Transport for London

Annual Report and Statement of Accounts

2007/08

MAYOR OF LONDON

Transport for London

> Over the past year we have continued to see the results of increased investment in transport

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> The year at a glance

> Here are some key highlights from the year 2007/08.

April 07
First campaign to boost walking is launched

May 07
FA cup final showcased Wembley Park Tube station

June 07
New DLR platform opens at Stratford

October 07
Crossrail go-ahead and long-term funding settlement

November 07
London Overground launched

December 07
New DLR station opens at Langdon Park

August 07
TfL seeks Metronet exit from Administration

July 07
Tour de France draws two million people to the streets of London

September 07
3-in-1 card brings Oyster convenience to Barclaycard customers

February 08
Low Emission Zone launched

January 08
Dial-a-Ride becomes free for all users

March 08
Tube carries a record number of passengers and London Buses carries more than two billion passengers

> Message from the Mayor

Annual reports are always about looking backwards at the achievements of the last year – but, for obvious reasons, I want to look to the future.

Transport for London (TfL) has achieved a tremendous amount in its management of our transport system – securing substantial long-term Government funding and beginning an exciting programme which will vastly improve transport capacity over the coming years. But a massive amount of work is necessary to deliver the transport system that London deserves and, indeed, needs to stay ahead of our global competitors.

At the heart of this future are Crossrail, the upgrade of the Tube and making better use of the road network.

Crossrail will increase public transport capacity by a remarkable 10 per cent. I have sought, and received, assurances from Government that the funding is secure. We now have the powers to build it and work on the ground will begin next year.

The vital upgrade of the Tube is a project of monumental scale and complexity, but will bring with it the greater comfort and reliability we all crave. Investment in other areas, described in this report, will be fundamental in ensuring the success of the London 2012 Olympic and Paralympic Games.

I am determined to make London's roads work better, and to smooth traffic flow. TfL needs to work on this.

There will be a relentless focus on delivering this huge programme while demonstrating clear value for money for the fare and tax payer.

We must also ensure that transport improves the quality of life for all Londoners. I will listen closely to the public's views on the western extension of the Congestion Charge zone, and make the Congestion Charge easier to pay. There is now a clear timetable of doom for the bendy bus and the exciting prospect of a new Routemaster fit for 21st century London.

Improved safety and security is also high on the agenda. I have already taken action to recruit 440 new officers to patrol the bus network and to bolster policing on the Tube. I have also banned the consumption of alcohol on the system. My Pay Back London scheme will make further progress in this area.

As a keen cyclist, I have been hugely encouraged by the proliferation of bicycles on our streets. Ditto pedestrians. Since 2000, for example, the number of cycle journeys made on London's major roads has surged by a fantastic 91 per cent. So far so good, but we still need a step change. Expect exciting developments such as a Paris-style bicycle hire scheme in 2010 and a real focus on the promotion of sustainable forms of transport.

Everyone in London has a chance to influence the direction of transport policy. I will soon publish my Direction of Travel document, followed by the redrafting of the Mayor's Transport Strategy next year. Both will give opportunities for public consultation – and I urge you to speak up.

So, while saluting TfL's achievements last year and since 2000, my focus is firmly on the future. I am determined to make sure that TfL delivers better, cleaner, greener and safer transport for all Londoners and those who visit our great city.

Boris Johnson
Mayor of London

> Commissioner's foreword

Since the period covered by this report, Boris Johnson has, of course, been elected as Mayor of London. TfL's congratulations go to him and his team.

We have immediately set about delivering the new Mayor's transport priorities including, among other things, more uniformed officers on the bus network and Tube, banning consumption of alcohol on the transport network, consulting on the future of the western extension of the Congestion Charge zone and holding a competition to develop a new Routemaster for the 21st century. And we have continued to focus on delivering much needed additional capacity to public transport through the modernisation of the Tube, taking forward Crossrail, and through projects such as the East London line, which will ensure the success of London 2012 and leave a lasting transport legacy.

We are also working closely with the Mayor and his team in drawing up his longer-term strategy, the principles of which will be published through his Direction of Travel document later this year followed by the full detail in the form of a revised Mayor's Transport Strategy next year.

There is a huge amount of work to be done to improve London's transport to meet the needs of a growing and vibrant city. I look forward to continuing to work with Boris, his team and other key stakeholders such as London's 33 boroughs to implement his strategy and priorities in the period ahead.

Looking back at 2007/08, demand for public transport continued to rise, with record numbers of people using the Tube and the highest number of passengers on the bus network since 1962. Even allowing for recent developments in the financial markets, rising demand looks set to continue. At the same time, we continued with our programme to modernise our ageing transport infrastructure.

In October 2007, a 10-year £39bn funding package was agreed with Government to maintain our Investment Programme. This enables us to upgrade the Tube, build Crossrail and deliver projects to ensure the success of the London 2012 Olympic and Paralympic Games. However, very significant challenges remain in meeting the public transport needs of a growing Capital, including managing the financial consequences of the collapse of Metronet and the cost pressures of the Tube Lines periodic review under the Tube PPP arrangements. We will set out what this means in our Business Plan to be published later this year, including the steps we are taking to make further cost savings and efficiencies at TfL, in keeping with the Mayor's commitment to taxpayer value.

As has been well documented, Metronet's collapse in July 2007 was a major setback for London. We moved quickly to remove it from PPP Administration, something we achieved in May 2008 through the hard work of London Underground's (LU's) management and all the staff concerned. That the network continued to run safely and reliably, and in fact improved performance, during this period of turmoil is testament to their efforts. With Metronet under our control, we have renegotiated key contracts covering new trains, track and signalling, saving hundreds of millions of pounds to fare and tax payers in the process.

In October 2007, the Prime Minister gave the green light for the funding of Crossrail. This £16bn rail link will boost London's public transport capacity by 10 per cent and will ease congestion on many Tube lines. The Crossrail Bill received Royal Assent in July this year, and over the coming months we will see important milestones reached with the appointment of the design and delivery partners. After years of campaigning for Crossrail, we can now get down to delivering it, on time and on budget.

London Overground services were launched in November 2007 with immediate delivery of widespread improvements for passengers including more station staff, integrated Oyster ticketing and deep-cleaned stations. We look forward to delivering further benefits in the period ahead, including more frequent and reliable services and new trains.

As part of our commitment to enhancing the environment, the London-wide Low Emission Zone was successfully introduced in February 2008 to reduce traffic pollution and improve air quality. The Zone is the first scheme of its type in the UK and the largest anywhere in the world. Early monitoring results are excellent, with 96 per cent of lorries over 12 tonnes now meeting required emissions standards.

The promotion of more sustainable forms of transport, particularly cycling and walking, remained high on our agenda and will continue to do so. In July, we were delighted to host the Tour de France Grand Départ which drew two million spectators to the streets of London. We have every intention of building on the momentum this has given to cycling in the Capital and we are working with the Mayor on a whole range of projects that will boost cycling numbers even further.

Our staff and the partners we work with are vital to our ongoing success, and we continue to invest in them and make sure our people reflect the city they serve. Our thanks go to all our staff and those of our contractors for their hard work and commitment.

As the Mayor says, the people of London deserve a better transport system and TfL is getting on with the job of delivering it. We look forward to delivering his policies for the benefit of London.

Peter Hendy CBE
Commissioner
Transport for London

>Surface Transport

> During 2007/08, bus passenger numbers reached their highest level since 1962. T
reduce harmful emissions in the Capital.

> Supporting economic development

In the year to March 2008, there were more than 2,176 million passenger journeys* made on the bus network. This was a five per cent increase on the previous year. Over the past 12 months, travelling conditions for bus passengers have also improved through the creation of 559 bus priority schemes.

In 2007/08, TfL started the network-wide roll-out of its £117m iBus passenger information system, which is revolutionising the way bus services are delivered and monitored. The system uses wireless, satellite and networking technology to provide audio and visual information to bus passengers, drivers and controllers. The Intelligent Transport Society (ITS) for the UK presented London Buses with the 2007/08 Annual Award for Excellence for the iBus system.

Official crime figures from the Metropolitan Police Service (Met) showed that levels of bus-related crime in the first half of 2007/08 were 11 per cent lower than the same period in 2006/07. There were 15 crimes per million passenger journeys on the bus network over this period.

he London Low Emission Zone was introduced, together with a number of other initiatives to help

> Buses operational performance

	2007/08	2006/07	2005/06	2004/05	2003/04
Passenger journeys (millions)	2,176*	1,880	1,816	1,793	1,702
Kilometres operated (millions)	468	458	454	450	437
Percentage of schedule operated (per cent)	97.5	97.5	97.7	97.7	97.2
Excess wait time (high frequency) (minutes)	1.1	1.1	1.1	1.1	1.4
Passenger satisfaction (per cent)	79	78	78	78	77

* The methodology for calculating bus passenger journeys changed from April 2007 and the re-based figure for 2006/07 for comparison is 2,069 million.

A review of the Transport Operational Command Unit, which is funded by TfL and operated by the Met, was undertaken during 2007/08. The review made a number of recommendations that will deliver a greater focus on neighbourhood policing and local engagement; greater alignment and co-ordination with Safer Transport Teams, which were introduced in February 2007; and a dedicated workplace violence unit to tackle staff assaults for those working on London buses. TfL is working with the Met to finalise implementation plans.

In 2006, TfL was granted the power to apply for Antisocial Behaviour Orders (ASBOs) in its own right by the Home Secretary. In September, TfL won its first ASBO against a persistent graffiti vandal who is now banned from the top deck of any public bus in England and Wales.

Central to the safe and secure movement of people and goods is a well maintained road network that is fit for purpose. The TfL Road Network (TLRN), London's red routes, consists of 580km of London's busiest roads, 1,800 structures and 45,000 lamp columns: infrastructure with an asset value of more than £4bn.

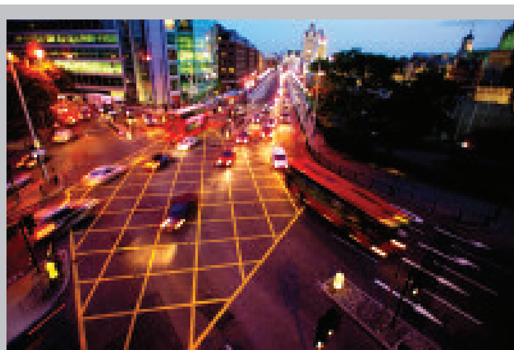
In 2007/08, 94 lane kilometres of carriageway and 13.8 lane kilometres of footway on the TLRN, together with 130 lane kilometres of carriageway and 21 lane kilometres of footway, and 240 signal sites on the Borough Principal Road Network (BPRN), have been brought up to a state of good repair.

More than five years after the Congestion Charge was launched, and over a year after the western extension began, 70,000 fewer cars enter the original zone each day compared to pre-charging levels, and 30,000 fewer cars enter the western extension. However, decreasing levels of road space in both the original and western zones has caused congestion to return to levels experienced before the charge was introduced.

A widespread programme of water and gas mains replacement works has greatly reduced the road capacity in both zones, as have various traffic management measures to assist pedestrians and other road users. Without the Congestion Charge, London would be gridlocked.

TfL also brought Congestion Charge penalties in line with the rate of

Rules of the road campaign



Red route enforcement

According to figures for the first six months of 2007/08, crime on London's buses is 11 per cent lower than a year ago

penalties issued by London boroughs for traffic and parking offences. From 10 December the penalty charge for not paying the £8 charge for using the zone was set at £120, reduced to £60 if paid within 14 days.

TfL continues to look at other ways of reducing congestion and keeping traffic moving on the Capital's roads. TfL's London Traffic Control Centre continued to handle congestion through the proactive management of approximately 13,000 incidents and events during the course of 2007/08.

Other initiatives included the review of signal timings at 770 sites across the Capital to optimise traffic flows, a campaign to encourage motorists to follow the rules of the road and, in partnership with the Highways Agency, a version of the Capital's traffic radio, which will complement TfL's existing traffic news service – tfl.gov.uk/trafficnews. Road users can access the service at trafficradio.org.uk or by tuning in to the 'traffic radio' station on a digital audio broadcasting radio.

For people who are considering purchasing a secondhand vehicle, and are looking for assurance that what they are buying has no outstanding Congestion Charge penalties, TfL launched an online 'penalty checker' service in September 2007.

A TfL report, published in September, highlighted that compliance with red route parking and traffic regulations has improved by up to 35 per cent since 2004. Incidents of illegal parking, the blocking of yellow box junctions, and making banned turns on the red route network, which carries around 35 per cent of the Capital's traffic, have also been reduced over the past year.

Licensing and the associated compliance work continued for the Public Carriage Office (PCO), ensuring the safest possible services for Londoners and visitors. A new PCO compliance vehicle was introduced in April and is being used to undertake

Bus crime

Tramlink

The London Low Emission Zone came into force on 4 February

roadside safety checks and to ensure that all vehicles and their drivers are properly licensed.

Since the end of the financial year, TfL has taken direct control of Tramlink services. Tramlink is a vital part of the south London transport network and last year carried 26.3* million passengers. Direct TfL control means that funding that was previously provided to the concessionaire can now be focused on improving the network.

In July the Government announced that it was deferring its decision on the proposed Thames Gateway Bridge until further evidence is considered at a reopened inquiry. TfL is reviewing the scheme that went to inquiry to address the issues raised and is discussing these with the affected boroughs.

* Tramlink ridership is calculated from an on-tram automatic passenger counting system (APC). Tramtrack Croydon Ltd notified TfL of a systematic APC fault that resulted in an undercount of passengers in the second quarter of 2007/08. The reported ridership reflects the uncorrected data.

London River Services continues to manage nine passenger piers, including those at central London locations, such as Westminster and Bankside. It also oversees the operation of the Woolwich free ferry on behalf of TfL. During the year, Thames Clippers introduced six new 220 passenger capacity catamarans, which operate every 20 minutes, every day between the London Eye and the O2 venue.

> Tackling climate change and enhancing the environment

London's bus fleet is the cleanest in the UK and all Euro II and Euro III buses have now been fitted with particulate traps. Buses meeting Euro IV standards are now also being introduced.

In November, it was announced that 10 new hydrogen-powered buses will join London's bus fleet by 2010. When operational, the hydrogen bus will produce almost no pollution or carbon dioxide (CO_2) and will help improve air quality in the Capital.

In September, London Buses won the Public Sector Innovation category in the GreenFleet Awards for introducing hybrid buses in London. Also, in November, six more environmentally friendly hybrid buses were brought in. This is in addition to the six single-deck hybrid buses that entered the fleet in March 2006 and

the hybrid double-deck bus launched in October 2006.

Increasing the number of hybrid buses on the Capital's streets is just one of the projects TfL is working on to reduce emissions and help tackle climate change. The London Low Emission Zone came into force on 4 February to reduce traffic pollution and improve the health and quality of life for Londoners by encouraging operators of large diesel vehicles to clean up their fleets. The first few months of monitoring show encouraging results. Compliance levels continue to rise and, on average, every week just four per cent fail to meet requirements. When monitoring first began in 2007, this figure was around 25 per cent.

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

By the end of 2007/08, cycle flows on the TLRN had increased by 91 per cent on the year 2000 baseline. To encourage further growth, the Capital hosted 'Le Grand Départ' of the Tour de France cycle race in July 2007. This opening leg of the world's largest annual sporting event attracted more than one million spectators to the 7.9km route in central London on 7 July. A further two million people lined the route from the Capital through to Kent for the first stage of the race on 8 July. In a survey, 50 per cent of spectators said they would cycle more as a result of the Tour's visit to London.

In August 2007, the third edition of the cycle guides was published. These are 14 separate maps covering the Greater London area. In September, TfL hosted the start of the Tour of Britain cycle race and the Hovis London Freewheel, which was the largest mass participation bike ride the Capital }has ever seen.

TfL has been asked to examine the feasibility of setting up a bicycle hire scheme based on the successful 'Velib' initiative in Paris. The Velib scheme offers 10,000 bicycles sited at 750 hire-points around Paris, with plans for 20,000 bikes at 1,400 hire points by the end of the year. The bikes are available at any time of the day or night and cost the equivalent of 70p to hire for half an hour.

TfL plans to invest £126m over the next two years to improve conditions for people on foot, with the aim of making London more pedestrian friendly. In April 2007, it launched its first walking campaign 'Why not walk it?'. The campaign highlighted that half of all car journeys in Outer London are less than 2km – a distance that could easily be walked.

The two-year development of a multi-modal refuse collection vehicle for use in London has concluded successfully. The project has enabled the development of a fully operational prototype vehicle with a waste collection box that is demountable and then transportable by rail, water or road. It can replace three existing types of collection vehicle currently used for different recyclates with the one single vehicle.

The successful completion of the pilot London Construction Consolidation Centre (LCCC) in Bermondsey has now led to a self-financing, fully commercial venture by leading construction logistics experts in Silvertown, Docklands. The LCCC pilot secured the European Supply Chain Excellence Award for Environmental Improvement as well as the Building Exchange Award for Best Project Collaboration.

Another key deliverable is the construction of a co-funded lock to secure tidal lock-out by summer 2008 and completed in the autumn. The lock will enable a significant modal shift to waterborne freight, during the construction of the Olympic Park and will be a post-Olympic legacy.

> Improving social inclusion

Last year, licensed private hire vehicles were granted the same right to pick up and set down on the Capital's red routes as licensed black cabs. To benefit from this, licensed minicabs and other private hire vehicles have to display additional signage on the front and rear of their vehicles to help identify them more clearly. This means that passengers, especially older and disabled people, can benefit from being picked up and dropped off at locations more convenient to them.

More than 100,000 texts from people looking for a safe journey home in a licensed minicab or taxi were sent to Cabwise in 2007, tripling the number of requests in the two years since its launch. By texting the word 'HOME' to the Cabwise number (60835), the location of a caller can be identified and they get one taxi and two local licensed minicab numbers sent straight to their mobile.

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. There has been a 65 per cent reduction in child KSIs since the 1994-98 period, and figures for 2007 show that there has been a 43 per cent reduction in the number of overall KSIs since 1994-98.

This reduction can be attributed to a variety of road safety schemes, initiatives and campaigns, such as TfL's recently-launched theatre roadshow, which is part of its Children's Traffic Club activities. The theatre roadshows will visit 4,000 nurseries and early-year establishments across the Capital.

Other initiatives aimed at younger Londoners include the Junior Road Safety Officer programme, which encourages Year Five and Six pupils to take the lead in promoting road safety issues among their peers. TfL has also continued to produce its TV road safety ads. One, aimed at powered two-wheeler drivers, won a Gold Lion at this year's Cannes International Advertising Festival. This was the only gold award given in this category and one of just 18 awarded worldwide across all categories.

Another campaign to reduce collisions involving cyclists used two basketball teams and a moon-walking bear to show how easy it is to miss something when concentrating on a task; the message being look out for cyclists.

In January, the consequences of speeding were brought home to young drivers in a series of hard-hitting workshops set up by the London Safety Camera Partnership and led by TfL. Seventeen to 25-year-olds account for just eight per cent of all car driving licences in London, but are involved in 18 per cent of all collisions.

Students from 20 London boroughs attended the 'Risk It and Lose It' workshops, which involved a mock inquest held by a real coroner, a dramatic filmed reconstruction of a crash, together with presentations from members of the emergency services and people affected by crashes.

Every year, more than half of all cycling fatalities on London's roads follow a collision with a goods vehicle. To help address this serious road safety issue, TfL has been working with haulage companies and cyclists to help make sure that cyclists can be safer and more visible on the Capital's roads.

In March, TfL began distributing 10,000 free safety lenses, known as 'Fresnel' lenses, to freight companies operating vehicles in London. The easy-to-fit lenses stick to the passenger window of a truck cab, improving lorry drivers' vision of cyclists who come within close proximity of their vehicles. This lens is one of the tools of the Freight Operator Recognition Scheme (FORS), which encourages operators to ensure best practice is used for both driving standards and vehicle safety.

In the past year, there has also been a programme of road safety engineering work delivered on the TLRN and borough roads. This continues to improve the network and provide safer conditions for pedestrians and cyclists.

Dial-a-Ride continues to provide a valuable service for Deaf, disabled and older people who find it difficult to use mainstream public transport. In October, the Mayor announced that he was abolishing Dial-a-Ride fares. Since January 2008, around 50,000 older and disabled Londoners, who previously paid to take 1.2 million journeys a year, have been benefiting from this.

In August, Victoria Coach Station opened a new mobility assistance lounge for older and disabled passengers who need help getting around the station. The assistance lounge makes the coach station much more accessible than the original dedicated waiting area, which was located outside the main terminal building.

>London Underground

> During the year, TfL lodged a formal bid to take control of Metronet, carried 1,073
transform the Tube.

> Supporting economic development

The number of passenger journeys on the Underground continues to significantly increase. Friday 7 December 2007 was the busiest day ever on the Tube with the network carrying more than 4.17 million passengers. On average, the number of people travelling on the Tube is increasing by around 5.8 per cent annually, with 1,073 million passenger journeys made over the year. These figures underline the importance of the Tube's upgrade programme to provide the extra capacity needed to support London's growth in the future.

Metronet Rail, made up of two companies responsible for maintaining and upgrading the Bakerloo, Central, Victoria, Waterloo & City, Circle, District, Hammersmith & City and Metropolitan lines, went into Administration on 18 July 2007. TfL stepped in to provide the necessary funding to allow Administrators from Ernst & Young, appointed by the courts, to stabilise Metronet's financial situation. Most importantly, LU worked closely with the Administrators to ensure the continued safe operation of the Tube network throughout the period of administration. Metronet's collapse did not, therefore, impact on Tube customers - a major achievement.

million passengers and continued its programme of investment to

> London Underground operational performance

	2007/08	2006/07	2005/06	2004/05	2003/04
Passenger journeys (millions)	1,073	1,014	971	976	948
Kilometres operated (millions)	70.5	69.8	68.8	69.4	67.7
Percentage of schedule operated (per cent)	94.8	94.5	93.6	95.3	93.1
Excess journey time (weighted) (minutes)	7.8	8.1	7.5	7.2	7.4
Passenger satisfaction (per cent)	77	76	78	78	76

In October, TfL lodged a bid to take control of Metronet and the transfer of the two Metronet companies to TfL was completed on 27 May 2008. TfL is now working with the Government to determine the long-term structure of Metronet.

Major progress has been made on upgrades to the Jubilee and Victoria lines with planning well advanced for the Northern, and sub-surface (Circle, District, Hammersmith & City and Metropolitan) line upgrades.

The successful resolution of contract negotiations with Bombardier, prior to Metronet's transfer to TfL, was key to progress with this project. This ensured the continued momentum of the programme to deliver a new fleet of 191 larger, air-conditioned trains for the sub-surface lines from 2010 onwards.

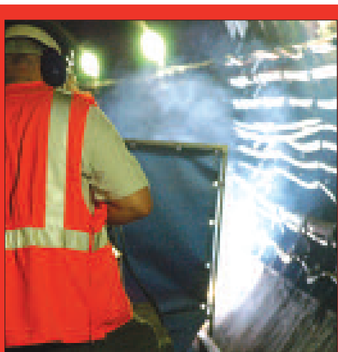
Upgrading the Victoria line is one of LU's largest projects. The current Victoria line trains have been running for 40 years and carry 183 million passengers per year. It is estimated that by 2025, annual passenger numbers could rise to 250 million. Temporary early closures (Monday to Thursday) have been in place on the line for much of the year to allow for upgrade work to meet the extra passenger demand and provide faster, more reliable journeys.

New trains for the Victoria line will be phased in from spring 2009. They will include CCTV, dedicated wheelchair spaces, better ventilation, enhanced audio and visual customer information systems and enhanced lighting.

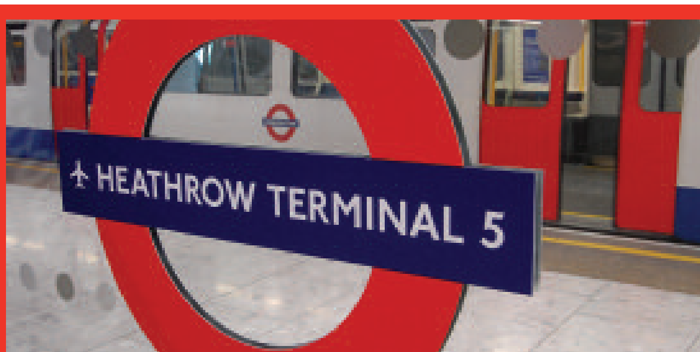
The refurbishment of the District line fleet was completed 11 months ahead of schedule. The trains have new interiors, with CCTV cameras inside the carriages, fire retardant seats and are more accessible with tip-up seats to accommodate wheelchairs, buggies and luggage. The refurbishment will help extend the life of the trains until the introduction of the new fleet in 2015.

Trains on the Piccadilly line extension to Heathrow Terminal 5 (T5) were trialled in July and passenger services on the line started running in March 2008 when T5 opened. Passengers now benefit from faster, more frequent services, and the extension means that public transport is the sensible choice for travelling to and from Heathrow Airport.

In February, Shepherd's Bush (Central line) station closed for eight months. The closure has enabled LU to replace



Tube upgrades



Heathrow T5 Tube station opens on schedule

Trains on the Piccadilly line extension to Heathrow Terminal 5 were trialled in July and passenger services on the line started running in March 2008 when T5 opened

the 80-year-old escalators ahead of the opening of the Westfield London development which will bring a significant increase in people using the station. As well as new escalators, the station will have a rebuilt ticket hall to provide more space and will be modernised with updated information and security features.

As part of a package of transport improvements supporting the Westfield London development, there will also be a new Tube station at Wood Lane on the Hammersmith & City line.

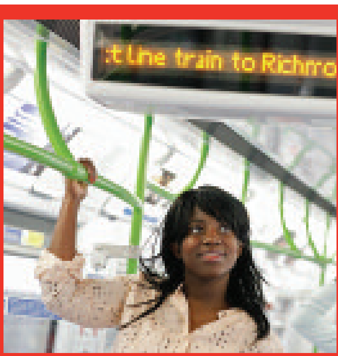
Safety and security enhancements on the Tube last year included significant progress with the installation of the Airwave radio network, which will provide the police with radio coverage at all 125 below-ground Tube stations. The network 'piggy backs' on the Connect system, the Underground's project to replace a large amount of time-expired communications equipment. The roll-out of the Connect radio system is now almost complete and delivers major safety benefits to LU by providing a more resilient radio system, far less prone to the failures that can lead to delays.

Despite ever increasing numbers of passengers on the network, crime on the Underground and Docklands Light Railway (DLR) has gone down by 2.1 per cent this year. This means that, when taking passenger figures into account, the real rate of crime per passenger journey has fallen seven per cent over the past year.
There were fewer robberies and less violent crimes on the network, as well as a substantial reduction in antisocial behaviour.

On 11 November, LU took over responsibility for 14 Silverlink stations, along with staff previously employed by Silverlink Metro. The stations which have come under LU control are:

> Queen's Park to Harrow & Wealdstone on the Bakerloo line, excluding Willesden Junction

Police on Tube



Refurbished D stock

- Kew Gardens and Gunnersbury on the District line
- Silverlink platforms at Blackhorse Road, Highbury & Islington and West Brompton stations

As part of a programme of improvements, the stations, which are now served by both LU and London Overground trains, are now staffed at all times during operating hours. In addition, stations have been deep cleaned and have improved lighting to enhance the environment for passengers. In the slightly longer term, as stations are refurbished they will have CCTV and Help points.

> Tackling climate change and enhancing the environment

A number of trials to reduce heat on the Tube were introduced in the past year including the first full-scale trial of the groundwater cooling project at Victoria Tube station. The trial was recognised with a prestigious Innovation Award by the Carbon Trust last year and the award, presented to South Bank University which developed this unique cooling solution, is representative of the unique and environmentally sustainable cooling options that LU is currently investigating.

Recycling on the Underground has stepped up a gear and 90 per cent of LU stations are now involved in office paper recycling, while around 38 per cent of station and depot waste is recycled, and 76 per cent of construction and demolition waste recycled. Other statistics show

TfL is investing more than £150m in reducing summer heat on the Tube

that LU used 14 per cent less energy in 2007/08 at stations than it did in 2000/01.

> Improving social inclusion

LU has been trialling wide aisle ticket gates, which are much wider than standard gates, at Canary Wharf, London Bridge and Westminster. The gates make stations more accessible for wheelchair users, older people, parents with children, and travellers with luggage. Following positive feedback from customers and staff, £12m is to be spent installing these gates at Tube stations in London. The funding will allow 140 new gates to be fitted primarily at step-free stations, busy stations and those where a large number of passengers carry luggage or use prams. The first stations where work is set to begin include Victoria, King's Cross St Pancras and Liverpool Street.

LU has also designed a new ticket office, with accessibility features including more appropriate window heights. Currently in use at Wembley

Park and King's Cross stations, the ticket offices will be rolled out to more stations over the next few years. A new ticket machine has also been designed which meets best practice guidelines for accessibility. These new machines are currently being introduced and will be at every station by summer 2008.

Although many stations do not currently meet the needs of disabled passengers, accessibility features are being introduced as stations are refurbished and modernised. At the end of the financial year, 48 stations had step-free access, with plans underway to increase this to 69 stations, or 25 per cent of the network, by 2010.

In December, the success of an online LU service to assess and map 'accessible' routes between station entrances and platforms was recognised with the Visit London Bronze Award for 'Best Visitor Information Initiative'. LU commissioned the service, Direct Enquiries, to provide a ground-breaking, interactive tool that enables disabled and Deaf people, parents with buggies, and people travelling with heavy luggage to find accessible routes within the Underground network.

The directenquiries.com website enables visitors to personalise their route according to their individual needs. As well as route maps, the website details the number of steps, lifts, escalators, walking distances, ramps and platform to train gap width, so that people can decide their best possible route before travelling. The service also won the Travel Information and Marketing category in this year's London Transport Awards, where LU was also awarded with the prestigious title of Public Transport Operator of the Year.

>London Rail

> In 2007/08, London Overground services were launched, Crossrail received the go-ahead and London Rail continued to be the fastest growing rail network in Britain.

> Supporting economic development

In October 2007, the Prime Minister gave the green light for the funding of Crossrail. The £16bn rail link will run from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east, passing through the City, West End and Canary Wharf. It is expected to begin operating over a phased 12-month period from 2017. The line will be integrated into TfL's existing zonal system and all ticketing options, including Oyster, will apply.

Crossrail goes hand-in-hand with the upgrade of the Tube network and improvement of rail services in the city, and is the single most important project needed to increase transport capacity in the Capital. It is set to boost London's public transport network capacity by a massive 10 per cent, easing congestion on many Tube and rail lines.

TfL is due to take over sole ownership of Cross London Rail Links Limited, the company promoting and developing the project, in 2008. Until this time, it remains a joint venture between TfL and the Department for Transport (DfT). The Crossrail Bill gained Royal Assent in summer 2008, which will provide the planning powers needed to build the tunnels, track and stations, with main construction starting in 2010.

o-ahead from Government, and the DLR remained the most accessible, reliable and

> London Overground operational performance

TfL took control of the service on the 11 November 2007. In the first five months of operation, to the end of March 2008, average train performance was 91.96 per cent.

In a White Paper published in July 2007, the Government committed more than £6bn for enhancements to the national rail network in London and the South East. The Paper endorsed the majority of TfL's conclusions set out in 'A rail strategy for London's future', including funding for the £5.5bn Thameslink programme. These enhancements will mostly take place between 2009 and 2014, helping to meet growing demand by adding 900 additional rail vehicles or 15 per cent to rail capacity.

On 11 November, TfL took over the management of the Stratford to Richmond, Clapham Junction to Willesden Junction, Barking to Gospel Oak, and Euston to Watford Junction lines, rebranding the service London Overground.

London Overground passengers will soon be benefiting from faster, more reliable and safer public rail transport. From day one, Oyster pay as you go was available at every station and all stations were staffed from first to last train. A programme of improvements, funded by TfL's Investment Programme, is also underway. It includes a deep clean of all stations, which took place early in 2008, and, by 2010, all stations will have been refurbished to improve ambience and passenger security, with more Help points, CCTV, better lighting and a customer information system.

Working in partnership with Network Rail, TfL is making improvements to the infrastructure to allow it to run more frequent and reliable trains, as well as better quality stations that passengers will want to use. Extra ticket machines have been installed and there are already more ticket inspectors and around 40 dedicated British Transport Police (BTP) officers patrolling the network. This has led to a reduction in reported crime and a drop in ticketless travel from around 15 per cent to below three per cent.

In February 2008, TfL signed a leasing contract for its new London Overground fleet of electric trains. The contract gives TfL all the best features of a new train fleet, including reliability, extra capacity and an improved passenger experience, as well as greater flexibility about when TfL wishes to renew the trains in future. It also releases funds for further investment in London's transport network.

In summer 2010 the Overground network will expand as it is joined by the new East London line service. Previously part of LU, the East London line closed on 22 December 2007. TfL is upgrading the infrastructure to make the track and signalling compatible and consistent with National Rail standards. This includes extending the East London line to Dalston Junction, Crystal Palace and West Croydon; building four new stations at Shoreditch High Street, Hoxton, Haggerston and Dalston Junction; and refurbishing all the existing Underground stations by summer 2010. In 2011 it will be extended to link with the Richmond to Stratford service at Highbury & Islington.

In November, Oyster pay as you go was extended to London Midland services between Watford Junction and Euston, and Southern services

Overground train

New DLR carriage

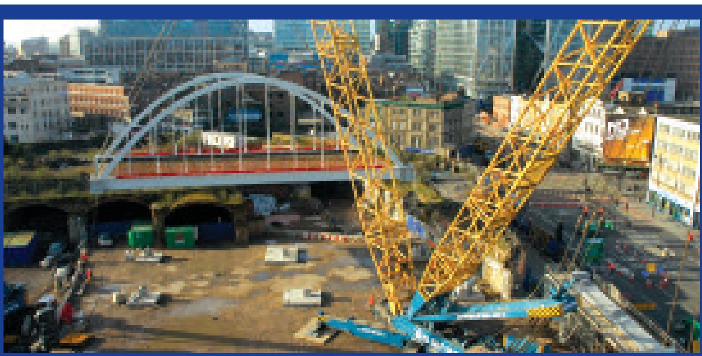
The DLR is now carrying 66.6 million people a year and customer satisfaction remains high

between Watford Junction and Clapham Junction, and all stations in between. In January it was extended to passengers travelling on Chiltern, c2c, and Hackney area services of National Express East Anglia (formerly 'one'). TfL is investing £40m to enable all of London's Train Operating Companies (TOCs) to accept Oyster and pay as you go.

The DLR is now carrying 66.6 million people a year and customer satisfaction remains high, at 97.3 per cent, with reliability topping the majority of British rail networks at 97.2 per cent. In May, the DLR and its operator Serco Docklands scooped Transport Team of the Year at the London Transport Awards. The DLR was also runner-up in the Rail Station of the Year award for London City Airport station.

> DLR operational performance

	2007/08	2006/07	2005/06	2004/05	2003/04
Passenger journeys (millions)	66.6	61.3	53.9	50.1	48.5
Kilometres operated (millions)	4.4	4.4	3.6	3.3	3.4
On-time performance (per cent)	97.3	97.8	97.3	96.0	96.6
Passenger satisfaction (per cent)	97.3	96.8	95.4	94.9	94.0


ELL upgrades


Tramlink

A report, published in July, showed that the DLR extension to London City Airport has brought huge environmental benefits

In December, a new DLR station opened at Langdon Park in Tower Hamlets, providing better access to London's public transport network for thousands of residents. Situated between All Saints and Devons Road stations on the DLR route to Stratford, the £7.5m station has been principally funded by the Department for Communities and Local Government, Leaside Regeneration, and the London Borough of Tower Hamlets in recognition of the significant benefits and opportunities it will create.

On the same day Langdon Park opened, DLR's new Stratford station terminus was unveiled. The new terminus provides improved passenger waiting facilities, CCTV, information services and seating, and allows the DLR to run trains to and from Stratford alongside each other as a result of having two platforms rather than one. DLR previously operated from a single platform, part of the railway's original 1987 route, which restricted capacity and has now been permanently closed.

Two new platforms at Stratford are required as there will be a large increase in passengers over the next few years as a result of the development of Stratford City and the London 2012 Olympic and Paralympic Games.

In July, the DLR awarded its main construction contract to build the DLR Stratford International extension to a Skanska and GrantRail joint venture. The works, funded by TfL's Investment Programme with a contribution from the Olympic Delivery Authority (ODA), will play a key role in the transport plans for the 2012 Games and act as a catalyst for regeneration in east London. The extension will run from Stratford International to Canning Town and will be connected to Beckton and the Woolwich Arsenal extension, which is due to open in 2009.

The tunnel extending the DLR under the River Thames to Woolwich Arsenal was completed in July as a 540-tonne boring machine broke through the earth, south of the Thames. The £250m, 2.5km extension will link Woolwich with King George V DLR station in North Woolwich, one stop from London City Airport. The extension will open in 2009 and will be important in improving the whole transport network in the run-up to the 2012 Games.

The first of 55 new DLR carriages that will boost the capacity of the railway, as well as provide extra space and comfort for passengers, was unveiled in March. The ODA and TfL have invested £100m in the new carriages, which will deliver a 50 per cent capacity increase by 2010, and will continue to drive regeneration of east London and the wider Thames Gateway.

> Tackling climate change and enhancing the environment

A report, published in July, showed that the DLR extension to London City Airport has brought about huge environmental benefits. Around 120,000

taxi rides and 288,000 car journeys were saved, reducing CO_2 emissions by more than 156 tonnes. The report also showed that almost half of all passengers travelling to London City Airport had used the new DLR extension - the highest proportion carried by any airport rail link in the UK.

TfL published its Rail Freight Strategy in August, which proposes measures to remove between 110 and 176 million lorry miles from UK roads each year - significantly reducing harmful gas emissions and road accidents.
The document sets out TfL's proposals for the next 10 years. With support from National Rail, it would allow for rail freight traffic to increase alongside growing passenger demand.

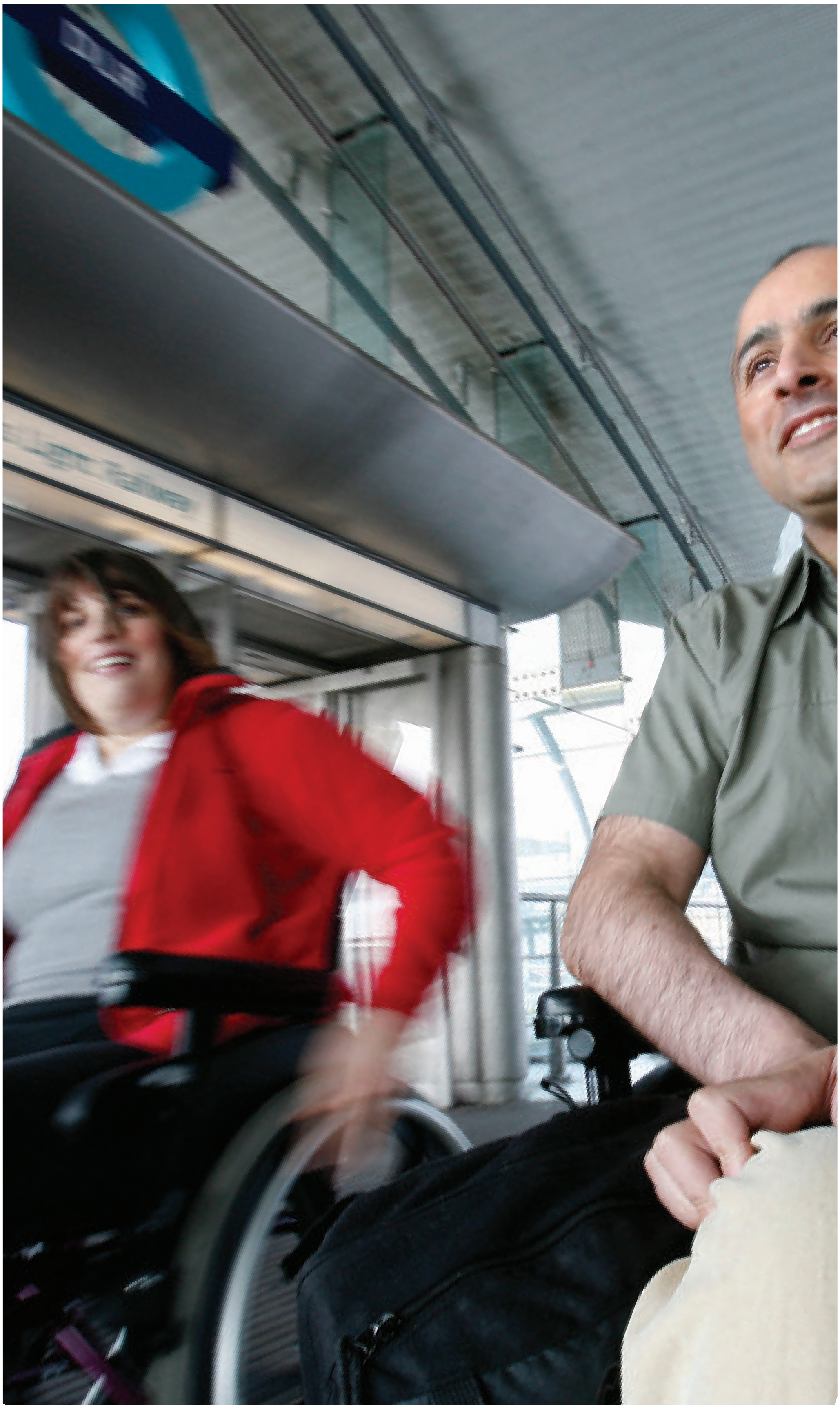
> Improving social inclusion

A further 13 rail stations in London will have step-free access as part of the DfT's Access for All programme. Nine of the shortlisted London stations were identified to the DfT by TfL as being a priority for improved access. London Rail looked at many factors, including footfall, the proportion of older people and young children using the stations, and proximity to a hospital. The nine stations are Bromley South, New Eltham, Tottenham Hale, New Malden, West Hampstead Thameslink, Brockley, Camden Road, Gospel Oak and Honor Oak Park. The Access for All investment will complement other planned improvement works at the latter four stations, which will be refurbished as part of TfL's £1.4bn London Overground Investment Programme.

TfL has also been awarded £37,500 through the DfT's Access for All Small Schemes fund to provide variable height ticket windows at three London Overground stations - Hackney Wick, Homerton and Kensington Olympia. Lower ticket office windows are being installed at 11 London Overground stations, and there is also a rolling programme underway to install accessible seating.

The DfT's Access for All Small Schemes has also committed £250,000 to the interchange link bridge at Limehouse, which will open in 2009.

The DLR, Britain's most accessible rail network, turned 20-years-old in August, marking two decades of service supporting the growth and regeneration of London's East End. The steady expansion of the DLR is helping areas of east London share in the prosperity of the rest of the city. For passengers who have not used the DLR before, its ambassadors continue to provide short, simple training sessions in a variety of languages to help familiarise people with the railway.



>Corporate

> This year, TfL gained a 10-year Government funding package, London Transport M
encourage further take-up of the card.

> Supporting economic development

In February, the Government confirmed a £39bn funding package to 2017/18 to enable the renewal and expansion of London's transport network over the next decade. This includes Crossrail, the ongoing transformation of the Tube, preparations for the 2012 Games, the expansion of rail and bus services, and programmes to promote walking and cycling.

A total of £33bn will be paid as grant funding from the DfT, with up to a further £6bn of borrowings by TfL.

This settlement recognises the crucial role that transport plays in London's economic success, and the importance of completing the renewal and expansion of the network that we have been driving forward since 2000. It enables TfL to continue with the huge investment programme that is modernising and extending the Capital's public transport system.

Significant progress was also made towards bringing Metronet out of Administration. LU will now pay around £1.7bn to Metronet's lenders and Government has provided an additional grant of £1.7bn as part of TfL's funding settlement to cover this.

For the first time, all 33 London boroughs produced their Local Implementation Plans (LIPs), which set

Museum was re-launched and a variety of Oyster initiatives were introduced to

out how they will deliver the Mayor's Transport Strategy. A total of £161m funding was provided for local transport improvements in the Capital in 2008. The funding package provided the boroughs with the funds to: maintain the Capital's roads; improve bus services and road safety; introduce more 20mph zones around schools and on residential streets; improve pedestrian safety and walking facilities; extend London's Cycle Network+; and introduce more travel plans for schools and workplaces across the Capital's 33 local authorities. The funding is part of a five-year, £792m programme for local transport schemes included in TfL's £10bn Investment Programme.

Cash fares on the network continue to decrease as people switch to Oyster. A number of initiatives have been introduced over the past year to further encourage passengers to take advantage of the Oyster smartcard. These include an iTunes promotion, a two-for-one deal to some of the Capital's top entertainment venues, and an Oyster card giveaway with all 100,000 gone in a month. Oyster is also easier to buy as up to another 1,700 new Oyster Ticket Stops will be rolled out in shops across London by June 2008. This means that TfL will expand the number of local shops and newsagents that sell Oyster to nearly 4,000, making it easier for Londoners to buy and top up their cards.

TfL, in partnership with TranSys and Barclaycard, launched the Barclaycard OnePulse card in September. This unique card combines Oyster with credit card and cashless payment facilities. It allows passengers to take advantage of all the benefits that Oyster offers as well as allowing customers to pick up a coffee and newspaper on the way to work and pay for it using the OneTouch contactless payment system.

In August, TfL, Visit London and UK short break company Superbreak launched a deal to enable visitors to London to buy and receive visitor Oyster cards, incorporating £10 worth of travel, before they arrive in the Capital. The agreement means that visitors are able to buy a visitor Oyster card via Superbreak's website (www.superbreak.com) or Visit London's (www.visitlondon.com). In February, National Express became the first coach company to offer Visitor Oyster cards to customers and, from 20 March, the cards became available on Eurostar services.

TfL has, for the second year running, been voted one of the top 100 employers in The Times' Graduate Employer of Choice awards. This recognises its work to support more than 100 new graduate trainees who are starting careers in their chosen professions. TfL's graduate scheme offers a wide range of options for successful applicants, including positions in engineering, IT, finance and transport planning.

TfL re-launched its website in March last year and won Best Central Government Website at the Good Communications Awards 2007. The awards recognise excellence in public sector communications. There were nearly 5.8 million visits to TfL Group websites in June, the highest ever recorded figure. The ongoing work building links to Journey Planner from third-party websites was also recognised at the London Travel Awards, where TfL came top in the Travel Information and Marketing category.

The revamped London Transport Museum opened on 22 November following a two-year, £22m refurbishment and redesign. The Museum now tells the story of the Capital's development, its transport systems and the people who travelled and worked on them over the past

Visitor Oyster card

TfL website

The revamped London Transport Museum opened on 22 November following a two-year, £22m refurbishment and redesign

200 years. It also looks at future developments and how transport has shaped five other world cities - Delhi, New York, Paris, Shanghai and Tokyo. New galleries feature original artworks and advertising posters, and explore the design heritage of the Capital's transport system. Other subjects covered include London transport during the War and the expansion of the city through the development of the Underground.

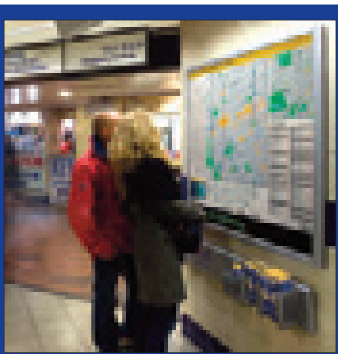
> Tackling climate change and enhancing the environment

People living in Sutton are receiving individual advice on how to make their journeys faster, cheaper, healthier and more environmentally friendly as part of the three-year Smarter Travel Sutton programme. TfL and Sutton Council launched the scheme in April to encourage people living in the borough to use more sustainable forms of transport like walking, cycling and public transport. As part of this a 'Move it at the Manor' festival was held at Manor Park in Sutton in July 2007, which won the National Outdoor Association Events award for 'most innovative event'.

Travel plans, which encourage schools to seek practical solutions to reduce the number of cars on the school run, are having an impact. Half of London's schools now have a travel plan, with the rest due to have one in place by 2009. TfL figures released in September show that London schools with a travel plan have reduced the number of car journeys by an average of seven per cent, the equivalent of 1,200 fewer journeys a year. This has cut carbon emissions by 1,150 tonnes.

In November 2007, TfL launched the Legible London way-finding prototype in the West End. The initiative tests a new system of signs and maps that will help people navigate the Capital's streets by foot. It will form the basis for wider development of the scheme,

London Transport Museum



Legible London sign

TfL's fit-out of its newly acquired office building 'Palestra' in Southwark has set high standards of environmental performance

which will help turn London into one of the world's most walkable cities.

TfL continues to provide guidance and support to enable both large organisations and small and medium-sized enterprises to implement travel plans. This includes various funding opportunities and resources designed to help with the travel planning process. As part of this, TfL set up 'Enterprise' in May to help small and medium-sized businesses across the Capital establish workplace travel plans.

The fourth TfL Sustainable Transport Awards, which recognise initiatives to promote clean and healthy travel in London, were held in June. More than 100 entries were received for the awards across 14 categories, including Sustainable Transport Borough of the Year (The Royal Borough of Kingston upon Thames) and School of the Year (New City Primary School in Newham), which was commended for its success in delivering its personalised travel planning project.

TfL's fit-out of its newly acquired office building 'Palestra' in

Southwark has set high standards of environmental performance, which will deliver significant CO_2 and cost savings. As the first pan-GLA building (with the London Development Agency occupying part of it), Palestra will help deliver key strategies in terms of energy efficiency, on-site renewables and a reduction of waste and water usage.

The project included the installation of what will be London's largest stationary hydrogen fuel cell. This important demonstrator project will form part of a larger combined heat and power, tri-generation scheme. This involves electricity being generated on-site and waste heat supplying the building's heating, hot water and cooling needs.

TfL also played a leading role in the joint-GLA procurement programme to deliver energy efficiency upgrades to GLA buildings, making London the first city in the world to award a contract under the 'Clinton Climate Initiative', an international building energy retrofit programme. Under this scheme, 22 TfL head office buildings will undergo detailed surveys. These will result in a series of proposals that, when implemented, will pay back within 10 years and deliver thousands of tonnes of CO_2 savings each year, resulting from energy and water savings guaranteed by the service provider.

TfL's work on the implementation of the GLA Responsible Procurement Policy has expanded to include a broad range of contracts and suppliers. This has resulted in 'responsible procurement' being included in an estimated £2bn worth of contracts.

Other procurement highlights for 2007/08 included:

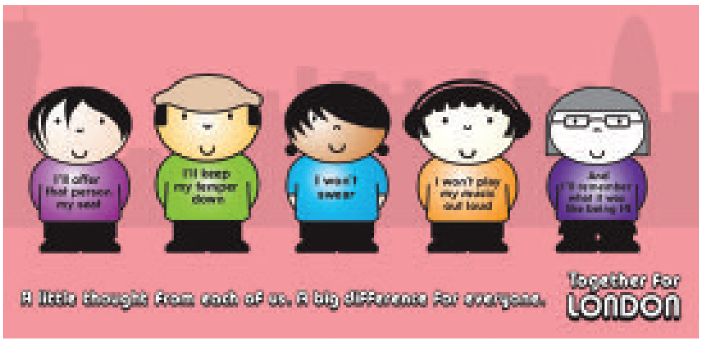
- A rise in spend with diverse suppliers over the last year from £150m to £185m
- The publication of the first annual GLA Responsible Procurement Report, which is also available on the internet
- TfL joining the Suppliers Ethical Data Exchange (Sedex) and also meeting all of the Ethical Trading Initiative (ETI) targets for its uniform contracts
- TfL initiating an ongoing supplier relationship management - supplier diversity project with more than 40 engineering, project management and urban realm suppliers to embed the principles of responsible procurement with tier one suppliers

Improving social inclusion

A free Oyster photocard – called Zip – was launched in January for 11 to 18-year-olds who qualify for free bus and tram travel in the Capital. The new Zip card brings together the different young persons free travel schemes under one recognised branded card. It means that from 1 September 2008, young people will have to touch in when boarding buses and trams and show their photocards on request. This will clarify the free travel privilege and make it easier to catch those few individuals who seek to abuse the scheme. Since 1 April 2007, 500,000 children aged under 11 have been able to travel free all day, every day on the Tube and DLR when accompanied by an adult.

TfL has been working with the media from London's minority ethnic communities to highlight the benefits of switching to Oyster. A number of adverts have been run in the minority ethnic press to encourage people who do not access mainstream media to get an Oyster card. Black, Asian and minority ethnic (BAME) publications have also chosen to write extensively and positively about Oyster in their editorial sections.

TfL strives to build a workforce that mirrors the diversity of London. Over the past year, the number of BAME people working within TfL increased to 34.4 per cent of the workforce (from 33.6 per cent), and the percentage of women employed by TfL increased by one per cent



Together for London

Zip from Oyster

to 24.3 per cent.

Following consultation with Londoners, TfL published its Sexual Orientation Equality Scheme document. In January, Britain's leading gay equalities organisation, Stonewall, rated TfL sixth in the top 100 employers for lesbian, gay and bisexual staff in the country in their 2008 Workplace Equality Index. This is the definitive annual national benchmark of Britain's top employers of lesbian, gay and bisexual staff. TfL's position in the 2008 ratings is up two from last year's ranking and the rise is put down to work to promote equality and diversity in the workplace, including equality training for all staff and the development of staff network groups for lesbian, gay, bisexual and transgendered staff.

TfL has also received national recognition for the work it is doing to tackle the gender pay gap and champion women's equality in the workplace. A new report, published in March and written by independent think-tank Opportunity Now, identified TfL as 'an exemplar employer' for how it has gone about tackling inequalities which still persist in the British workplace. In the report, TfL is identified as a key organisation that has successfully introduced female-friendly policies, promoted equal pay, adopted flexible working patterns and provided appropriate training and development.

In recent years, TfL has run a succession of fair pay workshops involving senior staff and, as a result of these, committed to a variety of aims and actions. The organisation is now planning further reviews to measure the impact of this work.

In December, TfL was presented with an Independent Living Award for its commitment to providing accessible public transport in London. This included the introduction of low-floor, wheelchair accessible buses across the entire London fleet at the start of 2006, a full 10 years ahead of the legal requirements to have done so.

A campaign to encourage people to be more considerate to one another when using public transport in London was introduced in January. It was launched with a specially commissioned short film by Oscar-nominated British director Mike Figgis, which was shown at cinemas across the Capital.

The campaign also involved posters on buses and at Tube stations throughout London encouraging people to be considerate to their fellow passengers. They carried the line ‘A little thought from each of us. A big difference for everyone’.

>Mayor's Transport Strategy

> TfL is required to report how it has contributed to the implementation of the May
transport priorities in the strategy is set out below.

> Priority A

Reducing traffic congestion

TfL uses a range of methods to keep people and goods moving on its red route network, which carries around one third of all London's traffic, within the Congestion Charging zone and throughout the Capital.

The impact on congestion levels from the introduction of the central London Congestion Charging zone five years ago is still evident. Congestion in both the original and western charging zones has returned to pre-charging levels. However, the number of vehicles entering the zone is down by 70,000.

In conjunction with the boroughs, TfL will make full use of new powers provided by the Traffic Management Act to maximise the opportunity to co-ordinate and control works to minimise disruption on the Capital's roads.

There has been a significant shift towards public transport, walking and cycling, with a 45 per cent rise in the use of buses and a 43 per cent increase in cycling within the zone.

The effectiveness of TfL's enforcement has improved the proportion of motorists correctly observing traffic and parking regulations. TfL is now taking a more pragmatic and fairer approach to driving offences and has used yor's Transport Strategy over the past year. A summary of activities relating to the 10 key

campaigns to help drivers better understand the rules and to encourage voluntary behaviour change.

A second phase of the successful 'Know the rules' marketing campaign took place during the summer. This was designed to remind drivers of the regulations and penalties which exist to keep traffic on London's roads moving safely and efficiently.

> 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

The extensive improvement programme on the Underground continues to deliver refurbished stations and trains, replacement lifts and escalators, plus new signalling and track. Preparations also continue for the rebuilding of network-critical stations like Victoria and Tottenham Court Road.

Important achievements include:

- The refurbishment of the District line fleet to improve accessibility and safety
- Track renewal, power supply upgrade and installation of new signalling and control systems on the Victoria line. This work has necessitated early closure of the line on Monday to Thursday evenings, when replacement buses have assisted with journeys outside the central London area
- The opening of the Piccadilly line extension to Heathrow Terminal 5
- Trials to help tackle summer heat on the Tube. These include the award-winning groundwater cooling trial at Victoria station

> Priority C

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

During the past year, London's buses carried, on average, 6.3 million passengers each weekday on 700 routes across the city. As well as maintaining comprehensive coverage of the Capital, service development continued with new and enhanced services. Examples included routes for Heathrow Terminal 5 to support sustainable access for air passengers and airport employees. Measures to improve the overall flow of traffic on the Capital's roads have benefited buses, as they can travel over 10 per cent faster in dedicated bus lanes.

TfL also started the network-wide roll-out of the iBus passenger information system, which is revolutionising the way bus services are delivered and monitored. The £117m system uses wireless, satellite and networking technology to provide audio and visual real-time bus information to drivers, controllers and passengers on-board and at stops.

Infrastructure improvements include the opening of an extension at Hammersmith bus station providing extra capacity to support substantial increases in route frequencies. Passengers will also benefit from extra space at the station, a more convenient service and step-free access between all parts of the bus station, the Underground connections, the shopping mall and the town centre.

> 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

A key part of the Capital's rail network moved under TfL control this year with the launch of London Overground in November 2007. This consists of the North London, West London, Gospel Oak to Barking, and Euston to Watford lines plus, in 2010, the extended East London line.

A substantial programme of improvements will provide refurbished stations with more Help points, CCTV, better lighting and customer information systems. It will also include a fleet of 44 new electric air-conditioned trains with improved accessibility, greater capacity and enhanced security features. Immediate improvements already in place are the introduction of Oyster pay as you go ticketing, staff at every station when services are operating, station deep cleans and repairs, plus more than 40 dedicated BTP officers patrolling the network.

Progress was made this year with further National Rail stations accepting Oyster. In addition to London Overground, Oyster can now be used at all stations in the Capital served by Chiltern, c2c and National Express East Anglia (formerly 'one') in the Hackney area. TfL is investing £40m so all London's TOCs will accept Oyster.

> Priority E

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

Schemes that TfL is helping to deliver have progressed as follows:

> Crossrail - the Prime Minister has announced the go-ahead for the funding of Crossrail. The planning powers for its construction are expected in summer 2008. The new railway will expand London's public transport capacity by 10 per cent, linking the Capital's key business areas – the West End, City and Canary Wharf – with Heathrow in the west and large areas of housing development in Thames Gateway in the east

> Thames Gateway Bridge - the Government is seeking further evidence on the case for the bridge. TfL is preparing this evidence and addressing the Mayor's concerns relating to traffic management, safeguarding the environment and public transport usage. Subject to this work meeting the Mayor's requirements, TfL plans to return to the public inquiry in summer 2009

> The East London line – the line closed in December 2007 for major work to make the track and signalling compatible with National Rail. The extended line to Dalston Junction, Crystal Palace and West Croydon will re-open in 2010, with a further extension to Highbury & Islington due to open by 2011

> DLR extensions and new station - two new DLR platforms have been opened at Stratford station, replacing the single platform that has been in use since the service started in 1987. Improved passenger waiting facilities, CCTV, information services and seating have been added to support increasing passenger numbers at the station. A new station opened at Langdon Park in Tower Hamlets on the existing route to Stratford. Extensions to Stratford International,

and from King George V station under the river to Woolwich Arsenal, are both under construction and are due to open in 2010 and 2009 respectively

> Priority F

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

As well as easing the movement of people and goods around the Capital, measures to address congestion complement those that are put in place to encourage people to switch from cars to more sustainable ways of travelling. This can help boost the health of Londoners, and tackle global warming by reducing the levels of carbon emissions produced by car use.

This year, TfL's Smarter Travel programme continued in Sutton. The borough-wide green travel programme offers residents individual advice on how to make their journeys faster, cheaper, healthier and more environmentally friendly.

A similar three-year scheme will be launched in Richmond in 2008. The £5m programme will work with employers, schools, residents and visitors to increase the number of people using public transport, walking or cycling.

Travel plans that seek practical solutions to increase the number of journeys to school made upon sustainable modes of transport have now been prepared by more than 70 per cent of schools in London. Schools with a travel plan have successfully reduced the number of car journeys by an average of seven per cent.

TfL also continues to provide guidance and support to enable large organisations, and now small and medium-sized enterprises, to implement travel plans. To support the latter, TfL has set up the 'Enterprise' initiative, which offers a range of incentives to help businesses with up to 250 employees to reduce overall car use while saving time and money, and cutting emissions. Workplaces with TfL-approved travel plans have achieved an average 14 per cent fall in the number of car journeys, and a 17 per cent increase in public transport use.

At household level, more than 100,000 Sutton and Camden homes were given tailored travel advice over the summer. In addition 129 major development proposals with travel plans were assessed by TfL. Development control guidance that will lead to higher quality travel plans has been produced and was recognised in the 18 February 2008 amendments to the London Plan.

The number of cycle journeys made on the TfL Road Network has risen by 91 per cent since 2000.

In August 2007, the third edition of the cycle guides was published. These

are 14 separate maps covering the Greater London area.

In 2007, TfL launched its first walking campaign as part of a three-year programme (2007/08 – 2009/10) called 'Why not walk it?'. The scheme highlights that half of all car journeys in Greater London are less than 2km - a distance that could easily be walked by most people.

As well as promotions and education initiatives, conditions for pedestrians are also being improved. New infrastructure such as crossings, lowered kerbs and signage is being introduced on local and major roads.

Additional deliverables in 2007/08 include:

> The delivery of 135 walking improvement schemes under the borough walking programme

> Publication of new best practice guidance on walking schemes

> Completion of a London-wide bus stop accessibility audit

> Launch of the Legible London way-finding prototype

A number of improvements are progressing to increase the efficiency of London's road network and conditions for all road users.

These include:

> Work on the A3 Malden Junction to improve traffic flow, ease congestion and provide safer and more accessible facilities for pedestrians and cyclists

> The replacement of two bridges on the A40 Western Avenue to provide a safer highway layout for the 100,000 plus vehicles that use this key route every day. It will also ensure the safety of the railway tracks below the bridges that handle all rail networks in and out of Paddington

> A public inquiry into the compulsory purchase of land to enable safety and environmental improvements of the A406 at Bounds Green. If consents are obtained, construction will start in 2009 for completion in 2011

> 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 and bridges, and improved co-ordination of streetworks

All 33 London boroughs have now published a LIP setting out how they intend to deliver the Mayor's Transport Strategy. A total of £161m was provided in 2008 to the boroughs for schemes including road maintenance; improving bus services and road safety; more 20mph zones around schools and on residential streets; improved pedestrian safety and walking facilities; the extension of London's Cycle Network+ and more travel plans. The number of people killed or seriously injured on London's roads has been cut by more than 40 per cent, compared with the mid to late 1990s.

The equivalent figure for children during this period is 58 per cent. These reductions have been driven by a variety of road safety schemes, initiatives and campaigns, ranging from TV adverts to theatre workshops. Many of these focus on specific groups, for instance powered two wheeler riders or young car drivers. Those aimed at young people include Children's Traffic Club activities, such as a theatre roadshow for three and four-year-olds that is visiting 4,000 nurseries and early-year establishments across the Capital. It was also the second year for the Junior Road Safety Officer programme, which encourages Year Five and Six pupils to promote road safety issues among their peers.

Collisions with goods vehicles contribute to more than half of all cyclist deaths on London's roads. To help make them more visible, TfL has begun distributing 10,000 free safety lenses to freight companies operating vehicles in London. Fixed easily onto the passenger window of a truck cab, they improve lorry drivers' vision of cyclists who come within close proximity of their vehicles. This lens is one of the tools of the Freight Operator Recognition Scheme (FORS), which encourages operators to ensure best practice is used for both driving standards and vehicle safety.

The School Travel Team has developed a successful schools cycling curriculum pack to encourage cycling in this typically hard to reach audience of 11 to 14-year-olds.

> Priority H

Making the distribution of goods and services in London more reliable, sustainable and efficient, whilst minimising negative environmental impacts

Progress towards more sustainable and efficient freight operations within the Capital has been made with the launch of complementary strategies for all modes including road, water and rail networks. The London Freight Plan and its accompanying documents are the product of extensive consultation with the freight industry, users, investors and regulators. The plan sets out seven pan-London measures against which progress will be measured annually.

Four key projects have been identified that should be undertaken over the next five to 10 years to help improve efficiency and reduce emissions, congestion and collisions. They are: FORS, a recognition scheme for freight operators; Delivery and Servicing Plans; Construction Logistics Plans; and a Freight Information Portal. The GLA Group is to be an early adopter of these projects through its corporate and social responsibility initiatives. It will promote their uptake by linking procurement practices and the planning process to improve efficiency, driving and vehicle standards, and encourage operators to adopt sustainable freight practices.

TfL's Rail Freight Strategy proposes measures to remove between 110 and 176 million lorry miles from UK roads each year - significantly reducing harmful gas emissions and road accidents. The 10-year strategy allows for rail freight traffic to increase alongside growing passenger demand by using existing infrastructure as efficiently as possible.

The two-year development of a multi-modal refuse collection vehicle for use in London has concluded successfully. The project has enabled the development of a fully operational prototype vehicle with a waste collection box that is demountable and then transportable by rail, water or road. It can replace three existing types of collection vehicle currently used for different recyclates with the one single vehicle.

The successful completion of the pilot London Construction Consolidation Centre (LCCC) in Bermondsey has now led to a self-financing, fully commercial venture by leading construction logistics experts in Silvertown, Docklands. The LCCC pilot secured the European Supply Chain Excellence Award for Environmental Improvement as well as the Building Exchange Award for Best Project Collaboration.

Another key deliverable is the construction of a co-funded lock to secure tidal lock-out by summer 2008 and completed in the autumn. The lock will enable a significant modal shift to waterborne freight, during the construction of the Olympic Park and the post-Olympic legacy.

A London-wide Low Emission Zone was launched in February 2007 to

reduce traffic pollution and improve the health and quality of life of Londoners. From February 2008, all diesel-engined vehicles weighing more than 12 tonnes are required to meet strict emissions standards or face a daily charge to drive within Greater London. There has been a steady rise in compliance levels and, on average, under four per cent of vehicles fail to meet requirements every week.

Other efforts by TfL to reduce emissions and help address the causes of climate change include tackling the cleanliness of existing bus and taxi engines and the expansion of both the hybrid and hydrogen-powered bus fleets.

> Priority 1

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

TfL's work to provide equal access to public transport for all Londoners has continued with measures to improve facilities, information and affordability.

A number of initiatives are outlined below:

> Accessibility features to meet the needs of customers with physical, hearing or visual impairments will be included at all 252 LU-owned

stations as they are refurbished and modernised. At the end of the financial year, 48 stations had step-free access with plans underway to increase this to 69 stations, or 25 per cent of the network by 2010

> Following successful pilots, 140 new wide aisle ticket gates will be fitted at stations that are either already step-free, among the busiest, or where a large number of passengers have luggage or prams. The first stations to be fitted include Victoria, King's Cross St. Pancras and Liverpool Street

> New ticket offices with accessibility features, such as more appropriate window heights, have been built at Wembley Park and King's Cross St. Pancras stations. They will be introduced to more stations as the refurbishment programme progresses

> A new design of ticket machine which meets best practice guidelines for accessibility is being fitted at every station by summer 2008

> It was announced this year that the DfT's Access for All programme will provide step-free access at a further 13 National Rail stations within London, nine of which were identified to the DfT by TfL

> An interactive online service providing passengers with access information at all LU stations, including routes between street and platforms, has been launched.The service, at www.directenquiries.com, will also be integrated with TfL's Journey Planner

> New Tube signs and priority seating stickers have been introduced to encourage passengers to be considerate to disabled people and those who are less able to stand

> Victoria Coach Station has opened an enhanced 'Mobility Assistance Lounge' for older and disabled passengers who need help to get around the station. It offers a waiting area, staff assistance and toilet facilities for disabled people

> The iBus system, which provides visual and audio information on buses and bus arrival times at bus stops, has been installed on more than 2,000 buses so far and will cover all 8,000 buses by early 2009 (see Priority C)

> Fares were abolished for Dial-a-Ride door-to-door services for Deaf, disabled and older Londoners. This benefited 50,000 people who previously paid to take 1.2 million journeys per year. The quality of the service offered to passengers continued to be enhanced through completion of the BTEC qualification programme for Dial-a-Ride drivers. This follows the success of TfL's BTEC for bus drivers in London

> Priority J

Bringing forward new integration initiatives to: provide integrated, simple and affordable public transport areas; 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 much better information and waiting environments

More than three-quarters of all Tube and bus journeys are now paid for using Oyster. It is cheaper for passengers and reduces the time it takes to board a bus or pass through station ticket gates. A number of initiatives have been introduced to encourage more people to switch to Oyster:

- A total of 100,000 free Oyster cards were issued this year, targeted at communities where take-up has been lowest
- An expansion in the number of locations where Oyster cards can be purchased and topped up began. It will bring the total to nearly 4,000 by June 2008
- The Barclaycard OnePulse card was launched, combining Oyster technology with a credit card and cashless payment facilities
- Passengers were able to use Oyster on London Overground, Chiltern, c2c and Hackney area National Express East Anglia services
- The Zip card, a free Oyster photocard, has been introduced to consolidate the various young persons' free travel schemes

Improved interchanges that have opened this year include Walthamstow Central station where LU, bus and National Rail passengers now enjoy improved safety and accessibility measures. These include a new subway, enlarged ticket office and better access for disabled people. Shepherd's Bush (Central line) station closed this year for eight months to allow for construction of a new ticket hall and escalators ahead of the opening of the adjacent development in late 2008.

TfL's transport system continues to be a low crime environment. The year 2007/08 saw further reductions in crime levels on both the bus and LU/DLR networks. These reductions in crime on the transport system were driven by a range of initiatives undertaken by TfL in partnership with the Met, the BTP and the City of London Police.

Safer Transport Teams were introduced into 21 Outer London boroughs during 2007/08 to provide much needed visibility and reassurance. The policing teams operate across London's public transport system tackling problems identified on both the TfL and suburban rail networks (stations and interchanges). TfL continues to work closely with its policing partners to make travelling in London safer.

Licensing and the associated compliance work has continued for the PCO, ensuring the safest possible services for Londoners and visitors. A new PCO compliance vehicle was introduced in April and is being used to undertake roadside safety checks and to ensure that all vehicles and their drivers are properly licensed.

Licensed private hire vehicles have been granted permission to pick up and set down passengers on the Capital's red routes. This means that passengers, especially older and disabled people, can benefit from being picked up and dropped off at more convenient locations to them.

The number of Cabwise text requests has tripled in the two years since its launch. Users of the service can text the word ‘HOME’ to the Cabwise number and the service locates the area the person is texting from. It then sends back one taxi and two local licensed minicab numbers straight to their mobile.

Initiatives such as iBus and the Smarter Travel schemes are expanding the coverage and format of travel information. A three-month trial took place this year of ‘smart posters’ in the vicinity of Blackfriars station. The posters transmit multi-modal maps, directions and real time travel advice to mobile phones, even if underground.

>Statement of Accounts

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> Explanatory Foreword and Financial Review

2007/08 again saw significant passenger growth across the TfL network. Passenger journeys on the Underground grew by 5.8 per cent to 1.07 billion, supported by a new record for the number of kilometres operated in a year. Service demand on the bus network reached 2.18 billion passenger journeys for the year, and the Docklands Light Railway (DLR) carried more than 67 million passengers in a year.

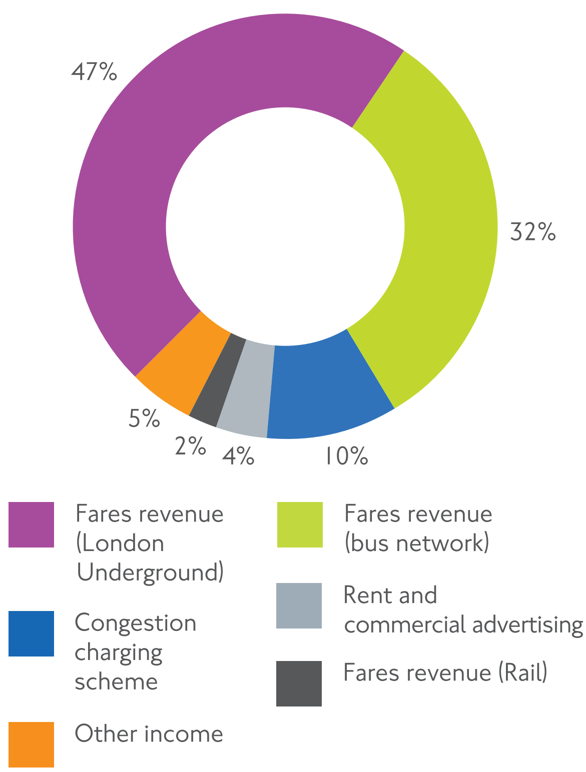
The growth in passenger numbers was reflected in the 2007/08 revenue result, which was up 10.6 per cent on the previous year to £3,279m. Operational spend excluding exceptional items increased by 8.4 per cent to £5,022m.

The level of capital works being undertaken during 2007/08, the third year of TfL's Investment Programme, remained high. Capital expenditure during the year was up 16 per cent to £2,164m.

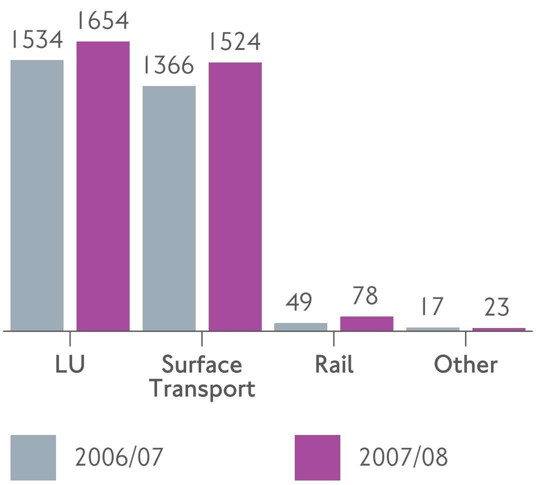
> Revenue

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 81 per cent of all revenue generated in 2007/08. The continued high levels of passenger demand across the network, together with fare increases, resulted in an 8 per cent increase in fares revenue on the Underground to £1,524m, and a 5 per cent increase in fares revenue on the bus network to £1,057m.

Revenue breakdown (2007/08)



Total revenue by mode (£m)



The price of some bus-only tickets was reduced on 30 September 2007, reducing the average bus fare paid overall by 4.4 per cent. Travelcard prices were increased by 4 per cent in January 2008, broadly in line with inflation. This increased the average Underground fare by 2.6 per cent and the average bus fare by 1.3 per cent.

The use of Oyster PAYG fares increased from 25 per cent of all Underground journeys at the start of 2007/08 to almost 30 per cent over the year. Cash fare use on the Underground declined from 3.9 per cent to 3.6 per cent over the same period. On buses, PAYG use increased from 14 per cent to 17 per cent over the year while cash fares declined from 2.4 per cent to 1.8 per cent of all journeys.

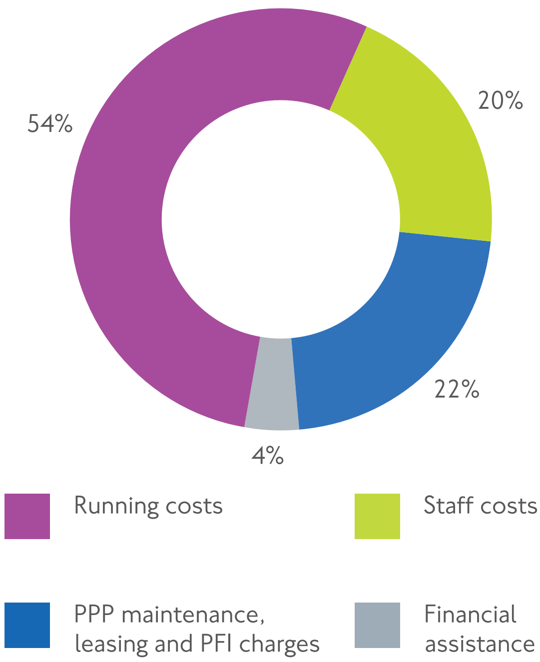
Total fares revenue on the DLR for 2007/08 was £63m compared with £54m for 2006/07. Included in last year's revenue is £5m collected directly by the franchise operator.

> Operational expenditure

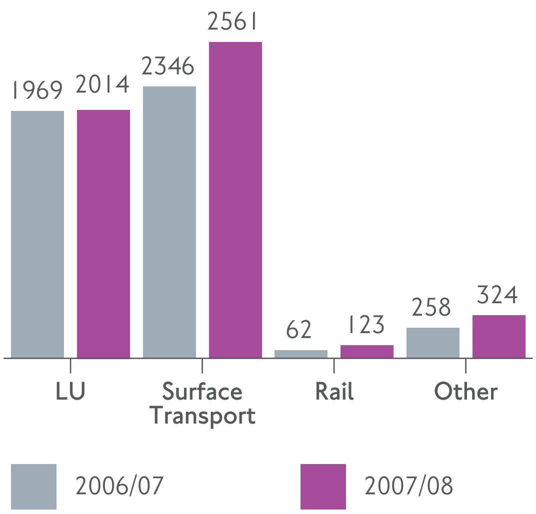
The rise in TfL's expenditure in 2007/08 reflected the Group's increased level of activity during the year.

Operating expenditure on the Underground increased by two per cent to £2,014m. Bus network costs increased by approximately £99m to £1,732m, due to contract price inflation, service enhancements and increase in contract performance bonuses.

Expenditure breakdown (2007/08)



Expenditure by mode (£m)



Expenditure on Congestion Charging increased by £28m due to a full year's operation of the western extension which came into effect on 19 February 2007.

Rail for London's first few months of operation resulted in additional operating expenditure of £39m. DLR's costs are comparable to last year.

TfL continued its commitment to borough schemes that improve the quality, safety and accessibility of the local travelling environment by providing a total of £179m of financial support to borough programmes. Other financial assistance included payments related to Taxicard.

> Interest and finance charges

Interest payable has increased by £90m, reflecting the carrying cost of increased PPP investment and increased borrowings.

Interest receivable has increased by £43m reflecting rising interest rates and cash balances held to fund TfL's Investment Programme.

> Balance sheet

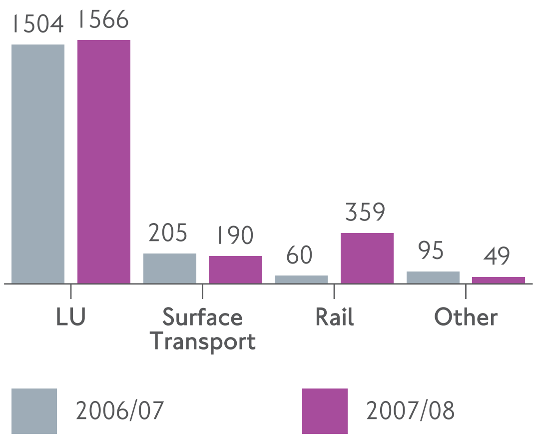
Net assets increased by £337m between 31 March 2007 and 31 March 2008, largely due to an actuarial gain of £308m on the TfL Pension Fund.

Fixed assets increased significantly, reflecting the continuing high levels of capital expenditure. As explained further below, £1,093m of fixed assets were provided under the PPP contracts. This resulted in an increase in finance lease creditors over one year.

> Capital expenditure

The third year of the Investment Programme saw capital expenditure rise to £2,164m. Over 72 per cent of TfL's capital expenditure during 2007/08 related to capital works being undertaken on LU's infrastructure.

Capital expenditure by mode (£m)



Capital works undertaken by the Infracos during the year included the renewal of 28 kilometres of track, the completion of a further 26 station refurbishments or modernisations, two new fully accessible lifts at Morden, the refurbishment or replacement of 24 escalators and two lifts and the final refurbished District line train entering service at the end of the year.

Work continued on the upgrades of the Victoria, Jubilee, Northern and Sub-surface lines. The first new Victoria line train was delivered and has been undergoing testing during non-passenger hours. To facilitate the upgrade process on the line, a programme of early closures on Monday to Thursday evenings was in place through much of the year and is continuing into 2008/09, supplementing the extensive weekend closure programme.

Other works undertaken by LU during the year included the continued development of station upgrades, congestion relief works and accessibility improvements. The new communications equipment provided under the Connect PFI was commissioned on the Bakerloo, Piccadilly, Victoria and Waterloo & City lines during the year.

The construction works continued during the year on the new Northern Ticket Hall at Kings Cross and on the redevelopment of the White City site. On 22 December 2007, the remainder of the existing East London Line was closed to facilitate the ongoing upgrade and extension works, which will be incorporated into the recently established London Overground network when the extended line reopens in 2010.

In Surface Transport, £190m 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 low emission zone; work on introducing the iBus radio and information system; replacement of the bus garages on the Olympics site; improving the Blackwall Tunnel southbound; replacing the Western Avenue Bridge on the A40; implementing walking and cycling initiatives; traffic signal modernisation; and improvements to road safety.

Capital expenditure of £359m was incurred by London Rail. This includes expenditure on DLR projects including the Stratford International extension and capacity enhancement works to upgrade and enhance the railway to enable three car trains to be operated. This amount also includes expenditure of £147m on the project to extend the East London Line. This is in addition to expenditure of £65m incurred by London Underground.

> 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 below, other sources of financing include the PPP and PFIs (see also Notes 16 and 17 to the accounts).

Movement in long-term borrowing

	£m	Note
Opening borrowing at 1 April 2007	1,350	
European Investment Bank facility	112	The third 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
Public Works Loan Board	488	Seventeen separate loans with interest rates of 4.50-4.85 per cent and final maturity ranging between 2038 and 2052
Closing borrowing at 31 March 2008	1,950	

The borrowing limit for the Corporation set by the Mayor for 2007/08 was £2 billion.

Cash and short-term investments

Total cash and short-term investments (364 days or less) held by the Corporation at 31 March 2008 amounted to £1,903m. The average yield from TfL's cash investments for 2007/08 was 5.87 per cent. Most of the cash is represented by reserves and borrowing earmarked to fund TfL's future Investment Programme.

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 reduced slightly. However, there has been a significant reduction in the actuarial value of future liabilities, and as a consequence the deficit of pension scheme assets over future liabilities has reduced by almost £341m.

In addition, at 31 March 2008 the Group had future liabilities under unfunded pension arrangements of £43m, unchanged from 2007.

The latest full actuarial valuation of the Public Sector Section of the TfL Pension Fund was carried out as at 31 March 2006. The 2006 valuation showed a deficit for funding purposes of £192m. As part of the recovery plan agreed with the Pension Fund Trustees, TfL paid a lump sum contribution of £157m in August 2007, as advance payment of employers' contributions falling due for a period after 1 September 2007. Employers' contributions will resume when this period ends, expected to be August 2008.

> Prospects and Outlook

Passengers

London's population continues to rise, with the population forecast to increase from 7.5 million in 2005 to more than 8.1 million by 2016 and to 8.3 million by 2025. Employment in the capital is forecast to grow in line, with the number of jobs in the capital anticipated to grow by 400,000 jobs by 2016, with a further 500,000 by 2025.

On the Underground, TfL will deliver substantial improvements. There will be an estimated overall reduction in average journey time and an estimated 25 per cent increase in capacity across the network by 2020.

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

Fares policy

Fare decisions are taken by the Mayor. The Mayor reduced bus fares in September which saw the price of a single Oyster card bus journey fall from £1 to 90p. The annual fare package in January preserved Oyster card bus journeys at 90p with the wider fare package increasing in line with RPI.

Revenue pressures

The risk of an economic downturn may adversely affect TfL revenues, principally fares income. If fare income is lower than anticipated, the future spending profile will be varied to ensure that financial balance is maintained.

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. The management of road maintenance contracts was brought in house on 1 April 2007 and savings are being generated as a result of this.

Legislative compliance

Additional national and EU legal requirements.

Energy prices

Increase in oil and/or electricity prices. This is particularly topical in the light of recent price moves. London Underground has moved from fixing energy costs on an annual basis to acting monthly.

This has had a positive effect in reducing the overall energy bill.

Terrorism

Terrorism-related and increased security costs.

Construction capacity

Increased costs associated with a shortage in construction capacity.

Capital investment

TfL is currently investing £13bn in enlarging and upgrading the TfL network and delivering the key projects to meet the transport needs of the London 2012 Olympic and Paralympic Games.

On 5 October 2007, the Prime Minister formally gave the go ahead to the Crossrail project, a £16bn investment in a new rail route across London. This will deliver a 10 per cent increase in public transport capacity and is expected to contribute £37bn to UK GDP over the next 60 years.

Financing of the Investment Programme is from:

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

Comprehensive Spending Review 2007

Following the comprehensive spending review, the Government has confirmed its funding agreement with TfL covering the next ten years, agreeing a total TfL grant of £32bn over this period, in addition to support for the Crossrail project.

Metronet

Metronet went into PPP Administration on 18 July 2007. The PPP contracts with Metronet included Put Option Agreements which enabled the lenders to Metronet to receive payment from London Underground of at least 95 per cent of borrowings. On 5 February 2008, the Put Options were exercised and on 12 February 2008, London Underground paid £1.7bn in settlement of its obligations thereunder.

TfL received a revenue grant of £1.7bn from the Department for Transport in order to settle the Put Options.

On 27 May 2008, two nominee companies, subsidiaries of Transport Trading Limited, acquired the business, assets and certain liabilities of Metronet. The full impact of the transaction will be reflected in the 2008/09 Accounts.

> 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 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 counterparty credit, liquidity and interest rate movements. These are the focus of treasury policies, as set out below:

Counterparty credit

The Group's exposure to credit-related losses i.e. non-performance by counterparties on financial instruments, is mitigated by applying financial limits to any one party in relation to a credit rating. The minimum limit is A1 with a financial limit of £60m – the maximum is AAA with a limit of £200m. Credit ratings are obtained from Moody's Corporation and are kept under constant review. These ratings are cross-checked to those of other rating agencies.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates which broadly equate to the lives of assets purchased with the proceeds of debt. This approach ensures 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 2008 is set out in Note 17 to the accounts. Due to the size and long-term nature of future commitments, significant cash balances are held to mitigate the risk of any future restriction of access to funds.

Interest rates

The TfL Board has approved parameters of a minimum of 50 per cent fixed-rate on existing and forecast debt. 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, with a weighted average maturity of 78 days.

> 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 2007: A Statement of Recommended Practice (SORP).

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 1985 (as amended) 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 d), 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

Stephen Critchley
Chief Finance Officer
25 June 2008

> Annual Governance Statement

> Scope of responsibility

Transport for London (TfL) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

TfL has approved and adopted a revised Code of Governance, which is consistent with the principles of the revised CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance is on our website at www.tfl.gov.uk or can be obtained from the Corporate Governance Adviser, Windsor House, 42-50 Victoria Street, London, SW1H 0TL. This statement explains how TfL has complied with the TfL Code of Governance and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

> The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which TfL is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and 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 governance framework has been in place at TfL for the year ended 31 March 2008 and up to the date of approval of the 2007/08 statement of accounts.

> The governance framework

The Mayor appoints the TfL Board. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team. The Commissioner of TfL, advised by his Chief Officers, is responsible and accountable for the delivery of the day to day operations of TfL.

The Board has four committees:

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

There are five advisory panels, made up of Board members and senior staff, who provide strategic advice to the Commissioner on the development and execution of policy in TfL:

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

The Audit Committee has responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the TfL Code of Governance, the Annual Governance Statement contained in these accounts and the results of the compliance review, and is responsible for the annual assurance process.

General Counsel has responsibility for the operation of the TfL Code of Governance. The Director of Internal Audit comments annually on the adequacy and effectiveness of the TfL Code of Governance and the extent of TfL's compliance with it.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation, is applied within the management processes and is transparent to all stakeholders. The mechanisms through which this is done are described below.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users through the following:

- Its contribution to the Mayor's Transport Strategy which contains his proposals for TfL reflecting national and local priorities;
- T2025 which provides a long term perspective of transport trends in London;
- The Budget and Business Plan which reflects its priorities and seeks to maximise its resources;
- Setting and monitoring key performance targets;
- Regular and meaningful consultation and communication with customers and stakeholders;
- Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality.

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and that they represent the best use of resources by having:

- Systems for providing sound management information;
- Comprehensive performance plans;
- Monitoring and reporting arrangements for performance against agreed targets and forecasts;
- Arrangements to identify and deal with failure in service delivery; and
- A scrutiny function for its Investment Programme which encourages constructive challenge and enhances TfL's performance overall.

TfL defines and documents the roles and responsibilities of decision-makers with clear delegation arrangements and protocols for effective communication by having:

- A documented Scheme of Delegation that reserves appropriate responsibilities to the Board and provides managers with the authority necessary to conduct routine business;
- Roles and responsibilities of Board members and senior officers clearly documented; and
- A management structure with roles and responsibilities which are clearly defined.

TfL has developed and communicates and embeds codes of conduct, defining the standards of behaviour for members and staff by:

- Ensuring it is an organisation that has a climate of openness, support and respect;
- Having standards of conduct expected of members and staff;
- Having arrangements to ensure that Board members and employees are not influenced by prejudice, bias or conflicts of interest;
- Developing and maintaining shared values including leadership values and communicating these;
- Having targets for performance in the delivery of services; and
- Using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships.

TfL reviews and updates Standing Orders, Standing Financial Instructions, its Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed;
- Maintaining and monitoring processes for the taking of significant decisions;
- Maintaining robust systems for identifying and evaluating significant risks and a risk management framework;
- Maintaining an effective risk management system; and
- Ensuring that risk management is embedded into its culture, with Board members and managers at all levels recognising that risk management is part of their role.

TfL ensures that the core functions of an Audit Committee are delivered by:

- Having an effective, independent Audit Committee;
- Having the Audit Committee develop and maintain an effective overview of the affairs of TfL;
- Having an Internal Audit Plan that is driven by an annual evidenced assessment of the key business risks facing TfL;
- Having an Internal Audit Department which complies with relevant professional standards and which is accountable to the Audit Committee for the delivery of the Internal Audit Plan;
- The Audit Committee monitoring the performance of the external auditors; and
- Monitoring the performance and training needs of the Audit Committee.

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- Ensuring that activities are fully documented, appropriately authorised and lawful;

- Identifying a senior manager who is made responsible for ensuring that appropriate advice is given in financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control;
- Ensuring that a senior manager is responsible for activities being documented, appropriately authorised and lawful;
- Developing and maintaining open and effective mechanisms for documenting decisions and recording the criteria, rationale and considerations on which decisions are based; and
- Ensuring that advice on matters that have legal or financial implications is available and recorded.

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints; and
- Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access.

TfL identifies the development needs of Board members and senior officers in relation to their strategic roles, supported by appropriate training by:

- Ensuring that Board members and senior officers have the skills, resources and support to perform effectively in their roles and that these roles are properly understood throughout TfL;
- Ensuring that Board members and Chief Officers are provided with the necessary training to perform their roles; and
- Assessing the skills required by members and officers and making a commitment to develop those skills to enable roles to be carried out effectively.

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of TfL;
- Having a policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result;
- Making clear to staff and the public what it is accountable for and to whom;
- Publishing, publicising and making generally available an Annual Report as soon as reasonably practicable after the financial year end; and
- Co-operating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes.

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors;
- Establishing arrangements to engage with all sections of the public effectively; and
- Establishing and arranging to engage with interest groups such as financial institutions, businesses, community and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest.

> Review of effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within TfL who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring and reviewing the operation of the TfL Code of Governance, reporting annually to the Audit Committee on compliance with the TfL Code of Governance and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

The Director of Internal Audit comments annually on the adequacy and effectiveness of the TfL Code of Governance and the extent of TfL's compliance with it. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to ensure continuous improvement of the system is in place.

> Significant governance issues

Following the Mayoral election on 1 May, Boris Johnson became Mayor of London. This is the first time that there has been a change of Mayor. Appropriate steps will be taken to address governance issues consequent on the change of Mayor as they arise.

Preparatory work has been undertaken for the transfer to TfL in 2008/09 of the activities formerly undertaken by Metronet to ensure that the transferred activities are brought within the governance framework.

Following the Crossrail Bill receiving Royal Assent TfL will assume responsibility for building and managing the operation of the new line and TfL will have appropriate governance arrangements in place in relation to this.

TfL will also be ensuring that adequate governance arrangements are in place in relation to the establishment of the London Transport Museum as a charity and the operation of Tramtrack Croydon Limited on transfer to TfL.

We propose over the coming year to take steps to address the above matters and to continue to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Chair of TfL Board

Commissioner

> 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 2007 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 the 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 2007.

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.

> 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 2007, the financial position of the Corporation and the Group as at 31 March 2008 and their income and expenditure for the year then ended.

KPMG LLP

KPMG LLP
Chartered Accountants, London

22 July 2008

> Other information published with the financial statements

We read other information published with the financial statements, and consider whether it is consistent with the financial statements approved by the Board on 25 June 2008. 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.

KPMG LLP

KPMG LLP
Chartered Accountants, London

20 October 2008

> 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 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Corporation's best value performance plan for the financial year 2007/08 on 12 November 2007. 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.

KPMG LLP

KPMG LLP
Chartered Accountants, London

22 July 2008

> Group Income and Expenditure Account

	Note	Group 2007/08 £m	Group 2006/07 £m
Highways, roads and transport services			
Expenditure	3	5,022.2	4,634.7
Exceptional items	5	1,958.7	-
		6,980.9	4,634.7
Revenue	1, 2	(3,278.8)	(2,965.6)
Depreciation net of associated amortisation of deferred capital grants	10c	245.6	235.8
Amortisation of deferred capital grants to fund deferred charges	19	(150.0)	-
Net cost of services before joint venture		3,797.7	1,904.9
Share of the operating result of joint venture company	1	52.5	47.5
Net cost of services		3,850.2	1,952.4
Loss on disposal of assets	7	29.5	23.6
Net losses on financial instruments	8	175.8	129.0
Pensions interest cost and expected return on pensions assets	20a	(18.8)	(23.9)
Net operating expenditure		4,036.7	2,081.1
Revenue transport grant for operations	6a	(2,220.2)	(1,979.8)
Other grant to fund exceptional items	5, 6a	(1,700.0)	-
Other revenue grant	6b	(120.0)	(44.2)
Precept		(12.0)	(12.0)
(Surplus)/deficit for the year		(15.5)	45.1

> Corporation Income and Expenditure Account

	Note	Corporation 2007/08 £m	Corporation 2006/07 £m
Highways, roads and transport services			
Expenditure	3	1,018.4	911.2
Exceptional items	5	209.9	-
Grant funding of subsidiaries and joint venture for operations		1,477.0	1,340.7
Grant funding of subsidiary to fund exceptional items	5	1,748.8	-
Revenue	1	(442.8)	(337.2)
Depreciation net of associated amortisation of deferred capital grants	10c	108.7	98.2
Amortisation of deferred capital grants to fund deferred charges	19	(150.0)	-
Net cost of services		3,970.0	2,012.9
Loss/(profit) on disposal of assets	7	21.9	(0.5)
Net gains on financial instruments	8	(70.2)	(32.3)
Pensions interest cost and expected return on pensions assets	20a	0.1	0.2
Net operating expenditure		3,921.8	1,980.3
Revenue transport grant for operations	6a	(2,220.2)	(1,979.8)
Other grant to fund exceptional items	5, 6a	(1,700.0)	-
Other revenue grant	6b	(67.5)	(15.8)
Precept		(12.0)	(12.0)
Surplus for the year		(77.9)	(27.3)

> 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 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 2007/08 £m	Corporation 2006/07 £m
Transfer of the surplus for the year on the Income and Expenditure Account		(77.9)	(27.3)
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	64.1	27.0
General Fund surplus for the year		(13.8)	(0.3)

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

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

	Group 2007/08 £m	Group 2006/07 £m
Surplus on the Corporation's single entity Income and Expenditure Account for the year	(77.9)	(27.3)
Corporation's share of the deficit incurred by its subsidiaries	92.0	105.5
FRS 17 pensions credit to Group Income and Expenditure Account on consolidation	(29.6)	(33.1)
Group Account (surplus)/deficit for the year	(15.5)	45.1

> Statements of Total Recognised Gains and Losses

	Note	Group 2007/08 £m	Group 2006/07 £m
(Surplus)/deficit on the Income and Expenditure Account for the year		(15.5)	45.1
Gain arising on the revaluation of fixed assets	10a	(9.4)	(103.2)
Revaluation realisation adjustment		-	(0.8)
Actuarial (gain)/loss on pension assets and liabilities	20b	(311.8)	210.9
Total recognised (gains)/losses for the year	21	(336.7)	152.0

	Note	Corporation 2007/08 £m	Corporation 2006/07 £m
Surplus on the Income and Expenditure Account for the year		(77.9)	(27.3)
Loss/(gain) arising on the revaluation of fixed assets	10b	2.6	(19.1)
Actuarial gain on pension assets and liabilities	20b	(4.1)	(4.0)
Revaluation realisation adjustment		1.2	-
Total recognised gains for the year	21	(78.2)	(50.4)

> Group and Corporation Balance Sheets

As at 31 March	Note	**Group 2008 £m**	Group 2007 £m	**Corporation 2008 £m**	Corporation 2007 £m
Tangible fixed assets					
Infrastructure and other property		13,272.7	12,485.9	2,033.9	2,126.5
Rolling stock		1,374.5	1,366.6	-	-
Plant and equipment		496.1	493.7	146.3	162.5
Non-operational assets		1,572.6	1,003.1	193.6	180.7
Total tangible fixed assets	10a,b	16,715.9	15,349.3	2,373.8	2,469.7
Investment in subsidiaries and joint venture	11	-	-	22.5	22.5
Long term debtors	13	-	-	1,322.2	-
Total long term assets		16,715.9	15,349.3	3,718.5	2,492.2
Current assets					
Stocks	12	4.2	4.3	2.1	1.9
Debtors	13	562.0	302.7	340.2	751.7
Short-term investments		1,870.0	2,004.3	1,832.7	1,970.6
Cash at bank and in hand	14	33.1	23.5	3.4	3.3
Total current assets		2,469.3	2,334.8	2,178.4	2,727.5
Current liabilities					
Creditors: amounts falling due within one year	15a	(1,925.1)	(1,753.8)	(470.5)	(456.9)
Total current liabilities		(1,925.1)	(1,753.8)	(470.5)	(456.9)
Net current assets		544.2	581.0	1,707.9	2,270.6
Total assets less current liabilities		17,260.1	15,930.3	5,426.4	4,762.8
Creditors: amounts falling due after one year	15b	(2,780.2)	(2,064.1)	(6.3)	(5.7)
Provisions for liabilities and charges	18	(249.7)	(248.2)	(80.6)	(90.4)
Borrowings due after more than one year	16b	(1,950.0)	(1,349.8)	(1,950.0)	(1,349.8)
Net assets excluding grants		12,280.2	12,268.2	3,389.5	3,316.9
Deferred grants	19	(6,861.8)	(6,845.1)	(417.6)	(419.1)
Net assets excluding pension and other post-retirement liabilities		5,418.4	5,423.1	2,971.9	2,897.8
Pension and other post-retirement liabilities	20a	(606.8)	(948.2)	(10.1)	(14.2)
Total net assets		4,811.6	4,474.9	2,961.8	2,883.6
Capital and reserves					
General fund		161.6	147.8	161.6	147.8
Earmarked reserves		1,442.8	1,299.8	1,442.8	1,299.8
Other reserves		3,207.2	3.027.3	1,357.4	1,436.0
Total capital employed	21	4,811.6	4,474.9	2,961.8	2,883.6

These accounts were approved by the Board on 25 June 2008

Boris Johnson
Chair of the TfL Board

> Cash Flow Statements

Reconciliation of net cost of services to net cash inflow/(outflow) from revenue activities	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Net cost of services		(3,797.7)	(1,904.9)	(3,970.0)	(2,012.9)
Transport revenue grant	6a	3,920.2	1,979.8	3,920.2	1,979.8
Other revenue grant		44.0	15.8	44.0	15.8
Precept		12.0	12.0	12.0	12.0
Grants to joint venture company		–	(19.1)	–	–
Depreciation net of associated release of deferred grants		245.6	235.8	108.7	98.2
Amortisation of deferred capital grant to fund deferred charges		(150.0)	–	(150.0)	–
Decrease/(increase) in stocks		0.1	0.8	(0.2)	0.6
Increase in debtors		(120.2)	(14.9)	(111.7)	(11.8)
Increase in amounts due to subsidiary companies		–	–	22.1	102.7
Increase in creditors due within one year		98.4	55.4	27.2	26.4
Increase in creditors due after more than one year		3.5	4.0	0.3	1.0
Increase/(decrease) in provisions for liabilities and charges		6.1	(5.4)	(5.6)	(19.1)
(Decrease)/increase in pension and post-retirement liabilities		(10.8)	(8.8)	–	0.2
Net cash inflow/(outflow) from revenue activities		251.2	350.5	(103.0)	192.9
Returns on investments and servicing of finance					
Finance lease charges		(215.7)	(162.3)	–	–
Interest paid and similar charges		(75.1)	(32.6)	(75.1)	(32.6)
Interest received and investment income		99.2	61.1	129.5	60.0
		(191.6)	(133.8)	54.4	27.4
Capital activities					
Transport capital grant		312.2	410.5	312.2	410.5
Third party contributions and other grant funding		163.5	163.1	4.7	7.9
Grants to subsidiaries and joint venture for capital expenditures	6a	–	–	(260.7)	(345.9)
Payments to acquire tangible fixed assets		(1,005.5)	(736.2)	(189.6)	(262.5)
Receipts from sale of tangible fixed assets		97.8	30.2	81.1	10.0
		(432.0)	(132.4)	(52.3)	(180.0)
Net cash (outflow)/inflow before financing		(372.4)	84.3	(100.9)	40.3
Management of liquid resources					
Decrease/(increase) in short-term investments		134.3	(341.2)	137.9	(337.7)
Financing					
Capital element of finance lease payments		(352.3)	(347.6)	–	–
Increase in loans to subsidiary companies		–	–	(636.9)	(306.8)
Increase in borrowings due after more than one year		600.0	604.0	600.0	604.0
		247.7	256.4	(36.9)	297.2
Increase/(decrease) in cash		9.6	(0.5)	0.1	(0.2)

> Notes to the cash flow statements

a) Cash flow statements: reconciliation with the accounts

Capital expenditure	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Additions to fixed assets	10a, b	(2,163.7)	(1,863.7)	(175.9)	(233.4)
Decrease/(increase) in debtors		0.1	1.7	(1.1)	1.8
Increase/(decrease) in creditors due within one year		69.8	14.0	(8.2)	(23.9)
Increase in creditors due after one year		0.3	-	0.4	-
Additions under finance lease arrangements		1,093.1	1,123.1	-	-
Decrease in provisions and other items		(5.1)	(11.3)	(4.8)	(7.0)
Capital expenditure per cash flow statement		(1,005.5)	(736.2)	(189.6)	(262.5)

Contributions from third parties for capital expenditure	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Third party contributions and other grant funding	139.1	152.1	4.7	7.9
Decrease in debtors	24.4	11.0	-	-
Contributions from third parties per cash flow statement	163.5	163.1	4.7	7.9

b) Analysis of change in net debt

Group	Note	At 1 April 2007 £m	Movement £m	At 31 March 2008 £m
Cash at bank and in hand	14	23.5	9.6	33.1
Investments	16b	2,004.3	(134.3)	1,870.0
Borrowings due after more than one year	16b	(1,349.8)	(600.2)	(1,950.0)
Finance lease obligations		(2,569.8)	(740.8)	(3,310.6)
Total of net debt		(1,891.8)	(1,465.7)	(3,357.5)
Corporation				
Cash at bank and in hand	14	3.3	0.1	3.4
Investments	16b	1,970.6	(137.9)	1,832.7
Borrowings due after more than one year	16b	(1,349.8)	(600.2)	(1,950.0)
Total of net funds		624.1	(738.0)	(113.9)

> 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 2007 ('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

The 2007 SORP introduced two major changes to the accounts for local authorities for accounting periods starting on or after 1 April 2007.

The fixed asset restatement account and the capital financing account have been replaced by a revaluation reserve and a capital adjustment account. The 2006 SORP which initially introduced this change stated that the difference between the current value of an asset and its depreciated historical cost would represent the revaluation gain attributable to that asset, and that the grand total of all such gains would be the opening position on the revaluation reserve.

The 2007 SORP recognised that this would require some authorities to perform lengthy research and involve a substantial amount of expert estimation in establishing reliable figures for depreciated historical cost. The 2007 SORP therefore requires that the Revaluation Reserve be created with a nil balance at 31 March 2007.

TfL is able to accurately reconstruct the opening balance on its revaluation reserve. In order to ensure consistent accounting policies across the Group, TfL has departed from the requirements of the SORP and has established a revaluation reserve with an opening balance of £37.7 million. The balance of the Fixed Asset Restatement Account at 31 March 2007, together with the balance on the Capital Financing Account were transferred to the Capital Adjustment Account.

In addition, the SORP 2007 incorporated the requirements of FRS 26 Financial Instruments: Recognition and Measurement, FRS 25 Financial Instruments: Presentation and FRS 29 Financial Instruments: Disclosures.

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 accounts consolidate the individual accounts 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.

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.

> Statement of Accounting Policies (continued)

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 into 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.

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. London Underground (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 2008 (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 revaluation reserve.

Non-operational assets

These assets consist of investment properties commercially let and capable of being separated from operational property (e.g. 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
Bridges and viaducts	up to 100 years
Track	up to 50 years
Road pavement	up to 15 years
Road foundations	up to 50 years
Signalling	15-40 years
Stations	up to 50 years
Other property	20-50 years
Rolling stock	30-50 years
Lifts and escalators	25-40 years
Plant and equipment	3-40 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 s) 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 and contingencies

Provisions are recognised in respect of liabilities which exist at the balance sheet date where the amount or date of payment is uncertain. They are charged to net cost of services in the year that they are recognised.

The Group has a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. Where it is possible but not probable that a liability exists at the balance sheet date, or where the liability cannot be reliably estimated, no provision is made and a contingent liability is disclosed in the accounts. Contingent liabilities 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 Statement of Accounts includes provisions based on management's best estimate of the outcome of these uncertainties (see Note 18).

l) Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the

> Statement of Accounting Policies (continued)

liability, multiplied by the effective rate of interest for the instrument.

Instruments entered into before 1 April 2006

There are a number of financial guarantees, referred to in Note 29, that are not required to be accounted for as financial instruments. They are reflected in the statement of accounts to the extent that provisions are required or a contingent liability note is needed under the policies set out in paragraph k).

m) Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the income and expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. All loans and receivables are shown in the balance sheet at the outstanding principal receivable plus the difference between interest credited to the income and expenditure account and interest received.

Where loans and receivables are impaired, arising from a past event, they are written down and a charge made to the income and expenditure account.

Any losses/gains that arise on the derecognition of the asset are debited/credited to the income and expenditure account. Derecognition arises when the asset is sold or otherwise disposed of.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Where the asset has fixed or determinable payments, annual credits to the income and expenditure account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the income and expenditure account when it becomes receivable.

Assets recorded in the balance sheet at fair value are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed or determinable payments – the total value of the discounted cash flows.
- equity shares with no quoted market prices – independent appraisal of company valuations.

Increases/decreases in fair value are recognised in the statement of total recognised gains and losses (STRGL) and transferred to the Available-for-sale Reserve. The exception is where impairment losses have been incurred or the asset has been derecognised – these are debited/credited to the income and expenditure account together with earlier losses less the gains for the asset previously accumulated in the Available-for-sale Reserve.

n) Reserves

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

- The revaluation reserve, previously known as the fixed asset restatement account, which represents the net gain arising on the periodic revaluation of fixed assets.
- The capital adjustment account, previously known as the capital financing account, which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The capital adjustment account also contains the reclassified balance from the old fixed asset restatement account and the capital financing account, as described in b).

The depreciation charge to the income and expenditure account in the Corporation on the current value of fixed assets is met by an appropriation from the Capital Adjustment Account. Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. These two reserve 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.

The accounting requirements for financial instruments are similar to those for fixed assets, in that financial assets are required to be carried at fair value (unless they have fixed or determinable payments but are not quoted in an active market) and the outcome of proper accounting practices for the Income and Expenditure Account is different from that required for assessing the impact on local taxes.

Two reserves are required to be maintained:

- the Available-for-Sale Financial Instruments Reserve – records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets
- the Financial Instruments Adjustment Account – provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

These reserves are matched by borrowings and investments within the Balance Sheet and do not represent resources available to the Corporation.

o) 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.

p) 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.

q) 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.

r) 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

> Statement of Accounting Policies (continued)

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.

s) 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 charged to revenue.

> Notes to the Accounts

1 Segmental analysis

	Gross revenue 2007/08 £m	Gross revenue 2006/07 £m	Gross services expenditure 2007/08 £m	Gross services expenditure 2006/07 £m	Net expenditure 2007/08 £m	Net expenditure 2006/07 £m
London Streets	418.7	314.0	(905.7)	(781.0)	(487.0)	(467.0)
Other	24.1	23.2	(71.4)	(228.4)	(47.3)	(205.2)
Corporation	442.8	337.2	(977.1)	(1,009.4)	(534.3)	(672.2)
Subsidiary operations						
Bus operations	1,079.8	1,026.8	(1,739.1)	(1,643.4)	(659.3)	(616.6)
London Underground	1,654.5	1,534.3	(2,136.2)	(2,087.2)	(481.7)	(552.9)
Docklands Light Railway	63.1	48.7	(73.5)	(72.0)	(10.4)	(23.3)
Rail for London	14.9	-	(59.4)	-	(44.5)	-
Other	23.7	18.6	(132.5)	(58.5)	(108.8)	(39.9)
Joint venture						
Cross London Rail Links	-	-	(52.5)	(47.5)	(52.5)	(47.5)
Group	3,278.8	2,965.6	(5,170.3)	(4,918.0)	(1,891.5)	(1,952.4)

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

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

2 Group revenue

	Note	2007/08 £m	% of total	2006/07 £m	% of total
Fares		2,445.8	74.5	2,269.4	76.6
Revenue in respect of free travel for elderly and disabled people		211.5	6.5	197.5	6.7
Congestion charging	27	328.2	10.0	252.4	8.5
Charges to London Boroughs		12.7	0.4	12.5	0.4
Charges to transport operators		8.6	0.3	8.3	0.3
Bus enforcement		67.9	2.1	48.3	1.6
Commercial advertising receipts		72.9	2.2	61.3	2.1
Rents receivable		57.5	1.8	54.0	1.8
Taxi licensing		17.2	0.5	16.0	0.5
Museum income		2.8	0.1	1.1	-
Other		53.7	1.6	44.8	1.5
Total revenue		3,278.8	100.0	2,965.6	100.0

> Notes to the Accounts (continued)

3 Expenditure (before exceptional items)

	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Staff costs:					
Wages and salaries		760.4	670.3	137.2	120.2
Social security costs		64.0	57.6	12.2	11.2
Pension costs	20a	173.3	152.5	34.4	34.3
		997.7	880.4	183.8	165.7
Operating leases and PFI charges		327.7	293.0	27.0	12.6
Financial assistance	28	197.4	178.5	197.4	178.5
Supplies and services		5,663.1	5,146.5	786.1	787.8
		7,185.9	6,498.4	1,194.3	1,144.6
Capital expenditure	10a, b	(2,163.7)	(1,863.7)	(175.9)	(233.4)
Expenditure charged to revenue		5,022.2	4,634.7	1,018.4	911.2

	Group 2007/08 Number	Group 2006/07 Number	Corporation 2007/08 Number	Corporation 2006/07 Number
Average number of employees				
Permanent employees (including those on fixed term contracts)	20,030	18,715	3,276	2,969
Agency staff	1,463	1,574	739	752
Average number of employees	21,493	20,289	4,015	3,721

	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Cost of services include the following amounts:				
Auditors' remuneration for statutory audit services	1.0	0.9	0.4	0.4
Auditors' remuneration for non-statutory audit services	0.1	0.1	0.1	0.1
Auditors' remuneration for non-audit services	0.2	0.1	–	–
	1.3	1.1	0.5	0.5

The Group leases certain properties on short-term and long-term leases. The rents payable on these leases were £46.4 million (2006/07 £39.8 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 £281.3 million (2006/07 £253.2 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.

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 the employer, fell within the following bands:

£	Group 2007/08 Number	Group 2006/07 Number	Corporation 2007/08 Number	Corporation 2006/07 Number
50,000-59,999	1,110	761	255	215
60,000-69,999	369	267	144	106
70,000-79,999	184	147	69	67
80,000-89,999	105	89	47	51
90,000-99,999	63	35	30	18
100,000-109,999	42	34	25	20
110,000-119,999	20	17	13	8
120,000-129,999	14	14	6	8
130,000-139,999	8	14	1	7
140,000-149,999	7	8	3	2
150,000-159,999	6	6	4	4
160,000-169,999	4	2	2	1
170,000-179,999	4	-	1	-
180,000-189,999	3	1	2	-
190,000-199,999	2	2	-	2
200,000-209.999	-	1	-	1
210,000-219,999	3	4	2	3
220,000-229,999	2	1	1	1
230,000-239,999	2	-	2	-
240,000-249,999	1	-	1	-
250,000-259,999	-	2	-	1
260,000-269,999	-	1	-	1
270,000-279,999	-	1	-	-
300,000-309,999	1	-	1	-
350,000-359,999	-	1	-	-
430,000-439,999	1	-	1	-
440,000-449,999	1	-	-	-
450,000-459,999	-	1	-	1
460,000-469,999	1	-	-	-
500,000-509,999	-	1	-	-
540,000-549,999	1	-	1	-
550,000-559,999	-	1	-	1
Total	1,954	1,411	611	518

The SORP requires the above disclosure for the Corporation's employees only. 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 (continued)

5 Exceptional items

	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Provision against the loan receivable from the Metronet Infracos following the exercise of the put option		1,748.8	-	-	-
Provision against loan receivable from the Metronet Infracos	13	209.9	-	209.9	-
Total exceptional items included in expenditure		1,958.7	-	209.9	-

Metronet Rail BCV Limited and Metronet Rail SSL Limited (together 'the Metronet Infracos') were principally financed by bank debt and debt securities. This debt was raised by specific finance companies in the Metronet Groups (Metronet Fincos) and the proceeds on-lent to the Metronet Infracos.

The PPP contracts with the Metronet Infracos included Put Option Agreements which enabled the lenders to the Metronet Fincos to receive repayment from LU of 95 per cent of the approved debt in certain defined circumstances. One of these was upon a period of PPP Administration exceeding 6 months.

The Metronet Infracos were placed in PPP Administration on 18 July 2007. On 5 February 2008, the Put Options were exercised and on 12 February 2008, LU paid £1,748.8 million in settlement of its obligations thereunder.

In order to settle the Put Options, TfL received a revenue grant from the Department for Transport of £1.7 billion. TfL used some of its cash reserves to fund the difference and provided LU with grant funding of £1,748.8 million.

Following the exercise of the Put Options the amounts owed to the Metronet Fincos by the Metronet Infracos under the on-lending referred to above were assigned to LU.

No amounts will be ultimately recoverable by LU in relation to this debt and it has been fully provided against. The debt provision charge is shown as an exceptional item in the Group Income and Expenditure Account and is matched by additional grant received from the Department for Transport.

As at 31 March 2008, the outstanding balance lent to the Metronet Infracos amounted to £241.8 million, and cash of £31.9 million remained in the Infracos' ring-fenced Trust bank accounts at 31 March 2008. A provision of £209.9 million was therefore made and charged to the Income and Expenditure Account as a deferred charge within Exceptional items.

6 Grant

a) Allocation of transport grant receivable	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Grant from Department for Transport applied to fund revenue expenditure		2,220.2	1,979.8	2,220.2	1,979.8
Grant from Department for Transport for the exercise of Metronet's put option	5	1,700.0	–	1,700.0	–
		3,920.2	1,979.8	3,920.2	1,979.8
Grant from Department for Transport taken to deferred grants	19	462.2	410.5	201.5	64.6
Grant from Department for Transport used to fund capital expenditure in subsidiaries and joint venture		–	–	260.7	345.9
Total transport grant receivable		4,382.4	2,390.3	4,382.4	2,390.3

b) Other revenue grant receivable and Group's share of grant received by joint venture	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Share of grant received by joint venture from Department for Transport	52.5	28.4	–	–
Other revenue grant receivable	67.5	15.8	67.5	15.8
Total other revenue grant	120.0	44.2	67.5	15.8

7 Loss/(profit) on disposal or retirement of assets

	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Net proceeds		(96.8)	(18.1)	(79.6)	(2.3)
Capital grant released	19	(73.6)	(47.4)	(2.0)	–
		(170.4)	(65.5)	(81.6)	(2.3)
Less net assets at net book value	10a, b	199.9	89.1	103.5	1.8
Loss/(profit) on disposal of assets		29.5	23.6	21.9	(0.5)

> Notes to the Accounts (continued)

8 Financial Instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Interest income on bank deposits	(113.5)	(70.4)	(113.0)	(69.4)
Interest income on loans to subsidiaries	-	-	(30.9)	-
Interest receivable and investment income	(113.5)	(70.4)	(143.9)	(69.4)
Imputed interest on finance lease creditors	215.7	162.3	-	-
Interest expense on financial liabilities measured at amortised cost	73.6	37.1	73.7	37.1
Interest payable and similar charges	289.3	199.4	73.7	37.1
Net losses/(gains) on financial instruments recognised in Income and Expenditure Account	175.8	129.0	(70.2)	(32.3)

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 2008 the Group had a deferred tax asset in respect of capital allowances of £95.9 million (2007 £57.5 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.

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 2007		20,445.1	3,316.3	1,057.1	1,003.1	25,821.6
Additions to fixed assets		1,295.6	94.4	144.6	629.1	2,163.7
Disposals and retirements		(292.9)	(61.1)	(74.3)	(1.9)	(430.2)
Transfers and adjustments		37.2	58.8	(27.2)	(68.8)	-
Revaluation		(3.5)	-	-	11.1	7.6
Gross cost or valuation at 31 March 2008		**21,481.5**	**3,408.4**	**1,100.2**	**1,572.6**	**27,562.7**
Depreciation						
Balance at 1 April 2007		7,959.2	1,949.7	563.4	-	10,472.3
Disposals and retirements		(179.9)	(2.9)	(47.5)	-	(230.3)
Depreciation charge	10c	429.0	87.1	90.5	-	606.6
Transfer and adjustments		2.3	-	(2.3)	-	-
Revaluation		(1.8)	-	-	-	(1.8)
Balance at 31 March 2008		**8,208.8**	**2,033.9**	**604.1**	**-**	**10,846.8**
Net book value at 31 March 2008		**13,272.7**	**1,374.5**	**496.1**	**1,572.6**	**16,715.9**
Net book value at 31 March 2007		12,485.9	1,366.6	493.7	1,003.1	15,349.3

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	15,169.2	3,285.4	356.3	355.9	19,166.8
Leased assets	147.0	45.3	228.5	-	420.8
	15,316.2	**3,330.7**	**584.8**	**355.9**	**19,587.6**
Depreciation					
PPP assets	5,656.7	1,992.8	170.2	-	7,819.7
Leased assets	10.2	18.7	38.5	-	67.4
	5,666.9	**2,011.5**	**208.7**	**-**	**7,887.1**
Net book value at 31 March 2008	**9,649.3**	**1,319.2**	**376.1**	**355.9**	**11,700.5**
Net book value at 31 March 2007	8,871.2	1,309.9	348.9	260.9	10,790.9

> Notes to the Accounts (continued)

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 2007		3,841.6	284.2	180.7	4,306.5
Additions to fixed assets		38.1	50.8	87.0	175.9
Disposals and retirements		(35.4)	(36.6)	(79.5)	(151.5)
Transfers and adjustments		(13.5)	4.1	7.9	(1.5)
Revaluation		(0.5)	-	(2.5)	(3.0)
Gross cost or valuation at 31 March 2008		**3,830.3**	**302.5**	**193.6**	**4,326.4**
Depreciation					
Balance at 1 April 2007		1,715.1	121.7	-	1,836.8
Disposals and retirements		(34.7)	(13.3)	-	(48.0)
Depreciation charge	10c	116.4	48.0	-	164.4
Transfers and adjustments		-	(0.2)	-	(0.2)
Revaluation		(0.4)	-	-	(0.4)
Balance at 31 March 2008		**1,796.4**	**156.2**	**-**	**1,952.6**
Net book value at 31 March 2008		**2,033.9**	**146.3**	**193.6**	**2,373.8**
Net book value at 31 March 2007		2,126.5	162.5	180.7	2,469.7

c) Depreciation charge

	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Depreciation for the period:					
- on the historical cost of depreciated fixed assets		**142.8**	96.0	**164.4**	163.1
- on the revalued element of depreciated fixed assets		**96.6**	143.1	**-**	-
- on assets allocated to PPP contractors		**356.0**	348.0	**-**	-
- on assets held under finance leases		**11.2**	13.9	**-**	-
Total depreciation charge	10a, b	**606.6**	601.0	**164.4**	163.1
Less: release of deferred grants	19	**(361.0)**	(365.2)	**(55.7)**	(64.9)
Depreciation net of release of deferred grants		**245.6**	235.8	**108.7**	98.2

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 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Infrastructure and other property	16,852.8	15,702.0	3,829.4	3,840.1
Rolling stock	2,212.1	2,117.7	-	-
Plant and equipment	1,018.8	967.3	302.5	284.2
Non-operational assets	1,275.4	717.0	168.0	152.5
Gross cost	21,359.1	19,504.0	4,299.9	4,276.8
Less accumulated depreciation	(5,863.3)	(5,444.2)	(1,955.0)	(1,838.8)
Net written down cost	15,495.8	14,059.8	2,344.9	2,438.0

e) Group assets

	Group 2008 Number	Group 2007 Number
Railway carriages	4,164	4,164
Track route length (kilometres)	430	437
Railway stations	287	290
Bridges and viaducts	1,961	1,992
Roads (kilometres)	580	580
Car ferries	3	3
Buses	535	543
Bus stations and stands	106	105
Bus shelters	10,414	10,261
Offices	164	144
Piers	9	9

f) Capital expenditure analysed by source of finance

	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Analysis by source of finance:					
Transport capital grants		74.9	84.5	51.5	64.6
Prudential borrowing		674.6	465.0	12.9	157.9
Finance leases – PPP		1,093.1	1,123.1	-	-
Third party contributions	19	139.1	152.1	4.7	7.9
Capital receipts		106.8	18.0	106.8	2.4
Revenue contributions		75.2	21.0	-	0.6
	10a, b	2,163.7	1,863.7	175.9	233.4

> Notes to the Accounts (continued)

11 Investment in subsidiaries and joint venture

	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Balance at 1 April		**–**	–	**22.5**	22.5
Share of gross assets of joint venture		**22.0**	14.9	**–**	–
Share of gross liabilities of joint venture		**(22.0)**	(14.9)	**–**	–
Balance at 31 March	17a	**–**	–	**22.5**	22.5

The Group's subsidiaries and joint venture are:

Subsidiaries	**Principal activity**
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
London Bus Services Limited	Passenger transport by bus
Docklands Light Railway Limited	Passenger transport by rail
Rail for London Limited	Passenger transport by rail
Victoria Coach Station Limited	Coach station
London River Services Limited	Pier operator
London Buses Limited	Bus operator and Dial-a-Ride
London Transport Insurance (Guernsey) Limited	Insurance
LUL Nominee BCV Limited	Dormant
LUL Nominee SSL Limited	Dormant

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 per cent 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 the subsidiary companies for the year ended 31 March 2008 all received unqualified audit opinions. The two Nominee companies did not require an audit because they were dormant.

12 Stocks

	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Maintenance stores	**3.6**	3.8	**2.1**	1.9
Goods purchased for resale	**0.6**	0.5	**–**	–
	4.2	4.3	**2.1**	1.9

13 Debtors

Amount falling due after one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Amounts due from subsidiary companies – loans	17a	-	-	1,322.2	-
		-	-	1,322.2	-

Amount falling due within one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Trade debtors		247.4	271.6	66.9	56.9
Other debtors		174.7	-	174.7	-
Loan agreement with the Metronet Infracos		31.9	-	31.9	-
Amounts due from subsidiary companies – loans	17a	-	-	-	687.9
Prepayments and accrued income		108.0	31.1	66.7	6.9
		562.0	302.7	340.2	751.7

TfL formalised its loan agreements with its subsidiary companies during the year. With effect from 1 April 2007, all outstanding loans became interest bearing. They also became repayable on demand after a two year notice period. Therefore, they have been re-classified as long-term debtors from the start of the year.

TfL entered into a Loan Agreement with the PPP Administrators and the Metronet Infracos on 18 July 2007. The Loan Agreement makes funds available to the PPP Administrator to meet Administration Expenses. As at 31 March 2008, the outstanding balance on the loan amounted to £241.8 million, of which £209.9 million was provided against.

14 Cash at bank and in hand

	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Cash at bank		10.1	8.9	3.2	3.1
Cash in hand and in transit		23.0	14.6	0.2	0.2
	16b, 17	33.1	23.5	3.4	3.3

> Notes to the Accounts (continued)

15 Creditors

a) Amounts falling due within one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Trade creditors		906.2	845.1	248.5	247.3
Capital works		347.1	277.3	76.8	85.1
Amounts due to subsidiary companies		-	-	138.9	119.4
Finance lease obligations repayable within one year	16a	556.5	527.8	-	-
Salaries and wages	17a	23.5	16.3	6.3	5.1
Receipts in advance for travelcards and bus passes		91.8	87.3	-	-
		1,925.1	1,753.8	470.5	456.9

b) Amounts falling due after more than one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Retentions on capital contracts	17a	0.7	0.2	0.6	0.2
Accruals and deferred income	17a	25.4	21.9	5.7	5.5
Finance lease obligations	16b, 30	2,754.1	2,042.0	-	-
		2,780.2	2,064.1	6.3	5.7

16 Borrowings

The carrying value of debt is as follows:

a) Amounts falling due within one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Finance lease obligations	15a	556.5	527.8	-	-

b) Amounts falling due after more than one year	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Finance lease obligations	15b, 17a, 30	2,754.1	2,042.0	-	-
Other external borrowing	17	1,950.0	1,349.8	1,950.0	1,349.8
		4,704.1	3,391.8	1,950.0	1,349.8
Total borrowings		5,260.6	3,919.6	1,950.0	1,349.8
Short-term investments	17	(1,870.0)	(2,004.3)	(1,832.7)	(1,970.6)
Cash at bank and in hand	14	(33.1)	(23.5)	(3.4)	(3.3)
Net borrowing/(funds)		3,357.5	1,891.8	113.9	(624.1)

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.

17 Financial instruments

a) Financial instrument balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

		Long Term		Short Term	
	Note	31 March 2008 £m	31 March 2007 £m	31 March 2008 £m	31 March 2007 £m
Group					
Financial liabilities at amortised cost:					
- Borrowings	16b	1,950.0	1,349.8	–	–
- Obligations under finance leases	16a, b, 30	2,754.1	2,042.0	556.5	527.8
- Other creditors greater than one year	15b	26.1	22.1	–	–
Total borrowings		4,730.2	3,413.9	556.5	527.8
Loans and receivables	13	–	–	31.9	–
Available-for-sale financial assets:					
- Cash at bank and in hand	14	–	–	33.1	23.5
- Short-term investments	16b	–	–	1,870.0	2,004.3
Total investments		–	–	1,935.0	2,027.8
Corporation					
Financial liabilities at amortised cost:					
- Borrowings	16b	1,950.0	1,349.8	–	–
- Other creditors greater than one year	15b	6.3	5.7	–	–
Total borrowings		1,956.3	1,355.5	–	–
Loans and receivables	13	1,322.2	–	31.9	687.9
Available-for-sale financial assets:					
- Cash at bank and in hand	14	–	–	3.4	3.3
- Short-term investments	16b	–	–	1,832.7	1,970.6
Investment in subsidiaries	11	22.5	22.5	–	–
Total investments		1,344.7	22.5	1,868.0	2,661.8

Short term investments represent deposits invested with banks and institutions for less than one year in accordance with the Treasury Management Strategy approved by the Board. Obligations under finance leases carry an imputed weighted average interest charge of 6.8 per cent. The average effective interest rate ranges between 4.2 per cent and 5.15 per cent for all external borrowings.

> Notes to the Accounts (continued)

17 Financial instruments (continued)

b) Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:	31 March 2008		31 March 2007	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities	5,260.6	5,270.0	3,919.6	3,875.1

At 31 March 2008 the average middle market value, from four leading financial institutions, of the group's quoted debt was £550.2 million (2007 £577.5 million) and fair value for the Public Works Loan Board debt provided by the Debt Management Office was £1,215.1 million (2007 £645.7 million). The fair value is more or less than the carrying amount because the Corporation's portfolio of loans consists exclusively of fixed rate loans where the interest rate payable may be greater or lower than the rates available for similar loans at the balance sheet date. All other financial liabilities have fair values equal to their book value. All financial assets have fair values equal to their book value. Loans bear a market rate of interest at the time of borrowings.

c) Nature and extent of risks arising from financial instruments

The Group's activities involve a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Group
- liquidity risk – the possibility that the Group might not have funds available to meet its debts as they become due
- market risk – the possibility that financial loss might arise as a result of changes in interest rates

In managing these financial risks, the Corporation has taken account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (The Treasury Management Code) issued in January 2002 for Treasury Management in the Public Services, the Local Government Act 2003, the Capital Finance and Accounts Regulations 2003 and the CIPFA Prudential Code (The Prudential Code).

17 Financial instruments (continued)

c) Nature and extent of risks arising from financial instruments (continued)

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services and capital investment.

The TfL Board has therefore approved a Treasury Management Policy Statement, which requires the Board, prior to the commencement of the financial year, to approve a Borrowing and Investment Strategy. On a daily basis, a central treasury and corporate finance team monitor interest rates and performance against the approved strategies. A quarterly report on performance against the approved strategies is considered by the Finance Committee (a committee of the Board).

In accordance with the Local Government Act 2003 the Mayor sets an affordable borrowing limit. By Regulation, the Mayor and the Corporation are required to have regard to the Prudential Code. Accordingly, the Board annually approves 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 are its cash and investments, its borrowings and its obligations under finance leases (mainly the PPP arrangements). 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 financial assets and liabilities, the annual Treasury Management Strategy has 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;
- to ensure that sufficient cash is available to enable 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.

Credit risk

Credit risk arises from deposits with banks and financial institutions and from the Group's customers. Deposits are made with banks and financial institutions if they are rated by Moodys, an independent credit rating agency. Banks and institutions are required to have good investment-grade ratings and investment limits ranging between £60 million and £200 million are attached to ratings ranging from a minimum of A1 to a maximum of AAA.

The Group does not expect any losses from non-performance of any of its counterparties in relation to deposits made with banks and financial institutions.

> Notes to the Accounts (continued)

17 Financial instruments (continued)

c) Nature and extent of risks arising from financial instruments (continued)

Liquidity risk

As long as the affordable borrowing limit set by the Mayor is not exceeded, the Group is able to borrow from the Public Works Loan Board (PWLB), raise debt on the capital markets through its established Medium Term Note (MTN) programme and is eligible to apply for project funding at competitive interest rates from the European Investment Bank (EIB). There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

Further protection is provided to the Group by:

i) borrowing only for capital expenditure and for periods that equate broadly to the lives of the assets being acquired

ii) fixing interest at historically low long-term rates and

iii) making annual provision that ensures that sufficient resources are retained to repay borrowings at maturity. Revenue expenditure is funded by cash fares from customers, cash-backed reserves and cash-backed grant from Government, agreed for the forthcoming ten years. As revenue budgets are required by law to be balanced, there is therefore no significant liquidity risk attached to revenue expenditure.

The maturity analysis of financial liabilities is as follows:	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Within one year	556.5	527.8	-	-
Between one and two years	2,405.4	1,687.5	-	-
Between two and five years	29.7	24.1	-	-
Between five and ten years	96.6	82.5	25.8	-
Over ten years	2,172.4	1,597.7	1,924.2	1,349.8
	5,260.6	3,919.6	1,950.0	1,349.8

All trade and other payables are due to be paid in less than one year.

17 Financial instruments (continued)

c) Nature and extent of risks arising from financial instruments (continued)

The following represents the maturity analysis for each source of borrowing for the Group and the Corporation as at 31 March 2008:

	EIB £m	Loan notes £m	PWLB £m	Amount £m	Interest Rate %
Between five and ten years	25.8	–	–	25.8	4.293
Between ten and fifteen years	64.5	–	–	64.5	4.293
Between fifteen and twenty years	64.9	80.0	–	144.9	4.293-4.500
Between twenty and twenty-five years	39.0	340.0	122.5	501.5	4.250-5.000
Between twenty-five and thirty years	–	80.0	531.2	611.2	4.200-5.000
Between thirty and thirty-five years	–	100.0	136.5	236.5	4.450-4.650
Between thirty-five and forty years	–	–	178.0	178.0	4.550-4.850
Between forty and forty-five years	–	–	195.1	195.1	4.500-4.800
Total principal repayable	194.2	600.0	1,163.3	1,957.5	

The financial liabilities analysed by sources are as follows:	**Group 2008 £m**	Group 2007 £m	**Corporation 2008 £m**	Corporation 2007 £m
Finance lease				
- PPP	**2,946.8**	2,204.5	**–**	–
- Others	**363.8**	365.3	**–**	–
Other external borrowings				
- European Investment Bank	**194.2**	82.1	**194.2**	82.1
- Public Works Loan Board	**1,162.9**	675.1	**1,162.9**	675.1
- Loan Notes	**592.9**	592.6	**592.9**	592.6
	5,260.6	3,919.6	**1,950.0**	1,349.8

During the year the Corporation borrowed £487.9 million from the Public Works Loan Board and £112.1 million third tranche of a £450 million project finance facility from the European Investment Bank. Total borrowings do not exceed the £2 billion limit set by the Mayor for 2007/08.

The Group policy in relation to financial risk management is discussed above.

> Notes to the Accounts (continued)

17 Financial instruments (continued)

c) Nature and extent of risks arising from financial instruments (continued)

Market risk

Interest rate risk

Due to its policy of fixing interest rates at historically low levels, the Group is not exposed to significant risk in interest rate movement on its borrowings. However, because the Group currently has £1,870.0 million and the Corporation £1,832.7 million invested with banks and institutions for terms that do not exceed 364 days, there is a risk to the estimated investment income assumed in the budget. Such variation is immaterial to the gross revenue expenditure.

The impact of a one per cent movement in interest rates over the year is £20 million.

Price risk

The Group does not generally invest in equity shares. It has shareholdings to the value of £22.5 million in a joint venture and a number of subsidiaries. The Corporation owns all of the ordinary share capital of its subsidiaries and therefore, is not exposed to losses arising from movements in the prices of the shares. In addition, the Group holds 50 per cent of the share capital of a joint venture referred to in Note 11 with the Department for Transport. The shares have no market value and the Group is therefore not exposed to price movements.

Foreign exchange risk

The Corporation and the Group have no financial assets or liabilities denominated in foreign currencies and thus have no exposure to gains or losses arising from movements in exchange rates.

18 Provisions for liabilities and charges

	Note	At 1 April 2007 £m	Payments in year £m	Increase/ (decrease) in provision £m	At 31 March 2008 £m
Group					
Claims for compensation		173.7	(25.0)	39.0	**187.7**
Capital investment activities		13.3	(4.7)	0.1	**8.7**
Unfunded pension liabilities	20e	42.9	(3.9)	3.8	**42.8**
Other		18.3	(7.0)	(0.8)	**10.5**
		248.2	(40.6)	42.1	**249.7**
Corporation					
Claims for compensation		43.8	(5.8)	8.4	**46.4**
Capital investment activities		12.6	(4.2)	-	**8.4**
Unfunded pension liabilities		25.1	(2.9)	3.3	**25.5**
Other		8.9	(6.3)	(2.3)	**0.3**
		90.4	(19.2)	9.4	**80.6**

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 20e.

19 Deferred grants

	Note	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Balance at 1 April		**6,845.1**	6,695.1	**419.1**	411.5
Transport grant	6	**462.2**	410.5	**201.5**	64.6
Third party contributions and other grant funding	10f	**139.1**	152.1	**4.7**	7.9
Release of deferred grant:					
- to meet the depreciation charge	10c	**(361.0)**	(365.2)	**(55.7)**	(64.9)
- to meet the deferred charges	5	**(150.0)**	-	**(150.0)**	-
- on disposal of tangible fixed assets	7	**(73.6)**	(47.4)	**(2.0)**	-
Balance at 31 March		**6,861.8**	6,845.1	**417.6**	419.1

> Notes to the Accounts (continued)

20 Pensions

a) Summary of pension totals for the year

Total pension service cost for the year	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
TfL Pension Fund	20b	150.6	135.3	27.9	22.0
Local Government Pension Scheme	20b	2.3	2.7	2.3	2.7
Principal Civil Service Pension Scheme	20c	1.3	2.3	1.2	2.3
Unfunded pensions	20e	3.6	9.0	3.1	6.6
Other schemes		15.5	3.2	(0.1)	0.7
Amount included in net cost of services	3	173.3	152.5	34.4	34.3

Total pensions interest cost and expected return on pensions assets	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
TfL Pension Fund		(18.9)	(24.1)	-	-
Local Government Pension Scheme		0.1	0.2	0.1	0.2
Amount included in net operating expenditure	20b	(18.8)	(23.9)	0.1	0.2

Total pension deficit at end of year	Note	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
TfL Pension Fund		(596.7)	(934.0)	-	-
Local Government Pension Scheme		(10.1)	(14.2)	(10.1)	(14.2)
Deficit recognised as a liability in the balance sheet	20b	(606.8)	(948.2)	(10.1)	(14.2)

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.

20 Pensions (continued)

b) TfL Pension Schemes

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 2006 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method.

A revised Schedule of Contributions was agreed between the Trustee and TfL following the 2006 formal funding valuation of the Public Sector Section. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2017.

Employers' contributions for the period 1 September 2007 to 31 March 2010 are increased to 31.0 per cent (from 30.5 per cent), and contributions from 1 April 2010 until 31 March 2017 will reduce to 22.5 per cent. The actual contributions payable from 1 April 2010 may differ from this, dependent on the outcome of the 2009 triennial valuation.

A separate valuation of the Public Sector Section has been prepared for accounting purposes on an FRS 17 basis as at 31 March 2008. 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 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.

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. Employer's contributions were payable at the rate of 14.1 per cent (2006/07 14.1 per cent) of pensionable pay. The Corporation's share of the underlying assets and liabilities resulted in a deficit of £10.1 million (2006/07 £14.2 million). A full actuarial valuation was carried out at 31 March 2007. The annual report and accounts for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

> Notes to the Accounts (continued)

20 Pensions (continued)

b) TfL Pension Schemes (continued)

The main actuarial assumptions used for the Public Sector Section of the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') were:

	FRS 17 valuation at 31 March 2008 %	FRS 17 valuation at 31 March 2007 %	FRS 17 valuation at 31 March 2006 %
Inflation	**3.6**	3.1-3.2	3.0-3.1
Rate of increase in salaries	**5.1**	4.6-4.7	4.5-4.6
Rate of increase of pensions in payment and deferred pensions	**3.6**	3.1-3.2	3.0-3.1
Discount rate	**6.8-6.9**	5.35-5.4	4.9-5.1
Investment return	**6.8-7.0**	6.9-7.2	6.7-6.8

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

	Expected return %	**Value at 31 March 2008 £m**	Expected return %	Value at 31 March 2007 £m	Expected return %	Value at 31 March 2006 £m
Equities	**8.2**	**2,332.3**	8.1	2,600.2	8.1	2,371.9
Bonds	**4.9**	**1,614.1**	4.9	1,430.1	4.5	1,266.4
Cash, property and other assets	**5.3**	**178.3**	4.7	107.6	4.1	155.9
Total market value of assets		**4,124.7**		4,137.9		3,794.2
Actuarial valuation of liabilities		**(4,731.5)**		(5,086.1)		(4,564.1)
Deficit in the Schemes recognised as a liability in the balance sheet		**(606.8)**		(948.2)		(769.9)

20 Pensions (continued)

b) TfL Pension Schemes (continued)

Analysis of amounts charged to net cost of services	Group 2007/08 £m	Group 2006/07 £m	Corporation 2007/08 £m	Corporation 2006/07 £m
Current service cost	152.9	137.9	2.3	2.6
Past service cost	-	0.1	-	0.1
Total charged to net cost of services	152.9	138.0	2.3	2.7
Analysis of pensions interest cost and expected return on assets				
Interest on Schemes liabilities	272.4	233.7	2.8	2.5
Expected return on Schemes assets	(291.2)	(257.6)	(2.7)	(2.3)
Total (credited)/charged to net operating expenditure	(18.8)	(23.9)	0.1	0.2
Total amount included in net operating expenditure in Group income and expenditure account	134.1	114.1	2.4	2.9
Contribution to pensions reserve	29.6	32.6	-	(0.5)
Amount to be met from government grant and local taxation	163.7	146.7	2.4	2.4
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)				
Actual return less expected return on Schemes assets	(329.7)	72.3	(3.6)	0.3
Experience gains and losses arising on Schemes liabilities	(164.0)	(185.3)	(1.8)	-
Changes in assumptions underlying the present value of Schemes liabilities	805.5	(97.9)	9.5	3.7
Actuarial gain/(loss) recognised in STRGL	311.8	(210.9)	4.1	4.0
Analysis of the movement in deficit in the Schemes during the year				
Deficit in the Schemes at start of year	(948.2)	(769.9)	(14.2)	(17.7)
Contributions paid	223.3	146.7	2.4	2.4
Contributions prepayment	(59.6)	-	-	-
Current service cost	(152.9)	(138.0)	(2.3)	(2.7)
Interest and investment income/(charge)	18.8	23.9	(0.1)	(0.2)
Actuarial gain/(loss)	311.8	(210.9)	4.1	4.0
Deficit in the Schemes at end of year	(606.8)	(948.2)	(10.1)	(14.2)

> Notes to the Accounts (continued)

20 Pensions (continued)

c) 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 2007. 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 per cent to 24.6 per cent of pensionable pay, based on salary bands. Rates will change as of 1 April 2009, 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.

d) 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:

The Schemes	Group only 2007/08	Group only 2006/07	Group only 2005/06	Group only 2004/05	Group only 2003/04
Difference between the expected and actual return on assets gain/(loss)					
amount (£ million)	**(329.7)**	72.3	473.7	97.9	305.7
percentage of scheme assets	**8.0%**	1.7%	12.5%	3.2%	11.2%
Differences between actuarial assumptions about liabilities and actual experience gain/(loss)					
amount (£ million)	**(164.0)**	(185.3)	59.8	(99.0)	(8.9)
percentage of the present value of the scheme liabilities	**3.5%**	3.6%	1.3%	2.5%	0.2%
Changes in the demographic and financial assumptions used to estimate liabilities gain/(loss)					
amount (£ million)	**805.5**	(97.9)	(354.8)	(92.4)	(210.6)
percentage of the present value of the scheme liabilities	**17.0%**	1.9%	7.8%	2.3%	5.8%
Total amount recognised in statement of total recognised gains and (losses)					
amount (£ million)	**311.8**	(210.9)	178.7	(93.5)	86.2
percentage of the present value of the scheme liabilities	**6.6%**	4.1%	3.9%	2.3%	2.4%

20 Pensions (continued)

e) 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 London Regional Transport (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 2008 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 2008 was £42.8 million (2007 £42.9 million) and is fully provided for in these accounts.

> Notes to the Accounts (continued)

21 Movements in reserves

This statement shows the movements on the Group and 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 2007 £m	Adjustment to the opening balance £m	Balance at 1 April 2007 as restated £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2008 £m
General fund	147.8	-	147.8	77.9	(64.1)	**161.6**
Earmarked reserves	1,299.8	-	1,299.8	-	143.0	**1,442.8**
Capital adjustment account	-	1,439.4	1,439.4	-	(79.7)	**1,359.7**
Capital financing account	31.5	(31.5)	-	-	-	**-**
Fixed asset restatement account	1,445.6	(1,445.6)	-	-	-	**-**
Fixed asset revaluation reserve	1,900.6	37.7	1,938.3	9.4	(78.0)	**1,869.7**
Group profit and loss reserve	25.5	-	25.5	(62.4)	67.0	**30.1**
Capital reserves in subsidiaries	23.6	-	23.6	-	(17.8)	**5.8**
Group pensions reserve	(948.2)	-	(948.2)	311.8	29.6	**(606.8)**
Merger reserve	466.1	-	466.1	-	-	**466.1**
Other reserves	82.6	-	82.6	-	-	**82.6**
	4,474.9	-	4,474.9	336.7	-	**4,811.6**

Corporation	Balance at 1 April 2007 £m	Adjustment to the opening balance £m	Balance at 1 April 2007 as restated £m	Gains/ (losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2008 £m
General fund	147.8	-	147.8	77.9	(64.1)	**161.6**
Earmarked reserves	1,299.8	-	1,299.8	-	143.0	**1,442.8**
Capital adjustment account	-	1,439.4	1,439.4	-	(79.7)	**1,359.7**
Fixed asset revaluation reserve	-	37.7	37.7	(3.8)	0.8	**34.7**
Capital financing account	31.5	(31.5)	-	-	-	**-**
Fixed asset restatement account	1,445.6	(1,445.6)	-	-	-	**-**
Pensions reserve in Corporation	(14.2)	-	(14.2)	4.1	-	**(10.1)**
Other Corporation reserves	(26.9)	-	(26.9)	-	-	**(26.9)**
	2,883.6	-	2,883.6	78.2	-	**2,961.8**

21 Movements in reserves

The Balance Sheet figures for 31 March 2007 have been restated as the 2007 Statement of Recommended Practice (SORP) requires the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) to be replaced with a Revaluation Reserve and a Capital Adjustment Account. The SORP states that the opening balance on the Revaluation Reserve should be set to nil with the closing balance on the FARA and CFA as at 31 March 2007 equating to the opening balance on the Capital Adjustment Account.

However, the Corporation has identified specific assets of £37.7 million from the total of £1,445.6 million on the previous fixed asset restatement account that it considers should be disclosed in the revaluation reserve's opening balance. This change in presentation is not considered to be a material departure from the SORP and has been made to present fairly the amounts in the statement of accounts and to ensure consistency with the treatment in the subsidiaries.

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 £466.1 million arose as a result of the transfer of the net assets of LRT, including the share capital of London Underground Limited, to TfL in 2003. It represents the share capital of LU 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 (continued)

21 Movements in reserves (continued)

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

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 £64.1 million (2006/07 £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 (continued)

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 2008 £m	Corporation 2007 £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	(164.4)	(163.1)
Government grants deferred amortisation matching depreciation		55.7	64.9
Net (loss)/profit on disposal or retirement of fixed assets	7	(21.9)	0.5
Amount by which pension costs are different from the contributions paid		-	(0.5)
		(130.6)	(98.2)
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	23	51.7	24.3
		51.7	24.3
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	143.0	100.9
		143.0	100.9
Amount by which the surplus on the General Fund for the year was less than the Income and Expenditure Account result for the year		64.1	27.0

23 Minimum revenue provision

	Note	Corporation 2007/08 £m	Corporation 2006/07 £m
Minimum revenue provision at 4%		51.7	24.3
Amount charged as depreciation	10c	164.4	163.1
Amortisation of deferred capital grant against depreciation		(55.7)	(64.9)
Appropriation of capital adjustment account		(57.0)	-
Appropriation of fixed asset restatement account		-	(71.2)
Appropriation of capital financing account		-	(2.7)
	22	51.7	24.3

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. This amount is calculated as a percentage (currently 4 per cent) of the Authority's Capital Financing Requirement of £1,293.2 million (2006/07 £607.7 million). New MRP regulations were approved by the Secretary of State in February 2008. They do not affect the calculation of the provision for the current financial year. In future the TfL Board is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

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 adjustment account reduces the charge in the General Fund to the statutory minimum.

24 Capital commitments

	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
In respect of contracts placed for:				
- Road projects	67.4	71.1	67.4	71.1
- London Underground projects	320.5	615.9	-	-
- Rail projects	484.8	340.3	-	-
- Other projects	78.5	32.1	7.1	24.5
	951.2	1,059.4	74.5	95.6

> Notes to the Accounts (continued)

25 Financial commitments

a) Operating leases

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

	Group 2008 £m	Group 2007 £m	Corporation 2008 £m	Corporation 2007 £m
Property leases which expire:				
Within one year	2.2	2.7	-	-
Between one and five years	19.3	19.1	-	-
Thereafter	27.6	20.9	-	-
	49.1	42.7	-	-
PFI agreements and other leases which expire:				
Within one year	3.9	0.4	-	-
Between one and five years	5.2	1.0	0.4	-
Thereafter	276.2	315.0	28.6	30.4
	285.3	316.4	29.0	30.4

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.

The two Metronet Infracos responsible for maintenance and upgrade of two-thirds of the Underground network went in PPP Administration on 18 July 2007. This followed Metronet's application for an Extraordinary Review for the BCV contract and the PPP Arbiter's subsequent draft award of a much lower interim increase in the Infrastructure Service Charge than Metronet had sought. On 27 May 2008, the business, assets and certain liabilities of the Metronet Infracos were transferred to two TfL nominee companies. Further details are disclosed in Note 30.

25 Financial commitments (continued)

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.

26 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 and 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.

Board Members, Chief Officers and the Commissioner are required to complete a declaration regarding any related party transactions.

On 3 October 2007 the Commissioner purchased an obsolete vehicle from London Bus Services Ltd which was surplus to requirements. The vehicle was sold at market value of £11,158.98 inclusive of VAT.

> Notes to the Accounts (continued)

26 Related parties (continued)

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.

During 2007/08 there were no other 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 2008 £m
Greater London Authority (GLA)	**0.2**	**(6.3)**	**(0.4)**
Metropolitan Police Authority (MPA)	**0.2**	**(86.3)**	**(6.9)**
London Development Agency (LDA)	**2.0**	**-**	**0.2**
London Fire and Emergency Planning Authority (LFEPA)	**-**	**-**	**-**

27 Congestion charging

	Note	Group and Corporation 2007/08 £m	Group and Corporation 2006/07 £m
Revenue	2	**328.2**	252.4
Direct expenditure:			
- Toll facilities and traffic management		**(171.7)**	(130.4)
		156.5	122.0
Other expenditure:			
- Financial assistance		**(2.8)**	(2.5)
- Administration, support services & depreciation		**(16.7)**	(18.2)
- Western extension zone start-up costs		**-**	(12.2)
Net income on congestion charging		**137.0**	89.1

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 (continued)

28 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 2007/08 £m	Corporation 2006/07 £m
Financial assistance to subsidiaries and joint venture			
Transport Trading Limited		129.3	114.3
London Underground Limited		2,951.4	1,094.4
London Bus Services Limited		692.2	662.2
London Buses Limited		0.1	0.2
Docklands Light Railway Limited		182.9	98.3
Rail for London Limited		192.2	-
London River Services Limited		-	5.1
Cross London Rail Links Limited		-	19.1
		4,148.1	1,993.6
Financial assistance to London Boroughs and other third parties			
London Investment Programme		179.4	163.7
Taxicard		10.8	9.4
Prescott Channel Lock		2.8	-
One Railway		-	0.9
Southern Railway Ltd		-	0.4
First Great Western		-	0.5
South Eastern Trains		-	0.4
Silverlink		2.1	1.0
Others		2.3	2.2
	3	197.4	178.5

> Notes to the Accounts (continued)

29 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 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 guarantee in relation to the PPP Contract of Tube Lines noted above is the most significant guarantee 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. Rail for London Ltd, a TfL subsidiary, has entered into an operating lease for London Overground rolling stock with QW Rail Leasing Ltd. TfL has guaranteed Rail for London's payment obligations and undertaken to support the debt finance provided to Lessor QW Rail Leasing Ltd. 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.

30 Events after the balance sheet date

a) Metronet acquisition

During 2007/08, Transport Trading Limited created two new subsidiaries, namely, LUL Nominee BCV Limited and LUL Nominee SSL Limited. In April 2008, the Mayor gave his approval to the schemes which transfer the business, assets and certain liabilities of the Metronet Infracos to two TfL nominee companies (the Transfer Schemes). Following court approval on 23 May 2008, the Transfer Schemes were effected on 27 May 2008 for total cash consideration of £50 million. The consideration received by the Metronet Infracos was applied by the PPP Administrator in part repayment of the loan from TfL, described in Note 13. This means that no part of the cash consideration will remain with the Metronet Infracos and the net effect for TfL as a whole was cash neutral.

Effective as of the acquisition date, LU and the two Nominee companies entered into an agreement in principle to reduce the Infrastructure Service Charge paid by LU to reflect the debt free status of the two Nominee companies. As a result, Metronet's finance lease creditor will be released into Income in 2008/09 by LU. The finance lease creditor balance as at 31 March 2008 was £1,595.9 million.

b) London Transport Museum Limited

Until recently, the London Transport Museum (LTM) was run as part of Transport Trading Limited's operational activities. However, following the TfL board decision to operate the Museum as a charity, LTM was incorporated as a company with charitable status with effect from 1 April 2008.

LTM has a wholly owned subsidiary, London Transport Museum (Trading) Limited. As LTM is a company with charitable status, it is severely constrained in terms of the commercial activities it can undertake and consequently, London Transport Museum (Trading) Limited was incorporated to undertake activities intended to turn a profit for the benefit of LTM.

c) Tramtrack Croydon Limited acquisition

On 25 June 2008, Transport Trading Limited acquired the business of Tramtrack Croydon Limited (TCL) for a total cash consideration of £98 million.

TCL operates the Croydon Tramlink system under a concession agreement with TfL and has two wholly owned subsidiaries. These subsidiaries are Tramtrack Leasing Limited, which holds and rents out assets relating to the concession agreement and Tramtrack Lease Financing Limited, which acts as the intra-group lessor in respect of the finance leases for tram and track assets relating to the operation of the Tramlink system.

The acquisition of TCL will provide better control and more benefits for TfL through the wider network integration of the passenger transportation system across the Greater London area.

> Chief officers (During financial year ending 31/03/08)

Peter Hendy
Commissioner

Steve Allen
Managing Director
Finance

David Brown
Managing Director
Surface Transport

Ian Brown
Managing Director
London Rail

Howard Carter
General Counsel

Malcolm Murray-Clark
Managing Director
Planning

Michèle Dix
Managing Director
Planning

Vernon Everitt*
Managing Director
Group Marketing
and Communications

Tim O'Toole
Managing Director
London Underground

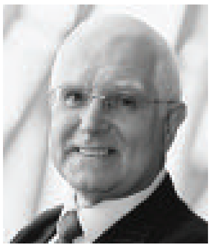
Valerie Todd
Managing Director
Group Services

Chief officer changes

Interim Managing Director Group Marketing and Communications – Nigel Marson until 30/09/2007
*Managing Director Group Marketing and Communications – Vernon Everitt appointed on 01/10/2007

> Board members (As at 31/03/08)

Ken Livingstone
Chair



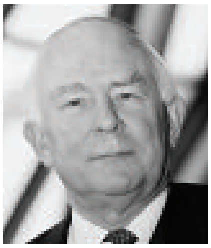
Dave Wetzel
Deputy Chair

Honor Chapman

Christopher Garnett

Professor Stephen Glaister

Kirsten Hearn



Sir Mike Hodgkinson

Judith Hunt

Eva Lindholm

Paul Moore

Sir Gulam Noon

Patrick O'Keeffe

> Board members (As at 31/03/08)


Dr Rana Roy


Dabinderjit Singh Sidhu


Tony West

> Special advisers (As at 31/03/08)


Peter Anderson


Lord Toby Harris


Bryan Heiser


Shiria Khatun


Murziline Parchment

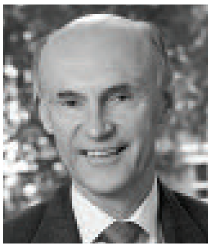

Lynn Sloman

> Board members (At time of publication)

Boris Johnson
Chair

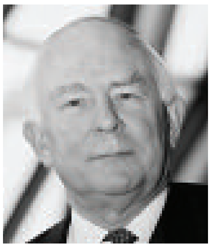
Christopher Garnett
Deputy Chair

Peter Anderson



Charles Belcher

Dame Tanni Grey-Thompson



Sir Mike Hodgkinson

Judith Hunt

Eva Lindholm

Daniel Moylan

Steven Norris

Bob Oddy

Patrick O'Keeffe

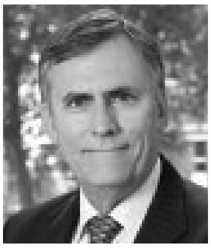
> Board members (At time of publication)

Tim Parker

Kulveer Ranger

Tony West

Keith Williams



Steve Wright

> Membership of the TfL Board, panels and committees (As at 31/03/08)

TfL Board

Ken Livingstone – Chair
Dave Wetzel – Deputy Chair
Honor Chapman
Christopher Garnett
Professor Stephen Glaister
Kirsten Hearn
Sir Mike Hodgkinson
Judith Hunt
Eva Lindholm
Paul Moore
Sir Gulam Noon
Patrick O'Keeffe
Dr Rana Roy
Dabinderjit Singh Sidhu
Tony West

Special advisers to the Board

Peter Anderson
Lord Toby Harris
Bryan Heiser
Shiria Khatun
Murziline Parchment
Lynn Sloman

Committees of the Board

Audit Committee

Judith Hunt – Chair
Christopher Garnett
Sir Mike Hodgkinson
Paul Moore
Patrick O'Keeffe
Dabinderjit Singh Sidhu

Special adviser

Murziline Parchment

Finance Committee

Sir Mike Hodgkinson – Chair
Honor Chapman
Professor Stephen Glaister
Judith Hunt
Eva Lindholm
Dr Rana Roy

Special adviser

Peter Anderson

Remuneration Committee

Ken Livingstone – Chair
Sir Mike Hodgkinson
Sir Gulam Noon

Safety, Health and Environment Committee

Dave Wetzel – Chair
Kirsten Hearn
Paul Moore
Tony West

Special adviser

Lord Toby Harris

External advisers

Gordon Sellers
Brian Wilkinson

Advisory panels

Corporate and Equalities Advisory Panel

Peter Hendy – Chair
Judith Hunt – Deputy Chair
Steve Allen
Howard Carter
Kirsten Hearn
Vernon Everitt (from 01/10/07)
Paul Moore
Dr Rana Roy
Dabinderjit Singh Sidhu
Valerie Todd

Special advisers

Shiria Khatun
Murziline Parchment
Lynn Sloman (until 25/09/07)

Rail Transport Advisory Panel

Peter Hendy – Chair
Paul Moore – Deputy Chair
Steve Allen
Ian Brown
Christopher Garnett
Kirsten Hearn
Eva Lindholm
Tony West

Special adviser

Bryan Heiser

Strategic Planning Advisory Panel

Peter Hendy – Chair
Dave Wetzel – Deputy Chair
Steve Allen
Honor Chapman
Michèle Dix
Professor Stephen Glaister
Sir Mike Hodgkinson
Eva Lindholm
Vernon Everitt (from 01/10/07)
Malcolm Murray-Clark
Dr Rana Roy

Special advisers

Peter Anderson
Lynn Sloman

Surface Advisory Panel

Peter Hendy – Chair
Dave Wetzel – Deputy Chair
Steve Allen
David Brown
Christopher Garnett
Kirsten Hearn
Paul Moore
Patrick O'Keeffe
Tony West

Special advisers

Lord Toby Harris
Bryan Heiser
Shiria Khatun
Lynn Sloman

Underground Advisory Panel

Peter Hendy – Chair
Professor Stephen Glaister – Deputy Chair
Steve Allen
Honor Chapman
Christopher Garnett
Kirsten Hearn
Tim O'Toole
Dabinderjit Singh Sidhu
Tony West

Special advisers

Peter Anderson
Lord Toby Harris
Bryan Heiser
Murziline Parchment

> Remuneration

This report outlines TfL's policy regarding the remuneration of its Board members, the Commissioner 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 non executive. Remuneration for 2007/08 for each Board member (with the exception of the Deputy Chair) related directly to the number of Panels and Committees on which each member served. Remuneration also took into account those members who served as Chair of the Committees, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. With effect from 1 August 2004, the basic fee was £18,000 per annum. Board members who acted as Chair, or as a member of a Committee or Panel, received 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 was £24,000 per annum, except for the position of Deputy Chair of the Board, where the annual fee was £60,000 per annum in total. The terms and conditions of appointment for Board members are published on the TfL website (tfl.gov.uk).

Following the election of Boris Johnson as Mayor on 1 May 2008, the structure and composition of the Board has changed. Details of the new Board are published on the TfL website at tfl.gov.uk.

Policy for Chief Officers

Remuneration Committee

The Remuneration Committee consists of three board members. The terms of reference of the Remuneration Committee are to review the remuneration of the Commissioner and Chief Officers on behalf of the Board.

Remuneration policy

Chief Officers are employed by TfL or its subsidiary companies. The policy of TfL is to provide remuneration packages for Chief Officers which are designed to attract, retain and motivate individuals of high calibre required to manage such a large complex organisation. Remuneration packages reflect their responsibilities, experience and performance. The Remuneration Committee has established a reward structure commensurate with this policy.

Reward strategy

TfL's reward strategy aims to pay competitive market salaries while recognising individual progress and development through 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 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 performance-related payments reward the achievement of challenging targets related to the short-term performance of the organisation.

Targets for Chief Officers are based on Group-wide and individual Directorate performance.

The bonus paid to the Commissioner, Peter Hendy, is up to a maximum of 50 per cent of base salary. The Chief Officers' bonus is up to a maximum of 30 per cent of base salary.

Other benefits

Senior officers are eligible to receive various general benefits including:

- Private medical insurance
- Annual health check ups
- Subscriptions to professional organisations
- Where appropriate, temporary or medium term accommodation
- Pension
- Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies
- As with all TfL employees, the Commissioner and Chief Officers are provided with a free travel pass for themselves and a nominee valid on TfL transport 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

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.

Commissioner's remuneration

The Commissioner's salary for 2007/08 was £334,720. He received a bonus of £115,200 in July 2007 in respect of performance for the previous year ended 31 March 2007.

> Alternative formats

An electronic version of TfL's Annual Report and Accounts 2007/08 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 020 7126 4500 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 τετραγωνάκι, 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 ખોકામાં 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 खाना 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 ਡੱਬੇ 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

Bu bilgilerin TÜRKÇE bir kopyasını edinmek istiyorsanız, lütfen bu kutuyu işaretleyip aşağıdaki isim ve adres bölümünü doldurduktan sonra altta belirtilen adresimize postalayın. Teşekkür ederiz.

❑ Urdu

اگر آپ اس انفارمیشن کی کاپی اردو زبان میں حاصل کرنا چاہتے ہوں تو براہِ مہربانی باکس میں نشان لگائیں نیچے دی گئی جگہ پر اپنا نام اور پتہ درج کریں اور اس فارم کو درج ذیل پتہ پر روانہ کر دیں۔ آپ کا شکریہ۔

❑ Vietnamese

Nếu bạn muốn nhận được một bản của tin tức này bằng Tiếng Việt hãy móc vào ô này, điền vào phần tên và địa chỉ dưới đây, và gửi tờ đơn này trở lại cho chúng tôi ở địa chỉ sau. Cám ơn.

Name:

Address: