Annual Report and Statement of Accounts

2014/15

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London

We are the integrated transport authority for London. Our purpose is to keep London working and growing and to make life in the Capital better. We reinvest all of our income to run and improve London's transport services.

Our operational responsibilities include London Underground, London Buses, Docklands Light Railway, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line.

On the roads, we regulate taxis and the private hire trade, run the Congestion Charging scheme, manage the city's 580km red route network, operate all of the Capital's 6,200 traffic signals and work to ensure a safe environment for all road users.

We are delivering one of the world's largest programmes of transport capital investment, which is building Crossrail, modernising Tube services and stations, improving the road network and making the roads safer, especially for more vulnerable road users, such as pedestrians and cyclists.

We are a pioneer in integrated ticketing and providing information to help people move around London. Oyster is the world's most popular smartcard, and contactless payment is making travel ever more convenient. Real-time travel information is provided by us directly and through third parties who use the data TfL makes openly and freely available to power apps and other services.

Improving and expanding transport in London is central to driving economic growth, jobs and housing across the country.

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Mayor's foreword

London's continued success depends on an efficient and reliable transport network that quickly adapts to the changing needs of the greatest metropolis on the planet. Transport for London's achievements in enabling the city's development have once again been immense.

This year London achieved an historic milestone when our population passed 8.6 million, meaning we have more souls living here than ever before. The Malthusian doom-mongers were wrong. Far from choking the city, this growth in economically active and productive talent is the driving force behind the economic and social wellbeing of the entire nation.

Businesses are thriving, jobs and homes are being created and we live in an increasingly safe environment. None of this would be happening without high quality and constantly improving transport.

Across the TfL network, capacity has been increased and reliability improved.

London Underground is now more than 50 per cent more reliable compared with 2010/11 owing to a relentless focus on getting the detailed day-to-day operations right while simultaneously modernising the network. Train frequencies and capacity on the upgraded Victoria, Jubilee and Northern lines now rival those of the best metros anywhere in the world.

Our roads are undergoing radical and rapid change. Delivery of my vision for cycling is in full swing. Communities across London are being transformed through investment in better high streets and made safer through improved road layouts. And, somehow, TfL engineers even managed to jack up the Hammersmith flyover to breathe decades more life into it. Our new Santander Cycles partnership, the largest public sector sponsorship deal in the world, will deliver excellent value to Londoners.

These are enormous achievements. But TfL has not been content just to do the same old job on a bigger scale. It is adapting and innovating to support a very different London.

I am especially proud of what we have been able to do this year for London's army of part-time and flexible workers. The old fares system worked against them. On a day-by-day basis they paid more for travel than their full-time counterparts. I was able to restructure fares to give these customers a fairer deal and help develop today's flexible labour market.

There is, of course, still so much to do. Our population is set to reach 10 million by 2030 and it will grow larger still. This represents one of the nation's greatest economic opportunities. We must continue to invest in transport and other infrastructure to make the most of that opportunity. We need to support the necessary expansion of our bus services. The case for Crossrail 2 is overwhelming; London itself can pay for much of it and we must press ahead without the delay that surrounded the start of Crossrail 1. We must also make our network more accessible for all Londoners to use and the new £76m fund I announced last year will enable another 12 stations to become step-free.

We need to build on the success of London Overground to further improve commuter rail services into central London providing south London with a metro-style service it deserves. And we must underpin our ambitious housing programme with the transport that links these new homes to jobs. Extending the Bakerloo line into south London and the London Overground to Barking Riverside are two crucial examples.

Our city has proved that with just a small measure of devolution great things can be achieved. Just think what more could be done if London and the UK's other great cities were given even more say in their own futures. That's why I will continue to fight for a better deal for London so we can continue to deliver.

I'd like to pay tribute to our departing Commissioner, Sir Peter Hendy CBE, following the announcement that he is to leave TfL in July to take on the role of Chair of Network Rail. Peter has given 15 years of superb service to London. He has helped oversee the biggest programme of investment in transport since Victorian times – from revitalising the bus

service, to Crossrail and the Tube upgrades, and the cycle superhighways. He led the work that moved millions of people around the city during the Olympic and Paralympic Games – and earned TfL the admiration of passengers from around the world. It is quite right that his skills should now be deployed on the national stage.

Boris Johnson
Mayor of London

Message from the Commissioner

Transport is not an end in itself. It is an enabler of economic development, housing, jobs and social cohesion. Everything we do is designed to meet a core promise to our customers and users – that every one of the 30 million journeys made on our network each day matters to us.

The way in which we deliver against our promise is constantly changing as the city develops. And, like most parts of the public sector, my organisation must do more, do it better and do it all for less money.

We are rightly judged by the standards of the best in the private sector. Why should a not-for-profit agency like mine be any less agile, any less innovative, any less aware of its cost base and any less sensitive to the needs of its customers than a commercial business?

Indeed, it is because many of our customers and users have little choice but to use our services that we must always act in their interests and be proactive in reforming the way in which we operate. Transport exists for the benefit of our customers and users, not us as provider, and it is why every penny of our income is ploughed back into running and improving services.

The scale of the challenge is enormous. As part of a huge savings and efficiencies programme, we have taken 15 per cent out of our cost base. At the same time, we have expanded capacity, made existing infrastructure work even harder and made transport more accessible and safer.

We manage a range of models to deliver this in the most effective way. Some services we run directly, like London Underground, while others are out-sourced, like our bus service, London Overground and our London Highways Alliance with the boroughs. Our job is to make sure that the quality and value for money of all of them are equally high, that there is a joined-up customer experience and that everything we do, either directly or through partners, delivers what this city needs.

Our public transport services carried record numbers of customers in 2014/15. There were 1.3 billion journeys made on the Tube, where underlying safety performance remains strong, and 2.4 billion journeys on the bus. Despite these high numbers, crime on the network actually remains at its lowest level since reporting began.

Capacity on the Northern line, one of the busiest on the Underground, was increased by 20 per cent as part of the Tube modernisation programme. The Victoria line is now one of the most frequent rail services in Europe with a train every 105 seconds at peak times.

New S stock trains are now in full passenger service on the Circle, Hammersmith & City and Metropolitan lines, and increasingly out on the District line. The entire fleet of District line trains will be replaced by the end of 2016. This huge programme of modernisation includes major stations, trains, track and control systems being updated or replaced to provide more capacity for this growing city. We completed and successfully opened the first new part of Tottenham Court Road station as planned in January. The station now has a new spacious ticket hall, plus an entrance on Oxford Street and six new escalators.

We added a fifth car to our ever more popular London Overground and a new station and extra capacity to the DLR. Crossrail 1, which will add 10 per cent extra capacity to the rail network from 2018, is now more than halfway built and is on time and on budget.

We increased bus services by two per cent and introduced many more British-built New Routemasters. And our 'Year of the Bus' reminded us all of the vital and flexible role the service plays in keeping London moving. The centenary of the outbreak of the First World War and our splendid B-type London bus from the period was a poignant reminder of the role transport staff played in that conflict.

Our unprecedented £4bn roads modernisation programme is delivering improved and more agreeable environments, and safer roads on our own network and in London's local centres. It signals fundamental change.

To support massive growth in cycling journeys, we began the construction of new segregated Cycle Superhighways and, with the boroughs, will introduce new Quietways. As ever, reducing loss of life and serious injury remains

Message from the Commissioner (continued)

a top priority, particularly in respect of more vulnerable road users including cyclists, pedestrians and motorcyclists.

We funded a new Roads and Transport Policing Command, bringing together 2,300 Police and Community Support Officers to further improve the safety and security of roads and buses, making it the largest police command in the UK.

The world's first Safer Lorry Scheme was launched, another fantastic example of effective partnership working. The rogue minority of HGVs that operate without even basic safety equipment will be forced to improve or be banned. This will save more lives and create a level playing field for operators.

New technology is challenging traditional operating boundaries between the taxi and private hire trades, and the legislation we use to regulate the industry is becoming increasingly out-dated, straining the relationship between TfL and the industry we regulate.

Over the past 12 months, we have seen a huge growth in the number of licensed private hire vehicles on London's streets, contributing to increasing traffic congestion in key locations.

In the coming year, we will work hard to clarify the existing legislation on taxi-meters, produce a new set of Private Hire Regulations, taking account of technology developments, enabling us to more effectively license the industry, and also seek new powers in primary legislation to restrict vehicle numbers and remove dangerous pedicabs from London's streets. In addition, we will upscale the enforcement activity we do to reflect the more challenging operating environment 'on street' and to ensure compliance across the industry.

Work with a range of partners, especially the freight and logistics industries and London's boroughs, will continue as together we manage our roads differently to reflect the changing city.

Our relentless focus on improving London Underground customer service continued. We began moving more staff out from remote ticket offices and back rooms into the public areas of stations, improving training and equipping staff with the latest technology to provide an even better service with a human touch.

We became the first transport authority to introduce contactless ticketing, vastly improving convenience for customers and quickly becoming the fastest growing merchant in Europe for payments. We developed a new smartphone-friendly website to meet these needs of our tech-savvy city and continued to be a driving force for free open data, fuelling hundreds of new travel apps. We are also pioneers in the use of 'big data' to improve services for customers.

Our work is not just limited to London. We have joined other cities to argue for reform in the way transport infrastructure is funded. Alongside Manchester, Birmingham, Leeds and Sheffield we have been making the case for Whitehall to give us a greater say over our own futures and in turn boost the prosperity of UK plc.

My organisation touches all who live in, work in and visit our city. That is both a privilege and a huge responsibility for my colleagues and I. London's growth and its booming economy will pose new challenges in the years ahead and we are determined to rise to them efficiently and effectively, and always to the benefit of our customer and users.

I will step down as Commissioner of Transport for London on 16 July 2015. Mike Brown MVO will act as Commissioner, pending a full recruitment process. It has been an enormous privilege to lead this organisation and have the support of our hugely talented staff, and those of our contractors. The success of what we do and the regard in which TfL is now held, in London, the UK, and the world, are testimony not to my leadership, but to the efforts of every one of the people who both work here and for us.

Sir Peter Hendy CBE
Commissioner of Transport

Year at a glance

2014/15 saw the continuation of the wholesale modernisation of the London Underground and road networks. Record numbers of customers used public transport services and contactless payment was extended to Tube, trams and rail services.

April 2014

Pudding Mill Lane DLR station opens, boosting capacity by an extra 1,100 customers an hour

May 2014

UK's first 'bridge style' ramps at Tube stations offer step-free access from street to train where traditional ramps can't be used

June 2014

The Victoria line is now the most frequent train service in the UK, with up to 34 trains an hour

July 2014

A million spectators line the route between Cambridge and London to watch the Tour de France.

August 2014

A total of 264 New Routemasters now in service. There will be 600 by 2016.

September 2014

Contactless payments are introduced on the Tube, trams, DLR, London Overground and most National Rail services in London

October 2014

Additional funding totalling £76m is announced to speed up accessibility improvements on the network

November 2014

Five-car trains are introduced on the London Overground network, boosting capacity by 25 per cent

December 2014

Modernisation of the Northern line increases capacity by 20 per cent

January 2015

Crossrail 2 is recognised by the business community as the top priority for London's next major infrastructure project

February 2015

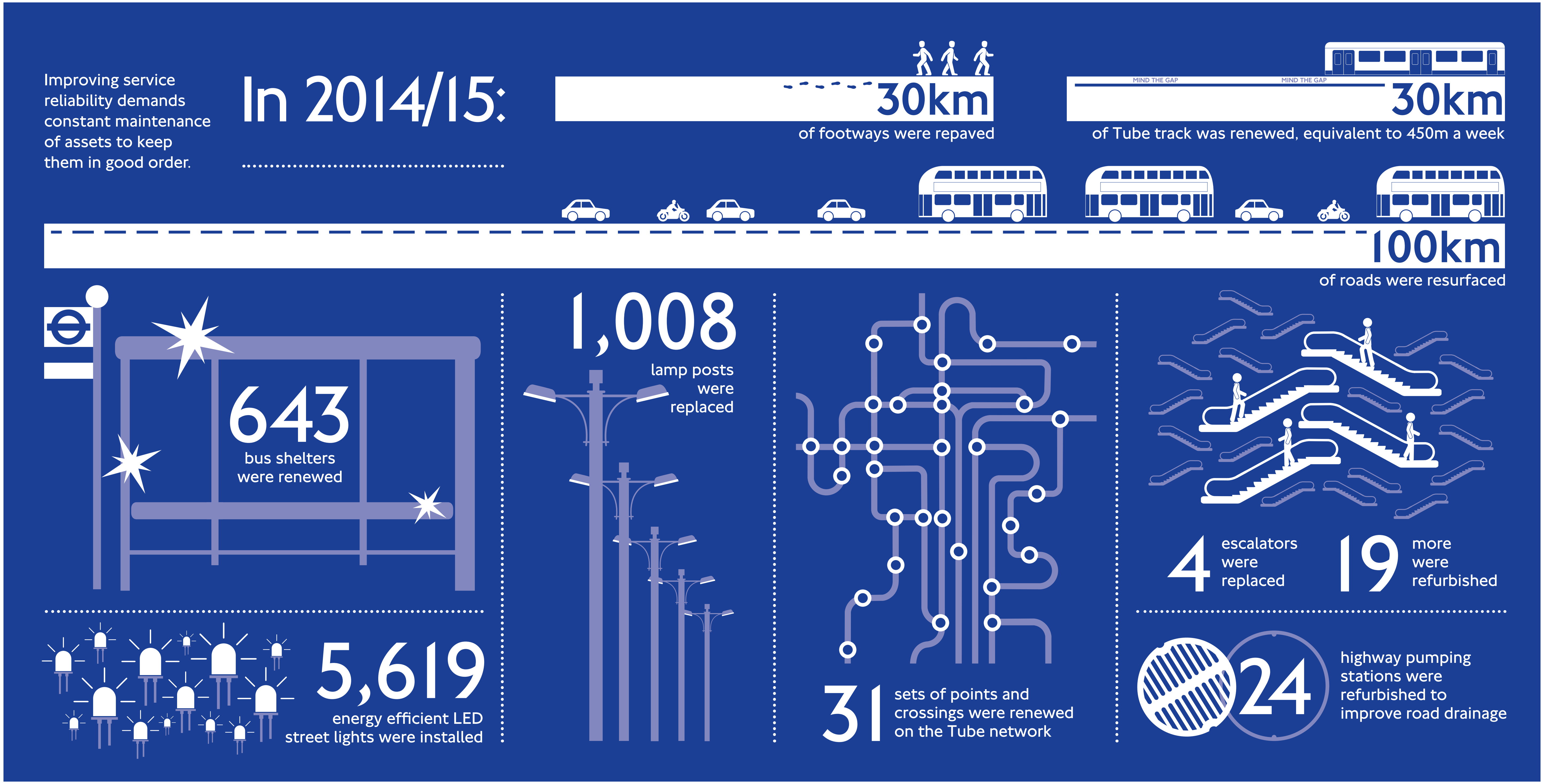
Final plans for 'Crossrail for bikes' is approved by the TfL Board, as part of delivering the Mayor's Cycling vision

March 2015

The Mayor confirms the world's first Ultra Low Emission Zone will launch in central London in 2020

Delivering for London

No other city is as defined by its transport system as London. Each year, as well as delivering increasingly reliable services more efficiently, we're also building new transport infrastructure and planning further improvements to secure the city's future as a world-leading city.



Operational performance

Buses	2014/15	2013/14	2012/13	2011/12	2010/11
Passenger journeys (millions)*	**2,385**	2,382 2,405	2,311 2,335	2,320 2,344	2,289
Kilometres operated (millions)	**489**	491	490	490	486
Percentage of schedule operated (per cent)	**97.1**	97.7	97.6	97.6	97.4
Excess wait time (high frequency) (minutes)	**1.1**	1.0	1.0	1.0	1.0
Customer satisfaction (score)	**85**	83	82	80	80

*The method for calculating child journeys changed in 2014/15. The figures on the top row show corrected figures between 2011/12 and 2014/15. The figures on the bottom row show uncorrected figures for previous years as published previously

There were two instances of industrial action on the bus network in 2014/15, reducing journeys by around seven million

TfL's road network	2014/15	2013/14	2012/13	2011/12	2010/11
Journey time reliability (am)	**88.3**	89.0	89.2	88.9	88.8
Hours of serious and severe disruption	**3,555+**	2,263	2,249	1,994	2,176
Traffic flow*	**95.9**	94.6	92.9	91.9	93.0
Customer satisfaction with TfL's road network	**74**	75	76	75	72

Notes: *Traffic volume compared to an index of 100 from Period 13, 2006/07
+ Figure for planned and unplanned

London Underground (LU)	2014/15	2013/14	2012/13	2011/12	2010/11
Passenger journeys (millions)	**1,305**	1,265	1,229	1,171	1,107
Kilometres operated (millions)	**80.3**	76.2	76.0	72.4	68.9
Percentage of schedule operated (per cent)	**97.6**	97.5	97.6	97.0	95.6
Excess journey time (weighted) (minutes)	**4.6**	5.2	5.3	5.8	6.5
Customer satisfaction (score)	**84**	83	83	80	79

Docklands Light Railway (DLR)	2014/15	2013/14	2012/13	2011/12	2010/11
Passenger journeys (millions)	**110.2**	101.6	100.0	86.2	78.3
Kilometres operated (millions)	**5.8**	5.8	5.7	4.9	4.7
Scheduled departures operated (per cent)	**99.3**	99.2	98.5	97.6	97.5
Customer satisfaction (score)*	**89**	87	87	83	81

London Trams	2014/15	2013/14	2012/13	2011/12	2010/11
Passenger journeys (millions)	**30.9**	31.2	30.1	28.5	27.9
Kilometres operated (millions)	**3.0**	3.0	2.9	2.7	2.7
Planned kilometres delivered (per cent)	**97.9**	98.8	98.2	99.0	98.6
Customer satisfaction (score)	**89**	89	89	86	85

London Overground	2014/15	2013/14	2012/13	2011/12	2010/11
Passenger journeys (millions)	**139.8**	135.7	124.6	102.6	57.2
Kilometres operated (millions)	**7.8**	7.9	7.5	6.9	5.2
On-time performance (per cent)	**95.2**	96.1	96.6	96.6	94.8
Customer satisfaction (score)	**83**	82	82	82	80

Emirates Air Line	2014/15	2013/14	2012/13
Availability (per cent)	**96.3**	95.0	94.2
Customer satisfaction (score)	**93**	93	93
Passenger numbers (millions)	**1.5**	1.5	2.0

Keeping London working and growing

Every day millions of people travel on TfL's transport network and demand for our service is increasing all the time. Everything we do helps keep the city moving now and in years to come.

Our purpose is to keep London working and growing and to make life in the Capital better. Every penny of our revenue is reinvested in running and improving transport for our customers and users, and to maintain London's position as a world-leading city and engine of the UK economy. Delivery of this purpose is supported by plans organised under four strategic pillars – Customers, Delivery, People and Value.

Customers: the heart of our business

Putting customers and users at the centre of everything we do

People: dedicated to customer service

Valuing our people

Delivery: our plans and our promises

Delivering safe, reliable, clean, sustainable and accessible transport

Value: delivering more with less

Providing value for money for fare and tax payers

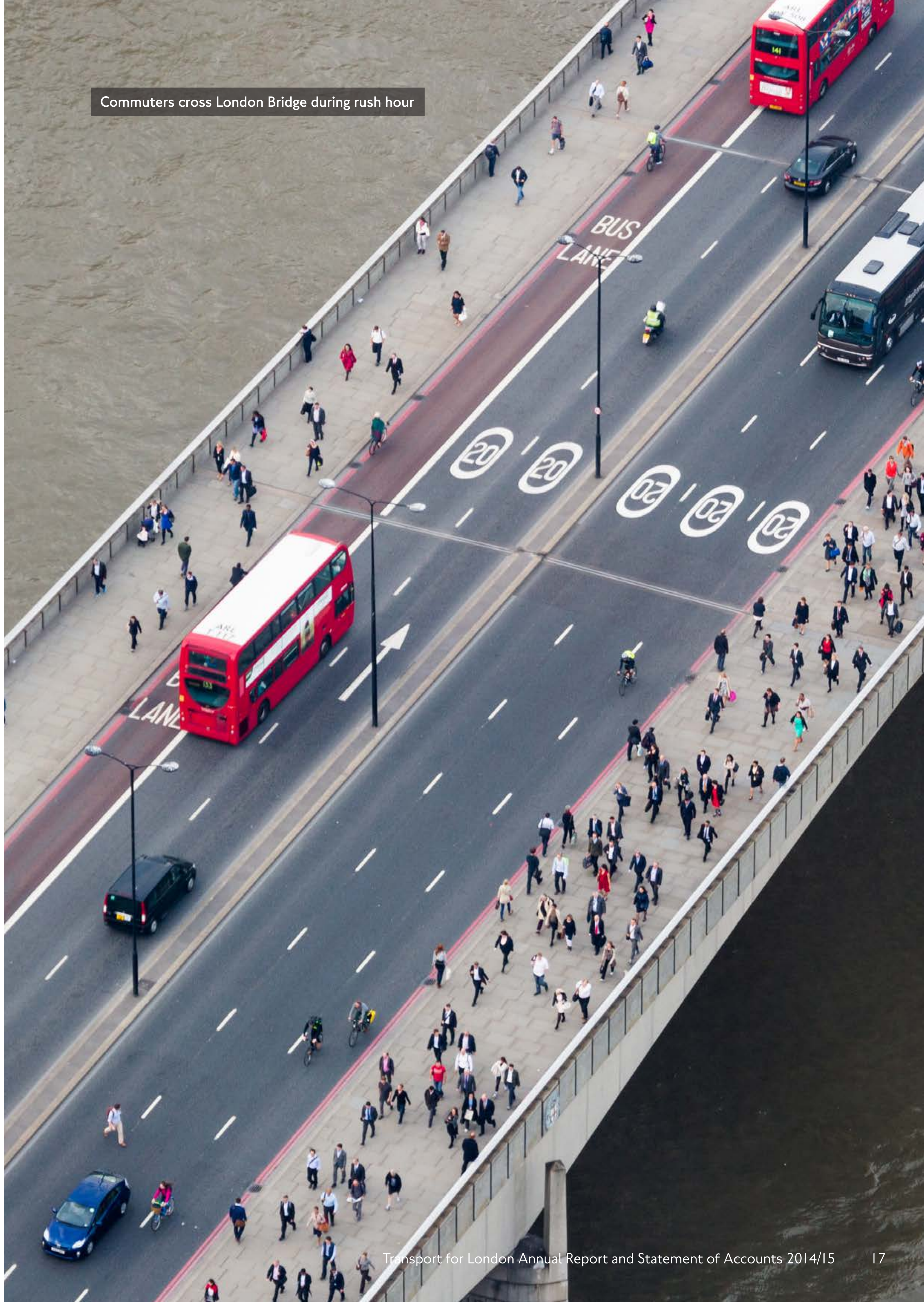
On an average day in London, there are around

30

million journeys

on the TfL network

Source: Travel in London, Report 7



Commuters cross London Bridge during rush hour

Customers: the heart of our business

Putting customers and users at the centre of everything we do

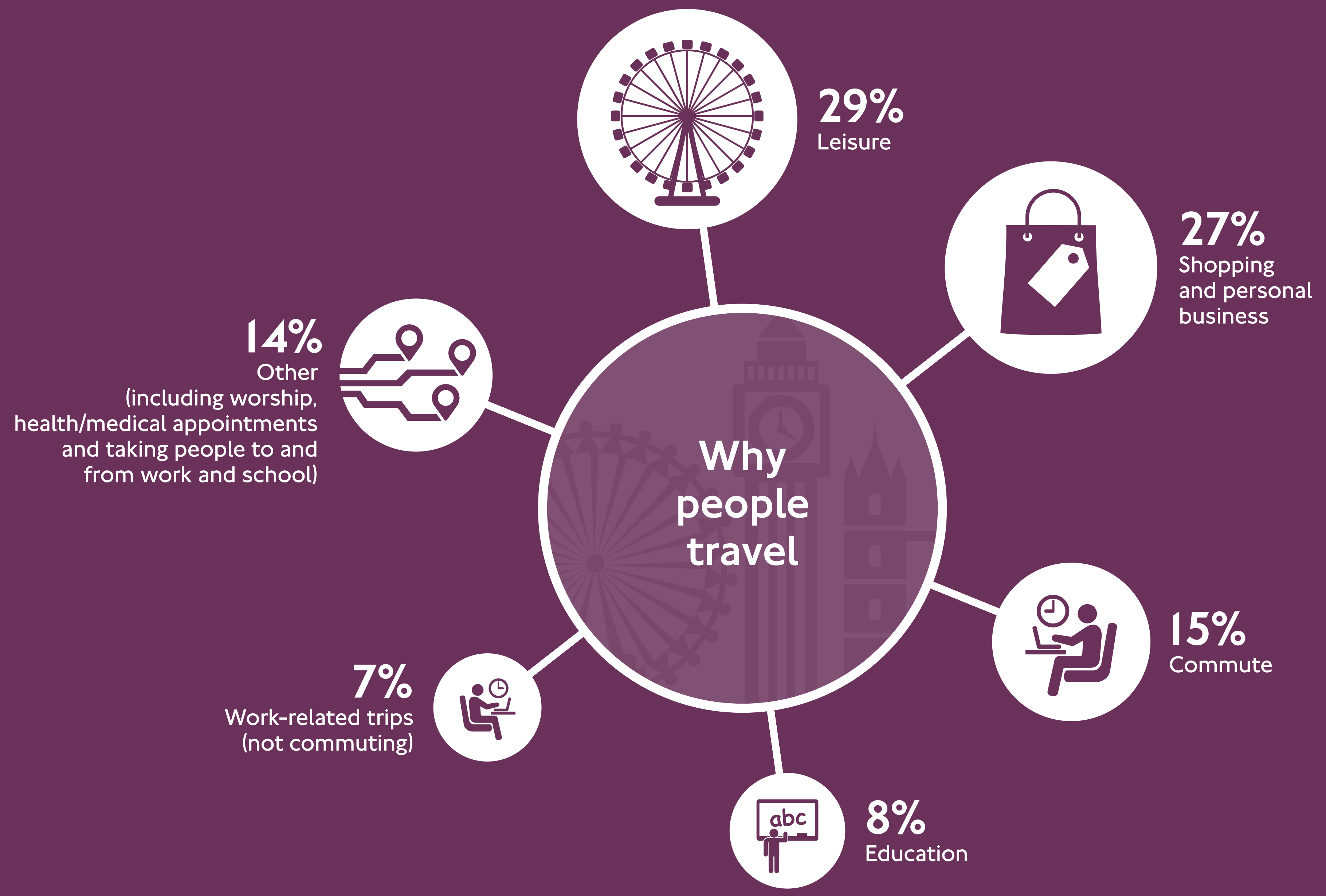
We plan both for today and tomorrow. London's population of 8.6 million is expected to grow to nearly 10 million by 2030. This is equivalent to two full Tube trains a week arriving in London.

Every journey matters – the daily commute, a hospital appointment, a visit to friends or a shopping trip. This is why we are committed to making continuous improvements to transport and London's environment.

We listen carefully to comments and complaints about our services and address them through specific action planning. This includes areas such as improved customer services at the frontline, greater safety and security, better real-time information for customers and road users, and improved accessibility and ticketing.

We aim to operate openly and transparently. We place an enormous amount of information into the public domain about our activities and decisions, allowing our performance to be scrutinised by the people we serve.

Trips made by London residents (all modes of transport)



Source: London Travel Demand Survey, published in 2015

Touch and go

‘Total contactless spending reached a record £2.32bn in 2014 – more than double that of all the previous six years combined.’

Richard Koch, Head of Policy at The UK Cards Association

One million contactless taps are made each day on London’s transport network

The contactless payment card has become the preferred option for travel for a large, and steadily increasing, number of our customers.

Since its launch in September 2014 on the Tube, trams, DLR, London Overground and most National Rail services in London, TfL has become the fastest growing contactless merchant in Europe.

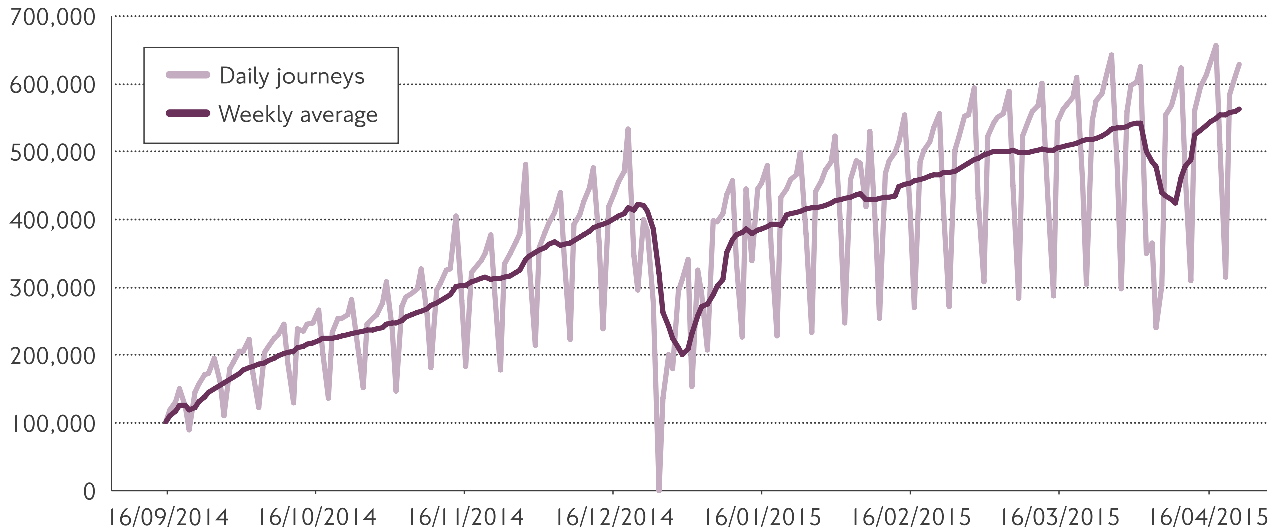
Customers can now pay for their rail journeys simply by touching their debit, credit or charge card on the reader at the beginning and end of each trip. People have been able to touch in on buses with their cards since December 2012.

Those using contactless cards can also benefit from daily and Monday-Sunday capping. This means that once the cap has been reached, there are no further charges. Contactless payment charges the same fare as Oyster.

‘I’ve been using contactless payments when I’ve forgotten my Oyster and left it at home and when I’ve been in a rush and not had the time to top up. It’s really good, very efficient and very easy.’

Sheena Patel, a passenger at Green Park

Number of journeys processed by TfL made using contactless payment



The new face of customer service

Tube staff are now more visible in ticket halls offering assistance to customers

Our wholesale modernisation of London Underground continued, including major improvements to face-to-face customer service.

In February 2015, LU station staff began moving out from behind ticket windows and into the public areas of stations such as ticket halls and station platforms. They have been equipped with tablet devices loaded with information to help address customer queries on the spot.

From service updates and an overview of ticket types – including National Rail options – to researching local directions or confirming the time of the last train, customers can now get help more easily than ever before.

Mystery shopper feedback on the first wave of stations to operate without ticket windows, including South Wimbledon, Queensway and King's Cross St. Pancras has been extremely positive. Some staff received maximum scores as they helped customers discover the flexibility of the network's new upgraded ticket machines.

These improvements to customer service will continue to be introduced across the LU network until April 2016. Customers can see the latest updates at tfl.gov.uk/futuretube

Change for good

The following improvements are being introduced as part of this modernisation:

Ticketing: improved touch screen ticket machines featuring a simpler design and instructions in 17 languages, as well as additional functions to save customers time. Transactions that previously meant queuing at a ticket office window can be carried out at the machines (with a few exceptions such as purchasing annual season tickets, which can now be done online).

Signage: clearer customer information has been introduced. Maps, leaflets and timetables will be displayed in one central place at each ticket hall, with larger locations, such as King's Cross St. Pancras, having dedicated Visitor Centres and information areas.

WiFi: This is being made available at every station to enable staff to use mobile devices.

> 'It is nice to have the Customer Service Assistants actually out by the machines answering any questions you have.'
> Paulo Mendes from Portugal at Queensway station

Online, and right on the button

In the 12 months since it was launched in April 2014, our re-designed website has received 250 million visitors, with more than 1.2 billion page visits.

Satisfaction levels are higher than they've ever been. In the latest customer survey, 90 per cent of respondents rated their experience of using the website as excellent, very good or above average.

With the rapid growth in use of smartphones and tablets, it was recognised that the old website, itself an award winner in previous years, needed to be updated to make it more responsive to customers on the move who rely on hand-held devices to get information.

Our team adopted a customer-driven design process so the site was developed in partnership with users through an extensive period of testing.

Social media feeds

Demand for our social media feeds continues to rise strongly, with 2.3 million followers on Twitter and Facebook receiving real-time updates on bus and rail services and roads status. Since April 2014, a further 150,000 people have signed up to the @TfLTrafficNews Twitter feed, taking the total number of followers to 350,000 and we now have 13,500 followers of our @TfLAccess feed designed to help disabled customers.

This input from customers means that information is provided in a way that suits them. It is easy to access and responsive to all types of mobile device. It's also cleverer – remembering, for instance, customers' settings and their last five journeys.

In the coming months, Journey Planner options for bus and cycle hire users will be improved, as will the Travel Alerts service. The 'Help and contact' page will also be modified to make it easier for customers to ask questions or raise issues.

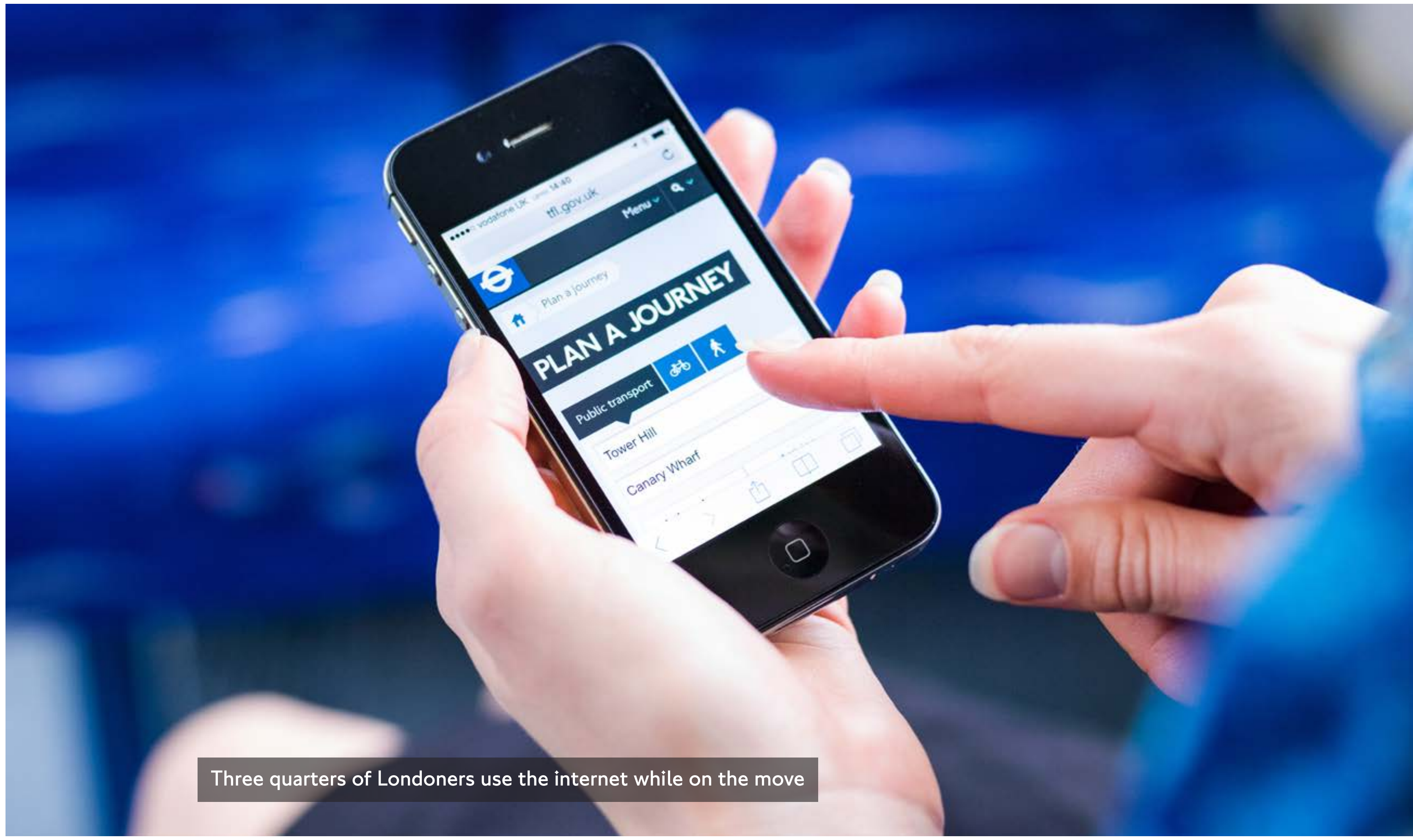
We also make our travel data openly and freely available to more than 6,000 app developers. There are now 30 data feeds available to developers and more than 360 apps have been created that are helping customers to see when their next train is due or decide which journey to take.

Our goal is to ensure that any person needing travel information when they're in the Capital can get it wherever and whenever they wish, in any way they want.

Email updates

Based on customers' individual journeys and travel habits, we send out regular email updates with information ranging from changes to our services to more convenient ways to pay.

During 2014/15 we sent more than 263 million tailored email updates across more than 1,000 campaigns.



Three quarters of Londoners use the internet while on the move

Online… the numbers

- More than four-fifths (81%) of Londoners use our website – up from 76% a year ago
- More than three-quarters (76%) of Londoners use mobile internet
- Our website remains the most common source of real-time travel information in London, used by 61% of internet users

(Figures: Digital Media Monitor)

Access all areas

The invitation was clear – come and try out our newest buses and taxis, see the latest street and station designs, meet the people who plan and run our transport network… and tell them what you think.

More than 1,500 visitors attended our first transport accessibility show, Access All Areas, believed to be the biggest of its kind ever held in the UK.

The idea was prompted by research showing that, despite major improvements to public transport accessibility in recent years, many disabled and older people remain unaware of what is being done or how to plan accessible journeys. Nearly two-thirds said they would like to make more trips by public transport.

TfL has run smaller events for similar groups in the past but nothing as big or comprehensive as this.

Held at ExCeL London in October, Access All Areas highlighted some of the latest thinking and most advanced technology, from 'talking' bollards to our own Innovation Bus, which tells passengers when there are empty seats upstairs to allow more room for wheelchair users or buggies downstairs.

We also displayed some new electric vehicles – a single deck bus, a coach, London Dial-a-Ride minibus and taxi – as well as life-size mock-up stations, piers and street environments for visitors to test. London Transport Museum was also there, featuring display boards charting 20 years of accessibility on the Capital's bus network.

Other exhibitors included the Guide Dogs charity, which offered blindfolded tours of the vehicles, University College London's Accessibility Research Group and the Royal College of Art, with roadwork layouts and interactive street furniture designs to help visually impaired people navigate streets safely.

> 'Outstanding event. It has given me the confidence to travel more around London and beyond.'
>
> 'Excellent comprehensive content. The help offered and information relating to my twin 13-year-old disabled grandchildren was superb.'
>
> 'Good to see the improvements being made for disabled people in London.'
>
> 'Excellent day. More please.'

London Councils, the accessibility campaign group Transport for All, transport watchdog London TravelWatch, and cycling charity Wheels for Wellbeing also exhibited, and British Transport Police officers were on hand to talk to visitors.

During the day, two 30-minute sessions offered an insight into how 'All Aboard' training for all London bus drivers is ensuring that older and disabled passengers receive the support they need when travelling.

Conference sessions examined topical issues, and a panel session chaired by Baroness Grey-Thompson gave visitors the chance to put questions to LU Managing Director Mike Brown, Surface Transport Managing Director Leon Daniels, and Planning Managing Director at the time Michèle Dix CBE.

For us, the show was a valuable way for our staff to talk to disabled and older customers; it clearly made its mark with visitors too. In a survey afterwards, 94 per cent rated it good or very good, 90 per cent felt TfL is making it easier for them to get around, and 92 per cent said they would attend a similar event in future.

A similar event is being planned for early 2016.

More than 1,500 people visited Access All Areas, TfL's first transport accessibility show, held at ExCel in October 2014

Stepping up

A £76m fund to boost our work on accessibility was announced at the show. The money will enable another dozen Tube stations to become step-free over the next 10 years. The number of stations on the transport network with step-free access from street to platform will rise from 194 in March 2014 to at least 287 by March 2024. It was confirmed in October 2014 that all Crossrail stations will be step-free.

This time it's personal: using 'big data' to make every journey better

London's incredible growth provides us with many exciting challenges; not least our customers' demand for instantly accessible – and increasingly personalised – travel information.

The city's population is constantly on the move. The 30 million trips taken on an average day (a significant proportion of which are made with the 9.46 million Oyster cards that are in regular use) are captured by our ticketing and other automated systems, providing a huge amount of information – 'big data' – about how people travel around the Capital.

We are actively analysing and improving our capability to apply big data to provide better transport: it can measure and anticipate the impact of changes to our services, as well as effects of alterations to London's landscape such as new housing, offices and shopping developments.

Anonymised, personalised

Of course, to protect customers' private information, we remove all personal details from the data that we analyse: but while the information used is anonymised, the benefits are increasingly personalised.

As part of our work to manage rising travel demand, we are using big data to develop programmes that encourage customers to explore alternative travel options. This is particularly useful during peak times when the transport system is close to capacity.

With the information our customers provide, their needs can be 'segmented'. This means that we can email them with travel information updates that match their travel patterns and typical choice of transport service.

We are also using big data to send automatic refunds to customers where there has been a material delay to their journey.

Planning better bus services

Our customers make an average of 46 million bus journeys a week. As people do not need to 'tap out' with their Oyster cards on buses, there aren't records of destinations for each passenger journey. Instead we use bus location and ticketing data to infer where people are likely to get off the bus. This enhanced data tool helps us to match London's constantly evolving transport system to customer needs; from improving network and interchange planning and coordination to reviewing the impacts of bridge closures or diversions.

Analysing travel demand to ease disruption

In summer 2014 the London Borough of Wandsworth had to close Putney Bridge for repair work. While people were still able to walk or cycle across it, cars were not permitted and bus services had to stop either side of the bridge. We used our big data and stitched together Oyster taps and iBus location data to predict how many bus passengers would be affected by the bridge closure.

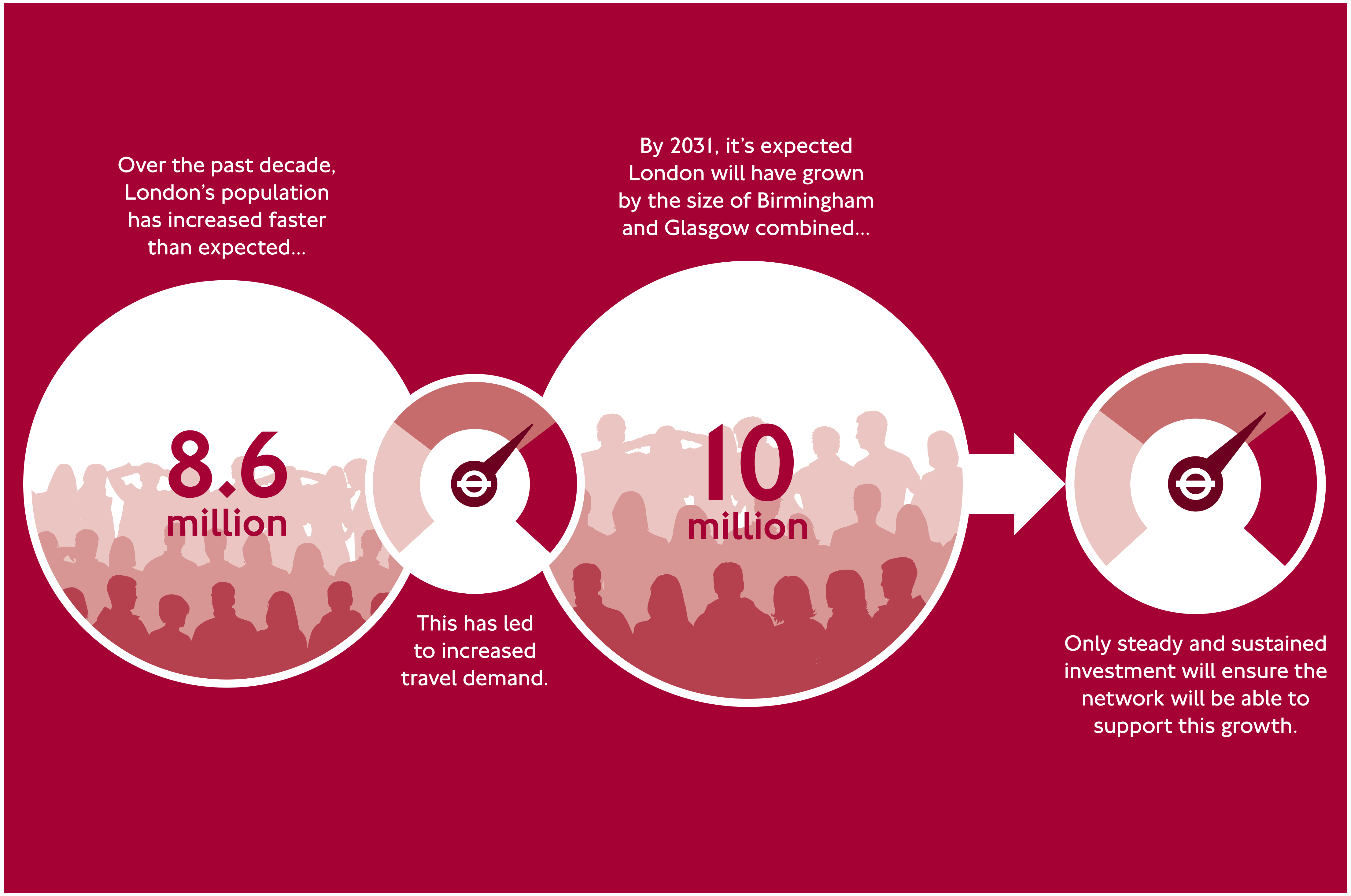
In an average week, 870,000 passengers travelled on bus routes that cross Putney Bridge. Around 40,000 unique Oyster cards in a week made 111,000 bus journeys that actually crossed the bridge. Roughly half of these journeys started or ended very close to the bridge, meaning that these passengers would probably opt to walk across the bridge as a start or end to their journey, only needing one bus.

That left 56,000 journeys that involved crossing the bridge in the middle of a trip. These journeys would now require two bus trips, one either side of the bridge, so we made arrangements to offer transfer facilities so that they would not be charged twice.

We sent targeted emails to provide customers with information about alternative routes to minimise the impact of the disruption. We also made some temporary bus route changes to help customers get to other rail interchanges, such as Hammersmith.

Delivery: our plans and our promises

Delivering safe, reliable, clean, sustainable and accessible transport



The core element in delivering for our customers and users is the provision of safe and reliable services day in, day out so we have a relentless focus on improving what we offer.

We are also managing a multi-billion pound investment programme to increase capacity and connectivity on the public transport and road networks.

With London's population increasing faster than previously thought, we must make the most of our existing assets and expand the network to provide greater capacity. We can do this by developing and harnessing new technologies and learning from the work of others.

Faster and more frequent trains on the Northern line

In the past year capacity on the Northern line has been increased by 20 per cent through central London, helping to meet the demands of a rising population.

The work, vital for London's future, included more than 11km of track renewal, station improvements, refurbished trains and full replacement of the old signalling system. The new technology allows trains to run faster and closer together, providing a more frequent and reliable service, as well as capacity enhancements.

Since December 2014, the Charing Cross and Bank branches have been running up to 24 trains and 26 trains an hour respectively, increasing the line's capacity by an extra 11,000 passengers every hour.

The signalling upgrade also paves the way for further improvements to train frequencies in the early 2020s, when the number of trains on the line will increase. Work is under way to rebuild critically important Tube stations that are vital to enhancing capacity and supporting regeneration. These include Tottenham Court Road, Bank, Camden Town and Elephant & Castle.

The Northern line will also make up part of the Night Tube network when 24-hour services on Fridays and Saturdays are introduced in September (see page 70), while the extension of the line to Nine Elms and Battersea will provide many more people with better transport links.

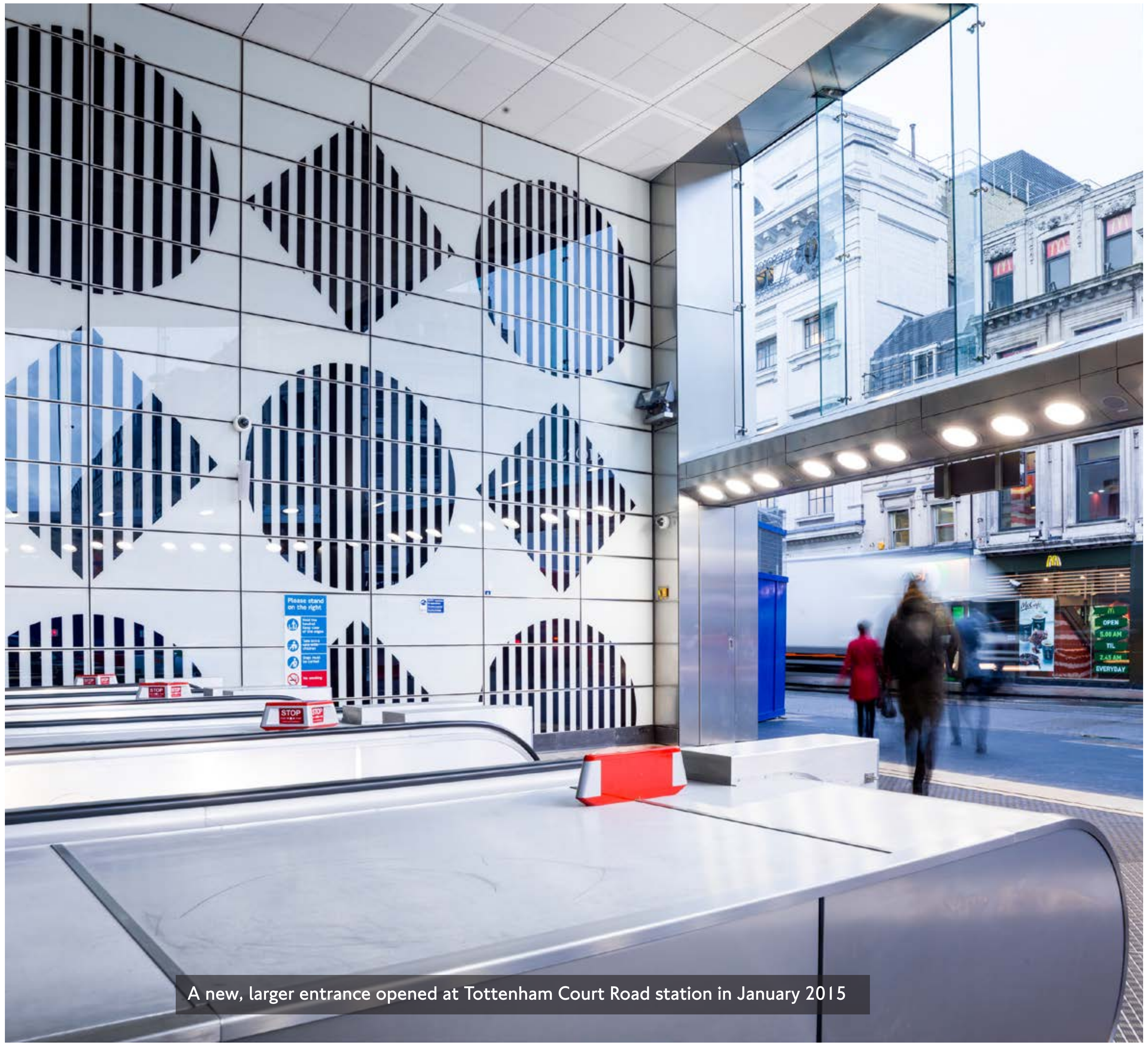
Construction of the extension will begin this year, with completion set for 2020. Work to dig new tunnels will start in 2016 from Battersea and progress east to Kennington. The extension is expected to support up to 24,000 new jobs and 18,000 new homes, and will cut journey times to the West End and the City to just under 15 minutes.

Transforming Tottenham Court Road

The station, which currently serves 150,000 customers a day, is being transformed to serve 50,000 more passengers when Crossrail services begin in 2018.

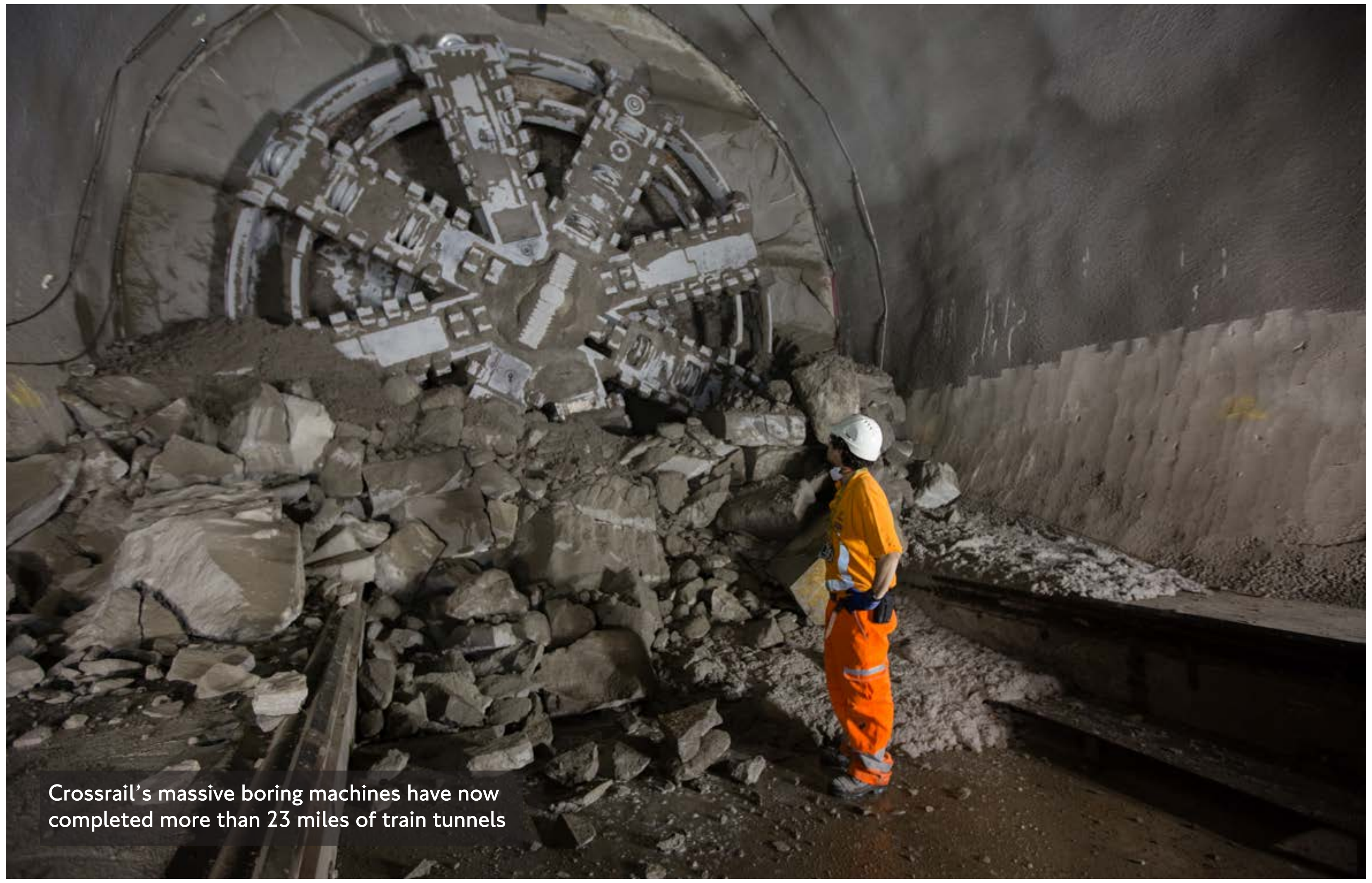
A new ticket hall was opened in January that, when complete, will be six times larger than the original. This is part of LU's £2bn Station Capacity Programme, which is expanding and modernising some of the Tube network's busiest interchanges.

The work at Tottenham Court Road includes installing six new escalators and refurbishing passageways to the Northern line platforms. When its overhaul is complete next year, the station will feature high-capacity entrances, five more lifts to allow step-free access, new artwork and the restoration of the much-loved mosaics by Eduardo Paolozzi and new work by Daniel Buren.



A new, larger entrance opened at Tottenham Court Road station in January 2015

Crossrail: the wait's nearly over



Crossrail's massive boring machines have now completed more than 23 miles of train tunnels

'While we are over 60 per cent complete, there is still a huge amount of work to be undertaken as the challenge shifts to the complicated and substantial task of fitting out the stations and tunnels with the necessary systems and equipment to enable Crossrail services to operate.'
Andrew Wolstenholme, Crossrail Chief Executive

Crossrail's tunnelling marathon entered the final stretch in March 2015 when tunnel boring machine Elizabeth, named after HM The Queen, and sister boring machine Victoria both came within reach of Farringdon in what will be the big East-West breakthrough.

Europe's biggest and most ambitious construction project, Crossrail is set to transform the way people travel across London. This state-of-the-art feat of engineering is now more than 60 per cent complete.

When fully operational, Crossrail will add 10 per cent capacity to London's rail network. The 100km route will run from Reading and Heathrow in the west to Shenfield and Abbey Wood in the east, passing beneath the heart of central London.

With the creation of the tunnels nearly complete, the focus will soon switch to fitting everything out. This will include new stations at Paddington, Bond Street, Tottenham Court Road, Farringdon, Liverpool Street, Whitechapel, Canary Wharf, Custom House, Woolwich and Abbey Wood.

Surface works in outer London, Berkshire and Essex are now one third complete and TfL began operating rail services in May 2015 between Liverpool Street and Shenfield in Essex – the northeast tip of the project. Existing rolling stock is being used initially, before the first Crossrail trains are introduced in 2017. The eagerly anticipated first services through central London will start in late 2018.

Royal delivery

Boring machines Elizabeth and Victoria each weigh 1,000 tonnes, are 150 metres long and more than seven metres in diameter. They are the last of eight Crossrail tunnel machines to have carved a route beneath London linking the West End, the City, Canary Wharf and southeast London.

Crossrail in numbers:

10,000: people currently working on the railway during its peak construction period

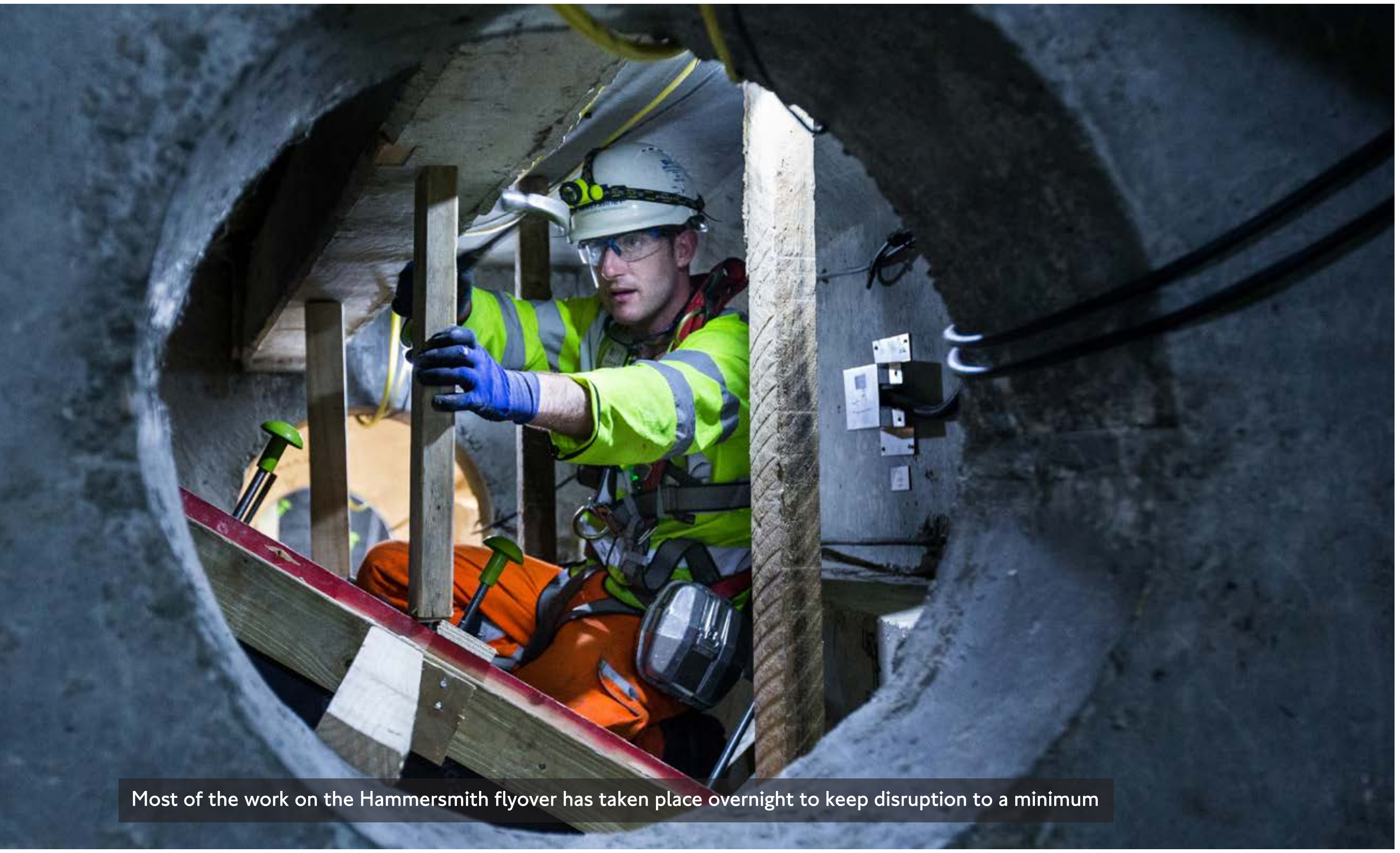
84,300: jobs supported last year across the UK through TfL's investment programme and Crossrail

62 million+: working hours spent on the project so far

200 million: annual passengers expected to use the service after its full opening in 2018

£42 billion: the railway's estimated benefit to the UK economy

The long game: maintenance that lasts



Most of the work on the Hammersmith flyover has taken place overnight to keep disruption to a minimum

Summit promotes collaboration

The 'Ironworks Summit' held at Transport Research Laboratory in March promoted creative thinking across TfL, our supply chains, Thames Water and National Grid, in considering better solutions for when ironwork structures, such as manhole covers, need maintenance work carried out. On the TfL Road Network, this is estimated to cost the London economy approximately £4m a year. The summit provided an opportunity to discuss concerns, generate ideas and helped to establish closer connections between TfL, our contractors and the utility companies present to help manage these incidents more effectively.

Since its completion in 1961, millions of people have driven over the Hammersmith flyover, which connects the west of England to central London, arching over the urban landscape. The flyover carries an immense volume of traffic in this part of London, supporting the four-lane arterial A4 road over the Hammersmith gyratory.

And yet, despite its importance, we inherited this crucial piece of infrastructure in a bad state. Having been poorly maintained for decades, investigations in 2011 revealed that, as a result of water seeping into the structure, steel cables on a number of the flyover's 16 spans had corroded and deteriorated significantly.

In 2012, urgent strengthening work began on the five worst-affected spans, and since October 2013 a major refurbishment programme (part of the huge Road Modernisation Programme) has strengthened the remaining 11 spans.

As well as strengthening, resurfacing and completely waterproofing the structure, the work has also included replacing the drainage system and installing new bearings underneath the flyover. This has meant lifting entire segments to access the existing bearings and replacing them, all carried out overnight to allow the flyover to remain open during the day.

Sixty of these lifts have been scheduled – four for each of the 15 flyover piers – with each lift the equivalent in weight to six jumbo jets. Regular overnight road closures have ensured that this can be done safely and efficiently, with care being taken to avoid times when there have been sporting events nearby or major gigs at the Hammersmith Apollo, to reduce disruption to road users and local residents.

The project is due to be completed in spring 2016. Strengthening the flyover will prolong its life and mean that no major maintenance will be required for many years to come.

Millimetre precision on a grand scale

The bearings are intrinsic to the stability of the flyover, enabling it to expand in the summer and shrink in the winter by up to 180mm. Ensuring that the bearings are in pristine condition once again has been a fundamental part of the project.

For each of the 60 lifts scheduled to replace the bearings, TfL has raised more than 2,500 tonnes of flyover on to temporary bearings (or jacks). These jacks lift the flyover segments by between three and 10mm, allowing engineers to install new permanent bearings. Once they have finished their work (in a space less than 1.5 metres wide) the flyover section must then be replaced with absolute accuracy onto the new bearings.

Caution and total precision are crucial. While the work is done, the flyover's movement across its 622-metre structure is closely monitored to within 0.01mm.

Four becomes five

Customers:
the heart of our business

Delivery:
our plans and our promises

People:
dedicated to customer service

Value:
delivering more with less

London's thriving economy makes it a busy place. As our population increases, passenger demand continues to rise.

We are tackling this on London Overground with a £175m project to boost capacity. At the end of 2014, an extra carriage was added to most existing four-car trains, increasing capacity by 25 per cent. This work will be completed on the following lines by the end of 2015:

- Dalston/Highbury & Islington – West Croydon/Crystal Palace/New Cross
- Richmond/Clapham Junction – Stratford
- Willesden Junction – Clapham Junction

In all, 57 new carriages are being introduced and this has presented a huge logistical challenge. Platforms have been extended and signalling alterations made at 30 stations. The extra carriages also have to be stored at night – expansion work began at Willesden depot in spring 2014 and in Silwood, Lewisham, a new stabling facility was built in just 18 months.

All of this has been achieved without major interruption to weekday London Overground services.

Five-car London Overground trains provide more capacity to ease overcrowding

Preparing for the future

Since 31 May 2015, TfL has been managing three quarters of all journeys in and out of Liverpool Street station. Services between Liverpool Street and Enfield Town, and Chingford and Cheshunt (via Seven Sisters), became part of London Overground. Shenfield services are running under the TfL Rail brand in preparation for their incorporation into Crossrail in the next few years.

'I've definitely noticed the difference since the trains were extended to five cars, especially at Clapham in the rush hour because it used to be really crowded but that has died down now.'

Yazon Muzas, a passenger at Shepherd's Bush

While you were sleeping

Customers:
the heart of our business

Delivery:
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delivering more with less

During the four hours each night when Tube services aren't running, hundreds of workers are busy replacing and renewing tracks, sleepers, ballast and rails before cleaning up ready for the first morning train.

Efficient use of time is critical and we are always looking for ways to make the most of these engineering hours, while keeping disruption to a minimum. An example of improved ways of working means up to 20 metres of track can now be replaced a night – around 10 times more than just one year ago

Sometimes, repair work needs more time than the Tube nightly downtime and longer closures are needed. The weekend – when fewer commuters are travelling – is often the least disruptive time to work, providing more than 50 uninterrupted hours to pack in as much activity as possible.

Alternatively, planned block closures allow engineers to work continuously on an area of track and carry out more work in less time. Last summer, for example, by having exclusive access to a stretch of track between Harrow-on-the-Hill and Uxbridge stations, workers were able to complete the equivalent of 14 weekends' work in just three weeks.

This line closure was scheduled during the summer holidays when fewer people use the service. Work carried out included replacing 6.1km of track, installing new points at Harrow-on-the-Hill and improving points at Uxbridge station, as well as drainage work along 4km of track and 6.3km of rail grinding.

All of this essential work improves reliability, minimises future delays and renews old infrastructure. This in turn supports future service enhancements such as new trains and signalling upgrades as part of the modernisation of the Tube.

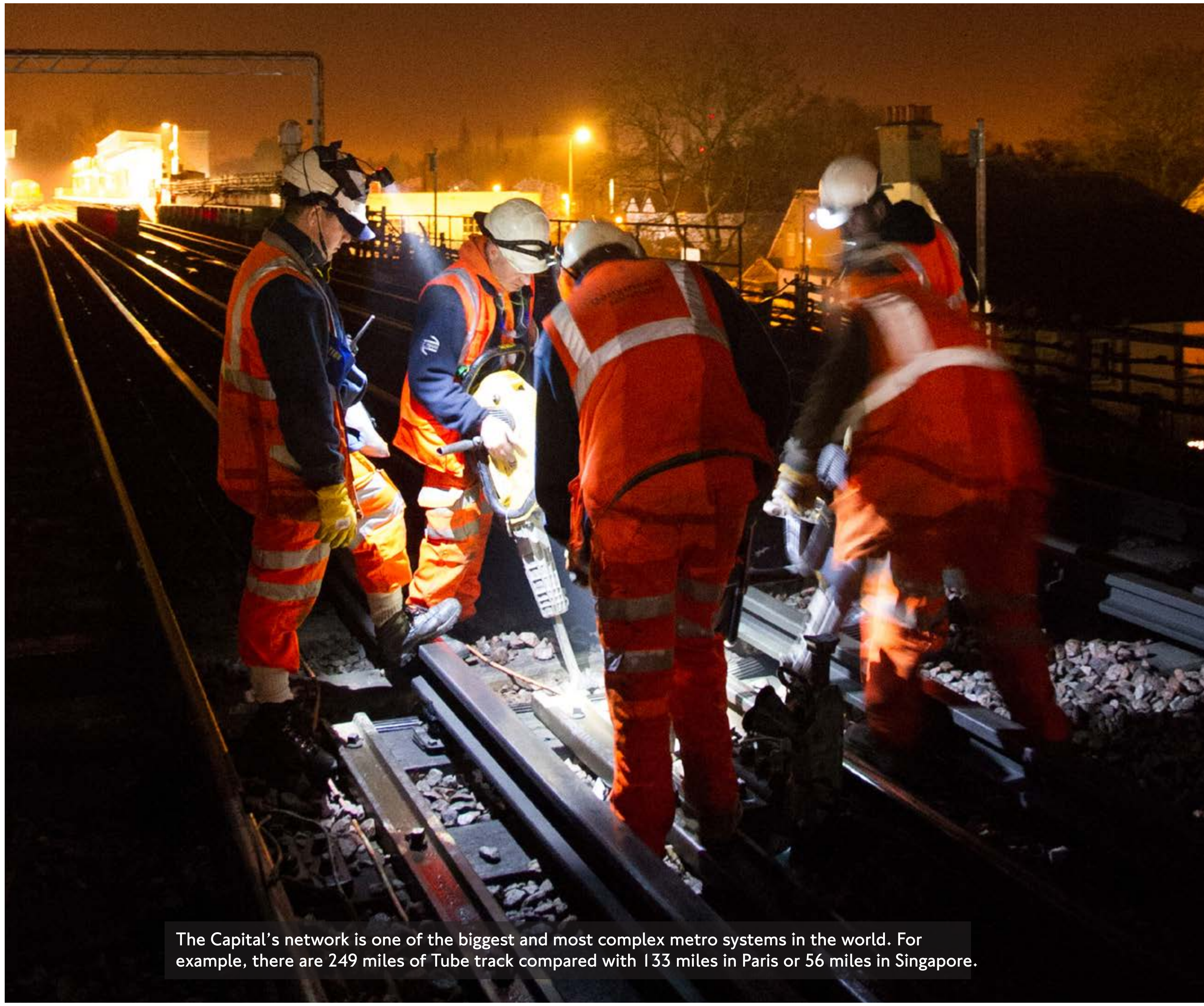
Innovate to renovate

The innovative use of a redundant ventilation shaft at St. Paul's station on the Central line has revolutionised the way we deliver materials to repair sites on the Underground.

Using the purpose-built industrial lift system within the shaft, equipment and materials can be moved quickly and safely from the street to the disused passenger walkways below and distributed to work sites up to 4km away on trolleys pulled by electronic powered carts.

At the same time, waste materials such as rubble and sleepers are continuously taken from the work sites back to the hub.

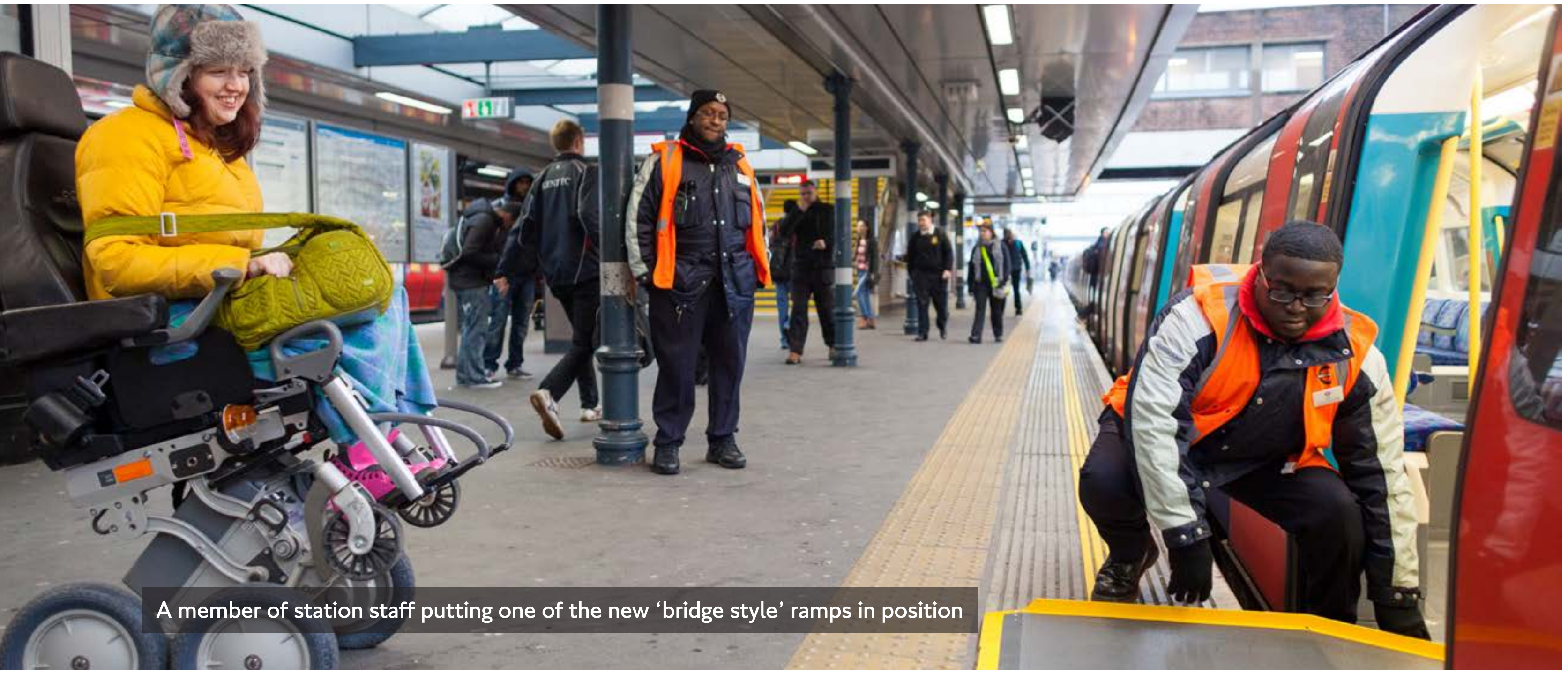
The process has significantly increased productivity, reduced the risk of injury to people working on the tracks and, because the hub is independent of the passenger service and can be accessed 24 hours a day, it also minimises disruption.



The Capital's network is one of the biggest and most complex metro systems in the world. For example, there are 249 miles of Tube track compared with 133 miles in Paris or 56 miles in Singapore.

Clever stuff

Customers: the heart of our business | **Delivery: our plans and our promises** | People: dedicated to customer service | Value: delivering more with less



A member of station staff putting one of the new 'bridge style' ramps in position

Prevention is better than cure, they say. And nowhere is that old adage more relevant than on the busier-than-ever Tube and rail network.

Take the Victoria line, for instance, where remote track-circuit monitoring technology is being used to provide live information to the signalling system. Any emerging faults are instantly flagged up so they can be dealt with before they turn into full signal failures and disrupt services.

The system, developed in-house, has led to a dramatic fall in signal-related delays and over the past year has saved an estimated 50,000 hours in delays to customers.

It is just one example of our 'predict and prevent' approach, which enables us to assess risks to services, adapting planning and maintenance operations accordingly.

Innovation – in systems, processes and technology – is crucial to our operations.

These range from simple low-tech solutions to problems on one hand, to highly sophisticated use of materials and data technology on the other.

For example, a simple device is now available to retrieve items accidentally dropped on to tracks. Last year these caused delays totalling 195,000 hours.

More worryingly still, the three years up to 2013 saw a 62 per cent increase in incidents of people risking their lives by venturing on to tracks to recover things they had dropped.

In response, staff developed a retrieval tool that they can use to pick up small, high-value items such as mobile phones without having to switch off the track power supply or step on the tracks. Now in use at every Tube station, it saves valuable time and avoids putting lives at risk.

Another simple but effective innovation is the boarding ramp for wheelchair users. We introduced ramps at a number of stations in advance of the London 2012 Games to improve the accessibility of services. Trials found that they also reduce the delays that can occur if a wheelchair user tries to board a train without assistance.

Last year, LU took the idea a stage further, developing a ramp that can be used at stations where the train is lower than the platform – a situation that doesn't occur on any other UK railway, and for which there was no suitable design of ramp already available.

At the other end of the innovation spectrum, we are rapidly speeding up the track renewals process – a major part of our Tube maintenance and upgrade programmes.

Bigger train doors, it's acknowledged, would reduce the time needed at stations for passengers to get on and off, cutting journey times and increasing capacity. But they would need to be made of lighter-weight materials.

For the solution, a consortium led by LU and including engineering companies and specialists from University College London has borrowed an idea from the aerospace industry and developed a door made from state-of-the-art composite materials and manufacturing processes.

Aerospace technology on the Tube? Not such a daft idea.

The next big thing?

The suggestion box might, like telephone kiosks, be becoming a thing of the past, but bright ideas remain as important as ever.

To encourage staff and our customers to put forward suggestions for ways of improving the transport network – particularly around the areas of reliability, value, sustainability, customer service and delivery – we have introduced a web-based Innovation Portal.

Available at tfl.gov.uk/innovation, it provides a quick and simple means of sharing ideas, which can then be assessed by in-house experts. It works too – the 'aerospace' train door came from an idea on the portal.

Safer streets for all

Customers: the heart of our business | **Delivery: our plans and our promises** | People: dedicated to customer service | Value: delivering more with less

London's streets are becoming safer and more accessible for cyclists after the TfL Board approved plans in February for the construction of four new Cycle Superhighways and upgrades to some existing routes.

Four new Cycle Superhighways being created are:

- East-West (Tower Hill to Lancaster Gate and later Acton)
- North-South (Elephant and Castle to Stonecutter Street, near Holborn Viaduct, with a later extension to King's Cross)
- CS1 (White Hart Lane to Liverpool Street Station)
- Inner section of CS5 (Oval to Pimlico)

The four existing Cycle Superhighway routes to be upgraded are CS2, CS3, CS7 and CS8.

Shining a light on night-time travel

We continue to work with our police partners through the Safer Travel at Night initiative to reduce the risk posed by bogus and unbooked minicabs. Research of late night travel showed that usage of unbooked minicabs, which are illegal and unsafe, fell to its lowest level in 2014/15 – down from 16 per cent in 2003 to one per cent in 2015. The number of people approached by minicab touts has also fallen significantly over this time.

The schemes, which will cost around £116m to deliver by May 2016, will help treble the number of cycle journeys made over the next 10 years and transform London's streets and spaces into places where cyclists feel they belong and are safe.

The new routes, which cross nine boroughs, will help cycling become an integral part of London's transport network so that anyone can jump on a bike to get to work, to the shops or to discover London.

Work to deliver these schemes has already begun and a wider programme of communication and traffic management is under way to ensure that they are delivered with minimum disruption to London's roads.

Other action

HGVs are disproportionately involved in cyclist fatalities so we are also taking a number of approaches to improve safety and reduce collisions between cyclists and HGVs. These include the Fleet Operator Recognition Scheme (FORS) and the Construction Logistics and Cycle Safety (CLOCS) programme.

Launched in 2008 by TfL, FORS is an industry-led accreditation scheme that helps operators improve performance and safety. So far a large number of managers, drivers and other personnel have benefited from bespoke training programmes and more than 5,000 cycle safety toolkits have been distributed, designed to improve the safety of cyclists around commercial vehicles.

A member of the Roads and Transport Policing Command taking part in an Operation Safeway patrol

The CLOCS programme has led to the development of 14 new 'specification' trucks. These HGVs, already on the market, feature safety measures including improved vision to reduce blindspots and enhanced safety equipment fitted as standard.

In addition, in September the Safer Lorry Scheme will come into force meaning lorries weighing more than 3.5 tonnes on any road in Greater London must be fitted with sideguards to prevent cyclists from being dragged under the wheels in the case of a collision. They must also have extended mirrors to reduce blind spots.

The MPS Roads and Transport Policing Command (RTPC) continues with Operation Safeway, with hundreds of its officers conducting high visibility policing at around 100 key junctions.

Crime rates continue to fall

Crime on our public transport network, including buses, Tube, DLR and London Overground, is at its lowest level since recording began in 2004/05. In 2014/15, the rate of crime fell to seven crimes per million passenger journeys (down from 7.7 in 2013/14).

The Industrial HGV Task Force (IHTF), made up of officers from the RTPC, City of London Police and the Driver and Vehicle Standards Agency, carries out roadside enforcement activity targeted at non-compliant commercial vehicles. Between April 2014 and March 2015, the IHTF stopped 2,835 vehicles, issued 1,082 roadworthiness prohibitions and 509 fixed penalty notices for various offences and seized 17 of the most dangerous vehicles.

The day the Tour hit town

When German rider Marcel Kittel flashed across the finishing line on The Mall to win the third stage of the Tour de France in July 2014, he brought to an end, in a blur of colour, 18 months of planning by TfL.

Watched by a million spectators lining the route between Cambridge and London, plus 3.5 billion TV viewers in 200 countries, the Tour's final day on English soil reminded people – two years after the 2012 Games – that the Capital can put on a show.

More people are cycling

Bringing the Tour to London was part of our work to inspire more people to cycle. Record numbers of people taking to two wheels in 2014 are testament to the power of the event:

11%: estimated rise in cycling on the Transport for London Road Network (London's main roads) during the past year

22.5%: rise in cycle hire use in London compared with 2013

230%: increase in cycle journeys in London since 2000 when records began

153,000: number of journeys made each day by bicycle in 2014/15

10,083,548: journeys made in 2014/15 on Cycle Hire bikes

It took the 200 riders less than an hour to get from the edge of London at Redbridge to the finishing line, at speeds averaging 47kph. And it earned an estimated £19m in visitor revenue, with £3 gained for every £1 spent.

For TfL, which organised the entire 167km stage from Cambridge to The Mall in partnership with Cambridgeshire and Essex authorities, the day didn't end when Kittel crossed the line.

Within minutes of the race passing through, teams were out on the course removing roadside barriers and signs, and re-opening roads to the public. In London alone that equated to 41km of barriers, requiring more than 200 articulated trucks and vans. In a well-drilled rolling closure programme, more than 1,300 of the Capital's streets were closed at the last moment and re-opened soon after.

It was all orchestrated from a TfL control centre. There a team, which included TfL, the Metropolitan Police Service (MPS) and emergency services, monitored progress on TV screens and liaised by radio with marshals on the ground.

Our team is well versed in managing major events on the Capital's roads. Every year we organise the London stage of the Tour of Britain, which attracts 200,000 spectators. And for the past two years we have managed RideLondon, a weekend of leisure rides for families and races for amateurs and pros on closed roads. During the 2012 Games the team catered for the 16 Olympic road cycle and running races over a three-week period.

More than 800 stewards, volunteers and police took part on the day

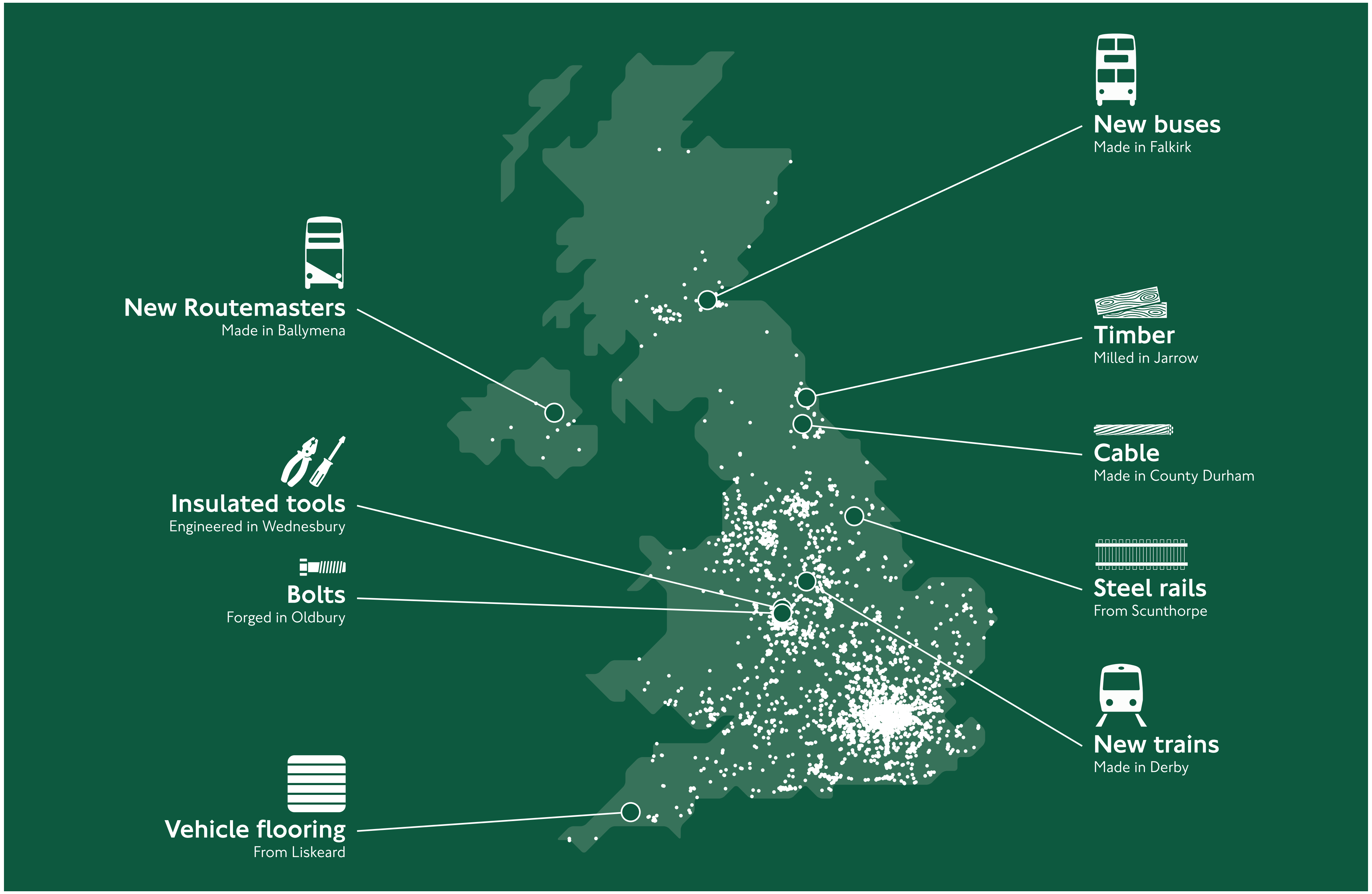
600,000 spectators lined London's streets to watch the Tour de France arrive in London

People: dedicated to customer service
Valuing our people

TfL needs to recruit, reward and develop the right people with the right skills and behaviours.

Whether they are our staff, or contractors employed through our supply chain, dedicated people are vital to ensure our organisation provides excellent customer service and helps London prepare for the future.

We work with thousands of suppliers across the UK, supporting an estimated 60,000 jobs outside London.* Each dot on this map represents a company we paid in 2014/15.



*Source: Regeneris

Great eggspectations

Asked what engineering meant to them, the school pupils were quite clear.

'It means being able to develop an idea into reality so it helps society and its never-ending problems,' said one 11-year-old.

'Before, I thought it would be boring but it is actually really good and I want to become an engineer,' said another.

They were talking after spending a day at London Transport Museum's Inspire Engineering Day at the Acton Depot, meeting TfL engineers, taking part in hands-on engineering challenges and getting to explore some of the museum's prized possessions.

One of their tasks was the 'braking eggsperiment'. Students construct a miniature rail track on magnetic boards to safely transport a rubber egg along the track. While protecting the egg, teams compete against each other to achieve the fastest journey time. It is a test of forces, gravity and ingenuity.

'A lot of them really had no idea about what engineering was,' said one KS2 teacher. 'Now everyone knows exactly what it is. They can really see how it fits into science and maths.'

Over the course of a week in June 2014, more than 400 pupils from London secondary schools took part in 'Inspire Engineering' days.

These events have run several times a year since 2011 to help young people consider themselves as engineers of the future.

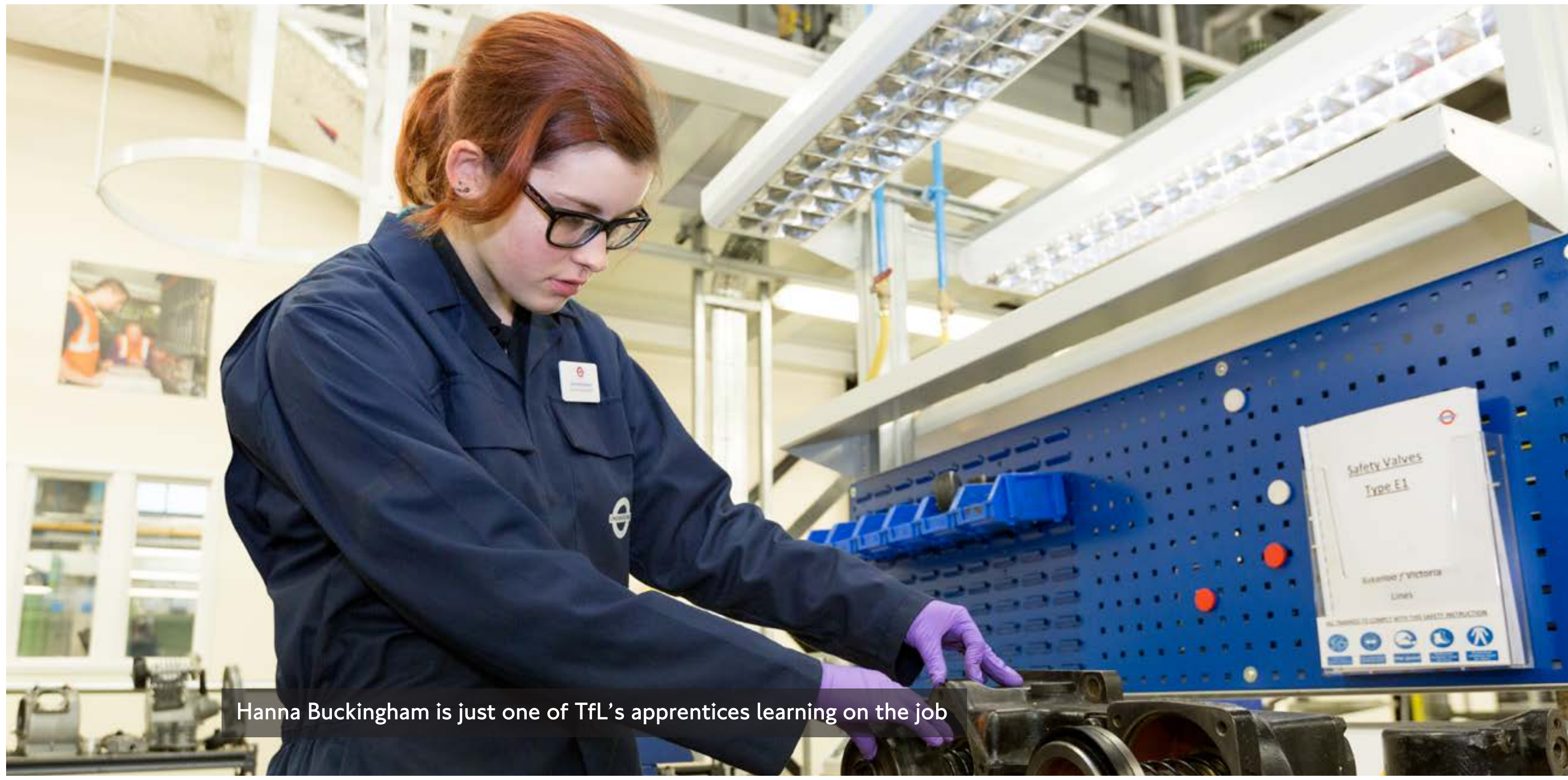
More than 6,000 pupils have taken part so far and their popularity has risen to the point where 93 per cent rated it good or excellent, 96 per cent felt it increased their understanding of engineering, and 95 per cent said it improved their understanding of careers in TfL.

As the TfL apprentices at Acton can testify, it all starts in the classroom. And you have to be prepared to 'break' a few eggs…

A new way of working

It's not just engineers that we're keen to recruit. Our groundbreaking approach to improving journeys in London also means we're looking for people like software developers and analytics specialists.

Those joining us will help to develop cutting edge technologies such as contactless, open data and new web channels. The sort of things that friends and family – not to mention millions of Londoners – use every day. It's high profile and above all, it's innovative.



Hanna Buckingham is just one of TfL's apprentices learning on the job

School Skills

Through our new School Skills Programme, we are partnering with seven schools in London to increase awareness of STEM (science, technology, engineering and mathematics) jobs within the organisation.

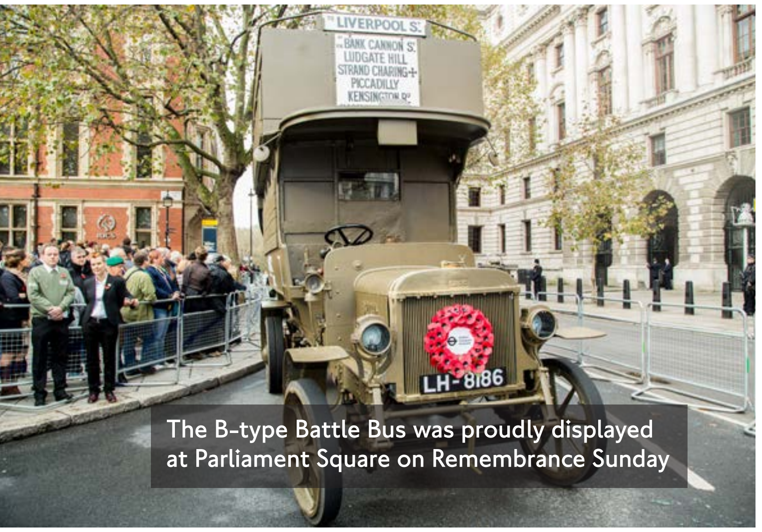
We are also a non-financial sponsor of one of them, the Royal Greenwich University Technical College, which gives 14 to 19-year-olds the opportunity to specialise in construction and engineering.

Inspiring women

The need to attract more young people – women in particular – into careers in engineering was highlighted in the first National Women in Engineering Day in June 2014.

The day coincided with TfL's own Inspire Engineering Week at Acton, which saw more than 370 girls from secondary schools participate. They were joined by 10 of TfL's women engineers, who work in areas such as Tube improvements, Crossrail and highways.

The bus still standing…



The B-type Battle Bus was proudly displayed at Parliament Square on Remembrance Sunday

Painted khaki and with its windows boarded up, the B-type London bus B2737 stood in Parliament Square on Remembrance Sunday – a poignant reminder of the role the Capital's buses, drivers and mechanics played in the First World War.

For the 10,000 veterans who marched to the Cenotaph, and the many thousands more lining the roadsides or watching on television, Remembrance Sunday 2014 held extra significance in the100th anniversary year of the outbreak of the Great War. As the parade passed by, the Battle Bus stood as a solitary, lasting symbol of the conflict.

The B-type had been introduced by the London General Omnibus Company in 1910, replacing horse-drawn buses. By 1913, 2,500 were in service on the streets of the Capital.

A year later they were being requisitioned, converted into troop carriers and ambulances and transported to the Western Front, their red and cream liveries replaced by military khaki, their windows covered. More than 1,000 were pressed into service, along with their drivers and mechanics – men with vital skills in a horse-drawn age.

Today, just four B-types remain. And of the two in working order, the London Transport Museum's restored Battle Bus is one. Fresh from a commemorative tour of battle sites in France and Belgium, it had joined the previous day's Lord Mayor's Show procession before taking its place in Parliament Square for the Remembrance Sunday parade.

Also joining the parade were 50 members of the London Transport Old Comrades, the only non-military group to take part, granted the privilege by King George V in 1920 in honour of the men who drove the B-types to the front line. Some 4,500 transport workers died in the two world wars and other conflicts, and the Old Comrades march each year in their honour.

'My great uncle Edward was a bus driver at Dalston Garage and served during the First World War. As I lay the wreath this year, I will remember him.'

Barry Osborne, ex-serviceman and bus driver, who laid a wreath at the Cenotaph on Remembrance Sunday

A record-breaking 368,843 people visited the museum last year, with a further 3,378 people visiting its Acton Depot

London Transport Museum

The museum is a heritage conservation and education charity dedicated to understanding and explaining to its visitors the importance of the Capital's transport past, present and future.

Its galleries display original artworks, ephemera, films, photographs, posters and vehicles. Interactive exhibits allow visitors to 'drive' a Tube train and actors help bring the past to life.

The 'All Aboard' family play zone opened in March 2015, creating areas for families to explore the contemporary transport environment. It offers the children the chance to immerse themselves in transport by riding miniature vehicles and dressing up in uniforms to become drivers, mechanics, cleaners, station announcers and even riverboat captains.

The museum's charitable education programmes also continue to nurture young people's enthusiasm for the transport network, while its Safety and Citizenship initiative reaches around 93,000 primary school children in the Capital every year.

Transport treasures

Museum exhibitions in 2014/15 included a major Crossrail installation, a collaboration with the Royal College of Art and themed 'Poster Parades' showcasing hidden treasures from the extensive museum archive. In addition, 'Goodbye Piccadilly' looked at the role of London's workers on the Home Front and the Western Front during the First World War.

Celebrating women in transport

When Lord Kitchener pointed that famous finger and urged Britain's young men to enlist, more than 17,000 London Tube, bus and tram workers duly obeyed and went off to fight in the First World War.

Into their places, for the first time, stepped women. Over the course of the war 100,000 or more took on roles in transport – drivers, conductors, mechanics, station staff and engineers – and kept London's services running.

What began as a temporary arrangement has of course remained, with women making up almost 23 per cent of our workforce.

Last year, to coincide with the centenary of the outbreak of the First World War, we joined forces with Crossrail, the Department for Transport (DfT), Network Rail, the Women's Transportation Seminar, Women's Engineering Society and others in the industry to celebrate 100 Years of Women in Transport.

Talks, seminars, exhibitions and other activities followed as we highlighted not only women's historic wartime roles and the part they play today, but the pressing need to recruit more to meet the challenges facing London.

Over the course of 2014/15, inspirational talks were led by women such as Olympic gold medallist Baroness Grey-Thompson, a cross-bencher in the House of Lords and TfL Board member, focusing on her experience as an athlete, and by Suzi Donoghue, Commanding Officer in the Royal Logistic Corps, on leadership and progression in a man's world. In February, another senior figure, TfL's Managing Director of Crossrail 2, Michèle Dix CBE, was a guest speaker at an event on urban planning run by the international Women's Transportation Seminar. Michèle was recognised with a CBE in the Queen's New Year's Honours list for services to transport in London.

Throughout 2015, a mobile historical exhibition will continue touring TfL's and partners' premises, highlighting the role of women in transport, while other educational activities such as mentoring, work shadowing and teacher placements will aim to inspire young women to consider careers in the industry and aid career development.

Directly or indirectly, the aim is to attract more young people – and more women in particular – into transport by presenting it as the industry of choice. As Kitchener might have put it: 'TfL needs you'.

Did you know?

- When Maida Vale station opened in June 1915 as part of the Bakerloo line extension, it was staffed entirely by women
- Nearly one in three employees on the Crossrail construction project is a woman

Women now make up nearly 23 per cent of the TfL workforce and their contribution to the Capital has been recognised with the 100 Years of Women in Transport celebrations

All about the bus

The Bus Cavalcade proved to be one of the highlights of the Year of the Bus

On a warm Sunday in June, as part of the Year of the Bus programme, one of the Capital's busiest streets was transformed into the world's longest open air bus museum.

The Regent Street Bus Cavalcade gave 400,000 visitors free, unprecedented access to the most celebrated London buses of the last 185 years. Held along the entire length of a traffic-free Regent Street, almost 50 buses were on show and a special bus stop, constructed entirely from Lego, was put up outside Hamleys toy store.

There were also a variety of free, family activities on offer including Lego workshops and a children's theatre show which added to the overall experience.

The cavalcade was just one of hundreds of events and activities held during the Year of the Bus, giving us a chance to celebrate the role these iconic red vehicles – the 'lifeblood of London' – play in keeping London moving, carrying 6.5 million people across the Capital each working day of the week.

Significant bus anniversaries in 2014 included 60 years since the first appearance of the iconic Routemaster, 75 years since the launch of the RT-Type bus and 100 years since the world's first mass produced bus, the B-Type bus, carried soldiers to the front line during the First World War.

Another major part of the celebrations were four bus sculpture trails – three within London and the fourth in Croydon – with 60 specially painted and adorned mini buses delighting members of the public. In March 2015, the sculptures were put into a charity auction, making over £100,000 for three worthy causes – Kids Company, Transaid and London Transport Museum.

'The Year of the Bus was the best ride the children of Kids Company could have hoped for. It made their challenges and their talents visible to the public.'

Camila Batmanghelidjh, Founder, Kids Company

Value: delivering more with less

Providing value for money for fare and tax payers

Every penny of our revenue, whether from fares, Government funding or our commercial activity, is reinvested in running and improving services on the transport network.

Sustained investment is making it possible to make real improvements to transport for the millions of people who rely on us every day.

An ambitious £16bn efficiencies programme has reduced our operating costs by 15 per cent.

We also recognise our responsibility as a steward of public funds, and the need for environmental and affordable solutions that take into account our wider social and economic responsibilities.

Based on the TfL Budget 2014/15

Clicks, bricks and pop-ups

From pop-up shops on Tube station forecourts to 'click and collect' lockers at station car parks, we have been finding imaginative new ways to make the most of our assets.

In the past year, a number of innovative schemes have been introduced as part of a commercial development strategy to raise £3.4bn over the next 10 years.

That money is being ploughed back into public transport services as the network expands and modernises to keep pace with London's success and growth.

The schemes range from tiny and novel to big and bold. Old Street station became the first to open pop-up shops in April 2014. These retail outlets are let on short-term leases designed for small or innovative businesses. There were more than 100 lettings in the first nine months, ranging from start-ups selling gourmet marshmallows and breakfast cereal, to established retailers such as French Connection, Moleskine and Jamie Oliver.

More pop-up shops have followed at Baker Street, St. James's Park and Piccadilly Circus.

Click and collect

Following the success of our 'click and collect' trial with major retailers at LU station car parks since November 2013, the service was extended to 17 more stations in September 2014, bringing the number of locations to 42. This enables customers to order online and collect from lockers at their local station.

It is being run in partnership with retailers such as Amazon, Argos, Asda, Ocado, Sainsbury's and Tesco.

More than 10,000 orders were placed in the first 10 months. The year also saw Waitrose become the first to introduce temperature-controlled lockers at three stations.

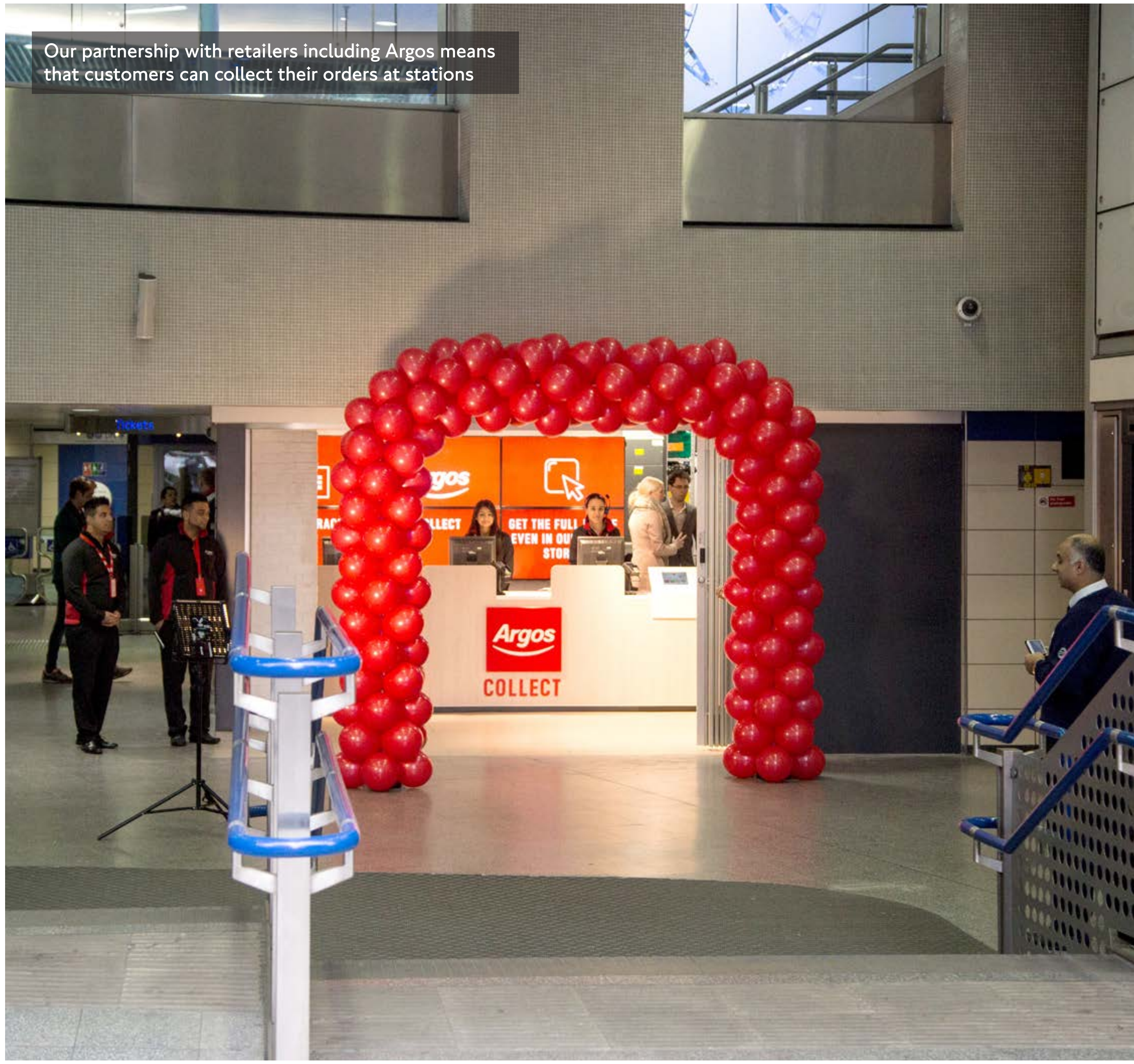
Developing partnerships

At the other end of the scale, we announced plans to develop our property estate through partnerships. With a 5,700-acre portfolio of land and buildings around stations, railways and roads, we are custodians of one of London's biggest and most valuable estates.

In the past, assets and properties that were no longer needed were simply sold. Now, a new approach has been adopted to enable us to retain and invest in sites to generate long-term revenue that can be used to improve transport.

Some 50 sites with potential for development have been identified so far, with around 65 per cent of these in Zones 1 and 2. At Earls Court we have already established a joint venture. Good progress has continued this year as Earls Court 1 & 2 exhibitions halls are redeveloped on the 26.5-acre site.

With London's population growing rapidly, the need for new housing and investment in public transport has never been greater. Our new approach and innovative working with our partners will help provide both.



Our partnership with retailers including Argos means that customers can collect their orders at stations

The future's red for cycle hire

At £43.75m, Santander's sponsorship of the London cycle hire scheme is the largest public sector sponsorship in the world

Did you know?

- Plans are in place for around 100 additional docking points near Putney Pier, Vauxhall and Tower Bridge. We intend to add a further 1,000 docking points, subject to planning permissions
- Originally confined to central London, it went eastwards in 2012 and extended into southwest London in 2013
- The scheme now has 11,500 bikes, 748 docking stations and 32 service vehicles
- Now an integral part of the public transport network, around 40 million journeys have been made since the scheme was launched. Customer satisfaction is high, with more than 80 per cent of members opting to renew their membership each year

In February 2015, Santander was announced as the latest sponsor of our cycle hire scheme, with the newly-branded, bright red cycles making a colourful splash on the streets.

The seven-year partnership is set to improve the scheme. During 2015, members will see more bikes and docking stations, and will be able to download a free Santander Cycles app, making it easier to access a bike than ever before.

At £43.75m (Santander will pay £6.25m a year for seven years), the deal is the largest public sector sponsorship in the world. This compares with £5m a year under the previous sponsorship.

A £1m per annum 'activation fund' will be used to promote the scheme and tempt new customers with rewards, offers and incentives. Santander will host family events in parks, offer cash back on every journey for customers of their 1|2|3 credit card and install 'Cycle Champions' in all their central London branches to help users make the most of the scheme. This will make cycle hire an even more accessible, rewarding and enjoyable experience.

Perfect partners

- We ran a £100,000 campaign with ESPN during the 2014 World Cup that showed news, results and score updates via our Dot Matrix Indicators on platforms and Electronic Service Update Boards located elsewhere in Tube stations. It won Best Use of Ambient Media Award at the Marketing Agencies Awards in March 2015
- In June 2014, we announced a three-year partnership with Danone to distribute free bottles of Evian water to Tube customers during the summer months to help emphasise advice to carry water while on the move
- In December 2014, MBNA became the latest sponsor of the Tube map. The one-year, £846,000 deal includes the provision of 1,300 large Tube maps displayed across the network and 28 million pocket Tube maps
- In January 2015, we announced Notonthehighstreet.com would sponsor Baby on Board badges as part of a deal worth £420,000 over three years
- Emirates Airline has sponsored the Emirates Air Line cable car since June 2012 in a deal worth £36m over 10 years

Hens, hippos and nightclubs


Bike parts are recycled at the Penton Street cycle hire depot

Question: What do chicken runs and flowerpots have in common with nightclubs, golfers and the hippo enclosure at ZSL London Zoo?

Answer: TfL.

To be precise, they are all outlets for, or beneficiaries of, things TfL no longer needs.

We are talking, in case you're wondering, about waste. And last year we produced three million tonnes of it.

The vast bulk of it was demolition and excavation waste arising from the Crossrail programme and from other major construction work at stations such as Victoria, Bond Street and Tottenham Court Road. A further 46,600 tonnes was commercial waste from our offices, depots, garages and stations, and customer litter.

Our policy on waste follows the three Rs: reduce, reuse and recycle.

This means avoiding generating waste in the first place by reusing resources as far as possible. Where waste is unavoidable, the aim is to recover and recycle materials and to look for opportunities to recover energy or produce compost from any remaining waste. Landfill is a last resort.

Finding worthwhile outlets and uses for unwanted material – whether it is office waste or excavation spoil – requires ingenuity. Which is where the hens, hippos and the rest come in.

At Bond Street station, for example, we have been sending approximately 18,000 tonnes of excavated material to Wallasea Island in the Thames estuary to create a wildlife haven for migrating birds. Other uncontaminated excavation spoil has gone to a golf club in Bedfordshire as part of a redevelopment and extension project.

The team has also been supplying waste material to the National Community Wood Recycling Project, which creates work for disadvantaged people by making products such as chicken huts, garden planters and shelving units from recycled wood. Some 50 tonnes of wood from Bond Street has been supplied so far, with a similar amount being sent from Tottenham Court Road station. Waste timber has even been used to refurbish a nightclub bar.

Since 2010, the Tottenham Court Road project has generated some 160,000 tonnes of excavated waste as well as 5,000 tonnes of construction waste. Of this, more than 95 per cent has been recycled. Even the straw used for filtering excess water during tunnel excavation has found a new home, as bedding for the hippos just up the road at ZSL London Zoo.

At our offices, meanwhile, waste is segregated at source into dry recyclables, general waste and food waste. The food waste goes to a facility to produce electricity or compost. Aerosol cans are pierced and disposed of as metal, and other dry recyclables are sent for segregation, baling and reprocessing. General waste goes to produce fuel.

All of which means our office staff no longer need individual wastepaper bins. But don't worry, even some of the bins are enjoying a new lease of life – as flowerpots in a London school.

Waste not…

In line with the Mayor's London Plan, we have set a target to reduce, reuse and recycle 99 per cent of all non-hazardous waste by 2031, as well as reducing water consumption by one third.

Our objectives are to:

- Continue minimising the generation of waste
- For any waste still generated, develop a target for reduction in line with activity levels (for example, amount of construction)
- Develop a target for reducing hazardous waste
- Prioritise reuse of resources and maximise opportunities for recycling unavoidable waste
- Make the most of opportunities to recover energy from remaining waste
- Continue to purchase reused materials or those with a high recycled content

Continuing efficient operational activities

Customers: the heart of our business | Delivery: our plans and our promises | People: dedicated to customer service | Value: delivering more with less

TfL is committed to delivering £16bn of efficiencies from 2009/10 to 2020/21. It is one of the largest, and most ambitious, savings and efficiencies programmes in the UK.

As at 2014/15, £5bn of savings have been made, with £1.4bn being recognised in this year alone. These initiatives will generate an additional £8bn of savings to 2020/21. Progress is being made to deliver the remaining £3bn and we continue to develop robust plans to seek to ensure that these are secured. In 2014/15, we implemented new initiatives that contributed an additional £136m against a target of new initiatives being secured of £30m. Key examples of initiatives that have secured cash savings during this year include:

Rail and Underground

- Investment programme saving from securing the best value from our supply chain, including track and escalator procurement, and simplifying technical standards and process improvements

- A reduction in maintenance costs through introducing technology and mechanisation to increase quality, safety and productivity and getting the most from our commercial arrangements

Improvement work being carried out on the Metropolitan line in January 2015

Surface Transport

- Savings from various initiatives including road and traffic control contracts savings, efficiencies through collaboration with London boroughs, roll out of cash-free payment on buses and the removal of roadside ticket machines

Specialist Services

- Continuous savings across the entire back office, rationalising of IM services across our organisation, including consolidating third party contracts and limiting IT changes and licences

We have developed a strong culture of maximising efficiencies, and we will continue to focus on value and long-term effectiveness. Efficiencies secured to date have helped to improve customer experience, while maintaining frontline services, and fund our £23bn long term investment programme.

Planning for the future

The previous pages highlighted work that took place during 2014/15 to keep London working and growing. In this section the spotlight falls on longer-term projects that are under way now to transform the city's future.

London does not stand still – and neither can we. The Capital's unprecedented population growth means more demand on transport networks and a greater need to push the boundaries to meet future challenges.

From the advent of the world's first underground line to today, we have developed a rich history of innovation. Across the organisation, this pioneering spirit continues and new approaches are being taken to ensure travelling in London becomes easier, quicker and more reliable for everyone.

We are making travelling in London easier, quicker and more reliable

Here comes the Night Tube

Missed the last Tube and facing a long journey home on the Night bus?

From 12 September there'll be another option when Tube services start operating throughout the night on Fridays and Saturdays on parts of the Central, Jubilee, Northern, Piccadilly and Victoria lines.

The case for a Tube service to support London's vibrant night-time economy has never been clearer. Since 2000, Night bus use has increased by 170 per cent. Similarly, the number of people using the Tube after 22:00 has risen at twice the rate of daytime use.

From the first train on Friday mornings to the last train on Sunday nights, round-the-clock services will connect the heart of the Capital with stations north, south, east and west. Trains in central London will run every 10 minutes or less throughout the small hours.

'It's great for people going out to theatres, bars and restaurants in the West End and also for the staff that work in these venues.'
Shaban Maqedonci, owner of Koha restaurant

In February 2015 it was announced that 24-hour London Overground services will be introduced in 2017, and by the 2020s night services will run on central sections of the DLR and the Metropolitan, Circle, District and Hammersmith & City lines.

That will benefit those visiting London's theatres, restaurants and other attractions, and others whose working days start or finish when the Tube is not usually available – from shift workers and restaurant staff to public service personnel.

This will also benefit London's economy. Independent research shows the Night Tube will lead to almost 2,000 permanent new jobs in the Capital and boost output by £360m over 30 years. Every £1 spent on the service will produce benefits of £2.70 – a figure that rises to £3.90 when wider economic impacts are taken into account.

The Night Tube service will also enable bars, restaurants and entertainment venues to stay open later, ease late-night congestion at stations after major events, improve accessibility to Heathrow for early-morning departures, and reduce demand for illegal minicabs, making travel safer.

With new routes and other changes planned for Night bus services to dovetail with the Night Tube, night time travel in London is about to get a lot easier.

The Night Tube will lead to almost 2,000 permanent new jobs in the Capital

'It is fantastic to see a move to 24-hour transport that will really make a difference to the, often unseen, night workers who keep our great city going and in many ways are the heart and soul of the service industry.'
Michael Divers, Managing Director of ACT Clean

A route to the future

Highbury Corner, Vauxhall Cross, Stratford gyratory, Marble Arch, Balham High Road, Hammersmith Broadway… the list reads like a cab driver's guide to London's traffic hotspots. And in a way it is.

More to the point, though, these are just a few of the ultra-busy junctions and congested areas on the road network that are being transformed in the coming years as part of TfL's Road Modernisation Plan.

In all, improvements totalling almost £4bn have been identified in the plan, which was published in October 2014. Projects including 17 major road schemes, 33 junction improvements and four new Cycle Superhighways make it the biggest investment in London's streets in a generation. The work will radically improve highways, bridges, tunnels and public spaces, making roads safer, more reliable and the Capital a better place in which to live, work and travel.

Alongside TfL's projects, a number of road improvement schemes are being carried out by London boroughs throughout the Capital.

TfL's £4.6bn Road Modernisation Plan is the biggest investment in London's streets for a generation

The Plan was drawn up following recommendations made in 2013 by the Mayor's Roads Task Force (RTF) and is designed to keep London moving up to and beyond 2030.

London's population will have grown by almost 1.4 million to 10 million. That increase is expected to add a further five million journey stages to the 24 million journey stages already made on London's roads (by all modes) today.

Those numbers were uppermost in the minds of the RTF's team of transport and urban planning experts when they described their vision for a city with 'world-class streets and roads fit for the future'. The plan is the first step towards turning that vision into reality.

Alongside the programme of major improvement schemes, the Road Modernisation Plan explains how we will:

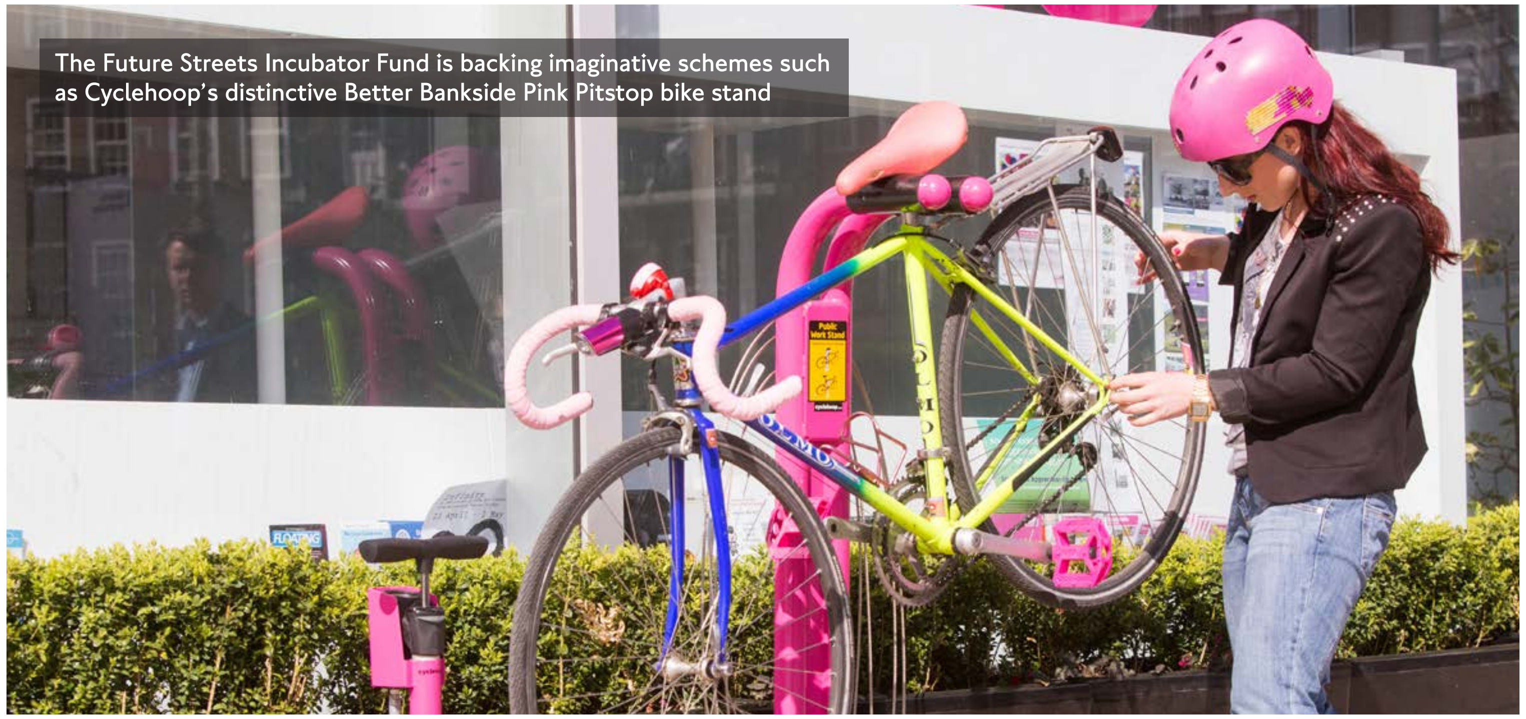
- Invest in road assets (including resurfacing roads and renewing street lights)
- Make further improvements for cyclists
- Reduce fatalities and serious injuries by a further 40 per cent
- Tackle congestion

Roads are vital to the Capital's – and UK's – economic prosperity but keeping them flowing smoothly is no easy task. The Road Modernisation Plan shows how we plan to do it – and at the same time help to make London safer, greener and cleaner.

Work is under way to:

- Construct four new Cycle Superhighways and upgrade Cycle Superhighway 2 which runs between Aldgate and Bow roundabout
- Strengthen and refurbish the 80-year-old Grade II listed Chiswick Bridge
- Upgrade Fore Street tunnel in north London
- Upgrade the pedestrian subways and replant trees and flowers around Hogarth flyover, following essential refurbishment work

Green light for future streets projects



The Future Streets Incubator Fund is backing imaginative schemes such as Cyclehoop's distinctive Better Bankside Pink Pitstop bike stand

Bringing a taste of tomorrow's world to London today is the Future Streets Incubator Fund.

Launched in March 2014, the fund is helping to explore new ways in which roads can be used within the Capital, making them safer, transforming underused spaces and boosting sustainable transport.

Artist-designed pedestrian crossings and pop-up parks are just two of the imaginative schemes set to benefit from the £1.8m initiative; a joint venture between TfL and the Mayor of London.

When the programme was announced, the Mayor invited organisations with designs on the Capital – be they innovative, quirky or eco-friendly – to apply for funding.

The first projects to receive support are:

Parklets

Specific parking bays will become pop-up micro parks to offer seating, canopies, inner-city greenery and cycle parking.

Simultaneous Green

This scheme will give cyclists their own dedicated green light to safely and efficiently cross a junction in the London Borough of Richmond upon Thames.

Flexi-lane

TfL is working with the London Borough of Bromley to develop a lane that will switch between being a bus lane, a loading bay and parking space through the use of intelligent road studs and signs.

'Mobile parklets around London Bridge and Vauxhall will transform parking spaces into pop-up parks. Our twist is to add in air quality monitoring and pollution mitigating plants.'

Shane Clarke, Deputy Executive Director, Team London Bridge (Business Improvement District)

E-permits

Ensuring disabled drivers can find appropriate parking spaces is hugely important. Using the latest technology, E-parking permits will communicate with sensors embedded in disabled resident parking bays to help enforce regulations.

School Streets

Three schools in Camden will benefit from local streets being closed at the start and end of the day to make walking safer and easier for children and promote healthy, active travel.

Tunnel Vision

Interactive new lighting will transform an unloved and blighted underpass, improving safety for pedestrians.

Sight Line

This initiative will assist visually impaired people to navigate around roadwork barriers, with the help of tactile arrows, high contrast signs and real-time digital location information.

Cloud Consolidator

This online purchasing initiative is being developed to encourage businesses to combine their orders and deliveries to significantly reduce the number of lorries and vans on the Capital's roads.

Colourful Crossings

In conjunction with Better Bankside, pedestrian crossings in the area and along Southwark Street will feature bold, graphic designs to brighten and improve public spaces.

'Bankside is a special creative neighbourhood, enjoyed by Londoners and visitors from all over the world. "Colourful Crossings" is a great opportunity to build on this as, working with world-class artists, we transform our public spaces, how we use them and make them part of the whole cultural experience.'

Donald Hyslop, Chair Better Bankside; Head of Partnerships, Tate Modern

Progress against the Mayor's Transport Strategy (MTS)

In May 2010, following extensive consultation, the Mayor of London published a new transport strategy, setting out his goals and aspirations for the transport network over the next 20 years.

These aim to support population growth and economic development by increasing capacity and improving comfort, safety and security, as well as help London meet its climate change and environmental targets.

The strategy identifies six goals:

- Support economic development and population growth
- Enhance the quality of life for all Londoners
- Improve the safety and security of all Londoners
- Improve transport opportunities for all Londoners
- Reduce transport's contribution to climate change and improve its resilience
- Support delivery of the London 2012 Olympic and Paralympic Games and its legacy

The following pages highlight the progress we have made this year in meeting these goals.

Overall progress against the MTS outcomes is reported every year in TfL's Travel in London report.

Caption

Interactive digital screens have been trialled on Regent Street giving customers comprehensive travel information

Support economic development and population growth

Supporting growth

All of the investment that we are making will enable the transport system to support a bigger city and sustain continued economic growth. A targeted Growth Fund of £300m has been ring fenced to fund transport schemes that will support thousands of new jobs and homes, and help unlock areas of growth.

Plans to improve the Elephant and Castle area for pedestrians, cyclists and other road users won overwhelming public support at consultation in August 2014. Work began in April 2015.

The £30m transformation of the Tottenham Hale gyratory system, a key target area for growth within the Upper Lea Valley, was completed in November 2014. In addition, plans to extend the Northern line, the Bakerloo line, London Overground and London Trams also progressed.

Future of the Tube

LU's far-reaching plans for the modernisation of the Tube progressed. Milestones included:

- An announcement in April 2014 of a £330m project to upgrade 70 Underground stations
- Introducing contactless payment for travel (see page 20), WiFi, 'click and collect' shopping and other new services for customers
- Announcing 12 September 2015 for the launch of the Night Tube (see page 70)
- The completion, in December 2014, of work to increase capacity on the Northern line by 20 per cent – that's an extra 11,000 customers an hour (see page 32)
- Reaching the halfway stage in December 2014 on the £36m redevelopment of Vauxhall Tube station
- Opening the new Tottenham Court Road ticket hall in January 2015 (see page 32)
- Starting the roll-out in February 2015 of making station staff more available to help customers (see page 22)
- Trialling new uniforms to make station staff more visible to the public

Crossrail and HS2

Consultations in September 2014 on proposals for a new rail link and an interchange for Crossrail and the proposed HS2 at Old Oak Common generated strong public support for the building of two London Overground stations. In November 2014, a £28m funding package was announced to support borough-led schemes to improve public spaces around Crossrail stations in outer London.

Construction continued on the Underground to prepare stations for Crossrail:

- Tunnelling work to provide an interchange at Bond Street was completed in December 2014
- Structural work started in January 2015 to enlarge Tottenham Court Road station ready for the new railway
- In January 2015 it was announced that tunnelling for Crossrail should be completed in the spring and the Liverpool Street/Shenfield service integrated into the TfL network (see page 38)

Crossrail 2

In November 2014, funding and finance options for the proposed new railway were published. And in March 2015 the DfT confirmed that the route for Crossrail 2 has been safeguarded, which protects it from potential redevelopment plans that could affect the construction.

Extending the Underground

The Northern line extension was given Government go-ahead in November 2014. It will help regenerate the Vauxhall, Nine Elms and Battersea area, and support the creation of 24,000 new jobs and 18,000 new homes. Also, in September 2014 we consulted on plans to extend the Bakerloo line into south London – from Elephant and Castle towards New Cross, Lewisham, Bromley and Hayes. The extension is vital for the future growth of the area.

Work to improve Elephant and Castle began in April 2015

Support economic development and population growth (continued)

One of London's biggest regeneration projects is taking place at Elephant and Castle

Emirates Air Line extends services

From 28 March 2015, the Emirates Air Line offered a new 'Night Flight' experience, with later opening hours, a longer flight time and complementary music and video entertainment in cabins and at the terminals. From Sunday to Thursday, closing time is now 10pm, and 11pm on Friday and Saturday.

River crossings

A public consultation on plans for new river crossings at Woolwich, Gallions Reach and Belvedere took place in July 2014. The crossings are crucial for the continued economic development of east London. In October 2014, detailed proposals for the Silvertown Tunnel also entered consultation. In the same month, refurbishment work started on the Woolwich Ferry to make it more reliable and efficient.

Going Overground

Plans for a 4km extension of the London Overground and a new station at Barking Riverside received overwhelming public support at consultation in September 2014. Regeneration at Barking Riverside could provide up to 2,500 new jobs and 10,800 new homes.

Extra train services were added to the timetable on the Gospel Oak to Barking route in December 2014. On other parts of the network, capacity was boosted with the introduction of five-car trains from December 2014 (see page 38) and they will be introduced on three more lines by the end of 2015.

Customer satisfaction on London Overground continues to rise, with passengers giving the network a 91 per cent overall satisfaction rating in the nationwide Passenger Focus survey. That compares with 89 per cent the previous year and the average for all national Train Operating Companies of 82 per cent.

Take the tram

Plans to build a new London Trams loop near East Croydon station, which would enable an extra 1,600 passengers an hour to be carried, went to public consultation in November 2014.

Property plans

Ambitious plans to develop our property estate by forming partnerships with development companies were announced in January 2015. They are part of a wider programme to generate £3.4bn in non-fare revenue over the next 10 years (see page 60).

Passenger peaks

Travel on the transport network continues to break records. A combined 76.1 million passenger journeys were made on the Tube and buses during just one week in September 2014 – the highest ever. A record 50 million were made on the buses alone.

In December 2014, the Underground notched up its busiest week in Tube history when 28.3 million journeys were made just before Christmas.

London River Services carried more than 10 million passengers for the first time in the last financial year – 10,022,668 in 2014/15 compared with 8,411,200 in 2013/14.

Enhance the quality of life for all Londoners

Road improvements
Work has started on several important road improvement schemes which are vital to keeping London moving. Restoration work on Chiswick Bridge began in April 2014, essential repairs were carried out on the Hogarth flyover in July 2014, and work started in September 2014 to transform Croydon bus station which is fully integrated with the £50m Croydon Council-connected Croydon Urban Development Programme.

In December 2014, £148m funding was announced to help London boroughs with local transport improvements and town centre public realm projects over the next financial year (2015/16).

More trains
The search for a company to supply extra trains for the Jubilee and Northern lines began in August 2014. Together with a new modern signalling system, they will boost capacity, increase the frequency of services and support the proposed Northern line extension.

In October 2014, designs for new deep-level, air-cooled Tube trains were unveiled – they will enter service on the Piccadilly, Bakerloo, Central and Waterloo & City lines. Around 250 are to be built and will be introduced from the mid-2020s.

Ultra Low Emission Zone
Following a thorough consultation process, the Ultra Low Emission Zone will launch in central London on 7 September 2020, significantly improving air quality and helping to protect the health of Londoners. This was confirmed by the Mayor in March 2015. A total of £65m will be required to deliver plans for cleaner taxis, of which £25m has been confirmed by the Government.

Improved information
In April 2014 digital arrival information was introduced on buses, at bus stops, bus stations and on large Countdown screens at several busy bus stations. More than 60 smartphone bus travel apps now use our free open data, displaying arrival times at all 19,500 bus stops and Countdown information at public places such as hospitals and schools.

Lane rental
Disruption caused by roadworks has been cut by 46 per cent since the London lane rental scheme launched in June 2012, according to April 2014 figures. Around 90 per cent of utility works, and 99 per cent of TfL works, now take place outside peak hours.

Tackling deliveries
In November 2014, we hosted 'Quiet Cities' the world's first global summit on retiming freight deliveries. New guidance designed to encourage freight operators to re-time deliveries to avoid rush hours was also announced at the event.

Changing streets
Schemes to use some of London's streets in new and exciting ways were revealed in October 2014 as part of the £1.8m Incubator Fund which invests in creative and original on-street projects (see page 74).

Competitors take part in the first Cycle Hire bike race

Cycle funding
In November 2014, we awarded a total of £44,000 to 17 community cycling projects across 11 London boroughs to encourage more people of all ages, gender and ability to cycle.

Boost to cycling
It was a summer of cycling in London in 2014 with thousands of people watching the first-ever cycle hire race in June, the Tour de France third stage finale in July, the annual Prudential RideLondon festival of cycling weekend in August and ending with the Tour of Britain that finished on Whitehall in September. Cycling in London is now at its highest level since records began, according to figures released in February 2015.

Supporting young people
To support TfL's future workforce, a series of events were held in June 2014 to encourage more women to consider a career in engineering, 200 new graduate trainee roles were announced in October and a £1m investment in LU's new training facility was agreed that will provide the best and most modern equipment.

Year of the Bus
The London Bus was celebrated at numerous events throughout 2014, culminating in the unveiling of 60 bus sculptures in October. A Battle Bus was restored and went on a tour of World War I battlefields across Belgium and Northern France in the summer. In addition, New Routemasters were decorated in poppy livery in November to mark 100 years since the start of the First World War.

Improve the safety and security of all Londoners

Crime rates continue to fall

Crime on our public transport network, including buses, Tube, DLR and London Overground, is at its lowest level since recording began in 2004/5. In 2014/15, the rate of crime fell to seven crimes per million passenger journeys (down from 7.7 in 2013/14).

Enforcement activity

A new, single police command with more than 2,300 officers was created in January 2015 to further improve safety and security on the Capital's roads and surface public transport. The MPS Roads and Transport Policing Command goes some way to fulfilling the six commandments laid out by TfL and the Mayor in 2013 to reduce fatalities and injuries on London's roads.

The Industrial HGV Task Force (IHTF) carries out roadside enforcement activity targeted at non-compliant commercial vehicles. There is a particular focus on construction and waste vehicles given the disproportionate number of these vehicles involved in fatal cycle and other vulnerable road user collisions in the Capital. Between April 2014 and March 2015, the IHTF stopped 2,835 vehicles, issued 1,082 roadworthiness prohibitions and 509 fixed penalty notices for various offences and seized 17 of the most dangerous vehicles. In April 2014, it was announced that the IHTF will continue its work targeting the most dangerous commercial vehicles.

Tackling lorry safety remains a priority. Also in April, a new project to test HGV blind spot technology was launched. This was followed by an announcement in February 2015 that HGVs without side guards and safety mirrors are to be banned from London's streets from September 2015.

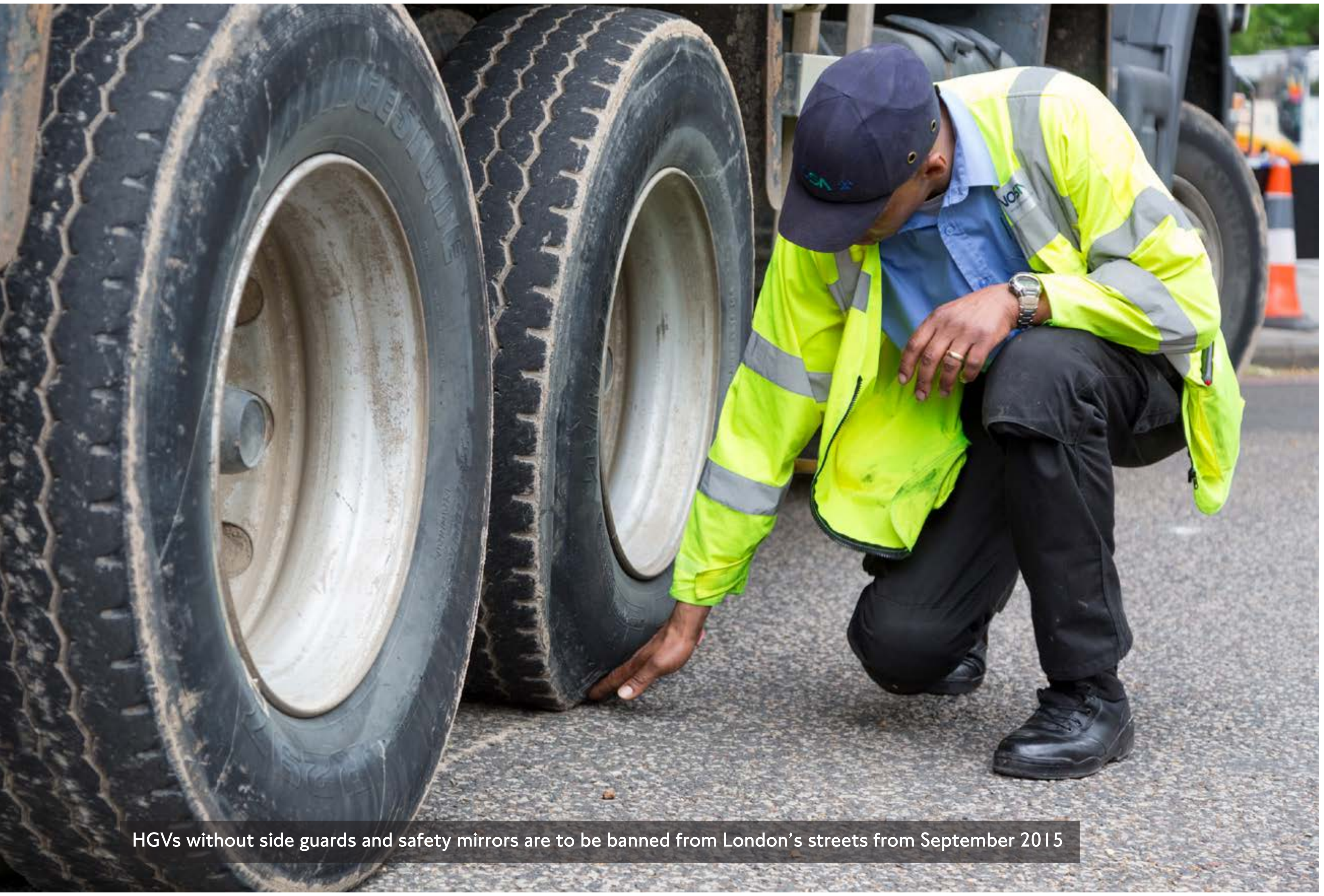
Other successful road safety campaigns include the 'Kill your speed, not your mates' and the 'Share the road' television and cinema adverts launched in summer 2014. London's first ever Pedestrian Safety Action Plan was also published last July, addressing 31 key points to tackle collisions. We have also published the Motorcycle Safety Action Plan, a first for London, which sets out 29 actions to cut the number of motorcyclists killed or seriously injured on the Capital's roads.

BTP officers on patrol at Canary Wharf station

Improve the safety and security of all Londoners (continued)

Sensors for buses
Four buses were fitted with new bus sensor technology in August 2014 as part of a trial to improve bus driver awareness of pedestrians and cyclists. In September 2014, work began on updating the Capital's road safety camera network.

Cycle safety
In June 2014, new cycle safety trials and initiatives were announced that include making bicycles more visible and vehicle braking systems more responsive.



HGVs without side guards and safety mirrors are to be banned from London's streets from September 2015

Making junctions safer
Thirty-three of London's busiest and most dangerous junctions are being overhauled to make them safer and less intimidating, as part of TfL's Road Modernisation Plan. Radical proposals to remove the gyratories at Vauxhall, Archway and Stockwell all went to consultation in November 2014, together with proposals to redesign the Old Street roundabout and the junction at Oval. The public's views were also sought in October 2014 on plans to redesign Wandsworth town centre and re-route key roads. Segregated cycle lanes are included in some of these schemes. Work started on the Oval scheme in March 2015.

Streets ahead
A draft of our Streetscape Guidance was released for consultation in January 2015 to inform design options and promote an integrated approach to providing quality urban design in London. The final version will be published in summer 2015 with the intention to update regularly online as innovations, new materials and Streetscape concepts are proved.

Clever crossings
The SCOOT (Split Cycle Offset Optimisation Technique) technology scheme continued its roll-out during the year. It was introduced at a further 309 traffic signal sites this year to help to cut delays. The system uses sensors in the road to detect when traffic is building up, and changes the traffic lights accordingly.

The first trial of pedestrian SCOOT finished in March 2014. State-of-the-art video camera technology automatically detects how many pedestrians are waiting at crossings. It then adjusts traffic signal timings to extend the 'green' phase when lots of people are waiting, allowing more to cross the road.

Pedestrian countdown was installed at another 121 crossings during 2014/15.

Bogus websites
Measures to tackle bogus Congestion Charge websites were announced in December 2014.

Bus driver training
We introduced additional training for bus drivers, focusing on vulnerable road users and reducing crash risk. Funding has also been confirmed for driver training from 2016 that will further improve the customer experience.

Casualties
The number of people killed or seriously injured (KSI) on London's roads has been further reduced this year. Indicative results for the full year show a reduction in KSIs of 40.2 per cent from the 2005-2009 average baseline and a 6.8 per cent reduction from 2013.

Schools and safety
Encouraging schools to get involved in road safety initiatives continued with STARS Online launching in September 2014, which allowed them to record their travel activity and apply for accreditation status. During the 2014 academic year more than 1,000 schools were promoting safe, active travel and their success was celebrated with a dedicated event at City Hall. More than 1,000 Youth Travel Ambassadors have been appointed in 125 London schools. They address school assemblies, highlight road risks and tell fellow pupils how to stay safe.

Improve transport opportunities for all Londoners

Cash free and contactless

London's buses went cash free in July 2014. In September 2014, contactless payments were introduced on the Tube, trams, DLR, London Overground and most London National Rail services.

Tube improvements

Investment in the Tube network continued with major escalator and refurbishment work being carried out at several stations. The completion of the Northern line modernisation boosted services from December 2014, which means the line can carry an extra 11,000 passengers an hour.

Extra buses

To accommodate growing demand and changing travel needs, bus services have been boosted throughout London not only during the busy peaks but at weekends and evenings too. The changes provide services to areas previously not served by buses, and also increase capacity where needed. Routes have been extended in Haringey, Islington, Mitcham and Southwark. And more Night buses have been introduced to the popular night routes serving Shoreditch and Hackney.

More customer services

In June 2014, the 'One More Journey' facility was introduced for Oyster users and online refunds became available for service delays. From July 2014, euros were being dispensed at cash points at 70 Tube stations. And in September 2014, the click and collect service was expanded, enabling people to pick up goods from major retailers at 42 Tube stations.

Free WiFi was also trialled on two bus routes in August 2014 and daily bus fares were capped so people paid the same fare, whether using Oyster or contactless cards.

London Overground additions

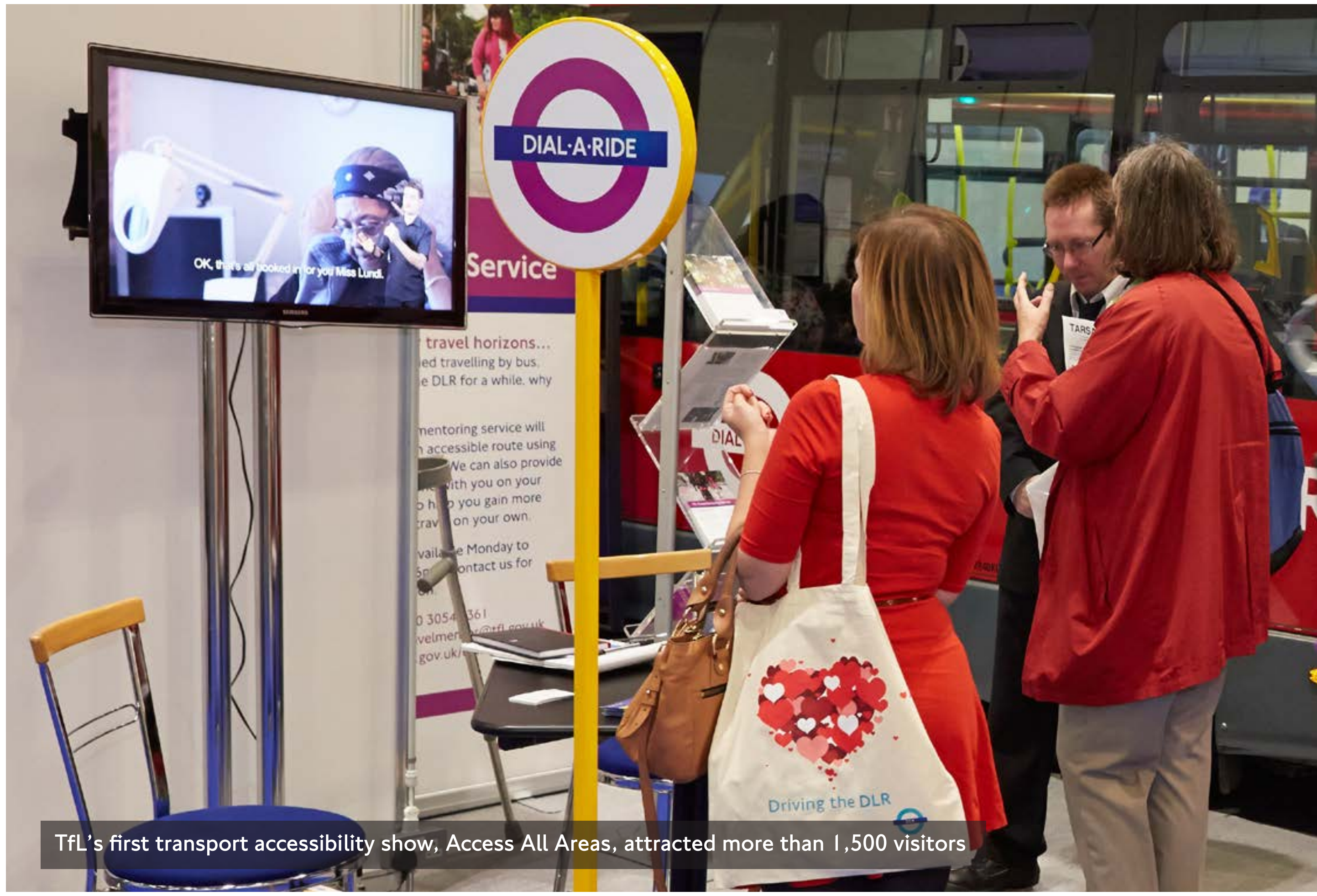
More services were added to London Overground's busy Gospel Oak to Barking line in December. The first five-car trains were introduced to parts of the network in November 2014. By 2016, this will have increased capacity on many lines by 25 per cent. Works on a new stabling facility near New Cross Gate was completed in September 2014, ready to take 10 five-car trains.

Cycle routes

London's first 'Quietways' will open this year after construction began in December 2014 on the route from central London to Greenwich and Hackney which will give cyclists a direct, more pleasant, back-street alternative to busy main roads.

Improving access

A £76m fund to speed up accessibility improvements on the transport network was announced in October 2014, together with confirmation that all Crossrail stations will be step-free. Hundreds of people visited our pioneering event, the Accessibility Show at ExCeL, also in October (see page 26). Work continued at a number of Tube stations to provide step-free access and Tottenham Court Road will be the next major station to become step-free in 2016.



TfL's first transport accessibility show, Access All Areas, attracted more than 1,500 visitors

New travel app trial

A trial got under way in March 2015 at Pimlico Tube station to assist blind and partially sighted people to navigate the Tube network independently, using Bluetooth beacons and a smartphone app. The Wayfindr system has been developed by ustwo, a studio that builds digital products and services, in response to the Royal London Society for Blind People Youth Forum's desire to be able to navigate the Tube network without assistance. The beacons transmit a signal that can be picked up by phones and other mobile devices. Wayfindr uses these signals with ustwo's indoor positioning technology to locate itself and give audible directions to the user. The app is paired with commonly available 'bone conduction' earphones that do not prevent wearers from hearing the sounds around them.

Reduce transport's contribution to climate change and improve its resilience

Clean, green electric buses have been trialled on Route H98

Cleaner bus fleet

More than half the target number of New Routemasters planned to be running on London's streets by 2016 are now in service. They will reduce annual carbon dioxide (CO_2) emissions by around 20,600 tonnes. Twelve bus routes have now converted to cleaner, greener buses and data shows their average fuel consumption is almost 50 per cent lower than the previous buses.

Electric buses

The first British-built pure electric buses began running in west London in July 2014 and two electric buses were introduced in Croydon in December 2014. It was announced in March 2015 that the first all electric bus route is to be introduced between South Croydon and Norwood Junction (route 312).

Retrofit expands

London's bus retrofit programme – the largest in the world – was completed in July 2014 and now more than 1,000 buses, on more than 50 London routes, are cleaner with up to an 88 per cent reduction in nitrogen oxide (NOx) emissions. Government funding for another 400 vehicles was secured in September 2014.

Ultra low bus boost

The introduction of ultra low emission Euro VI buses was speeded-up with the announcement in November 2014 that more than 300 of the vehicles would be operating in London by the end of 2014.

Signals go green

In July 2014, £317m worth of contracts were awarded to upgrade London's 6,200 traffic signals to the latest, greenest standards over the next eight years.

Bus charging

It was announced in August 2014 that trials would begin in east London in autumn 2015 to allow some hybrid buses to wirelessly charge their batteries while waiting at bus stands.

Reusing waste heat from trains

All new Tube trains have regenerative braking, a technology that reuses energy when train brakes are applied. It reduces the energy required and the waste heat expelled into tunnels. On the Victoria line, regenerative braking combined with other new technology on trains, signalling and power systems, has cut the energy required to run services by 34 per cent. Opportunities are being investigated for connecting the LU power network to third party low-carbon energy sources.

Support delivery of the London 2012 Olympic and Paralympic Games and its legacy

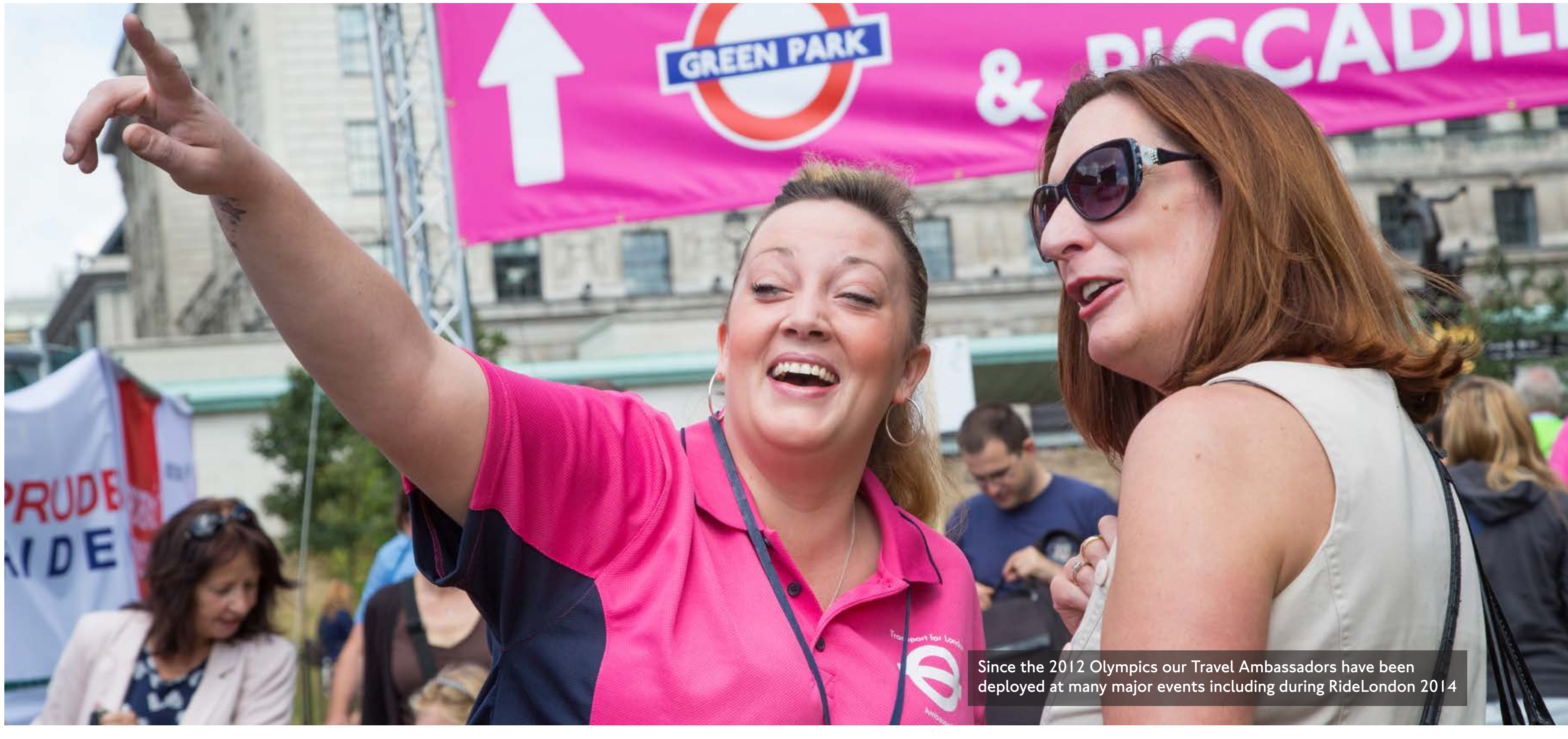
The Olympic legacy continues to influence developments within London's transport network. The unparalleled levels of face-to-face customer service seen during the London 2012 Games will become the norm under Tube modernisation plans.

New station
The new Pudding Mill Lane station, the largest on the DLR network, opened in April 2014 and has double-tracked rails that allow an extra 1,100 passengers to be carried every hour.

More buses
A new bus service was introduced to Queen Elizabeth Olympic Park in November 2014, providing better transport connections for the area. Stops include the London Aquatics Centre and ArcelorMittal Orbit.

More ramps
Continuing the legacy of accessible travel promised after the 2012 Games, the UK's first 'bridge style' boarding ramps were unveiled in May 2014 and introduced at three stations the following month. The ramps are used at stations where there is a step down between platform and train.

Many major accessibility improvements are currently under way in the Capital, along with dozens of smaller step-free projects, with a target of having at least 25 more Tube and London Overground stations, plus dozens of National Rail and Crossrail stations, step-free within the next 10 years.



Since the 2012 Olympics our Travel Ambassadors have been deployed at many major events including during RideLondon 2014

Cycling in the park
It was announced in November 2014 that the cycle hire scheme will expand into Queen Elizabeth Olympic Park with eight new docking stations and 320 docking points. Work will begin this year.

Helping hands
Our Travel Ambassadors continue to help keep London moving when major events, including the Notting Hill Carnival and strike action, put the transport network under pressure.

Statement of Accounts

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Explanatory Foreword and Financial Review

Highlights
2014/15 saw continued strong performance from the Transport for London ('TfL') Group. Once again demand increased, especially on the DLR; and reliability and customer satisfaction scores remained high across TfL's network.

Work continued on major projects to maintain, improve and extend services across London. Projects included Crossrail, Tube infrastructure and signalling upgrades, congestion relief projects and the Roads Modernisation Plan. During the year, improvements delivered included:

- The opening of Pudding Mill Lane DLR station, boosting capacity by an extra 1,100 customers an hour.

- The introduction of five-car trains on the London Overground network, boosting capacity by 25 per cent.

- Modernisation and improvements on the Northern line, leading to a 20 per cent increase in capacity.

- Following the introduction of contactless payments on buses in December 2012, contactless payment was successfully launched on the Tube, trams, DLR, London Overground and most National Rail services in London in September 2014.

- Good progress has been made on the project to strengthen the Hammersmith flyover, with the works due to be completed in Spring 2016.

- Progress has been made on the Cycle Superhighways programme, and development works have started on a Central London Grid and new Quietway routes.

Financial performance
In 2014/15 TfL once again performed strongly. Passenger numbers increased to record levels, fostered by population and economic growth, on almost every TfL service. Total journeys across TfL rose by 1.1 per cent, with the DLR seeing an increase of 8.5 per cent and London Underground seeing a rise of 3.2 per cent. Bus passenger journeys increased slightly from 2,382 million in 2013/14 to 2,385 million, as increasing demand resulting from population pressures was offset to a degree by the impact of reduced bus reliability from the increased traffic levels, roads modernisation and other improvement schemes. Further passenger journey reductions were as a result of industrial action on the bus network in January and February 2015, reducing passenger numbers by 7.5 million. Fares increased by an average 2.5 per cent in January 2015 in line with the annual increase in the Retail Price Index (RPI), contributing to an increase in gross fares income to £4,310 million from £4,116 million in 2013/14.

Reliability, as measured by the amount of delays to customers, remained high for most of TfL's services. On the Tube, the number of Lost Customer Hours continued to improve, showing a nine per cent improvement on 2013/14, after adjusting for the effects of industrial action; and DLR's performance was also improved on the prior year. Journey times on the road network and for buses, however, were adversely impacted by increased traffic levels, and road improvement schemes, particularly in the last quarter of 2014/15.

Gross expenditure increased by 4.1 per cent from £6,774 million to £7,055 million, reflecting continued increases in levels of activity.

The level of capital works undertaken in 2014/15 remained high reflecting the continued investment in Crossrail and Tube infrastructure necessary to enhance capacity over the network. Capital expenditure during the year totalled £3,588 million (2013/14 £3,297 million).

Funding sources
TfL's activities are funded from six main sources:

- Income from fares and the Congestion Charging scheme

- Central government funding, which has been agreed to 2015/16 following the 2013 Spending Review

- A proportion of London's business rates

- Prudential borrowing (the amount and profile of which also forms part of TfL's settlement with central government)

- Commercial development in TfL's estate, including advertising and property rental and development

- Third-party funding for specific projects

TfL's Business Plan is financially balanced with planned funding sources sufficient to meet planned expenditure. In-year differences between expenditure and funding are managed through transfers to or from TfL's cash reserves.

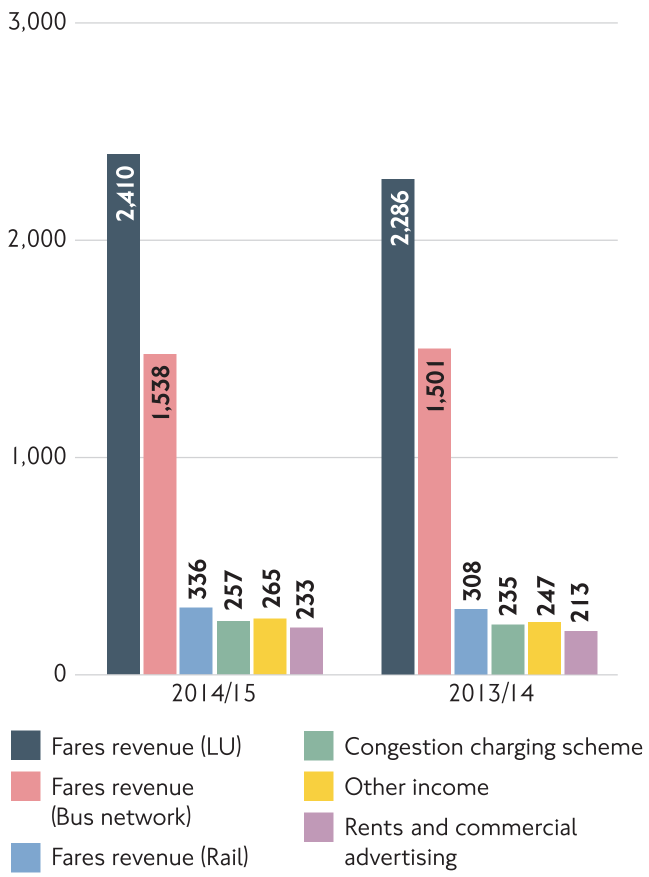
Revenue
Total revenue increased 5.2 per cent from £4,790 million in 2013/14 to £5,039 million in 2014/15.

TfL's primary source of revenue comes from fares on the London Underground ('LU'), Rail and Bus networks. This represents 85.0 per cent of all revenue generated. The January 2015 fares rise was restricted to 2.5 per cent, in line with the annual increase in RPI in the benchmark month of July 2014, in response to the continued pressures on the cost of living. However the Business Plan continues to assume that fares will rise at one per cent above RPI in each future year of the Plan period. Fares decisions are taken annually by the Mayor.

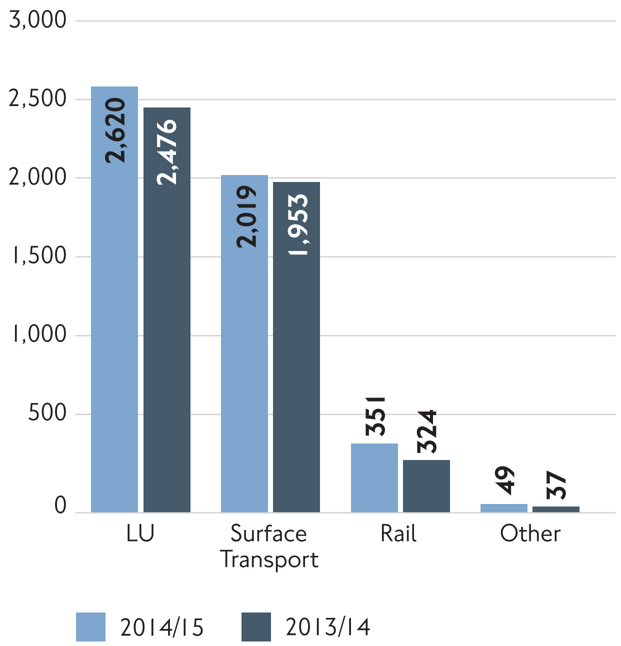
Fares revenue in LU was £2,410 million, 5.4 per cent up on 2013/14. This reflected a year-on-year increase in passenger journeys of 3.2 per cent combined with fare increases.

Explanatory Foreword and Financial Review

Revenue breakdown by type (£m)



Total revenue by business unit (£m)



Within Surface Transport, on the Bus network, passenger journeys increased from 2,382 million in 2013/14 (as adjusted for consistency with TfL's new methodology for measuring journeys) to 2,385 million in 2014/15. This increase contributed to an overall increase in the Bus network income to £1,538 million, 2.5 per cent higher than the previous year's total of £1,501 million.

Within Rail's revenue figures, total fares revenue on the DLR increased 12.3 per cent from £130 million in 2013/14 to £146 million in 2014/15, reflecting higher passenger numbers across the whole network. Annual ridership of 110.2 million passengers was up 8.6 million (8.5 per cent) from the previous year. The Emirates Air Line carried 1.5 million passengers, unchanged from 2013/14. Fares revenue increased from £5 million to £6 million.

London Overground's fares revenue of £159 million for the year was up 6.4 per cent on 2013/14, reflecting a continued increase in demand. Passenger journeys totalled 139.8 million for the year, an increase of 4.1 million or 3.0 per cent over 2013/14. Investment in new Overground rolling stock with the recent introduction of five-car trains has increased the Overground train capacity by 25 per cent for 2015/16.

Congestion Charging revenue increased 9.4 per cent from £235 million in 2013/14 to £257 million in 2014/15. The increase was driven by a price increase in June 2014 and higher traffic volumes, resulting in both higher Congestion Charge income and an increased volume of Penalty Charge Notices.

Other income increased 7.3 per cent from £247 million in 2013/14 to £265 million in 2014/15. Other income comprises a broad range of revenue streams including taxi licensing, third party contributions, cycle hire, ticket and photocard commission and Road Network compliance income. The overall increase was driven by strong performances from cycle hire and taxi licensing.

Government grants and other funding

The main source of grant income is the Transport Grant from the Department for Transport ('DfT') which comprises two elements: an investment grant, which supports delivery of the Investment Programme; and a general grant, to support TfL's operating activities including capital expenditure. Other key funding streams include specific capital grants from the DfT and the Greater London Authority for the Crossrail project. Total general and capital grants receivable, excluding specific Crossrail funding, amounted to £2,948 million (2013/14 £3,215 million).

Prudential borrowing

Set out below is a table summarising movements in the value of borrowings during the year. In addition to the sources of financing in the table below, other sources of financing include the PFIs (see also notes 23 and 24 to the accounts).

Movement in borrowing £m

Opening borrowing at 1 April 2014	7,867	
European Investment Bank loan - Crossrail	100	The final instalment of a total facility of £1bn drawn down over six years. The loan has an average fixed interest rate of 4.8505 per cent with repayment dates between 2024 and 2048
£500m 50 year bond	500	Issue of a £500m 50-year bond at an annual coupon of 4.0 per cent
Commercial paper	72	Issue of rolling short-term commercial paper debt
Scheduled repayments on EIB debt	(22)	Scheduled repayments on debt acquired in previous years on the acquisition of WARE and Tube Lines
Fair value movements, issue premia/discounts and fee adjustments	(3)	
Closing borrowing at 31 March 2015 per the accounts	8,514	

The Authorised borrowing limit for the Corporation set by the Mayor for 2014/15 was £9,776.5 million.

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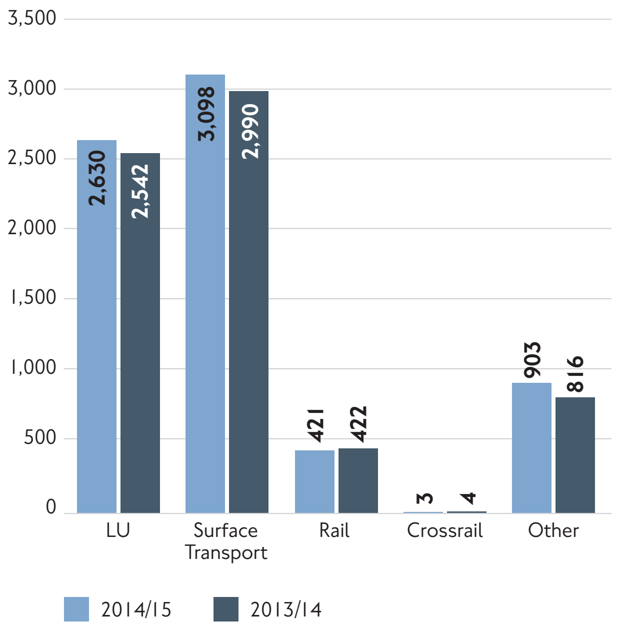
Uses of funding

Operational expenditure

Total operating expenditure increased by 4.1 per cent from £6,774 million to £7,055 million reflecting increased activity across the Group.

Operational expenditure £m



Operating expenditure on the Underground increased by 3.5 per cent, from £2,542 million to £2,630 million, reflecting the impact of a general pay increase for operational staff and other minor cost increases. In Surface Transport, operating expenditure was £3,098 million. This includes bus contract payments which are partly used to fund capital investment in vehicles, plant and premises made by bus operators as these assets are owned by the operators, estimated to total c. £290 million. The increase over the prior year was 3.6 per cent, reflecting the full year effect from the Bus Service Operators' Grant (which transferred from the DfT to TfL from 1 October 2013) together with increases in delivery of the Investment Programme.

Crossrail operating expenditure remains at a low level as the majority of its costs represent costs of construction of the Crossrail tunnels and related assets, and have therefore been capitalised on the Balance Sheet.

Other expenditure represents primarily that proportion of central management costs and overheads which are not directly allocable to operational divisions.

TfL continued to support Borough schemes that improve the quality, safety, accessibility and sustainability of the local travelling environment. The overall Borough funding package for 2014/15 included £132 million provided directly to the Boroughs through the Local Implementation Plan programme, together with investment in traffic signals of £12 million. Other financial assistance included payments related to Taxicard, cycling, Bus Stop Accessibility schemes and payments for road repairs due to severe winter weather.

Net interest and finance charges

Total financing and investment expenditure for the year was £451 million, a decrease of £33 million from the previous year.

Within this overall total, interest payable on direct borrowings increased 10.9 per cent from £322 million to £357 million, reflecting a net increase in borrowings during the year of £650 million. The average cost of borrowings remained in line with the prior year. As at 31 March 2014, TfL had a nominal £7.898 billion of debt, of which approximately £0.7 billion was short-term borrowing under the Commercial Paper Programme. The weighted average interest rate was 3.81 per cent and the borrowings had a weighted average remaining life to maturity of 20.7 years. As at 31 March 2015, the nominal value of debt outstanding had increased to £8.548 billion, of which £0.8 billion was short-term Commercial Paper. The weighted average interest rate was 3.81 per cent and the borrowings had a weighted average life to maturity of 21.5 years.

This increase was offset by an increase in the amount of borrowing expenses capitalised into the cost of qualifying property, plant and equipment. Interest capitalised rose from £59 million in 2013/14 to £74 million in 2014/15. Interest payable on finance leases also fell from £56 million in 2013/14 to £52 million in 2014/15 as the remaining lease liability is paid down. A one-off premium of £30 million was also paid in relation to the refinancing of ex-Tube Lines debt in 2013/14. No similar costs were incurred in 2014/15.

The Group's net interest expense in respect of its defined benefit pension scheme obligations fell from £122 million in 2013/14 to £102 million in 2014/15.

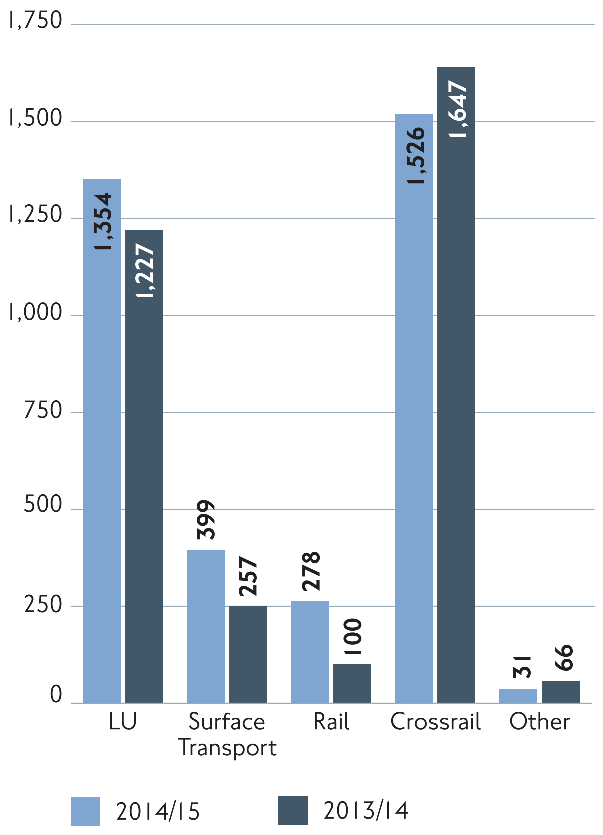
Financing and investment income totalled £229 million, an increase of £14 million on the previous year. This was due to an increase in the fair value of the investment property portfolio, reflecting the revaluation of the Group's development site at Earl's Court, combined with a higher level of investment income on short term cash deposits. Offsetting these increases was a reduction in the net gain on disposal of investment properties realised during the year, which fell from £15 million in 2013/14 to £1 million in 2014/15.

Explanatory Foreword and Financial Review

Capital expenditure

Total capital expenditure for the year was £3,588 million (2013/14 £3,297 million).

Capital expenditure by business area (£m)



London Underground's major projects once again made good progress during the year with capital expenditure increasing from £1,227 million in 2013/14 to £1,354 million in 2014/15.

New 'S stock' trains, with their distinctive walk-through design, are now in timetabled passenger service on the Circle, District, Hammersmith & City and Metropolitan lines. The spacious and accessible new trains bring increased capacity, plus air conditioning, wider doors and walkways and automated visual displays. They also feature onboard station announcements, CCTV and dedicated wheelchair areas.

The first of the 35 year old District line 'D stock' train carriages have been taken out of service, and will be gradually phased out until the entire fleet has been replaced by the end of 2016. The new trains have one more car than those they replace, providing a significant increase in capacity.

The 55 year old maintenance shed at Upminster has been renovated to accommodate S stock trains, and a new facility for 180 train operators, managers and support staff has opened at Barking. It provides much improved facilities for staff including new training space.

The campaign of track renewals continues, with 31 points and crossings renewed and over 48,000 metres of track and drainage replaced or upgraded during the year. The strengthening of drainage gives better management of groundwater ingress and so reduces the signal failures it causes.

Bond Street station re-opened fully on 5 December. The Jubilee line platform strengthening works will relieve congestion and prepare it for the forecasted increased growth as Crossrail becomes operational in 2018 and more customers use the station for commuting and leisure travel. Excavation for the new northern escalators and the northern tunnels concourse enlargement has been completed. This will provide the Jubilee line with new lifts and escalators improving accessibility and providing step-free access from street to platform.

The new entrance and ticket hall at Tottenham Court Road station opened on 12 January. The new entrance on Oxford Street has three additional escalators leading down from the entrance to the ticket hall and a further three new escalators leading from the ticket hall to the Northern line lower concourse. Work at the station continues and by 2016 the station will be fully accessible, with five new lifts providing step-free access from the ticket hall to the platforms.

The modernisation of Vauxhall station is 50 per cent complete. This work will enlarge Vauxhall's ticket hall with the aim of reducing congestion and allowing for the 40 per cent passenger growth which is expected at the station over the next few years. The ticket hall, subways and stairways are being completely refurbished, with new signage, CCTV, ceilings, floor and wall tiling.

A new lift between the ticket hall and platforms, combined with the existing lift from the bus station to the Underground ticket hall, will give step-free access from the street to Victoria line trains. New station control and electrical switch rooms, offices, a staff mess room and staff toilets are almost finished.

Modernisation work on Hammersmith station is now complete and includes a new exit and entrance on Beadon Road, an extended platform for longer trains and a new gateline. In addition, the ticket hall has been retiled and the flooring refurbished.

Following substantial work, the lifts at Russell Square, Gloucester Road, and Covent Garden re-opened with enhanced capacity.

Construction work on the old cleaning shed at Ruislip depot is now complete, transforming it from a storage area into a brand new automatic train control (ATC) fitment facility that will be used to install the onboard equipment on the engineering vehicle fleet.

In June, the Edgware branch became the last section of the Northern line to be switched over to the new signalling system. The new signalling system allows LU to safely run more trains, closer together and at higher average speeds.

In October, the Mayor formally launched our design vision for the next generation of trains to serve customers on the Piccadilly, Bakerloo, Central and Waterloo & City lines. These trains, which we aim to introduce from the mid-2020s, will be the first deep-level Underground trains to feature air-cooling. They will also be more accessible than the trains they replace, providing step-free access from the platform to the cars, and will also have wider doors and a walk-through design similar to the new trains on London Overground and the Metropolitan, Circle, Hammersmith & City and District lines. The new trains will be introduced as part of a wide-ranging modernisation project which will increase capacity on the four lines mentioned above by up to 60 per cent.

Capital expenditure of £278 million was incurred by London Rail in 2014/15. The programme to equip all 20 trains on London Overground's East London line with an extra car, to make five car trains, was completed during the year. This is now being extended to the North London and West London lines.

Work to increase the capacity of Brondesbury station was also completed during the year. The ticket hall is now more than double its original area and has twice as many ticket gates. During the works, the opportunity was taken to replace flooring, to waterproof walls and ceilings, and to install an electronic service update board and two new ticket machines.

After five years of planning, development and construction, the new Pudding Mill Lane Station on the DLR opened to customers on 28 April. It was built to make way for the Crossrail route. It is able to handle large crowds with ease, making it an ideal route for big events at the neighbouring Queen Elizabeth Olympic Park and Stadium. Customers are now enjoying the other benefits of the new station which has more seating areas, better weather protection, a longer platform and an improved station environment over its predecessor. The increased amount of double track on the North Route also enables a more frequent service and help to further enhance reliability.

In Surface Transport, £399 million was spent on capital works. The main activity has been the annual programme of asset replacement and renewal, ensuring London's highways, traffic and bus infrastructure is maintained in a good state of repair. This includes a series of major engineering projects. For example, during the year a number of large-scale renewal schemes have started, including at Chiswick Bridge and on the Fore Street Tunnel, plus the project to strengthen the Hammersmith flyover has progressed.

In addition, Surface Transport invests to enhance and develop London's transport infrastructure. The New Routemaster Bus is being introduced route by route. TfL's cycling investment remains a priority with further progress on the Cycle Superhighways programme, and development work starting on a Central London Grid and new Quietway routes. Major activity to enhance traffic signals technology and associated communications infrastructure also continued apace, including a new project to modernise the Capital's life-expired Safety Cameras.

During the year, £1,526 million was spent on the Crossrail project. This takes the total spend on the project to date to £7.4 billion including the acquisition of land and property. By the end of the year, the Project was broadly 65 per cent complete. Six of the eight Tunnel Boring Machines had reached their destinations and cumulatively completed 42km of tunnelling. In addition, almost 13km of Sprayed Concrete Lining Works have been completed, creating station platform tunnels, passenger walkways and ventilation tunnels at Whitechapel, Liverpool Street, Bond Street and Tottenham Court Road.

Crossrail is now nearing the end of tunnelling activity (due to complete in June 2015) and the contracts relating to the railway systems and stations fit-out are now the focus of its project team.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2015 amounted to £4,678 million. The average yield from TfL's cash investments for 2014/15 was 0.54 per cent, an increase on the 2013/14 yield of 0.46 per cent. The low investment yields reflect the conservative nature of TfL's investment strategy and continued low interest rates. Most of the cash reflects usable reserves earmarked to fund TfL's future Investment Programme, including the Crossrail project. Earmarked reserves at 31 March 2015 amount to £1,735 million, with an additional £2,769 million being set aside for Crossrail.

Treasury risk management

The Board approves prudent treasury policies that have regard to both the principles of the CIPFA Prudential Code and the revised investment guidance (effective 1 April 2010) issued by the Department for Communities and Local Government.

Senior management directly control day-to-day treasury operations. The Finance and Policy Committee (a committee of the TfL Board) is the primary forum for discussing the annual treasury strategy, policy matters and for submitting proposals to the Board.

Treasury operates on a centralised, non-speculative risk basis. Its purpose is to identify and mitigate residual treasury-related financial risks inherent to the Group's business operations.

Analysis is continuing on the Group's overall exposure to inflation and interest rates as they affect its commercial markets (passenger levels, fare revenue and costs) and in its financial activities (financial costs and investment returns on cash balances). The results of this analysis led to more diverse and flexible borrowing sources being adopted while maintaining a conservative investment strategy.

The primary treasury-related financial risks faced by the Group are counterparty credit, liquidity and interest rate movements. These are the focus of treasury policies, as set out below:

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2014/15, TfL continued to follow a conservative investment strategy, investing primarily with the UK Government and its executive agency, the UK Debt Management Office ('DMO'), UK Government guaranteed investments, selected financial institutions with high (investment grade) credit ratings from a credit rating agency, selected supranational or sub-sovereign agencies with high credit ratings, and selected Money Market Funds with high credit ratings. For the first time TfL also invested in selected Corporates with high credit ratings, and with approved counterparties in Euros and US Dollars, as well as Sterling. Such non Sterling investments were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and its DMO were not limited, while amounts invested with other institutions were based on credit rating. The minimum rating was A-/A3. Credit ratings are obtained from the three main ratings agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2015 is set out in Note 30 to the accounts. Diverse sources of funding available include: Capital Markets, bank loans and direct access to the UK Debt Management Office via the Public Works Loan Board. These diverse sources significantly mitigate funding and liquidity risk.

Interest rates

The Board has approved parameters of a minimum of 50 per cent fixed-rate on existing debt and forecast debt. The proportion of fixed-rate debt borrowings (including Commercial Paper swapped to fixed through the use of interest rate derivatives) at the year end was 99.6 per cent; the remaining 0.4 per cent constituted unhedged Commercial Paper debt which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a revolving basis.

Pensions

As at 31 March 2015, the majority of TfL's employees were members of the Public Sector Section of the TfL Pension Fund. Over the past year, there was an increase in the actuarial value of future liabilities of £1,325 million, primarily reflecting a change in financial assumptions which has served to increase the value placed on the liabilities. The fair value of the assets of the Section, however, increased by £916 million, as the return on assets was higher than expected. As a consequence the deficit of pension scheme assets over future liabilities for the Section was increased by a net £409 million.

Explanatory Foreword and Financial Review

The total deficit recognised in respect of funded and unfunded pension arrangements at 31 March amounted to £2,895 million (2014 £2,482 million).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2012. The 2012 valuation showed a deficit on the Public Sector Section for funding purposes of £699 million, and as a result of this the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects and outlook

In December 2014, TfL published its updated Business Plan for the years to 2020/21. The investment in the Business Plan is designed to support London's projected population growth to over 10 million people in the city by 2030, the accompanying growth in employment and meeting our customers' needs and expectations for a more reliable and efficient service.

Many schemes are underway to address these challenges, including:

- Crossrail, which is expected to deliver a 10 per cent increase in rail-based network capacity in London from 2018/19. In 2014, Crossrail construction reached its halfway point and MTR Corporation was appointed to run the service.
- A rolling programme of Tube upgrades is continuing. This will provide the capacity London needs and reduce delays by 30 per cent by the end of 2015.
- The Tube will run 24 hours a day on Fridays and Saturdays on some lines, greatly enhancing London's night-time economy.
- Capacity increases on the London Overground providing a 25 per cent increase to the West London line, North London line, East London line and Euston to Watford line. In addition TfL is electrifying the Gospel Oak to Barking line and providing new trains to realise further capacity increases.
- An unprecedented 10-year, £4 billion of investment to transform London's road network including major enhancements at Elephant and Castle, Wandsworth town centre, Croydon Fiveways, Euston Road, Old Street and Vauxhall Cross.
- Maintaining London's bus services at record levels of reliability and customer satisfaction, whilst introducing more than 1,700 low emission hybrid buses by 2016 and 3,400 by 2020.
- The Mayor published his Vision for Cycling as a major method of transport in the city. Cycling is seeing £913 million invested over the period to 2021/22 to deliver the Mayor's vision.
- TfL is investing in technology so that customers can go online and access real-time travel information through the provision of WiFi services for customers. We have already provided WiFi access at Overground stations and all stations below ground, excluding those undergoing major construction.
- Crossrail 2, a proposed new railway serving London and South East England has overwhelming support. Crossrail 2 would run underground between Wimbledon and Tottenham Hale and New Southgate, connecting with existing National Rail networks in Surrey and Hertfordshire. The current preparation will allow for construction to start in early 2020s with services to begin in 2030.

Key risks

TfL's operations and ongoing Investment Programme are subject to a number of risks including:

- Exposure to various economic risks including revenue reductions, grant reduction and disruption to financial markets impacting TfL's ability to borrow. These could impact TfL's ability to deliver its Business Plan.
- The Business Plan assumes the achievement of significant secondary revenue, efficiencies and other cost savings. Underachievement would impact TfL's ability to deliver the Plan.
- Knowledge retention and timely staff development, as well as ongoing negotiations with trade unions could impact the levels of service provisions.
- The risk of disruption to quality of service due to implementing complex major asset renewal and replacement programmes, frequent closures of lines or major stations and changes to operational procedures and resource requirements after completion of asset upgrades.
- The Mayoral election is scheduled for 2016 and the outcome of this may impact the ongoing prioritisation of the activities and deliverables.
- Domestic or international terrorism and other threats to security may cause casualties, disrupt operational service, damage assets and create fear in the travelling public.
- The risk of an information or cyber security incident or the failure of critical IT systems (applications, networks and infrastructure) impacting the delivery of key business operations and support services.

These and other risks are managed through regular review of the assumptions underpinning the Business Plan and, where appropriate, adopting risk-specific mitigation strategies to limit TfL's exposure. TfL maintains a general fund to ensure liquidity and protect from short-term effects which may arise from the crystallisation of specific risks.

Accounting statements

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority (GLA) and reports to the Mayor of London.

The legal structure is complex in comparison to that of most local authorities and comprises:

- The Corporation, which is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL.
- The TfL Group, which is made up of the Corporation and its subsidiaries as set out in note 14.

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

Explanatory Foreword and Financial Review

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006 and separate statutory accounts are prepared for each subsidiary and for the Transport Trading Limited group. These accounts are prepared under International Financial Reporting Standards as adopted by the EU.

The financial statements for the TfL Group, which consolidate the accounts of the Corporation and its subsidiaries on the basis set out in the statement of accounting policies (paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and Movement in Reserves Statements

- The Statement of Accounting Policies

- Statement of Responsibilities for the Accounts

- Notes to the Group and Corporation financial statements

Within the Statement of Accounts, references to the 'Corporation' relate to the transactions, assets and liabilities of TfL. References to the 'Group' relate to the accounts of TfL and its subsidiaries.

Purposes of major schedules within the financial statements

The nature and purpose of the primary schedules included within the financial statements are set out below:

Comprehensive Income and Expenditure Statement

This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with generally accepted accounting practices. Other comprehensive income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and remeasurement gains or losses on defined benefit pension schemes.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by TfL. The net assets of TfL (assets less liabilities) are matched by the reserves held by TfL. Reserves are reported in two categories. The first category of reserves is usable reserves, being those reserves that TfL may use to provide services, subject to the need to maintain a prudent level of reserves. The second category of reserves is those that TfL is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of TfL during the financial year. The statement shows how TfL generates and uses cash and cash equivalents by classifying cash flows as derived from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of TfL are funded by way of fares income and grant. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to TfL's future service delivery.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by TfL, analysed into usable reserves and other reserves. The Surplus or (Deficit) on the Provision of Services is different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (its Chief Finance Officer) has responsibility for the administration of those affairs;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- Approve the Statement of Accounts.

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code;

- Kept proper accounting records which were up to date; and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March.

Andrew Pollins
Chief Finance Officer
1 July 2015

Independent Auditor's Report to Transport for London

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') for the year ended 31 March 2015 which comprise the Corporation and Group Comprehensive Income and Expenditure Statements, the Corporation and Group Balance Sheets, the Corporation and Group Movement in Reserves Statements, the Corporation and Group Cash Flow Statements and the related notes, as set out on pages 114 to 245. These financial statements have been prepared under applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2014/15.

This report is made solely to Transport for London in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Transport for London 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 Transport for London for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 110, the Chief Finance Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Transport for London's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and the Corporation as at 31 March 2015 and of the Group's and Corporation's expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Independent Auditor's Report to Transport for London (continued)

Matters on which we report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Explanatory Foreword and Financial Review and the content of the Annual Report for the financial year for which the financial statements are prepared is inconsistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the end of, the audit; or

- any audit recommendations have been designated under section 11 of the Audit Commission Act 1998; or

- we have exercised any other special powers of the auditor under the Audit Commission Act 1998

Conclusion on the Corporation's arrangements for securing economy, efficiency and effectiveness in the use of resources

Corporation's responsibilities

The Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Corporation has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our work in accordance with the Code of Audit Practice 2010 for Local Government Bodies, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Corporation has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 2010 for Local Government Bodies in satisfying ourselves whether the Corporation has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned and performed our work in accordance with the Code of Audit Practice 2010 for Local Government Bodies. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Corporation had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013 we are satisfied that, in all significant respects, the Corporation put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Group's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

R Brent

Robert Brent
For and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
10 July 2015

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2015 £m	2014 £m
Highways and Transport Services			
Gross income	1	**5,039.2**	4,789.6
Gross expenditure	3	**(7,054.9)**	(6,773.8)
Net cost of services	2	**(2,015.7)**	(1,984.2)
Other net operating expenditure	6	**(19.5)**	(121.9)
Financing and investment income	7	**229.3**	214.5
Financing and investment expenditure	8	**(450.7)**	(484.1)
Grant income	9	**4,560.1**	5,312.3
Surplus on the provision of services before tax	2	**2,303.5**	2,936.6
Taxation expense	10	**-**	(0.1)
Surplus on the provision of services after tax		**2,303.5**	2,936.5
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment *	12	**99.2**	48.6
Net remeasurement (losses)/gains on defined benefit pension schemes *	31	**(293.7)**	460.2
		(194.5)	508.8
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments *		**(33.4)**	48.1
Movement in the fair value of available for sale financial investments *		**0.1**	(0.3)
Derivative fair value loss recycled to income and expenditure *		**7.2**	6.5
		(26.1)	54.3
		(220.6)	563.1
Total comprehensive income and expenditure		**2,082.9**	3,499.6

*There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2014 or 2015 (note 10).

Group Balance Sheet

	Note	31 March 2015 £m	31 March 2014 £m
Long-term assets			
Intangible assets	11	**123.8**	122.6
Property, plant and equipment	12	**31,862.2**	29,269.4
Investment property	13	**437.8**	592.5
Long-term investments	19	**10.1**	203.4
Long-term debtors	17	**868.3**	490.2
		33,302.2	30,678.1
Current assets			
Inventories	16	**53.9**	47.7
Short-term debtors	17	**608.6**	568.3
Assets held for sale	18	**375.7**	-
Short-term derivative financial instruments	25	**22.6**	-
Short-term investments	19	**4,548.4**	4,432.8
Cash and cash equivalents	20	**119.4**	136.3
		5,728.6	5,185.1
Current liabilities			
Short-term creditors	21	**(2,095.8)**	(2,020.4)
Short-term current tax liability		**-**	(0.1)
Short-term borrowings	22	**(784.3)**	(709.2)
Short-term finance lease liabilities	23	**(86.6)**	(75.8)
Short-term derivative financial instruments	25	**(1.3)**	(0.3)
Short-term provisions	26	**(230.2)**	(201.2)
		(3,198.2)	(3,007.0)
Long-term liabilities			
Long-term creditors	21	**(105.5)**	(73.4)
Long-term borrowings	22	**(7,730.0)**	(7,158.1)
Long-term finance lease liabilities	23	**(659.4)**	(746.0)
Long-term derivative financial instruments	25	**(101.3)**	(67.5)
Long-term provisions	26	**(84.4)**	(154.6)
Retirement benefit obligation	31	**(2,894.7)**	(2,482.2)
		(11,575.3)	(10,681.8)
Net assets		**24,257.3**	22,174.4
Reserves			
Usable reserves		**4,660.6**	4,675.8
Unusable reserves	33	**19,596.7**	17,498.6
Total reserves		**24,257.3**	22,174.4

The notes on pages 122 to 245 form part of these financial statements. These financial statements were approved by the Board on 1 July 2015 and signed on its behalf by:

Boris Johnson, **Chair of TfL**

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2013		158.1	1,751.9	0.3	1,981.7	**3,892.0**	14,782.8	**18,674.8**
Movement in reserves during 2013/14								
Surplus on the provision of services after tax		2,254.7	-	-	-	**2,254.7**	681.8	**2,936.5**
Other comprehensive income and expenditure		-	-	-	-	**-**	563.1	**563.1**
Total comprehensive income and expenditure		2,254.7	-	-	-	**2,254.7**	1,244.9	**3,499.6**
Adjustments between accounting basis and funding basis under regulations	35	(2,038.5)	-	2.2	565.4	**(1,470.9)**	1,470.9	**-**
Net increase before transfer to/from earmarked reserves		216.2	-	2.2	565.4	**783.8**	2,715.8	**3,499.6**
Transfer to/from earmarked reserves		(217.7)	217.7	-	-	**-**	-	**-**
(Decrease)/increase in 2013/14		(1.5)	217.7	2.2	565.4	**783.8**	2,715.8	**3,499.6**
Balance at 31 March 2014		**156.6**	**1,969.6**	**2.5**	**2,547.1**	**4,675.8**	**17,498.6**	**22,174.4**
Movement in reserves during 2014/15								
Surplus on the provision of services after tax		1,543.8	-	-	-	**1,543.8**	759.7	**2,303.5**
Other comprehensive income and expenditure		-	-	-	-	**-**	(220.6)	**(220.6)**
Total comprehensive income and expenditure		1,543.8	-	-	-	**1,543.8**	539.1	**2,082.9**
Adjustments between accounting basis and funding basis under regulations	35	(1,785.2)	-	4.3	221.9	**(1,559.0)**	1,559.0	**-**
Net increase before transfer to/from earmarked reserves		(241.4)	-	4.3	221.9	**(15.2)**	2,098.1	**2,082.9**
Transfer to/from earmarked reserves		234.8	(234.8)	-	-	**-**	-	**-**
(Decrease)/increase in 2014/15		(6.6)	(234.8)	4.3	221.9	**(15.2)**	2,098.1	**2,082.9**
Balance at 31 March 2015		**150.0**	**1,734.8**	**6.8**	**2,769.0**	**4,660.6**	**19,596.7**	**24,257.3**

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended on a number of major capital programmes as part of TfL's Investment Programme.

Group Statement of Cash Flows

Year ended 31 March	Note	**2015 £m**	2014 £m
Surplus on the provision of services after tax		**2,303.5**	2,936.5
Adjustments to surplus after tax for non-cash movements	32 a	**(2,217.1)**	(2,345.6)
Net cash flows from operating activities		**86.4**	590.9
Investing activities	32 b	**(353.1)**	(401.8)
Financing activities	32 c	**249.8**	(153.2)
Increase in net cash and cash equivalents in the year		**(16.9)**	35.9
Net cash and cash equivalents at the start of the year		**136.3**	100.4
Net cash and cash equivalents at the end of the year	20	**119.4**	136.3

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	**2015 £m**	Restated* 2014 £m
Highways and Transport Services			
Gross income		**390.1**	359.8
Gross expenditure	3	**(1,078.3)**	(992.6)
Net cost of services		**(688.2)**	(632.8)
Other net operating expenditure	6	**(2.1)**	(2.7)
Financing and investment income	7	**304.4**	273.1
Financing and investment expenditure	8	**(439.8)**	(452.4)
Grant income	9	**4,512.4**	5,241.7
Grant funding of subsidiaries		**(2,142.9)**	(2,172.2)
Surplus on the provision of services		**1,543.8**	2,254.7
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Net remeasurement (losses)/gains on defined benefit pension schemes	31	**(300.9)**	434.9
		(300.9)	434.9
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of available for sale financial investments		**0.1**	(0.3)
		0.1	(0.3)
		(300.8)	434.6
Total comprehensive income and expenditure		**1,243.0**	2,689.3

*See note 42

Corporation Balance Sheet

	Note	**31 March 2015 £m**	Restated* 31 March 2014 £m	Restated* 31 March 2013 £m
Long-term assets				
Intangible assets	11	**40.6**	35.7	28.4
Property, plant and equipment	12	**3,609.6**	3,485.2	3,410.7
Investment property	13	**16.2**	16.4	13.7
Investments in subsidiaries	14	**5,432.5**	3,932.5	2,332.5
Long-term investments	19	**10.1**	203.4	209.2
Long-term debtors	17	**8,105.4**	7,451.5	7,142.0
		17,214.4	15,124.7	13,136.5
Current assets				
Inventories	16	**1.6**	5.1	3.8
Short-term debtors	17	**290.3**	266.5	390.0
Short-term investments	19	**4,521.9**	4,415.1	3,583.8
Cash and cash equivalents	20	**53.7**	9.3	6.5
		4,867.5	4,696.0	3,984.1
Current liabilities				
Short-term creditors	21	**(605.4)**	(614.1)	(654.1)
Short-term borrowings	22	**(784.3)**	(709.2)	(1,138.4)
Short-term finance lease liabilities	23	**(10.9)**	(7.9)	(8.6)
Short-term provisions	26	**(128.0)**	(120.0)	(151.6)
		(1,528.6)	(1,451.2)	(1,952.7)
Long-term liabilities				
Long-term creditors	21	**(14.7)**	(14.0)	(10.2)
Long-term borrowings	22	**(7,738.4)**	(7,167.1)	(6,409.8)
Long-term finance lease liabilities	23	**(164.6)**	(175.5)	(183.3)
Long-term provisions	26	**(78.1)**	(126.7)	(69.1)
Retirement benefit obligation	31	**(2,862.7)**	(2,434.4)	(2,733.0)
		(10,858.5)	(9,917.7)	(9,405.4)
Net assets		**9,694.8**	8,451.8	5,762.5
Reserves				
Usable reserves		**4,660.6**	4,675.8	3,892.0
Unusable reserves	33	**5,034.2**	3,776.0	1,870.5
Total reserves		**9,694.8**	8,451.8	5,762.5

*See note 42

The notes on pages 122 to 245 form part of these financial statements.

These financial statements were approved by the Board on 1 July 2015 and signed on its behalf by:

Boris Johnson, **Chair of TfL**

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2013 (as originally presented)		158.1	1,751.9	0.3	1,981.7	**3,892.0**	4,500.1	**8,392.1**
Restatement	42	–	–	–	–	**–**	(2,629.6)	**(2,629.6)**
At 1 April 2013 (restated)		158.1	1,751.9	0.3	1,981.7	**3,892.0**	1,870.5	**5,762.5**
Movement in reserves during 2013/14								
Surplus on the provision of services		2,254.7	–	–	–	**2,254.7**	–	**2,254.7**
Other comprehensive income and expenditure		–	–	–	–	**–**	434.6	**434.6**
Total comprehensive income and expenditure		2,254.7	–	–	–	**2,254.7**	434.6	**2,689.3**
Adjustments between accounting basis and funding basis under regulations	35	(2,038.5)	–	2.2	565.4	**(1,470.9)**	1,470.9	**–**
Net increase before transfer to/from earmarked reserves		216.2	–	2.2	565.4	**783.8**	1,905.5	**2,689.3**
Transfer to/from earmarked reserves		(217.7)	217.7	–	–	**–**	–	**–**
(Decrease)/increase in 2013/14		(1.5)	217.7	2.2	565.4	**783.8**	1,905.5	**2,689.3**
Balance at 31 March 2014 (restated)		**156.6**	**1,969.6**	**2.5**	**2,547.1**	**4,675.8**	**3,776.0**	**8,451.8**
Movement in reserves during 2014/15								
Surplus on the provision of services		1,543.8	–	–	–	**1,543.8**	–	**1,543.8**
Other comprehensive income and expenditure		–	–	–	–	**–**	(300.8)	**(300.8)**
Total comprehensive income and expenditure		1,543.8	–	–	–	**1,543.8**	(300.8)	**1,243.0**
Adjustments between accounting basis and funding basis under regulations	35	(1,785.2)	–	4.3	221.9	**(1,559.0)**	1,559.0	**–**
Net increase before transfers to/from earmarked reserves		(241.4)	–	4.3	221.9	**(15.2)**	1,258.2	**1,243.0**
Transfer to/from earmarked reserves		234.8	(234.8)	–	–	**–**	–	**–**
(Decrease)/increase in 2014/15		(6.6)	(234.8)	4.3	221.9	**(15.2)**	1,258.2	**1,243.0**
Balance at 31 March 2015		**150.0**	**1,734.8**	**6.8**	**2,769.0**	**4,660.6**	**5,034.2**	**9,694.8**

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended on a number of major capital programmes as part of TfL's Investment Programme.

Corporation Statement of Cash Flows

Year ended 31 March	Note	**2015 £m**	Restated 2014 £m
Surplus on the provision of services after tax		**1,543.8**	2,254.7
Adjustments to surplus for non-cash movements	32 a	**(1,758.1)**	(1,828.2)
Net cash flows from operating activities		**(214.3)**	426.5
Investing activities	32 b	**(59.9)**	(347.5)
Financing activities	32 c	**318.6**	(76.2)
Increase in net cash and cash equivalents in the year		**44.4**	2.8
Net cash and cash equivalents at the start of the year		**9.3**	6.5
Net cash and cash equivalents at the end of the year		**53.7**	9.3

Accounting Policies

a) Code of practice
TfL is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (the 2011 Regulations), which those Regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2011 Regulations.

The Code for 2014/15 is based on International Financial Reporting Standards ('IFRS') adopted by the EU ('Adopted IFRS') and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board ('IASB') 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

The areas where the Code differs materially from Adopted IFRS are listed below:

Capital grants and contributions
Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

FRS 30 Heritage assets
The Code has adopted the requirements of FRS 30 Heritage assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for heritage assets under Adopted IFRS.

IAS 36 Impairment of Assets
The Code requires that impairments be accounted for in accordance with IAS 36 Impairment of Assets, except where interpretations or adaptations to fit the public sector are detailed. Consequently these financial statements have been prepared in accordance with the guidance contained in IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets. This guidance stipulates that where an asset is not held primarily with the intention of generating a commercial return, that asset's value in use should be regarded as the present value of its remaining service potential, rather than at the present value of the future cash flows that are expected to be derived from it.

IFRS 13 Fair Value Measurement
CIPFA/LASAAC has again deferred the adoption of IFRS 13 Fair Value Measurement into the Code while it reviews the application of the standard to local government circumstances. The provisions of IFRS 13 have not therefore been reflected in the preparation of these financial statements. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures that applies to both financial instruments and non financial instrument items for which other IFRSs require or permit fair value measurements and/or disclosures. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

b) Basis of preparation
The accounts are made up to 31 March. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

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

The accounts have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

c) Basis of consolidation
The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings. A subsidiary undertaking is an undertaking controlled by the Corporation. Control is achieved when the Corporation: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

The acquisition method of accounting has been adopted for acquisitions or disposals into the Group of subsidiary undertakings. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. Costs of acquisition are expensed in line with IFRS 3 (revised) Business Combinations. The results of subsidiary undertakings acquired or disposed of are included in the Group Comprehensive Income and Expenditure Statement from the date of acquisition until the date of disposal.

d) Going concern
The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment. Under the Greater London Authority Act 1999, TfL has a legal requirement to produce a financially balanced Budget each year, and it extends this approach to its published Business Plan which extends to 2020/21. As at 31 March 2015 the Group had usable reserves totalling £4,660.6m.

e) The application of new and revised standards
The Code stipulates that the requirements

Accounting Policies (continued)

of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the EU) be applied unless specifically adapted or otherwise stated by the Code. The following amendments have therefore been applied for the first time in these financial statements:

- 'Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities'. The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities;

- 'Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities'. The amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement';

- 'Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets'. These amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal;

- 'Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting'. These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness; and

- 'IFRIC 21 Levies'. This interpretation addresses the issue of when to recognise a liability to pay a levy. IFRIC 21 defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

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

f) Accounting standards that have been issued but have not yet been adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued and, with the exception of IFRS 9, adopted by the EU, but have not been applied in these financial statements:

- 'IFRS 9 Financial Instruments (as revised in 2014)'. IFRS 9 (as revised in 2014) will supersede 'IAS 39 Financial Instruments: Recognition and Measurement'. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities; b) impairment methodology; and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. The revised standard is mandatory for years beginning on or after 1 January 2018;

- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2017). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services;

- 'Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations' (mandatory for years commencing on or after 1 January 2016). These amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business;

- 'Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation' (mandatory for years commencing on or after 1 January 2016). The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; whilst the amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset;

- 'Amendments to IAS 19 Defined Benefit Plans: Employee Contributions' (mandatory for years commencing on or after 1 July 2014). The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service;

- 'Annual Improvements to IFRSs 2010-2012 Cycle' (mandatory for years commencing on or after 1 July 2014). The Annual Improvements include amendments to a number of IFRSs including; IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures;

Accounting Policies (continued)

- 'IFRS 14 Regulatory Deferral Accounts' (mandatory for years commencing on or after 1 January 2016). IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities, and is available only to first-time adopters of IFRS who recognised regulatory deferral account balances under their previous GAAP. This does not apply to TfL; and
- 'Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plans' (mandatory for years commencing on or after 1 January 2016). This does not apply to TfL.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

g) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Comprehensive Income and Expenditure Statement is re-presented as if the operation had been discontinued from the start of the comparative period.

h) Uses of estimates and judgements

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

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 31.

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment judgement needs to be exercised in estimating the length of time that the assets will be operational.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 30 and the Accounting Policy on financial instruments (policy ag) provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by the International Financial Reporting Interpretations Committee's ('IFRIC') IFRIC 4 Determining whether an Arrangement contains a Lease, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the balance sheet this can have a significant effect on the reported financial position of the Group.

Classification of investment properties

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

Leases

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

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 26.

Investment property

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

Office buildings

Office buildings held within property, plant and equipment are held at fair value (open market value on an existing use basis), as estimated by external, professionally qualified surveyors in accordance with RICS Guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

Accounting Policies (continued)

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

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

Fares revenue
Revenue from annual or periodic tickets and travel cards is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the period of validity of the ticket or travel card. Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities – receipts in advance for travel cards, bus passes and Oyster cards. Oyster pay as you go revenue is recognised on usage and one day travel cards and single tickets are recognised on the day of purchase.

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

Congestion charging
The standard daily congestion charge, including those paying through Auto-pay, is recognised as income on the day the eligible vehicle enters the congestion charge area. Prepayments by fleets of vehicles are deferred to the balance sheet and released on a daily basis as the vehicles enter the congestion charge area.

Income from penalty charge notices is recognised, net of a provision for cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance
Income from penalty charge notices is recognised as they become due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing
Income from taxi and private hire licences is recognised on a straight line basis over the term of the licence.

Commercial advertising
Commercial advertising revenue is recognised on an accruals basis as adverts are displayed in accordance with the detail of the relevant agreements.

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

j) Segmental reporting
In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- London Underground – Provision of passenger rail services and refurbishment and maintenance of certain parts of the rail network

- London Rail – Provision of passenger rail services

- Surface Transport – Provision of bus services and other surface transport, maintenance of London's roads, and cycle hire

- Corporate Directorate – Provision of TfL wide services, including property investment, commercial advertising, and the development of corporate strategy and policy

k) Grants and other funding
The main source of grant is Transport Grant, which is non-specific in that it is applied both to maintaining services and to fund capital expenditure. Other key funding streams include specific capital grants from the Department for Transport and the Greater London Authority for the Crossrail project (including the Business Rate Supplement).

In the accounts of the Corporation and Group, all non-specific grant is credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received, but has certain conditions as to when it may be applied, it will be held, in the first instance, as capital grants received in advance, within the payables section of the balance sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

l) Overheads
Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. The total absorption costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses
Financing and investment income comprises interest income on funds invested and premiums received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and finance lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premiums paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy x) Borrowing costs).

n) VAT
VAT payable is included as an expense only to the extent that it is not recoverable from

Accounting Policies (continued)

Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

o) Taxation

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

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

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

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

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

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

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

p) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

q) Intangible assets

Goodwill

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

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

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

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

Software costs	Straight-line	3-5 years

r) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Office buildings are valued at fair value (open market value on an existing use basis), by external, professionally qualified surveyors in accordance with RICS Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

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

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

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

Accounting Policies (continued)

When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

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

Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

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

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Tunnels and embankments	up to 100 years
Bridges and viaducts	up to 100 years
Track	up to 50 years
Road pavement	up to 15 years
Road foundations	up to 50 years
Signalling	15 to 40 years
Stations	up to 50 years
Other property	20 to 50 years
Rolling stock	30 to 50 years
Lifts and escalators	25 to 40 years
Plant and equipment	3 to 40 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

s) Heritage assets
Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions apply to the collection of transport-related artefacts held at the London Transport Museum. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

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

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in the Comprehensive Income and Expenditure Statement. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Properties are valued by external, professionally qualified surveyors in accordance with RICS Guidelines. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

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

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

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

w) Assets held for sale
Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

x) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs ('IAS 23').

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

Accounting Policies (continued)

y) Provisions

Provisions are recognised on the balance sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

z) Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy ag) below for hedging accounting policies).

aa) Leases (the Group as lessee)

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

Lease payments

Payments made under operating leases are recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

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

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

ab) Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

ac) Private Finance Initiative ('PFI') transactions and similar contracts

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

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

a) The service charge

b) Repayment of the capital

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

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 Leases.

Where the operator enhances assets already recognised in the balance sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year, and is charged to Financing and Investment Expenditure within the Comprehensive Income and Expenditure Statement.

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

Life cycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle

Accounting Policies (continued)

replacement') are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements which are accounted for as operating leases are dealt with as detailed in Accounting Policy aa) above.

ad) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ae) Employee benefits

Defined benefit plans

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

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

Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the balance sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the defined benefit obligation.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) Net interest expense or income, and (c) Remeasurement. The Group presents the first two components in profit or loss within operating expenditure. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. The Group's contributions are charged to the Comprehensive Income and Expenditure Statement as incurred.

For certain Group defined benefit pension plans the Corporation is unable to identify its share of the underlying assets and defined pension obligations of the schemes on a consistent and reliable basis. In prior years the Corporation adopted an accounting policy that applied the multi-employer exemption allowed under paragraph 6.4.1.8 of the Code. Accordingly the Corporation accounted for these plans as defined contribution schemes. The assets and liabilities of these schemes have been recognised at Group level.

The Corporation continues to assess each year the accounting policy to apply to these plans. Relevant considerations include the role of the Corporation as Sponsor for the schemes, the contractual arrangements between the Corporation and the underlying entities in terms of recharging the pension costs. The accounting policy to adopt may be based on the Code or the accounting requirements set out within IAS 19 Employee Benefits (revised 2011) (IAS 19).

The Corporation has undertaken the annual assessment and concluded that the Public Sector Section of the TfL Pension Scheme is in the nature of a Group scheme and accordingly the appropriate accounting policy to apply should be based on the requirements of the group scheme provisions of IAS 19. As a result the Corporation has applied a change in accounting policy and now recognises the pension deficit relating to the Public Sector Section on its own balance sheet. The accounts for the Corporation for 2013/14 and 2012/13 have been restated as set out in note 42. There is no impact of this change in accounting policy on the TfL consolidated Group accounts.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are also made to the pensions of certain employees who retired prior to the index linking of pensions. The Group augments the pensions of certain employees who retire early under voluntary severance arrangements. These unfunded pension liabilities are provided for in the balance sheet.

Defined contribution plans

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

Accounting Policies (continued)

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

af) Reserves
Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Available for Sale Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the fixed asset Revaluation Reserve.

ag) Financial instruments
Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') are classified as:

- Financial assets at fair value through the Comprehensive Income and Expenditure Statement; or
- loans and receivables; or
- available for sale financial assets.

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

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation when circumstances dictate. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through the Comprehensive Income and Expenditure Statement (held for trading)
Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

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

The fair value of loans advanced to third parties at nil interest rate or below the prevailing market rate of interest is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The loan is subsequently amortised up to its repayment amount using the effective rate of interest.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as such or are not classified in any of the other categories. After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in the Available for Sale Reserve until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement.

Other investments
Other investments include short and long-term deposits with Government or financial institutions, including Money Market Fund investments and Repurchase Agreements. Short-term investments are classified as loans and receivables. Long-term investments quoted in an active market are classified as available for sale financial assets.

Trade and other receivables
Trade and other receivables are classified as loans and receivables financial assets and are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Comprehensive Income and Expenditure Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash equivalents are classified as loans and receivables financial instruments.

Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (held for trading)
Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities measured at amortised cost
All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Accounting Policies (continued)

Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

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

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

Obligations under finance leases and PFI arrangements
All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Derivative financial instruments
The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's policies, approved by the Board. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting
In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

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

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges
Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

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

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and included in the initial measurement of the cost of the related asset or liability.

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

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

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

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

Accounting Policies (continued)

Impairment of financial assets
Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that they are impaired. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives
Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

1. Gross income

a) Gross income

Year ended 31 March	2015 £m	% of total	2014 £m	% of total
Fares	3,989.1	79.2	3,807.4	79.5
Revenue in respect of free travel for the elderly and disabled	321.0	6.4	308.7	6.4
Congestion Charging	257.4	5.1	234.6	4.9
Charges to London Boroughs	15.6	0.3	15.2	0.3
Charges to transport operators	10.7	0.2	9.2	0.2
Road Network compliance income	38.7	0.8	48.6	1.0
Commercial advertising receipts	169.5	3.4	152.2	3.2
Rents receivable	63.3	1.3	61.2	1.3
Contributions from third parties to operating costs	16.3	0.3	13.2	0.3
Taxi licensing	21.9	0.4	18.6	0.4
Ticket and photocard commission income	17.9	0.4	17.1	0.4
ATM and car parking income	12.3	0.2	9.9	0.2
Museum income	8.4	0.2	8.3	0.2
Training and specialist services	12.0	0.2	11.7	0.2
Cycle hire scheme	15.6	0.3	13.1	0.3
Other	69.5	1.3	60.6	1.2
	5,039.2	100.0	4,789.6	100.0

b) Congestion Charging

	Group and Corporation 2015 £m	Group and Corporation 2014 £m
Income	257.4	234.6
Toll facilities and traffic management	(80.7)	(81.2)
	176.7	153.4
Administration, support services and depreciation	(4.2)	(4.2)
Net income from Congestion Charging	172.5	149.2

The net revenues from the Congestion Charge are spent on improving transport in line with the Mayor's Transport Strategy.

1. Gross income (continued)

c) Street works

	Group and Corporation 2015 £m	Group and Corporation 2014 £m
Income	**6.3**	3.6
Costs of reducing adverse impacts of street works recognised within operating expenditure	**(1.6)**	(1.4)
	4.7	2.2
Capital costs of reducing adverse impacts of street works	**(0.4)**	-
Net income from street works	**4.3**	2.2

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

2. Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2015

	London Underground £m	**London Rail £m**	**Surface Transport £m**	**Corporate Items £m**	**Total £m**
Income	**2,634.6**	**351.1**	**1,974.6**	**78.9**	**5,039.2**
Expenditure	**(2,563.1)**	**(383.7)**	**(2,919.5)**	**(233.4)**	**(6,099.7)**
Net operating income/ (expenditure)	**71.5**	**(32.6)**	**(944.9)**	**(154.5)**	**(1,060.5)**

Year ended 31 March 2014

	London Underground £m	London Rail £m	Surface Transport £m	Corporate Items £m	Total £m
Income	2,490.7	323.3	1,888.4	56.8	4,759.2
Expenditure	(2,474.9)	(382.6)	(2,791.4)	(160.7)	(5,809.6)
Net operating income/ (expenditure)	15.8	(59.3)	(903.0)	(103.9)	(1,050.4)

2. Segmental analysis (continued)

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. The main differences between the methodologies are explained below and reconciliations between the two are included on the following pages:

- Certain items which do not fit into any of the reporting segments are known internally as 'Group items'. Group items are reported separately to management and are not included in the segmental analysis.
- Until 1 April 2014, the London Transport Museum was treated at arm's length for management reporting and the only entry in relation to it in the management reports was the grant that TfL has agreed to pay to it. From 1 April 2014, the Museum has been fully consolidated into the Group's management reporting, and for 2014/15 its results are included within Corporate Items.
- Depreciation, amortisation and impairment charges are not included in the segmental analysis.
- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.
- Some interest income and debt servicing costs in the subsidiaries are included in net operating expenditure in the management reports but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2015

	£m	£m
Net operating expenditure per the segmental analysis		**(1,060.5)**
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	**(999.3)**	
Amortisation	**(40.6)**	
Pension service costs (note 31)	**(320.4)**	
		(1,360.3)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PFI schemes	**112.4**	
Pension payments charged to operating costs	**292.7**	
		405.1
Net cost of services		**(2,015.7)**

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2014

	£m	£m
Net operating expenditure per the segmental analysis		(1,050.4)
Net expenditure of services not included in the segmental analysis		
Museum net revenue cost	(3.4)	
		(3.4)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	(986.6)	
Amortisation	(35.5)	
Pension service costs (note 31)	(297.7)	
		(1,319.8)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PFI schemes	108.7	
Pension payments charged to operating costs	275.1	
Grant funding of museum	5.6	
		389.4
Net cost of services		(1,984.2)

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2015

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	5,039.2	-	-	-	5,039.2
Staff costs	(1,833.5)	-	(310.1)	292.7	(1,850.9)
Other service expenses	(4,266.2)	-	(10.3)	112.4	(4,164.1)
Depreciation, amortisation and impairment	-	-	(1,039.9)	-	(1,039.9)
Total cost	(6,099.7)	-	(1,360.3)	405.1	(7,054.9)
Net cost of services	(1,060.5)	-	(1,360.3)	405.1	(2,015.7)
Other net operating expenditure					(19.5)
Financing and investment income					229.3
Financing and investment expenditure					(450.7)
Grant income					4,560.1
Surplus on the provision of services before taxation					2,303.5

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2014

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	4,759.2	30.4	-	-	4,789.6
Staff costs	(1,768.2)	(4.4)	(288.1)	275.1	(1,785.6)
Other service expenses	(4,041.4)	(29.4)	(9.6)	114.3	(3,966.1)
Depreciation, amortisation and impairment	-	-	(1,022.1)	-	(1,022.1)
Total cost	(5,809.6)	(33.8)	(1,319.8)	389.4	(6,773.8)
Net cost of services	(1,050.4)	(3.4)	(1,319.8)	389.4	(1,984.2)
Other net operating expenditure					(121.9)
Financing and investment income					214.5
Financing and investment expenditure					(484.1)
Grant income					5,312.3
Surplus on the provision of services before taxation					2,936.6

The segmental reporting analysis only deals with Group information, and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

No balance sheet information is reported internally by segment, and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

	Note	**Group 2015 £m**	Group 2014 £m	**Corporation 2015 £m**	Restated Corporation 2014 £m
Staff costs:					
Wages and salaries *		**1,389.8**	1,351.5	**254.6**	249.8
Social security costs		**130.7**	124.8	**24.7**	23.6
Pension costs	31	**330.4**	309.3	**83.2**	72.0
		1,850.9	1,785.6	**362.5**	345.4
Other service expenditure **		**4,164.1**	3,966.1	**526.9**	467.8
Depreciation	12	**999.3**	986.6	**173.0**	162.8
Amortisation of software intangibles	11	**40.6**	35.5	**15.9**	16.6
		7,054.9	6,773.8	**1,078.3**	992.6

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £173.1m (2013/14 £169.1m) relating to financial assistance to London Boroughs and other third parties (see note 38 for detailed analysis).

The average number of persons employed in the year was:

	Group 2015 Number	Group 2014 Number	**Corporation 2015 Number**	Corporation 2014 Number
Permanent staff (including fixed term contracts)	**26,745**	25,973	**4,751**	4,787
Agency staff	**2,480**	2,386	**544**	553
	29,225	28,359	**5,295**	5,340

4. External audit fees

External audit fees are made up as follows:

	Group 2015 £m	Group 2014 £m	**Corporation 2015 £m**	Corporation 2014 £m
Auditor's remuneration:				
for statutory audit services	**1.2**	1.4	**0.2**	0.2
for non-statutory audit services	**0.1**	0.2	**-**	-
for non-audit services *	**0.3**	0.2	**0.1**	0.1
	1.6	1.8	**0.3**	0.3

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

5. Remuneration

a) Employees' remuneration

The Code requires the disclosure of remuneration for the Corporation's employees whose total remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison purposes. Consequently, an additional voluntary disclosure for the Group is provided that shows the combined employee bands for TfL and its subsidiaries.

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more has increased from 227 in 2013/14 to 272 in 2014/15. The corresponding figures for those receiving total remuneration of more than £100,000 are 40 for 2013/14 and 41 for 2014/15.

Excluding Crossrail the number of staff receiving total remuneration over £100,000 is 413 (2013/14 326).

The disclosure in note 5a includes all senior employees also included in note 5b.

5. Remuneration (continued)

a) Employees' remuneration

Employees' remuneration, which includes their salaries, fees, performance related pay, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer, fell within the following bands:

£	**Group 2015 Number**	Group 2014 Number	**Corporation 2015 Number**	Corporation 2014 Number
50,000 – 54,999	**4,503**	2,710	**417**	400
55,000 – 59,999	**2,172**	1,974	**358**	327
60,000 – 64,999	**1,510**	1,349	**257**	255
65,000 – 69,999	**1,110**	970	**208**	200
70,000 – 74,999	**762**	633	**165**	149
75,000 – 79,999	**543**	464	**108**	111
80,000 – 84,999	**338**	307	**74**	72
85,000 – 89,999	**231**	229	**55**	61
90,000 – 94,999	**179**	143	**37**	33
95,000 – 99,999	**121**	119	**32**	32
100,000 – 104,999	**106**	83	**31**	31
105,000 – 109,999	**72**	48	**20**	13
110,000 – 114,999	**45**	39	**16**	12
115,000 – 119,999	**36**	37	**9**	13
120,000 – 124,999	**23**	27	**7**	8
125,000 – 129,999	**27**	12	**12**	3
130,000 – 134,999	**13**	13	**4**	4
135,000 – 139,999	**14**	9	**3**	7
140,000 – 144,999	**11**	8	**5**	5
145,000 – 149,999	**12**	9	**1**	4
150,000 – 154,999	**12**	12	**4**	5
155,000 – 159,999	**8**	8	**5**	2
160,000 – 164,999	**8**	4	**4**	2
165,000 – 169,999	**6**	8	**1**	3
170,000 – 174,999	**5**	2	**-**	-
175,000 – 179,999	**6**	4	**3**	4
180,000 – 184,999	**6**	2	**3**	-
185,000 – 189,999	**2**	5	**1**	2
190,000 – 194,999	**2**	2	**-**	2
195,000 – 199,999	**3**	5	**1**	4
200,000 – 204,999	**3**	2	**1**	1
205,000 – 209,999	**3**	-	**2**	-
210,000 – 214,999	**2**	2	**1**	1
215,000 – 219,999	**2**	3	**2**	1
220,000 – 224,999	**5**	-	**-**	-
225,000 – 229,999	**1**	3	**-**	-
230,000 – 234,999	**3**	1	**2**	-

£	**Group 2015 Number**	Group 2014 Number	**Corporation 2015 Number**	Corporation 2014 Number
235,000 – 239,999	**2**	1	**1**	-
245,000 – 249,999	**1**	-	**-**	-
250,000 – 254,999	**1**	1	**-**	-
255,000 – 259,999	**1**	2	**-**	-
260,000 – 264,999	**1**	-	**-**	-
265,000 – 269,999	**1**	-	**1**	-
270,000 – 274,999	**1**	1	**-**	1
290,000 – 294,999	**2**	2	**1**	1
300,000 – 304,999	**-**	1	**-**	1
320,000 – 324,999	**1**	-	**1**	-
325,000 – 329,999	**-**	1	**-**	-
335,000 – 339,999	**1**	-	**-**	-
340,000 – 344,999	**-**	1	**-**	1
350,000 – 354,999	**1**	2	**1**	-
360,000 – 364,999	**1**	1	**1**	1
365,000 – 369,999	**-**	1	**-**	-
390,000 – 394,999	**1**	1	**1**	1
415,000 – 419,999	**-**	1	**-**	-
420,000 – 424,999	**1**	-	**-**	-
475,000 – 479,999	**1**	-	**1**	-
485,000 – 489,999	**-**	1	**-**	1
700,000 – 704,999	**-**	1	**-**	-
870,000 – 874,999	**1**	-	**-**	-
Total	**11,923**	9,264	**1,857**	1,774

b) Remuneration for senior employees

The Accounts and Audit (England) Regulations 2011 require disclosure of individual remuneration details for senior employees. Senior employees are those with a base salary of £150,000 or more, calculated on a full time equivalent basis for those working part-time.

Disclosure is made for each financial year under various categories, and set out in the tables below.

Employer's pension contributions include the contribution in respect of future benefit accrual. Separately, member contributions are payable by employees at the rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis to ensure that reported salary is based on annual salary rather than being distorted by the variable timing of payroll payments. Performance related pay, however, is reported on a cash paid basis as performance payments may not be determined for many months after the end of the relevant year.

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in year 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions **** 2013/14 £
Current employees excluding Crossrail Limited										
Peter Hendy, Commissioner	a	**331,362**	**145,301**	**-**	**1,780**	**478,443**	**-**	331,357	155,406	488,888
Steve Allen, Managing Director, Finance		*** 288,574**	**74,520**	**-**	**769**	**363,863**	**29,730**	* 288,581	76,680	365,905
Mike Brown, Managing Director, Rail and Underground		*** 309,658**	**79,668**	**-**	**1,780**	**391,106**	**29,730**	* 309,666	82,564	394,355
Howard Carter, General Counsel	b	*** 261,976**	**59,899**	**-**	**1,780**	**323,655**	**29,730**	* 241,316	61,413	304,986
Leon Daniels, Managing Director, Surface Transport		**277,768**	**72,030**	**-**	**1,780**	**351,578**	**29,730**	267,768	72,690	342,583
Michèle Dix, Managing Director, Crossrail 2	c	**206,740**	**52,102**	**-**	**1,780**	**260,622**	**46,739**	154,724	41,098	197,947
Vernon Everitt, Managing Director, Customer Experience, Marketing & Communications		**229,020**	**64,813**	**-**	**1,780**	**295,613**	**29,730**	228,775	64,354	295,254
Sarah Atkins, Commercial Director, Rail and Underground		*** 185,297**	**28,888**	**-**	**1,385**	**215,570**	**16,366**	* 169,372	23,423	194,525
Nicholas Brown, Interim Chief Operating Officer, Rail and Underground	d	*** 86,814**	**-**	**-**	**-**	**86,814**	**-**	-	-	-
Andrea Clarke, Director of Legal	e	**137,808**	**26,100**	**-**	**1,385**	**165,293**	**25,941**	130,500	26,100	158,330
Graeme Craig, Director of Commercial Development		**150,000**	**22,500**	**-**	**1,385**	**173,885**	**27,514**	137,500	20,000	159,230
Richard De Cani, Managing Director, Planning	f	*** 155,278**	**26,000**	**-**	**1,457**	**182,735**	**25,707**	* 131,820	19,500	153,050
Carl Devlin, Capacity Optimisation Programme Director		**265,000**	**26,500**	**-**	**1,385**	**292,885**	**29,730**	257,808	-	259,538
Garrett Emmerson, Chief Operating Officer, Streets, Surface Transport		*** 198,725**	**32,000**	**-**	**624**	**231,349**	**29,730**	* 177,022	26,000	203,666
Stephen Field, Director of Pensions and Reward		*** 185,436**	**27,565**	**-**	**1,385**	**214,386**	**29,730**	* 160,556	26,820	189,106
Michael Flynn, Head of Delivery & Integration, Sub-Surface Railway Upgrade	g	**163,157**	**12,614**	**-**	**1,385**	**177,156**	**29,730**	68,124	-	68,732
John Gaudette, Delivery Manager, Tubelines	h	**88,623**	**-**	**-**	**-**	**88,623**	**8,964**	-	-	-
Stuart Harvey, Sub-Surface Railway Upgrade Programme Director	i	**168,493**	**52,000**	**-**	**1,385**	**221,878**	**27,526**	130,000	26,000	157,730
Nigel Holness, Operations Director, Jubilee, Northern & Piccadilly Lines		*** 162,672**	**41,100**	**-**	**1,385**	**205,157**	**29,426**	* 151,020	21,000	173,840
Simon Kilonback, Director of Group Treasury		**150,987**	**25,000**	**-**	**1,385**	**177,372**	**29,426**	141,616	25,000	168,346
Chris Macleod, Director of Marketing		*** 168,189**	**30,000**	**-**	**-**	**198,189**	**29,730**	* 162,682	30,000	192,682
Andrew Pollins, Interim Chief Finance Officer	j	*** 177,229**	**27,380**	**-**	**1,385**	**205,994**	**29,730**	* 157,490	28,120	187,340
Gareth Powell, Director of Strategy and Service Development, London Underground	k	*** 185,569**	**30,625**	**-**	**1,385**	**217,579**	**43,625**	* 180,978	36,100	218,808
Andrew Quincey, Director of Commercial		*** 176,421**	**22,500**	**-**	**1,385**	**200,306**	**29,730**	* 154,652	20,000	176,382
Patricia Riley, Human Resources Director		*** 200,256**	**31,500**	**-**	**624**	**232,380**	**29,730**	* 191,550	23,975	216,169
Martin Rowark, Director of Commercial, Line Upgrades	l	**123,730**	**-**	**-**	**1,005**	**124,735**	**21,350**	-	-	-
Michael Strzelecki, Director of Business Transformation		**160,000**	**21,000**	**-**	**1,385**	**182,385**	**-**	160,000	27,200	188,930
Paul Thomas, Head of Engineering, Sub-Surface Railway Upgrade Programme	m	**172,037**	**20,228**	**-**	**1,385**	**193,650**	**29,730**	119,762	-	120,983
Steve Townsend, Chief Information Officer		**163,726**	**22,500**	**-**	**1,385**	**187,611**	**37,418**	159,834	20,000	181,564
Shashi Verma, Director of Customer Experience		*** 187,655**	**35,000**	**-**	**624**	**223,279**	**38,415**	* 182,439	35,000	218,083
David Waboso, Director of Capital Programmes, London Underground		*** 258,604**	**76,950**	**-**	**1,385**	**336,939**	**41,911**	* 245,075	44,650	291,455
Stephen White, Operations Director, Sub-Surface Lines	n	**205,978**	**20,000**	**-**	**1,381**	**227,359**	**-**	-	-	-

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions**** 2013/14 £
Crossrail Limited current office holders/employees										
Terry Morgan, Non-executive Chairman	o	**250,000**	**-**	**-**	**1,385**	**251,385**	**-**	250,000	-	251,735
Andrew Wolstenholme, Chief Executive		**514,621**	**358,848**	**-**	**1,385**	**874,854**	**35,250**	523,078	176,130	700,943
David Allen, Finance Director		**264,231**	**156,897**	**-**	**1,385**	**422,513**	**35,250**	256,660	70,139	328,534
Martin Buck, Commercial Director		**170,329**	**101,130**	**-**	**624**	**272,083**	**35,250**	170,595	40,800	212,540
Mark Fell, Legal Services Director & Company Secretary		**160,225**	**62,189**	**-**	**1,385**	**223,799**	**37,932**	156,327	25,495	183,557
Robert Flanagan, Finance Operations Director	p	**157,988**	**23,676**	**-**	**1,385**	**183,049**	**35,250**	157,680	25,925	185,340
Paul Grammer, Commercial Director	q	**70,000**	**-**	**-**	**460**	**70,460**	**7,000**	-	-	-
Steven Hails, Health & Safety Director		**195,320**	**29,298**	**-**	**1,385**	**226,003**	**35,250**	193,990	32,300	228,025
Ian Lindsay, Land and Property Director		**175,216**	**34,485**	**-**	**1,385**	**211,086**	**35,250**	170,972	29,700	202,407
Duncan Pickard, Stations Delivery Officer	r	**54,491**	**-**	**-**	**-**	**54,491**	**5,498**	-	-	-
Chris Sexton, Technical Director		**202,952**	**33,554**	**-**	**1,385**	**237,891**	**35,250**	198,548	32,640	232,923
Howard Smith, Director of Operations, Crossrail		*** 190,774**	**30,625**	**-**	**1,385**	**222,784**	**29,730**	* 190,818	35,000	227,548
Valerie Todd, Talent and Resources Director	s	*** 219,607**	**42,490**	**-**	**1,780**	**263,877**	**29,730**	* 211,519	45,525	259,169
Andrew Turner, IT Director	t	**88,984**	**-**	**-**	**799**	**89,783**	**773**	-	-	-
Mark Warren, Head of Performance	u	**54,353**	**-**	**-**	**460**	**54,813**	**5,333**	-	-	-
Simon Wright, Programme Director	v	**204,874**	**-**	**-**	**993**	**205,867**	**18,667**	-	-	-
Former employees										
Gerald Duffy, Director of Employee Relations, London Underground	w	*** 20,661**	**22,540**	**183,464**	**384**	**227,049**	**394**	* 164,226	25,545	190,415
David Goldstone, Chief Finance Officer	x	**88,279**	**25,000**	**-**	**-**	**113,279**	**14,899**	177,536	-	177,536
Philip Hufton, Chief Operating Officer, Rail & Underground	y	**216,890**	**41,800**	**-**	**1,032**	**259,722**	**22,559**	299,403	52,800	353,586
Kenneth Laird, Head of Programme ATC	z	*** 54,940**	**15,337**	**-**	**1,385**	**71,662**	**4,079**	* 150,165	-	151,648
Andy Mitchell, Programme Director	aa	**99,024**	**82,320**	**-**	**400**	**181,744**	**10,216**	331,600	84,672	418,007

* salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan (formerly the TfL Supplementary Pension Scheme). The allowance is paid at the rate of the supplementary scheme pension scheme contribution foregone, discounted by the employer rate of National Insurance in order to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

** refers to 2013/14 Performance Related Pay awards

*** refers to 2012/13 Performance Related Pay awards

**** total remuneration for 2013/14 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £17,082 (2013/14 £17,087)

b salary sacrificed for childcare vouchers of £1,144 (2013/14 £1,144)

c formerly Managing Director, Planning. Changed from part-time to full-time basis on 1 January 2014. Worked full-time for most of 2014/15 reverting to part-time three days per week on 5 February 2015 on taking up the current role on Crossrail 2

d entered service 15 December 2014

e paid for providing services four and a half days per week

f changed role in year, formerly Director of Transport Strategy & Planning

g entered service 31 October 2013

h entered service 9 December 2014

i changed role in year, formerly Programme Director JNP

j seconded to CFO role from substantive post of Finance Director, Rail & Underground

k salary sacrificed for childcare vouchers of £nil (2013/14 £2,200)

l entered service 14 July 2014

m entered service 22 July 2013

n entered service 7 April 2014. Performance award paid in year relates to achievement of specific targets during 2014/15

o paid for providing services three days per week

p salary sacrificed for childcare vouchers of £1,320 (2013/14 £440)

q entered service 1 December 2014

r entered service 8 December 2014

s employed by TfL but on secondment to Crossrail since January 2009

t entered service 3 September 2014 and paid for providing services four days per week

u entered service 1 December 2014

v entered service 14 July 2014

w left service 16 May 2014

x left service 30 September 2014

y left service 2 January 2015

z left service 11 July 2014

aa left service 14 July 2014

5. Remuneration (continued)

c) Termination payments

The Code requires the separate disclosure of the number and cost of compulsory and voluntary severance termination packages agreed during the year.

The majority of those who leave the TfL Group due to redundancy do so under TfL's voluntary severance terms, by choosing to accept the voluntary severance terms which are set out in a compromise agreement signed by both the employer and the employee on the termination of their employment. These employees are classified as leaving due to 'voluntary severance'. A small number of employees who leave due to redundancy do not wish to sign a compromise agreement and accept the voluntary terms. They are classified as having left due to 'compulsory redundancy'.

Termination payments disclosed in the tables below are reported on a cash paid basis to provide certainty on the amounts reported, and include pension contributions in respect of added years, ex-gratia payments and other related costs.

£	Group 2015 Number	Group 2015 £m	Corporation 2015 Number	Corporation 2015 £m
Non-compulsory exit packages				
0 – 20,000	**22**	**0.3**	**8**	**0.1**
20,001 – 40,000	**35**	**1.0**	**12**	**0.3**
40,001 – 60,000	**39**	**1.9**	**14**	**0.7**
60,001 – 80,000	**24**	**1.7**	**9**	**0.6**
80,001 – 100,000	**22**	**2.0**	**6**	**0.5**
100,001 – 150,000	**29**	**3.5**	**9**	**1.1**
150,001 – 200,000	**9**	**1.6**	**4**	**0.7**
200,001 – 250,000	**6**	**1.3**	**1**	**0.2**
250,001 – 300,000	**2**	**0.5**	**-**	**-**
300,001 – 350,000	**1**	**0.3**	**-**	**-**
Total non-compulsory exit packages	**189**	**14.1**	**63**	**4.2**
Compulsory exit packages				
20,001 – 40,000	**1**	**-**	**-**	**-**
40,001 – 60,000	**-**	**-**	**-**	**-**
Total	**190**	**14.1**	**63**	**4.2**

£	Group 2014 Number	Group 2014 £m	Corporation 2014 Number	Corporation 2014 £m
Non-compulsory exit packages				
0 – 20,000	49	0.6	35	0.5
20,001 – 40,000	37	1.0	26	0.7
40,001 – 60,000	43	2.3	28	1.5
60,001 – 80,000	21	1.5	9	0.6
80,001 – 100,000	14	1.2	5	0.4
100,001 – 150,000	9	1.0	1	0.1
150,001 – 200,000	5	0.8	4	0.7
200,001 – 250,000	-	-	-	-
250,001 – 300,000	2	0.6	-	-
300,001 – 350,000	-	-	-	-
Total non-compulsory exit packages	180	9.0	108	4.5
Compulsory exit packages				
20,001 – 40,000	-	-	-	-
40,001 – 60,000	2	0.1	-	-
Total	182	9.1	108	4.5

6. Other operating expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Net loss on disposal of property, plant and equipment and intangible assets	**(19.5)**	(121.9)	**(2.1)**	(2.7)
Total other operating expenditure	**(19.5)**	(121.9)	**(2.1)**	(2.7)

7. Financing and investment income

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Interest income on bank deposits		**26.2**	21.2	**25.9**	20.7
Realised exchange gain on foreign currency investments		**1.8**	-	**1.8**	-
Interest income on loans to subsidiaries		**-**	-	**273.7**	247.0
Change in fair value of investment properties	13	**200.2**	177.6	**2.1**	3.5
Net gain on disposal of investment properties		**0.8**	15.2	**0.9**	1.9
Other investment income		**0.3**	0.5	**-**	-
		229.3	214.5	**304.4**	273.1

8. Financing and investment expenditure

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Interest payable on loans and derivatives		**356.5**	321.7	**325.6**	295.8
Interest payable on loans to subsidiaries		**-**	-	**0.1**	1.3
Interest payable on finance lease liabilities		**51.7**	56.0	**8.1**	8.4
Contingent rentals on PFI contracts		**12.3**	12.3	**4.1**	4.0
Premiums on early repayment of borrowings and finance lease liabilities		**-**	30.2	**-**	23.2
Net interest on defined benefit obligation	31	**102.4**	121.8	**101.0**	119.0
Other financing and investment expenditure		**1.5**	1.4	**0.9**	0.7
		524.4	543.4	**439.8**	452.4
Less: amounts capitalised into qualifying assets	12	**(73.7)**	(59.3)	**-**	-
		450.7	484.1	**439.8**	452.4

9. Grant income

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Non ring-fenced grant from the DfT used to fund operations	**104.4**	632.8	**104.4**	632.8
Other revenue grant received	**960.5**	846.0	**960.5**	845.9
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**1,070.9**	1,484.8	**1,070.9**	1,484.7
Non ring-fenced grant from the DfT used to fund capital	**1,728.2**	1,578.4	**1,728.2**	1,578.4
Ring-fenced grant used to fund capital expenditure relating to Crossrail	**1,582.2**	2,022.8	**1,582.2**	2,022.8
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	**30.0**	75.0	**30.0**	75.0
Other capital grants and contributions received	**148.8**	151.3	**101.1**	80.8
Total grants allocated to capital	**3,489.2**	3,827.5	**3,441.5**	3,757.0
Total grants	**4,560.1**	5,312.3	**4,512.4**	5,241.7

Allocation of capital grants

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Capital grant funding of subsidiaries	**-**	-	**1,356.9**	1,395.1
Applied capital grants (note 33)	**3,267.3**	3,262.1	**1,862.7**	1,796.5
Unapplied capital grants (note 35)	**221.9**	565.4	**221.9**	565.4
Total capital grants	**3,489.2**	3,827.5	**3,441.5**	3,757.0

10. Taxation

TfL Corporation is exempt from Corporation Tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 21 per cent (2013/14 23 per cent) comprised:

	Group 2015 £m	Group 2014 £m
UK Corporation Tax	**-**	0.1
Total tax expense for the year	**-**	0.1

Reconciliation of tax expense

	Group 2015 £m	Group 2014 £m
Surplus on the provision of services before tax	**2,303.5**	2,936.6
Surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 21% (2013/14 23%)	**483.7**	675.4
Effects of:		
Non-taxable income	**(163.4)**	(144.9)
Permanent difference in TfL Corporation	**(324.2)**	(549.9)
Amount charged to current tax for which no deferred tax was recognised	**(13.6)**	(3.2)
Tax losses carried forward for which no deferred tax was recognised	**18.1**	22.9
Overseas earnings	**(0.6)**	(0.2)
Total tax expense for the year	**-**	0.1

10. Taxation (continued)

b) Unrecognised deferred tax assets
The Group has a potential net deferred tax asset of £1,593.5m (2014 £1,520.9m) in respect of the following items:

	Group 2015 £m	Group 2014 £m
Deductible temporary differences	527.6	464.5
Tax losses	1,065.9	1,056.4
Unrecognised deferred tax asset	**1,593.5**	1,520.9

No net deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available against which the unused tax losses and unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year
Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2015	Balance at 1 April 2014 £m	Movement in period £m	Balance at 31 March 2015 £m
Deferred tax assets			
Property, plant and equipment	82.7	33.6	**116.3**
Derivative financial instruments	34.9	1.0	**35.9**
Total	117.6	34.6	**152.2**
Deferred tax liabilities			
Investment properties	(113.8)	36.8	**(77.0)**
Assets held for sale	-	(75.1)	**(75.1)**
Other	(3.8)	3.7	**(0.1)**
Total	(117.6)	(34.6)	**(152.2)**
Net deferred tax asset/(liability)	-	-	**-**

10. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year (continued)

For the year ended 31 March 2014	Balance at 1 April 2013 £m	Movement in period £m	Balance at 31 March 2014 £m
Deferred tax assets			
Property, plant and equipment	42.7	40.0	82.7
Derivative financial instruments	52.7	(17.8)	34.9
Total	95.4	22.2	117.6
Deferred tax liabilities			
Investment properties	(93.1)	(20.7)	(113.8)
Other	(2.3)	(1.5)	(3.8)
Total	(95.4)	(22.2)	(117.6)
Net deferred tax asset/(liability)	-	-	-

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

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to changes in the market value of the properties.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances disclaimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £99.2m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has increased due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 24% to 23% on 1 April 2013 and from 23% to 21% on 1 April 2014. On 2 July 2013, a further Corporation Tax rate reduction to 20% was enacted, effective from 1 April 2015. Deferred tax balances at 31 March 2015 have therefore been calculated at a rate of 20%.

No deferred tax asset has been recognised on the Corporation's pension deficit of £2,862.7m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however no deferred tax assets are being recognised in these entities.

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2013		229.3	35.9	349.2	614.4
Additions		39.6	17.1	-	56.7
Transfers to property, plant and equipment	12	-	(0.3)	-	(0.3)
Transfers between asset classes		14.6	(14.6)	-	-
Disposals		(8.9)	-	-	(8.9)
At 31 March 2014		274.6	38.1	349.2	661.9
Additions		**28.0**	**6.9**	**-**	**34.9**
Net transfers from property, plant and equipment	12	**1.4**	**5.5**	**-**	**6.9**
Transfers between asset classes		**30.1**	**(30.1)**	**-**	**-**
Disposals		**(3.5)**	**-**	**-**	**(3.5)**
At 31 March 2015		**330.6**	**20.4**	**349.2**	**700.2**
Amortisation and impairment					
At 1 April 2013		161.6	-	349.2	510.8
Amortisation charge for the year	3	35.5	-	-	35.5
Disposals		(7.0)	-	-	(7.0)
At 31 March 2014		190.1	-	349.2	539.3
Amortisation charge for the year	3	**40.6**	**-**	**-**	**40.6**
Disposals		**(3.5)**	**-**	**-**	**(3.5)**
At 31 March 2015		**227.2**	**-**	**349.2**	**576.4**
Net book value at 31 March 2015		**103.4**	**20.4**	**-**	**123.8**
Net book value at 31 March 2014		84.5	38.1	-	122.6

Intangible assets under construction comprise software assets under development by the Group.

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2013		139.4	4.7	144.1
Additions		25.7	0.2	25.9
Transfers to property, plant and equipment	12	-	(0.4)	(0.4)
Transfers between asset classes		4.3	(4.3)	-
Disposals		(1.6)	-	(1.6)
At 31 March 2014		167.8	0.2	168.0
Additions		**20.7**	**0.1**	**20.8**
Transfers between asset classes		**0.2**	**(0.2)**	**-**
Disposals		**(3.3)**	**-**	**(3.3)**
At 31 March 2015		**185.4**	**0.1**	**185.5**
Amortisation and impairment				
At 1 April 2013		115.7	-	115.7
Amortisation charge for the year	3	16.6	-	16.6
At 31 March 2014		132.3	-	132.3
Amortisation charge for the year	3	**15.9**	**-**	**15.9**
Disposals		**(3.3)**	**-**	**(3.3)**
At 31 March 2015		**144.9**	**-**	**144.9**
Net book value at 31 March 2015		**40.5**	**0.1**	**40.6**
Net book value at 31 March 2014		35.5	0.2	35.7

Intangible assets under construction comprise software assets under development by the Corporation.

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2015 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2014		28,650.4	4,525.2	1,436.2	8,783.9	43,395.7
Additions		**168.4**	**-**	**106.0**	**3,251.3**	**3,525.7**
Transfers to intangible assets	11	**-**	**-**	**-**	**(6.9)**	**(6.9)**
Disposals		**(307.4)**	**(36.6)**	**(22.7)**	**-**	**(366.7)**
Transfers between asset classes		**1,081.7**	**377.1**	**61.4**	**(1,520.2)**	**-**
Revaluation		**94.9**	**-**	**-**	**-**	**94.9**
At 31 March 2015		**29,688.0**	**4,865.7**	**1,580.9**	**10,508.1**	**46,642.7**
Depreciation						
At 1 April 2014		11,225.2	1,980.4	920.7	-	14,126.3
Depreciation charge for the year	3	**780.9**	**116.8**	**101.6**	**-**	**999.3**
Disposals		**(281.6)**	**(36.6)**	**(22.6)**	**-**	**(340.8)**
Reclassifications		**(9.2)**	**-**	**9.2**	**-**	**-**
Revaluation		**(4.3)**	**-**	**-**	**-**	**(4.3)**
At 31 March 2015		**11,711.0**	**2,060.6**	**1,008.9**	**-**	**14,780.5**
Net book value at 31 March 2015		**17,977.0**	**2,805.1**	**572.0**	**10,508.1**	**31,862.2**
Net book value at 31 March 2014		17,425.2	2,544.8	515.5	8,783.9	29,269.4

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2014 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2013		27,443.7	4,319.4	1,336.1	7,443.3	40,542.5
Additions		112.9	0.2	88.3	3,038.6	3,240.0
Net transfers from intangible assets	11	-	-	-	0.3	0.3
Disposals		(48.4)	(162.5)	(96.3)	(102.9)	(410.1)
Transfers to investment property	13	(1.4)	-	-	-	(1.4)
Transfers between asset classes		1,119.2	368.1	108.1	(1,595.4)	-
Revaluation		24.4	-	-	-	24.4
At 31 March 2014		28,650.4	4,525.2	1,436.2	8,783.9	43,395.7
Depreciation						
At 1 April 2013		10,535.4	2,011.2	904.8	-	13,451.4
Depreciation charge for the year	3	748.1	127.7	110.8	-	986.6
Disposals		(34.1)	(158.5)	(94.9)	-	(287.5)
Revaluation		(24.2)	-	-	-	(24.2)
At 31 March 2014		11,225.2	1,980.4	920.7	-	14,126.3

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

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £73.7m (2014 £59.3m). The cumulative borrowing costs capitalised are £197.1m (2014 £123.4m).

At 31 March 2015, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £3,707.7m (2014 £2,404.9m).

12. Property, plant and equipment (continued)

c) Group PFI assets and other leased assets

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

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	**965.3**	**45.3**	**16.7**	**1,027.3**
Other leased assets	**-**	**407.7**	**-**	**407.7**
	965.3	**453.0**	**16.7**	**1,435.0**
Depreciation				
PFI assets	**341.3**	**34.6**	**16.7**	**392.6**
Other leased assets	**-**	**132.8**	**-**	**132.8**
	341.3	**167.4**	**16.7**	**525.4**
Net book value at 31 March 2015	**624.0**	**285.6**	**-**	**909.6**
Net book value at 31 March 2014	660.9	299.3	0.7	960.9

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

	2015 £m	2014 £m
Depreciation of owned assets	**948.0**	928.3
Depreciation of assets held under PFI	**39.9**	46.4
Depreciation of asset held under other leases	**11.4**	11.9
Total depreciation	**999.3**	986.6

12. Property, plant and equipment (continued)

e) Group office buildings

Office buildings are valued at fair value (open market value on an existing use basis), by DTZ, a property valuation company not connected with the Group, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2015 was £247.9m (2014 £153.4m) and the depreciated historic cost value was £35.0m (2014 £36.3m).

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material, (including vehicles, posters and photographs), held to advance the preservation, conservation and education objects of the London Transport Museum. The collection consists of over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2015, the latest available insurance value for the collection was £25.5m (2014 £24.3m). The net book value of these assets at 31 March 2015 was £nil (2014 £nil).

12. Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2015 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2014		4,972.7	181.3	927.1	6,081.1
Additions		**85.7**	**6.7**	**207.1**	**299.5**
Transfers between asset classes		**45.4**	**6.2**	**(51.6)**	**-**
Disposals		**(11.4)**	**-**	**-**	**(11.4)**
At 31 March 2015		**5,092.4**	**194.2**	**1,082.6**	**6,369.2**
Depreciation					
At 1 April 2014		2,478.1	117.8	-	2,595.9
Depreciation charge for the year	3	**148.6**	**24.4**	**-**	**173.0**
Disposals		**(9.3)**	**-**	**-**	**(9.3)**
At 31 March 2015		**2,617.4**	**142.2**	**-**	**2,759.6**
Net book value at 31 March 2015		**2,475.0**	**52.0**	**1,082.6**	**3,609.6**
Net book value at 31 March 2014		2,494.6	63.5	927.1	3,485.2

12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2014 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2013		4,836.9	188.8	871.4	5,897.1
Additions		72.9	10.1	156.8	239.8
Transfers from intangible assets	11	-	-	0.4	0.4
Transfers to investment properties	13	(1.4)	-	-	(1.4)
Transfers between asset classes		75.5	26.0	(101.5)	-
Disposals		(11.2)	(43.6)	-	(54.8)
At 31 March 2014		4,972.7	181.3	927.1	6,081.1
Depreciation					
At 1 April 2013		2,345.3	141.1	-	2,486.4
Depreciation charge for the year	3	143.4	19.4	-	162.8
Disposals		(10.6)	(42.7)	-	(53.3)
At 31 March 2014		2,478.1	117.8	-	2,595.9

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2014 £nil). The cumulative borrowing costs capitalised are also £nil (2014 £nil).

At 31 March 2015, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £204.1m (2014 £144.5m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets. In addition, within intangible assets, the Corporation holds a further leased software asset with a gross cost at 31 March 2015 of £4.9m (2014 £4.9m) and a depreciated net book value of £2.9m (2014 £3.9m).

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**80.4**	**16.7**	**97.1**
Net book value at 31 March 2015	**128.7**	**-**	**128.7**
Net book value at 31 March 2014	136.3	0.7	137.0

j) Depreciation charge

The total depreciation charge for the Corporation for the year comprised:

	2015 £m	2014 £m
Depreciation of owned assets	**164.7**	153.5
Depreciation of assets held under PFI	**8.3**	9.3
Total depreciation	**173.0**	162.8

k) Corporation office buildings

The Corporation did not have any office buildings.

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2013		427.8	13.7
Additions		1.6	-
Transfers from property, plant and equipment		1.4	1.4
Disposals		(15.9)	(2.2)
Fair value adjustments	7	177.6	3.5
At 31 March 2014		592.5	16.4
Additions		**27.3**	**-**
Transfers to assets held for sale	18	**(375.7)**	**-**
Disposals		**(6.5)**	**(2.3)**
Fair value adjustments	7	**200.2**	**2.1**
At 31 March 2015		**437.8**	**16.2**

The fair value of the Group's investment properties at 31 March 2015 has been arrived at on the basis of valuations carried out at that date by DTZ, a property valuation company not connected with the Group.

Properties are valued in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

Values are calculated using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties.

14. Investments in subsidiaries

	Corporation 2015 £m	Corporation 2014 £m
At 1 April	**3,932.5**	2,332.5
Investments in year	**1,500.0**	1,600.0
At 31 March	**5,432.5**	3,932.5

During the year, the Corporation increased its investment in ordinary share capital of Transport Trading Limited (TTL) by £1,500.0m (2014 £1,600.0m). TTL subsequently increased its investment in ordinary share capital in Crossrail Limited by the same amount.

The Group's principal subsidiaries are:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Tube Lines Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
Docklands Light Railway Limited	Passenger transport by rail
City Airport Rail Enterprises Plc	Construction and maintenance of DLR lines
City Airport Rail Enterprises (Holdings) Limited	Holding company
Woolwich Arsenal Rail Enterprises Limited	Construction and maintenance of DLR lines
Woolwich Arsenal Rail Enterprises (Holdings) Limited	Holding company
Tramtrack Croydon Limited	Passenger transport by tram
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride
Victoria Coach Station Limited	Coach station
TTL Earls Court Properties Ltd	Property investment holding company
TTL Properties Ltd	Property investment holding company
London River Services Limited	Pier operator
Crossrail Limited	Construction of Crossrail infrastructure
Transport for London Finance Limited	Manages financial risk of the Group
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Trading company
London Transport Insurance (Guernsey) Limited	Insurance

The Group holds 100 per cent of the share capital of all subsidiaries. The financial statements of these companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited.

15. Investment in associated undertakings

The Corporation and Group hold, for a nominal consideration of £3,737, a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Ltd, a property development company, incorporated in England. The Group's investment is accounted for using the equity method in these consolidated accounts; however as trading had not yet commenced, as at 31 March 2015 the value of the Group's holding in the associate was immaterial.

16. Inventories

	Group 2015 £m	Group 2014 £m
Raw materials and consumables	**53.1**	46.9
Goods held for resale	**0.8**	0.8
	53.9	47.7

	Corporation 2015 £m	Corporation 2014 £m
Raw materials and consumables	**1.6**	5.1

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

16. Inventories (continued)

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2013	42.0	3.8
Purchases in the year	76.1	8.7
Recognised as an expense in the year:		
Consumed in the year	(69.0)	(7.4)
Goods sold in the year	(1.1)	-
Write-offs in the year	(0.3)	-
Balance at 31 March 2014	47.7	5.1
Purchases in the year	**78.3**	**5.6**
Recognised as an expense in the year:		
Consumed in the year	**(73.7)**	**(9.6)**
Goods sold in the year	**(1.2)**	**-**
Net write-backs in the year	**2.8**	**0.5**
Balance at 31 March 2015	**53.9**	**1.6**

17. Debtors

	Group 2015 £m	Group 2014 £m
Short-term		
Trade debtors	**130.0**	184.2
Capital debtors	**13.2**	10.3
Other debtors	**87.3**	29.8
Other tax and social security	**94.0**	84.8
Grant debtors	**88.9**	41.9
Amounts due relating to sale of non-current assets	**9.9**	22.8
Interest debtors	**3.9**	0.1
Accrued income	**15.1**	14.9
Prepayments for goods and services	**166.3**	179.5
	608.6	568.3
Long-term		
Amounts due from third parties	**821.5**	442.1
Amounts due relating to sale of non-current assets	**-**	1.0
Prepayments for goods and services	**46.8**	47.1
	868.3	490.2

Amounts due from third parties include funds totalling £832.0m (2014 £450.1m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £381.9m was advanced at periodic intervals during 2014/15. The receivable is non interest bearing and has been discounted to its fair value of £821.3m (2014 £439.3m) using a discount rate of 1.125 per cent (2014 1.125 per cent). It is repayable in full on 15 May 2016.

17. Debtors (continued)

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Trade debtors	**18.8**	17.2
Amounts due from subsidiary companies	**105.5**	148.7
Capital debtors	**6.7**	3.9
Other debtors	**1.7**	1.5
Other tax and social security	**16.1**	8.6
Grant debtors	**84.3**	35.0
Interest debtors	**3.9**	-
Accrued income	**2.5**	2.9
Prepayments for goods and services	**50.8**	48.7
	290.3	266.5
Long-term		
Loans made to subsidiary companies	**8,098.8**	7,449.6
Amounts due from third parties	**0.2**	-
Prepayments for goods and services	**6.4**	1.9
	8,105.4	7,451.5

18. Assets held for sale

	Note	Group £m
Balance at 1 April 2014		-
Assets newly classified as held for sale		
Investment properties		-
Balance at 31 March 2014		-
Assets newly classified as held for sale		
Investment properties	13	**375.7**
Balance at 31 March 2015		**375.7**

On 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earl's Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37 per cent by a subsidiary of the TfL Group and 63 per cent by a subsidiary of the Capco group. Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred.

As at 31 March 2015 the Group's investment in the Earl's Court land has been reclassified from investment property into assets held for sale and is held at its sale valuation. This valuation was carried out at 31 March by Jones Lang LaSalle Limited, a property valuation company not connected with the Group.

19. Other investments

	Group 2015 £m	Group 2014 £m
Short-term		
Investments held at amortised cost	**4,548.4**	4,432.8
Long-term		
Available for sale financial assets	**10.1**	203.4

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Investments held at amortised cost	**4,521.9**	4,415.1
Long-term		
Available for sale financial assets	**10.1**	203.4

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and also to Money Market Fund and repurchase agreement investments with a maturity of greater than three but less than twelve months. Long-term investments comprise long-term deposits and similar investments tradeable on an active market with a maturity of greater than twelve months.

20. Cash and cash equivalents

	Group 2015 £m	Group 2014 £m
Cash at bank	**100.1**	114.7
Cash in hand and in transit	**19.3**	21.6
	119.4	136.3

	Corporation 2015 £m	Corporation 2014 £m
Cash at bank	**53.7**	9.3

21. Creditors

	Group 2015 £m	Group 2014 £m
Short-term		
Trade creditors	**135.9**	158.1
Accrued interest	**85.1**	65.3
Capital works	**707.1**	639.7
Retentions on capital contracts	**1.7**	2.7
Capital grants received in advance	**32.5**	15.3
Wages and salaries	**117.3**	106.6
Other taxation and social security creditors	**28.7**	34.1
Receipts in advance for travelcards, bus passes and Oyster cards	**394.9**	356.6
Other deferred income	**46.0**	83.3
Accruals and other payables	**546.6**	558.7
	2,095.8	2,020.4
Long-term		
Trade creditors	**8.8**	9.1
Capital grants received in advance	**3.8**	2.4
Retentions on capital contracts	**49.3**	28.5
Other deferred income	**20.5**	24.6
Accruals and other payables	**23.1**	8.8
	105.5	73.4

21. Creditors (continued)

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Trade creditors	**45.1**	41.8
Accrued interest	**80.6**	61.7
Capital works	**89.3**	59.7
Retentions on capital contracts	**0.7**	0.2
Capital grants received in advance	**32.5**	15.3
Amounts due to subsidiary companies	**146.0**	218.4
Wages and salaries	**27.0**	21.7
Other taxation and social security creditors	**2.2**	6.3
Other deferred income	**11.4**	13.1
Accruals and other payables	**170.6**	175.9
	605.4	614.1
Long-term		
Capital grants received in advance	**3.8**	2.4
Retentions on capital contracts	**-**	0.7
Other deferred income	**10.9**	10.7
Accruals and other payables	**-**	0.2
	14.7	14.0

22. Borrowings and overdrafts

	Group 2015 £m	Group 2014 £m
Short-term		
Borrowings	**784.3**	709.2
Long-term		
Borrowings	**7,730.0**	7,158.1

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Borrowings	**784.3**	709.2
Long-term		
Borrowings	**7,738.4**	7,167.1

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 30 (Funding and financial risk management).

On 15 May 2014, the Corporation fixed the interest rates and repayment dates for a £500m EIB Crossrail Rolling Stock and Depot Facility. This facility will split into two tranches of £250m, one bearing a fixed interest rate of 4.151 per cent and the other an interest rate of 4.173 per cent. Both tranches are to be drawn in 2017/18, and both have a 20 year tenor. On 9 December 2014, the Corporation also fixed an interest rate of 2.391 per cent for a 10 year £85m EIB LOCIP loan with a drawdown date of 21 May 2015.

These borrowings are expected to form part of TfL's incremental borrowing agreed with Government for 2015/16 and 2017/18 respectively and have not been recognised as a liability in these financial statements in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

23. Finance lease liabilities

a) Group finance lease liabilities
The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2015			
Not later than one year	**133.5**	**(46.9)**	**86.6**
Later than one year but not later than two years	**135.7**	**(41.4)**	**94.3**
Later than two years but not later than five years	**309.4**	**(92.5)**	**216.9**
Later than five years	**467.3**	**(119.1)**	**348.2**
	1,045.9	**(299.9)**	**746.0**
At 31 March 2014			
Not later than one year	127.5	(51.7)	75.8
Later than one year but not later than two years	133.5	(46.9)	86.6
Later than two years but not later than five years	348.6	(107.6)	241.0
Later than five years	563.9	(145.5)	418.4
	1,173.5	(351.7)	821.8

	2015 £m	2014 £m
Principal outstanding		
Short-term	**86.6**	75.8
Long-term	**659.4**	746.0
	746.0	821.8

23. Finance lease liabilities (continued)

b) Corporation finance lease liabilities
The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2015			
Not later than one year	**18.7**	**(7.8)**	**10.9**
Later than one year but not later than two years	**18.4**	**(7.3)**	**11.1**
Later than two years but not later than five years	**52.0**	**(18.7)**	**33.3**
Later than five years	**148.6**	**(28.4)**	**120.2**
	237.7	**(62.2)**	**175.5**
At 31 March 2014			
Not later than one year	16.0	(8.1)	7.9
Later than one year but not later than two years	18.7	(7.8)	10.9
Later than two years but not later than five years	53.6	(20.3)	33.3
Later than five years	165.3	(34.0)	131.3
	253.6	(70.2)	183.4

	2015 £m	2014 £m
Principal outstanding		
Short-term	**10.9**	7.9
Long-term	**164.6**	175.5
	175.5	183.4

24. Private finance initiative contracts

Private Finance Initiative contracts
The Group is party to the following Private Finance Initiative ('PFI') arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service Concession Arrangements.

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

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

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession Company and the payment mechanisms defined in the contract.

24. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited ('LU')		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract
Docklands Light Railway Limited ('DLR')		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

24. Private finance initiative contracts (continued)

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance lease liabilities in note 23.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
At 1 April	**490.7**	546.8	**179.4**	187.1
Payments	**(86.5)**	(85.9)	**(14.6)**	(15.8)
Interest	**26.6**	29.8	**7.8**	8.1
At 31 March	**430.8**	490.7	**172.6**	179.4

Group

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

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2015				
Less than 1 year	**23.2**	**67.3**	**75.2**	**165.7**
Between 2 to 5 years	**49.7**	**185.1**	**167.7**	**402.5**
Between 6 to 10 years	**27.5**	**116.5**	**257.4**	**401.4**
Between 11 to 15 years	**6.6**	**61.1**	**148.5**	**216.2**
Between 16 to 20 years	**-**	**0.8**	**1.8**	**2.6**
	107.0	**430.8**	**650.6**	**1,188.4**
At 31 March 2014				
Less than 1 year	26.6	60.0	71.0	157.6
Between 2 to 5 years	59.6	170.9	159.9	390.4
Between 6 to 10 years	36.8	170.7	282.5	490.0
Between 11 to 15 years	10.4	84.1	184.9	279.4
Between 16 to 20 years	0.2	5.0	23.4	28.6
	133.6	490.7	721.7	1,346.0

24. Private finance initiative contracts (continued)

Corporation

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

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2015				
Less than 1 year	**7.5**	**9.9**	**16.4**	**33.8**
Between 2 to 5 years	**25.6**	**42.4**	**79.1**	**147.1**
Between 6 to 10 years	**21.8**	**59.0**	**143.7**	**224.5**
Between 11 to 15 years	**6.6**	**60.5**	**140.1**	**207.2**
Between 16 to 20 years	**-**	**0.8**	**1.8**	**2.6**
	61.5	**172.6**	**381.1**	**615.2**
At 31 March 2014				
Less than 1 year	7.8	6.9	13.3	28.0
Between 2 to 5 years	27.4	41.3	73.1	141.8
Between 6 to 10 years	24.2	54.5	134.8	213.5
Between 11 to 15 years	9.7	71.7	149.9	231.3
Between 16 to 20 years	0.2	5.0	23.4	28.6
	69.3	179.4	394.5	643.2

25. Derivative financial instruments

Group cash flow hedges

	Fair value 2015 £m	Notional amount 2015 £m	Fair value 2014 £m	Notional amount 2014 £m
Short-term assets				
Foreign currency forward contracts	**22.6**	**484.0**	-	-
Short-term liabilities				
Foreign currency forward contracts	**1.3**	**113.4**	0.3	7.0
Long-term liabilities				
Interest rate swaps	**101.3**	**830.9**	67.5	832.0

The Corporation has not entered into any derivative financial instruments.

26. Provisions

a) Group provisions

	At 1 April 2014 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation and contractual	87.3	(21.7)	62.8	(56.2)	**72.2**
Capital investment activities	226.8	(40.1)	52.3	(50.5)	**188.5**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	40.3	(3.6)	19.6	(3.8)	**52.5**
	355.8	(65.4)	134.7	(110.5)	**314.6**

	2015 £m	2014 £m
Due		
Short-term	**230.2**	201.2
Long-term	**84.4**	154.6
At 31 March	**314.6**	355.8

26. Provisions (continued)

b) Corporation provisions

	At 1 April 2014 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation and contractual	15.0	(7.9)	24.4	(16.3)	**15.2**
Capital investment activities	226.8	(40.1)	52.3	(50.5)	**188.5**
Severance and other	4.9	(1.7)	2.3	(3.1)	**2.4**
	246.7	(49.7)	79.0	(69.9)	**206.1**

	2015 £m	2014 £m
Due		
Short-term	**128.0**	120.0
Long-term	**78.1**	126.7
At 31 March	**206.1**	246.7

c) Nature of provisions

Compensation and contractual

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

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims. Estimates are made with reference to relevant market trends. Management expects these provisions to be settled within the next five years.

Environmental harm

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

Severance and other

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

27. Contingencies

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

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

28. Guarantees

Section 160 of the Greater London Authority Act 1999 (the 'GLA Act') sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with Pittville Leasing Limited	51
Agreement with Lombard North Central Plc	7
Agreement with APSLL	4

28. Guarantees (continued)

In addition TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2015 is £80.0m (2014 £67.8m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

All guarantees granted by TfL are over obligations of its subsidiaries which are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2015 the fair value of all financial guarantees granted has been recorded as £nil (2014 £nil).

29. Financial commitments

a) Operating leases – The Group as lessee
The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2015					
Within one year	**48.1**	**4.2**	**3.2**	**18.5**	**74.0**
Between one and two years	**45.2**	**4.4**	**1.5**	**21.9**	**73.0**
Between two and five years	**114.2**	**2.5**	**1.3**	**71.5**	**189.5**
Later than five years	**392.9**	**16.9**	**-**	**219.2**	**629.0**
	600.4	**28.0**	**6.0**	**331.1**	**965.5**
At 31 March 2014					
Within one year	53.8	10.1	4.5	17.7	86.1
Between one and two years	49.2	4.8	2.4	18.5	74.9
Between two and five years	128.5	6.2	1.0	93.5	229.2
Later than five years	381.1	7.5	-	219.2	607.8
	612.6	28.6	7.9	348.9	998.0

29. Financial commitments (continued)

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

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2015				
Within one year	**46.6**	**8.5**	**0.1**	**55.2**
Between one and two years	**39.5**	**4.1**	**0.1**	**43.7**
Between two and five years	**88.2**	**11.6**	**-**	**99.8**
Later than five years	**486.3**	**7.5**	**-**	**493.8**
	660.6	**31.7**	**0.2**	**692.5**
At 31 March 2014				
Within one year	47.2	9.0	0.2	56.4
Between one and two years	42.3	5.5	0.1	47.9
Between two and five years	87.3	3.9	-	91.2
Later than five years	543.5	1.9	-	545.4
	720.3	20.3	0.3	740.9

29. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation operating lease agreements primarily relate to office space. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Total £m
At 31 March 2015		
Within one year	**18.2**	**18.2**
Between one and two years	**18.0**	**18.0**
Between two and five years	**53.8**	**53.8**
Later than five years	**130.1**	**130.1**
	220.1	**220.1**
At 31 March 2014		
Within one year	18.3	18.3
Between one and two years	18.2	18.2
Between two and five years	54.1	54.1
Later than five years	148.5	148.5
	239.1	239.1

29. Financial commitments (continued)

d) Operating leases – The Corporation as lessor

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

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2015		
Within one year	**3.5**	**3.5**
Between one and two years	**3.3**	**3.3**
Between two and five years	**9.7**	**9.7**
Later than five years	**11.3**	**11.3**
	27.8	**27.8**
At 31 March 2014		
Within one year	4.0	4.0
Between one and two years	3.8	3.8
Between two and five years	10.8	10.8
Later than five years	17.4	17.4
	36.0	36.0

30. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 (the 'GLA Act'). TfL is funded by revenues (predominantly fares), grant and prudential borrowing. The majority of the Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board and the European Investment Bank, Medium Term Notes under the £5 billion TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2 billion TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy also takes account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued in 2011 for Treasury Management in the Public Services, the Local Government Act 2003, the Local Authorities (Capital Finance and Accounting) Regulations 2003 and the fully revised second edition of CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2011, in managing the financial risks faced by the Group.

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

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Managing Director, Finance and the Chief Finance Officer. An annual report on overall performance against approved strategy is considered by the Finance and Policy Committee (a committee of the TfL Board). Section 49 of the Transport for London Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only.

30. Funding and financial risk management (continued)

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the Board of Transport for London annually approves indicators for prudent and affordable borrowing, for estimates of capital expenditure and for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum in-year incremental borrowing capacity with Government.

Financial Risks and Risk Management

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

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

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

Credit risk

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

30. Funding and financial risk management (continued)

(i) Trade and other receivables

The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2015					
Trade debtors	**10.9**	**4.8**	**1.0**	**0.6**	**17.3**
Group – 2014					
Trade debtors	14.6	3.3	2.5	2.4	22.8

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Corporation – 2015					
Trade debtors	**2.4**	**1.4**	**0.2**	**-**	**4.0**
Corporation – 2014					
Trade debtors	2.4	1.7	0.1	-	4.2

30. Funding and financial risk management (continued)

(ii) Investments

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

Investments are only made with institutions included on an Approved Investment List and within limits approved by the Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; v) selected Money Market Funds with high credit ratings; or, vi) highly rated corporates.

In determining whether to place an institution on the Approved Investment List, TfL considers the credit rating, financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to the credit rating of the institution. In accordance with the TfL Treasury Management Strategy, which has been approved by TfL's Finance and Policy Committee, TfL will not trade with an institution with a credit rating of less than A- with all three major credit rating agencies.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2015 the fair value of the collateral held amounted to £275.0m (2014 £830.0m). As no lenders have defaulted, TfL has not exercised its right to sell or re-pledge the collateral.

The centrally managed cash reserves at 31 March 2015 totalled £4,551.6m (2014 £4,618.5m). TfL's operational cash reserves at 31 March 2015 were £2,172.7m (2014 £2,588.2m).

30. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2015			
UK Debt Management Office	**1,303.5**	**AAA/Aa1/AA+**	**66**
Government guaranteed supranationals	**375.4**	**Minimum AA+/Aa1/AA+**	**191**
Other Government Agencies	**1,332.6**	**Minimum A+/Aa3/AA-**	**137**
Money Market Funds	**374.3**	**AAA/Aaa/AAA**	**1**
Banks (including Gilt backed repos)	**610.6**	**Minimum BBB/A2/A**	**50**
Corporates	**485.4**	**Minimum A/A2/A**	**81**
Non-UK Sovereign Funds	**69.8**	**Minimum AA+/Aaa/AA+**	**122**
Total	**4,551.6**		**92**
At 31 March 2014			
UK Debt Management Office	1,042.9	AAA/Aa1/AA+	92
Government guaranteed supranationals	573.5	AAA/Aaa/AAA	269
Other Government Agencies	1,364.2	AA- to AAA	158
Money Market Funds	448.0	AAA	1
UK Banks	1,154.5	Minimum A-	49
Non-UK Sovereign Funds	35.4	AAA/Aaa/AAA	550
Total	4,618.5		117

30. Funding and financial risk management (continued)

(iii) Derivative financial instruments

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

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place which limit the exposure with each bank to a threshold, which if breached, allows TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 28, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2015, the fair value of the Corporation's financial guarantees has been assessed as £nil (2014 £nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from Commercial Banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

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

30. Funding and financial risk management (continued)

Market risk

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

On inception, all interest rate derivatives and certain foreign currency derivative instruments are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

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

For the years ended 31 March 2015 and 2014, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

Foreign exchange risk

During 2014/15 TfL held certain short term investments denominated in Euros and US Dollars. These were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2015 the Group held foreign exchange contracts to hedge €791.5m future Euro receipts in relation to its Euro investments (2014 €nil). An unrealised exchange loss of £19.7m was recognised on retranslation of these Euro investment balances as at 31 March 2015. This loss was offset by an unrealised fair value gain of £21.3m on the related forward foreign exchange contracts. These derivative instruments mature in the period to 31 July 2015. It had no outstanding US Dollars derivatives (2014 $nil). The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

For 2014/15, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. As at 31 March 2015, the Group held a forward foreign exchange contract to hedge planned future Euro payments totalling €4.4m related to the purchase of tram rolling stock. At 31 March 2015 this contract had a fair value of £nil. It matures on 2 July 2015 and it is anticipated that the purchases of tram rolling stock will take place over the period to 28 June 2016.

30. Funding and financial risk management (continued)

The total amount of unrealised gains in respect of hedged forward foreign exchange contracts that were recognised in other comprehensive income and accumulated in the hedging reserve in the year in respect of the anticipated future transactions above was £nil (2014 unrealised losses of £0.3m). All hedging relationships have been assessed as 100 per cent effective.

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

Sensitivity analysis on foreign exchange risk

As at 31 March 2015 the Group holds forward foreign exchange contracts to sell Euros with a combined net nominal value of £591.0m. At 31 March 2014 it held forward foreign exchange contracts to buy Euros with a combined nominal value of £7.0m. These derivatives are designated as cash flow hedges.

At 31 March, the fair value of foreign currency derivatives was an asset of £21.3m (2014 a liability of £0.3m). A 10 per cent increase/(decrease) in GBP against the Euro would increase/(decrease) the fair value of these derivative instruments by £51.8m/(£63.3m), (2014 (decrease)/increase by (£0.6m)/£0.8m).

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

Interest rate risk

As at 31 March 2015, 99.6 per cent (2014 98.0 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 0.4 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowing TfL employs a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in transport infrastructure in the Business Plan. As at 31 March 2015, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a total notional value of £830.9m (2014 18 interest rate swaps at a total notional value of £832.0m). The net fair value of these contracts at 31 March 2015 was a liability of £101.3m (2014 £67.5m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

30. Funding and financial risk management (continued)

The maturity of the forward fixing contracts is disclosed later in this note.

The Group is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

Sensitivity analysis on interest rate risk

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

(ii) Fair value sensitivity analysis for derivative instruments
As at 31 March 2015, the Group holds interest rate derivative contracts with a combined notional value of £830.9m (2014 £832.0m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £46.7m/(£48.6m) (2014 £47.4m/(£51.6m)).

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

30. Funding and financial risk management (continued)

Maturity profile of derivatives
The Group's derivatives have the following maturities:

	2015 Average exchange rate	**2015 Fair value £m**	**2015 Notional amount £m**	2014 Average exchange rate	2014 Fair value £m	2014 Notional amount £m
Foreign currency forward contracts						
Buy euro						
3 to 6 months	**0.729**	**-**	**3.2**	-	-	-
6 to 12 months	**-**	**-**	**-**	0.869	(0.3)	7.0
Sell euro						
Less than 3 months	**0.751**	**20.0**	**556.7**	-	-	-
3 to 6 months	**0.751**	**1.3**	**37.5**	-	-	-
Total	**0.751**	**21.3**	**597.4**	0.869	(0.3)	7.0

	2015 Average contracted fixed interest rate (%)	**2015 Fair value £m**	**2015 Notional amount £m**	2014 Average contracted fixed interest rate (%)	2014 Fair value £m	2014 Notional amount £m
Interest rate hedges						
Between two and five years	**3.504**	**(39.4)**	**500.0**	3.357	(22.3)	350.0
After five years	**3.810**	**(61.9)**	**330.9**	3.821	(45.2)	482.0
Total	**3.626**	**(101.3)**	**830.9**	3.626	(67.5)	832.0

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

30. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

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

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2015					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**597.4**	**-**	**-**	**-**	**597.4**
Amounts payable	**(576.1)**	**-**	**-**	**-**	**(576.1)**
Derivatives settled net					
Interest rate swaps	**(25.0)**	**(19.6)**	**(22.5)**	**(4.2)**	**(71.3)**
	(3.7)	**(19.6)**	**(22.5)**	**(4.2)**	**(50.0)**
Group – 2014					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	6.7	-	-	-	6.7
Amounts payable	(7.0)	-	-	-	(7.0)
Derivatives settled net					
Interest rate swaps	(22.6)	(20.4)	(26.4)	(3.0)	(72.4)
	(22.9)	(20.4)	(26.4)	(3.0)	(72.7)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2015, the fair value of the interest rate derivatives was a net liability of £101.3m (2014 £67.5m). The fair value of forward foreign exchange derivatives was a net asset of £21.3m (2014 a liability of £0.3m).

30. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

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

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - 2015					
Trade and other creditors	**1,622.4**	**81.2**	**-**	**-**	**1,703.6**
Borrowings - principal	**785.1**	**53.0**	**511.2**	**7,198.4**	**8,547.7**
Borrowings - interest	**321.9**	**320.7**	**937.2**	**5,840.1**	**7,419.9**
Finance lease liabilities	**133.5**	**135.7**	**309.4**	**467.3**	**1,045.9**
	2,862.9	**590.6**	**1,757.8**	**13,505.8**	**18,717.1**
Group - 2014					
Trade and other creditors	1,565.3	46.4	-	-	1,611.7
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	127.5	133.5	348.6	563.9	1,173.5
	2,700.8	502.2	1,606.6	12,451.3	17,260.9
Corporation - 2015					
Trade and other payables	**561.5**	**-**	**-**	**-**	**561.5**
Borrowings - principal	**785.1**	**53.0**	**511.2**	**7,198.4**	**8,547.7**
Borrowings - interest	**321.9**	**320.7**	**937.2**	**5,840.1**	**7,419.9**
Finance lease liabilities	**18.7**	**18.4**	**52.0**	**148.6**	**237.7**
	1,687.2	**392.1**	**1,500.4**	**13,187.1**	**16,766.8**
Corporation - 2014					
Trade and other payables	585.7	0.9	-	-	586.6
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	16.0	18.7	53.6	165.3	253.6
	1,609.7	341.9	1,311.6	12,052.7	15,315.9

30. Funding and financial risk management (continued)

Fair values

In accordance with IAS 39, the fair values of the financial assets and liabilities are calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount.

30. Funding and financial risk management (continued)

Fair values (continued)

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2015 Carrying value £m	**2015 Fair value £m**	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	**119.4**	**119.4**	136.3	136.3
Long-term investments	**10.1**	**10.1**	203.4	203.4
Short-term investments	**4,548.4**	**4,548.4**	4,432.8	4,432.8
Trade and other debtors	**1,263.8**	**1,263.8**	831.9	831.9
Derivative financial instruments	**22.6**	**22.6**	-	-
Total financial assets	**5,964.3**	**5,964.3**	5,604.4	5,604.4
Trade and other creditors	**1,703.6**	**1,703.6**	1,611.6	1,611.6
Borrowings	**8,514.3**	**9,942.4**	7,867.3	9,183.6
Finance lease liabilities	**746.0**	**746.0**	821.8	821.8
Derivative financial instruments	**102.6**	**102.6**	67.8	67.8
Total financial liabilities	**11,066.5**	**12,494.6**	10,368.5	11,684.8
Net financial liabilities	**(5,102.2)**	**(6,530.3)**	(4,764.1)	(6,080.4)

30. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IAS 39, together with the carrying amounts recorded in the balance sheet are:

	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	**53.7**	**53.7**	9.3	9.3
Long-term investments	**10.1**	**10.1**	203.4	203.4
Short-term investments	**4,521.9**	**4,521.9**	4,415.1	4,415.1
Trade and other debtors	**8,338.5**	**8,338.5**	7,667.4	7,667.4
Total financial assets	**12,924.2**	**12,924.2**	12,295.2	12,295.2
Trade and other creditors	**561.5**	**561.5**	586.6	586.6
Borrowings	**8,522.7**	**9,942.4**	7,876.3	9,183.6
Finance lease liabilities	**175.5**	**175.5**	183.4	183.4
Total financial liabilities	**9,259.7**	**10,679.4**	8,646.3	9,953.6
Net financial assets	**3,664.5**	**2,244.8**	3,648.9	2,341.6

31. Pensions

The majority of the Group's staff are members of either the Public Sector Section or the Tube Lines Section of the TfL Pension Fund. The majority of the Group's remaining staff belong to the Local Government Pension Scheme, the Principal Civil Service Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
TfL Pension Fund		**314.6**	295.9	**85.2**	76.1
Local Government Pension Scheme		**1.3**	(0.2)	**1.3**	(0.2)
Unfunded schemes provision		**4.5**	2.0	**4.5**	2.0
Total for schemes accounted for as defined benefit		**320.4**	297.7	**91.0**	77.9
Principal Civil Service Pension Scheme		**0.6**	0.7	**0.6**	0.7
Other schemes		**19.7**	20.5	**1.3**	2.5
Amounts included in net cost of services		**340.7**	318.9	**92.9**	81.1
Less: scheme expenses		**(10.3)**	(9.6)	**(9.7)**	(9.1)
Amount included in staff costs	3	**330.4**	309.3	**83.2**	72.0

The service cost for the Corporation for the TfL Pension Fund represents the employer's contributions payable.

31. Pensions (continued)

b) Defined benefit schemes

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

TfL Pension Fund

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

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2012 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2013 until 31 March 2020 will continue to be 31.0 per cent, with an additional lump sum payment due by March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2020.

For the Tube Lines Section, employers' contributions from 1 April 2013 increased from 20.95 per cent to 23.15 per cent, with additional lump sum contributions of £1.02m per month from 1 April 2012 until 31 October 2015 (adjusted annually for inflation each 1 April). The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 October 2015.

A full actuarial valuation of the Public Sector and Tube Lines Sections of the TfL Pension Fund as at 31 March 2015 is currently underway, and the results will be available later in 2015. Contributions payable from 1 April 2016 may differ from those set out above, dependent on the outcome of the valuation.

The underlying assets and defined benefit obligation of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the Public Sector and Tube Lines sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2015. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2012. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2011 projections with a long term improvement rate of 1.0 per cent per annum.

The discounted scheme liabilities have an average duration of 18.5 years for the Public Sector Section and 22 years for the Tube Lines Section.

31. Pensions (continued)

b) Defined benefit schemes (continued)

Local Government Pension Scheme

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 16.5 per cent (2013/14 16.5 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £47.7m (2014 £35.2m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation was carried out at 31 March 2013. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

Unfunded pension costs

The Corporation bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Corporation also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees;

- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions;

- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund.

Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2015 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2015 was £77.5m (2014 £71.1m), and is fully provided for in these financial statements.

31. Pensions (continued)

b) Defined benefit schemes (continued)

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2015 %	IAS 19 valuation at 31 March 2014 %
RPI Inflation	**2.75-3.30**	3.20-3.70
CPI Inflation	**2.50**	2.90
Rate of increase in salaries	**2.75-4.30**	3.70-4.70
Rate of increase in pensions in payment and deferred pensions	**2.50-3.00**	2.90-3.30
Discount rate	**2.95-3.40**	4.05-4.50

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

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £207.4m/(increase by £212.6m).
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £60.8m/(decrease by £60.8m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £388.5m/(decrease by £389.5m).
- If the inflation rate were 0.1per cent higher/(lower), the defined benefit obligation would increase by £194.2m/(decrease by £188.3m).

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

31. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the Schemes were:

	Value at 31 March 2015 £m	Value at 31 March 2014 £m
Equities and alternatives	**6,208.9**	5,280.2
Bonds	**2,002.4**	1,984.8
Cash and other	**34.9**	24.8
Total fair value of assets	**8,246.2**	7,289.8

The TfL Pension Fund's and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2015 %	31 March 2014 %
Equities	**75**	73
Bonds	**25**	27
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

31. Pensions (continued)

Total pension deficit at the end of the year

Group	2015 £m	2014 £m
Fair value of scheme assets	**8,246.2**	7,289.8
Actuarial valuation of defined benefit obligation	**(11,140.9)**	(9,772.0)
Deficit recognised as a liability in the balance sheet	**(2,894.7)**	(2,482.2)

Group	2015 £m	2014 £m
TfL Pension Fund – Public Sector section	**(2,737.5)**	(2,328.1)
TfL Pension Fund – Tube Lines section	**(32.0)**	(47.8)
Local Government Pension Scheme	**(47.7)**	(35.2)
Unfunded schemes provision	**(77.5)**	(71.1)
Deficit recognised as a liability in the balance sheet	**(2,894.7)**	(2,482.2)

Corporation	2015 £m	Restated 2014 £m
Fair value of scheme assets	**7,969.9**	7,050.3
Actuarial valuation of defined benefit obligation	**(10,832.6)**	(9,484.7)
Deficit recognised as a liability in the balance sheet	**(2,862.7)**	(2,434.4)

Corporation	2015 £m	Restated 2014 £m
TfL Pension Fund - Public Sector section	**(2,737.5)**	(2,328.1)
Local Government Pension Scheme	**(47.7)**	(35.2)
Unfunded schemes provision	**(77.5)**	(71.1)
Deficit recognised as a liability in the balance sheet	**(2,862.7)**	(2,434.4)

31. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Current service cost	**305.8**	284.7	**293.5**	272.4
Less: contributions paid by subsidiaries	**-**	-	**(216.5)**	(207.0)
Past service cost	**4.3**	1.9	**4.3**	1.9
Settlements and curtailments	**-**	1.5	**-**	1.5
Total included in staff costs	**310.1**	288.1	**81.3**	68.8
Scheme expenses	**10.3**	9.6	**9.7**	9.1
Total amount charged to net cost of services	**320.4**	297.7	**91.0**	77.9

Amounts charged to financing and investment expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Net interest expense on scheme defined benefit obligation	**102.4**	121.8	**101.0**	119.0

Amount recognised in other comprehensive income and expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Net remeasurement losses/(gains) recognised in the year	**293.7**	(460.2)	**300.9**	(434.9)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Wholly unfunded schemes	**77.5**	71.1	**77.5**	71.1
Wholly or partly funded schemes	**11,063.4**	9,700.9	**10,755.1**	9,413.6
Total scheme defined benefit obligation	**11,140.9**	9,772.0	**10,832.6**	9,484.7

31. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Actuarial value of defined benefit obligation at start of year	**9,772.0**	9,598.4	**9,484.7**	9,304.4
Current service cost	**305.8**	284.7	**293.5**	272.4
Interest cost	**423.9**	416.5	**412.5**	405.4
Employee contributions	**47.0**	44.7	**44.8**	42.5
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	**1,059.3**	(101.2)	**1,036.3**	(76.1)
Net remeasurement - experience	**(162.3)**	(216.6)	**(154.8)**	(216.5)
Net remeasurement - demographic	**-**	(27.3)	**-**	(32.2)
Actual benefit payments	**(309.1)**	(279.0)	**(288.7)**	(267.0)
Past service cost	**4.3**	1.9	**4.3**	1.9
Settlements and curtailments	**-**	49.9	**-**	49.9
Actuarial value of defined benefit obligation at end of year	**11,140.9**	9,772.0	**10,832.6**	9,484.7

Reconciliation of fair value of the scheme assets

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Fair value of assets at start of year	**7,289.8**	6,785.2	**7,050.3**	6,571.4
Expected return on assets net of expenses	**321.5**	294.7	**311.5**	286.4
Scheme expenses	**(10.3)**	(9.6)	**(9.7)**	(9.1)
Return on assets excluding interest income and other net gains on assets	**603.3**	115.1	**580.6**	110.1
Actual employer contributions	**299.6**	286.1	**60.2**	56.4
Contributions paid by subsidiaries	**-**	-	**216.5**	207.0
Employee contributions	**47.0**	44.7	**44.8**	42.5
Actual benefits paid	**(304.7)**	(274.8)	**(284.3)**	(262.8)
Settlements and curtailments	**-**	48.4	**-**	48.4
Fair value of assets at end of year	**8,246.2**	7,289.8	**7,969.9**	7,050.3

31. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was £924.8m (2013/14 £409.8m).

Total contributions of £308.0m are expected to be made to the schemes in the year ending 31 March 2016.

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2007. Details can be found in the Civil Service Superannuation Resource Accounts website (www.civilservice.gov.uk/pensions).

From 1 April 2014 employers' contributions are payable to the PCSPS at one of four rates in the range 16.7 per cent to 25.8 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 37 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2013. The actuarial report showed that there was a deficit of £5.4m for the total Omnibus Section.

The findings of the 2013 valuation report were translated into the current contribution level of 31 per cent up to 30 June 2015, and 26.9 per cent effective from 1 July 2015. The pension charge for the year was £6.2m (2013/14 £6.0m).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and RPS schemes as outlined in the paragraphs above, amounting to £20.3m (2013/14 £21.2m).

32. Cash flow notes

a) Adjustments to net surplus for non-cash movements

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,039.9**	1,022.1	**188.9**	179.4
Loss on disposal of property, plant and equipment	**19.5**	121.9	**2.1**	2.7
Net gain on sale of investment properties	**(0.8)**	(15.2)	**(0.9)**	(1.9)
Movements in the value of investment properties	**(200.2)**	(177.6)	**(2.1)**	(3.5)
Reversal of unrealised losses on retranslation of foreign currency investments	**19.7**	-	**19.7**	-
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**(21.3)**	-	**-**	-
Financing income	**(28.3)**	(21.7)	**(301.4)**	(267.7)
Financing expense	**450.7**	484.1	**439.8**	452.4
Capital grants received	**(3,489.2)**	(3,827.5)	**(3,441.5)**	(3,757.0)
Capital grants paid to subsidiaries	**-**	-	**1,356.9**	1,395.1
Reversal of defined benefit pension service costs	**320.4**	297.7	**91.0**	77.9
Reversal of taxation credit	**-**	0.1	**-**	-
Adjustments to net surplus for non-cash movements before movements in working capital	**(1,889.6)**	(2,116.1)	**(1,647.5)**	(1,922.6)
(Decrease)/increase in creditors	**(17.8)**	54.4	**(74.9)**	18.4
Decrease/(increase) in debtors	**3.5**	(78.6)	**27.7**	135.2
(Increase)/decrease in inventories	**(6.2)**	(5.7)	**3.5**	(1.3)
(Decrease)/increase in provisions	**(2.9)**	90.8	**(2.3)**	2.7
Adjustments to net surplus for non-cash movements after movements in working capital	**(1,913.0)**	(2,055.2)	**(1,693.5)**	(1,767.6)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(304.0)**	(290.3)	**(64.6)**	(60.6)
Taxation paid	**(0.1)**	(0.1)	**-**	-
Total adjustments to net surplus for non-cash movements	**(2,217.1)**	(2,345.6)	**(1,758.1)**	(1,828.2)

32. Cash flow notes (continued)

b) Investing activities

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Interest and other investment income received	**24.5**	24.2	**297.6**	270.2
Capital grants received	**3,460.8**	3,782.9	**3,410.8**	3,708.3
Capital grants paid to subsidiaries	**-**	-	**(1,356.9)**	(1,395.1)
Purchase of property, plant and equipment and investment property	**(3,507.0)**	(3,154.7)	**(311.2)**	(190.3)
Purchase of intangible assets	**(34.9)**	(56.6)	**(20.8)**	(25.8)
Proceeds from the sale of property, plant and equipment and intangible assets	**6.2**	2.5	**-**	0.4
Net sales/(purchases) of other investments	**58.1**	(843.5)	**66.9**	(825.8)
Interim financing advanced to third parties for the Crossrail project	**(381.9)**	(199.9)	**-**	-
Issue of loans to subsidiaries (net of repayments)	**-**	-	**(649.2)**	(307.6)
Proceeds from sale of investment property	**21.1**	43.3	**2.9**	18.2
Investment in share capital of subsidiaries	**-**	-	**(1,500.0)**	(1,600.0)
Net cash flows from investing activities	**(353.1)**	(401.8)	**(59.9)**	(347.5)

c) Financing activities

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(75.8)**	(68.9)	**(7.9)**	(8.5)
Net proceeds from new borrowing	**668.1**	435.1	**668.1**	435.1
Repayments of borrowings	**(22.1)**	(107.1)	**(22.1)**	(107.1)
Premiums paid on early repayment of borrowings and finance lease liabilities	**-**	(23.2)	**-**	(23.2)
Cash paid on settlement of derivatives	**-**	(0.5)	**-**	-
Interest paid	**(320.4)**	(388.6)	**(319.5)**	(372.5)
Net cash flows from financing activities	**249.8**	(153.2)	**318.6**	(76.2)

33. Unusable reserves

	2015 £m	2014 £m
Group		
Capital adjustment account	**21,122.1**	18,669.3
Pension reserve	**(2,862.7)**	(2,434.4)
Accumulated absences reserve	**(6.5)**	(6.0)
Retained earnings reserve in subsidiaries	**1,071.9**	1,079.3
Revaluation reserve	**212.9**	117.1
Hedging reserve	**(200.9)**	(174.7)
Available for sale reserve	**0.1**	-
Financial instruments adjustment account	**(206.3)**	(218.1)
Merger reserve	**466.1**	466.1
At 31 March	**19,596.7**	17,498.6

	2015 £m	Restated 2014 £m
Corporation		
Capital adjustment account	**8,109.6**	6,434.5
Pension reserve	**(2,862.7)**	(2,434.4)
Accumulated absences reserve	**(6.5)**	(6.0)
Available for sale reserve	**0.1**	-
Financial instruments adjustment account	**(206.3)**	(218.1)
At 31 March	**5,034.2**	3,776.0

33. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April		**18,669.3**	16,254.2	**6,434.5**	4,814.7
Charges for depreciation and impairment of non-current assets		**(188.9)**	(179.4)	**(188.9)**	(179.4)
Gain on disposal of investment properties		**0.9**	1.9	**0.9**	1.9
Movements in the market value of investment properties		**2.1**	3.5	**2.1**	3.5
Capital grants and contributions	9	**3,267.3**	3,262.1	**1,862.7**	1,796.5
Transfer from street works reserve	1	**0.4**	-	**0.4**	-
Loss on disposal of non-current assets		**(2.1)**	(2.7)	**(2.1)**	(2.7)
Adjustments between Group and Corporation financial statements	*	**(626.9)**	(670.3)	**-**	-
Balance at 31 March		**21,122.1**	18,669.3	**8,109.6**	6,434.5

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

33. Unusable reserves (continued)

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2015 £m	Group 2014 £m	**Corporation 2015 £m**	Restated Corporation 2014 £m
Balance at 1 April	**(2,434.4)**	(2,733.0)	**(2,434.4)**	(2,733.0)
Remeasurement (losses)/gains on pension assets and defined benefit obligations	**(300.9)**	434.9	**(300.9)**	434.9
Reversal of charges relating to retirement benefits	**(408.5)**	(403.9)	**(192.0)**	(196.9)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**281.1**	267.6	**64.6**	60.6
Balance at 31 March	**(2,862.7)**	(2,434.4)	**(2,862.7)**	(2,434.4)

33. Unusable reserves (continued)

Accumulated absences reserve

The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2015 £m	Group 2014 £m	**Corporation 2015 £m**	Corporation 2014 £m
Balance at 1 April	**(6.0)**	(5.8)	**(6.0)**	(5.8)
Settlement or cancellation of accrual made at the end of the preceding year	**6.0**	5.8	**6.0**	5.8
Amounts accrued at the end of the current year	**(6.5)**	(6.0)	**(6.5)**	(6.0)
Balance at 31 March	**(6.5)**	(6.0)	**(6.5)**	(6.0)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2015 £m	Group 2014 £m
Balance at 1 April	**1,079.3**	1,165.3
Loss for the year	**(18.0)**	(113.5)
Remeasurement gains on defined benefit pension plan assets and liabilities	**7.2**	25.3
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**3.4**	2.2
Balance at 31 March	**1,071.9**	1,079.3

33. Unusable reserves (continued)

Revaluation reserve

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

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

	Note	Group 2015 £m	Group 2014 £m
Balance at 1 April		**117.1**	70.7
Revaluation of assets	12	**99.2**	48.6
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		**(3.4)**	(2.2)
Balance at 31 March		**212.9**	117.1

The Corporation does not have a revaluation reserve as it does not hold any property, plant or equipment at a revalued amount (2014 none).

Hedging reserve

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

	Group 2015 £m	Group 2014 £m
Balance at 1 April	**(174.7)**	(229.3)
Net change in fair value of cash flow interest rate hedges	**(33.4)**	48.4
Net change in fair value of cash flow foreign exchange hedges	**-**	(0.3)
Recycling of interest rate fair value losses to profit and loss	**7.2**	6.5
Balance at 31 March	**(200.9)**	(174.7)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers so to do.

33. Unusable reserves (continued)

Available for sale reserve

The available for sale reserve holds the unrealised gain or loss arising from a change in the fair value of available for sale long-term investments. When an available for sale financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income and expenditure is transferred from the available for sale reserve and recognised in the Surplus or Deficit on the Provision of Services.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April	**-**	0.3	**-**	0.3
Movement in the fair value of available for sale financial investments	**0.1**	(0.3)	**0.1**	(0.3)
Balance at 31 March	**0.1**	-	**0.1**	-

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April	**(218.1)**	(205.7)	**(218.1)**	(205.7)
Transfers arising from debt restructuring during the year	**-**	(23.2)	**-**	(23.2)
Release of premium	**11.8**	10.8	**11.8**	10.8
Balance at 31 March	**(206.3)**	(218.1)	**(206.3)**	(218.1)

33. Unusable reserves (continued)

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

	Group 2015 £m	Group 2014 £m	**Corporation 2015 £m**	Corporation 2014 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

34. Business rate supplement

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". In London, the only local authority empowered to levy a BRS is the Greater London Authority (GLA).

On 1 April 2010, the GLA introduced a BRS to finance £4.1bn of its contribution towards the costs of the Crossrail Project. The BRS is applied on non-domestic rating assessments in London and is collected on behalf of the GLA by the 33 London billing authorities (the London Boroughs and the Common Council of the City of London). This funding is then passed to TfL as the functional body with responsibility for delivering the Crossrail Project.

In the year to 31 March 2015, TfL recognised £30.0m (2013/14 £75.0m) of BRS income in its Income and Expenditure Statement (see note 9). Receipts in the year totalled £30.0m (2013/14 £75.0m), and £nil (2014 £nil) was held as a debtor on the Corporation and Group's balance sheets.

	Corporation 2015 £m	Corporation 2014 £m
Opening balance on BRS Account	**-**	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	**(30.0)**	(75.0)
Transfer from General Fund to clear BRS account deficit	**30.0**	75.0
Closing balance on BRS Account	**-**	-

35. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation 2015

	Note	**General fund £m**	**Capital adjustment account £m**	**Pension reserve £m**	**Street works reserve £m**	**Financial instruments adjustment account £m**	**Accumulated absences reserve £m**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	**188.9**	**(188.9)**	**-**	**-**	**-**	**-**
Net gain on disposal of investment properties	7	**(0.9)**	**0.9**	**-**	**-**	**-**	**-**
Movements in the market value of investment properties	7	**(2.1)**	**2.1**	**-**	**-**	**-**	**-**
Capital grants and contributions	9	**(1,862.7)**	**1,862.7**	**-**	**-**	**-**	**-**
Unapplied capital grants	9	**(221.9)**	**-**	**-**	**-**	**-**	**-**
Loss on disposal of non-current assets	6	**2.1**	**(2.1)**	**-**	**-**	**-**	**-**
Transfers to/from street works reserve		**(4.7)**	**0.4**	**-**	**4.3**	**-**	**-**
Reversal of items relating to retirement benefits		**192.0**	**-**	**(192.0)**	**-**	**-**	**-**
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		**0.5**	**-**	**-**	**-**	**-**	**(0.5)**
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		**(64.6)**	**-**	**64.6**	**-**	**-**	**-**
Amortisation of premium on financing		**(11.8)**	**-**	**-**	**-**	**11.8**	**-**
		(1,785.2)	**1,675.1**	**(127.4)**	**4.3**	**11.8**	**(0.5)**

35. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2014 (restated)

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	179.4	(179.4)	-	-	-	-
Movements in the market value of investment properties	7	(3.5)	3.5	-	-	-	-
Gain on disposal of investment properties	7	(1.9)	1.9	-	-	-	-
Capital grants and contributions	9	(1,796.5)	1,796.5	-	-	-	-
Unapplied capital grants	9	(565.4)	-	-	-	-	-
Loss on disposal of non-current assets	6	2.7	(2.7)	-	-	-	-
Transfers to/from street works reserve		(2.2)	-	-	2.2	-	-
Reversal of items relating to retirement benefits		196.9	-	(196.9)	-	-	-
Transfer of premium on refinancing	8	23.2	-	-	-	(23.2)	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(60.6)	-	60.6	-	-	-
Amortisation of premium on financing		(10.8)	-	-	-	10.8	-
		(2,038.5)	1,619.8	(136.3)	2.2	(12.4)	(0.2)

36. Sources of finance

Capital expenditure analysed by source of finance:

	Note	**Corporation 2015 £m**	Corporation 2014 £m
Capital expenditure			
Intangible asset additions	11	**20.8**	25.9
Property, plant and equipment additions	12	**299.5**	239.8
Investments in year	14	**1,500.0**	1,600.0
Loans made to subsidiaries in year for capital purposes		**650.0**	333.6
Capital grants allocated to subsidiaries in year	9	**1,356.9**	1,395.1
Total capital expenditure		**3,827.2**	3,594.4
Sources of finance			
Transport grants used to fund capital	9	**1,728.2**	1,578.4
Business rates supplement	9	**30.0**	75.0
Crossrail specific grant	9	**1,582.2**	2,022.8
Less: amounts transferred to Capital Grants Unapplied Account	9	**(221.9)**	(565.4)
Prudential borrowing		**650.0**	333.6
Third party contributions	9	**101.1**	80.8
Capital receipts		**3.1**	4.5
Net repayment of finance leases		**(7.9)**	(8.5)
Working capital		**(37.6)**	73.2
Total sources of finance		**3,827.2**	3,594.4

37. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New MRP regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Department for Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that "approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits."

While the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL's circumstances. TfL's policy on MRP is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced Budget (and this approach had been extended to the full Business Plan), the cost of debt service is taken into account in determining whether annual Budgets and Business Plans are in balance.

TfL has therefore adopted the following policy:

No provision is made for debt repayment in advance of years where any such repayment is due;

Debt service, including principal repayment, is treated as an in-year operating cost and is funded from income in the year the debt service is required.

38. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to the London Transport Museum Limited.

Financial assistance given under section 159 of the Greater London Authority Act 1999 is outlined below:

	Corporation 2015 £m	Corporation 2014 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**76.6**	95.7
London Underground Limited	**1,189.3**	1,324.6
London Bus Services Limited	**657.2**	555.2
Docklands Light Railway Limited	**43.2**	53.5
Rail for London Limited	**225.5**	107.9
London River Services Limited	**11.9**	3.4
Tramtrack Croydon Limited	**32.2**	19.0
London Transport Museum Limited	**5.5**	5.4
Crossrail Limited	**351.5**	207.5
Transport for London Finance Limited	**200.0**	300.0
	2,792.9	2,672.2

	Note	**Corporation 2015 £m**	Corporation 2014 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**131.6**	141.1
Severe winter payments scheme		**12.1**	-
Taxicard		**9.8**	10.1
Safety schemes		**0.5**	0.8
Cycling		**7.5**	6.3
Other		**11.6**	10.8
	3	**173.1**	169.1

39. Related parties

Transport for London is required by the Code and IAS 24 Related Party Disclosures ("IAS 24") to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, Chief Officers, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies
Details of the funding granted to TfL by the GLA from the Business Rates Supplement levied by the GLA are included in note 34. In addition, the GLA made grants to TfL in respect of the Crossrail project amounting to £500m. This amount is included in note 9 as part of "Ring-fenced grant to fund capital expenditure relating to Crossrail". The Council Tax precept paid to TfL by the GLA is also shown in note 9.

During 2014/15 TfL had the following other transactions with the GLA and functional bodies:

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2015 £m
Greater London Authority (GLA)	8.2	(1.6)	2.5
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	0.2	(0.3)	0.1
London Fire and Emergency Planning Authority (LFEPA)	0.3	-	-

39. Related parties (continued)

Board Members and Officers
Board Members, the Mayor of London, and key management (comprising the Commissioner and the Chief Officers), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2013/14 none). Details of the remuneration of the Commissioner and his Chief Officers are disclosed in note 5.

TfL Pension Fund
The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 31.

Central Government
Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2013, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2016.

Other public bodies
TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 38.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board ("PWLB"), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

40. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2015				
TfL Healthcare Trust	3.9	(4.1)	0.7	-
At 31 March 2014				
TfL Healthcare Trust	3.9	(3.5)	0.9	-

41. Events after the balance sheet date

As described in note 18, on 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earl's Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37 per cent by a subsidiary of the TfL Group and 63 per cent by a subsidiary of the Capco group. It is equity accounted for as an investment in an associate by the Group.

Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred for consideration of £375.7m, in the form of loan notes from, and equity in, ECP. The Group's percentage holding in ECP however remains unchanged at 37 per cent.

The sale of the property constitutes a non-adjusting post balance sheet event, and, as such, has not been reflected in these accounts. As at 31 March 2015 the Group's investment in the Earl's Court land has been shown in assets held for sale and is held at its sale valuation.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

42. Corporation pension accounting policy

As outlined in the Accounting Policies Note, for certain Group defined benefit pension plans the Corporation is unable to identify its share of the underlying assets and defined pension obligations of the schemes on a consistent and reliable basis. In prior years the Corporation adopted an accounting policy that applied the multi-employer exemption allowed under paragraph 6.4.1.8 of the Code. Accordingly the Corporation accounted for these plans as defined contribution schemes. The assets and liabilities of these schemes have been recognised at Group level.

The Corporation continues to assess each year the accounting policy to apply to these plans. Relevant considerations include the role of the Corporation as Sponsor for the schemes, the contractual arrangements between the Corporation and the underlying entities in terms of recharging the pension costs. The accounting policy to adopt may be based on the Code or the accounting requirements set out within IAS 19 Employee Benefits (revised 2011) (IAS 19).

The Corporation has undertaken the annual assessment and concluded that the Public Sector Section of the TfL Pension Scheme is in the nature of a Group scheme and accordingly the appropriate accounting policy to apply should be based on the requirements of the group scheme provisions of IAS 19. As a result the Corporation has applied a change in accounting policy and now recognises the pension deficit relating to the Public Sector Section on its own balance sheet. The accounts for the Corporation for 2013/14 and 2012/13 have therefore been restated. There is no impact of this change in accounting policy on the TfL consolidated Group accounts.

The following tables illustrate the quantitative effects of the changes on the Corporation Comprehensive Income and Expenditure Statement for 2013/14 and the Balance Sheets as at 1 April 2013 and 31 March 2014.

Reconciliation of the Corporation Comprehensive Income and Expenditure Statement

	As previously reported £m	Recognition of defined benefit pension obligations of Group schemes £m	Restated £m
Year ended 31 March 2014			
Highways and Transport Services			
Gross income	359.8	-	359.8
Gross expenditure	(970.7)	(21.9)	(992.6)
Net cost of services	(610.9)	(21.9)	(632.8)
Other operating expenditure	(2.7)	-	(2.7)
Financing and investment income	273.1	-	273.1
Financing and investment expenditure	(337.7)	(114.7)	(452.4)
Grant income	5,241.7	-	5,241.7
Grant funding of subsidiaries	(2,172.2)	-	(2,172.2)
Surplus on the provision of services	2,391.3	(136.6)	2,254.7
Other comprehensive income and expenditure	(3.5)	438.1	434.6
Total comprehensive income and expenditure	**2,387.8**	**301.5**	**2,689.3**

42. Corporation pension accounting policy (continued)

Reconciliation of Corporation equity as at 31 March 2014

	As previously reported £m	Recognition of pension obligation of Group schemes £m	Restated £m
As at 31 March 2014			
Long-term assets			
Intangible assets	35.7	-	35.7
Property, plant and equipment	3,485.2	-	3,485.2
Investment property	16.4	-	16.4
Investment in subsidiaries	3,932.5	-	3,932.5
Long-term investments	203.4	-	203.4
Long-term debtors	7,451.5	-	7,451.5
	15,124.7	-	15,124.7
Current assets			
Inventories	5.1	-	5.1
Short-term debtors	266.5	-	266.5
Short-term investments	4,415.1	-	4,415.1
Cash and cash equivalents	9.3	-	9.3
	4,696.0	-	4,696.0
Current liabilities			
Short-term creditors	(614.1)	-	(614.1)
Short-term borrowings and overdrafts	(709.2)	-	(709.2)
Short-term finance lease liabilities	(7.9)	-	(7.9)
Short-term provisions	(120.0)	-	(120.0)
	(1,451.2)	-	(1,451.2)
Long-term liabilities			
Long-term creditors	(14.0)	-	(14.0)
Long-term borrowings	(7,167.1)	-	(7,167.1)
Long-term finance lease liabilities	(175.5)	-	(175.5)
Long-term provisions	(126.7)	-	(126.7)
Retirement benefit obligation	(106.3)	(2,328.1)	(2,434.4)
	(7,589.6)	(2,328.1)	(9,917.7)
Net assets	10,779.9	(2,328.1)	8,451.8
Reserves			
Usable reserves	4,675.8	-	4,675.8
Unusable reserves	6,104.1	(2,328.1)	3,776.0
Total reserves	10,779.9	(2,328.1)	8,451.8

42. Corporation pension accounting policy (continued)

Reconciliation of Corporation equity as at 1 April 2013

	As previously reported £m	Recognition of pension obligation of Group schemes £m	Restated £m
As at 1 April 2013			
Long-term assets			
Intangible assets	28.4	-	28.4
Property, plant and equipment	3,410.7	-	3,410.7
Investment property	13.7	-	13.7
Investment in subsidiaries	2,332.5	-	2,332.5
Long-term investments	209.2	-	209.2
Long-term debtors	7,142.0	-	7,142.0
	13,136.5	-	13,136.5
Current assets			
Inventories	3.8	-	3.8
Short-term debtors	390.0	-	390.0
Short-term investments	3,583.8	-	3,583.8
Cash and cash equivalents	6.5	-	6.5
	3,984.1	-	3,984.1
Current liabilities			
Short-term creditors	(654.1)	-	(654.1)
Short-term borrowings and overdrafts	(1,138.4)	-	(1,138.4)
Short-term finance lease liabilities	(8.6)	-	(8.6)
Short-term provisions	(151.6)	-	(151.6)
	(1,952.7)	-	(1,952.7)
Long-term liabilities			
Long-term creditors	(10.2)	-	(10.2)
Long-term borrowings	(6,409.8)	-	(6,409.8)
Long-term finance lease liabilities	(183.3)	-	(183.3)
Long-term provisions	(69.1)	-	(69.1)
Retirement benefit obligation	(103.4)	(2,629.6)	(2,733.0)
	(6,775.8)	(2,629.6)	(9,405.4)
Net assets	8,392.1	(2,629.6)	5,762.5
Reserves			
Usable reserves	3,892.0	-	3,892.0
Unusable reserves	4,500.1	(2,629.6)	1,870.5
Total reserves	8,392.1	(2,629.6)	5,762.5

Annual Governance Statement

Scope of responsibility

TfL is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Financial Officer in Local Government (2010), except that the CFO is not a member of the leadership team. However, the CFO plays an active part in TfL strategic decision-making. His responsibilities are discharged through:

- Involvement in all key decisions with a significant financial implication
- Involvement with Business Management Review meetings
- Management responsibilities for the production of the Business Plan and statutory accounts

The CFO is accountable to the Board, reviews all papers relating to financial management for the Chief Officers, Committees or Board in advance, attends all Board meetings and has unrestricted access to the Commissioner. The CFO reports to the Managing Director (MD) Finance. During the year, following the departure of David Goldstone as CFO, Andrew Pollins served as interim CFO with the same responsibilities and reporting arrangements as above. On 26 March 2015, the Board appointed Ian Nunn as its new CFO and he will take up the role from 1 September 2015.

TfL has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives Framework Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, Windsor House, 42-50 Victoria Street, London, SW1H 0TL. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2014/15 Statement of Accounts.

The governance framework

The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has three committees:

- Finance and Policy
- Audit and Assurance
- Remuneration

The Board has three panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Rail and Underground
- Surface Transport
- Safety, Accessibility and Sustainability

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Governance ('the Code'), the Annual Governance Statement contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL, advised by his Chief Officers, is responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. He also carries out an annual benchmarking exercise comparing TfL's governance arrangements with the UK Corporate Governance Code.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- The Mayor developing and publishing a Transport Strategy reflecting national and local priorities
- The Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly
- Reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements
- Ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications
- Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality and security

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and ensures that they represent the best use of resources by:

- Having in place sound systems for providing management information for performance measurement purposes
- Ensuring performance information is collected at appropriate intervals across all activities
- Having comprehensive and understandable performance plans in place
- Monitoring and reporting performance against agreed targets
- Maximising its resources and allocating them according to priorities
- Having in place effective arrangements to identify and deal with failure in service delivery
- Developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall
- Publishing operational and financial performance data each quarter

TfL defines and documents the roles and responsibilities of the Board, Committees, Panels and staff with clear delegation arrangements and protocols by:

- Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides staff with the authority to conduct routine business
- Having the roles and responsibilities of Board members and senior staff clearly documented

TfL has developed, and communicates the requirements of, the Code of Conduct, defining the standards of behaviour for Board members and staff by:

- Ensuring it is an organisation that has a climate of openness, support and respect
- Ensuring that standards of conduct and personal behaviour expected of Board members and staff, between Board members and staff and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols
- Putting in place arrangements to ensure that Board members and staff of TfL are not influenced by prejudice, bias or conflicts of interest
- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and Chief Officers
- Developing and maintaining shared values including leadership values for both the organisation and staff reflecting public expectations and communicating these to Board members, staff, the community and partners
- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- Setting targets for performance in the delivery of services to ensure equality for all
- Using its shared values to act as a guide for decision-making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed
- Maintaining robust systems for identifying and evaluating all significant risks
- Maintaining an effective risk management system

- Ensuring that risk management is embedded into its culture, with Board members and staff at all levels recognising that risk management is part of their jobs

TfL ensures that the core functions of the Audit and Assurance Committee are delivered by:

- Having an effective, independent Audit and Assurance Committee
- Having the Audit and Assurance Committee develop and maintain an effective oversight
- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors
- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL
- Maintaining an Integrated Assurance Framework

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- Ensuring that all activities are legally correct, fully documented, appropriately authorised and carried on in a planned manner
- Making a senior member of staff responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control
- Maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner
- Ensuring that a senior member of staff is responsible for all activities being legally correct, fully documented and appropriately authorised
- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Putting in place arrangements to safeguard against conflicts of interest
- Ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- Actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public
- Observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints
- Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access including external independent reporting lines

TfL identifies the development needs of Board members and staff in relation to their strategic roles, supported by appropriate training by:

- Ensuring that its Board members and staff are provided with the necessary training to perform their roles
- Ensuring that its staff are competent to perform their roles
- Ensuring that the Chief Finance Officer has the skills, resources and support necessary to perform effectively in his role and that this role is properly understood throughout TfL
- Assessing the skills required by Board members and staff and committing to develop those skills to enable roles to be carried out effectively
- Commissioning regular external reviews of Board effectiveness
- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL
- Making clear to staff and the public what it is accountable for and to whom
- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year
- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance
- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes
- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors
- Establishing appropriate arrangements to engage with all sections of the public effectively
- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior staff within TfL who have responsibility for the development and maintenance of the governance framework, the Director of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring the operation of the Code and reporting annually to the Audit and Assurance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

This year's review focused on the impact and effectiveness of the new decision-making structure introduced on 1 April 2014.

Significant governance issues

During the year 2014/15, TfL has embedded the revised Committee and Panel structure introduced on 1 April 2014, which has provided greater public access to meetings and improved transparency.

A change programme to improve TfL's Strategic Risk Management Framework has continued during the year and the strategic risk register has been updated.

Following the decision of the Audit Commission, EY was appointed TfL's auditors from 1 April 2015. Transition arrangements were put in place to ensure a smooth handover from the previous auditors, KPMG, including shadow working and attendance of EY auditors at meetings of the Audit and Assurance Committee.

TfL proposes to continue to improve and develop its governance arrangements over the coming year.

The coming year will see an externally assisted review of Board effectiveness, the annual benchmarking of TfL's governance regime with the UK Corporate Governance Code, and the continuation of the development of a TfL-wide management system. The development of assurance mapping processes will continue, with the aim of further integrating strategic risk and assurance processes. TfL will also continue to extend and make further improvements to the information it makes publicly available.

Issues to be addressed in the coming year will also include the implementation of recommendations from TfL's consultation on its approach to transparency, the implementation of the recommendations from a major review of TfL's approach to project assurance, the development of the Commercial Development Assurance Group to provide independent assurance to the Board on TfL's major commercial development initiatives, participation in the GLA's review of its Corporate Governance Framework Agreement and preparations for a smooth transition for the change of Mayor in May 2016.

TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Signed:

Chair of TfL Board

Signed:

Commissioner

London River Services on the Thames

Chief Officers

Sir Peter Hendy CBE
Commissioner

Mike Brown MVO
Managing Director
London Underground
and London Rail

Leon Daniels
Managing Director
Surface Transport

Vernon Everitt
Managing Director
Customer Experience
Marketing and Communications

Steve Allen
Managing Director
Finance

Howard Carter
General Counsel

Michèle Dix CBE
Managing Director
Crossrail 2

Members of TfL


Boris Johnson
Chairman


Isabel Dedring
Deputy Chair


Peter Anderson


Sir John Armitt CBE


Sir Brendan Barber


Richard Barnes


Charles Belcher


Roger Burnley


Brian Cooke


Baroness Grey-Thompson DBE


Angela Knight CBE


Michael Liebreich


Eva Lindholm


Daniel Moylan


Bob Oddy


Keith Williams


Steve Wright MBE

Crossrail tunnelling beneath Bond Street

Directors of Crossrail Ltd

Terry Morgan CBE
Chairman

David Allen

Michael Cassidy CBE

Phil Gaffney

Terry Hill CBE

Robert Jennings CBE

Jayne McGivern

Daniel Moylan

Andrew Wolstenholme OBE

Simon Wright OBE

Membership of TfL committees and panels

(as at 31 March 2015)

Members of TfL

Boris Johnson – Chairman
Isabel Dedring – Deputy Chair
Peter Anderson
Sir John Armitt CBE
Sir Brendan Barber
Richard Barnes
Charles Belcher
Roger Burnley
Brian Cooke
Baroness Grey-Thompson DBE
Angela Knight CBE
Michael Liebreich
Eva Lindholm
Daniel Moylan
Bob Oddy
Keith Williams
Steve Wright MBE

Committees of TfL

Audit and Assurance Committee
Keith Williams – Chair
Steve Wright MBE – Vice Chair
Richard Barnes
Charles Belcher
Brian Cooke
Baroness Grey-Thompson DBE

Finance and Policy Committee
Peter Anderson – Chair
Daniel Moylan – Vice Chair
Sir John Armitt
Brian Cooke
Isabel Dedring
Baroness Grey-Thompson DBE
Angela Knight CBE
Michael Liebreich
Eva Lindholm

Remuneration Committee
Baroness Grey-Thompson DBE – Chair
Daniel Moylan – Vice Chair
Sir John Armitt CBE
Boris Johnson

Panels

Rail and Underground
Sir John Armitt CBE – Chair
Steve Wright MBE – Vice Chair
Peter Anderson
Sir Brendan Barber
Richard Barnes
Charles Belcher
Brian Cooke
Isabel Dedring
Daniel Moylan

Safety, Accessibility and Sustainability
Charles Belcher – Chair
Michael Liebreich – Vice Chair
Sir Brendan Barber
Richard Barnes
Baroness Grey-Thompson DBE
Bob Oddy

Surface Transport
Baroness Grey-Thompson DBE – Chair
Charles Belcher – Vice Chair
Roger Burnley
Brian Cooke
Bob Oddy
Keith Williams
Steve Wright MBE

TfL Members' meeting attendance 2014/15

Board member	Meetings of the Board attended	Meetings of the Audit and Assurance Committee attended	Meetings of the Finance and Policy Committee attended	Meetings of the Remuneration Committee attended	Meetings of the Rail and Underground Panel attended	Meetings of the Safety, Accessibility and Sustainability Panel attended	Meetings of the Surface Transport Panel attended
Total number of meetings in the period:	6	4	6	3	4	4	4
Boris Johnson	4/6	–	–	1/3	–	–	–
Isabel Dedring	4/6	–	5/6	–	1/4	–	–
Peter Anderson	4/6	–	5/6	–	2/4	–	–
Sir John Armitt CBE	5/6	–	4/6	2/3	4/4	–	–
Sir Brendan Barber	6/6	–	–	–	4/4	3/4	–
Richard Barnes	6/6	4/4	–	–	2/4	4/4	–
Charles Belcher	5/6	4/4	–	–	4/4	3/4	4/4
Roger Burnley	5/6	–	–	–	–	–	3/4
Brian Cooke	6/6	3/4	6/6	–	4/4	–	4/4
Baroness Grey-Thompson DBE	4/6	4/4	2/6	3/3	–	3/4	3/4
Angela Knight CBE	4/6	–	5/6	–	–	–	–
Michael Liebreich	4/6	–	4/6	–	–	2/4	–
Eva Lindholm	5/6	–	3/6	–	–	–	–
Daniel Moylan	5/6	–	6/6	3/3	3/4	–	–
Bob Oddy	6/6	–	–	–	–	4/4	2/4
Keith Williams	4/6	4/4	–	–	–	–	0/4
Steve Wright MBE	6/6	4/4	–	–	3/4	–	4/4

Notes:

The attendance figures are shown as number of meetings attended/number of meetings eligible to attend.

There were two extraordinary FPC meetings, called at short notice, that are not included in the table. Daniel Moylan and Brian Cooke attended both meetings, John Armitt and Angela Knight attended the first meeting and Peter Anderson and Eva Lindholm attended the second meeting.

The FPC Special Purpose Sub-Committee also met twice and this is not included in the table. Daniel Moylan and Brian Cooke attended both meetings and Angela Knight attended the second meeting.

Remuneration

This report outlines TfL's policy regarding the remuneration of our Members and the Commissioner and Chief Officers, who are responsible for directing the affairs of the organisation.

Policy for Members

Members are appointed by the Mayor and are non-executive. Remuneration payable for 2014/15 for each Member related directly to the number of committees and panels on which each member served. Remuneration also took into account those members who served as Chair of the committees and panels, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. Since 1 August 2004, the basic fee has been £18,000 per annum.

Members who act as Chair, or as a member of a committee or panel, receive additional fees of £4,000 per annum (as a Chair) and £2,000 per annum (as a Member) for each appointment.

The maximum payment in aggregate is set at £24,000 per annum. Most Members also received free travel for themselves and a nominee valid on TfL transport services. The remuneration for each Member for the year ended 31 March 2015 is shown on page 270.

No allowances are paid to Members, although expenses can be claimed. Any expenses claimed by Members are published on tfl.gov.uk, however there were no expenses claimed by Members in 2014/15.

Policy for Chief Officers

Remuneration Committee

The Remuneration Committee currently consists of four Members of TfL. The terms of reference of the Remuneration Committee include reviewing the remuneration of the Commissioner and Chief Officers.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL with its own governance arrangements. These include a board comprising executive and independent non-executive directors as well as two non-executive directors appointed by TfL and DfT. The Crossrail Remuneration Committee operates to a set of contractually agreed Remuneration Principles and a Remuneration Framework rather than the TfL Remuneration Framework.

Remuneration policy

The policy of TfL is to provide remuneration packages for Chief Officers which attract, retain and motivate individuals of the high calibre required to manage such a large, complex organisation.

Remuneration packages reflect their responsibilities, experience and performance and the market from which TfL recruits. The Remuneration Committee has established a reward structure commensurate with this policy, which includes a base salary and a performance award scheme against the achievement of a range of stretching customer, operational, investment and financial targets.

TfL employs external remuneration advisers to benchmark the remuneration of its Chief Officers against a peer group of comparable companies from transport, infrastructure, and public services sectors with which TfL competes for senior staff. This contract is competitively retendered from time to time and the outcome of the latest procurement exercise was that the contract was awarded to New Bridge Street, a division of Aon Hewitt.

The peer group for the most recent benchmarking exercise included significantly more public sector facing organisations, at the request of the Remuneration Committee. The Committee uses two primary pay comparator groups when considering senior officer pay. The benchmark is calculated on the basis of a 60:40 split between a Listed Companies Group, consisting of a bespoke selection of large transport and infrastructure companies and a Publicly Accountable Group, consisting of a bespoke selection of companies accountable to the UK public, owned or overseen by the government, and with a degree of sensitivity around pay.

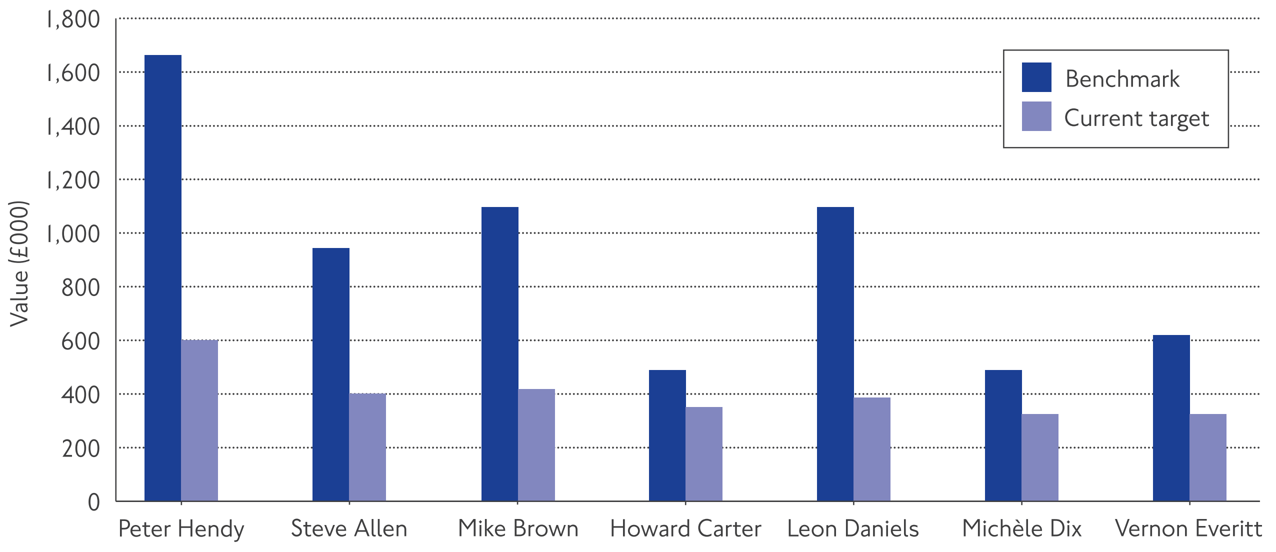
Listed Companies Group
- National Grid
- BT Group
- SSE
- Centrica
- International Consolidated Airlines Group
- Capita
- EasyJet
- United Utilities
- Bunzl
- Severn Trent
- Royal Mail
- Pennon Group
- Amex Foster Wheeler
- Stagecoach Group
- Thomas Cook Group
- Balfour Beatty
- Carillion
- National Express Group
- FirstGroup
- Go-Ahead Group
- Serco Group

Publicly Accountable Group
- BBC
- Manchester Airport Group
- NATS
- Network Rail
- Nuclear Decommissioning Authority
- Post Office

Remuneration has been benchmarked on a 'target' basis. The annual bonus is valued at 'on target' performance and long-term incentives are included on an 'expected' or 'fair value' basis. Target remuneration for the purposes of benchmarking for the current incumbents has been valued using the average level of performance related pay over recent years, and valuing pension provision based on standard actuarial assumptions. Target remuneration will not therefore match actual remuneration as the basis of preparation is different.

This research has shown that the base salaries and total target remuneration for the Commissioner and all Chief Officers are significantly below the market level; total target remuneration is between 36 per cent and 74 per cent of market benchmark levels as shown in the graph below.

Total Remuneration of Commissioner and Chief Officers



Remuneration of senior staff
In recognition of the continuing challenging economic climate and financial constraints upon TfL, in 2014/15 the base pay of the Commissioner was frozen for a sixth consecutive year. The Commissioner's salary was £348,444.

The Commissioner is eligible for consideration of a performance award up to a maximum of 50 per cent of base salary. The Chief Officers are eligible for consideration of a performance award up to a maximum of 30 per cent of base salary.

Other benefits
Senior officers are eligible to receive the following:

- Private medical insurance
- Annual health check-ups
- Subscriptions to professional organisations
- Pension
- Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies
- As with all TfL employees, the Commissioner and Chief Officers are provided with a free travel pass for themselves and a nominee valid on TfL transport services. Chief Officers who joined after 1 April 1996 are eligible to receive reimbursement of 75 per cent of the cost of an annual season ticket on National Rail. Chief Officers employed by predecessor organisations prior to April 1996 receive National Rail facilities in line with the policy of the predecessor organisation

Pension arrangements
Chief Officers are eligible for the following pension benefits:

- Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service
- Pensionable salary is capped for joiners from 1 June 1989. For 2014/15, the cap was £145,800
- Up to 25 per cent of the value of the pension can be taken as a cash sum (under current legislation)
- Lump sum death benefit of four times salary on death in service
- Dependant's pension and children's pensions are paid on death in service and after retirement
- Member contributions payable at the rate of five per cent of pensionable salary
- Pension payable in the event of retirement due to ill health

- An employer contribution of up to 10 per cent of salary to either the TfL Savings for Retirement Plan (formerly the TfL Supplementary Pension Scheme), a 'defined contribution' scheme, which provides additional benefits for those earning above the cap or paid as a supplement to base salary less an adjustment for employer national insurance contributions.

The Commissioner is entitled to a pension based on TfL service equal to what would be due under the TfL Pension Fund if the cap did not apply

The remuneration received by the Commissioner and Chief Officers for 2014/15 is shown on page 156.

Comparative pay across TfL

The number of TfL staff receiving total remuneration of more than £50,000 is on page 154 and the remuneration of senior employees with a base salary of more than £150,000 is on page 156.

The number of TfL staff (excluding Crossrail) who received total remuneration more than £100,000, including those paid above this amount due to severance payments and overtime worked, was 413 in 2014/15 compared to 326 in 2013/14. The number of Crossrail staff who received total remuneration of more than £100,000 was 41 in 2014/15 compared to 40 in 2013/14.

This is largely attributable to the increased number of employees working overtime to complete major multi-billion pound projects to modernise London Underground and Crossrail. There was also an increase in those who received voluntary severance as part of efficiency measures, which will deliver financial savings.

The overtime was worked by specialist engineers and highly skilled project staff, 91 of whom earn a base salary of less than £100,000. However, the overtime they earned took their total remuneration above this. This is more than double the number of people who were in this position in 2013/14, due to the fact that the modernisation programme increased in its scale during this year. Examples of their work include:

- Replacing hundreds of kilometres of track, sleepers, ballast and rails to improve service reliability for customers

- Upgrading major stations to improve capacity and reduce crowding

- Upgrading and replacing ageing signalling and power systems to provide faster, more frequent and reliable services

There was also an increase of 19 people (40 in 2013/14 to 59 in 2014/15) who were on a base salary of less than £100,000 but who received a one-off voluntary severance payment which took their total remuneration above this. This is largely the result of the reorganisation of project support areas within London Underground in order to modernise and deliver financial efficiency savings.

The following table provides a summary of the changes to the Commissioner's cash earnings for 2014/15 versus the change in pan TfL median earnings over the same period. This demonstrates an increase in median earnings across TfL while there has been no change in the base salary of the Commissioner and a reduction in performance related pay received during the year.

	£'000 2014/15	Change from 2013/14
Commissioner	478	-2.2%
Pan TfL median earnings	50	+3.6%

Note: Earnings are defined as total taxable earnings for the year, including base salary, performance related pay, allowances and the cash value of any benefits-in-kind. Median TfL earnings are based on those employees who have been employed by TfL throughout the year to avoid distortion from starters or leavers

The table below shows how total remuneration is split between employees by grade.

	Percentage of total 2015
Commissioner and Chief Officers	0.2
Directors	0.7
General managers	1.9
All other TfL employees	97.2
	100.0

Note: Employees' remuneration is consistent with the definition in note 5a on page 154 and includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Members' remuneration	For the year ended 31/03/15 £
Boris Johnson	Not remunerated by TfL
Isabel Dedring[1]	Not remunerated by TfL
Peter Anderson	24,000
Sir John Armitt CBE	24,000
Sir Brendan Barber	22,000
Richard Barnes	24,000
Charles Belcher	24,000
Roger Burnley	20,000
Brian Cooke	24,000
Baroness Grey-Thompson DBE	24,000
Angela Knight CBE	20,000
Michael Liebreich	22,000
Eva Lindholm	20,000
Daniel Moylan[2]	89,000
Bob Oddy	22,000
Keith Williams	24,000
Steve Wright MBE	24,000

1 Isabel Dedring is not remunerated as a Member of TfL. She is remunerated as a TfL employee on secondment to the GLA as Deputy Mayor for Transport.

2 This is the total remuneration received from TfL in 2014/15 which comprised £24,000 as a Member of TfL and £65,000 for additional aviation duties.

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July 2015

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