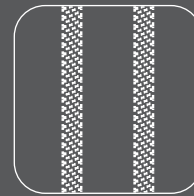
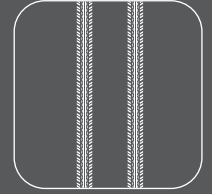
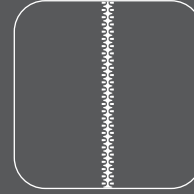



Transport for London
Annual **Report** and
Statement of Accounts
2006/07





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Key objectives

Our key objectives at Transport for London are to:

- Deliver the best possible services every day for our passengers and users
- Build the transport network which London needs to meet future demand and support economic growth
- Support the Mayor's wider objectives for London
- Secure sustained investment for transport in London

Chief officers

(During financial year ending 31/03/07)



Peter Hendy
Commissioner



Steve Allen
Interim Managing Director*
Finance and Planning



David Brown
Managing Director
Surface Transport



Ian Brown
Managing Director
London Rail



Howard Carter
General Counsel



Nigel Marson
Interim Managing Director
Group Marketing
and Communications



Tim O'Toole
Managing Director
London Underground



Valerie Todd
Interim Managing Director**
Group Services

Chief officer changes

Managing Director Finance and Planning – Jay Walder until 23/02/07

Managing Director Group Communications – Ben Plowden until 11/03/07

*Appointed Managing Director Finance on 04/04/07

** Appointed Managing Director Group Services on 04/04/07

Board members

(As at 31/03/07)



Ken Livingstone
Chair



Dave Wetzel
Vice Chair



Honor Chapman



Christopher
Garnett
(From 28/03/07)



Professor
Stephen Glaister



Kirsten Hearn



Sir Mike
Hodgkinson



Judith
Hunt
(From 18/09/06)



Eva Lindholm
(From 18/09/06)



Paul
Moore



Sir Gulam Noon



Patrick O'Keeffe

Dr Rana Roy
(From 28/03/07)Dabinderjit
Singh Sidhu
(From 18/09/06)

Tony West

Special advisers (As at 31/03/07)

Peter Anderson
(From 28/03/07)

Lord Toby Harris



Bryan Heiser

Shiria Khatun
(From 28/03/07)Murziline
Parchment

Lynn Sloman

Message from the Mayor



The continuing success of Transport for London (TfL) is critical to achieving my priorities for London, and I am proud of the progress we have made this year.

More people are now travelling on London's buses. This year passenger numbers have increased by 64 million on 2005/06 figures to almost 1.9 billion, around six million bus passenger journeys per weekday. Bus stop information has improved with area specific timetables and spider maps now at 530 stops. The number of night bus routes serving central London and suburban town centres has risen from 57 in 2000 to 100 in 2006.

The Tube is carrying more people than ever before and last year a record 1,014 million

journeys were made. More than 30 stations have been refurbished and renovated, including Wembley Park station which was fully operational on time and in budget in March 2006 ahead of the opening of Wembley Stadium. Currently, 47 Underground stations have step-free access with work underway on a further four, and by 2010 25 per cent of Tube stations will have step-free access.

Passenger numbers on the Docklands Light Railway (DLR) grew strongly again this year with a record level of more than 60 million passengers carried and reliability continues to increase, to 97.8 per cent, playing a major role in both the regeneration of East London and the development of infrastructure for the London 2012 Olympic Games and Paralympic Games

Oyster card is used for more than 73 per cent of the daily 9.2 million trips, and cash fares on the bus now represent just 2.5 per cent of bus fares.

Congestion Charging has resulted in a 20 per cent reduction in traffic within the original zone and early monitoring of the western extension, successfully introduced on 19 February 2007, shows a 13 per cent reduction in traffic levels.

We have delivered a reduction in CO₂ emissions of 16 per cent within the central Congestion Charge zone. We have achieved increases in cycling and walking, brought the



Tour de France to London and approved the framework for the new Low Emission Zone to reduce pollution and CO₂ emissions still further.

There are now around 480,000 cycle trips made in the Capital every day compared with 300,000 in 2001. A 78 mile 'Capital Ring' strategic walking route around London has been completed. Road safety measures have helped reduce accidents on London's roads by 45 per cent since 1994-98, with TfL meeting the UK's national 40 per cent casualty reduction targets some five years early.

TfL has worked with other key organisations to put in place an extensive, accessible and reliable transport network to host the London 2012 Olympic Games and Paralympic Games and secure the longer-term prosperity of the Capital.

We have secured all-party support and the backing of top business leaders and unions for Crossrail, which will deliver a 10 per cent increase in public transport capacity and could add a net benefit of at least £37bn to UK GDP over 60 years.

Going forward, TfL will continue to ensure that all Londoners, whatever their age, wherever they live and whatever their needs, have the ability to travel safely and reliably to the work, leisure, education and social opportunities that this city offers. Although fares income sustains investment it is important that fares

are affordable. I have cut pay as you go Oyster bus fares from £1 to 90p all day, not just in the off-peak, and reduced the weekly bus pass from £14 to £13, from September 2007. This will help around 1.6 million Londoners. Bus passengers on income support will also benefit from further fare concessions to be introduced in August.

From November 2007, TfL 'London Overground' services will operate on the North London Railway, with more investment and bringing a better service. From 2010 it will link to an extended East London line, forming the beginning of an orbital rail network around London.

A significant contribution to my target to reduce carbon emissions in London by 60 per cent will be made by TfL by investing in cleaner transport technology, such as hybrid buses.

TfL will continue to ensure that London's transport system serves all Londoners and our dynamic economy in a sustainable way.

Ken Livingstone
Mayor of London

Commissioner's foreword



During 2006/07 we have carried record numbers of passengers, and the Capital has seen strong performance by TfL in meeting its key objectives.

Good progress is being made in making provision for future passenger growth through our Investment Programme, which includes projects to modernise and increase capacity on the Underground, extend the Docklands Light Railway (DLR), and reduce congestion, as well as to improve existing transport services at borough level.

The Investment Programme will see more than £10bn ploughed into enlarging and modernising the TfL network by the end of the decade and key projects have been

accelerated to meet the July 2012 deadline and to accommodate the thousands of people involved in the 2012 Games, and are on time and to budget.

Passenger capacity on the Tube and DLR is being increased with the introduction of new trains, carriages and signalling systems. However, the poor delivery performance by Metronet remains an area of significant concern. It is imperative that the major programme of line upgrades continues.

TfL's influence is increasing on the National Rail network. Over the year we have been planning for the introduction of London Overground on the current Silverlink lines from November 2007. This will be a major step forward in the revitalisation of London's rail services, bringing services up to TfL standards.

On a day-to-day basis, the pressure of carrying more passengers and managing more users on a system with an infrastructure which is being subjected to an increasing level of refurbishments and major works, is a formidable challenge to our staff and our contractors.

They are central to our successes and we continue to take steps to ensure that the workforce better reflects the demographics of London. Over the past year, the number of Black, Asian and Minority Ethnic (BAME) people working within TfL has increased to

more than one-third, and the percentage of women employed by TfL has also increased to 23 per cent. We also aim to work with suppliers who share our views on promoting fair employment practices and sustainable development across London's diverse communities.

Earlier this year I reconfigured the structure of the corporate directorates to help address the priorities ahead, including separating finance and planning into two departments. This new structure will enable us to focus on delivering our Investment Programme, while planning to meet future challenges such as preparing for the 2012 Games. I have also increased the funding that we give to travel demand management programmes, which encourage people to reduce their reliance on the private car for short journeys.

In the past year, TfL played a major part in forming the Mayor's Climate Change Action Plan, and also made further steps towards reducing CO₂ emissions from its own operations and transport in London. The Congestion Charge has led to a reduction in CO₂ emissions of 16 per cent within the central zone and the benefits have been extended westwards this year. We are also working to make London's buses and taxis less polluting, and they will now be required to comply with stricter emissions standards to help improve air quality.

TfL will continue to tackle this global issue, as well as taking forward other mayoral objectives, and we will work to support the Mayor's wider aims to make transport a gateway to opportunity for all.

The experience gained over the seven years since TfL was created has shown that bold policies, strong political leadership from the Mayor and sufficient funding can meet the demands of transport in a world city.

TfL's current funding takes it to 2010, but the next challenge is to ensure that the

transport network continues to be fit for purpose long after this. The T2025 policy paper, released in late 2006, sets out the pressure London's transport network will face - not just in coping with extra demand, but in supporting London's role as a vibrant and dynamic city with an international business centre that drives the UK economy. We need to ensure that London's transport system can meet the demands of the additional 800,000 people who will make their homes here over the coming years.

To meet the challenges ahead, investment in the network, especially the Crossrail project, is essential. Crossrail would support future population and job growth particularly in the West End, City and Canary Wharf, where huge expansion is anticipated. This vital rail link, which goes from east to west across London, is the only scheme which can deliver this. And with all-party support and the backing of top business leaders and unions, we are further forward than we have ever been in getting it built.

Our future stands or falls on continued funding and investment. Modern, reliable and accessible networks are essential, not only for the millions of people who live in, work in, or visit London, but to the continued economic success of the city and of the UK.

Over the coming year, I will be arguing for continued investment and funding, while ensuring that TfL continues to deliver the services and improvements it has promised.

Peter Hendy
Commissioner
Transport for London

Key operating facts

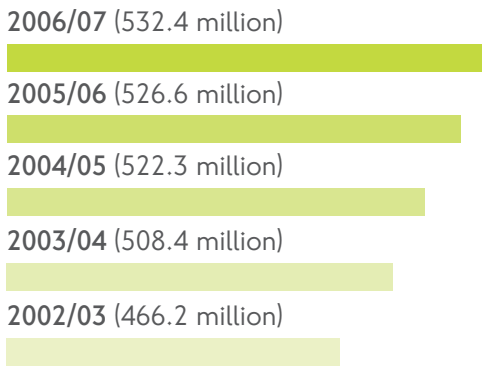
The year 2006/07 saw a strong performance from TfL.

Key achievements include:

- The number of passenger journeys on the TfL network reached more than three billion in 2006/07, nearly 215 million higher than in 2005/06
- The percentage of journeys made using Oyster tickets of all kinds rose from 60 per cent to more than 73 per cent
- There has been a 41 per cent reduction in the number of those killed or seriously injured on London's roads since 1994/98

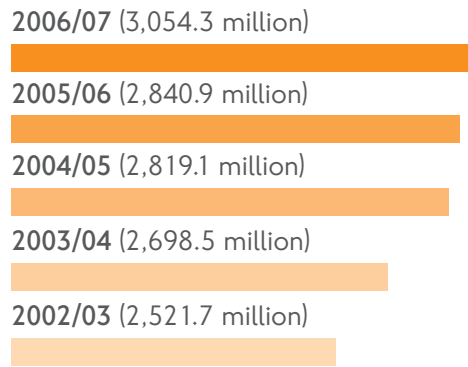


Kilometres operated*



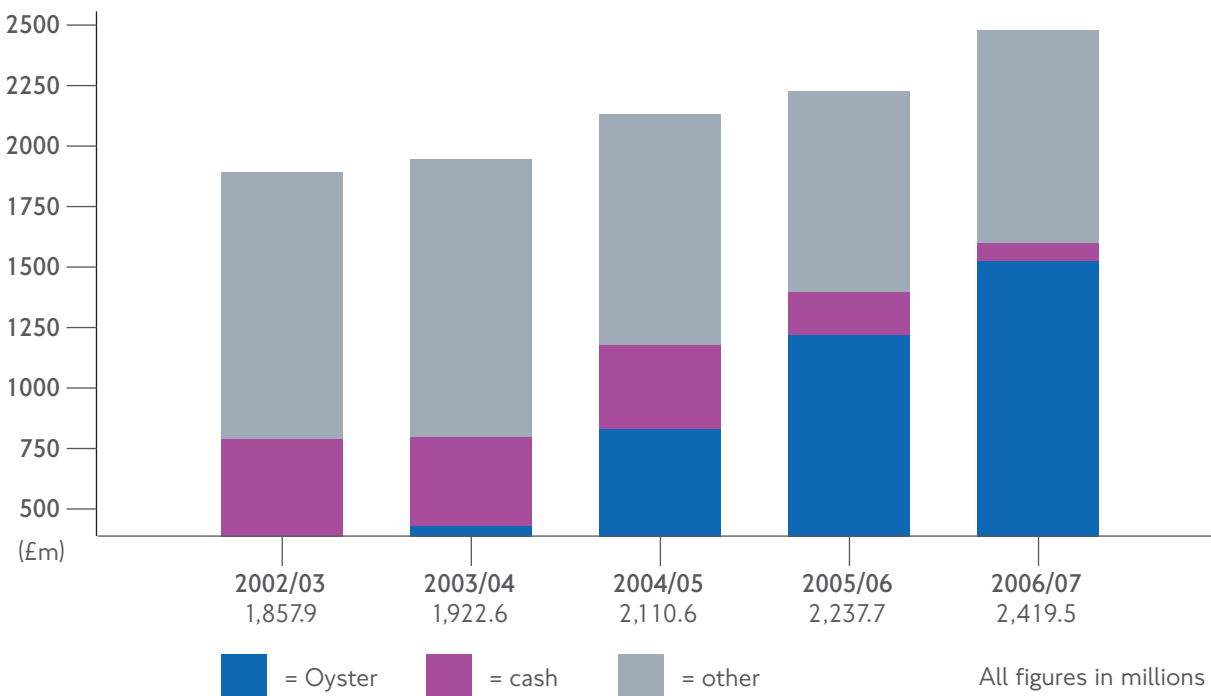
* Bus, Tube and DLR

Passenger journeys*



* Bus, Tube and DLR

Increase in Oyster use on Tube and bus



Surface Transport

During 2006/07, bus passenger numbers reached their highest level since 1965, the Congestion Charging scheme was extended westwards into parts of Kensington and Chelsea, and various initiatives were introduced to help reduce harmful emissions in the Capital.

Improving day-to-day journeys

In the year to March 2007, passenger numbers reached their highest level since 1965 with more than 1.8 billion passenger journeys made on the bus network. This was a 3.5 per cent increase on the previous year.

London's buses have continued to provide a flexible, modern and fully accessible service to millions of passengers every day. The improvements made to bus services in the Capital were applauded by the London Assembly Transport Committee in March, and in May the House of Commons Public Accounts Committee also praised the improvements made to bus services and the huge increases in passenger ridership which have been achieved as a result.

A Confederation of British Industry report, published in December, demonstrated that businesses also recognise the improvements in the network. Overall, London Buses alone is delivering the total Government national target for an increase in passengers

of 12 per cent by 2010 (compared with 2000 levels).

TfL has expanded and improved the night bus network in London, ensuring that it provides a safe, clean, cheap and reliable journey home. The number of night bus routes rose to 100 during 2006/07 from 57 in 2000.

The year 2006 was one of the hottest on record. In June, a range of initiatives aimed at cooling London's buses was unveiled, which will make it more comfortable for passengers during hot weather in the future.

Another initiative passengers will benefit from is the £117m iBus system, which uses satellite tracking and GPRS data transfer to help service controllers improve reliability and provide passengers with better real-time bus information. Following extensive trials, TfL is now rolling out the iBus system across the bus network.

To improve the state of the Capital's roads and minimise disruption for drivers, a better managed approach to road maintenance and renewal work is now in place.

To tackle congestion, the central London Congestion Charge was extended to the west in February, and initial figures show that traffic levels in the area have already been reduced by 13 per cent, within the 10 to 15 per cent predicted.



To make it easier for drivers to pay the charge, the number of payment outlets at petrol stations has been increased, and since June 2006, drivers have been able to pay the next day either online or by phone.

London River Services continues to manage eight passenger piers, including those at central London locations such as Westminster and Bankside.

In September, TfL launched the interactive coach parking map, an internet-based resource on the website, which provides

information for coach drivers on parking facilities, together with live traffic updates and planned road closures.

In 2006/07, the Public Carriage Office (PCO) issued around 80,000 licences to taxi drivers and owners, and private hire drivers, owners and operators. This has now completed licensing of the private hire trade for the first time. Licensing and the associated continuous compliance work ensures the safest possible services for Londoners and visitors.

Buses operational performance

	2006/07	2005/06	2004/05	2003/04	2002/03
Passenger journeys (millions)	1,880	1,816	1,793	1,702	1,534
Kilometres operated (millions)	458	454	450	437	397
Percentage of schedule operated (per cent)	97.5	97.7	97.7	97.2	96.1
Excess wait time (high frequency) (minutes)	1.1	1.1	1.1	1.4	1.8
Passenger satisfaction (per cent)	78	78	78	77	76



The Mayor's initiative to encourage more people from BAME communities to apply to complete the taxi Knowledge, resulted in 27 per cent of new applicants being from these communities, higher than ever before.

Trips provided to eligible, disabled Londoners through Taxicard, in association with the London boroughs, reached their highest ever level of 1.28 million. In addition, 21,000 trips were provided through the Capital Call scheme, a service which provides subsidised door-to-door transport for people with mobility issues, using minicabs.

Key to the safe, secure and serviceable movement of people and goods is a highway infrastructure that is well maintained and fit for purpose. Figures from 2006/07 show that investment in this crucial infrastructure since the start of the Investment Programme has enabled 290 lane kilometres of carriageway and 55km of footway to be brought up to a state of good repair.

Several of the 2,000 Transport for London Road Network (TLRN) structures have undergone rehabilitation in order to prolong their life and prevent the need for disruptive weight or lane restrictions to road users. The TLRN has seen more than 100 improvement schemes implemented, ranging from new facilities for cyclists and improved accessibility for mobility impaired people, to creating a better environment for pedestrians and improving journey time for bus users.

Planning for growth

As pressure on the road network increases, it is important that buses continue to provide an alternative to car use. Travelling conditions for bus passengers have improved through the creation of more than 300 bus priority schemes, and since the start of TfL's Investment Programme, 101 bus lanes have been created to protect service reliability.

Croydon Tramlink carried 24.8 million passenger journeys during 2006/07 on its 28km network, compared with 22.5 million in 2005/06. Now, work is progressing on plans for an extension to Crystal Palace, with a consultation launched in October.

In November, TfL launched a consultation on the proposed Cross River Tram, which would run on the roads from Euston to Waterloo, with branches to Camden Town and King's Cross in the north and Brixton and Peckham in the south. Other possible tram schemes are being investigated to run along the Uxbridge Road from Shepherd's Bush to Uxbridge and along Oxford Street.

TfL is continuing to assist the delivery of other key projects which will help increase the overall capacity of the transport network. A public enquiry for the Thames Gateway Bridge closed in May 2006 and a decision by Government is expected in 2007. Two transit schemes, the East London Transit and Greenwich Waterfront Transit, will be linked by the proposed bridge. They will help regenerate the Thames Gateway by providing better access to jobs, education and community services.

Wider mayoral priorities

Regeneration

The Finsbury Park Interchange has made a real difference to the local community. The newly improved interchange – thanks to an £11m investment – is one of the busiest outside central London. It re-opened in December 2006 and is now safer and easier for passengers to use, with new CCTV cameras, better lighting and open bus waiting areas, giving people more confidence to travel by public transport. It also has a state-of-the-art cycle parking facility.

The transformation of the station is making a real difference to the local community and will drive the ongoing regeneration of the area, to be enjoyed by future generations.

Safety and security

Road safety continues to be a top priority. TfL is working hard to cut the number of people killed or seriously injured (KSI) on London's roads and has already reduced KSI casualties by more than 40 per cent, compared with the mid to late 1990s.

As a result of this, the Mayor set new targets to reduce the number of people killed or seriously injured by 50 per cent by 2010 compared with the average during the 1994/98 period. London has the lowest child casualty rates in the country and there has been a 58 per cent reduction in child KSIs since the 1994/98 period. Figures from 2006 show that there has been a 41 per cent reduction in the number of overall KSIs since 1994/98.

This positive trend can be attributed to road safety engineering, a variety of hard-hitting publicity campaigns, as well as initiatives such as the Children's Traffic Club and a speed awareness course, launched in the summer, for drivers caught breaking the speed limit.

In October, the Mayor announced that TfL will provide funding for a further 375 Police Community Support Officers to patrol the transport network. This is in addition to more than 1,200 Transport Operational Command Unit and 700 British Transport Police (BTP) staff, and various safety and security measures and initiatives already in operation. For example, Operation BusTag, which tackles criminal damage and antisocial behaviour, has resulted in 1,200 arrests in the two years since it was formed.

In December, the Mayor launched a television advert warning women not to use illegal minicabs. This formed the latest stage of the ongoing 'Safer Travel at Night' campaign, promoted by the Mayor, TfL and the Metropolitan Police, to provide safer travel options at night and to crack down on illegal minicabs.

Accessibility

With the exception of two heritage routes, all buses in London are now wheelchair accessible. Furthermore, with the introduction of iBus, all buses will soon provide visual and audio next-stop announcements, benefiting hearing-impaired and visually impaired passengers and tourists.

Dial-a-Ride continues to provide a valuable service for disabled people who find it difficult to use buses, trains or the Tube. In the past year, TfL has provided an additional 83 new Dial-a-Ride vehicles, which has been the most significant upgrade since the service started 25 years ago. The investment increased the fleet by 30 vehicles, with the rest replacing older models.

Walking and cycling

The number of people cycling on London's major roads has risen by 83 per cent compared with 2000. To further encourage this trend, TfL increased investment in cycling to £24m for 2006/07, compared with £5.5m in 2002.

In order to promote cycling, against a national trend of long-term decline, TfL has introduced various initiatives – including hosting the start of the world's greatest cycling race, the Tour de France, to be staged in July 2007.

The first day will take in some of London's most famous landmarks, including the Houses of Parliament, Buckingham Palace and Hyde Park, before finishing on the Mall. The following day will start in central London, passing a variety of historic and contemporary sites, before travelling through southeast London and Kent.

Other measures to support cycling include the announcement in March that TfL is investing £2.8m in cycle training programmes and its work to improve conditions on 65km of roads, bringing the cycle network up to 560km from 495km in 2005/06. TfL is



working closely with boroughs to meet local cycle parking needs and to reduce theft. Around 3,000 on-street stands have been installed, as well as an additional 5,000 spaces with modern facilities at nearly 200 schools.

Walking schemes have received extensive TfL investment through the Local Implementation Plans (previously known as the Borough Spending Plans). There have been a number of achievements over the past five years, including the opening up of railway arches for walkers, installing more crossings and footbridges, making subway improvements, and improving lighting and security at more than 50 sites.

To make London an easier place to navigate on foot, TfL also funds Legible London which looks at encouraging more people to walk for short journeys or as part of longer trips.

Environment

Tackling climate change and improving the environment are key priorities for the Mayor. To support this, a variety of schemes were implemented last year to improve air quality in the Capital.

In November, a consultation was launched on the proposed London-wide Low Emission Zone. The scheme is scheduled to be launched in 2008 and would require HGVs, coaches, taxis and buses to meet Euro 3 emission standards.

Work is also underway to ensure that by July 2008, all taxis will emit fewer noxious emissions by having to reach a Euro 3 standard of cleanliness.

And Congestion Charging continues to deliver important benefits. Since its introduction in 2003, traffic levels have been reduced by an average of 26 per cent. This has resulted in a significant cut in CO₂ emissions in the zone.

In the summer of 2006, the first fleet of Euro 4 buses entered service. These buses have pollution abatement technology fitted as standard, as well as having better fuel economy and lower CO₂ emissions. The world's first double-decker hybrid bus went into service in March. Hybrid buses produce up to 40 per cent less CO₂, have lower exhaust emissions and are quieter than conventional diesel buses. There are now plans to introduce a further 56 hybrid buses before the end of 2008.

Following on from the successful trial of three hydrogen-powered fuel cell buses on route RV1 as part of a large EC-funded project, TfL has begun the procurement process for 10 hydrogen internal combustion engine, or fuel cell, buses to be delivered in 2008/09.

Sustainable freight operations are also being encouraged through the eight proposals contained in the draft London Freight Plan, published last June for consultation.

London Underground

Record numbers of passenger journeys were made on the Underground in 2006/07 and more train kilometres were run than ever before.

Over the year, more than one billion journeys were made for the first time in LU's history, and on one day in December around four million journeys were made – the highest number ever in a single day. This was a great achievement but underlines the need for sustained investment if the network is to keep pace with the growth in demand.

Despite TfL's ongoing concerns over the complex Public Private Partnership (PPP) contracts inherited in 2003, parts of the Tube system are now benefiting from the investment.

Thirty-four stations have been upgraded or refurbished, passenger capacity on some lines is being bolstered dramatically with the introduction of new carriages and the first of the whole line upgrades is underway.

Improving day-to-day journeys

A total of 70 million train kilometres were run in 2006/07, an increase of 1.4 per cent on the previous year. Also, 94.5 per cent of all scheduled services were operated, which was an increase of 0.9 per cent on the previous year.

To ease congestion and deliver a better environment for customers, a new western

ticket hall opened at King's Cross St Pancras station. A new concourse for the Metropolitan, District, Circle and Hammersmith & City lines was also opened. The station redevelopment has doubled capacity, something badly needed as it now handles 250,000 passengers a day, making it the busiest station on the network.

The upgraded facilities will also serve: the Channel Tunnel Rail Link (CTRL) extension when it opens in 2007; the new high-speed domestic services for Kent; and the new Thameslink station. Another benefit of the work is that, later, it will also provide step-free interchange to the Northern, Piccadilly and Victoria lines.

Work has continued during the year in the Wembley area with the opening of Wembley's new Olympic Square. More than £500,000 has been spent by TfL to create the square and improve the interchange area at Wembley Park Tube station for buses and taxis. The station, which opened on 27 March 2006, now has capacity to allow an extra 20,000 people an hour to be able to access the Wembley area including the new Wembley Stadium.

The Waterloo & City line re-opened in September after a five-month closure for a major upgrade. The refurbishment has increased capacity by 30 per cent, and the newly refurbished trains now have CCTV cameras in every carriage.



Trains on some lines have also been upgraded with more than 50 per cent of District line trains refurbished.

In December, TfL revealed plans to upgrade the Circle, District, Hammersmith & City and Metropolitan lines. As part of the plans, trains will be air-conditioned and more energy-efficient. TfL also announced that there will be a seventh carriage added to all new Circle and Hammersmith & City line trains to increase capacity.

This work is in addition to the existing PPP contracts, and will deliver extra benefits to passengers. TfL will continue to keep the pressure on the infrastructure companies (infracos) to perform and deliver the upgrades promised by the Government under the PPP.

Significant funding has gone into the Tube network to compensate for years of under-investment. A new £2bn digital communications system is being rolled out across the Underground network and is already operating on four Tube lines.

LU operational performance

	2006/07	2005/06	2004/05	2003/04	2002/03
Passenger journeys (millions)	1,014	971	976	948	942
Kilometres operated (millions)	70	69	69	68	66
Percentage of schedule operated (per cent)	94.5	93.6	95.3	93.1	92.2
Excess journey time (weighted) (minutes)	8.1	7.5	7.2	7.4	9.7
Passenger satisfaction (per cent)	76	78	78	76	75

The system – called Connect – will help bring improvements in train service performance, especially during incidents, by helping speed up the recovery of service.

Among other major improvements is TrackerNet, which is now linked to the estimated time-of-arrival pages on TfL's website. It also allows staff to see where trains are on the line and, therefore, relay better quality information to customers.

A £115m contract for the Airwave radio network, used by police and the emergency services to 'piggy back' on the Connect system, has also been signed. This means that the police will have radio coverage at all 125 below-ground Underground stations by 2008.

In March, TfL announced that it will be undertaking a six-month trial of mobile phone technology on the Waterloo & City line. The trial, which is due to start in 2008, will make mobile phone coverage available on all Waterloo & City line trains and platforms.

LU also continues to look at ways to reduce the temperature of the Tube. It is working with Tube Lines and Metronet to re-condition and upgrade the existing station ventilation fan network. This programme of works has already doubled the capacity of the fan network providing cooling benefits at a number of stations.

At Stockwell station, it is intended to drill a borehole to the aquifer to extract cold water which will be used via a heat exchanger to cool warm air with the warmed water then returned to the aquifer. This solution provides low carbon cooling for the Tube at Stockwell and because of the availability of the water at the right temperature in close proximity to the station, it uses 1/20th of the energy required for a conventional air conditioning system.

This year, LU also implemented an innovative groundwater cooling trial at

Victoria station which has successfully reduced the temperature within the proximity of the cooling vents by two to three degrees. LU will use the results of this trial to look at other ways to cool the Tube.

The Piccadilly line celebrated its 100th year in 2006/07. LU marked the anniversary with a number of events and projects to highlight the rich heritage of the Tube, including a dedicated Platform for Art project, 'Thin Cities'. It was the most ambitious project yet for Platform for Art with new artworks at stations including Leicester Square, Green Park, Arnos Grove and Piccadilly Circus.

Planning for growth

During the past three years, those private companies carrying out infrastructure work under PPP and Private Finance Initiative (PFI) contracts have delivered a number of projects, albeit not as fast as anticipated.

These have included 75km of new track, plus 10 lift and 64 escalator refurbishments (with a further 16 and 25 respectively in the current financial year). The new track gives passengers a smoother ride and allows for speed restrictions to be lifted.

Wider mayoral priorities

Over the past financial year, TfL has been investing millions to make journeys on the Underground safer and more accessible.

Regeneration

In September, construction started on a new Underground station at the major new transport hub at White City. It will be the first new station to open on an existing and unextended Tube line for more than 70 years.

Safety and security

Investment in providing the safest possible journeys continues. TfL has spent £20m on additional security for trains and stations. This includes the installation of CCTV, passenger Help points, enhanced lighting,



information systems and anti-vandal shelters, as well as greater on-board security on trains.

The number of CCTV cameras on the Underground has risen from 6,500 in 2003 to 8,500. This will increase to 12,000 by 2011. The number of BTP officers has also been increased, up to 700 from 450 four years ago.

Accessibility

Significant progress has been made during the past year to improve accessibility. Currently, 47 stations have step-free access and 25 per cent of tube stations will have step-free access by 2010. Work to provide level access to trains from the platform is continuing, and platform humps have been installed on the Waterloo & City line at Waterloo and Bank stations, and on the Northern line at London Bridge. In addition, trials of wide aisle gates at Canary Wharf, Westminster and London Bridge stations are now complete.

As a result of an initiative launched by LU, the charity Royal National Institute for the Blind and text guide producer Describe Online, blind passengers are now able to receive free books of tactile maps. These are made up of raised lines which can be read by touch to help blind passengers find their way around Old Street, Westminster and Earl's Court Underground stations.

LU also launched a service to improve access to the Tube. Thanks to the expertise of Direct Enquiries, the Nationwide Access

Register, LU can help customers plan their journeys according to their access needs by providing details on the number of steps, lifts, escalators, walking distances, ramps and platform-to-train gap width.

Environment

TfL is investing in new, greener electricity to help tackle climate change in the Capital.

New trains will have regenerative braking systems, which recycle energy that, on current sub-surface line trains, is lost in braking. This will save about 20-25 per cent of that energy, making a real contribution towards tackling CO₂ emissions.

The Tube is a major energy user and each year uses three per cent of the total electricity consumed in London. Reducing the amount of energy LU uses each year is not only cost effective and contributes towards decreasing heat on the Tube, but it also reduces the Tube's impact on climate change.

All Underground stations participate in the LU Station Energy Challenge, an annual competition which awards the Tube station that managed to save the most energy with a special trophy. Energy saving methods such as turning off unneeded lights and escalators in engineering hours has allowed LU to dramatically reduce energy consumption.

In addition, sales of Oyster cards mean around one million less paper tickets are sold each week.

London Rail

In September, the Mayor announced that from November 2007, London Overground train services will operate on the North London Railway (NLR) under the management of TfL.

Improving day-to-day journeys

TfL is constructing the East London line extension (ELLX) and work is progressing well. London Rail has awarded the contract for the Main Works construction to a joint venture between Balfour Beatty and Carillion, and the contract for the production of the new rolling stock to Bombardier. The new trains will provide passengers with comfortable, modern and air-conditioned carriages.

Improvements for London Overground passengers, funded by TfL's Investment Programme, will include staff at all stations when they are open, Oyster card ticketing, more police officers, increased train frequency on all lines, and a station upgrade programme, with new trains from 2009.

With the formation of London Overground, TfL is starting the much-needed revitalisation of London's rail services, providing additional capacity and giving passengers a higher standard of service.

As part of the NLR upgrade, TfL will extend the ELL service through Highbury and Islington, integrating with NLR services.

London Overground will also run the East London Railway when it opens in 2010. This will give TfL the ability to deliver more frequent, reliable and higher quality rail services. It will also make the Overground a vital part of TfL's integrated transport network, and help towards providing sufficient capacity on those rail routes needed for the 2012 Games.

On the Docklands Light Railway (DLR), passenger numbers grew significantly during 2006/07, from 53 million in 2005/06 to 61 million. A total of 4.4 million km were operated, compared with 3.6 million km the previous year, and passenger satisfaction was at 96.8 per cent.

A seven-year franchise was awarded to Serco Docklands at the end of May to operate and maintain the DLR. Targets include continued improvements to service reliability, facilities, customer service and security.

Planning for growth

Construction is currently underway to extend the DLR to Woolwich Arsenal. The 2.5km new extension, due to open early in 2009, will run under the Thames from King George V station and connect with Woolwich town centre, providing interchange with National Rail services, buses and the proposed Greenwich Waterfront Transit scheme.

New DLR platforms are being built at Stratford to provide significant additional



capacity, with the first platform due to open by end of June 2007. Work has also started on the new 6.5km DLR line from Royal Victoria to Stratford International. The line will have four new DLR stations, as well as serving three existing Underground stations, with a dedicated rail connection to the new CTRL station at Stratford International. These all form part of the consultation draft of the Transport Plan for the London 2012 Olympic Games and Paralympic Games.

The DLR has also completed a programme to refurbish all 94 carriages which includes up-to-date passenger information facilities and accessibility features.

The capacity of the DLR will be further enhanced by lengthening its trains from two cars to three on its busiest route, Bank/Tower Gateway to Lewisham, with works due to start in June 2007 and longer trains due to start operating by late 2009. An extra car will be added to train services to and from Stratford by 2010 – well in time for the 2012 Games. This will provide an increase in capacity of up to 50 per cent on this key link through the Isle of Dogs and support the continued regeneration of the area.

To further enhance capacity for the future, including the 2012 Games, DLR has ordered 31 new trains to cope with extra passenger

DLR operational performance

	2006/07	2005/06	2004/05	2003/04	2002/03
Passenger journeys (millions)	61.3	53.9	50.1	48.5	45.7
Kilometres operated (millions)	4.4	3.6	3.3	3.4	3.2
On-time performance (per cent)	97.8	97.3	96.0	96.6	96.4
Passenger satisfaction (per cent)	96.8	95.4	94.9	94.0	92.5

demand. This is in addition to 24 ordered last year. The extra carriages are being funded by TfL's Investment Programme and the Olympic Delivery Authority and are due to start passenger service in 2010.

Wider mayoral priorities

The DLR has been key in helping to regenerate the areas of London to the east of the City. By utilising London's other rail networks as effectively, the Capital's rail services will open up additional areas of London.

Regeneration

The DLR has helped to create a world-class business centre in Docklands. Together with the Jubilee line, the DLR supports the regeneration of the area and allows it to operate to maximum efficiency.

At the same time, it continues to play a major role in both the regeneration of east London as a whole and the development of the 2012 Games infrastructure.

The DLR London City Airport extension, which runs between Canning Town and King George V station in North Woolwich, enhanced London's international standing when it opened in December 2005. Now, more than 80,000 journeys are being made on it each day. It now carries nearly half of all airport passengers travelling to City Airport.

The new DLR extensions to Woolwich Arsenal and Stratford International are integral components of the regeneration plans for the surrounding area. New stations and high frequency services will improve access to existing communities but also open up new sites for redevelopment.

The ELLX between Dalston Junction, West Croydon and Crystal Palace will open in 2010 and play a key role in helping the regeneration of some of London's poorest areas. It will improve access to work and

leisure opportunities for more than 75,000 people in northeast, southeast and south London.

Safety and security

A new 24-hour, CCTV control centre was opened in May as part of an £830,000 package of improved safety and security enhancements for rail passengers in east London. Jointly funded by train operating company c2c and TfL, the improvements, which included CCTV cameras, Help points, upgraded lighting and customer information systems were delivered at Barking, West Ham, Dagenham Dock, Rainham and Limehouse stations.

The DLR has also introduced a 12-member strong team of Travel Safe Officers, which patrols stations and trains (predominantly late at night) to combat antisocial behaviour.

TfL has invested £7.1m to provide more than 100 BTP officers across London including on the NLR.

Accessibility

Unlike any other railway in the UK, the DLR already offers step-free access to all stations and trains for mobility-impaired passengers. In addition, since May all passengers travelling on the DLR are now benefiting from an enhanced train information system, which has been providing audio and visual announcements on all trains.

Sustainable procurement

The ELL is leading the way in TfL's sustainable procurement programme.

When contracts were awarded in the second half of 2006, they included terms to help ensure fair opportunities for smaller suppliers. This work is focused on all of London's diverse communities.



Environment

Due to the DLR extension, London City Airport now has the highest rail-based modal share of any airport in the UK, which has led to a reduction in car and taxi usage to the airport and significant savings in CO₂ emissions.

The construction of the Woolwich Arsenal extension is also adopting environmental best practice. Spoil from the tunnel-boring machine being used to form the DLR Woolwich Arsenal extension is being transported via Thames freight river barges, saving 11,000 lorry journeys by road.

Equality and inclusion

DLR serves some of the most diverse parts of London and has a key role in connecting communities across east London to areas of job growth and regeneration. DLR has introduced a number of local ambassadors across the network to work with local communities to encourage greater use of the DLR, particularly from those groups which are currently under-represented.

DLR is also building a new station at Langdon Park, in the heart of Tower Hamlets and serving some of the most deprived parts of the borough. This station will radically improve accessibility in one of the densest yet most isolated parts of the borough and provide a range of new journey opportunities for local people.

Corporate

TfL is judged on its operational performance. It is working hard to ensure resources are used effectively and sustainably to allow the network to keep the Capital moving and serve a growing London.

Improving day-to-day journeys

People

TfL is fully aware that key to building a world-class transport system is a talented, committed and valued workforce.

In February 2007, the first ever three-year pay deal and conditions agreement was secured between LU and the trade unions, covering all staff. The agreement runs from April 2006 to April 2009.

A TfL Framework for Consultation and Collective Bargaining has been drawn up that will lead to a greater understanding of future organisational requirements by union representatives and employees. The framework will help to manage the process of change within the organisation and will assist in the timely resolution of any concerns. The framework is expected to be signed in early summer 2007.

The organisation is committed to equality and inclusion for all staff. Since the staff mentoring programme, run by Group Equality and Inclusion, began in July 2006 more than 230 people have applied to

participate either as a mentor or mentee. An aim of the scheme is to assist staff from diverse backgrounds to progress within the organisation.

Oyster

TfL's world-leading Oyster smartcard continued to go from strength to strength, with the percentage of bus and Tube journeys made using Oyster pay as you go increasing from just over 10 per cent to nearly 20 per cent between April 2006 and March 2007. The percentage of journeys made using Oyster tickets of all kinds rose from 60 per cent to more than 73 per cent.

To enable London's rail passengers to enjoy the benefits of Oyster pay as you go, TfL announced in May 2006 that it would pay for Oyster validation equipment to be provided at all London rail stations in Zones 1-6. Following detailed discussion of this proposal, all the train companies in London have now agreed in principle to accept TfL's offer. TfL's aim is that Oyster pay as you go will be available on all train services in London by January 2009.

Other Oyster initiatives in 2006 aimed to give visitors to London the chance to obtain Oyster cards before their arrival. A partnership between TfL and VisitBritain was launched in August, making VisitBritain the first organisation to sell Oyster cards on an international basis through its online shop. A visitor Oyster card was also



developed, to be sold on services such as Gatwick Express from 2007.

TfL also approved a deal between Barclaycard and Transys, the consortium behind the Oyster smartcard system, to develop a new Barclaycard which will incorporate Oyster as well as chip and pin, and new Visa 'wave and pay' technology. Customer trials of the new card are programmed to begin in mid-2007.

Boroughs

In December, it was announced that £160m would be made available to the London boroughs for spending on local transport improvements to make the Capital safer, cleaner and greener over the coming year. The funds are part of the record-breaking, five-year £792m programme for local transport schemes included in TfL's Investment Programme, which will see more than £10bn invested in expanding and modernising the network by the end of the decade.

TfL website

In March, TfL launched its new website (tfl.gov.uk) following extensive customer research. Visitors to the site have access to a range of journey planning tools – such as live travel updates, Oyster, Congestion Charge details and the award-winning Journey Planner, now available in 19 languages.

Anti-fraud activities

TfL has a robust anti-fraud and corruption strategy with procedures in place to prevent,

detect and investigate any breaches of TfL policies on these issues. The fraud team, within Internal Audit, is responsible for this activity and has had a very successful year, with a total of 206 cases being investigated and 150 investigations being finalised, with 81 resulting in police or judicial action being taken.

The investigations included one into the involvement of international organised crime in a major counterfeit bus saver ticket operation, and a number of cases resulted from the National Fraud Initiative concerning the overpayment of pensions, with more than £100,000 being recovered.

TfL continues to develop and improve its fraud prevention, detection and investigation capabilities and works closely with other bodies, including law enforcement agencies, to reduce the risk of fraud to TfL.

Planning for growth

Efficiencies

To ensure that the Investment Programme can be financed, TfL has a fully costed and balanced business plan based on fares and income. One important area is efficiencies. During 2006/07, TfL delivered £193m of efficiencies against a target of £170m. Including those recurring efficiencies from previous years, cumulative efficiencies delivered to the end of March 2007 were £576m.

TfL has credit ratings from the three main agencies: Standard & Poor's (AA), Fitch (AA), and Moody's (Aa1) – very close to UK Government risk-free ratings.

TfL's current funding takes it to 2010, but the next challenge is to ensure that the transport network continues to be fit for purpose long after this. This was addressed in the T2025 policy paper, released in late 2006.

Wider mayoral priorities

As this report shows, TfL is delivering the Mayor's wider priorities alongside its work to improve passengers' journeys and deliver a modern network. The Corporate areas are playing their part alongside the operational teams to deliver these wider priorities and the highlights are outlined below.

Social inclusion

In September, all bus and tram fares were abolished for young Londoners under 18 and in full-time education. At the end of the financial year, the Mayor announced that half a million children under the age of 11 will be able to travel free all day, every day on the Tube and DLR when accompanied by an adult. The move followed the introduction of free travel for under-16s on buses and trams in September 2005, and free off-peak travel for under-11s on the Tube in April 2006.

As a result of free bus and tram travel in London, the Mayor reported in June that 40 per cent of 14 to 15-year-olds said they were travelling less often by car.

TfL continues to give priority to creating a workforce which represents the diversity of London, and in January won recognition for its progress in promoting equality and diversity when it was named one of England's top 10 employers by Stonewall, a leading gay equalities organisation.

TfL sponsored Stonewall's workplace video, which featured a female, gay Tube driver talking about her role and the support the organisation has given her.

The following activities are being supported within the organisation:

- Improvements to workplace facilities and practices to ensure that organisational culture is not a barrier to recruitment and retention
- Interviews with employees leaving the organisation to gather information which may assist with attraction and retention of female, disabled and BAME employees
- Using existing relationships with organisations such as Action for Blind People, and schools, colleges and universities, to raise awareness of careers in transport, and to provide placement and work experience opportunities

TfL's key equality and inclusion objective is to make equality impact assessment a key part of all decision-making. An accessible and safe transport system is essential to tackle social exclusion and inequality. The availability and affordability of transport can influence job opportunities, allow people to live independently, and support them in enjoying their leisure activities.

TfL will continue to consult with representatives from the designated target groups – including women, Lesbian, Gay, Bisexual and Transgendered (LGBT), BAME and disabled people – to determine what more needs to be done.

Last year, TfL launched its new Disability and Gender Equality Schemes. These schemes identify TfL's commitment to equality and inclusion by setting out actions plans. Both the schemes have been cited as demonstrating good practice and TfL will publish progress reports against these schemes each year. TfL runs a number of staff network groups, including ones for women, BAME, LGBT and disabled staff.

In October, it established an Independent Disability Advisory Group to support the delivery of TfL's accessibility programmes and monitor progress.

Following a successful pilot scheme on the Piccadilly line, LU is extending its work experience programme for people with learning disabilities across the network.

Safety and security

Safety and security on the transport system is of paramount importance. TfL wants passengers, staff and the communities it serves to be safe and feel safe on and around London's transport system. In support of this, TfL voluntarily adopted Section 17 of the Crime and Disorder Act 1998. This places a duty on TfL, in exercising all its functions, to consider the likely effect on crime, disorder and community safety, and do all that it reasonably can to prevent crime and disorder, substance misuse, antisocial behaviour and behaviour that adversely affects the environment.

Over the next year, TfL will further expand the adoption of Section 17 across all areas of the organisation and will be asking partners, in particular the GLA group and local Crime and Disorder Reduction Partnerships, to help assess its impact and success.

The Transport Policing and Enforcement Directorate will lead on work to enhance the 'mainstreaming' of Section 17 across TfL through a programme of presentations, training, expert advice and quality assurance.

Sustainable procurement

TfL is committed to procuring goods and services in a way that promotes sustainable development. The scale of TfL's annual expenditure enables it to make a positive impact on London's sustainable development through procurement.

TfL's approach focuses on seven key themes:

- Encouraging a diverse range of suppliers
- Promoting fair employment practices
- Promoting workforce welfare
- Meeting strategic labour needs and enabling training opportunities

- Promoting community benefits
- Encouraging ethical sourcing practices
- Promoting greater environmental sustainability

TfL is progressively implementing each of these themes, and looking to work with suppliers which share its views and help meet these aims.

Environment

Climate change is the single biggest problem facing humanity. With this in mind, the Mayor has announced a series of five-yearly carbon dioxide reduction targets for London in the lead-up to 2025.

TfL has also established a Climate Change Fund of £25m over three years. The Fund will help deliver initiatives that specifically contribute to the mayoral targets on climate change mitigation, but which are not yet sufficiently developed to warrant inclusion in individual business plans.

These aim to put London on a trajectory to progress towards the Mayor's target of stabilising CO₂ emissions in 2025 at 60 per cent below 1990 levels.

TfL's Travel Demand Management programme is producing real results for those living and working in the Capital. Initiatives include personalised travel planning trials which took place in Kingston, Sutton and Haringey and the development of a number of school and workplace travel plans. Another scheme in Sutton, which started last September, encourages people to walk, cycle and use public transport, as well as piloting other opportunities to reduce congestion.

Recycling used cooking oil, waterless urinals and hydrocarbon refrigerants have all helped TfL win an award for reduced energy use in its office buildings. TfL has also been awarded accreditation under The Energy Efficiency Accreditation Scheme – the UK's only independent award recognising achievements in reducing energy use.

Mayor's Transport Strategy

TfL is required to report its progress on implementing the Mayor's Transport Strategy (MTS). This information is incorporated throughout the main body of this report. The following summary identifies the contribution TfL and its subsidiaries have made towards specific MTS priorities over the past year.

Priority A

Reducing traffic congestion

Declining traffic speeds and increases in congestion have been a persistent and long-term feature of London's roads.

Long-running trends in congestion, observed in both central and Inner London, showed a gradual deterioration over the past 10-20 years. The introduction of Congestion Charging in 2003 broke this trend in central London, and the average reduction since the scheme began is 20 per cent.

In February 2007, the Congestion Charging zone was extended westwards and initial figures show that traffic levels have been reduced by 13 per cent, which highlights the success of the scheme.

Additional work has also been undertaken to help reduce traffic congestion in London:

- The London Traffic Control Centre continues to monitor traffic and coordinate responses to congestion, 24 hours a day, seven days a week
- TfL continues to use the traffic control system SCOOT, which controls signals in small area groups where timings adapt automatically to suit local changes in traffic volume and direction
- Capital Cams, which link still images from traffic cameras in London, are refreshed on a regular basis and provide visual information regarding traffic congestion

Priority B

Overcoming the backlog of investment on the Underground so as to safely increase capacity, reduce overcrowding and increase both reliability and frequency of services.

Those that live in, work in, or visit London are already beginning to benefit from a substantial improvement programme that is being rolled out across the LU network. The programme includes new signalling, track, refurbished rolling stock and stations, and the replacement of escalators and lifts.



There are a number of specific developments:

- New state-of-the-art ticket halls have been built at King's Cross St Pancras station, with the support of the DfT. This has doubled the station's capacity to ease congestion during peak periods, something much needed as it now handles 250,000 passengers a day, making it the busiest station on the network. The upgraded facilities will also serve the CTRL extension when it opens in 2007, the new high-speed domestic services for Kent, the new Thameslink station and visitors to the 2012 Games
- More spacious ticket halls have been built at Elephant & Castle, Knightsbridge and Hounslow East stations
- The PPP and PFI contracts have delivered a number of projects, including 75km of new track, plus 10 lift and 64 escalator refurbishments
- District line carriages are being refurbished, giving a contemporary new look, and providing more comfort and safety. They started to come into service in May 2005, with completion scheduled for February 2009
- The Piccadilly line to Heathrow Terminal 5 is due to open in 2008. The line was re-opened to Terminal 4 in September 2006, following a 20-month closure that was essential for the construction of a new rail

junction linking the two terminals. During that period, TfL took the opportunity to refurbish the Terminal 4 station, as well as adding extra security and passenger information features

Priority C **Making radical improvements to bus services across London, including increasing the bus system's capacity, improving reliability and increasing the frequency of services.**

More people are now travelling on London's buses than at any time since 1965. Overall, TfL alone is delivering the total Government national target for a greater number of passengers (a 12 per cent increase by 2010 compared with 2000 levels).

During 2006/07, 1,880 million passenger journeys were made on London buses – 3.5 per cent more than the previous year. Excess wait time has remained at an all-time low at 1.1 minutes.

There have also been other major improvements:

- During 2006/07, 367 additional bus shelters were installed at new sites. This brings the total number of bus stops with shelters to around 12,800, which represents over 70 per cent of the London total, up from 58 per cent in 1998

- TfL and its partners are continuing to implement a corridor package of improvements in addition to the 'hotspot' programme. During 2006/07, travelling conditions for bus passengers improved as a result of more than 325 bus priority schemes being delivered, including 40 bus lane schemes. Additionally, Selective Vehicle Detection (SVD) equipment was installed at 147 signalised junctions over the year. SVD provides a delay saving of six seconds per bus
- Bus stops have been fitted with stop-specific timetables and 'spider maps'. The latter now exist at 530 separate locations, a figure that will rise to more than 900 by 2007/08. Also, 12,500 'vicinity maps' and 1,800 large 'supersite' information displays have been placed at bus stops

Priority D

Better integration of the National Rail system with London's other transport systems to facilitate commuting, reduce overcrowding, increase safety and move towards a London-wide, high frequency 'turn up and go' Metro service.

National Rail is an essential part of London's transport network. It has been agreed that TfL will take over responsibility for the Silverlink Metro from the DfT from November 2007. From this point onwards, the railway will be renamed the London Overground, and will be fully integrated into London's transport system. London Overground will include the North London line, the London Euston to Watford Junction local line, the West London line from Willesden Junction to Clapham Junction via Kensington Olympia, and the Gospel Oak to Barking line. Overground

passengers will experience immediate enhancements, such as additional staff, and facilities to improve customer service and security.

Work has also been undertaken to provide passengers with longer-term improvements which will include new trains to replace a 30-year-old fleet, station upgrades and an increase in service frequency.

TfL is working in partnership to increase services on other parts of the National Rail network in London. TfL has also invested in security improvements across London's rail network. Approximately 53 per cent of stations have been fitted with new CCTV cameras, Help points, better lighting and enhanced travel information screens.

TfL and the DfT have agreed that Oyster cards should be available across the National Rail network within Greater London. This will extend its use from 60 rail stations to more than 300, and marks a massive step towards a fully integrated ticketing system in London.

Priority E

Increasing overall capacity of London's transport system by promoting major new cross-London rail links, including access to international transport facilities, improved orbital links in Inner London, and new Thames river crossings in east London.

TfL is continuing its work to assist the delivery of a number of key projects to help increase the overall capacity of London's transport system and other objectives within this priority.



Progress in particular projects includes:

Piccadilly line extension

Heathrow Terminal 5 is due to open in 2008 and will be supported through the extension of the Piccadilly line. The extension is expected to serve three million customers a year by 2010, and will make a significant contribution to BAA's target of having 50 per cent of passengers arrive at the airport by public transport.

East London line

The East London Line Extension (ELLX) has proceeded at a fast pace since its transfer to TfL in November 2004. Phase 1, due for completion in 2010, is currently on schedule. The ELLX will have a positive impact on revitalising some of London's most deprived areas, improving access to work and leisure opportunities for more than 75,000 people in northeast, southeast and south London.

Crossrail

TfL has continued to work with the Department for Transport and Cross London Rail Links Limited to advance the progress of Crossrail, which is vital to underpin London's continued economic success. Crossrail will provide London and the South East with a world class, affordable railway, delivering high capacity main line rail services to and through the heart of the city and the west end. In addition to the economic and transport benefits, it will improve the sustainability of the environment with fewer

car and bus journeys needing to be made.

Thames Gateway Bridge

The public enquiry for the scheme closed in May 2006. A decision by Government is expected in 2007.

Tramlink extensions

TfL and the London boroughs of Bromley and Croydon held a public consultation on the route options for extending Tramlink to Crystal Palace, which ended in December 2006.

TfL will collect and review all comments, and will use this information to decide on a route for the extension. It will run another consultation when this route has been designed in detail.

West London Tram

Following feedback from the consultation that was completed in 2005, TfL has made changes to some of the proposed construction compounds, electrical substations, and the designs of some road junctions.

Cross River Tram

TfL's Investment Programme includes funding to develop the design for the Cross River Tram (CRT). Work is currently underway on route options and the public was consulted on these in the second half of 2006. Subject to future funding availability to construct the tram, CRT is expected to start operation in 2016.



Thames Gateway Transits

East London Transit (ELT) and Greenwich Waterfront Transit (GWT), linked by the proposed Thames Gateway Bridge, will help regenerate the Thames Gateway by providing better access to jobs, education and community services. ELT runs from Ilford to Dagenham Dock, via Barking.

Construction is planned for spring 2008 with services commencing in autumn 2009. In autumn 2007, TfL will consult on the design of GWT from Abbey Wood to Greenwich and the service is due to open in autumn 2011.

DLR extensions

The DLR extension from King George V station under the river to Woolwich Arsenal is under construction and is due to open in 2009. Further proposed/planned improvements to DLR services also include the building of a second platform at Stratford station on the line from Bow Church, the extension from Canning Town to Stratford International, and the capacity upgrade for three-car trains on parts of the network. An additional 55 rail cars are being built and will all be in service by 2010 to support the 2012 Games.

Channel Tunnel Rail Link

The new Western Ticket Hall at King's Cross St Pancras opened in May 2006. This is in advance of the opening of the CTRL in November 2007.

Priority F

Improving journey time reliability for car users, which will particularly benefit Outer London where car use dominates, while reducing car dependency by increasing travel choice.

TfL's ongoing commitment to reduce congestion (see Priority A) has helped to encourage more people to switch from cars to public transport.

TfL continues to develop and manage the Transport for London Road Network (TLRN), improving roads and reducing congestion for all users. TfL has also developed LONDONworks (see Priority G) which ensures minimal disruption for road users when work is carried out on London's roads.

A total of £24m was allocated for cycling investment in 2006/07. During 2006, an additional 6,000 on-street cycle stands were installed.

During 2006/07 the TfL Travel Demand Management team implemented a number of strategies aimed at reducing dependency on the car, and increasing travel choice, including:

- Development and approval of 543 School Travel Plans. The adoption of the plans now stands at 1,635 – more than 54 per

cent of all schools in London. These have resulted in reported average reductions in car use for school travel of 6.9 per cent

- Fifty-seven firms with over 250,000 employees signed-up to deliver Workplace Travel Plans
- Nearly 60,000 households were contacted through Personalised Travel Planning
- The Smarter Travel Sutton project was very successfully launched by the Mayor in September 2006, following a rigorous process of selection based on borough bids
- The penetration of car clubs expanded at the average rate of 36 vehicles per month
- Forty major development proposals were assessed by TfL and the resulting travel plans were adopted. In addition, more than 500 travel plans were secured by boroughs with TfL funding support

Priority G **Supporting local transport initiatives, including improved access to town centres and regeneration areas, walking and cycling schemes, Safer Routes to School, road safety improvements, better maintenance of roads/bridges, and improved coordination of street works.**

TfL allocated £159m of funding in 2006/07 to the LIPs, previously known as the Borough Spending Plans, for a range of schemes designed to improve the quality, safety and accessibility of London's streets and public spaces.

The number of people cycling on London's major roads has risen by 83 per cent compared to 2000. Today, there are

approximately 480,000 cycle trips made in the Capital every day.

Initiatives include the continual development of the 900km London Cycle Network+ which will be completed by 2009/10. To date, 500km has been completed.

Increased road safety measures to make cycling safer have been implemented, which include new traffic lights and a network of on-street and off-street cycle routes to reduce casualty rates at roundabouts. An analysis of collisions at 10 roundabouts before and after the installation of signals showed an 80 per cent decrease in the number involving cyclists.

TfL is also investing extensively in local walking schemes through the LIPs process.

Initiatives to improve walking environments include:

- Controlled crossings, footbridge and subway improvements
- The opening up of railway arches for walkers, together with new sections of riverside and additional canal paths
- Better lighting and security
- Increased traffic calming in residential areas

The LONDONworks Programme is a central register which provides a means for utilities to see what is happening on the streets of London to assist them in the better planning of their own works.

It enables utilities to properly coordinate works, as all parties can see an up-to-date view of current and planned works occurring on roads adjacent to their area, such as works occurring or planned in another borough.

TfL has a strategic view over all works via the Traffic Management Act notifications network assurance database, and has one

month in which to approve or object to schemes or major works on these roads.

Other initiatives include a TfL campaign, launched by the Mayor of London, which encourages motorists, cyclists and pedestrians in London to 'Share the Road'.

Priority H **Making the distribution of goods and services in London more reliable, sustainable and efficient, while minimising negative environmental impacts.**

In June 2006, TfL published for consultation the Draft London Freight Plan. The plan set out the vision for sustainable freight distribution in London. It set out a strategy for the safe, reliable and efficient movement of freight within the Capital in balance with the needs of other transport users, the environment and Londoners' quality of life.

Following further dialogue with the boroughs and the industry, a revised Plan was developed focusing on four projects:

- Encouraging best practice through a Freight Operator Recognition Scheme
- Helping to ensure deliveries in appropriate vehicles and at appropriate times of day through delivery and servicing plans
- Increasing the efficiency of freight in the construction sectors through construction logistics plans
- Providing information to help freight journey planning through a freight information portal

In July 2006, following public consultation, the Mayor published revisions to his Air Quality and Transport Strategies to allow for a London-wide Low Emission Zone to deter the most polluting vehicles from driving within Greater London. Following this, in November 2006, TfL started to consult on a

Scheme Order which provides greater detail regarding the scheme.

In February 2007, work commenced to construct the Prescott Lock to enable waterborne freight to access the 2012 Games and legacy sites, helping to reduce congestion and emissions.

The Bermondsey London Construction Consolidation Centre continued to demonstrate 70 per cent local CO₂ savings, congestion benefits and construction waste reduction.

A multi-modal refuse vehicle collection trial commenced in the North London Waste Authority, aimed at demonstrating efficiency benefits with reduced road trips and increased water/rail opportunities. This is a refuse lorry which has a de-mountable box, which can be put straight onto another vehicle, eg rail or water, without the need to empty via a waste transfer station.

Priority I **Improving the accessibility of London's transport system so that everyone, regardless of disability, can enjoy other benefits of living in, working in, and visiting the Capital, thus improving social inclusion.**

TfL is committed to delivering step-free access at 25 per cent of its Underground stations by 2010, and 33 per cent by 2013. Forty-seven stations are already step-free, and the additional ones will be primarily implemented through the PPP, as part of other schemes (eg King's Cross) or through the building of new stations (eg Heathrow Terminal 5). In addition, 'humps' will be installed at platforms to assist access to trains at stations where there is step-free access from street to platform but not from platform to train.



All vehicles in the London bus fleet, with the exception of Routemasters on two heritage routes, are low-floor and wheelchair accessible. In addition, improvements are being made to bus stations to provide extra accessibility and space for all passengers.

River boat travel has been made easier for those passengers with mobility impairments, and wheelchair users in particular, through improved access between the promenade and the pier at Greenwich.

Since 2001/02, Dial-a-Ride's funding has risen from £14.2m to £29m in 2006/07. During 2006, TfL put 83 new Dial-a-Ride vehicles into operation, which has been the largest upgrade since the service started 25 years ago. The investment increased the fleet by 30 vehicles, with the rest replacing older vehicles. Among other improvements, vehicles now have better suspension, more space and electric swivelling seats, so that passengers no longer have to negotiate steps.

All 246 LU-owned stations are due to be refurbished or modernised by 2012. This work is already underway, and improvements will include accessibility features, induction loops, tactile paving and additional help and information points.

Refurbishment or the purchase of new rolling stock will also allow TfL to:

- Install destination information in both audible and visual formats

- Provide warnings to indicate closing doors
- Introduce contrasting colours to assist differentiation between the floors, doors, grab poles and seats

Priority J
Bringing forward new integration initiatives to: provide integrated, simple and affordable public transport fares; improve key interchanges; enhance safety and security across all means of travel; ensure that taxis and private hire vehicles are improved and fully incorporated into London's transport system; and provide better information and waiting environments.

The Oyster card continues to be a success in terms of providing an affordable, easy to use ticketing system. New fares have been designed to encourage customers to switch from cash to Oyster in order to speed up bus journeys and reduce ticket queues at Tube stations. In many cases, using Oyster on buses, trams, DLR and the Tube will be half the cost of the same journey if paid by cash.

Current fares also help those with families. Free travel is now offered on buses for all under-18s in full time education, while

all under-16s can pay a 50p Oyster flat single fare on the Tube.

Free travel is also granted in the form of the Freedom Pass to those who are either a permanent London resident aged 60 years or over, or those who have eligible disabilities. In addition, those who are currently unemployed and are actively seeking jobs are entitled, through the New Deal scheme, to use an Oyster card and obtain reduced rates, which include child-rate Tube and DLR fares.

Security has also been improved across the transport network, including the installation of more CCTV cameras, passenger Help points, enhanced lighting, information systems and anti-vandal shelters, as well as greater on-board security on trains. TfL funded CCTV installation at 69 London National Rail stations during 2006/07.

The launch of a text service in 2005 allows people to use their mobile phones to text 'HOME' to 60835, and receive the numbers of licensed minicab and taxi firms in the area from which they are texting. The aim of this, the first service of its kind, is to ensure that customers, especially women, feel safer travelling at night by using licensed minicabs.

Following a successful trial, the iBus project will provide a new radio and communications link between all of London's buses and a central control system. It includes Automatic Vehicle Location, which will improve the quality of real-time information for all passengers. As part of the programme, visual displays and audio announcements will be provided on all buses, which will particularly benefit passengers with disabilities, infrequent travellers or those facing language barriers.





Statement of Accounts

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Explanatory Foreword and Financial Review

2006/07 was a year of substantial passenger growth across the TfL network. Passenger journeys on the Underground exceeded one billion for the first time ever, supported by the highest ever number of kilometres operated in a year. Service demand on the bus network reached 1.88 billion passenger journeys for the year, and the Docklands Light Railway (DLR) carried more than 60 million passengers in a year for the first time in its 20-year history.

The growth in passenger numbers was reflected in the 2006/07 revenue result, which was up eight per cent on the previous year to £2,966m. Operational spend increased by five per cent to £4,635m, reflecting increased operational costs and payments under the PPP and PFIs.

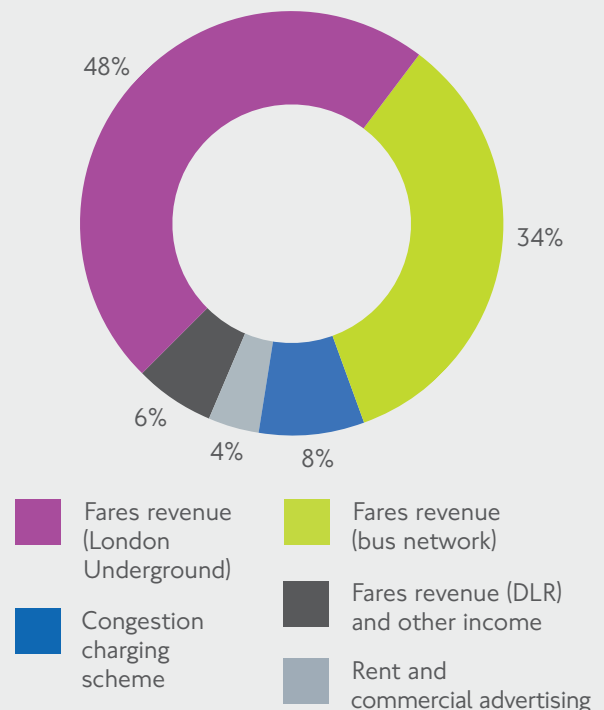
The level of capital works being undertaken during 2006/07, the second year of TfL's Investment Programme, remained high. Capital expenditure during the year was up four per cent to £1,864m.

Operational performance

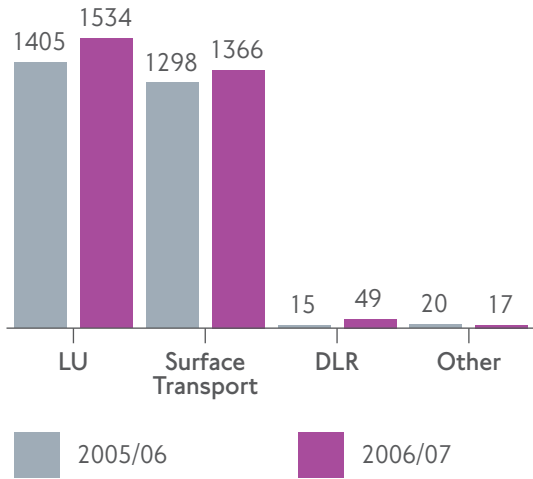
TfL's main source of revenue is fares on the London Underground and bus

network, including revenue in respect of free travel for older and disabled people, representing 83 per cent of all revenue generated in 2006/07. The continued high levels of passenger demand across the network, together with fare increases, resulted in a nine per cent increase in fares revenue on the Tube to £1,415m, and a seven per cent increase in fares revenue on the bus network to £1,005m.

Revenue breakdown (2006/07)



Revenue by mode (£m)



The overall level of fares was increased in January 2007 as part of the Mayor’s funding strategy. Fares were increased on average by 4.3 per cent on the Underground, and on average by 7.1 per cent on London buses.

Following the introduction of the new fares package across the TfL network and the increasing popularity of Oyster, there has been a further significant fall in the use of cash on the Underground and on buses. On the Underground, 3.9 per cent of journeys were on cash fares by the end of 2006/07, down from 6.5 per cent at the end of 2005/06. Cash ticket sales on buses were reduced to 2.3 per cent of journeys by the end of 2006/07.

Total fares revenue on the DLR for 2006/07 was £54m compared with £48m for 2005/06, reflecting a full year of operation on the City Airport Extension. Of this, around £5m (2005/06 £33m) was collected by the franchise operator.

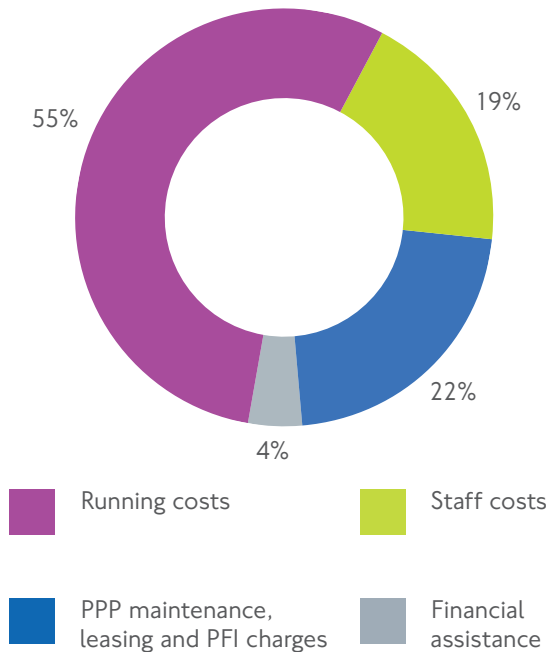
Operational expenditure

The rise in TfL’s expenditure in 2006/07 reflected the Group’s increased level of activity during the year.

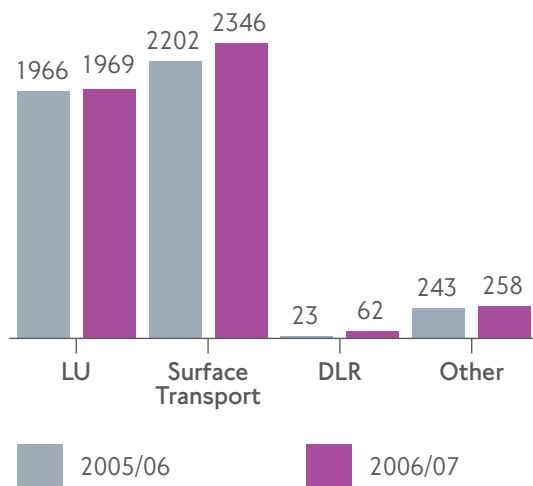
Operating expenditure on the Underground increased by less than one per cent to £1,969m.

On the bus network, expenditure was up five per cent on the previous year to £1,633m. This increase principally reflects increases in bus contract payments due to service and performance improvements.

Expenditure breakdown (2006/07)



Expenditure by mode (£m)



Expenditure on Congestion Charging increased by £17m, primarily driven by work on the western extension which came into effect on 19 February.

TfL continued its commitment to borough schemes that improved the quality, safety and accessibility of the local travelling environment by providing a total of £164m of financial support to borough programmes. Other financial assistance included payments related to Taxicard and payments to Train Operating Companies (TOCs) in respect of passenger security measures.

Interest and finance charges

Interest payable has increased by £85m, reflecting the carrying cost of increased PPP investment, a full year's charge for the City Airport Extension and a full year's charge for the second £200m tranche of the bond issue and the first £334m borrowing from the Public Works Loan Board.

Interest receivable has increased by £12m reflecting rising interest rates and cash balances held to fund TfL's Investment Programme.

Balance sheet

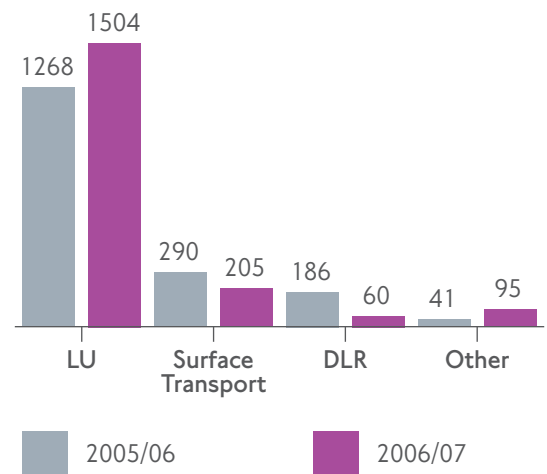
Net assets decreased by £152m between 31 March 2006 and 31 March 2007, largely due to actuarial losses of £215m on the TfL Pension Fund offset by gains on the revaluation of non-operational properties.

Fixed assets increased significantly, reflecting the continuing high levels of capital expenditure. As explained further below, £1,123m of fixed assets were provided under the PPP contracts. This resulted in an increase in finance lease creditors over one year.

Capital expenditure

The second year of the Investment Programme saw capital expenditure rise to £1,864m. Over 80 per cent of TfL's capital expenditure during 2006/07 related to capital works being undertaken on LU's infrastructure.

Capital expenditure by mode (£m)



In London Underground the capital expenditure of £1,504m included some £1,123m of capital works undertaken by the Infracos through PPP contracts. Capital works undertaken by the Infracos included: the refurbishment of 17 stations; the enhanced refurbishment of three stations; the modernisation of 10 stations; the renewal of 40km of track; and the refurbishment or replacement of 20 escalators and two lifts. In addition, the Waterloo & City line upgrade was delivered in the year.

The Infracos' new and refurbished rolling stock programmes are being progressed. The most advanced being the refurbishment of the District line stock and new Victoria line stock, where the first cars were delivered for testing in April 2007.

Other works undertaken by LU during the year included the development of station upgrades, congestion relief works and accessibility improvements. The new communications equipment provided under Connect PFI was brought into use on the sub-surface lines during the year. Work continues on the remaining lines, so the systems can be brought into use over the next 12 months.

The new Western Ticket Hall at King's Cross opened in May 2006, while construction works progresses on the new Northern

Ticket Hall. Additionally, work continued on the redevelopment of the White City site, where it was sufficiently advanced for the new covered sidings to be commissioned. Work on the East London Line extension entered the next phase with the line between Whitechapel and Shoreditch, and Shoreditch station closing in June 2006, in order to facilitate the construction of the link between the new and the existing line.

In Surface Transport, £205m was spent on capital works, including: renewal works programme on the Transport for London Road Network (TLRN); safety improvements to bridges and tunnels; developing bus priority systems; Congestion Charging, including the western extension; work on introducing the iBus radio and information system; replacement of the Olympic garages; improving the Blackwall Tunnel southbound; the Coulsdon Relief Road Project; implementing walking and cycling initiatives; traffic signal modernisation; and improvements to road safety.

Other capital expenditure includes £72m in respect of the East London Line.

Financing

TfL raised further funds during the year from a variety of sources to support its Investment Programme.

Set out below is a table summarising movements in long-term borrowing in the year.

In addition to the sources of financing in the table that follows, other sources of financing include the PPP and PFIs (see also Note 16 to the accounts).

The borrowing limit for the Corporation set by the Mayor for 2006/07 was £1,400m.

Movement in long-term borrowing

	Note	£m
Opening borrowing at 1 April 2006		746
European Investment Bank facility	1	64
Third bond issue	2	199
Public Works Loan Board	3	341
Closing borrowing at 31 March 2007		1,350

Note

- 1 The second instalment of a total facility of £450m to be drawn down over five years. The loan has an interest rate of 4.293 per cent fixed for the full loan amount. Repayment is in 15 equal instalments from March 2017
- 2 Two bonds issued of £100m each. Coupon 4.65 per cent with repayment in 2031. Coupon 4.5 per cent with repayment in 2042
- 3 Nine separate loans with interest rates of 4.45-4.65 per cent and final maturity ranging between 2031 and 2040

Cash and short-term investments

Total cash and short-term investments (364 days or less) at 31 March 2007 amounted to £2,028m. The average yield from TfL's cash investments for 2006/07 was 4.84 per cent. Most of the cash is represented by reserves and borrowing earmarked to fund TfL's Investment Programme to 2009/10.

Pensions

The majority of TfL's employees are members of the TfL Pension Fund. Over the past year, the fair value of the assets of the Public Sector Section of the TfL Pension Fund has increased. However, this increase is more than outweighed by an increase in the actuarial value of future liabilities, and as a consequence the deficit of pension scheme assets over future liabilities has increased by more than £180m.

In addition, at 31 March 2007 the Group had future liabilities under unfunded pension arrangements of £43m (compared to £37m in 2006).

The last full actuarial valuation of the Public Sector Section of the TfL Pension Fund was carried out as at 31 March 2003. The actuarial valuation as at 31 March 2006 is in the process of being finalised. The 2003 valuation showed a deficit for funding purposes of £421m. Based on the 2003 valuation, the current level of employers contributions to the Pension Fund is 30.5 per cent. The level of contributions may be reviewed when the 2006 valuation is finalised.

Prospects and outlook

Passengers

London's population is growing more rapidly than the population of any European city since 1989. The city's population, currently around 7.6 million, is set to grow significantly over the next 20 years reaching an estimated 8.3 million by 2025. The number of people anticipated to be employed in the Capital will increase by 900,000.

Public transport trips are predicted to increase from around 9.2 million trips per day to over 13 million trips per day by 2025.

Car trips in London are projected to increase, albeit at a significantly slower rate than public transport, as a result of growth

in population and income. Transport 2025, published in November 2006, sets out TfL's vision to support this growth and London's economic prosperity.

Fares policy

The Mayor's fares policy aims to support TfL's Investment Programme and wider spending plans. Any decisions on fares levels different to those assumed in TfL's 2004 financial settlement with Government will be reflected in the annual update of the five-year Business Plan and will ensure the plan remains financially balanced.

Cost pressures

TfL's operations and ongoing Investment Programme are subject to a range of potential cost pressures which could possibly arise.

These include:

Asset renewal

Unforeseen costs of bringing transport assets such as roads and the Underground into a state of good repair.

Legislative compliance

Additional national and EU legal requirements.

Energy prices

Increase in oil and/or electricity prices.

Terrorism

Terrorism-related and increased security costs.

Construction capacity

Increased costs associated with a shortage in construction capacity.

Capital investment

TfL is currently delivering over £13bn of improvements through projects included in its Investment Programme. This includes project work on TfL's assets and works that are carried out by boroughs, PPP and PFI contractors and through other operating contracts.

Financing of the Investment Programme is from:

- Income (net operating income)
- Government grant
- Precept
- Prudential borrowing

PPP performance

In November, the PPP Arbiter published his report on Metronet's performance during the first three years of the PPP, up to 31 March 2006. The Arbiter found that neither of the Metronet companies has performed its activities efficiently or economically, or in line with Good Industry Practice during the first three years of the PPP contracts, and notes that Metronet has delivered significantly less than was expected in its bid and at higher unit cost.

Metronet have indicated that they expect their two Infracos to incur additional costs over the remainder of the current 7.5 year review period. Metronet have made an application to the PPP Arbiter to conduct an Extraordinary Review with respect to the BCV contract. Metronet have also requested an immediate interim determination regarding the four-weekly Infrastructure Service Charge payment. They have also indicated that they expect to pursue an Extraordinary Review with respect to the SSL Contract.

Treasury risk management

The Board approves prudent treasury policies that comply both with the principles of the CIPFA Prudential Code and investment guidance issued by the Secretary of State under Section 15 (1) (a) of the Local Government Act 2003.

Senior management directly controls day-to-day treasury operations. The Finance Committee is the primary forum for discussing

and approving the annual treasury investment strategy and 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.

TfL has considered the implications of its overall asset and liability management, with analysis continuing on its overall exposure to inflation and interest rates as they affect its commercial markets (passenger levels, fare revenues and costs) and in its financial activities (financial costs and investment returns on cash balances).

The results of this analysis have not led to significant changes in the recommended treasury management strategy (long-term fixed-rate debt and short/medium-term cash investments with institutions having high credit ratings), but have focused on the opportunities to increase yield without risking underlying security.

The primary treasury-related financial risks faced by the Group are interest rate movements, liquidity and counterparty credit.

These are the focus of treasury policies, as set out below:

Interest rates

The TfL Board has approved parameters of a minimum of 50 per cent fixed-rate on existing and forecast debt and a maximum of 50 per cent fixed rate cash investments. The proportion of fixed-rate debt borrowings at the year end was 100 per cent. Cash investments at the year end reflected rates for maturities ranging from overnight to 364 days.

Funding and liquidity

To ensure continuity of affordable funding and flexibility, debt maturities are spread over a range of dates, thereby ensuring that the Group debt service is not exposed to excessive repayment risk in any one year.

The maturity profile of debt outstanding at 31 March 2007 is set out in Note 16 to the accounts. Due to the long-term nature of future commitments, significant cash balances are held to mitigate the risk of any future restriction of access to funds.

Counterparty credit

The Group's exposure to credit-related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party and imposing a minimum credit limit quality of Moody's A1.

Accounting statements

Transport for London 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, the Public Carriage Office 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 11

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 2006: A Statement of Recommended Practice (SORP).

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 1985 and separate statutory accounts are prepared for each subsidiary and for the Transport Trading Limited Group (TTL Group). 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 also presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- the Corporation income and expenditure account, statement of movement on general fund balance, statement of total recognised gains and losses, balance sheet, cash flow statement
- the statement of accounting policies
- statement of responsibilities for the accounts
- notes to the Corporation financial statements

The Group Accounts comprise:

- the Group income and expenditure account, statement of total recognised gains and losses, balance sheet and cash flow statement
- reconciliation of the single entity income and expenditure account surplus or deficit to the Group income and expenditure account surplus or deficit

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.

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.

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group which, in the terms of the SORP, is required to present fairly the financial position of the Corporation and Group at the accounting date and the income and expenditure for the year ended 31 March.

In preparing this Statement of Accounts I certify that I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the SORP;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.



Stephen Critchley
Chief Finance Officer
27 June 2007

Statement of Corporate Governance Assurance

Scope of responsibility

The Statement of Corporate Governance Assurance reports on the current standard of corporate governance, including internal control, within Transport for London (TfL). It identifies those areas where further work is to be undertaken and gives a brief description of the monitoring process to ensure the effectiveness of the Code of Corporate Governance.

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 accountability, board members and senior managers are responsible for putting in place proper arrangements for the governance of TfL's affairs and the stewardship of the resources at its disposal, including arrangements for the management of risk.

To this end, TfL has approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects

the requirements of the CIPFA/ SOLACE framework and the requirements of the Accounts and Audit Regulations 2003. A copy of TfL's Code is on tfl.gov.uk or can be obtained from: TfL Company Secretariat, Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

Purpose of the system of corporate governance assurance

TfL has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, it has an established system of internal control. This is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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 system of internal control described in this statement was in place for the year

ended 31 March 2007. It has continued up to the date of approval of the annual statement of accounts. TfL has continued to identify areas where improvements can be made and develops its controls through a process of continuous development and improvement.

Corporate governance in TfL

Corporate governance is the system used to direct, manage and monitor an organisation and enable it to relate to its external environment. The fundamental principles of corporate governance, to which TfL is fully committed, are openness, inclusivity, integrity and accountability.

Using the nationally recognised CIPFA/SOLACE framework, TfL developed and published a Code of Corporate Governance in 2002 tailored to its own circumstances which is designed to make its adopted practices in this area open and explicit.

On an annual basis it undertakes a wide-ranging review of its relevant activities to determine the degree to which TfL's methodologies conform to the Code's requirements and appropriate changes are identified and implemented.

TfL's governance structure

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 four committees:

- Finance
- Audit
- Remuneration
- Safety, Health and Environment

The Audit Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Corporate

Governance, the Statement of Assurance contained in these accounts and the results of the compliance review. It receives update reports from the General Counsel and the Director of Internal Audit and is responsible for the annual assurance process.

To ensure that the Code is integral to the routine functioning of TfL the General Counsel has the overall responsibility for its operation. In addition the Director of Internal Audit has the responsibility for independently conducting an annual review of the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

The Commissioner of TfL, advised by his Chief Officers, is responsible and accountable for the delivery of the day to day operations of TfL.

TfL has a statutory Chief Finance Officer in accordance with Section 127 of the GLA Act 1999.

There are five advisory panels, drawn from the Board members and Chief Officers, which provided strategic advice to the Commissioner on the development and the carrying out of policy in TfL:

- Rail Transport
- Surface Transport
- London Underground
- Corporate and Equalities
- Strategic Planning

The dimensions of corporate governance

There are five dimensions to the corporate governance activities of TfL:

- Public focus
- Structures and processes
- Risk management and internal control
- Service delivery arrangements
- Standards of conduct

In each area TfL is working to ensure that good corporate governance is fully incorporated into the culture of the organisation, is applied within the management processes and is transparent to all stakeholders.

Within the public focus dimension

- the Mayor has published his transport strategy that clearly sets out where TfL wants to be
- TfL regularly publishes public reports on its performance
- TfL has developed and implemented numerous strategies to consult with all interested parties and has processes in place to ensure the results are given due weight in decision taking
- the public has access to TfL board papers and meetings

Within the structures and processes dimension

- the roles and responsibilities of Board members and staff are well defined
- TfL has procedures to ensure its activities are properly planned, implemented, monitored and reviewed

Within the risk management and internal control dimension

- TfL has in place a system to identify and manage all significant risks
- TfL has robust processes to ensure the maintenance of proper internal control

Within the service delivery arrangements dimension

- TfL has a management structure geared to the delivery of efficient, effective and economic services
- TfL's budget process allocates resources according to TfL's priorities
- TfL has systems in place to set targets and monitor performance for service

delivery on a sustainable basis and with reference to equality policies

Within the standards of conduct dimension

- TfL has formal codes of conduct for Board members, staff and contractors
- TfL has arrangements in place to ensure the actions of Board members and employees are not influenced by prejudice, bias or conflicts of interest

Risk management

TfL has a maturing risk management process that identifies both strategic and operational risks. Mitigation strategies are in place to counter all strategic risks. The top five risks on the Strategic Risk Map are currently:

- Project delivery
- Quantity, quality of people
- Effective contract management
- Use and availability of funding
- Organisational model may not be conducive to effective delivery of the Business Plan and Investment Programme

As part of its overall corporate governance brief, the Audit Committee has specific responsibility for assuring the Board that effective risk management arrangements are in place. Risk management is a standing agenda item at all Committee meetings. Going forward, the risk management process will also be subject to annual review by the Director of Internal Audit.

The emphasis during 2006/07 was to build upon the process in place and develop a best practice model. Specific areas addressed include:

- Finalising a streamlined senior management risk reporting process
- Improving Board and Audit Committee reporting

- Agreeing on a common understanding of the risk TfL is prepared to accept as part of its normal business
- Performance monitoring arrangements to ensure risk management effectiveness

Responsibilities and review of effectiveness

TfL's General Counsel has the responsibility for overseeing the implementation, monitoring the operation and reviewing the operation of the Code in practice.

The effectiveness of the corporate governance arrangements is assured by monitoring TfL's activities to ensure amongst other matters that the following are operating appropriately:

- Standing Orders are in place
- TfL has developed a Code of Corporate Governance and it reviews compliance regularly
- TfL has a Code of Conduct in place for all staff
- All TfL's activities are directed through policy frameworks
- The roles and responsibilities of the General Counsel and Chief Finance Officer are set out in internal documents and are understood by staff and Members
- The legality of transactions is considered as part of the decision making process in a formal and structured way
- The impact of new legislation relevant to TfL is considered in a formal and structured way
- A legal compliance audit is undertaken regularly
- Relevant guidance is issued to Chief Officers and arrangements to monitor implementation of changes necessitated by new legislation are in place
- Audit Committee receive regular reports on the level of legal compliance across TfL's activities; and

- Documentation has been developed and is maintained for
 - change management procedures
 - project management procedures
 - budget creation, monitoring and review procedures
 - process maps
 - procedural manuals
 - compliance report
 - treasury management arrangements

General Counsel reports annually to the Audit Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, TfL's Director of Internal Audit has the responsibility to review independently the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. The Director of Internal Audit reports annually on these matters to the Audit Committee.

On the basis of reports from the General Counsel and the Director of Internal Audit, initially to the Commissioner and the Chief Officers and then to the Audit Committee, we are satisfied that TfL's corporate governance arrangements are adequate and are operating effectively.

Signed



K. Livingstone

Chair of the TfL Board



P. Hendy

Commissioner

On behalf of the Board members and the Chief Officers of TfL

Independent Audit Report to Transport for London

Opinion on the financial statements

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') which comprise the Explanatory Foreword and Financial Review, Income and Expenditure Account, Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Transport for London, as a body, 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 it 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, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Finance Officer and the Auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Corporation and the Group in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the Statement of Corporate Governance Assurance reflects compliance with CIPFA's Guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' issued in April 2004. We report if it does not

comply with proper practices specified by CIPFA or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Corporation's corporate governance arrangements or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Corporation and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Corporation and the Group as at 31 March 2007 and their income and expenditure for the year then ended.

KPMG LLP

Chartered Accountants
London

9 July 2007

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

The 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Corporation is required to prepare and publish a best value performance plan summarising the Corporation's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Corporation for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We

report if significant matters have come to our attention which prevent us from concluding that the Corporation has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Corporation's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for other local government bodies specified by the Audit Commission, in all significant respects, the Corporation made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the Corporation's best value performance plan for the financial year 2006/07 on 27 October 2006. We did not identify any matters to be reported to the Corporation and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A handwritten signature in blue ink that reads "KPMG LLP". The letters are slightly blurred and written in a cursive style.

KPMG LLP

Chartered Accountants
London

9 July 2007

Group Income and Expenditure Account

	Note	Group 2006/07 £m	Group 2005/06 £m
Highways, roads and transport services			
Expenditure	3	4,634.7	4,433.8
Revenue	1, 2	(2,965.6)	(2,737.6)
Depreciation net of amortisation of deferred capital grants	10c	235.8	215.4
Net cost of services before joint venture		1,904.9	1,911.6
Share of the operating result of joint venture company	1	47.5	22.9
Net cost of services		1,952.4	1,934.5
Loss on sale of fixed assets	7	23.6	15.8
Interest payable and similar charges	8b	199.4	114.2
Interest and investment income	8a	(70.4)	(58.2)
Pensions interest cost and expected return on pensions assets	20a	(23.9)	7.9
Net operating expenditure		2,081.1	2,014.2
Revenue transport grant for operations	6a	(1,979.8)	(1,974.6)
Other revenue grant	6b	(44.2)	(15.9)
Precept		(12.0)	(20.0)
Deficit for the year		45.1	3.7

Corporation Income and Expenditure Account

	Note	Corporation 2006/07 £m	Corporation 2005/06 £m
Highways, roads and transport services			
Expenditure	3	911.2	847.0
Grant funding of subsidiaries and joint venture		1,340.7	1,317.0
Revenue	1	(337.2)	(335.5)
Depreciation net of amortisation of deferred capital grants	10c	98.2	84.9
Net cost of services		2,012.9	1,913.4
(Profit)/loss on the disposal of fixed assets	7	(0.5)	11.9
Interest payable and similar charges	8b	37.1	10.2
Interest and investment income	8a	(69.4)	(55.0)
Pensions interest cost and expected return on pensions assets	20a	0.2	0.4
Net operating expenditure		1,980.3	1,880.9
Revenue transport grant for operations	6a	(1,979.8)	(1,974.6)
Other revenue grant	6b	(15.8)	(15.9)
Precept		(12.0)	(20.0)
Surplus for the year		(27.3)	(129.6)

Statement of Movement on the General Fund Balance

This statement shows how the surplus on the Corporation's Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the General Fund. Note 22 to the Statement of Accounts explains the significance of the General Fund and the reconciliation statement.

	Note	Corporation 2006/07 £m	Corporation 2005/06 £m
Transfer of the surplus for the year on the Income and Expenditure Account		(27.3)	(129.6)
Net additional amount required by statute or non-statutory proper practice to be taken into account when determining the surplus or deficit on the General Fund for the year	22	27.0	132.6
General Fund (surplus)/deficit for the year		(0.3)	3.0

Reconciliation of the Surplus on the Corporation's Single Entity Income and Expenditure Account to the Deficit on the Group Accounts

This statement shows how the surplus on the Corporation's single entity Income and Expenditure Account reconciles to the deficit for the year on the Group Accounts

	Group 2006/07 £m	Group 2005/06 £m
Surplus on the Corporation's single entity Income and Expenditure Account for the year	(27.3)	(129.6)
Corporation's share of the deficit achieved by its subsidiaries	105.5	145.5
FRS 17 pensions credit to Group Income and Expenditure Account on consolidation	(33.1)	(12.2)
Group Account deficit for the year	45.1	3.7

Statements of Total Recognised Gains and Losses

	Note	Group 2006/07 £m	Group 2005/06 £m
Deficit on the Income and Expenditure Account for the year		45.1	3.7
Gain arising on the revaluation of fixed assets	10a	(103.2)	(57.4)
Reversal of capital provision no longer required		-	(10.7)
Revaluation realisation adjustment		(0.8)	(3.5)
Actuarial loss/(gain) on pension assets and liabilities	20a	210.9	(178.7)
Total recognised losses/(gains) for the year		152.0	(246.6)

	Note	Corporation 2006/07 £m	Corporation 2005/06 £m
Surplus on the Income and Expenditure Account for the year		(27.3)	(129.6)
Gain arising on the revaluation of fixed assets	10b	(19.1)	(4.8)
Reversal of capital provision no longer required		-	(10.7)
Actuarial (gain)/loss on pension assets and liabilities	20a	(4.0)	2.7
Total recognised gains for the year		(50.4)	(142.4)

Group and Corporation Balance Sheets

As at 31 March	Note	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Tangible fixed assets					
Infrastructure and other property		12,485.9	11,274.0	2,126.5	2,151.1
Rolling stock		1,366.6	1,357.7	-	-
Plant and equipment		493.7	449.3	162.5	131.8
Non-operational assets		1,003.1	990.5	180.7	99.2
Total tangible fixed assets	10a,b	15,349.3	14,071.5	2,469.7	2,382.1
Investment in subsidiaries and joint venture	11	-	-	22.5	22.5
Total fixed assets		15,349.3	14,071.5	2,492.2	2,404.6
Current assets					
Stocks	12	4.3	5.1	1.9	2.5
Debtors	13	302.7	301.6	751.7	432.7
Short-term investments		2,004.3	1,663.1	1,970.6	1,632.9
Cash at bank and in hand	14	23.5	24.0	3.3	3.5
Total current assets		2,334.8	1,993.8	2,727.5	2,071.6
Current liabilities					
Creditors: amounts falling due within one year	15a	(1,753.8)	(1,699.5)	(456.9)	(351.4)
Total current liabilities		(1,753.8)	(1,699.5)	(456.9)	(351.4)
Net current assets		581.0	294.3	2,270.6	1,720.2
Total assets less current liabilities		15,930.3	14,365.8	4,762.8	4,124.8
Creditors: amounts falling due after one year	15b	(2,064.1)	(1,267.8)	(5.7)	(4.7)
Provisions for liabilities and charges	18	(248.2)	(260.2)	(90.4)	(111.8)
Borrowings due after more than one year	16b	(1,349.8)	(745.9)	(1,349.8)	(745.9)
Net assets excluding grants		12,268.2	12,091.9	3,316.9	3,262.4
Deferred grants	19	(6,845.1)	(6,695.1)	(419.1)	(411.5)
Net assets excluding pension and other post-retirement liabilities		5,423.1	5,396.8	2,897.8	2,850.9
Pension and other post-retirement liabilities	20a	(948.2)	(769.9)	(14.2)	(17.7)
Total net assets		4,474.9	4,626.9	2,883.6	2,833.2
Capital and reserves					
General fund		147.8	147.5	147.8	147.5
Earmarked reserves		1,299.8	1,198.9	1,299.8	1,198.9
Capital financing account		31.5	31.8	31.5	31.8
Fixed asset restatement account		1,445.6	1,499.6	1,445.6	1,499.6
Revaluation reserve		1,900.6	1,891.5	-	-
Miscellaneous reserves		(350.4)	(142.4)	(41.1)	(44.6)
Total capital employed	21	4,474.9	4,626.9	2,883.6	2,833.2

These accounts were approved by the Board on 27 June 2007



K. Livingstone

Chair of the TfL Board

Cash Flow Statements

	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Reconciliation of net cost of services to net cash inflow from revenue activities					
Net cost of services		(1,904.9)	(1,911.6)	(2,012.9)	(1,913.4)
Transport revenue grant	6a	1,979.8	1,974.6	1,979.8	1,974.6
Other revenue grant	6b	15.8	15.9	15.8	15.9
Precept		12.0	20.0	12.0	20.0
Grants to joint venture company		(19.1)	(35.8)	-	-
Depreciation net of release of deferred grants		235.8	215.4	98.2	84.9
Decrease/(increase) in stocks		0.8	(0.1)	0.6	0.4
(Increase)/decrease in debtors		(14.9)	63.2	(11.8)	2.5
Decrease in amounts due from subsidiary companies		-	-	102.7	4.4
Increase in creditors due within one year		55.4	121.4	26.4	56.4
Increase in creditors due after more than one year		4.0	10.3	1.0	0.2
(Decrease)/increase in provisions for liabilities and charges		(5.4)	58.7	(19.1)	25.2
(Decrease)/increase in pension and post-retirement liabilities		(8.8)	(20.0)	0.2	(0.3)
Net cash inflow from revenue activities		350.5	512.0	192.9	270.8
Returns on investments and servicing of finance					
Finance lease charges		(162.3)	(102.0)	-	-
Interest paid		(32.6)	(10.1)	(32.6)	(10.1)
Interest received and investment income		61.1	59.8	60.0	56.5
		(133.8)	(52.3)	27.4	46.4
Capital activities					
Transport capital grant	6a	410.5	205.8	410.5	205.8
Third party contributions and other grant funding		163.1	142.3	7.9	7.1
Grants to subsidiaries and joint venture for capital expenditures	6a	-	-	(345.9)	(205.8)
Payments to acquire tangible fixed assets		(736.2)	(711.7)	(262.5)	(276.8)
Receipts from sale of tangible fixed assets		30.2	11.5	10.0	1.0
		(132.4)	(352.1)	(180.0)	(268.7)
Net cash inflow before financing		84.3	107.6	40.3	48.5
Management of liquid resources					
Increase in short-term investments		(341.2)	(336.6)	(337.7)	(332.5)
Financing					
Capital element of finance lease payments		(347.6)	(321.0)	-	-
Increase in loans to subsidiary companies		-	-	(306.8)	(270.6)
Increase in borrowings due after more than one year		604.0	550.0	604.0	550.0
		256.4	229.0	297.2	279.4
Decrease in cash		(0.5)	-	(0.2)	(4.6)

Notes to the cash flow statements

a) Cash flow statements: reconciliation with the accounts

	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Capital expenditure				
Additions to fixed assets	(1,863.7)	(1,784.9)	(233.4)	(278.5)
Decrease in debtors	1.7	1.0	1.8	1.5
Increase/(decrease) in creditors due within one year	14.0	46.4	(23.9)	8.5
Decrease in creditors due after one year	-	(3.9)	-	(3.9)
Additions under finance lease arrangements	1,123.1	1,034.8	-	-
Decrease in provisions	(11.3)	(5.1)	(7.0)	(4.4)
Capital expenditure per cash flow statement	(736.2)	(711.7)	(262.5)	(276.8)

	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Contributions from third parties for capital expenditure				
Third party contributions and other grant funding	152.1	157.5	7.9	7.1
Decrease/(increase) in debtors	11.0	(15.2)	-	-
Contributions from third parties per cash flow statement	163.1	142.3	7.9	7.1

b) Analysis of change in net debt

		At 1 April 2006 £m	Movement £m	At 31 March 2007 £m
Group	<i>Note</i>			
Cash at bank and in hand	14	24.0	(0.5)	23.5
Investments	16b	1,663.1	341.2	2,004.3
Borrowings due after more than one year	16b	(745.9)	(603.9)	(1,349.8)
Finance lease obligations		(1,794.3)	(775.5)	(2,569.8)
Total of net debt		(853.1)	(1,038.7)	(1,891.8)
Corporation				
Cash at bank and in hand	14	3.5	(0.2)	3.3
Investments	16b	1,632.9	337.7	1,970.6
Borrowings due after more than one year	16b	(745.9)	(603.9)	(1,349.8)
Total of net funds		890.5	(266.4)	624.1

Statement of Accounting Policies

a) Code of practice

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 ('the SORP'), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee and approved by the Accounting Standards Board.

b) Changes in accounting policies

In 2006, the SORP introduced several changes to the form and content of the accounts for local authorities for accounting periods starting on or after 1 April 2006.

The Revenue Account for the Corporation and Group has been replaced with a traditional Income and Expenditure Account. The Income and Expenditure Account includes operating income and expenditure in accordance with UK GAAP, and shows the surplus or deficit for the year also in accordance with UK GAAP.

Certain items are required to be credited or debited to the General Fund when determining the surplus or deficit on the Fund in accordance with statute or non-statutory "proper practices". These items are shown on a new statement that reconciles the surplus or deficit on the Corporation's Income and Expenditure Account to the movement on the General Fund, and a new note to the Accounts provides a detailed breakdown of the reconciling items.

In addition, a further new statement reconciles the surplus or deficit on the Corporation's Income and Expenditure Account to the surplus or deficit shown on the Group's Income and Expenditure Account.

The Statements of Movements in Reserves for the Corporation and Group have been replaced with Statements of Total Recognised Gains and Losses and a new note disclosing the movements on reserves.

Previously, the net cost of services for the Corporation included a notional interest charge recognising the cost of acquiring and holding assets (an opportunity cost). These notional capital financing charges were reversed in the Corporation revenue account and did not affect the General Fund surplus or deficit for the year. With effect from 1 April 2006 the requirement for a capital financing charge has been removed.

The SORP's definition of remuneration for the purposes of Note 4: Employees' remuneration has been amended to bring it in line with that used in other sectors. In earlier years, remuneration was determined after deducting pension contributions paid by an employee. With effect from 1 April 2006 the definition has been amended so that employee pension contributions are no longer deducted.

c) Basis of accounting

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. Accordingly, no costs have been attributed to the corporate and democratic core.

The accounts have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

d) Basis of preparation of group accounts

The SORP requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group accounts consistent with UK GAAP.

The group accounts presented with the Corporation's financial statements consolidate the individual financial statements of Transport for London and its subsidiary undertakings.

A joint venture is an entity in which the Group has a long term interest and shares control with one or more co-venturers. The joint venture is included in the Group's balance sheet using the gross equity method, which records the Group's share of gross assets and gross liabilities.

Statement of Accounting Policies – continued

d) Basis of preparation of group accounts (continued)

Merger accounting principles are applied where transfers into the Group of subsidiary undertakings, including statutory transfers, have the characteristics of group reconstructions in accordance with *Financial Reporting Standard 6 – Acquisitions and Mergers*. With merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value on consolidation, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary.

In other cases, the acquisition method of accounting is adopted. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. The results of subsidiary undertakings acquired or disposed of are included in the Group income and expenditure account from the date of acquisition until the date of disposal.

e) Revenue recognition and expenditure

The accounts reflect the accruals concept whereby debtors and creditors are included in the balance sheet for goods and services supplied but not paid for at 31 March. Sales revenue on trading activities comprises the value of sales of services or goods in the normal course of business, exclusive of Value Added Tax. Revenue earned by franchisees, or contractors, providing transport services on behalf of the Group is not taken into account, except in the limited circumstances where the Group shares the risk of revenue volatility with the franchisee.

f) Grants and other funding

The main source of grant is Transport Grant, which is non-specific in that it is applied to both maintaining services and to fund capital expenditure.

In the accounts of the Corporation, Transport Grant is divided in to three elements:

- The element used to finance revenue expenditure in the Corporation, including grants to subsidiaries and the joint venture to finance their own revenue expenditure;
- The element used to finance capital expenditure in the Corporation, which is accounted for as described below; and
- The element used to finance capital expenditure in the subsidiaries, which is not accounted for in the Corporation's income and expenditure account, but is shown in the Corporation's cash flow statement under Capital activities.

In the accounts of the Corporation and the Group, grants applied for revenue purposes are accounted for in the year in which they arise, in common with other income, and are credited to the income and expenditure account.

Grants and other contributions for capital expenditure are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Where expenditure on fixed assets is financed either wholly or partly by grants or other contributions, the amount of the grant is credited initially to the deferred capital grants account. Amounts are released over the useful life of the asset to match the depreciation on the asset to which it relates. These amounts are deducted from depreciation on the face of the income and expenditure accounts.

g) Borrowings

Long term borrowings are carried in the Corporation and Group balance sheets net of discounts and issue costs. These discounts and issue costs are amortised to revenue over the duration of the debt. In the income and expenditure accounts this charge is made through interest payable.

The Corporation is required to make a minimum revenue provision (MRP) for the repayment of outstanding debt determinable under the Local Government Act 2003.

Additional disclosures on financial instruments required by FRS 4 and FRS 13 as a consequence of the Corporation's listed debt are made in Note 17 to these accounts.

Statement of Accounting Policies – continued

h) Tangible fixed assets

All expenditure (excluding routine repairs and maintenance) on the acquisition of capital assets, or expenditure which significantly adds to the value, capacity in use, or useful economic life of existing assets, is capitalised as a fixed asset on an accruals basis. Fixed assets are classified as operational assets (those presently used for the delivery of public services or for support tasks) and non-operational assets (surplus property awaiting sale and assets under construction).

Operational assets

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling and bus stations and stands. Infrastructure, rolling stock and equipment are carried at their fair value when transferred to the Group, together with the cost of subsequent additions. The fair values have been calculated on the basis of depreciated replacement cost. LU assets are carried at the estimated cost of modern equivalent assets as at 31 March 1998, together with the cost of subsequent additions, written down to reflect their remaining estimated useful lives. Bored tunnels, excavations for stations, and embankments entering service in LU prior to 1 April 1992 are carried at nil value as there are no records of their historical cost and it is impractical to provide a reliable valuation.

Other property consists of business properties, used by the Group for its own purposes, which are not limited in their future use by operational constraints or requirements and which are not integral to the infrastructure (e.g. offices). These properties were valued at open market value at 31 March 2007 (on an existing use basis) by the Director of TfL Group Property and Facilities and by suitably qualified TfL staff. The revaluation is taken to the fixed asset restatement account for the assets owned by the Corporation and the fixed asset revaluation reserve for assets owned by the subsidiaries.

Non-operational assets

These assets consist of investment properties commercially let and capable of being separated from operational property (eg offices, shops, residential property and disused operational property awaiting disposal), property awaiting disposal and assets under construction. The investment properties and properties awaiting disposal are valued like other property but with additional consideration of alternative uses. Assets under construction are carried at historical cost and are not depreciated until they come into use.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives, which are reviewed regularly, and which for the major categories fall in the following ranges:

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

Leasehold properties are amortised over the shorter of the lease term and 40 years. Property awaiting disposal is not depreciated.

The accounting policy for assets held under the London Underground Public Private Partnership is described in paragraph q) below.

i) Stocks

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

j) Debts outstanding

Provision is made for bad and doubtful debts, and uncollectible debts are written off to the net cost of services.

k) Provisions

Provisions represent liabilities where the amount or date of payment is uncertain. They are charged to net cost of services in the year that they are recognised.

Statement of Accounting Policies – continued

l) Reserves

The capital accounting regime requires that maintenance of two special reserve accounts in the balance sheet:

- The fixed asset restatement account, which represents, principally, the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- The capital financing account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

The depreciation charge in the Corporation on assets acquired from predecessor bodies is met by an appropriation from the fixed asset restatement account. The remaining depreciation charge is met by an appropriation from the capital financing account. The revaluation of property in the Corporation is credited to the fixed asset restatement account. These two account balances do not form part of the resources available to the Group and Corporation.

Transport for London sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund. When expenditure to be financed from earmarked reserves is incurred, it is charged to the income and expenditure account in that year and included in Net Cost of Services. A corresponding amount is then appropriated back into the General Fund from earmarked reserves so that there is no net impact on the General Fund surplus or deficit for the year.

m) Insurance

The Group maintains certain insurance policies for damage to and loss of owned/third party property and for its potential liabilities to employees and third parties. In addition, the Group selectively self-insures its exposures under the above policies and to other risks. Provision is made for the estimated value of the Group's liability in respect of self-insured losses.

n) Pensions

The Group's employees are members of a number of defined benefit schemes. In accordance with FRS 17, the regular service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the Group income and expenditure account. A charge equal to the increase in the present value of the schemes liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), is included in the income and expenditure account.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability, net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience or assumption changes.

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Under FRS 17 these schemes are accounted for as defined contribution schemes.

o) Deferred taxation

Provision is made within the Group accounts for deferred taxation arising from timing differences between profits or losses as computed for taxation purposes and profits or losses as stated in the accounts, to the extent it is payable or recoverable in the foreseeable future.

Statement of Accounting Policies – continued

p) Leases

Assets held under finance leases are included in tangible fixed assets and are depreciated on a straight-line basis over their estimated useful lives. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable; the finance charge being allocated to accounting periods over the lease term so as to produce a constant rate of charge on the remaining balance of the obligation.

The Group has entered into a number of Private Finance Initiative (PFI) agreements. Each PFI agreement has been analysed to determine where the balance of the risks and rewards lies. Where substantial risks are retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet. Where the risks and rewards under the agreements lie with the Group, the transactions are accounted for as finance leases. Any assets created are capitalised in the balance sheet and depreciated over their estimated useful lives. Finance charges are allocated over the period of the contract in proportion to the capital element outstanding.

The Group has also entered into operating leases in respect of properties and motor vehicles. Rentals payable under operating leases (including certain PFI agreements) have been accounted for in the period to which they relate.

q) London Underground Public Private Partnership (PPP)

London Underground has three Public Private Partnership (PPP) contracts. Under these contracts, existing LU assets are allocated to the PPP Contractors for a 30 year period from when the contract was established, during which the PPP Contractors maintain, enhance and replace these assets. LU pays service charges to the PPP Contractors.

LU retains substantial risks and rewards of ownership of the assets allocated to the PPP Contractors during the contract term. These assets continue to be recorded as fixed assets in the Group accounts. Similarly, new assets acquired or constructed by the PPP Contractors for LU are recorded as fixed asset additions in the Group accounts and a corresponding liability is recorded as a finance lease creditor within creditors in the Group accounts. An imputed finance charge on this liability is included in interest payable in the Group income and expenditure account.

Service charges paid by LU to the PPP Contractors are allocated to the income and expenditure account to reflect management's estimate of the value of operating services received, with the balance applied to amortise the finance lease creditor over the term of the contract. Performance adjustments to the service charges are also recorded within expenditure.

Notes to the Accounts

1 Segmental analysis

	Gross revenue 2006/07 £m	Gross revenue 2005/06 £m	Gross services expenditure 2006/07 £m	Gross services expenditure 2005/06 £m	Net expenditure 2006/07 £m	Net expenditure 2005/06 £m
London Streets	314.0	311.5	(781.0)	(712.5)	(467.0)	(401.0)
Other	23.2	24.0	(228.4)	(219.4)	(205.2)	(195.4)
Corporation	337.2	335.5	(1,009.4)	(931.9)	(672.2)	(596.4)
Subsidiary operations						
Bus operations	1,026.8	961.1	(1,643.4)	(1,558.4)	(616.6)	(597.3)
London Underground	1,534.3	1,405.2	(2,087.2)	(2,078.1)	(552.9)	(672.9)
Docklands Light Railway	48.7	15.2	(72.0)	(30.6)	(23.3)	(15.4)
Other	18.6	20.6	(58.5)	(50.2)	(39.9)	(29.6)
Joint venture						
Cross London Rail Links	-	-	(47.5)	(22.9)	(47.5)	(22.9)
Group	2,965.6	2,737.6	(4,918.0)	(4,672.1)	(1,952.4)	(1,934.5)

Gross services expenditure includes depreciation net of amortisation of deferred capital grants, but excludes for the Corporation grant funding of subsidiaries and joint venture.

Net expenditure represents net costs of services for the Group, and net cost of services excluding grant funding of subsidiaries and joint venture for the Corporation ie net costs of services for those services provided directly by the Corporation.

2 Group revenue

	Note	2006/07 £m	% of total	2005/06 £m	% of total
Fares		2,269.4	76.6	2,068.0	75.5
Revenue in respect of free travel for elderly and disabled people		197.5	6.7	184.1	6.7
Congestion charging	26	252.4	8.5	254.1	9.3
Charges to London Boroughs		12.5	0.4	11.1	0.4
Charges to transport operators		8.3	0.3	7.4	0.3
Bus enforcement		48.3	1.6	45.8	1.7
Commercial advertising receipts		61.3	2.1	53.1	1.9
Rents receivable		54.0	1.8	52.5	1.9
Taxi licensing		16.0	0.5	15.5	0.6
Museum income		1.1	-	1.7	0.1
Other		44.8	1.5	44.3	1.6
Total revenue		2,965.6	100.0	2,737.6	100.0

Notes to the Accounts

3 Expenditure

Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Staff costs:				
Wages and salaries	670.3	617.2	120.2	103.9
Social security costs	57.6	52.0	11.2	9.4
Pension costs	20a 152.5	120.8	34.3	19.5
	880.4	790.0	165.7	132.8
Operating leases and PFI charges	293.0	276.2	12.6	13.8
Financial assistance	27 178.5	190.0	178.5	190.0
Supplies and services	5,146.5	4,962.5	787.8	788.9
	6,498.4	6,218.7	1,144.6	1,125.5
Capital expenditure	10a, b (1,863.7)	(1,784.9)	(233.4)	(278.5)
Expenditure charged to revenue	4,634.7	4,433.8	911.2	847.0

	Group 2006/07 Number	Group 2005/06 Number	Corporation 2006/07 Number	Corporation 2005/06 Number
Average number of employees				
Permanent employees (including those on fixed term contracts)	18,715	18,151	2,969	2,671
Agency staff	1,574	1,530	752	688
Average number of employees	20,289	19,681	3,721	3,359

	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Cost of services include the following amounts:				
Auditors' remuneration for statutory audit services	0.9	0.8	0.4	0.4
Auditors' remuneration for non-statutory audit services	0.1	0.1	0.1	-
Auditors' remuneration for non-audit services	0.1	0.1	-	-
	1.1	1.0	0.5	0.4

The Group leases certain properties on short-term and long-term leases. The rents payable on these leases were £39.8 million (2005/06 £32.5 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Total other operating lease rentals for the Group included in the income and expenditure account were £253.2 million (2005/06 £243.7 million). Payments under these lease agreements, which include the cost of routine maintenance and repairs, are charged to revenue over the period of the leases from the time the assets become operational.

Notes to the Accounts

4 Employees' remuneration

Employees' remuneration, which includes their salaries, fees, performance bonus, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by employer, fell within the following bands:

£	Group 2006/07 Number	Group 2005/06 Number (Restated)	Corporation 2006/07 Number	Corporation 2005/06 Number (Restated)
50,000 - 59,999	761	552	215	179
60,000 - 69,999	267	194	106	85
70,000 - 79,999	147	99	67	52
80,000 - 89,999	89	63	51	25
90,000 - 99,999	35	31	18	14
100,000 - 109,999	34	18	20	9
110,000 - 119,999	17	14	8	7
120,000 - 129,999	14	10	8	5
130,000 - 139,999	14	8	7	5
140,000 - 149,999	8	11	2	4
150,000 - 159,999	6	6	4	4
160,000 - 169,999	2	1	1	1
170,000 - 179,999	-	5	-	5
180,000 - 189,999	1	2	-	1
190,000 - 199,999	2	-	2	-
200,000 - 209,999	1	2	1	1
210,000 - 219,999	4	2	3	1
220,000 - 229,999	1	2	1	-
230,000 - 239,999	-	1	-	-
250,000 - 259,999	2	2	1	-
260,000 - 269,999	1	-	1	-
270,000 - 279,999	1	-	-	-
320,000 - 329,999	-	1	-	1
340,000 - 349,999	-	1	-	1
350,000 - 359,999	1	-	-	-
360,000 - 369,999	-	1	-	1
410,000 - 419,999	-	1	-	-
450,000 - 459,999	1	-	1	-
460,000 - 469,999	-	1	-	1
500,000 - 509,999	1	-	-	-
550,000 - 559,999	1	-	1	-
1,720,000 - 1,729,999	-	1	-	1
Total	1,411	1,029	518	403

The SORP requires the above disclosure for only the Corporation's employees. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison. Consequently, an additional voluntary disclosure for the Group has been provided that shows the combined employee bands for TfL and its subsidiaries.

Notes to the Accounts

5 Minimum revenue provision

	Note	Corporation 2006/07 £m	Corporation 2005/06 £m
Minimum revenue provision at 4%		24.3	3.2
Amount charged as depreciation	10c	163.1	158.0
Amortisation of deferred capital grant	10c	(64.9)	(73.1)
Appropriation of fixed asset restatement account		(71.2)	(79.9)
Appropriation of capital financing account		(2.7)	(1.8)
	22	24.3	3.2

The Local Government and Housing Act 1989 require a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. This amount is calculated as a percentage (currently 4%) of the Authority's Capital Financing Requirement of £607.7m.

The SORP requires that the provision for depreciation be regarded as part of MRP, with the difference being a charge or credit to the General Fund. This ensures that the General Fund is charged with no more than the amount required for the repayment of debt. This sum should replace the depreciation charged to services in respect of the Corporation in the General Fund. The transfer from the capital financing account reduces the charge in the General Fund to the statutory minimum.

6 Grant

a) Allocation of transport grant received

	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Grant from Department for Transport applied to fund revenue expenditure		1,979.8	1,974.6	1,979.8	1,974.6
Grant from Department for Transport taken to deferred grants	19	410.5	205.8	64.6	-
Grant from Department for Transport used to fund capital expenditure in subsidiaries and joint venture		-	-	345.9	205.8
Total transport grant received		2,390.3	2,180.4	2,390.3	2,180.4

b) Other revenue grant and share of Group's grant received by joint venture

	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Share of grant received by joint venture from Department for Transport	28.4	-	-	-
Other revenue grant	15.8	15.9	15.8	15.9
Total other revenue grant	44.2	15.9	15.8	15.9

Notes to the Accounts

7 Loss/(profit) on disposal of assets

	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Net proceeds		(18.1)	(25.6)	(2.3)	(10.1)
Capital grant released	19	(47.4)	(15.1)	-	-
		(65.5)	(40.7)	(2.3)	(10.1)
Less net assets at net book value	10a, b	89.1	56.5	1.8	22.0
Loss/(profit) on disposal of assets		23.6	15.8	(0.5)	11.9

8 Interest and similar income and charges

a) Interest and investment income	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Interest and investment income:				
Interest receivable and investment income	(70.4)	(58.2)	(69.4)	(55.0)
	(70.4)	(58.2)	(69.4)	(55.0)

b) Interest payable and similar charges	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Interest payable and similar charges:				
Imputed interest on finance lease creditors	162.3	104.0	-	-
Interest payable	37.1	10.2	37.1	10.2
	199.4	114.2	37.1	10.2

9 Taxation

The Corporation is exempt from corporation tax but the subsidiaries are assessable individually to taxation in accordance with the Income and Corporation Taxes Act 1988. No liability for corporation tax arises in respect of the current year.

At 31 March 2007 the Group had a deferred tax asset in respect of capital allowances of £57.5 million (2006 £43.3 million). No deferred tax asset is accounted for, as it is not believed that such an asset would be recoverable in the foreseeable future. The full potential liability for deferred taxation in respect of potential capital gains on revalued fixed assets has not been quantified as no tax liability is expected to arise due to the availability of rollover relief.

Notes to the Accounts

10 Tangible fixed assets

a) Group	Note	Infrastructure and other property £m	Rolling stock £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost or valuation						
Balance at 1 April 2006		19,052.2	3,238.4	949.4	990.5	24,230.5
Additions to fixed assets		1,306.5	92.4	125.1	339.7	1,863.7
Disposals		(331.2)	(14.5)	(24.5)	(8.3)	(378.5)
Transfers and adjustments		374.5	-	7.1	(377.4)	4.2
Revaluation		43.1	-	-	58.6	101.7
Gross cost or valuation at 31 March 2007		20,445.1	3,316.3	1,057.1	1,003.1	25,821.6
Depreciation						
Balance at 1 April 2006		7,778.2	1,880.7	500.1	-	10,159.0
Disposals		(251.7)	(13.7)	(24.0)	-	(289.4)
Depreciation charge	10c	431.0	82.7	87.3	-	601.0
Transfer and adjustments		3.2	-	-	-	3.2
Revaluation		(1.5)	-	-	-	(1.5)
Balance at 31 March 2007		7,959.2	1,949.7	563.4	-	10,472.3
Net book value at 31 March 2007		12,485.9	1,366.6	493.7	1,003.1	15,349.3
Net book value at 31 March 2006		11,274.0	1,357.7	449.3	990.5	14,071.5

PPP assets and leased assets

The net book value above includes the following amounts in respect of leased assets and assets allocated to PPP contractors:

	Infrastructure and other property £m	Rolling stock £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost					
PPP assets	14,269.8	3,193.9	307.5	260.9	18,032.1
Leased assets	151.0	45.3	231.5	-	427.8
	14,420.8	3,239.2	539.0	260.9	18,459.9
Depreciation					
PPP assets	5,542.5	1,912.9	156.4	-	7,611.8
Leased assets	7.1	16.4	33.7	-	57.2
	5,549.6	1,929.3	190.1	-	7,669.0
Net book value at 31 March 2007	8,871.2	1,309.9	348.9	260.9	10,790.9
Net book value at 31 March 2006	7,670.4	1,300.8	345.3	512.5	9,829.0

Notes to the Accounts

10 Tangible fixed assets (continued)

b) Corporation	Note	Infrastructure and other property £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost or valuation					
Balance at 1 April 2006		3,811.8	209.4	99.2	4,120.4
Additions to fixed assets		89.5	73.4	70.5	233.4
Disposals		(64.6)	(0.5)	(1.0)	(66.1)
Transfers and adjustments		3.6	1.9	(5.5)	-
Revaluation		1.3	-	17.5	18.8
Gross cost or valuation at 31 March 2007		3,841.6	284.2	180.7	4,306.5
Depreciation					
Balance at 1 April 2006		1,660.7	77.6	-	1,738.3
Disposals		(63.8)	(0.5)	-	(64.3)
Depreciation charge	10c	118.5	44.6	-	163.1
Revaluation		(0.3)	-	-	(0.3)
Balance at 31 March 2007		1,715.1	121.7	-	1,836.8
Net book value at 31 March 2007		2,126.5	162.5	180.7	2,469.7
Net book value at 31 March 2006		2,151.1	131.8	99.2	2,382.1

c) Depreciation charge	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Depreciation for the period:					
- on the historical cost of depreciated fixed assets		96.0	114.7	163.1	158.0
- on the revalued element of depreciated fixed assets		143.1	118.2	-	-
- on assets allocated to PPP contractors		348.0	308.7	-	-
- on assets held under finance leases		13.9	8.6	-	-
Total depreciation charge	10a, b	601.0	550.2	163.1	158.0
Less: release of deferred grants	19	(365.2)	(334.8)	(64.9)	(73.1)
Depreciation net of release of deferred grants		235.8	215.4	98.2	84.9

Notes to the Accounts

10 Tangible fixed assets (continued)

d) Historical cost of assets

The historical cost of assets is the original cost to the subsidiary that acquired the assets, together with the fair value of the assets transferred to the Corporation on 3 July 2000 and the cost of subsequent additions.

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Infrastructure and other property	15,702.0	14,235.8	3,840.1	3,811.6
Rolling stock	2,117.7	2,034.0	-	-
Plant and equipment	967.3	854.5	284.2	209.4
Non-operational assets	717.0	744.1	152.5	69.7
Gross cost	19,504.0	17,868.4	4,276.8	4,090.7
Less accumulated depreciation	(5,444.2)	(5,069.8)	(1,838.8)	(1,739.6)
Net written down cost	14,059.8	12,798.6	2,438.0	2,351.1

e) Group assets

	Group 2007 Number	Group 2006 Number
Railway carriages	4,164	4,164
Track route length (kilometres)	437	438
Railway stations	290	291
Bridges and viaducts	1,992	1,992
Roads (kilometres)	580	580
Car ferries	3	3
Buses	543	517
Bus stations and stands	105	100
Bus shelters	10,261	9,046
Offices	144	130
Piers	9	9

f) Capital expenditure analysed by source of finance

	Note	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Analysis by source of finance:					
Transport capital grants		84.5	0.4	64.6	-
Prudential borrowing		465.0	550.0	157.9	260.6
Finance leases - PPP		1,123.1	887.6	-	-
- other		-	146.8	-	-
Third party contributions	19	152.1	157.5	7.9	7.1
Capital receipts		18.0	25.6	2.4	10.2
Revenue contributions		21.0	17.0	0.6	0.6
	10a, b	1,863.7	1,784.9	233.4	278.5

Notes to the Accounts

11 Investment in subsidiaries and joint venture

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Balance at 1 April	-	-	22.5	22.5
Share of gross assets of joint venture	14.9	8.5	-	-
Share of gross liabilities of joint venture	(14.9)	(8.5)	-	-
Balance at 31 March	-	-	22.5	22.5

The Group's subsidiaries and joint venture are:

Subsidiaries

Transport Trading Limited
 London Underground Limited
 London Bus Services Limited
 Docklands Light Railway Limited
 Victoria Coach Station Limited
 London River Services Limited
 London Buses Limited
 London Transport Insurance (Guernsey) Limited

Principal activity

Holding company
 Passenger transport by underground train
 Passenger transport by bus
 Passenger transport by rail
 Coach station
 Pier operator
 Bus operator and Dial-a-Ride
 Insurance

Joint venture

Cross London Rail Links Limited Develop and promote new rail links across London

The Corporation owns all the ordinary share capital of its subsidiaries. Transport Trading Limited holds 50% of the share capital of the joint venture. The accounts of these companies are lodged at Companies House. TfL has given assurances of financial support to the boards of all the subsidiary companies listed above. The statutory accounts for these companies for the year ended 31 March 2007 all received unqualified audit opinions.

12 Stocks

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Maintenance stores	3.8	4.7	1.9	2.5
Goods purchased for resale	0.5	0.4	-	-
	4.3	5.1	1.9	2.5

Notes to the Accounts

13 Debtors

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Trade debtors	271.6	265.6	56.9	48.3
Amounts due from subsidiary companies - loans	-	-	687.9	380.8
Prepayments and accrued income	31.1	36.0	6.9	3.6
	302.7	301.6	751.7	432.7

14 Cash at bank and in hand

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Cash at bank	8.9	12.0	3.1	3.4
Cash in hand and in transit	14.6	12.0	0.2	0.1
	23.5	24.0	3.3	3.5

15 Creditors

a) Amounts falling due within one year

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Trade creditors	845.1	791.2	247.3	222.2
Capital works	277.3	263.2	85.1	109.0
Amounts due to subsidiary companies	-	-	119.4	16.3
Finance lease obligations repayable within one year	527.8	544.7	-	-
Salaries and wages	16.3	13.4	5.1	3.9
Receipts in advance for travelcards and bus passes	87.3	87.0	-	-
	1,753.8	1,699.5	456.9	351.4

b) Amounts falling due after more than one year

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Retentions on capital contracts	0.2	0.3	0.2	0.3
Accruals and deferred income	21.9	17.9	5.5	4.4
Finance lease obligations	2,042.0	1,249.6	-	-
	2,064.1	1,267.8	5.7	4.7

Notes to the Accounts

16 Borrowings

The carrying value and maturity of Group debt are as follows:

a) Amounts falling due within one year		Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
	Note				
Finance lease obligations	15a	527.8	544.7	-	-

b) Amounts falling due after more than one year		Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
	Note				
Finance lease obligations	15b	2,042.0	1,249.6	-	-
Loan Notes, loans from Public Works Loan Board and Bank Project Finance	17	1,349.8	745.9	1,349.8	745.9
		3,391.8	1,995.5	1,349.8	745.9
Total borrowings		3,919.6	2,540.2	1,349.8	745.9
Investments – deposits		(2,004.3)	(1,663.1)	(1,970.6)	(1,632.9)
Cash at bank and in hand	14	(23.5)	(24.0)	(3.3)	(3.5)
Net borrowing/(funds)		1,891.8	853.1	(624.1)	(890.5)

c) Borrowings analysed by maturity:		Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Within one year		527.8	544.7	-	-
Between one and two years		1,687.5	890.7	-	-
Between two and five years		24.1	19.2	-	-
Between five and ten years		82.5	70.1	-	-
Over ten years		1,597.7	1,015.5	1,349.8	745.9
		3,919.6	2,540.2	1,349.8	745.9

d) Borrowings analysed by source:		Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Finance lease – PPP		2,204.5	1,426.3	-	-
- Others		365.3	368.0	-	-
Bank Project Finance		82.1	18.1	82.1	18.1
Public Works Loan Board		675.1	334.4	675.1	334.4
Loan Notes		592.6	393.4	592.6	393.4
		3,919.6	2,540.2	1,349.8	745.9

Notes to the Accounts

16 Borrowings (continued)

The increase in obligations under finance leases principally reflects the level of fixed asset additions provided by the PPP contractors during the year net of the capital element of the annual payments to these contractors.

Bank Project Finance comprises the first and second instalment of a 4.293% fixed rate £450 million facility to finance the East London Line maturing in fifteen equal instalments from March 2017.

Loans from the Public Works Loan Board comprise £159.4 million at a fixed rate of 4.25% with maturities in March 2033, 2034 and 2035; £175.0 million at a fixed rate of 4.2% with maturities in March 2036, 2037 and 2038; £7.9 million at a fixed rate of 4.65% with maturities in March 2031; £143.8 million at a fixed rate of 4.5% with maturities in March 2032, 2033, 2034 and 2035 and £189.0 million at a fixed rate of 4.45% with maturities in March 2037, 2038, 2039 and 2040.

Loan Notes comprise £200 million with a fixed coupon of 5.0% maturing in five equal instalments from March 2031; £200 million with a fixed coupon of 4.5% maturing in five equal instalments from March 2027; £100 million with a fixed coupon of 4.65% maturing in December 2031 and £100 million with a fixed coupon of 4.5% maturities in December 2042.

17 Financial instruments

In developing its strategy the Corporation has regard to its financial risks and considers the implications of its overall asset and liability management. It specifically considers the short and long term funding requirements of the Group's operations, its capital investment programmes and liquidity required to discharge its financial obligations when they fall due. It also considers its exposure to inflation and interest rates as they affect its commercial and financial activities. The Group has no exposures to foreign exchange or to derivative contracts.

In managing these financial risks, the Corporation is required by Regulation to have regard to the Code of Practice on Treasury Management contained in CIPFA's guidance 'Treasury Management in the Public Services'. This requires the Board to approve a Treasury Management Policy Statement and, annually prior to commencement of the year, a Treasury Management Strategy. A quarterly report on performance against the approved strategy is considered by the Finance Committee, a committee of the Board.

The Corporation is subject to the requirements of the Local Government Act 2003. This requires the Mayor to set an affordable borrowing limit. By Regulation, the Mayor and the Corporation are required to have regard to the CIPFA Code of Practice entitled 'The Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The Prudential Code requires the Board to approve annually indicators for prudent and affordable borrowing, for estimates of capital expenditure and for interest rate exposures and the maturity profiles of borrowing.

The Group's main financial assets and liabilities, as defined in FRS 13, are its cash and investments, its borrowings and its obligations under finance leases, mainly the PPP arrangements in London Underground Limited. These financial assets and liabilities are taken into account when considering the prudence and affordability of the long term funding plan necessary to support the Group's operations and capital investment programmes.

In managing these financial assets and liabilities, the Treasury Management Strategy and annual plan have the following objectives:

- to undertake treasury management operations with primary regard for the security and liquidity of capital invested with reference to the Office of the Deputy Prime Minister (ODPM)'s guidance;
- to maximise yield from investments consistent with security and liquidity objectives;

Notes to the Accounts

17 Financial instruments (continued)

- to ensure that sufficient cash is available to enable the Corporation and the Group to discharge its financial obligations in accordance with approved spending plans; and
- to undertake treasury management activity with regard to Prudential Code Indicators.

Security and liquidity are dictated by specific policies on counterparty exposure limits, minimum limits on credit quality and term of investment. All investments are made in sterling with institutions having high levels of credit quality and for varying terms not exceeding one year.

The Group intends to raise £3.3 billion through prudential borrowing, as approved by the TfL Board on 29 April 2004, to meet the needs of London's transport infrastructure. The Secretary of State has confirmed that the Government supports these plans, subject to London's borrowing remaining consistent with the wider Prudential Code Regime. These resources, together with existing reserves, support TfL's capital investment programme.

In December 2006, the Corporation launched its third Eurobond issue for £200 million through joint arrangers HSBC and Morgan Stanley. The Corporation also borrowed £340.7 million from the Public Works Loan Board and the £64 million second instalment of a £450 million project finance facility. This borrowing by the Corporation, together with borrowing in earlier years, uses £1,349.6 million of the £1,400 million limit set by the Mayor for 2006/07.

The maturity profile of obligations under finance leases and group borrowings is given in note 16.

The Group policy in relation to financial risk management is discussed above. As permitted by FRS 13, short term debtors and creditors have been omitted from all disclosures.

The following table sets out the book values of financial assets and liabilities as defined and required by FRS 13:

	Note	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Financial assets					
Cash at bank and in hand	14	23.5	24.0	3.3	3.5
Short-term investments		2,004.3	1,663.1	1,970.6	1,632.9
Total financial assets		2,027.8	1,687.1	1,973.9	1,636.4
Financial liabilities					
Borrowings	16b	1,349.8	745.9	1,349.8	745.9
Obligations under finance leases	16a, b	2,569.8	1,794.3	-	-
Other creditors greater than one year	15b	22.1	18.2	5.7	4.7
Total financial liabilities		3,941.7	2,558.4	1,355.5	750.6

Short term investments represent deposits invested with banks and institutions for less than one year with interest earnings benchmarked by reference to 3 month LIBOR. Obligations under finance leases carry an imputed weighted average interest charge of 6.8%. Long term borrowings carry fixed coupons ranging between 4.2% and 5.0%. The average effective interest rate ranges between 4.2% and 5.15%.

At 31 March 2007 the market value of the group's quoted debt was £577.5 million (2006 £412.1 million). All other financial assets and liabilities have fair values equal to their book value.

Notes to the Accounts

18 Provisions for liabilities and charges

	Note	At 1 April 2006 £m	Payments in year £m	Increase/ (decrease) in provision £m	At 31 March 2007 £m
Group					
Claims for compensation		185.2	(25.4)	13.9	173.7
Capital investment activities		19.9	(2.9)	(3.7)	13.3
Unfunded pension liabilities	20f	37.3	(3.4)	9.0	42.9
Other		17.8	(12.3)	12.8	18.3
		260.2	(44.0)	32.0	248.2
Corporation					
Claims for compensation		61.8	(9.6)	(8.4)	43.8
Capital investment activities		14.9	(2.3)	-	12.6
Unfunded pension liabilities		20.9	(2.4)	6.6	25.1
Other		14.2	(12.0)	6.7	8.9
		111.8	(26.3)	4.9	90.4

Claims for compensation include provisions in respect of disputes in the ordinary course of business relating to projects and contracts for which the outcome is uncertain. Whilst a claim is ongoing TfL is unable to disclose the quantum or timing of any possible settlement as this could prejudice its commercial position.

Capital investment activities includes compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims.

Details of unfunded pension liabilities are given in Note 20f. Other provisions include the long term charges to Train Operating Companies and dilapidations on full repairing leases.

19 Deferred grants

	Note	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Balance at 1 April		6,695.1	6,681.7	411.5	477.5
Transport grant	6	410.5	205.8	64.6	-
Third party contributions and other grant funding	10f	152.1	157.5	7.9	7.1
Release of deferred grant:					
- to meet the depreciation charge	10c	(365.2)	(334.8)	(64.9)	(73.1)
- on disposal of tangible fixed assets	7	(47.4)	(15.1)	-	-
Balance at 31 March		6,845.1	6,695.1	419.1	411.5

Notes to the Accounts

20 Pensions

a) Summary of pension totals for the year

Total pension service cost for the year	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
TfL Pension Fund	20b	135.3	112.7	22.0	18.8
Local Government Pension Scheme	20c	2.7	1.9	2.7	1.9
Principal Civil Service Pension Scheme		2.3	1.3	2.3	1.3
Unfunded pensions		9.0	0.3	6.6	(3.1)
Other schemes		3.2	4.6	0.7	0.6
Amount included in net cost of services	3	152.5	120.8	34.3	19.5

Total pensions interest cost and expected return on pensions assets	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
TfL Pension Fund	20b	(24.1)	7.5	-	-
Local Government Pension Scheme	20c	0.2	0.4	0.2	0.4
Amount included in net operating expenditure		(23.9)	7.9	0.2	0.4

Total amount recognised in statement of total recognised gains and losses (STRGL)		Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
Actual return less expected return on assets		72.3	473.7	0.3	4.1
Experience gains and losses arising on liabilities		(185.3)	59.8	-	-
Changes in assumptions underlying the present value of liabilities		(97.9)	(354.8)	3.7	(6.8)
Actuarial (loss)/gain recognised in STRGL		(210.9)	178.7	4.0	(2.7)

Total pension deficit at end of year	Note	Group 2006/07 £m	Group 2005/06 £m	Corporation 2006/07 £m	Corporation 2005/06 £m
TfL Pension Fund	20b	(934.0)	(752.2)	-	-
Local Government Pension Scheme	20c	(14.2)	(17.7)	(14.2)	(17.7)
Deficit recognised as a liability in the balance sheet		(948.2)	(769.9)	(14.2)	(17.7)

Notes to the Accounts

20 Pensions (continued)

The majority of the Group's staff are members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff belong to the Local Government Pension Scheme or the Principal Civil Service Pension Scheme.

b) TfL Pension Fund

The TfL Pension Fund, to which the Group contributes, 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. TfL's subsidiaries also participate in the Fund and it is not possible to identify the Corporation's share of the underlying assets and liabilities.

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 valuation of the Fund was carried out as at 31 March 2003 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method. The actuarial valuation as at 31 March 2006 is in the process of being finalised.

A separate valuation of the Public Sector Section has been prepared for accounting purposes on an FRS 17 basis as at 31 March 2007. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the scheme's liabilities 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 Corporation and the Group both account for pension costs in accordance with FRS 17. The underlying assets and liabilities of the TfL scheme cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with the standard, the Corporation treats contributions to the TfL Pension Fund as if they were contributions to a defined contribution plan. The pension cost recognised in the Corporation's accounts for the TfL Pension Fund is the amount of contributions payable to the scheme during the year.

The main actuarial assumptions used for the Public Sector Section of the TfL Pension Fund were:

	FRS 17 valuation at 31 March 2007 %	FRS 17 valuation at 31 March 2006 %	FRS 17 valuation at 31 March 2005 %
Inflation	3.10	3.00	2.90
Rate of increase in salaries	4.60	4.50	4.40
Rate of increase of pensions in payment and deferred pensions	3.10	3.00	2.90
Discount rate	5.35	5.10	5.55
Investment return	6.90	6.70	7.00

The liabilities for the TfL Pension Fund have been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2006. 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 in line with the medium cohort projections.

Notes to the Accounts

20 Pensions (continued)

The assets in the Section and the expected rate of return were:

	Expected return %	Value at 31 March 2007 £m	Expected return %	Value at 31 March 2006 £m	Expected return %	Value at 31 March 2005 £m
Equities	8.1	2,576.7	8.1	2,351.4	8.2	1,934.4
Bonds	4.9	1,421.7	4.5	1,260.2	4.9	1,055.9
Cash, property and other assets	4.6	101.8	4.0	150.1	3.9	43.9
Total market value of assets		4,100.2		3,761.7		3,034.2
Actuarial valuation of Section liabilities		(5,034.2)		(4,513.9)		(3,980.0)
Deficit in the scheme recognised as a liability in the balance sheet		(934.0)		(752.2)		(945.8)

Analysis of amounts charged to net cost of services

	Group 2006/07 £m	Group 2005/06 £m
Current service cost	135.3	112.7
Total charged to net cost of services	135.3	112.7

Analysis of pensions interest cost and expected return on assets

Interest on Section liabilities	231.2	220.9
Expected return on Section assets	(255.3)	(213.4)
Total (credited)/charged to net operating expenditure	(24.1)	7.5

Total amount included in net operating expenditure in Group

income and expenditure account	111.2	120.2
Contribution to pensions reserve	33.1	12.2
Amount to be met from government grant and local taxation	144.3	132.4

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

Actual return less expected return on Section assets	72.0	469.6
Experience gains and losses arising on Section liabilities	(185.3)	59.8
Changes in assumptions underlying the present value of Section liabilities	(101.6)	(348.0)
Actuarial (loss)/gain recognised in STRGL	(214.9)	181.4

Notes to the Accounts

20 Pensions (continued)

Analysis of the movement in deficit in the Section during the year	Group 2006/07 £m	Group 2005/06 £m
Deficit in the Section at start of year	(752.2)	(945.8)
Contributions paid	144.3	132.4
Current service cost	(135.3)	(112.7)
Interest and investment income/(charge)	24.1	(7.5)
Actuarial (loss)/gain	(214.9)	181.4
Deficit in the Section at end of year	(934.0)	(752.2)

c) 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 liabilities of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under FRS 17. Employers' contributions were payable at the rate of 14.1% (2005/06 14.1%) of pensionable pay. The Corporation's share of the underlying assets and liabilities resulted in a deficit of £14.2 million (2005/06 £17.7 million). A full actuarial valuation was carried out at 31 March 2004. The annual report and accounts for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

The main actuarial assumptions used for the Local Government Pension Scheme were:

	FRS 17 valuation at 31 March 2007 %	FRS 17 valuation at 31 March 2006 %	FRS 17 valuation at 31 March 2005 %
Inflation	3.20	3.10	2.90
Rate of increase in salaries	4.70	4.60	4.40
Rate of increase of pensions in payment and deferred pensions	3.20	3.10	2.90
Discount rate	5.40	4.90	5.40
Investment return	7.20	6.80	7.10

The assets in the scheme attributable to TfL and the expected rate of return were:

	Expected return %	Value at 31 March 2007 £m	Expected return %	Value at 31 March 2006 £m	Expected return %	Value at 31 March 2005 £m
Equities	7.7	23.5	7.3	20.5	7.7	19.3
Bonds	6.4	8.4	6.0	6.2	4.8	2.6
Cash, property and other assets	6.5	5.8	5.8	5.8	5.4	2.7
Total market value of assets		37.7		32.5		24.6
Actuarial valuation of liabilities		(51.9)		(50.2)		(39.5)
Deficit in the scheme recognised as a liability in the balance sheet		(14.2)		(17.7)		(14.9)

Notes to the Accounts

20 Pensions (continued)

Analysis of amounts charged to net cost of services

	Corporation and Group 2006/07 £m	Corporation and Group 2005/06 £m
Current service cost	2.6	1.8
Past service cost	0.1	-
Curtailed and settlements	-	0.1
Total charged to net cost of services	2.7	1.9

Analysis of pensions interest cost and expected return on assets

Interest on liabilities	2.5	2.2
Expected return on assets	(2.3)	(1.8)
Total charged to net operating expenditure	0.2	0.4

Total amount included in net operating expenditure in income and expenditure account

Contribution from pensions reserve	(0.5)	(0.1)
Amount to be met from government grant and local taxation	2.4	2.2

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

Actual return less expected return on assets	0.3	4.1
Experience gains and losses arising on liabilities	-	-
Changes in assumptions underlying the present value of liabilities	3.7	(6.8)
Actuarial gain/(loss) recognised in STRGL	4.0	(2.7)

Analysis of the movement in deficit during the year

Deficit at start of year	(17.7)	(14.9)
Contributions paid	2.4	2.2
Current/past service cost	(2.7)	(1.9)
Interest and investment charge	(0.2)	(0.4)
Actuarial gain/(loss)	4.0	(2.7)
Deficit at end of year	(14.2)	(17.7)

d) 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 liabilities on a consistent and reasonable basis, and as permitted by the multi-employer exemption in FRS 17, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice-pensions.gov.uk).

Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1% to 24.6% of pensionable pay, based on salary bands. Rates will change for next year, subject to salary band changes. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Notes to the Accounts

20 Pensions (continued)

e) Analysis of movements in pensions reserve

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March:

TfL Pension Fund	Group only 2006/07	Group only 2005/06	Group only 2004/05	Group only 2003/04	Group only 2002/03
Difference between the expected and actual return on assets gain/(loss)					
amount (£ million)	72.0	469.6	97.2	304.1	(637.1)
percentage of scheme assets	1.8%	12.5%	3.2%	11.2%	27.5%
Differences between actuarial assumptions about liabilities and actual experience gain/(loss)					
amount (£ million)	(185.3)	59.8	(94.3)	(8.9)	27.6
percentage of the present value of the scheme liabilities	3.8%	1.3%	2.4%	0.3%	0.9%
Changes in the demographic and financial assumptions used to estimate liabilities gain/(loss)					
amount (£ million)	(101.6)	(348.0)	(84.7)	(210.6)	(90.6)
percentage of the present value of the scheme liabilities	2.0%	7.7%	2.1%	5.8%	2.8%
Total amount recognised in statement of total recognised gains and (losses)					
amount (£ million)	(214.9)	181.4	(81.8)	84.6	(700.1)
percentage of the present value of the scheme liabilities	4.3%	4.0%	2.1%	2.4%	21.6%

Notes to the Accounts

20 Pensions (continued)

Local Government Pension Scheme	Corporation and Group 2006/07	Corporation and Group 2005/06	Corporation and Group 2004/05	Corporation and Group 2003/04	Corporation and Group 2002/03
Difference between the expected and actual return on assets gain/(loss)					
amount (£ million)	0.3	4.1	0.7	1.6	(3.5)
percentage of scheme assets	0.9%	12.6%	2.7%	11.8%	39.3%
Differences between actuarial assumptions about liabilities and actual experience gain/(loss)					
amount (£ million)	-	-	(4.7)	-	0.3
percentage of the present value of the scheme liabilities	-	-	11.9%	-	2.5%
Changes in the demographic and financial assumptions used to estimate liabilities gain/(loss)					
amount (£ million)	3.7	(6.8)	(7.7)	-	-
percentage of the present value of the scheme liabilities	7.0%	13.7%	1.9%	-	-
Total amount recognised in statement of total recognised gains and (losses)					
amount (£ million)	4.0	(2.7)	(11.7)	1.6	(3.2)
percentage of the present value of the scheme liabilities	7.6%	5.5%	29.6%	9.7%	23.9%

f) Unfunded pension costs

The Group bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Group bears the cost of:

- ex-gratia payments which are made to certain former employees who retired more than ten years ago 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 more than ten years ago and prior to index linking of pensions;
- pensions of LU and LRT former board members who retired more than five years ago and who did not qualify to join the TfL Pension Fund.

Watson Wyatt, consulting actuaries, were instructed to report on the financial position of the unfunded pension liabilities as at 31 March 2007 for the purpose of FRS17 only. The report does not constitute a formal actuarial valuation of the unfunded pension liabilities. The valuation as at 31 March 2007 was £42.9 million (2006 £37.3 million) and is full provided for in these accounts.

Notes to the Accounts

21 Movements in reserves

This statement shows the movements on the Corporation's reserves. It distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves, most of which the Corporation is required to make in accordance with statute or non-statutory proper practice.

Group	Balance at 1 April 2006 £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2007 £m
General fund	147.5	27.3	(27.0)	147.8
Earmarked reserves	1,198.9	-	100.9	1,299.8
Capital financing account	31.8	-	(0.3)	31.5
Fixed asset restatement account	1,499.6	19.1	(73.1)	1,445.6
Fixed asset revaluation reserve	1,891.5	84.2	(75.1)	1,900.6
Group profit and loss reserve	(12.1)	(72.4)	110.0	25.5
Capital reserves in subsidiaries	90.9	0.7	(68.0)	23.6
Group pensions reserve	(769.9)	(210.9)	32.6	(948.2)
Merger reserve	466.1	-	-	466.1
Other reserves	82.6	-	-	82.6
	4,626.9	(152.0)	-	4,474.9

Corporation	Balance at 1 April 2006 £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2007 £m
General fund	147.5	27.3	(27.0)	147.8
Earmarked reserves	1,198.9	-	100.9	1,299.8
Capital financing account	31.8	-	(0.3)	31.5
Fixed asset restatement account	1,499.6	19.1	(73.1)	1,445.6
Pensions reserve in Corporation	(17.7)	4.0	(0.5)	(14.2)
Other Corporation reserves	(26.9)	-	-	(26.9)
	2,833.2	50.4	-	2,883.6

Notes to the Accounts

21 Movements in reserves (continued)

Group	Balance at 1 April 2005 £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2006 £m
General fund	150.5	129.6	(132.6)	147.5
Earmarked reserves	972.6	-	226.3	1,198.9
Capital financing account	23.4	-	8.4	31.8
Fixed asset restatement account	1,586.1	15.5	(102.0)	1,499.6
Fixed asset revaluation reserve	1,907.0	56.1	(71.6)	1,891.5
Group profit and loss reserve	15.2	(133.3)	106.0	(12.1)
Capital reserves in subsidiaries	137.5	-	(46.6)	90.9
Group pensions reserve	(960.7)	178.7	12.1	(769.9)
Merger reserve	466.1	-	-	466.1
Other reserves	82.6	-	-	82.6
	4,380.3	246.6	-	4,626.9

Corporation	Balance at 1 April 2005 £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2006 £m
General fund	150.5	129.6	(132.6)	147.5
Earmarked reserves	972.6	-	226.3	1,198.9
Capital financing account	23.4	-	8.4	31.8
Fixed asset restatement account	1,586.1	15.5	(102.0)	1,499.6
Pensions reserve in Corporation	(14.9)	(2.7)	(0.1)	(17.7)
Other Corporation reserves	(26.9)	-	-	(26.9)
	2,690.8	142.4	-	2,833.2

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and also to cover contingencies. In addition, reserves have been set aside to finance certain capital projects, which were not included in the approved Business Plan but have been committed to by the Board, where it is considered appropriate to fund such projects from reserves.

The pensions reserve represents the FRS 17 pension fund deficits, as set out further in Note 20 to these accounts. The merger reserve of £466.1million arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited, to TfL in 2003. It represents the share capital of London Underground Limited and was taken as a credit to reserves as no consideration was given by TfL in respect of the transfer.

The capital reserves in subsidiaries are distributable reserves in respect of net profits and losses transferred to provide for future capital investment. Other reserves relate to the transfer of the net assets of LRT and LU to the TfL group in 2003.

Notes to the Accounts

22 Reconciliation of the Surplus for the year on the Income and Expenditure Account to the Surplus for the year on the General Fund

The surplus for the year on the General Fund was £27.0 million less than the Income and Expenditure Account result for the Corporation. This is explained as follows:

The Income and Expenditure Account discloses the income received and expenditure incurred in operating the Corporation's services for the year and is equivalent to the profit and loss account of a business. Income and expenditure and the resulting surplus or deficit for the year are measured in accordance with the SORP which is essentially the same as UK GAAP.

There are, however, certain items which the Corporation is required to charge or credit to its General Fund when determining the balance on that Fund which are laid down in statute and non-statutory "proper practices" rather than being UK GAAP based. An example of this is that depreciation of fixed assets is charged to the Income and Expenditure Account in accordance with UK GAAP but then excluded from the General Fund in accordance with statute.

The surplus or deficit on the Income and Expenditure Account is the best measure of the Corporation and Group's operating financial performance for the year. However, the surplus or deficit on the General Fund is also important since it indicates whether the Corporation added to or drew on its General Fund balances during the year. This in turn affects the amount of General Fund balance that the Corporation can take into account when determining its spending plans for the following year.

The table below gives a detailed breakdown of the differences between the income and expenditure included in the Corporation's Income and Expenditure Account in accordance with the SORP, and the amounts that statute and non-statutory proper practice required the Corporation to charge and credit to the General Fund Balance.

Notes to the Accounts

22 Reconciliation of the Surplus for the year on the Income and Expenditure Account to the Surplus for the year on the General Fund (continued)

	Note	Corporation 2007 £m	Corporation 2006 £m
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year			
Depreciation and amortisation of fixed assets	10c	(163.1)	(158.0)
Government grants deferred amortisation matching depreciation	10c	64.9	73.1
Net profit/(loss) on sale of fixed assets	7	0.5	(11.9)
Amount by which pension costs are different from the contributions paid		(0.5)	(0.1)
		(98.2)	(96.9)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the General Fund surplus or deficit for the year			
Statutory provision for repayment of debt	5	24.3	3.2
		24.3	3.2
Transfers to/from the General Fund that are required by statute to be taken into account when determining the General Fund surplus/deficit for the year			
Transfers made at the discretion of the Corporation to or from reserves that have been earmarked for specific purposes	21	100.9	226.3
		100.9	226.3
Amount by which the surplus on the General Fund for the year was less than the Income and Expenditure Account result for the year			
		27.0	132.6

23 Capital commitments

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
In respect of contracts placed for:				
- Road projects	71.1	111.9	71.1	111.9
- London Underground projects	615.9	178.7	-	-
- Docklands Light Railway projects	340.3	276.4	-	-
- Other projects	32.1	81.4	24.5	-
	1,059.4	648.4	95.6	111.9

Notes to the Accounts

24 Financial commitments

a) Operating leases

As at 31 March 2007, the Group and the Corporation were committed to making the following payments during the next year in respect of operating leases:

	Group 2007 £m	Group 2006 £m	Corporation 2007 £m	Corporation 2006 £m
Property leases which expire:				
Within one year	2.7	1.6	-	-
Between one and five years	19.1	4.6	-	-
Thereafter	20.9	22.0	-	1.2
	42.7	28.2	-	1.2
PFI agreements and other leases which expire:				
Within one year	0.4	0.3	-	-
Between one and five years	1.0	0.4	-	-
Thereafter	315.0	254.2	30.4	19.9
	316.4	254.9	30.4	19.9

Under the Government's PFI initiative, agreements have been entered into by London Underground Limited for the provision by the private sector of a new communications network, a new gating and ticketing system, new facilities for the British Transport Police and upgraded high-voltage power generation and distribution systems. Given the substantial risks retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet.

The Group also has PFI agreements and leases in respect of road schemes (including congestion charging), the DLR Lewisham and City Airport extensions, Croydon Tramlink, ticketing equipment and motor vehicles. Given the substantial risks retained by the private sector, these transactions, other than the DLR Lewisham and City Airport extensions, are also accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet.

b) PPP

LU has entered into three PPP contracts for the maintenance, enhancement and replacement of LU's operational assets. The contracts are for 30 years and are re-negotiable every 7.5 years. The amount payable to the PPP contractors is dependent upon their performance. The capital element of the contracts over the 30 year period is estimated to be between £15 billion and £20 billion.

Metronet have indicated that in the first 7.5 year review period they expect to incur additional costs in excess of £992 million on the BCV contract, and have made an application to the PPP Arbiter to conduct an Extraordinary Review with respect to the BCV contract. Metronet have also requested an immediate interim determination regarding the four-weekly Infrastructure Service Charge payment to cover the next twelve months, up to the value of £400 million. They have also indicated that they expect to pursue an Extraordinary Review with respect to the SSL Contract. An Extraordinary Review would be conducted by the PPP Arbiter who would determine who should bear the additional costs. If Metronet can demonstrate that an economic and efficient Infraco would have incurred additional costs for complying with the terms of the PPP contracts and that these costs could not be foreseen at the time of contract award, then additional payments from LU could be awarded to Metronet.

Notes to the Accounts

24 Financial commitments (continued)

In November 2006, the PPP Arbiter published his report on Metronet's performance during the first three years of the PPP. The Arbiter found that neither of the Metronet companies has performed its activities efficiently or economically or in line with Good Industry Practice during the first three years of the PPP contracts, and notes that Metronet has delivered significantly less than was expected in its bid and at higher unit cost.

Given the above, the outcome of any Extraordinary Review can not be predicted. However, there is a possibility that LU may become liable for some of Metronet's additional costs in the future.

c) Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Statement of Accounts, 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 financial statements include provisions based on management's best estimate of the outcome of these uncertainties (see Note 18).

Whilst any disputes are ongoing TfL does not disclose the quantum or timing of any possible settlement as this could prejudice its commercial position.

25 Related parties

Transport for London is required by the Accounting Code of Practice (ACOP) and FRS 8 Related Party Disclosures to disclose all material related party transactions.

A related party is one which has direct or indirect control over the organisation, or influence over the financial and operational policies of the organisation. It follows that those persons who have control or influence over the organisation or policies of the Corporation may be involved in related party transactions where they also have control or influence over the organisation which has dealings with the Corporation. A related party transaction can also arise between parties subject to influence or control from the same external source. The related parties to the Corporation are:-

- its Board Members, Chief Officers & Commissioner
- its Directors and Heads of Service
- Central Government
- Greater London Authority (GLA) and other functional bodies
- partnerships and associated companies, and
- the TfL Pension Fund

Disclosure of these 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.

Most of the transactions between these parties are reported elsewhere in the Statement of Accounts. The Accounts of the TfL Pension Fund are shown separately and are subject to a separate audit opinion.

Notes to the Accounts

25 Related parties (continued)

Board Members, Chief Officers and the Commissioner are required to complete a declaration regarding any related party transactions. Central Government is responsible for providing the statutory framework within which the Corporation operates and provides the majority of its funding in the form of Transport Grant. 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 Income and Expenditure Accounts and Cash Flow Statements and are therefore not included in this note.

Members of the Board of the Corporation are appointed by the Mayor, who serves as the Chair. The Board is responsible for approving the Corporation's strategic direction and monitoring the performance of the executive team in executing these strategies.

During 2006/07, there were no material related party transactions except as disclosed below.

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2007 £m
Greater London Authority (GLA)	-	(5.2)	(0.2)
Metropolitan Police Authority (MPA)	0.7	(73.3)	(6.2)
London Development Agency (LDA)	0.4	(0.1)	-
London Fire and Emergency Planning Authority (LFEPA)	-	-	-

26 Congestion charging

	Note	Group and Corporation 2006/07 £m	Group and Corporation 2005/06 £m
Revenue	2	252.4	254.1
Direct expenditure:			
- Toll facilities		(130.1)	(129.9)
- Traffic management		(0.3)	(0.4)
		122.0	123.8
Other expenditure:			
- Financial assistance		(2.5)	-
- Depreciation		(4.8)	(2.8)
- Western extension zone start-up costs		(12.2)	(3.8)
- Administration and support services		(13.4)	(9.8)
Net income on congestion charging		89.1	107.4

Congestion charging was introduced on 17 February 2003 in central London at a daily rate of £5 per car or goods vehicle. The daily rate was increased to £8 on 4 July 2006. The net revenues from the congestion charge are spent on improving transport in line with the Mayor's Transport Strategy. The western extension zone of the Congestion Charge came into effect on 19 February 2007.

Notes to the Accounts

27 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 of services to, from or within Greater London.

Financial assistance given under section 159 of the Greater London Authority Act 1999 is outlined below:

	Note	Corporation 2006/07 £m	Corporation 2005/06 £m
Financial assistance to subsidiaries and joint venture			
Transport Trading Limited		114.3	4.6
London Underground Limited		1,094.4	1,059.3
London Bus Services Limited		662.2	627.6
London Buses Limited		0.2	3.7
Docklands Light Railway Limited		98.3	80.4
London River Services Limited		5.1	1.0
Cross London Rail Links Limited		19.1	35.8
		1,993.6	1,812.4
Financial assistance to London Boroughs and other third parties			
Borough Spending Plan		163.7	162.1
Other bus priority payments		-	5.5
Taxicard		9.4	9.7
One Railway		0.9	0.8
C2C Rail Ltd		-	0.6
Southern Railway Ltd		0.4	2.1
Thameslink		-	0.8
First Great Western		0.5	0.4
South Eastern Trains		0.4	4.0
Silverlink		1.0	0.2
WAGN		-	0.4
South West Trains		-	1.2
Others		2.2	2.2
	3	178.5	190.0

Notes to the Accounts

28 Guarantees

Section 160 of the Greater London Authority Act 1999 sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements.

TfL and its subsidiaries have entered into a joint and several guarantee in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL gave the guarantee under section 160(1) of the Greater London Authority Act 1999.

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 termination of the underlying contract, when termination occurs during the life of the contract, breakage cost and other contractual costs 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. For the avoidance of doubt, these amounts may 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.

Approximate maximum amount of debt available for drawdown under the relevant debt facilities as part of the:

	£m
Agreement with Tube Lines	1,803
Agreement with Metronet BCV	1,325
Agreement with Metronet SSL	1,325
Agreement with CityLink	502
Agreement with WARE	218
Agreement with TranSys	197
Agreement with PADCo and EDF Energy Powerlink Ltd	168
Agreement with CARE	164
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

Whilst the guarantees in relation to the PPP Contracts noted above are the significant guarantees issued on behalf of LU, it should also be noted that TfL guarantees LU termination obligations under a further two contracts relating to the Northern Line Train Service Contracts and the Jubilee Line Agreement. Unlike the agreements listed above, the contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

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) and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the Greater London Authority Act 1999.

Remuneration policy

This report outlines TfL’s policy regarding the remuneration of its Board members, the Commissioner for Transport and chief officers, who are responsible for directing the affairs of the organisation.

Policy for Board members

Board members are appointed by the Mayor and are independent of the organisation’s management. Board members are not required to devote all their time to TfL’s affairs. Remuneration for each Board member (with the exception of the Vice Chair) is based on a published formula. In addition to Board activities, the formula relates directly to the number of Panels and Committees on which each member serves. Remuneration also takes into account those members who serve as Chair of the Panels and Committees, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically in line with comparable markets to reflect the responsibilities and accountabilities of the role. With effect from 1 August 2004, the basic fee was £18,000 per annum. Board members who act as Chair, or 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 £24,000 per annum,

except for the position of Vice Chair of the Board, where the annual fee is £60,000 per annum in total. The terms and conditions of appointment for Board members are published on the TfL website (tfl.gov.uk).

Policy for chief officers

The Remuneration Committee is chaired by the Chair of TfL, the Mayor of London. Two Board members constitute the remaining Committee members. The term of reference of the Remuneration Committee is to review the remuneration of the Commissioner and Chief Officers on behalf of the Board. Chief Officers are employed by TfL or its subsidiary companies and are required to devote substantially the whole of their time to the organisation’s affairs. The policy of TfL is to recruit and retain the highest calibre Chief Officers and to provide remuneration packages that reflect their responsibilities, experience and performance. The Remuneration Committee has established a reward structure commensurate with this policy and comparable talent markets.

The constituent parts of Commissioner and chief officer remuneration are:

Basic salary

TfL’s reward strategy aims to pay competitive market salaries while recognising individual progress and development through the annual performance reviews. Annual increases in base pay are contained within an inflation-based



budget. However, in setting individual salary levels, the Remuneration Committee takes into account the median position of relevant markets, the remuneration for other chief officers, the individual contribution to the role and any pay parity issues across the organisation.

Performance-related bonus

The Commissioner and chief officers are entitled to an annual performance bonus, assessed against a range of business measures. The bonus paid to the current Commissioner, Peter Hendy, is up to a maximum of 50 per cent of base salary. The chief officers' bonus is currently up to a maximum of 30 per cent of base salary.

Pension arrangements

Chief officers are eligible to join the defined benefit TfL Pension Fund. The provisions for chief officers are designed to give a pension of up to two-thirds of final pensionable pay, part of which can be exchanged for a tax-free retirement lump sum (under current legislation). There is a death in service benefit of four times pensionable pay. Employee contribution is five per cent of pensionable pay. Further benefits are provided through the TfL Supplementary Pension Scheme. Only base salary is pensionable.

Other benefits

A private medical insurance scheme is provided. 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 modes. 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 discounts in line with the policy of the predecessor organisation.

Commissioner's remuneration

On 1 February 2006, Peter Hendy was appointed Commissioner of Transport for London by the TfL Board. His salary for 2006/07 was £320,000 pa.

His first bonus as Commissioner will be paid in July 2007.

Membership of the TfL Board, panels and committees

TfL Board

Ken Livingstone – **Chair**
 Dave Wetzel – **Vice Chair**
 Honor Chapman
 Christopher Garnett (from 28/03/07)
 Professor Stephen Glaister
 Kirsten Hearn
 Sir Mike Hodgkinson
 Judith Hunt (from 18/09/06)
 Eva Lindholm (from 18/09/06)
 Paul Moore
 Sir Gulam Noon
 Patrick O’Keeffe
 John Ormerod (until 09/08/06)
 Dr Rana Roy (from 28/03/07)
 Dabinderjit Singh Sidhu (from 18/09/06)
 Tony West

Special advisers to the Board

Peter Anderson (from 28/03/07)
 Lord Toby Harris
 Bryan Heiser
 Shiria Khatun (from 28/03/07)
 Murziline Parchment
 Lynn Sloman

Committees of the Board

Remuneration Committee

Ken Livingstone – **Chair**
 Sir Mike Hodgkinson
 Sir Gulam Noon

Safety, Health and Environmental Committee

Dave Wetzel – **Chair**
 Kirsten Hearn
 Paul Moore
 Tony West

Special adviser

Lord Toby Harris

External advisers

Richard Booth (until 31/12/06)
 Stuart Natrass (until 31/12/06)
 Gordon Sellers (from 06/03/07)
 Brian Wilkinson (from 06/03/07)

Finance Committee

Sir Mike Hodgkinson – **Chair**
 Honor Chapman
 Professor Stephen Glaister
 Judith Hunt (from 25/10/06)
 Eva Lindholm (from 25/10/06)
 John Ormerod (until 09/08/06)
 Dr Rana Roy (from 28/03/07)

Special adviser

Peter Anderson (from 28/03/07)

Audit Committee

Judith Hunt – **Chair** (from 25/10/06)
 Christopher Garnett (from 28/03/07)
 Professor Stephen Glaister
 (from 24/05/06 until 18/09/06)
 Sir Mike Hodgkinson
 Paul Moore (from 07/12/06)
 Patrick O’Keeffe

John Ormerod (Chair until 09/08/06)
Dabinderjit Singh Sidhu (from 25/10/06)

Special advisers

Bryan Heiser (until 28/06/06)
Murziline Parchment

Advisory panels

Rail Transport Advisory Panel

Peter Hendy – **Chair**
Paul Moore – **Vice Chair**
Steve Allen (from 28/03/07)
Ian Brown
Christopher Garnett (from 28/03/07)
Kirsten Hearn
Eva Lindholm (from 25/10/06)
Jay Walder (until 23/02/07)
Tony West

Special adviser

Bryan Heiser

Surface Advisory Panel

Peter Hendy – **Chair**
Dave Wetzel – **Vice Chair**
Steve Allen (from 28/03/07)
David Brown (from 20/09/06)
Christopher Garnett (from 28/03/07)
Professor Stephen Glaister (until 20/09/06)
Kirsten Hearn
Paul Moore
Patrick O’Keeffe
Jay Walder (until 23/02/07)
Tony West

Special advisers

Lord Toby Harris
Bryan Heiser
Shiria Khatun (from 28/03/07)
Lynn Sloman

Underground Advisory Panel

Peter Hendy – **Chair**
Professor Stephen Glaister – **Vice Chair**
Steve Allen (from 28/03/07)
Honor Chapman
Christopher Garnett (from 28/03/07)
Kirsten Hearn

Tim O’Toole
Dabinderjit Singh Sidhu (from 25/10/06)
Jay Walder (until 23/02/07)
Tony West

Special advisers

Peter Anderson (from 28/03/07)
Lord Toby Harris
Bryan Heiser
Murziline Parchment

Corporate and Equalities Advisory Panel

Peter Hendy – **Chair**
Judith Hunt – **Vice Chair**
Steve Allen (from 28/03/07)
Howard Carter
Kirsten Hearn
Nigel Marson (from 28/03/07)
Paul Moore
Ben Plowden (until 28/03/07)
Dr Rana Roy (from 28/03/07)
Dabinderjit Singh Sidhu
Valerie Todd
Jay Walder (until 23/02/07)

Special advisers

Shiria Khatun (from 28/03/07)
Murziline Parchment
Lynn Sloman

Strategic Planning Advisory Panel

Peter Hendy – **Chair**
Dave Wetzel – **Vice Chair**
Steve Allen (from 28/03/07)
Honor Chapman
Michèle Dix (from 28/03/07)
Professor Stephen Glaister
Sir Mike Hodgkinson
Eva Lindholm
Nigel Marson (from 28/03/07)
Malcolm Murray-Clark (from 28/03/07)
Ben Plowden (until 28/03/07)
Dr Rana Roy (from 28/03/07)
Jay Walder (until 23/02/07)

Special advisers

Peter Anderson (from 28/03/07)
Lynn Sloman

Glossary of terms

AVL

Automatic Vehicle Location

BAME

Black, Asian and Minority Ethnic

BSP

Borough Spending Plan

BTP

British Transport Police

CCTV

Closed circuit television

CTRL

Channel Tunnel Rail Link

DfT

Department for Transport

DLR

Docklands Light Railway

DTO

Directorate of Traffic Operations

GLA

Greater London Authority

HSE

Health and Safety Executive

InfracoInfrastructure company
(Metronet and Tube Lines)**KSI**

Killed or seriously injured casualties

LCCC

London Construction Consolidation Centre

LCDS

London Cycle Design Standards

LCN+

London Cycle Network Plus

LEZ

Low Emission Zone

LFP

London Freight Plan

LIP

Local Implementation Plan

LRS

London River Services

LTCC

London Traffic Control Centre

LU

London Underground

Met

Metropolitan Police Service

MTS

Mayor's Transport Strategy

ODA

Olympic Delivery Authority

PCO

Public Carriage Office

PFI

Private Finance Initiative

RNM

Road Network Management

RPI

Retail Price Index

PPP

Public Private Partnership

**SVD**

Selective Vehicle Detection

T2025

'Transport 2025: transport challenges for a growing city' report

TDM

Travel Demand Management

TfL

Transport for London

TLRN

Transport for London Road Network

TMO

Traffic Manager's Office

TPED

Transport Policing Enforcement Directorate

VCS

Victoria Coach Station

Alternative formats

An electronic version of TfL's Annual Report and Accounts 2006/07 is available at tfl.gov.uk/annualreport. It is also available in audio, Braille and a range of other languages.

To order the format you require, please tick the relevant box in the list opposite, include your name and address and return to Transport for London, Windsor House, 42-50 Victoria Street, London SW1H 0TL.

Alternatively, call 0207 222 5600 or email enquire@tfl.gov.uk.


 Audio (English)

 Arabic

إذا كنت تودّ الحصول على نسخة من هذه المعلومات باللغة العربية، يُرجى أن تضع علامة في هذا المربع، وأن تدوّن الاسم والعنوان في المقطع أدناه ثم تعيد هذه القسيمة إلينا على العنوان التالي. شكراً لك.

 Bengali

যদি আপনি বাংলা ভাষায় এই তথ্যটুকুর একটি কপি চান, তাহলে এই খালি ঘরে টিক চিহ্ন দিন এবং নিচের নাম এবং ঠিকানার অংশটুকু পূরণ করে নিয়ে এই ফরমটি আমাদের কাছে নিম্নলিখিত ঠিকানায় পাঠিয়ে দিন। ধন্যবাদ।

 Chinese

如欲索取本資料文件的中文（繁體字）版本，請在空格內打勾，並在下文填寫你的姓名和地址，然後把本表格寄交以下地址。謝謝。

 French

Cette information est disponible dans plusieurs langues, en format audio et en braille. Cochez la case appropriée pour préciser le format requis, indiquez votre nom et votre adresse et renvoyez le tout à TfL à l'adresse ci-dessous.

 Greek

Εάν θέλετε να λάβετε αντίτυπο των πληροφοριών αυτών στα ΕΛΛΗΝΙΚΑ, παρακαλούμε σημειώστε σ' αυτό το τετραγώνάκι, συμπληρώστε την παρακάτω ενότητα με όνομα και διεύθυνση και επιστρέψτε το παρόν έντυπο σε μας στην παρακάτω διεύθυνση. Ευχαριστούμε πολύ.

 Gujarati

જો તમને આ માહિતીની નકલ ગુજરાતી ભાષામાં મેળવવી હોય તો, કૃપા કરી બોક્સમાં નિશાની કરી, નીચેના વિભાગમાં તમારું નામ અને સરનામું પૂરું કરી, અને નીચે જણાવેલ સરનામે આ ફોર્મ અમને મોકલો. તમારો આભાર.

 Braille

 Hindi

यदि आपको इस जानकारी की एक कॉपी हिन्दी में चाहिए तो कृपया इस वाक्स में टिक करें, नाम और पता नीचे दिए गए भाग में भरें, और इस फार्म को हमें नीचे दिए गए पते पर वापिस भेजें। धन्यवाद।

 Punjabi

ਜੇ ਕਰ ਤੁਹਾਨੂੰ ਇਸ ਜਾਣਕਾਰੀ ਦੀ ਇਕ ਕਾਪੀ ਪੰਜਾਬੀ ਵਿਚ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰ ਕੇ ਇਸ ਬਾਕਸ ਵਿਚ ਟਿੱਕ ਕਰੋ, ਨਾਮ ਅਤੇ ਪਤਾ ਹੇਠ ਦਿੱਤੇ ਭਾਗ ਵਿਚ ਭਰੋ, ਅਤੇ ਇਸ ਫਾਰਮ ਨੂੰ ਹੇਠ ਦਿੱਤੇ ਗਏ ਪਤੇ ਤੇ ਸਾਡੇ ਕੋਲ ਵਾਪਸ ਭੇਜੋ। ਧੰਨਵਾਦ।

 Spanish

Esta información está disponible en distintos idiomas, así como en formato de audio y en braille. Por favor, marque la casilla correspondiente al formato requerido, complete su nombre y dirección, y devuélvalo a TfL a la dirección que se indica más abajo.

 Turkish

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