(403)**	(202)
TfW Rail Section liability/(asset)	**-**	-	**-**	-
Total expense	**(403)**	(202)	**(403)**	(202)

TfW section

Movement in net defined benefit liability/(asset)

Description	Defined benefit obligation 2026 £000	Defined benefit obligation 2025 £000	Fair value of plan assets 2026 £000	Fair value of plan assets 2025 £000	Net defined benefit liability/ (asset) 2026 £000	Net defined benefit liability/ (asset) 2025 £000
Balance at 1 April	**4,216**	4,584	**(4,553)**	(4,492)	**(337)**	92
Included in profit or loss						
Current service cost	**210**	275	**-**	-	**210**	275
Settlement cost	**-**	-	**-**	-	**-**	-
Administration costs	**-**	-	**19**	19	**19**	19
Interest cost/(income)	**239**	218	**(265)**	(220)	**(26)**	(2)
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from:						
• Changes in demographic assumptions	**27**	(10)	**-**	-	**27**	(10)
• Change in financial assumptions	**(182)**	(693)	**-**	-	**(182)**	(693)
• Experience adjustment	**17**	9	**-**	-	**17**	9
Return on plan assets excluding interest income	**-**	-	**(152)**	240	**(152)**	240
Other						
Contributions paid by the employer	**-**	-	**(175)**	(189)	**(175)**	(189)
Contributions paid by the employee	**-**	-	**(72)**	(78)	**(72)**	(78)
Benefits paid	**(103)**	(167)	**103**	167	**-**	-
Scheme deficit	**4,424**	4,216	**(5,095)**	(4,553)	**(671)**	(337)
Adjustment for the members share of assets/liabilities	**-**	-	**-**	-	**268**	135
Balance at 31 March	**-**	-	**-**	-	**(403)**	(202)

Plan assets

Description	2026 £000	2025 £000
Growth assets	**4,519**	4,028
Bonds	**404**	292
Other assets	**172**	233
Total	**5,095**	4,553

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Description	2026	2025
Discount rate at 31 March	**6.25%**	5.75%
Price inflation	**3.35%**	3.15%
Future salary increases	**3.35%**	3.15%
Future pension increases	**3.15%**	2.90%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

Description	2026 years	2025 years
Male aged 65	**20.2**	19.7
Male currently aged 45	**21.5**	21.0
Female currently aged 65	**22.4**	22.1
Female currently aged 45	**23.8**	23.6

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25%.

Description	2026 £000	2025 £000
Discount rate decrease	**178**	175
Discount rate increase	**(167)**	(165)
Price inflation decrease	**(170)**	(166)
Price inflation increase	**180**	173
Future salary increase	**30**	30

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2026 would have increased by £124,000 (2025: increased by £135,000).

The above sensitivities are based on the actuarial valuation of the scheme carried out as at 31 December 2022. While the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

Transport for Wales expects to pay £181,000 in employer contributions to its defined benefit plan in the year ending 31 March 2027. The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years.

Transport for Wales Rail Limited section

Movement in net defined benefit liability/(asset)

Description	Defined benefit obligation 2026 £000	Defined benefit obligation 2025 £000	Fair value of plan assets 2026 £000	Fair value of plan assets 2025 £000	Net defined benefit liability/ (asset) 2026 £000	Net defined benefit liability/ (asset) 2025 £000
Balance at 1 April	**552,177**	594,554	**(543,149)**	(541,852)	**9,028**	52,702
Included in profit or loss						
Current service cost	**20,374**	22,657	**-**	-	**20,374**	22,657
Franchise adjustment to service cost	**(4,880)**	(8,921)	**-**	-	**(4,880)**	(8,921)
Administration costs	**-**	-	**442**	757	**442**	757
Interest cost/(income)	**18,650**	17,023	**(18,782)**	(15,823)	**(132)**	1,200
Interest on franchise adjustment	**132**	(1,197)	**-**	-	**132**	(1,197)
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from:						
• Changes in demographic assumptions	**3,797**	(939)	**-**	-	**3,797**	(939)
• Change in financial assumptions	**(24,605)**	(88,175)	**-**	-	**(24,605)**	(88,175)
• Experience adjustment	**22,664**	26,740	**-**	-	**22,664**	26,740
Return on plan assets excluding interest income	**-**	-	**(24,777)**	18,757	**(24,777)**	18,757
Other						
Contributions paid by the employer	**-**	-	**(15,936)**	(14,553)	**(15,936)**	(14,553)
Contributions paid by the employee	**10,581**	9,670	**(10,581)**	(9,670)	**-**	-
Benefits paid	**(23,270)**	(19,235)	**23,270**	19,235	**-**	-
Scheme deficit	**575,620**	552,177	**(589,513)**	(543,149)	**(13,893)**	9,028
Adjustment for the members share of assets/liabilities	**-**	-	**-**	-	**5,557**	(3,611)
Rail franchise adjustment	**-**	-	**-**	-	**8,336**	(5,417)
Balance at 31 March	**-**	-	**-**	-	**-**	-

Plan assets

Description	2026 £000	2025 £000
Equity	**476,393**	440,135
Interest-bearing securities	**107,359**	97,783
Infrastructure	**2**	89
Other assets	**5,759**	5,142
Total	**589,513**	543,149

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Description	2026	2025
Discount rate at 31 March	**6.25%**	5.75%
Price inflation	**3.15%**	2.90%
Future salary increases	**3.35%**	3.15%
Future pension increases	**3.15%**	2.90%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

Description	2026 years	2025 years
Male aged 65	**20.2**	19.7
Male currently aged 45	**21.6**	21.1
Female currently aged 65	**22.6**	22.3
Female currently aged 45	**24.1**	23.8

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the gross defined benefit obligation (before member and franchise adjustments) at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 1, or 0.5% where stated.

Description	2026 £000	2025 £000
Discount rate decrease	**101,775**	100,398
Discount rate increase	**(79,746)**	(78,300)
Price inflation decrease	**(80,473)**	(78,851)
Price inflation increase	**101,318**	99,683
Future salary increase (+0.5%)	**16,047**	15,841

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the gross value of the reported liabilities prior to member and franchise adjustments at 31 March 2026 would have increased by £14,045,000 (2025: increased by £14,081,000).

The above sensitivities are based on the results of the full actuarial valuation carried out by the RPS Trustee actuarial advisory team as at 31 December 2022.

Funding

Transport for Wales Rail Ltd expects to pay £16,983,000 in employer contributions to its defined benefit plans in the year ending 31 March 2027. The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years.

19. Financial instruments

Fair values of financial instruments

There are no differences between the fair values for each class of financial asset and financial liabilities and their carrying amounts shown in the statement of financial position.

Credit risk

TfW does not have significant credit risk exposure as the majority of its activity is funded by the Welsh Government grant received in advance, with the remainder of activity being with other public sector organisations. Credit risk is monitored on an ongoing basis.

The carrying amount of trade receivables represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date is as follows:

Description	2026 £000	2025 £000
Group	**44,864**	51,929
Company	**29,542**	27,140

There were no material receivables past due at either reporting date.

The group has an expected credit loss provision of £20,000 in relation to specific debts (2025: £0).

Liquidity risk

TfW monitors its working capital on a regular basis to ensure that sufficient funds have been drawn down from the Welsh Government to meet its liabilities as they fall due.

Fuel price risk

TfW uses a cash flow hedge to reduce price fluctuations attributable to fuel sources. The risk being hedged is changing fuel prices and the hedging instruments being used are fuel swaps. Trades are executed periodically and the Group’s existing hedges end between 30 April 2026 and 31 March 2029.

The fair value and change in market value of cash flow hedges is shown below:

Description	2026 £000	2025 £000
Balance at 1 April		
Receivables	**2**	657
Payables	**(3,577)**	(431)
Total	**(3,575)**	226
Movement through other comprehensive Income	**8,781**	(3,813)
Movement through profit and loss (inefficiency)	**-**	12
Total	**8,781**	(3,801)
Balance at 31 March		
Non-current financial assets	**952**	-
Receivables	**4,366**	2
Payables	**(112)**	(3,577)
Total	**5,206**	(3,575)

20. Leases

20 (a) Leases as a lessor

TfW has a lease to Amey Infrastructure Wales Limited in respect of the CVL assets. This lease commenced on 28 March 2020. This has been classified as an operating lease as the lease length is significantly less than the useful economic lives of the assets. The lease expires in February 2028 (following an amendment to the term as part of the Operator of Last Resort transition). The Company also has a small number of other property leases (e.g. station concessions).

During the year £4,623,000 (2025: £3,688,000) was recognised as rental income by the Company.

The Group also has leases with a number of companies in respect of station concessions and fleet. These have been classed as operating leases. During the year, £2,017,000 (2025: £5,022,000) was recognised of rental income in respect of these leases.

20 (b) Leases as a lessee

The Company holds four property leases – including the lease on its head office in Pontypridd, which commenced in October 2020 and ends in 2035, as well as property leases lasting between one and five years for properties in Wrexham, Penrhyndeudraeth and Taff's Well. The Company also holds two very long life leases for the Cardiff Bus Interchange. Both leases are 990 year leases with £10 per annum peppercorn rentals.

The Company's subsidiary Transport for Wales Rail Limited also holds a number of rolling stock leases averaging nine years in length and a number of property leases for depots and offices.

The discount rate applied to these assets is the government borrowing rate for the relevant calendar year (the discount rate for leases starting during the year ended 31 March 2026 is 5.32% for leases commencing in 2026 and 4.81% for leases commencing in 2025).

In addition, the Group also holds a number of low value or short-term leases in relation to office equipment.

Right-of-use assets

Right-of-use assets related to lease properties are presented as property, plant and equipment:

Group

Description	Land and buildings 2026 £000	Rolling stock 2026 £000	Other 2026 £000	Total 2026 £000	Land and buildings 2025 £000	Rolling stock 2025 £000	Other 2025 £000	Total 2025 £000
Balance at 1 April	35,742	488,399	500	**524,641**	15,562	398,046	465	**414,073**
Additions/ amendments	314	98,405	107	**98,826**	22,102	148,607	222	**170,931**
Depreciation charge	(1,765)	(61,664)	(201)	**(63,630)**	(1,922)	(58,254)	(187)	**(60,363)**
Derecognition of right-of-use assets *	-	(27,648)	-	**(27,648)**	-	-	-	**-**
Balance at 31 March	34,291	497,492	406	**532,189**	35,742	488,399	500	**524,641**

* Derecognition of the right-of-use assets is as a result of terminating a number of leases early. On 1 April 2025, the right-of-use asset (£27,648,000) and related lease liability (£28,484,000) were derecognised, resulting in a gain of £836,000.

Company

Description	Land and buildings 2026 £000	Total 2026 £000	Land and buildings 2025 £000	Total 2025 £000
Balance at 1 April	30,414	**30,414**	9,927	**9,927**
Additions/amendments	891	**891**	21,717	**21,717**
Depreciation charge	(1,346)	**(1,346)**	(1,230)	**(1,230)**
Balance at 31 March	29,959	**29,959**	30,414	**30,414**

The majority of new and modified leases relate to new rolling stock within TfW Rail, which are depreciated over the life of the leases.

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Group is a lessee:

Description	Group 2026 £000	Group 2025 £000
Interest expense on lease liabilities	**15,479**	13,300
(Gain)/loss on lease derecognition	**(897)**	-
Expenses relating to short-term leases (excluding low-value assets)	**398**	49
Expenses relating to leases of low-value assets	**298**	75
Total	**15,278**	13,424

At 31 March 2026, the Group was committed to short term and low value leases with a total gross commitment of £81,000 (2025: £128,000) and has agreements to lease with the leases not yet commenced with total future payments of £7,457,000 (2025: £40,639,000) all of which relates to future rolling stock leases. At 31 March 2026, the Company was committed to short term and low value leases with a total gross commitment of £10,000 (2025: £1,000) and had no agreements (2025: no agreements) to lease with the leases not yet commenced.

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
As at 1 April	**520,597**	436,417	**10,613**	11626
Additions	**87,182**	135,595	**891**	(15)
Derecognition of lease liabilities	**(28,484)**	-	**-**	-
Accrued interest	**15,479**	13,300	**149**	145
Payments	**(73,090)**	(64,715)	**(1,359)**	(1,143)
As at 31 March	**521,684**	520,597	**10,294**	10,613
Current portion of lease liabilities	**54,269**	61,178	**1,302**	1,017
Non-current portion of lease liabilities	**467,415**	459,419	**8,991**	9,596
Total	**521,684**	520,597	**10,293**	10,613

Liability split by asset type

Description	Group 2026 £000	Group 2025 £000	Company 2026 £000	Company 2025 £000
Land and buildings	**14,512**	16,023	**10,293**	10,613
Rolling Stock	**506,800**	504,109	**-**	-
Other	**372**	465	**-**	-
Total	**521,684**	520,597	**10,293**	10,613

21. Capital commitments

As at 31 March 2026, the Group had entered into contracts to purchase property, plant and equipment for £106,547,000 (2025: £141,380,000). At the same date, the capital commitments of Transport for Wales as a standalone company were £90,865,000 (2025: £142,554,000).

22. Related parties

Identity of related parties with which TfW has transacted

During the year, TfW and its subsidiary TfW Rail Limited received revenue and lease grant/subsidy cash payments from the Welsh Government of £489,721,000 (2025: £422,381,000), as well as revenue grants to be paid to local authorities of £6,428,000 (2025: £5,569,000). TfW Group also received cash capital grant and rail subsidy funding of £270,532,000 (2025: £276,628,000) as well as capital grants to be paid to local authorities and other third parties of £47,491,000 (2025: £42,634,000).

Included within creditors as at 31 March 2026 is a balance due to the Welsh Government relating to revenue and lease grant funding received but costs not yet incurred of £13,340,000 (2025: £2,190,000) and a similar creditor for capital grant funding of £5,885,000 (2025: £9,128,000). There are also debtor balances with Welsh Government relating to grants & subsidies paid to local authorities and other third parties, made up of revenue £2,688,000 (2025: £1,612,000) and capital £22,814,000 (2025: £28,747,000).

In addition, TfW recognised income from the Welsh Government (including Cadw, a division of Welsh Government) relating to non-grant funded consultancy and other projects of £7,077,000 (2025: £12,665,000). At 31 March 2026, TfW was owed £3,320,000 (2025: £2,963,000) for services invoiced to the Welsh Government, and had accrued income for services provided to the Welsh Government but not yet invoiced of £100 (2025: £3,000).

TfW made purchases from the Welsh Government totalling £22,000 (2025: £152,000) in relation to recharged services (primarily secondee costs and access licences). It has a payables balance due to the Welsh Government as at 31 March 2026 of £nil (2025: £120,000).

The Group also has two loans with Welsh Government – a working capital loan to TfW and a further funding loan with TfW Fibre. As at 31 March 2026, the balance with TfW is £900,000 plus accrued interest of £242,000 (2025: £6,900,000) and the balance with TfW Fibre was £7,700,000 (2025: £7,700,000). Interest payable during the year was £242,000 (2025: £390,000) on the TfW loan and £525,000 (2025: £17,000) on the TfW Fibre loan.

TfW trades with companies also owned by Welsh Ministers. TfW recognised revenue of £130,000 (2025: £176,000) and had a debtor balance at 31 March 2026 of £nil (2025: £19,000) with GCRE Ltd and recognised revenue of £17,000 with Cwmni Egino Ltd. TfW also made purchases of £13,000 from DCFW Ltd during the year ended 31 March 2026.

The parent Company's subsidiary TfW Innovation Services Limited has a minority interest shareholder, and as such, related party disclosures for the parent company are required in accordance with FRS 101. During the year, TfW made purchases of £nil from TfW Innovation Services Limited (2025: £222,000) and TfW Rail made purchases of £84,000 from TfW Innovation Services Limited (2025: £nil). There are trade debtors and accrued income due to TfW Innovation Services Limited from TfW at 31 March 2026 of £85 (2025: £21,000) as well as a working capital loan from TfW to TfW Innovation Services Limited of £100,000 (2025: £100,000).

Transactions with key management personnel

Key management personnel is deemed to include company statutory directors (whose remuneration is disclosed in note 4) and other members of the executive team. The compensation of key management personnel is as follows:

Description	2026 £000	2025 £000
Key management emoluments including social security costs	**2,453**	2,091
Company contributions to money purchase pension plans	**121**	103
Payments to third parties in respect of secondees	**118**	-
Total	**2,692**	2,194

23. Losses and special payments

The following is the statement of losses and special payments as required by the Government Financial Reporting Manual, with individual disclosures where the total amounts incurred are over the limits prescribed in Managing Welsh Public Money of £300,000.

Description	2026	2025
Total number of losses and special payments	**94**	151
Total value of losses and special payments (£000s)	**3,934**	579

Individual losses of £300,000 or more

As at 31 March 2025, TfW held £2.7m in assets under construction relating to design and survey costs for the footbridge, car park & ride and proving line location at Llanwern. Following the UK Spending Review 2025, we now have greater clarity on the design requirements and future delivery of the stations between Severn Tunnel Junction and Cardiff Central recommended by Lord Burns and the South East Wales Transport Commission. Therefore a prudent decision has been made to impair the balance during 2025/26. This impairment is also considered as a Constructive Loss under the definitions set out in Managing Welsh Public Money.

24. Ultimate parent company and parent company of larger group

TfW is a subsidiary undertaking of the Welsh Ministers which are also the ultimate parent entity. TfW's results are consolidated in the Welsh Government's consolidated annual accounts which are available from its registered address, Cathays Park, Cardiff, CF10 3NQ or from its website at:
https://gov.wales/welsh-government-consolidated-annual-accounts.

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