Transport for London

Statement of Accounts

for year ended 31 March 2003

MAYOR OF LONDON

Explanatory foreword

Activities

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

TfL's role is to implement the Mayor's Transport Strategy and manage the following transport organisations for which the Mayor is responsible.

Street Management is responsible for operating and improving conditions for all road users on a 580km network of London's main roads. Although comprising only 5 per cent of the Capital's roads, they carry approximately 33 per cent of its traffic. It also manages and maintains traffic signals across London. Projects range from maintenance and resurfacing through to new bus lanes, cycle lanes, pedestrian crossings, traffic calming measures, landscaping and tree planting. It is also responsible for congestion charging recently introduced in central London.

The Public Carriage Office is responsible for regulating the taxi and private hire trades, which range from minicabs to executive and chauffeur driven cars.

London Buses manages bus services in London. It plans routes, specifies service levels and monitors service quality. It is also responsible for bus stations and stops and other support services. The bus services are operated by private operators, which work under contract to TfL except for a small number of routes run by TfL's own operating company.

Dial-a-Ride, which provides door-to-door transport for Londoners with disabilities, is now operated by London Buses. Previously it was operated by six independent companies funded by TfL.

Croydon Tramlink, operated by a concessionaire, serves seven mainline stations and 55 bus routes in south London.

The Docklands Light Railway, also operated by a concessionaire, provides a highly accessible and reliable service, which is playing a key role in the regeneration of Docklands and southeast London and is fully integrated with other public transport modes.

Victoria Coach Station is the Capital's coach travel 'hub', handling more than 90% of central London's long-distance coach travel.

London's Transport Museum provides an insight into the role of transport in the growth and prosperity of London through its outstanding heritage collections and accessible displays.

London River Services is responsible for the management and operation of eight piers on the Thames and the licensing of boat services using those piers.

Cross London Rail Links, a joint venture formed with the Strategic Rail Authority, is tasked with promoting and developing two new rail routes through London.

On the 15 July 2003 London Underground became part of TfL having reached agreement on future funding and management of the network.

A full business review for the Group is included in the Annual Report which is available on our website (www.tfl.gov.uk).

Legal structure

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

- the Corporation which contains Street Management, the Public Carriage Office and the corporate centre and constitutes,

Explanatory foreword

for legal and accounting purposes, TfL;

- the Group which is made up of the Corporation and its subsidiaries as set out in Note 21.

The subsidiaries are subject to the accounting requirements of the Companies Acts and in accordance with the CIPFA SORP are consolidated into this Statement of Accounts.

Accounting statements

Under the GLA Act, the Corporation is treated as a local authority for accounting purposes and thus the Statement of Accounts has been prepared accordingly as described in the Statement of accounting policies. The Statement of Accounts comprises the following:

- Corporation and Group revenue accounts which show the income and expenditure on the provision of transport services and how the resultant net expenditure has been financed by Government grants and Council taxpayers;
- the balance sheets which show the overall financial position of the Corporation and the Group as a whole at 31 March 2003;
- Corporation and Group Statement of movements in reserves which summarises the movements in the fixed asset restatement reserve, the capital financing reserve, earmarked reserves and the general fund;
- Group cash flow statement summarising the inflows and outflows of cash for the Group;
- Statement of accounting policies;
- Notes to the accounts.

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 consolidated transactions, assets and liabilities of TfL and its subsidiaries.

Financial position

Government and the GLA provided transport grant funding of £1,024 million (2001/02 £717 million) and total revenue from fares and other services increased to £717 million (2001/02 £518 million). This increase was largely due to new bus contracts, which caused TfL's share of fares to rise by £150 million. Analysis of change in Group net debt is set out in Note 23.

TfL's revenue expenditure of £1,489 million was slightly under budget whilst capital expenditure financed from revenue was over spent by approximately the same amount as the revenue expenditure was under spent. Revenue was £18m under budget which was largely due to a shortfall in bus enforcement and congestion charging income.

Responsibilities for the statement of 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 the 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 Corporation's statement of accounts which, in the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Corporation at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts he has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance in TfL

Introduction

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 makes its adopted practices in this area open and explicit. On an annual basis it agreed to undertake a wide-ranging review of its relevant activities involving all senior managers to determine the degree to which TfL's methodologies conform to the Code's requirements. Where they have been found wanting action plans are being developed to identify and implement remedial action.

TfL's Governance Structure

The Mayor, who serves as its Chair, appoints the TfL Board. 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 regular 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.

In 2002/03 there were three advisory panels, drawn from the Board members, who provide strategic advice to the Commissioner on the development and the carrying out of policy in TfL:

- Rail Transport
- Surface Transport
- Street Management

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 the principles of corporate governance have been fully incorporated into the culture of the organisation, are applied within the management processes and are 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 easy access to TfL board papers and meetings.

Corporate Governance in TfL

Within the structures and processes dimension:

- ✓ the roles and responsibilities of board members and staff managers 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 is in the process of implementing 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 the priorities in the Mayor's strategy;
- ✓ 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.

The Statement of Corporate Governance Assurance

The Statement of Corporate Governance Assurance is set out on page 5. This reports on the current standard of corporate governance within TfL, 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.

Statement of Corporate Governance Assurance

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. 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. 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. A copy of TfL's Code is on our website (www.tfl.gov.uk) or can be obtained from TfL Company Secretariat, Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

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 adopted a risk management strategy.
TfL's General Counsel has been given the responsibility for:

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice;
- reporting 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 been given the responsibility to independently review 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.

The corporate governance arrangements put in place by TfL are more fully described on pages 3 and 4.

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

The aspect of the Code of Corporate Governance where further work is needed to ensure satisfactory levels of compliance is:

- the completion of the implementation of new management information systems which has progressed satisfactory in 2002/03.

Over the coming year we will take steps to ensure the above matter is properly addressed to enhance further our corporate governance arrangements.

Signed on behalf of the Board members and the Chief Officers of TfL by

K. Livingstone: Chair of the TfL Board

R. Kiley: Commissioner of TfL

Independent Auditor's report to Transport for London

We have audited the financial statements on pages 7 to 26, which have been prepared in accordance with the accounting policies applicable to local authorities and with those set out on pages 11 and 12.

This report is made solely to Transport for London in accordance with section 2 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 for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Finance Officer and the Auditor

As described on page 2, the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly the financial position of Transport for London and its income and expenditure for the year.

We review the statement of assurance on page 5 and report if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement covers all risks and controls, or to form an opinion on the effectiveness of the authority's corporate governance arrangements or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council'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 the information in the financial statements.

Opinion

In our opinion the financial statements present fairly the financial position of Transport for London as at 31 March 2003 and its income and expenditure for the year then ended.

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.

KPMG LLP KPMG LLP
Chartered Accountants
London
27 **November 2003**

Revenue accounts

year ended 31 March 2003	Note	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
Highways, roads and transport services					
Expenditure	3	**1,488.5**	1,072.2	**444.6**	375.4
Revenue	2	**(717.3)**	(518.4)	**(48.2)**	(23.3)
Depreciation net of release of deferred grants	9d	**135.3**	104.2	**125.9**	94.7
Capital financing charges		**126.8**	122.6	**126.8**	122.6
Net cost of services		**1,033.3**	780.6	**649.1**	569.4
Losses of joint venture company before grant	1	**12.6**	3.0	**-**	-
Depreciation net of release of deferred grants - reversal		**(125.9)**	(94.7)	**(125.9)**	(94.7)
Capital financing charges - reversal		**(126.8)**	(122.6)	**(126.8)**	(122.6)
Finance lease charges		**22.4**	22.1	**-**	-
Interest and investment income		**(7.7)**	(3.9)	**(7.6)**	(3.9)
Net operating expenditure	1	**807.9**	584.5	**388.8**	348.2
Transfer to/(from) reserves		**(10.1)**	9.2	**(9.2)**	9.2
Capital expenditure financed from revenue	7	**249.2**	132.2	**204.1**	96.2
Grant funding of subsidiaries and joint venture		**-**	-	**463.2**	274.1
Total amount to be met from government grant and local taxation		**1,047.0**	725.9	**1,046.9**	727.7
Transport grant		**(1,024.1)**	(717.1)	**(1,024.1)**	(717.1)
Other revenue grant		**(5.1)**	(0.5)	**(5.1)**	(0.5)
Precept		**(35.8)**	(10.1)	**(35.8)**	(10.1)
Surplus in the year		**(18.0)**	(1.8)	**(18.1)**	-

Balance sheets

at 31 March 2003	*Note*	**Group 2003 £m**	Group 2002 £m	**Corporation 2003 £m**	Corporation 2002 £m
Tangible fixed assets					
Infrastructure		**2,795.6**	2,597.5	**2,154.8**	1,964.8
Other property		**41.7**	37.0	**6.1**	6.5
Rolling stock and equipment		**288.6**	220.4	**59.4**	35.7
Non-operational assets		**120.2**	92.9	**104.5**	51.5
Total tangible fixed assets	*9*	**3,246.1**	2,947.8	**2,324.8**	2,058.5
Investment in subsidiaries and joint venture	*10*	**-**	-	**22.5**	22.5
Total fixed assets		**3,246.1**	2,947.8	**2,347.3**	2,081.0
Current assets					
Stocks	*11*	**4.5**	5.4	**3.9**	4.9
Debtors	*12*	**170.1**	134.3	**57.3**	35.0
Short-term investments		**162.6**	108.6	**148.3**	96.0
Cash at bank and in hand	*13*	**0.4**	16.3	**-**	-
Total current assets		**337.6**	264.6	**209.5**	135.9
Current liabilities					
Short-term borrowings		**(20.0)**	-	**(20.0)**	-
Creditors	*14*	**(324.0)**	(257.4)	**(179.7)**	(113.5)
Bank overdrafts		**(17.6)**	(21.8)	**(26.3)**	(19.8)
Total current liabilities		**(361.6)**	(279.2)	**(226.0)**	(133.3)
Net current assets/(liabilities)		**(24.0)**	(14.6)	**(16.5)**	2.6
Total assets less current liabilities		**3,222.1**	2,933.2	**2,330.8**	2,083.6
Creditors: due after more than one year	*15*	**(229.8)**	(230.4)	**(6.4)**	(8.5)
Provisions for liabilities and charges	*17*	**(89.5)**	(112.4)	**(76.1)**	(106.2)
Net assets excluding grants	*1*	**2,902.8**	2,590.4	**2,248.3**	1,968.9
Deferred grants	*16*	**(685.1)**	(650.8)	**(61.5)**	(55.2)
Net assets		**2,217.7**	1,939.6	**2,186.8**	1,913.7
Capital and reserves					
Capital financing reserve		**345.5**	176.4	**345.5**	176.4
Fixed asset restatement reserve		**1,851.3**	1,751.1	**1,823.2**	1,728.1
Reserves		**-**	9.2	**-**	9.2
General fund		**20.9**	2.9	**18.1**	-
Total capital employed		**2,217.7**	1,939.6	**2,186.8**	1,913.7

These accounts were signed on the 29 July 2003 by

Stephen Critchley
Chief Finance Officer

Statement of movements in reserves

year ended 31 March 2003	*Note*	Capital financing reserve £m	Fixed asset restatement reserve £m	Earmarked reserve £m	General fund £m	Total £m
Corporation						
Balance at 1 April 2002		176.4	1,728.1	9.2	-	1,913.7
Adjustment to net assets acquired	*9c*	-	145.9	-	-	145.9
Transfers from/(to) revenue account		204.1	-	(9.2)	18.1	213.0
Disposal of tangible fixed assets		4.2	(18.7)	-	-	(14.5)
Depreciation charge	*9b*	(39.2)	(88.6)	-	-	(127.8)
Release of deferred grants	*16*	-	1.9	-	-	1.9
Revaluation of tangible fixed assets	*9b*	-	54.6	-	-	54.6
Balance at 31 March 2003		**345.5**	**1,823.2**	**-**	**18.1**	**2,186.8**
Subsidiaries						
Balance at 1 April 2002		-	23.0	-	2.9	25.9
Transfers from/(to) revenue account		-	(0.9)	-	(0.1)	(1.0)
Revaluation of tangible fixed assets		-	6.0	-	-	6.0
Balance at 31 March 2003		**-**	**28.1**	**-**	**2.8**	**30.9**
Group balance at 31 March 2003		**345.5**	**1,851.3**	**-**	**20.9**	**2,217.7**

The system of capital accounting used by local authorities requires the establishment of two accounting reserves; the fixed asset restatement reserve and the capital financing reserve. They do not represent sums available to fund future expenditure.

Receipts over £6,000 from sale of property, plant and equipment are defined by law as capital receipts. Capital receipts are used to fund new capital expenditure in the year in which they are received. Capital receipts of the Corporation (not subsidiaries) are only recorded in the capital financing reserve when cash is received rather than when they are contractually committed. The remaining net book value (net of any unamortised grant) is charged to the fixed asset restatement reserve. Subsidiaries recognise capital receipts on exchange of contracts and the profit or loss after charging any remaining net book value (net of any unamortised grant) is taken to their profit and loss account.

The Corporation transfers the depreciation charge on assets acquired from predecessor bodies, net of amortised grant, to its fixed asset restatement reserve. The remaining depreciation charge is transferred to the capital financing reserve. The revaluation of property is credited to the fixed asset restatement reserve.

Group cash flow statement

Reconciliation of net operating expenditure to net cash outflow from operating activities

year ended 31 March 2003	*Note*	**2002/03 £m**	2001/02 £m
Net cost of services		**(1,033.3)**	(780.6)
Losses of joint venture company before grant		**(12.6)**	(3.0)
Depreciation net of release of deferred grants	*9d*	**135.3**	104.2
Capital financing charges		**126.8**	122.6
Decrease/(increase) in stocks		**0.9**	(0.2)
Decrease/(increase) in debtors		**(29.7)**	21.0
Increase in creditors due within one year		**35.7**	36.0
Increase in creditors due after more than one year		**-**	0.4
Increase in provisions for liabilities and charges		**4.0**	0.2
Net cash outflow from operating activities	*22*	**(772.9)**	(499.4)

Group cash flow statement

year ended 31 March 2003	*Note*	**2002/03 £m**	2001/02 £m
Net cash outflow from operating activities		**(772.9)**	(499.4)
Net interest and investment income			
Finance lease charges		**(22.4)**	(22.1)
Interest and investment income		**7.7**	3.9
		(14.7)	(18.2)
Capital expenditure and disposals			
Capital expenditure	*22*	**(283.4)**	(148.2)
Receipts from sale of fixed assets		**4.8**	4.4
		(278.6)	(143.8)
Net cash outflow		**(1,066.2)**	(661.4)
Financing and management of liquid resources			
Transport grant		**1,024.1**	717.1
Other revenue grant		**5.1**	0.5
Precept		**35.8**	10.1
Grant disbursements		**-**	(5.3)
Third-party contributions and other grant funding	*16*	**22.6**	10.1
Finance lease obligations	*22*	**0.9**	2.8
Investments	*23*	**(54.0)**	(71.1)
Short-term borrowings	*23*	**20.0**	-
Net cash inflow		**1,054.5**	664.2
Increase/(decrease) in cash	*23*	**(11.7)**	2.8

Statement of accounting policies

a) Code of practice

The accounts have been prepared in accordance with the 2002 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and approved by the Accounting Standards Board.

b) Basis of accounting

The accounts are made up to 31 March. The Group balance sheet is prepared on a fully consolidated basis and incorporates the totality of assets and liabilities of those companies in which the Corporation has a majority interest. 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.

c) Revenue 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 franchises, or contractors, providing transport services on behalf of the Group is only taken into account to the extent that the Group shares the risk of changes in the level of income earned by them.

d) Grants and other funding

The main source of grant is in the form of Transport grant, which is non-specific in that it is applied to both maintaining services and to fund capital expenditure. Once grant has been fully applied to meet the revenue and capital requirements of the Corporation the remainder is transferred to the subsidiaries. Capital grants transferred to the subsidiaries are taken to the deferred grants account in the Group balance sheet and are amortised to match the depreciation charge. Third party contributions towards capital expenditure are similarly treated. The Corporation has no long term borrowing and thus does not have a credit ceiling or a minimum revenue provision for the repayment of outstanding debt.

e) Capital financing charges

This interest charge recognises the cost of acquiring and holding assets (an opportunity cost) and is charged at a rate set annually by CIPFA (currently 6%). Capital financing charges are not levied on assets under construction. In order to nullify the impact on local taxpayers, these charges are reversed by crediting the revenue account below the net cost of services. Subsidiaries do not levy capital financing charges. Given that the Corporation is a single service authority, which is debt free, the Corporation does not have an asset management revenue account.

f) 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).

Statement of accounting policies

g) Stocks

Stocks consist primarily of materials required for the operation and maintenance of infrastructure. Stocks are included in the balance sheet at cost. Damaged and obsolete stock, where they occur, are written-off in the year. 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 will become part of assets under construction.

h) Debts outstanding

Provision is made for bad and doubtful debts and uncollectable debts are written-off to the cost of services.

i) Provisions

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

j) Reserves

Appropriations to reserves, if any, are shown in the revenue account. Expenditure on items for which the reserves were originally created is shown as service expenditure, whilst the corresponding contribution from the reserves is shown separately in the revenue account.

k) 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 claims.

l) Pensions

The costs of providing pensions are recognised on a systematic basis and are charged to the periods benefiting from the employees’ services. The difference between the charge and the contributions paid is shown as an asset or liability in the balance sheet.

m) Deferred taxation

Provision is made 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.

n) Leases

Assets held under a finance lease 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.

Rentals payable under operating leases (including PFI agreements) have been accounted for in the period to which they relate.

Notes to the accounts

1 Segmental analysis

	Sales revenue 2002/03 £m	Sales revenue 2001/02 £m	Net operating expenditure 2002/03 £m	Net operating expenditure 2001/02 £m	Net assets excluding grants 2002/03 £m	Net assets excluding grants 2001/02 £m
Corporation						
Street management	37.6	16.0	(273.4)	(216.5)	2,085.8	1,868.8
Borough partnerships	-	-	(24.3)	(92.1)	-	-
Bus priority	-	-	(20.1)	-	-	-
Taxi licensing	4.4	5.2	(2.8)	(0.6)	6.0	6.1
Planning & corporate management	6.2	2.1	(68.2)	(39.0)	134.0	71.5
	48.2	23.3	(388.8)	(348.2)	2,225.8	1,946.4
Subsidiary operations						
Bus operations	643.1	469.8	(359.8)	(194.2)	133.6	100.7
Rail operations	11.1	9.4	(32.7)	(30.8)	465.7	467.2
Victoria Coach Station	6.8	6.8	0.8	1.0	7.8	7.8
Museum	2.4	2.7	(3.8)	(2.8)	9.9	10.2
River services	1.6	1.5	0.3	0.1	20.6	19.8
Group services	4.1	4.9	(11.3)	(6.6)	39.4	38.3
Joint venture						
Cross London Rail Links	-	-	(12.6)	(3.0)	-	-
Group	717.3	518.4	(807.9)	(584.5)	2,902.8	2,590.4

The Dial-a-Ride operations were brought in-house on the 1 April 2002 and are now part of Bus operations. On the same date, Borough Partnerships transferred responsibility for most of its programmes to Street Management and Bus Priority.

2 Group sales revenue

	2002/03 £m	% of total	2001/02 £m	% of total
Fares	528.7	73.7	379.2	73.2
Revenue in respect of free travel for older and disabled people	108.0	15.1	81.5	15.7
Congestion charging	18.5	2.6	-	-
Charges to London Boroughs	10.3	1.4	10.3	2.0
Charges to transport operators	12.0	1.7	12.0	2.3
Bus enforcement	8.8	1.2	4.5	0.9
Commercial advertising receipts	8.5	1.2	8.7	1.7
Rents receivable	4.1	0.6	4.8	0.9
Taxi licensing	4.4	0.6	5.2	1.0
Museum income	2.4	0.3	2.7	0.5
Other	11.6	1.6	9.5	1.8
Total sales revenue	717.3	100.0	518.4	100.0

Notes to the accounts

3 Expenditure

	Note	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
Staff costs:					
Wages and salaries		**88.6**	63.7	**36.2**	27.1
Social security costs		**6.6**	4.8	**2.9**	2.0
Pension costs	*5*	**9.2**	6.5	**4.2**	2.9
		104.4	75.0	**43.3**	32.0
Operating leases and PFI charges	*19a*	**33.6**	26.5	**13.4**	11.9
Deferred charges	*25*	**91.1**	60.0	**91.1**	60.0
Other financial assistance		**46.4**	54.3	**46.4**	54.3
Materials and services		**1,492.8**	958.8	**462.7**	270.1
		1,768.3	1,174.6	**656.9**	428.3
Capital expenditure	*9a & b*	**(279.8)**	(102.4)	**(212.3)**	(52.9)
Expenditure		**1,488.5**	1,072.2	**444.6**	375.4

4 Employees' remuneration

Employees' remuneration, which includes their salaries, fees, performance bonus, benefits in kind, lump sums and termination payments but excludes pensions, for the year, fell within the following bands:

£	Corporation 2002/03 Number	Corporation 2001/02 Number
50,000 - 59,999	**35**	29
60,000 - 69,999	**15**	11
70,000 - 79,999	**9**	5
80,000 - 89,999	**5**	4
90,000 - 99,999	**2**	1
100,000 - 109,999	**4**	3
110,000 - 119,999	**2**	1
130,000 - 139,999	**1**	1
140,000 - 149,999	**-**	1
160,000 - 169,999	**1**	-
240,000 - 249,999	**2**	1
270,000 - 279,999	**1**	-
290,000 - 299,999	**-**	1
360,000 - 369,999	**1**	-
520,000 - 529,999	**-**	1
Total	**78**	59

Notes to the accounts

5 Pensions

The majority of the Group's staff are members of the LRT Pension Fund. The LRT Pension Fund, to which the Group contributes, is a final salary scheme established under trust. Its finances are, therefore, quite separate from those of the Group. The Fund's Trustee is the LRT Pension Fund Trustee Company Limited, a wholly owned subsidiary of London Transport. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by London Transport and on behalf of the Fund's membership. London Transport and its subsidiaries also participate in the Fund and it is not possible to identify the Group's share of the underlying assets and liabilities. The majority of the Group's remaining staff belong to the Local Government Pension Scheme and the Principal Civil Service Pension Scheme.

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', the disclosures are those required under the transitional provisions of FRS 17 'Retirement benefits' for multi-employer schemes. In accordance with SSAP 24 the pension charge in respect of the LRT Pension Fund is the cost of the benefits, less the value of the actuarial surplus spread over the expected remaining service lives of current employees. Full provision of £0.8 million (2001/02 £1.2 million) for the difference between the SSAP 24 charge of 14% of pensionable pay (2001/02 14%) and the actual contributions paid to the pension fund is made in these accounts (see Note 17).

Every 3 years, the LRT 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 results of the valuation are expected in the Autumn. A separate valuation has been prepared for accounting purposes on a FRS 17 basis as at 31 March 2003. 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 are 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 Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Group is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999. Details can be found in the Civil Superannuation resource accounts (www.civilservice-pensions.gov.uk).

Employers' contributions were payable to the PCSPS at one of four rates in the range 12% to 18.5% of pensionable pay, based on salary bands. Rates will remain the same 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.

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. Employers' contributions were payable at the rate of 13.2% (2001/02 13.2%) of pensionable pay. The Group's share of the underlying assets and liabilities resulted in a deficit of £4.4 million (2001/02 £1.3 million). The annual report and accounts for the whole scheme can be found on the London Pension Fund Authority website (www.lpfa.org.uk).

Notes to the accounts

5 Pensions continued

	FRS 17 valuation at 31 Mar 2003 %	FRS 17 valuation at 31 Mar 2002 %	Actuarial valuation at 31 Mar 2000 %
The main actuarial assumptions used for the LRT Pension Fund were:			
Pensionable pay	**4.00**	4.00	4.50
Pension increases	**2.50**	2.50	3.00
Discount rate	**5.60**	5.80	5.30
Inflation	**2.50**	2.50	3.00
Investment return	**7.00**	7.20	7.25

The information below relates to the public sector section of the LRT Pension Fund in which London Transport and its subsidiaries also participate:

	Expected return %	Value at 31 Mar 2003 £m	Expected return %	Value at 31 Mar 2002 £m
Equities	**8.6**	**1,347**	8.2	1,853
Bonds	**4.9**	**984**	5.1	953
Cash, property and other assets	**4.8**	**9**	4.6	46
Total market value of assets		**2,340**		2,852
Present value of scheme liabilities		**(3,270)**		(3,069)
Deficit in the public sector section		**(930)**		(217)

The present value of scheme liabilities have been discounted using the return on high quality corporate bonds of 5.6% (2001/02 5.8%) in accordance with FRS 17 – 'Retirement Benefits'. However, the Code of Practice on Local Authority Accounting uses the return on index-linked gilts of 6.1% (2001/02 6%) to discount the liabilities, which currently being slightly higher than the return on corporate bonds reduces the deficit in the scheme to £711 million (2001/02 £132 million). Although the actuarial valuation for funding purposes will not be completed until the Autumn, investment changes over the last few years are such that a deterioration in the Fund's overall financial position might be anticipated. If this were confirmed, there would need to be an increase in the rate of contributions paid by the employers from 1 April 2004.

	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
LRT Pension Fund	**6.4**	4.5	**1.6**	1.1
Principal Civil Service Pension Scheme	**0.5**	0.4	**0.5**	0.4
Local Government Pension Scheme	**1.8**	1.1	**1.8**	1.1
Other schemes	**0.5**	0.5	**0.3**	0.3
Total pension charge	**9.2**	6.5	**4.2**	2.9

Notes to the accounts

6 Publicity

	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
Staff advertisements	**2.5**	0.9	**1.9**	0.6
Mayor's transport strategy	**-**	0.6	**-**	0.6
Other publications	**0.2**	0.1	**0.2**	0.1
Other publicity	**1.0**	2.1	**0.6**	1.7
	3.7	3.7	**2.7**	3.0

7 Capital financing

	Note	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
Additions to fixed assets	*9a & b*	**279.8**	102.4	**212.3**	52.9
Provision for credit liabilities		**0.4**	-	**0.4**	-
Settlement of prior years' liabilities		**31.4**	53.9	**31.4**	53.9
Funded by:					
Creditors & other working capital movements		**(35.0)**	(10.1)	**(27.6)**	-
Third-party contributions & other grant funding	*16*	**(22.6)**	(10.1)	**(8.2)**	(7.9)
Disposal of tangible fixed assets		**(4.8)**	(3.9)	**(4.2)**	(2.7)
Capital expenditure financed from revenue		**249.2**	132.2	**204.1**	96.2

8 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. No liability for corporation tax arises in respect of the current year. At 31 March 2003 it is estimated that losses for taxation purposes available to offset future profits are £110 million (2002 £110 million) in the Group. Final agreement of these losses is outstanding with the Inland Revenue but these are not expected to be below the figures stated.

At 31 March 2003 it is estimated that accelerated capital allowances of £1.9 million (2002 £1.6 million) had been claimed by the subsidiaries. No provision for deferred taxation for timing differences is required at the Group level due to the quantum of tax losses. 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

9 Tangible fixed assets

a) Group	Note	Infrastructure £m	Other property £m	Rolling stock and equipment £m	Non-operational assets £m	Total £m
Gross valuation						
Balance at 1 April 2002		4,194.5	38.9	327.9	92.9	4,654.2
Additions to fixed assets		210.5	0.9	51.9	16.5	279.8
Disposals		(80.8)	-	(12.0)	(2.0)	(94.8)
Transfers & adjustments	*9c*	108.1	-	51.0	(42.6)	116.5
Revaluation		-	5.0	-	55.6	60.6
Gross valuation at 31 March 2003		**4,432.3**	**44.8**	**418.8**	**120.4**	**5,016.3**
Depreciation						
Balance at 1 April 2002		1,597.0	1.9	107.5	-	1,706.4
Disposals		(63.4)	-	(11.9)	-	(75.3)
Depreciation charge	*9d*	143.6	1.2	23.5	0.2	168.5
Adjustments	*9c*	(40.5)	-	11.1	-	(29.4)
Balance at 31 March 2003		**1,636.7**	**3.1**	**130.2**	**0.2**	**1,770.2**
Net book value at 31 March 2003		**2,795.6**	**41.7**	**288.6**	**120.2**	**3,246.1**
Net book value at 31 March 2002		2,597.5	37.0	220.4	92.9	2,947.8
Net book value at 31 March 2003 includes the following leased assets		204.1	-	37.9	-	242.0

b) Corporation

	Note	Infrastructure £m	Other property £m	Rolling stock and equipment £m	Non-operational assets £m	Total £m
Gross valuation						
Balance at 1 April 2002		3,375.9	6.9	41.1	51.5	3,475.4
Additions to fixed assets		179.9	0.9	30.9	0.6	212.3
Disposals		(54.6)	-	(0.1)	(2.0)	(56.7)
Transfers & adjustments	*9c*	105.6	(0.1)	12.0	(1.0)	116.5
Revaluation		-	(1.0)	-	55.6	54.6
Gross valuation at 31 March 2003		**3,606.8**	**6.7**	**83.9**	**104.7**	**3,802.1**
Depreciation						
Balance at 1 April 2002		1,411.1	0.4	5.4	-	1,416.9
Disposals		(37.8)	-	(0.2)	-	(38.0)
Depreciation charge	*9d*	119.2	0.2	8.2	0.2	127.8
Adjustments	*9c*	(40.5)	-	11.1	-	(29.4)
Balance at 31 March 2003		**1,452.0**	**0.6**	**24.5**	**0.2**	**1,477.3**
Net book value at 31 March 2003		**2,154.8**	**6.1**	**59.4**	**104.5**	**2,324.8**
Net book value at 31 March 2002		1,964.8	6.5	35.7	51.5	2,058.5

Notes to the accounts

9 Tangible fixed assets continued

c) Tangible fixed assets – valuation and depreciation

Operational assets
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. The write down to reflect the expired lives at acquisition is shown separately in Notes 9a) and b). Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling and bus stations and stands. Whilst a condition survey supported the assets transferred to the Corporation by the Highways Agency, the records provided in respect of the assets transferred from the London Borough Councils were incomplete. Their fair values were thus initially estimated but have been amended in the current year following the completion of a condition survey. The gross valuation has been increased by £116.5 million and the depreciation has been reduced by £29.4 million, increasing the net book value by £145.9 million. This adjustment has been credited to the fixed asset restatement reserve.

Other property consists of business properties, used by the Group for its own transport 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 2003 (on an existing use basis) by the Managing Director, London Underground Property, Colin Smith, FRICS, in accordance with the Royal Institution of Chartered Surveyors' guidelines. The revaluation is credited to the fixed asset restatement reserve.

Non-operational assets
This includes property awaiting disposal and assets under construction. The properties are valued like other property but with additional consideration of alternative uses. Assets under construction are carried at historic 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	100 years	Bridges and viaducts	100 years
Track	50 years	Road pavement	15 years
Road foundations	50 years	Signalling	15 years
Stations	50 years	Other property	20-50 years
Rolling stock	30 years	Lifts and escalators	25 years
Plant and equipment	3-30 years		

Leasehold properties are amortised over the lease term.

Notes to the accounts

9 Tangible fixed assets continued

d) Depreciation charge

	Note	Group 2002/03 £m	Group 2001/02 £m	Corporation 2002/03 £m	Corporation 2001/02 £m
Depreciation for the period:					
- on the historical cost of depreciated fixed assets		**160.8**	128.5	**127.8**	98.0
- on the revaluation element of depreciated fixed assets		**0.9**	0.7	**-**	-
- on assets held under finance leases		**6.8**	6.2	**-**	-
Total depreciation charge	*9a & b*	**168.5**	135.4	**127.8**	98.0
Less: release of deferred grants	*16*	**(33.2)**	(31.2)	**(1.9)**	(3.3)
Depreciation net of release of deferred grants		**135.3**	104.2	**125.9**	94.7

e) 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 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Infrastructure	**4,425.3**	4,186.1	**3,606.8**	3,375.9
Other property	**40.4**	39.5	**8.7**	7.9
Rolling stock and equipment	**411.9**	321.1	**83.9**	41.1
Non-operational assets	**59.0**	87.2	**43.9**	46.3
Gross cost	**4,936.6**	4,633.9	**3,743.3**	3,471.2
Less accumulated depreciation	**(1,760.5)**	(1,696.4)	**(1,477.3)**	(1,416.9)
Net written down cost	**3,176.1**	2,937.5	**2,266.0**	2,054.3

f) Group assets

	Group 2003 Number	Group 2002 Number
Railway carriages	**94**	70
Track (kilometres)	**58**	58
Railway stations	**34**	34
Bridges and viaducts	**854**	852
Roads (kilometres)	**580**	580
Car ferries	**3**	3
Buses	**483**	393
Bus stations and stands	**90**	90
Bus shelters	**8,174**	7,933
Offices	**6**	6
Piers	**8**	8

Notes to the accounts

10 Investment in subsidiaries and joint venture

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Balance at 1 April 2002	-	-	22.5	23.7
Profits of subsidiary companies - reversed	-	-	-	(1.2)
Share of gross assets of joint venture	2.4	1.0	-	-
Share of gross liabilities of joint venture	(2.4)	(1.0)	-	-
Balance at 31 March 2003	-	-	22.5	22.5

In common with other local authorities, the Corporation does not account for the profits or losses of subsidiary companies in its own books.

11 Stocks

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Maintenance stores	4.0	4.9	3.9	4.9
Goods purchased for resale	0.5	0.5	-	-
	4.5	5.4	3.9	4.9

12 Debtors

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Trade debtors	87.2	50.0	33.0	13.1
Amounts due from London Transport Group	69.3	78.8	-	-
Amounts due from group companies	-	-	21.0	21.7
Prepayments and accrued income	13.6	5.5	3.3	0.2
	170.1	134.3	57.3	35.0

13 Cash at bank and in hand

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Cash at bank	-	16.0	-	-
Cash in hand and in transit	0.4	0.3	-	-
	0.4	16.3	-	-

Notes to the accounts

14 Creditors: amounts falling due within one year

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Trade creditors	166.0	131.2	101.1	81.4
Capital works	76.3	42.0	64.3	25.4
Salaries and wages	2.1	2.1	0.6	0.6
Amounts due to London Transport Group	-	-	13.7	4.6
Amounts due to group companies	-	-	-	1.5
Receipts in advance for Travelcards and Bus Passes	79.6	82.1	-	-
Total creditors falling due within one year	324.0	257.4	179.7	113.5

15 Creditors: due after more than one year

	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Retentions on capital contracts	7.1	8.6	6.4	8.5
Finance lease obligations re DLR Lewisham extension	222.7	221.8	-	-
	229.8	230.4	6.4	8.5
Finance lease obligations repayable:				
Within one year	1.0	-	-	-
Between one and five years	10.9	7.7	-	-
Thereafter	210.8	214.1	-	-
	222.7	221.8	-	-

16 Deferred grants

	Note	Group 2003 £m	Group 2002 £m	Corporation 2003 £m	Corporation 2002 £m
Balance at 1 April 2002		650.8	643.1	55.2	50.6
Transport grant		45.7	37.3	-	-
Third-party contributions and other grant funding		22.6	10.1	8.2	7.9
Release of deferred grant:					
- to meet the depreciation charge	*9d*	(33.2)	(31.2)	(1.9)	(3.3)
- on disposal of tangible fixed assets		(0.8)	(8.5)	-	-
Balance at 31 March 2003		685.1	650.8	61.5	55.2

Notes to the accounts

17 Provisions for liabilities and charges

	Note	At 1 April 2002 £m	Unused amounts reversed £m	Payments in year £m	Increase in provision £m	At 31 Mar 2003 £m
Group						
Claims for compensation	*19b*	111.2	(0.9)	(31.6)	10.0	**88.7**
SSAP 24 pension provision	*5*	1.2	-	(9.5)	9.1	**0.8**
		112.4	(0.9)	(41.1)	19.1	**89.5**
Corporation						
Claims for compensation		105.9	(0.7)	(31.2)	1.9	**75.9**
SSAP 24 pension provision		0.3	-	(4.3)	4.2	**0.2**
		106.2	(0.7)	(35.5)	6.1	**76.1**

18 Capital commitments

	Group 2003 £m	Group 2002 £m	**Corporation 2003 £m**	Corporation 2002 £m
In respect of contracts placed for:				
Road projects	**45.3**	36.0	**45.3**	36.0
Rail projects	**157.2**	8.0	**-**	-
Other projects	**10.2**	12.0	**-**	-
	212.7	56.0	**45.3**	36.0

19 Financial commitments

a) Operating leases

The total estimated amount payable under property leases, PFI agreements (including related services) and other non-cancellable operating leases analysed by the period of expiry, is shown below:

	Group 2003 £m	Group 2002 £m	**Corporation 2003 £m**	Corporation 2002 £m
Property leases expiring:				
Within one year	**0.9**	0.5	**0.5**	0.4
Between one and five years	**0.5**	0.6	**-**	0.4
Thereafter	**6.7**	6.7	**5.1**	5.5
	8.1	7.8	**5.6**	6.3
PFI agreements and other leases expiring:				
Within one year	**0.4**	1.3	**-**	-
Between one and five years	**0.3**	0.4	**-**	-
Thereafter	**30.4**	18.6	**13.9**	4.5
	31.1	20.3	**13.9**	4.5

Notes to the accounts

19 Financial commitments continued

The Group leases certain properties on short-term and long-term leases. The rents payable on these leases were £8.2 million (2001/02 £6.4 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.

The Group has PFI agreements and leases in respect of road schemes (including congestion charging), the DLR Lewisham extension, Croydon Tramlink, ticketing equipment and motor vehicles. Given the substantial risks retained by the private sector, these transactions, other than the DLR Lewisham extension, are accounted for as operating leases and the assets provided are, therefore, not included in the Balance sheet. The total operating lease rentals of £25.4 million (2001/02 £20.1 million), which includes the cost of routine maintenance and repairs, once operational are charged to revenue over the remaining period of the agreements.

b) Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. The financial statements include management's best estimate of the outcome of these uncertainties (see Note 17).

20 Related parties

The Transport for London Board members are appointed by the Mayor of London.

The Corporation has had no material transactions during the year with related parties other than with group companies. The Corporation is exempt from disclosing transactions with other group companies.

21 Principal subsidiaries and joint ventures

Subsidiaries	**Activity**
Transport Trading Limited	Holding company
London Bus Services Limited	Passenger transport by bus
Docklands Light Railway Limited	Passenger transport by rail
Victoria Coach Station Limited	Coach station
London River Services Limited	Pier operator
London Buses Limited	Bus operator
Joint venture	
Cross London Rail Links Limited	Passenger transport by rail

The Corporation owns all the ordinary share capital of its subsidiaries and 50% 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 London Bus Services and Docklands Light Railway.

On 15 July 2003, London Transport transferred the entire share capital of London Underground to Transport Trading.

Notes to the accounts

22 Group cash flow statement: reconciliation with the accounts

	Operating activities £m	Capital expenditure £m	Lease obligations £m	Balance sheet movement £m
Amounts included in the accounts	(1,033.3)	(279.8)	-	
Losses of joint venture company	(12.6)	-	-	
Depreciation net of release of deferred grants	135.3	-	-	
Capital financing charges	126.8	-	-	
Decrease in stocks	0.9	-	-	0.9
Increase in debtors	(29.7)	(6.1)	-	(35.8)
Increase in creditors due within one year	35.7	30.9	-	66.6
Increase/(decrease) in creditors due after one year	-	(1.5)	0.9	(0.6)
Increase/(decrease) in provisions	4.0	(26.9)	-	(22.9)
Group cash flow statement	**(772.9)**	**(283.4)**	**0.9**	

23 Analysis of change in group net debt

	Note	At 1 April 2002 £m	Movement £m	At 31 Mar 2003 £m
Cash at bank and in hand	*13*	16.3	(15.9)	0.4
Bank overdrafts		(21.8)	4.2	(17.6)
Total cash		(5.5)	(11.7)	(17.2)
Investments		108.6	54.0	162.6
Short-term borrowings		-	(20.0)	(20.0)
Finance lease obligations	*15*	(221.8)	(0.9)	(222.7)
Total of net debt		**(118.7)**	**21.4**	**(97.3)**

24 Congestion charging

On 17 February 2003 congestion charging was introduced in central London at a daily rate of £5 per car or goods vehicle. Due to one-off startup costs there were no net proceeds, calculated as follows, available for approved transport projects.

	Note	Group and Corporation 2002/03 £m
Revenue	*2*	18.5
Expenditure - toll facilities		(58.2)
- traffic management		(4.2)
Deferred charges	*25*	(14.0)
Depreciation		(0.3)
Capital financing charges		(0.1)
Interest		-
Net expenditure		**(58.3)**

Notes to the accounts

25 Deferred charges

Contributions towards the following projects undertaken by the London Boroughs or assets constructed on their land, have been treated as deferred charges. These contributions have been charged to expenditure.

	Note	**Group and Corporation 2003 £m**	Group and Corporation 2002 £m
Balance at 1 April 2002		**-**	-
Hungerford Bridge		**-**	8.2
Bus priority		**20.5**	26.8
Safety schemes		**19.5**	14.1
Cycle network		**5.9**	4.8
Congestion charging		**14.0**	4.0
Trafalgar Square		**9.7**	2.1
Bridge strengthening		**13.3**	-
Local traffic and pedestrian improvements		**5.1**	-
Parking control and enforcement		**1.7**	-
Other Borough projects		**1.4**	-
Charged to expenditure	*3*	**(91.1)**	(60.0)
Balance at 31 March 2003		**-**	-

26 Post balance sheet event

On the 15 July 2003 London Underground became part of TfL having reached agreement on future funding and management of the network.