



Annual Report and Statement of Accounts

2013/14

MAYOR OF LONDON



**TRANSPORT
FOR LONDON**
EVERY JOURNEY MATTERS

Annual Report and Statement of Accounts

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Mayor's foreword

London has had another great year. Our economy continues to thrive and we have helped to lead the UK out of recession. London is now the world's most visited city, beating Paris.

None of this would have been possible without a world-class transport system. Each year, Transport for London (TfL) serves more customers more efficiently and more reliably than at any point in history. At the same time we have had a relentless focus on efficiency. This has meant that we were able to freeze fares in real terms, while still carrying on with the vital job of modernising our ageing transport networks.

Transport in the Capital is not just about headline grabbing 'grands projets'. It is about the daily commute to work, the journey to school, the trip to the shops, the delivery vans and the tourists who enjoy our countless attractions.

It is TfL's job to make sure that the experience of these travellers improves every year, on a modern network with the capacity to support London's growing population. It is this endeavour that is the grandest of all 'grands projets'.

The Tube is carrying more people than ever before – and with dramatically improved reliability. We are on track to deliver on my pledge to reduce delays by 30 per cent from 2011 levels and upgrades to the Victoria and Jubilee lines have delivered services that are among the most frequent in Europe.

The experience of Paris, and many other cities around the world, shows that automated train technology has become the industry standard. That's why we have now begun the search for a supplier to build an iconic new fleet of trains, capable of full automation, to help keep London and our economy moving in the right direction.

Although it is the oldest metro network in the world, around a quarter of stations offer step-free access. Twenty-five further stations will follow in the next 10 years. In 2018 Crossrail will open, greatly improving east-west accessibility across London and enabling around 69 million additional step-free journeys a year. All newly built Crossrail stations will have step-free access, and every London borough that has a Crossrail station will have at least one with step-free access.

Transport investment is catalysing our plans to bring new homes, jobs and renewed energy to areas of London that need help to realise their potential. That includes £110m of investment in Tottenham, where plans have been approved for a total redesign of Tottenham Hale station. Meanwhile, the London Enterprise Panel has confirmed a £25m investment in the Upper Lee Valley to provide extra rail services to Stratford, supporting plans that will bring 15,000 new homes and 21,000 new jobs to the area.

The bus network is carrying a staggering number of passengers, with more than 2.4 billion journeys in 2013/14, which is more than any year since 1959. The bus fleet is one of the most accessible in the world with more than 8,700 accessible buses in operation. We are investing £18m to improve bus stop accessibility and are on track to make sure that at least 95 per cent of stops will be fully accessible by 2016. Our New Routemasters are the cleanest and greenest diesel-electric hybrid buses in the world. By 2016 there will be 600 of these gleaming new machines on London's streets.

We have also marked key achievements of the first year of our River Action Plan, while planning ahead to get even more people making commuter and leisure journeys on the Thames. We have a raft of measures to increase the number of river passengers to 12 million by 2020, and figures from last year already show very positive signs with passenger numbers increasing to a record 8.6 million.

A £4bn Roads Plan will deliver our vision for transforming the road network over the next decade – meeting one of my key election pledges. Dozens of junctions and gyratories, including at Elephant and Castle, will be redesigned so they are smarter, safer and more civilised places for all road users.

The Barclays Cycle Hire scheme expanded to southwest London in December with more than 2,000 new bikes and 150 docking stations for Clapham Junction, Hammersmith, Fulham and Putney. And our £913m Cycling Vision is taking shape. Enfield, Kingston and Waltham Forest will each receive up to £30m to emulate their Dutch cousins by creating 'mini-Hollands'. With segregated roundabouts, a cycle boardwalk along the Thames and new dedicated cycling routes, cycling in the suburbs will be transformed.

We can be immensely proud of all that's been achieved in the past year, but there remains a huge amount to be done if our transport network is to keep up with the phenomenal pace of change and the challenge that huge population growth presents.

That's why I will continue to act as a champion for the Capital and fight for vital investment from

the Government. We are, after all, the motor of the UK economy and improving our transport network isn't just in the interest of our great city, but the rest of the UK too.



A handwritten signature of Boris Johnson in black ink on a white background.

Boris Johnson
Mayor of London

Message from the Commissioner

Transport is not, of course, an end in itself. It is a means of economic growth, development and social cohesion to help people make the most of the opportunities of life in London.



A 24-hour Night Tube service will be introduced next year

As this Annual Report explains, we have continued to enable this across the full range of our services as demand increased to record levels in line with rising employment and a burgeoning population that is growing faster than expected. The Capital's population of 8.4 million today is forecast to reach nine million by 2018 and 10 million by 2030.

And, of course, we delivered more with less. Our savings and efficiencies programme, one of the largest in the public sector, saved £188m against a target of £137m in 2013/14. This demonstrates our unrelenting focus on delivering an increasingly efficient network. This focus will not waiver.

The outcome of the Spending Review in June 2013 was a 25 per cent cut to our operational funding from central Government. However, our excellent record of delivering investment was recognised, and our vital role in London's growth preserved through the protection of our capital grant to 2020/21. This means we must be even more efficient while our work to improve London's Tube, roads, rail, river and cycling networks continues.

TfL is essentially a people business. Indeed, as we harness new and better technology, the role of our staff in helping our customers and users becomes ever more important. For example, during the year we committed to

making even more staff available to customers at Tube stations as we radically improve and modernise customer service. All of our stations will remain staffed and controlled, including when we introduce a 24-hour Night Tube service at weekends next year.

We also committed to making these changes with fairness to our staff guaranteed. As we close underused ticket offices and make more staff available to customers, there will be no compulsory redundancies; there will be a job for anyone who wants to remain with London Underground, and no one will lose pay. I hope that, with these cast-iron guarantees in place, we can get on with modernising our Tube service to the benefit of our passengers without further pointless industrial action.

Our huge investment programme to improve public transport and the roads, one of the biggest anywhere in Europe, also continued.

On the Tube, we have seen innovative new approaches and new signalling, track and trains. Over the full year, a record 1.26 billion passenger journeys were made more safely and more reliably than ever before. The first air-conditioned, walk-through trains began running on the Circle and Hammersmith & City lines, meaning customers are now experiencing more comfortable journeys, while frequencies on the Victoria and Jubilee lines are among the highest in Europe.

We also took further action to increase rail capacity. An order for 57 new carriages for London Overground, to be introduced from next year, will boost capacity by 25 per cent.

And, following Government agreement in April, we will take over the current West Anglia franchise from 2015, allowing us to bring these rail services up to the higher standards our Overground customers now enjoy.

We continued to invest in our roads infrastructure, increasing the safety of all road users, and renewed almost 800,000 square metres of road surface. We now have more than 50 major projects under way, with many of them also supporting new homes and jobs to create better places in which to live.

We began celebrating a number of anniversaries that recognise the role of the Capital's buses, which are one of the great unsung glories of modern London. It has been 60 years since the creation of the iconic Routemaster and 100 years since the world's first mass-produced motor bus, the B-Type 'Battle Bus', which carried soldiers to the frontline during the First World War. We're now carrying 6.5 million passengers a day, the highest since 1959. In 2013/14, five routes were converted to using the magnificent New Routemaster bus and there are now more than 200 of these vehicles on the Capital's streets.

Huge investment in cycling continued as part of a £913m programme. We launched another Barclays Cycle Superhighway in November between Bow and Stratford and expanded Barclays Cycle Hire into the southwest of the Capital, giving more Londoners the opportunity to take advantage of the many benefits of cycling. We put plans in place to introduce more segregated cycle lanes and we improved key junctions such as Euston Circus and Bow roundabout to make them safer.

TfL keeps the Capital moving

TfL is constantly reinvesting to improve, innovate and to keep London moving. For every pound received, two-thirds goes to the everyday running costs of the network, a third improving it for the future.

The safety of our road users is a major priority. We set up the Industrial HGV Task Force in October to focus on the risks these types of vehicles, particularly construction-related vehicles, pose to cyclists. It has worked hard to target the most dangerous HGVs and has stopped more than 2,200 vehicles, issued more than 600 fixed penalty notices, seized more than 30 dangerous vehicles and prohibited more than 1,100 vehicles from using London's roads. Also in October, we launched Operation Safeway, a joint initiative with the Metropolitan Police Service, which involves around 2,500 officers regularly deployed at key junctions offering advice to road users and ensuring they comply with the law. We are also working with the freight industry and cycling organisations to influence national and European legislation on HGV design and driver safety.

In addition, we have worked hard to respond to the changing ways in which our customers and users want to receive travel information and do business with us. Seventy per cent of Londoners now own a smartphone. TfL has gone from virtually no social media followers two years ago to well over 1.5 million now. We launched our new website, specifically designed to make journey planning easier on a range of mobile devices. Around 75 per cent of Londoners now use our new website.

More of our travel data feeds were opened up for use by developers, all free of charge, meaning that our customers can choose from a huge range of innovative apps and consume information in the way that suits them best; and recently the National Rail network followed suit.

We lead the way globally too in transport ticketing technology and Oyster is widely known as the world's most popular transport smartcard. Contactless payment is already available on London's buses and we went into final user testing to extend this convenient new payment method to our rail services.

2014 has seen us continue to work hard to keep London working, growing and making it a better place in which to live, while at the same time making the organisation ever more efficient. I would like to thank the staff of TfL, our contractors, the boroughs and numerous other partners who have worked with us to make this happen, and I am particularly well supported by a Leadership Team of Chief Officers who are brilliant individually and superb as a team together.



Sir Peter Hendy CBE
Commissioner of Transport



- Half of all bus journeys in England take place in London
- Forty per cent of bus passengers travel free or at a discounted rate. The average bus fare is less than 65p, compared to an average £1 in other UK cities
- The Tube carries 4.2 million people each weekday on 402km of lines
- The Docklands Light Railway carries 100 million passengers a year
- London Overground is one of the UK's most reliable rail services
- More than 31.2 million passengers use the London Tramlink service every year
- More than eight million passengers a year travel on the boats serving the London River Service's eight piers
- Victoria Coach Station is used by 14 million customers a year, with over 240,000 coach departures to more than 1,200 destinations in the UK, and 400 in Europe
- Cycling on London's major roads has increased by 176 per cent since 2000
- Seventy-five per cent of Londoners use tfl.gov.uk to plan their journeys and more than 5,000 developers use the real-time open data feeds to produce hundreds of travel apps

Year at a glance

Contactless payment takes off, customers get even better access to service information and a 24-hour Tube service is announced

April 2013	May 2013	June 2013	July 2013	August 2013	September 2013
<p>The number of bus journeys paid for using a contactless debit, credit or charge card hits one million, four months after the start of the scheme</p> 	<p>The Countdown Digital Sign service launches, providing tailored, live bus information at a range of public locations</p> 	<p>Customers invited to test TfL's new website, designed to be used on mobile devices, ahead of its launch in March 2014</p> 	<p>Mayor's Roads Task Force sets out plans to tackle congestion on London's roads, support economic growth and transform walking and cycling</p> 	<p>Work begins to increase DLR capacity between Stratford and Canary Wharf, and rebuild Pudding Mill Lane station as a Queen Elizabeth Olympic Park gateway station</p> 	<p>Walk-through, air-conditioned trains introduced on the Circle line, following those on the Metropolitan and Hammersmith & City lines, offering wheelchair access and wider doors</p> 
October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
<p>Thirty paid work placements created to help ex-Armed Forces members – who may be wounded, injured or sick – back into employment</p> 	<p>New vision for the future of the Tube includes plans to run a 24-hour Night Tube service at weekends and radically improve customer service in stations</p> 	<p>Barclays Cycle Hire expands into southwest London and now covers more than 100km² of the Capital</p> 	<p>The Mayor announces that all new London taxis must be zero emission capable from 2018</p> 	<p>Residents of Greenwich and Newham receive a reduced travel rate on the Emirates Air Line to encourage them to use the cable car as part of their local journeys</p> 	<p>'Turn up and go' service extends to cover all London Overground stations, enabling disabled customers to travel at all times</p> 

Operational performance

Buses	2013/14	2012/13	2011/12	2010/11	2009/10
Passenger journeys (millions)	2,405	2,335	2,344	2,289	2,257
Kilometres operated (millions)	491	490	490	486	483
Percentage of schedule operated (per cent)	97.7	97.6	97.6	97.4	97.1
Excess wait time (high frequency) (minutes)	1.0	1.0	1.0	1.0	1.1
Customer satisfaction (score)	83.0	82.0	80.0	80.0	79.0

Note: The figure for bus passenger journeys in 2011/12 reflects a change in the method for calculating child journeys. The comparable figure for 2009/10 is 2,265 million journeys

TfL's road network	2013/14	2012/13	2011/12	2010/11	2009/10
Journey time reliability (am)	89.0	89.2	88.9	88.8	89.3
Hours of serious and severe disruption	2,263	2,249	1,994	2,176	2,344
Traffic flow*	94.6	92.9	91.9	93.0	94.3
Customer satisfaction with TfL's road network**	75.0	76.0	75.0	72.0	n/a

Notes: * Traffic volume compared to an index of 100 from Period 13, 2006/07

** Data unavailable before 2010/11

London Underground	2013/14	2012/13	2011/12	2010/11	2009/10
Passenger journeys (millions)	1,265	1,229	1,171	1,107	1,065
Kilometres operated (millions)	76.2	76.0	72.4	68.9	69.4
Percentage of schedule operated (per cent)	97.5	97.6	97.0	95.6	96.6
Excess journey time (weighted) (minutes)	5.2	5.3	5.8	6.5	6.4
Customer satisfaction (score)	83.0	83.0	80.0	79.0	79.0

Docklands Light Railway	2013/14	2012/13	2011/12	2010/11	2009/10
Passenger journeys (millions)	101.6	100.0	86.2	78.3	69.2
Kilometres operated (millions)	5.8	5.7	4.9	4.7	4.6
On-time performance (per cent)	99.3	98.8	97.5	97.4	94.8
Customer satisfaction (score)*	87.0	87.0	83.0	81.0*	91.9

Note: *During 2010/11, the scoring system changed from the previous Serco measure to the TfL Customer Satisfaction Score measure. For comparison the score for 2010/11 using the previous measure was 94.9

London Tramlink	2013/14	2012/13	2011/12	2010/11	2009/10
Passenger journeys (millions)	31.2	30.1	28.5	27.9	26.5
Kilometres operated (millions)	3.0	2.9	2.7	2.7	2.6
Planned kilometres delivered (per cent)	98.8	98.2	99.0	98.6	98.6
Customer satisfaction (score)	89.0	89.0	86.0	85.0	86.0

London Overground	2013/14	2012/13	2011/12	2010/11	2009/10
Passenger journeys (millions)	135.7	124.6	102.6	57.2	34.3
Kilometres operated (millions)	7.9	7.5	6.9	5.2	3.4
On-time performance (per cent)	96.1	96.6	96.6	94.8	93.2
Customer satisfaction (score)	82.0	82.0	82.0	80.0	73.0

Emirates Air Line	2013/14	2012/13
Availability (per cent)	95.0	94.2
Customer satisfaction (score)	93.0	93.0
Passenger numbers (millions)*	1.5	2.0

Note: * The reduction in 2013/14 reflects a normal year, following the additional traffic of the 2012 Games

Keeping the Capital moving

TfL's purpose is to keep London working and growing, and to make life in the Capital better. We work hard every day to deliver a transport system that secures London's position as a world-leading city and an engine of the UK economy. Delivery of this is clustered around four pillars – Customers, Delivery, People and Value.

Customers: The heart of our business

Putting customers and users at the centre of everything we do

Every day, around 30 million journeys are made on the TfL network. This represents half of all bus and rail trips in England. With London's population set to reach 10 million by the 2030s, demand is increasing all the time.

Every journey matters to customers and road users, which is why TfL is committed to making continuous improvements to transport and London's environment.

Delivery: Our plans and our promises

Delivering safe, reliable, clean, sustainable and accessible transport

In addition to operating one of the world's busiest transport networks, TfL is also responsible for a multi-billion pound investment programme to increase the capacity and connectivity of the transport network.

People: Dedicated to customer service

Valuing our people

To keep London working and growing, TfL needs to recruit, reward and develop the right people with the right skills and behaviours.

Whether TfL staff or contractors employed through the supply chain, people are vital to ensuring that the organisation delivers excellent customer service and plans for London's future.

Value: Delivering more with less

Providing value for money for fare and tax payers

Every penny of TfL's income is reinvested in the operation and improvement of the transport network – there is no 'retained profit'. This enables fares to be kept as low as possible while investing billions to improve transport.

TfL is successfully delivering an ambitious efficiencies programme, enabling improvements to be delivered in the most efficient way possible.



Morning rush hour at Piccadilly Circus

A Tube network fit for the future

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

Every day London Underground (LU) carries more than four million people, more safely and more reliably than ever before. But it also needs to cope with a fast-growing population and meet the requirements of customers in the 21st century.

A new 24-hour Tube service

Vital investment in new trains and signalling has allowed TfL to reduce the need for intensive overnight maintenance work. It will also lead to the introduction of a 24-hour weekend Tube service on selected lines on Fridays and Saturdays from 2015.

This major improvement will support London's vibrant night-time economy and boost businesses, jobs and leisure opportunities.

These services will start on key sections of the Piccadilly, Victoria, Central, Jubilee and Northern lines. They will be coordinated with Night bus and 24-hour routes to give passengers an extensive and integrated service throughout the night.

Better customer service

TfL has also announced proposals to radically improve customer service at stations by bringing staff out of underused ticket offices and other non-public areas and locating them at ticket machines, ticket gates and platforms where they are better able to help customers. The plans are subject to consultation with staff and trade unions. All stations will continue to be staffed and controlled while trains run.

In addition, staff are receiving extra customer service and disability training.



Piccadilly Circus at night

Innovation and technology

TfL is making the most of the latest advances to improve customer service, including:

- Expanding WiFi coverage to all remaining below-ground Tube stations by the end of 2014

- Widening the acceptance of contactless bank card payment from the bus network to London Underground and rail services, giving customers the option of another easy way to pay

- Introducing more and better ticket machines that will, with assistance from

staff, provide quicker and easier refunds. Continued improvements to online services such as Oyster accounts will enable customers to automatically rectify incomplete journeys and claim refunds

- Equipping station staff with mobile devices so they can provide customers with up-to-the-minute information on ticketing, train services and the local area

Five commitments to Londoners

TfL has made five commitments to Londoners, so they can be confident that all of the changes being made will result in better, more reliable services, without any compromise over safety:

- Introduce a new 24-hour Tube service at weekends
- Further improve the reliability and capacity of services
- Ensure all Tube stations are controlled and staffed while services are operating
- Make journeys easier for customers
- Deliver improvements with the best possible value for money

Live travel news for people on the move

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

Obtaining real-time travel information has been made easier with the launch of TfL's new integrated website in March.

The website is now used by more than 75 per cent of Londoners and a nine-month period of testing enabled TfL to shape the new site based on extensive feedback from customers and users.

Online services that were once only available on a desktop can now be used interactively on all mobile devices and tablets, making the information ideal for people on the move.

Information in an instant

Customers can now see the time of their next train and bus as they walk down the street, plan their trips across the Capital and check for alternatives at times of disruption.

They can also access live travel news on their mobile devices using WiFi that is now available at more than 130 Tube stations and almost 60 London Overground stations. All below-ground Tube stations will have WiFi by the end of 2014.

'It's instantly a zillion times more useable than what went before it.'

Gerald Lynch, technology site www.gizmodo.co.uk

And for the first time, National Rail information features on the website so customers can check the status of these services too.

Drivers can now view maps showing the status of the road network, and see live images from traffic cameras – or 'Jam Cams'.

Is it 'Nearby'?

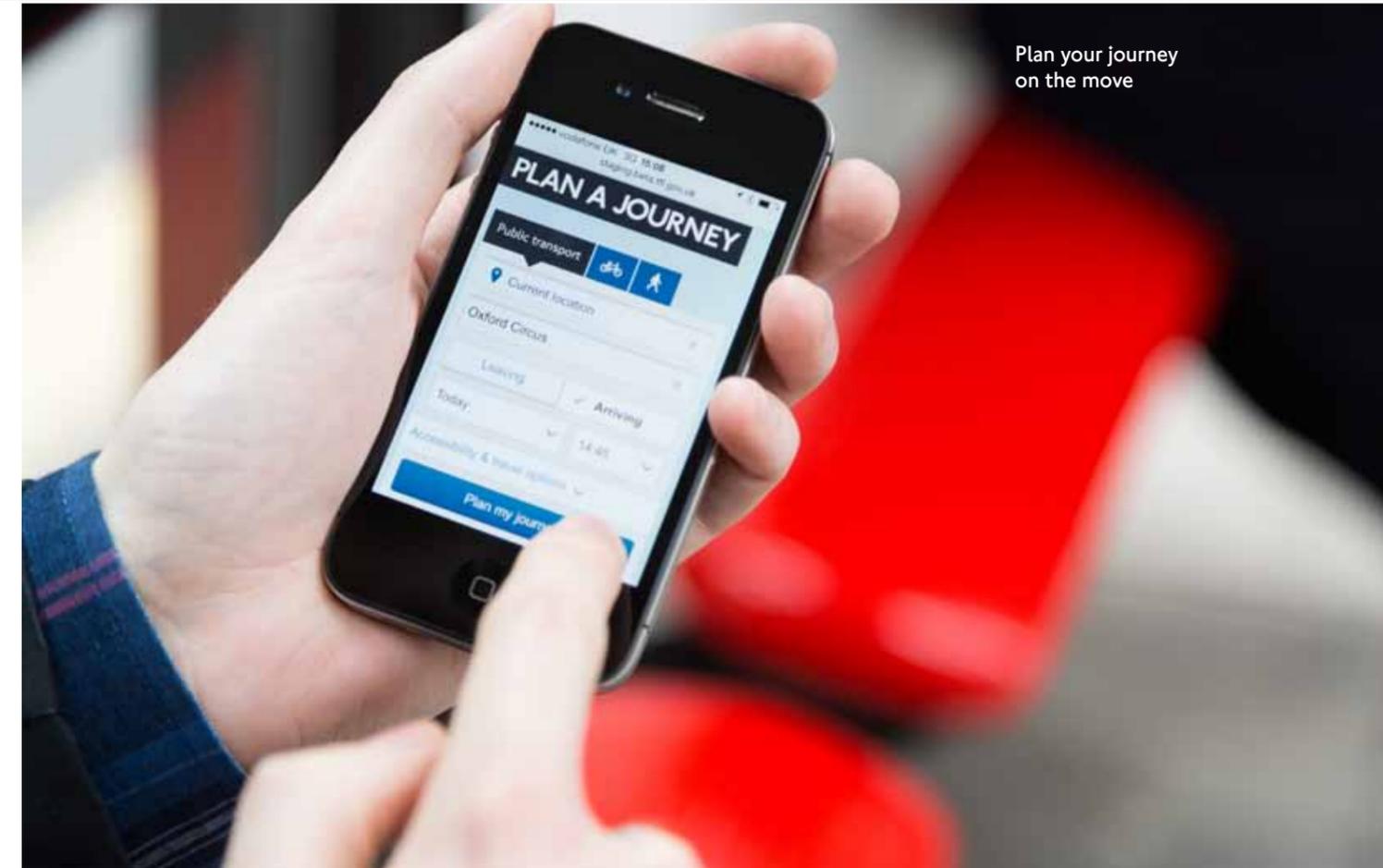
Another new feature on the website is the 'Nearby' tool that allows people to use a location search or a GPS-enabled device to find the nearest bus stop, Tube station, river pier or tram service from wherever they are. The site lists all the public transport options and shows them plotted on a map, along with live status and departure information.

The website's Journey Planner and homepage status board have also been redesigned and integrated so customers planning their trip can see immediately if their route is likely to be affected by upgrade work or other disruptions.

The Journey Planner will now automatically generate cycling and walking routes, giving people a wider range of options for their journey.

Open data

TfL is committed to the provision of free, open data which enables app developers to produce a range of travel products. Around 200 travel apps are powered by TfL data which has widened the reach of travel information and led to innovations in the travel information market.



Plan your journey on the move

Getting around the site

The new tfl.gov.uk website is fully responsive and has an easy-to-use design that makes the content simpler to find.

Useful tools are just one click away via the taskbar and an improved search function gives easy access to the rest of the site.

A footer on the homepage allows people to navigate to other areas of the site, including to the pages containing information about what we do and how we do it.

A more accessible transport network

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less



A boarding ramp is laid down for a wheelchair user at Crystal Palace

‘The entire London Overground network is “turn up and go”. I would urge other rail companies to follow suit. For me, TfL has another brilliant asset, which is their staff who will be visible and available to help and advise all customers.’

Baroness Grey-Thompson DBE, Paralympian gold medallist and TfL Board member

London has one of the most accessible transport networks in the world. TfL is committed to progressing the legacy of the London 2012 Games and continues to make the transport network even more accessible.

In February TfL updated its Your Accessible Transport Network action plan to ensure that journeys are made even easier for disabled and older passengers. Measures include more step-free stations and boarding ramps, new trains, better bus stops and improved signage.

Stepping up step-free

Over the next 10 years, at least 50 more Tube, Crossrail and London Overground stations will be step-free, while dozens of National Rail stations will get accessibility upgrades. Work

on better access is already well under way at Victoria, Bond Street and Tottenham Court Road stations among others. All DLR stations are already step-free. All trams and stops are also fully accessible.

This means that on the London Underground network alone, journeys by step-free routes each year will almost treble, from 77 million currently to 227 million in 2023.

Rolling out ramps

Manual boarding ramps – bridging gaps between platforms and trains – are being extended to more stations throughout 2014, including using a new ramp design at some stations where the train is lower than the platform.

Old rolling stock on the Tube continues to be replaced, with accessible new trains on the Circle line this year, following their introduction on the Metropolitan and Hammersmith & City lines. The new trains also began running on the District line, and the full 80 train fleet will be in place by 2016. These trains, with dedicated wheelchair space, low floors and wider doors, will then cover 40 per cent of the Tube network. The Victoria line also has new accessible trains.

Entering and leaving stations is also getting easier, with 376 wider gates at 185 stations.

More for road travel

While all 22,000 licensed London taxis and the fleet of more than 8,700 buses have wheelchair access, some bus stop kerbs are too high for proper use of the on-board ramps. So £18m is being invested to make 95

‘Turn up and go’ grows

Disabled people across London make 1.3 million trips a day by public transport.

To improve their journey experience, TfL’s ‘turn up and go’ assistance service was extended in March to cover all London Overground stations. This means that people can simply arrive at stations and have staff help them without having to book in advance.

per cent of bus stops accessible by 2016. This includes removing street clutter where bus doors open.

The last five per cent of pedestrian crossings without tactile paving, touch-cones or audible alerts are also being upgraded, and will achieve 100 per cent accessibility by 2016.

Smarter, simpler information

TfL’s new website (see page 18), with redesigned accessibility pages, now works better with mobile technology like smartphones and tablets. Later in 2014, a revamped Journey Planner tool will be launched that will suggest routes using real-time information on lift and escalator availability.

And whether moving above or below ground, more Legible London signs are making it easier for all travellers to navigate their way around the Capital.

Tube reliability improvements on track

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

During 2013/14 LU made excellent progress towards meeting the Mayor's reliability commitment – to cut Tube delays by 30 per cent by the end of 2015.

Under the ambitious strategy, LU is examining every aspect of how the Tube is operated and maintained to embed reliability still further and to radically reduce delays to passengers.

Between 2007/08 and 2011/12, delays across the network were reduced by more than 40 per cent. In 2011, LU launched the Tube Reliability Programme to drive further improvements. This has subsequently seen the introduction of a range of initiatives to predict and prevent failures, a quicker response to problems and the roll-out of better equipment. As a result the Tube is well on track to meet the 30 per cent reduction target.

Initiatives that were successfully implemented in 2013/14 include:

- A continuation of the initiative under which LU's Emergency Response Unit vehicles are escorted by the police under 'blue



light' and siren conditions when attending incidents, thereby reducing response times

- More security fencing was installed on the Metropolitan, Central and District lines to prevent trespassing and cable theft

'As we saw during the Olympics, a smooth and efficient transport system can make or break the success of our city, and we are building on the lessons we learnt during that triumphant period to cut delays. The Tube is vital to London's prosperity and an increase in reliability of 30 per cent will surely aid the Capital's future growth.'

Boris Johnson, Mayor of London

- A system to enable remote monitoring of track circuits was installed on the Victoria line, allowing faults to be detected and resolved more quickly. Similar technology may be introduced on other parts of the network to further improve reliability
- Filament signal lamps were replaced with LEDs (light-emitting diodes) on parts of the District line, and work is in progress on several other lines
- More litter bins have been provided to reduce delays caused by litter on the track or in train doors. This has been supported by communications to customers to reduce the amount of litter left on stations
- Publicity has been developed to highlight how the behaviour of some customers impacts on journey reliability – such as holding open the train doors
- Covers have been installed on passenger emergency alarms on trains across all lines to reduce inappropriate or malicious activation
- New 'spillage kits' have been implemented to enable soiled trains to be cleaned and kept in service
- A new partnership with the Samaritans charity has provided enhanced training to staff to help them identify distressed individuals or those who are acting in a way which would identify them as being at high risk of suicide. It gives staff the confidence to approach and intervene

Boosting reliability

As part of the Reliability Programme, the requirements of each Tube line are assessed, to ensure that benefits are provided across the entire network:

- On newly improved lines, such as the Victoria and Jubilee, the emphasis is on getting the maximum performance from the new trains, track and signalling
- On lines where capacity is being enhanced (Northern, District, Circle, Hammersmith & City and Metropolitan), the particular focus is on ensuring service levels are protected and boosted while improvement work takes place
- On the lines where major improvement plans are further in the future (Bakerloo, Piccadilly, Central and Waterloo & City), LU is ensuring that service levels are maintained and ageing assets are managed in a targeted and intelligent way to prevent service issues

Rebuilding the Tube network

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

TfL's programme to improve the entire Tube network is the biggest refurbishment programme ever. Customers are already benefiting from many improvements.

New trains

February 2014 saw the full introduction of the new fleet of Circle line trains, featuring air-conditioned, walk-through carriages, improved customer information, CCTV throughout, more space and dedicated areas for wheelchairs. These trains already run on the Metropolitan and Hammersmith & City lines, and the Victoria line also has new trains.

More frequent services

Thanks to the installation of new signalling equipment, the Victoria and Jubilee lines are now among the most advanced metro systems in the world, with trains running every two minutes or less at peak times. Around 10,000 more customers an hour can now travel on the Victoria line (with 33 trains an hour), and up to 12,500 more on the Jubilee line (30 trains an hour).

Improved stations

The redevelopment of Paddington (Hammersmith & City line) station was completed in December 2013. It joins a number of transformed stations, including Blackfriars, Stratford, King's Cross St. Pancras and Wembley Park. All feature new entrances, spacious concourses and ticket halls, new lifts, and better interchange with other transport services.



A new Circle line train at St. James's Park station

More accessible

The Tube now has 66 step-free stations, including most recently Blackfriars, Farringdon and Green Park. It is now easier for mobility-impaired people or those with luggage or buggies to get onto the train at many platforms, thanks to platform humps and the introduction of trains with lower floors.

Open later

Since September 2013, the Waterloo & City line has been open until half past midnight Monday to Saturday.

A New Tube for London

Plans are under way to develop a single signalling system and train fleet – with walk-through, air-cooled carriages – for the deep Tube lines. These will be introduced first on the Piccadilly line from the early 2020s, and subsequently on the Central, Bakerloo and Waterloo & City lines.

'IIPAG has commended best practice on a number of TfL projects, including the Victoria Line Upgrade Programme where reliability levels are among the best in Europe and North America.'

Independent Investment Programme Advisory Group (IIPAG) Annual Report, August 2013

Still to come

In early 2014 the first new District line trains ran on the Wimbledon – Edgware Road route. The whole of the new District line train fleet will be introduced into passenger service by 2016.

Also during 2013/14, work has continued on the installation of the new signalling for the Northern line. From the end of 2014 the line capacity will increase by 20 per cent, equivalent to an extra 11,000 customers every hour during peak periods. Journeys will also be 18 per cent faster and off-peak services more frequent. Within the next five years, new signalling will also bring significant capacity gains on the Metropolitan, District, Circle and Hammersmith & City lines.

Work continues on expanding and modernising some of the busiest stations, making them bigger, brighter and more accessible. The redeveloped Vauxhall station will open in 2015, followed by Tottenham Court Road in 2016, Bond Street in 2017 and Victoria in 2018.

Crossrail route extended

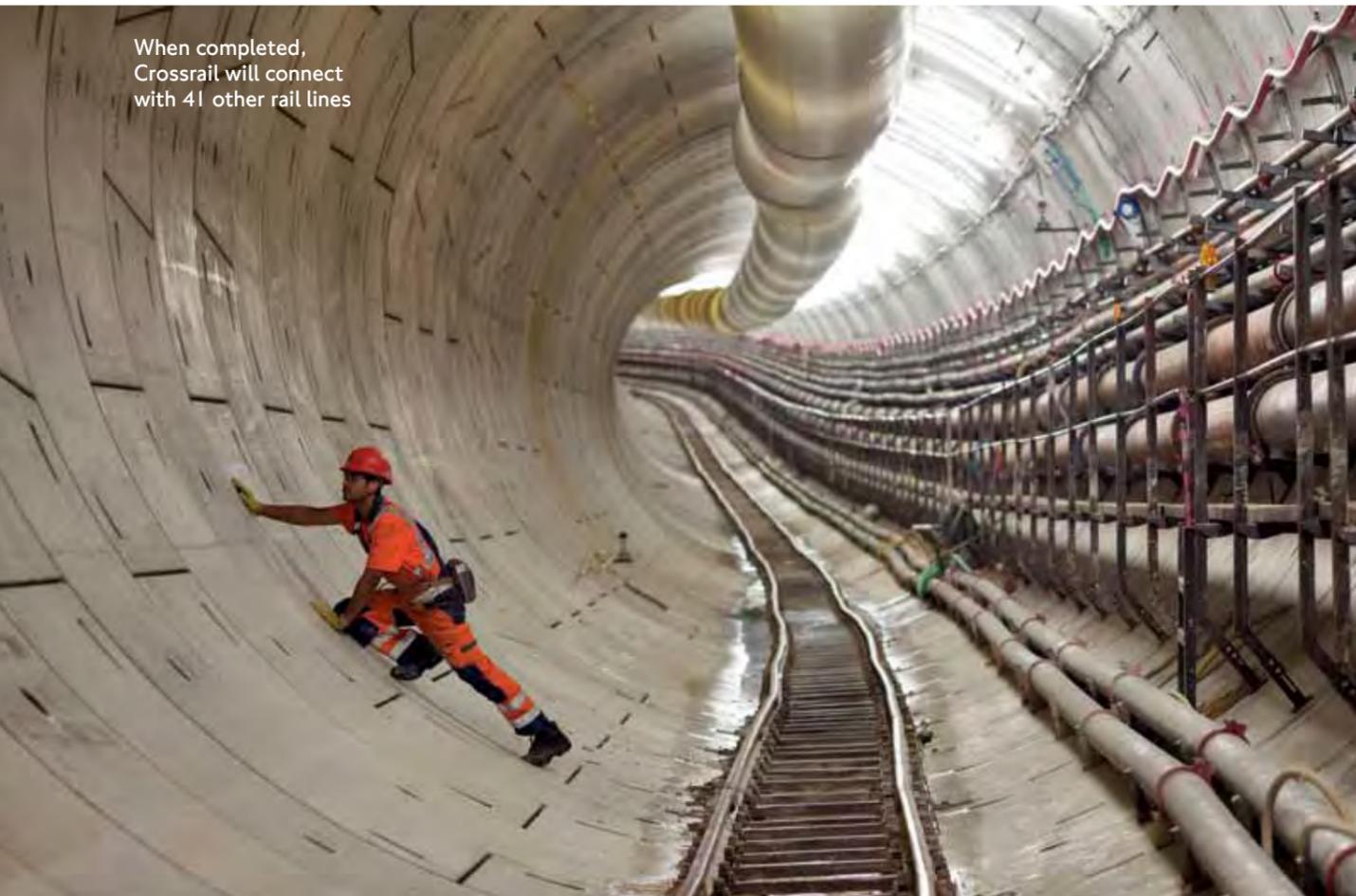
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When completed,
Crossrail will connect
with 41 other rail lines



‘As this awe-inspiring project hits its halfway point, we can see how Crossrail will revolutionise east-west transit in the Capital, making London an even more attractive place to visit and invest.’

Boris Johnson, Mayor of London

In July 2013, TfL awarded the contract for the upgrade of Bank station. The project is scheduled for completion in 2021. Plans are also being developed for the transformation of Holborn and Camden Town by the early 2020s.

In March it was announced that Crossrail’s east-west route is being extended to Reading to provide a direct connection between this busy commuter area and London’s main employment centres.

This adds a further two stations to the line, Reading and Twyford. It will give customers an efficient new route to central London without the need to change at Paddington.

Crossrail will now serve a total of 40 stations when the line fully opens in 2019. The service will boost London’s rail-based capacity by 10 per cent, connecting Reading and Heathrow in the west, and Shenfield and Abbey Wood in the east. With 24 trains an hour running at peak times in both directions and each train having nine carriages with the capacity to hold 1,500 people, it will carry twice the number of passengers than the average Tube train.

Halfway point

In January, after five years of work, Europe’s largest infrastructure project reached the halfway point of construction on the original route. It means the central part of the Crossrail project – from Maidenhead and Heathrow to Shenfield and Abbey Wood – is on target for completion in 2018.

Strategically, and crucial to the Capital’s economic growth, Crossrail will help manage

increasing commuter travel demands, especially as the resident population is set to grow to 10 million by the 2030s. It will interconnect with 41 other rail lines, including London Underground and Overground services, National Rail, Heathrow Express and DLR, giving people faster, easier journeys across the city.

Along with the regeneration and social benefits associated with the project, Crossrail will also bring an extra 1.5 million people within a 45-minute commute of London. Crossrail’s value to the UK economy is estimated at £42bn.

World-class construction

Globally admired as an extraordinary feat of civil engineering, Crossrail has construction teams working beneath the Capital at depths of up to 40 metres, creating 42km of new tunnels.

Advancing 100 metres a day through ancient strata of rock and clay, crews are navigating eight huge, 1,000-tonne boring machines through a complex labyrinth of existing Tube tunnels, sewers, utility services and building foundations.

The work on stations will be equally challenging – the city centre section needs nine new ones. Each must have 250 metre-long platforms built to a high specification, to support Crossrail’s expected 200 million passengers a year.

More improvements to the London Overground

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Delivery:
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People:
Dedicated to customer service

Value:
Delivering more with less

Longer trains – with five cars instead of four – are just one way TfL is meeting growing customer demand, and making London Overground services better.

Construction work to increase capacity on most lines by 25 per cent began in March 2013.

The first longer trains will run on the North London line at the end of 2014. The new trains will also be introduced on the East London line next year. The roll-out of five-carriage trains across the network is being made possible by work to enlarge sidings, modify New Cross Gate and Willesden depots, extend station platforms and upgrade track and signalling.

There are also plans to electrify the Gospel Oak to Barking line by 2017 so that the new, longer electric trains can replace diesel passenger trains on this route.

Meeting demand

Around 135 million journeys are already being made on London Overground every year, four times as many as when TfL started managing the network in 2007. It is one of the UK's most punctual railways – more than 96 per cent of trains run on time.

The new South London line, from Clapham Junction to Surrey Quays, celebrated its first anniversary in December. Four trains an hour run in each direction, linking the southwest of the Capital with east London. It completes the city's first orbital surface rail network in 128 years and allows customers to avoid changing trains in central London.



More than 96 per cent of trains run on time

London Overground trains will be longer in future

Easier for everyone

Customers' journeys are getting easier, safer and more reliable. London Overground passengers rate the service highly, particularly for punctuality, reliability, cleanliness and helpful staff. The service received an 89 per cent satisfaction rating in the 2013 autumn poll by independent rail watchdog, Passenger Focus – one of the highest scores for train operators in the UK.

As part of TfL's continuing accessibility programme, almost half of all London Overground stations are now step-free, from street to platform, making travelling easier for customers with limited mobility. A 'turn up and go' service was launched in March that means

Expanding the Overground

In July the Government announced that TfL will run suburban services between Liverpool Street station and Enfield Town, Cheshunt and Chingford (via Seven Sisters) from 2015. This will include responsibility for 23 of the 25 stations along the routes. TfL will also become responsible for the short Romford – Upminster line in east London.

Plans to improve these services include a new fleet of trains and deep-cleaning, repainting and refurbishing stations. TfL will modernise Help Points and CCTV for better security, and provide customers with better real-time updates and improved on-station passenger information systems. Stations will be staffed from first train to last.

'We are pleased to see progress and a focus on continuous improvement as there's always more to do. We will be watching closely as TfL take on new routes and also to see what can be done to ensure that passengers get good value for money for the fares they pay.'

Janet Cooke, London TravelWatch's Chief Executive

passengers no longer need to book in advance to get assistance at stations. Staff are available at every station while trains are running to help customers when they need assistance.

Refurbished London Overground stations have WiFi available, improved waiting areas and there is less congestion in ticket halls.

The route to road safety

Customers:
The heart of our business

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Value:
Delivering more with less

'Safe Streets for London', published in July 2013 by TfL and the Mayor of London, is a comprehensive plan for making the Capital's roads even safer. The document is supported by six safety commitments which were subsequently published in February 2014.

Commitment 1

Reduce the number of people killed or seriously injured on the Capital's roads by 40 per cent by 2020

This will be achieved through a combination of engineering, education and enforcement. There will be a focus on improving the road infrastructure, especially in the design of aspects such as junctions and cycle lanes. Working with the police, TfL will crack down on unsafe behaviour of all road users and continue to work with the boroughs to deliver road safety education for children.

Commitment 2

Prioritise the safety of the most vulnerable groups – pedestrians, cyclists and motorcyclists

These three groups make up 80 per cent of serious or fatal road injuries in London. Specific plans to improve safety for each group will be published during 2014.

Vulnerable road users

In February, TfL published detailed new analysis and information to support the six safety commitments. The results will help TfL, London's boroughs and other partners to develop specific schemes to target the most vulnerable road users and achieve the greatest casualty reduction benefits.

Commitment 3

More funding for road safety, invested in the most effective and innovative schemes

TfL's investment in the road network is doubling in the next 10 years, to £4bn. All new projects will be built to stringent safety standards, taking into account improved pedestrian and cycling design guidance. Extra money is going towards better cycling facilities and infrastructure, and improving junctions.

Commitment 4

Increase efforts with the police, boroughs and enforcement agencies in tackling dangerous and careless road user behaviour that puts people at risk

TfL and the Metropolitan Police Service (MPS) will create a unit dedicated to policing London's roads and public transport. The new Roads and Transport Policing Command, with 2,340 officers, will have an unprecedented ability to improve road safety.

Commitment 5

Campaign for changes in national and EU law

The Mayor and TfL are working with the freight industry and cycling organisations to influence European and national legislation on HGV design and driver safety.

Commitment 6

Work in partnership with boroughs and stakeholders to improve best practice

A new Road Safety Steering Group will help set the agenda and champion improvements.



Eye-level traffic signals for cyclists are just one of the many measures being introduced to help keep road users safer

The number of serious road accidents in London has more than halved since 2000

Cleaner red buses

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TfL will reduce emissions from its bus fleet by having 1,700 hybrid vehicles on the road by 2016. In the past year it has worked steadily to achieve this, most significantly with the introduction of the New Routemaster buses.

New technology has been fitted to 900 buses to reduce their nitrogen oxide (NO_x) emissions by up to 88 per cent. By next year TfL aims to ensure the entire bus fleet is upgraded to Euro IV or better.

‘Electric buses could help deliver the cleaner and greener bus fleet we need to cut carbon emissions and improve air quality.’

Matthew Pencharz,
Senior Environment and Energy
Advisor to the Mayor of London

New Routemasters

The buses combine the best of the design of the old iconic vehicles with new, cleaner and more efficient technology. This is the first bus in 50 years to be designed specifically for London's streets.

They are powered by a battery that is charged by a generator and regenerative braking (where the system recycles energy lost during the braking motion). Stop-start technology means the engine runs only when the battery needs to be charged.

By 2016, 600 New Routemasters will be on the Capital's roads. This is the largest order of hybrid buses placed in Europe to date.

Once all 600 are in service, carbon dioxide (CO₂) emissions are expected to be reduced by around 20,600 tonnes a year. Independent tests show the new bus is the cleanest vehicle of its type: emissions of NO_x and harmful particulate matter (PM10) were a quarter of those given out by other hybrid buses and 20 per cent less CO₂ was emitted.

Electric buses

Since December, two electric buses have been tested on short commuter services. A further six will be trialled this year. In energy terms, these vehicles are significantly cheaper to run, but the real gain is that there are no tailpipe emissions.

The trial will allow TfL to understand opportunities for wider deployment across the bus network.



What is biodiesel?

Biodiesel is a renewable fuel made from used cooking oil from the catering industry and tallow, a residue of the meat processing trade.

Buses running on 20 per cent biodiesel blends cut CO₂ emissions by 15 per cent compared with ordinary diesel.

A pilot scheme is being run at Stagecoach's Barking Garage, where buses on 10 routes use a mixture of 80 per cent regular diesel and 20 per cent biodiesel. A 50,000-litre storage tank has been installed, enabling the biofuel to be mixed on site.

Hydrogen

London also now has a fleet of eight hydrogen fuel buses that emit nothing but water.

A bold new vision for 21st century roads and streets

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July 2013 saw the publication of the Mayor's Roads Task Force (RTF) report and TfL's response to it. Designed to represent all road user groups, the task force is made up of independent experts, academics and user groups. It called for an ambitious long-term strategy and investment to tackle congestion on the roads and improve public spaces.

This congestion costs the London economy £4bn a year. The Capital's population is set to reach 10 million by the 2030s and aspirations for a better city will place further pressure on the road network, exacerbating congestion levels.

Disruption cut by lane rental

The first of its kind in the UK, the lane rental scheme encourages utility companies to avoid digging up London's busiest roads at peak traffic times.

It has cut disruption at traffic hotspots by 46 per cent. Around 99 per cent of TfL works and 90 per cent of planned utility works now avoid jamming up busy roads at peak times, compared with around 30 per cent before the scheme was introduced. The main companies have also signed up to using quick-dry materials so roads can be reopened more quickly.

The scheme is estimated to save around 2,700 days of disruption.

In March 2014, TfL published a report outlining the progress made so far on the RTF's vision in five main areas:

1. Investing in roads

TfL has doubled the allocation of new investment for roads to £4bn by 2022, and around 50 projects valued at more than £2m each are under way.

These include the redesign of the IMAX roundabout at Waterloo to create a better interchange, and improved public spaces and facilities for cyclists. Another major scheme is the redevelopment of Elephant and Castle which will create 5,000 new homes and 4,000 jobs, as well as improve the junction.

Enhancements to Euston Circus have seen a new public space created with wider pavements, better crossings, cycle parking, new trees and landscaping, and Legible London signs that help to guide pedestrians.

Since March 2014, all highway schemes now have a separate page on TfL's website. This provides contact details and makes it easier to see the progress of each project clearly.

2. Identifying street types

The RTF looked at how the roles of roads differ, and set out nine 'street types' that can be used to map an area and create an overall picture of it. TfL will be employing this approach to identify where roads need to be improved and better public spaces created. Newham is one of the first boroughs to start using this method as part of the regeneration plans for the Royal Docks area.

3. Technology

One of the many technologies TfL is working on is SCOOT (Split Cycle Offset Optimisation Technique). This uses sensors to determine the number of vehicles at a junction and adjust the 'green light' time.

SCOOT has reduced delays by around 12 per cent and the technology is now in use at more than 3,000 sites across London. TfL will install SCOOT at a further 1,500 sites by 2018, and is also testing a version for pedestrian crossings.

Pedestrian Countdown technology has now been rolled out to around 550 crossings at 200 locations across London. The new system tells people how long they have to cross the road after the green man light has gone out.

4. Innovation

The RTF recommended exploring new approaches to transforming the Capital's roads, and in March the Mayor and TfL launched the Future Streets Incubator Fund. Distributing £1.8m over three years, it will support the development of innovative ideas, and is open to boroughs, Business Improvement Districts, sub-regional partnerships and community groups.

5. How TfL works with partners

The RTF set out an ambitious new framework for managing the Capital's roads. With the boroughs, TfL is looking at how to meet the RTF's proposals by making the best use of resources and by developing a workforce for the future. London Councils has set up a working group to support this and TfL is looking at its processes to improve the efficiency of schemes.



A crossing with Pedestrian Countdown

Achieving the vision

Analysis conducted since the launch of the RTF report has confirmed that strategic measures would also be needed to achieve the vision for London's roads and streets. TfL has begun four studies:

- To understand the long-term 'place' vision for central London in the vicinity of the Inner Ring Road and to explore the provision of alternative space, such as tolled tunnels
- To explore possibilities for transforming key corridors, including the North and South Circular roads
- To understand opportunities to encourage people to modify their travel behaviour
- To understand potential measures to reduce the impact of freight on congestion, safety and the environment

Taxi! The shape of things to come

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Value:
Delivering more with less

Following the Mayor's pledge last year to introduce an Ultra Low Emission Zone in central London by 2020, TfL has been working closely with taxi manufacturers.

On 16 January, the Mayor of London unveiled designs of new zero emission capable vehicles that will secure the future of the iconic London taxi.

Manufacturers showcased vehicles under development that will deliver the next generation of taxis, while minimising harmful emissions and helping to cut pollution.

The design ideas included panoramic roofs, state-of-the-art driver gadgetry, automatic ramps for wheelchair users and indicators to warn cyclists and other motorists when a passenger is about to step out from the vehicle.

The Mayor also announced plans to make all new taxis that are presented for licensing from January 2018 'zero emission capable' – automatically able to operate in zero emission mode when being driven in areas of the Capital where air quality is at its worst.

Tackling pollution

In parts of central London, road transport is responsible for around 80 per cent of airborne pollution, with black cabs contributing to 30 per cent of particulate matter emissions in the area.

To assist taxi drivers and encourage the early adoption of the new greener vehicles before the 2018 deadline, the Mayor and TfL are now exploring a number of supporting measures with the Office of Low Emission Vehicles and are in discussions with the Green Investment Bank concerning financial options to help the Capital's transition to zero emission capable taxis.



The London taxi of the future will need to be 'zero emission capable' from 2018



There are almost 23,000 licensed taxis in London

'As part of my mission to improve our air quality and drive innovation, I'm making a firm pledge to Londoners that, from 2018, all new taxis presented for licensing should be zero emission capable.'

Boris Johnson, Mayor of London

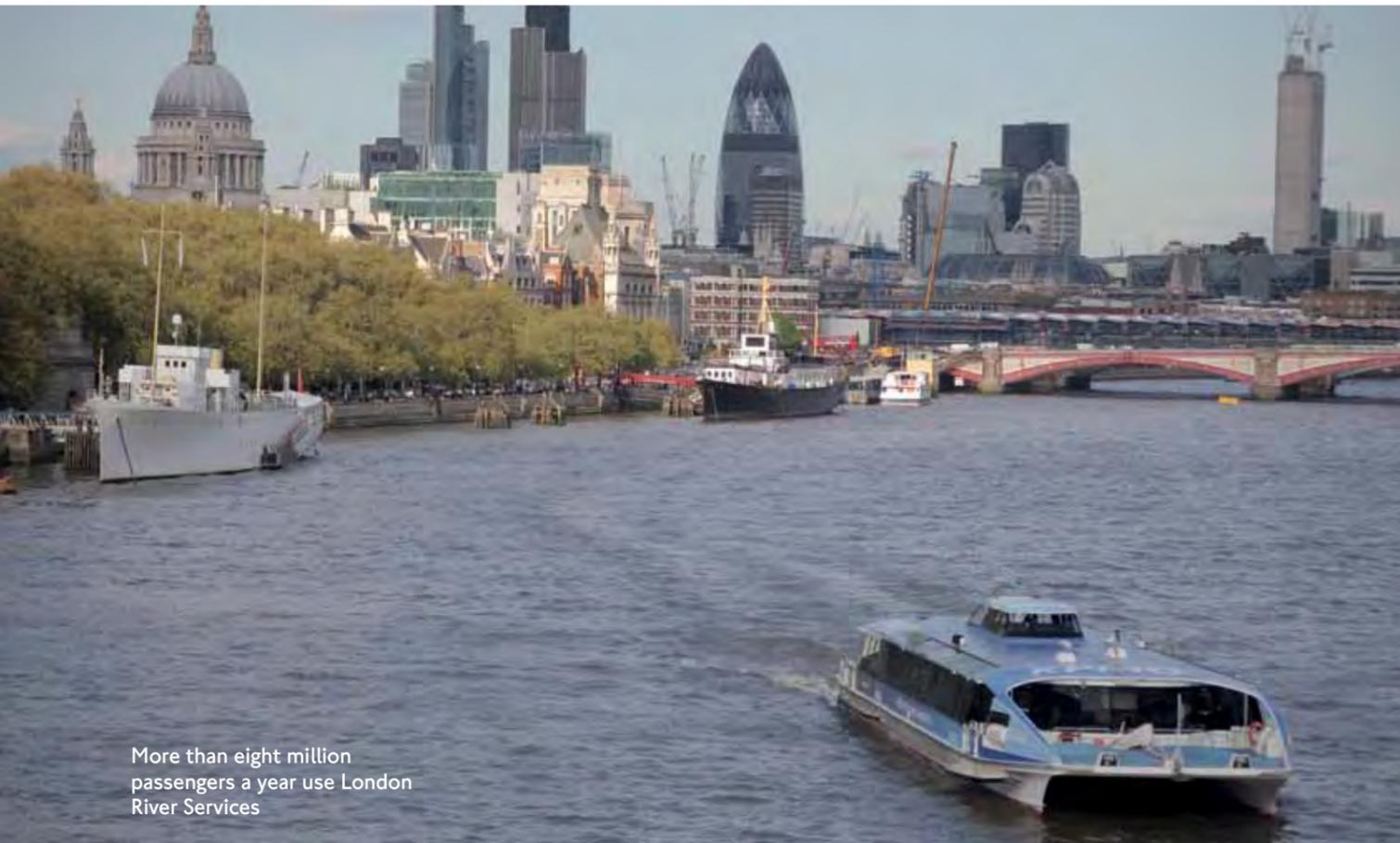
Old river, new life

Customers:
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More than eight million passengers a year use London River Services

‘The River Thames plays an integral role as both a key artery for commuters and a wonderful avenue for tourists.’

Boris Johnson, Mayor of London

For comfort, style and scenery, London’s river services take some beating – as record numbers of commuters and visitors are discovering.

In the first year of the Mayor’s River Action Plan, launched in February 2013, around 8.6 million people used River Bus and River Tours scheduled services. This included an increase of around 20 per cent in the number taking River Tours cruises and an eight per cent rise in River Bus traffic – putting the Mayor’s action plan target of 12 million users annually by 2020 well within sight.

Among proposals, the plan identified better river service information and promotion, new piers and improvements to existing ones, more cycle hire and cycle parking facilities, and other steps to improve integration with the rest of the Capital’s transport network. In support of the plans, the Mayor pledged a £10m investment.

The past year has seen progress on all fronts – clearer timetables, a new ‘Tube-style’ map and increased promotion. The rise in passenger numbers is perhaps most apparent on River Bus route RB6 (Putney to Blackfriars) where there has been a 130 per cent increase in passenger numbers since its relaunch in April 2013.

Plans for piers at Battersea Power Station and Plantation Wharf, near Wandsworth Bridge, are progressing, and three others in central London – Bankside, Embankment and Westminster – have been identified for expansion. Meanwhile, pilot projects at Embankment and Westminster also got under way during the year, with improved signage, lighting and facilities being installed.

For commuters and tourists alike, better information on changing to different transport services for onward journeys and a real-time arrival service called iBoat are making it easier to use the services. And once aboard, the opportunity to sit back in the comfort of the cabin, coffee in hand, and take in the sights of London’s landmarks is making the river an increasingly attractive travel alternative, for work as well as leisure.



Woolwich Ferry’s 50-year milestone

The current three Woolwich Ferries – providing the free service between Woolwich and North Woolwich – celebrated 50 years of passenger service in April 2013.

In 1963, three new diesel-powered boats replaced side-loading steam paddlers that had been in use since 1922, continuing a service that dates back to the 14th century.

Fifty years on, the James Newman, John Burns and Ernest Bevin continue to play an important part in east Londoners’ lives, carrying one million vehicles and 2.5 million passengers across the Thames each year.

Over the next seven years, a multi-million pound contract will ensure the boats and the landside infrastructure are overhauled and upgraded to increase reliability and extend the working life of this ferry service. The boats will also be more environmentally friendly, thanks to new filters that cut particulate matter emissions by 90 per cent.

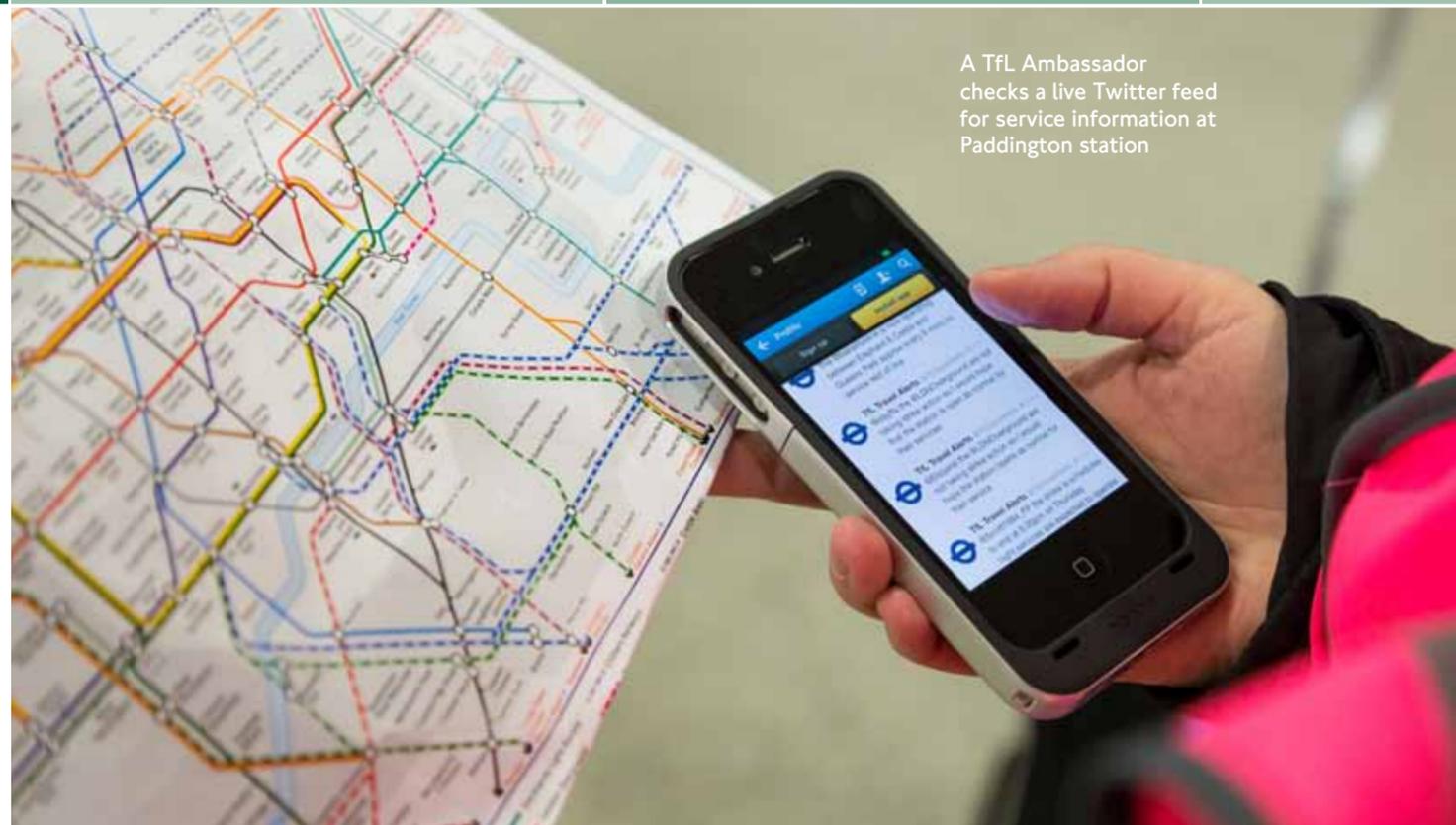
Amazing Ambassadors

Customers:
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Value:
Delivering more with less



A TfL Ambassador checks a live Twitter feed for service information at Paddington station

TfL Ambassadors:

- Provide customers with real-time travel information using TfL apps on their smartphones and tablets
- Advise on how to get the most from public transport, and provide directions and maps
- Assist customers with special requirements and advise on accessible transport options
- Suggest alternative travel options and walking routes – especially in cases of disruption or overcrowding
- Assist with ticketing queries and using ticket machines

Ambassadors play an important part in helping customers move around.

Keeping London moving

Since the London 2012 Games, TfL Ambassadors have proved a reassuring presence during major events and at times of disruption.

They have been out in large numbers at events including the Notting Hill Carnival and major sports matches such as FA Cup finals and Wimbledon, and have supported shoppers during the Christmas and New Year periods at the busiest West End stations and around Hyde Park.

During recent trade union industrial action on the London Underground network, Ambassadors at transport hubs kept customers informed and were able to offer advice on alternative travel options.

Training and development

All licensed Travel Ambassadors receive a combination of online and classroom training with a competency and practical assessment. This qualifies Ambassadors to help staff at Tube station gatelines and provide better and more flexible support to their Underground colleagues.

There are now more than 650 licensed Ambassadors and this figure is expected to grow in 2014/15. There are also more than 1,000 non-licensed ambassadors who provide customers with help and advice, without carrying out station operational duties.

One of the highlights of the London 2012 Games was the 4,000-strong team of TfL Travel Ambassadors who helped keep London moving.

Easily spotted in their magenta tabards, the army of volunteers could be found across the network, from rail, Tube and bus stations to river piers and taxi stands.

Success story

Having proved an indispensable source of travel advice for customers, TfL pledged to build on this success with the expansion of a long-term Ambassadors programme.

‘As I am office-based, being a TfL Ambassador is a great way to interact with customers and see the challenges my colleagues face on the frontline. I can see we are making a real difference, giving our customers accurate travel information and advice.’

Michael Joannou, Engagement Communication Specialist, Marketing and Communications, TfL

On the front line

TfL Ambassadors are office-based employees from around TfL – from department heads to administrative staff – volunteering to support operational teams wherever and whenever they are needed.

Fully trained and kitted-out with smartphones and maps, they provide up-to-the minute travel information and assist customers with a range of transport-related issues.

From giving directions and helping at ticket machines, to assisting disabled passengers and advising what to do with suspicious items,

A workforce for the future

Customers:
The heart of our business

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Value:
Delivering more with less

Young people were offered a new opportunity to develop vital engineering and construction skills in October when HRH The Duke of York, KG, opened the new Royal Greenwich University Technical College (UTC).

Sponsored by TfL, the Royal Borough of Greenwich, the University of Greenwich and construction services and development company Wates Group, the UTC is designed to give 14 to 19-year-olds vocational qualifications to boost their job prospects and to meet a growing demand for technically trained workers.

With a quarter of London's 16 to 24-year-olds unemployed and the job market becoming increasingly competitive, it is more important

'The education provided by the UTC fits well with the Engineering and Construction offers from the University of Greenwich while at the same time improving the prospects of both young people and businesses in the region that we serve.'

**Professor Tom Barnes,
Deputy Vice-Chancellor, Research and Enterprise, University of Greenwich**



Students in a workshop classroom at the UTC

Setting standards

TfL has been recognised for its achievements resulting from the Skills and Employment Strategy, and for setting the standard for other organisations:

- Winner of The Graduate Employer of Choice for Transport and Logistics in The Times Graduate Awards, 2012 and 2013
- Shortlisted for Most Popular Graduate Recruiter in Engineering, Design and Manufacture category, TARGET National Graduate Awards, 2013

- Highly Commended for Graduate Induction in the Association of Graduate Recruiters Development Awards, 2013
- Shortlisted in the Job Crowd Awards in both the Charity, Education and Public Sector and Transport and Logistics sector, 2012 and 2013
- Business in the Community, Race for Opportunity Award for Collaboration, 2013

than ever for young people to have the skills they need to secure employment and forge a career.

The college offers expert tuition in engineering, construction and design alongside core GCSEs and A-Levels. Students also work in an environment which has £1.5m worth of industry-standard technical equipment to help them develop the skills and techniques they will need for future careers.

The UTC sponsors have helped to develop the curriculum and provided industry experts to train and mentor the students, as well as arranging visits to engineering and construction sites.

TfL's support is non-financial and includes:

- Recruiting students and teachers
- Donating a former Tube carriage, two Barclays Cycle Hire bikes and a V8 engine from an impounded limousine for hands-on engineering projects
- Taking part in activities such as an Inspire Engineering event at London Transport Museum's depot
- Guest speakers discussing engineering

The UTC initiative is part of TfL's Skills and Employment Strategy which sets out plans to develop the talents of TfL employees, so ensuring the next generation who work in transport are equipped with the skills needed to keep the transport networks running.

A human face

Customers:
The heart of our business

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Value:
Delivering more with less

Staff are the heart of TfL's business.

The smooth working of the network relies on the quality and attitude of staff, whether they are at the frontline with customers or in offices or depots behind the scenes.

Being professional, knowledgeable and helpful is vital, and the desire to give excellent customer service is paramount.

Customer satisfaction figures are at an all-time high this year, across virtually all transport services.

Every day, staff in many different roles do their utmost to provide a great service and a human face. An example of this was when London



Lost and found

Five-year-old Nathan Hawkins had accidentally left his furry friend, Yoshi, on a number 164 bus last

April. His mother, Gemma, took to Twitter and put out an appeal, little knowing it would be picked up by thousands of people across the world. It went as far as Australia and was even retweeted by Stephen Fry.

When London Buses Press Officer David Edwards saw the tweet, he immediately contacted the bus company. An alert went out to all drivers on route 164 and Yoshi was found and reunited with Nathan.

Buses Press Officer, David Edwards, helped reunite a young boy with his toy cat after a plea on Twitter went global (see box).

Customer care

Office-based teams often help customers in less obvious ways than operational staff but their help can be just as valuable. Peter Bale, from Marketing Services, is responsible for producing publicity to inform customers about changes to bus routes. One Friday afternoon he received late notification of a road closure starting the following Monday morning.

Realising a commercial coach operator would be affected, Peter tracked down the phone numbers for the operator and spoke to a director to let him know. The grateful director liaised with the local council to organise a route diversion and asked Peter to assist them with producing publicity to help customers avoid the problem.

On the buses

There are many examples every day of how staff proactively assist customers. This is recognised at the annual London Bus Awards which reward excellence and hard work among drivers, support teams and frontline personnel. This year there has been an unprecedented number of nominations.

Recognition is given to staff who have shown outstanding customer service, on-the-road support, and special attention to the accessibility needs of older and disabled passengers. Those championing environmental initiatives in their depots and those taking pride in their vehicles are also recognised.



Providing great customer service with a friendly face

These stories all demonstrate that behind the infrastructure, the timetables and trains, TfL's staff are dedicated to providing the customer service that is key to keeping London working, moving and growing.

Mind the Gap

At the request of Dr Margaret McCollum, TfL re-introduced the distinctive voice of her late husband, Oswald, famous for his Mind the Gap announcement at Embankment station.

It's quicker by phone

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

When you're running one of the biggest urban public transport systems in the world, handling well over one billion train journeys and two billion bus journeys a year and managing 580km of London's red routes, things sometimes go wrong.

The trick, of course, is to put them right as swiftly and smoothly as possible.

The same applies at TfL's Contact Centre Operations, where teams of customer service advisers deal with 2.7 million letters, emails and telephone calls every year. Of these, some 1,500 a week relate to Oyster cards and refunds.

One particular area of focus this year has been to enable staff to fix a customer's problem straight away by allowing them greater flexibility in decision making.

'Advisers who once felt frustrated with the solutions they were forced to offer now feel empowered and respected enough to find the most suitable solution to the issues raised.'

Volkan Altinok, First Contact Manager

The telephone teams dealing with Oyster enquiries and complaints were the first to try out a new approach. It worked so well that within a month it was extended to the team which deals with written enquiries.

Two simple 'rules' were introduced:

1. Do what is right for the customer
2. Where possible, pick up the phone and call the customer rather than send a letter

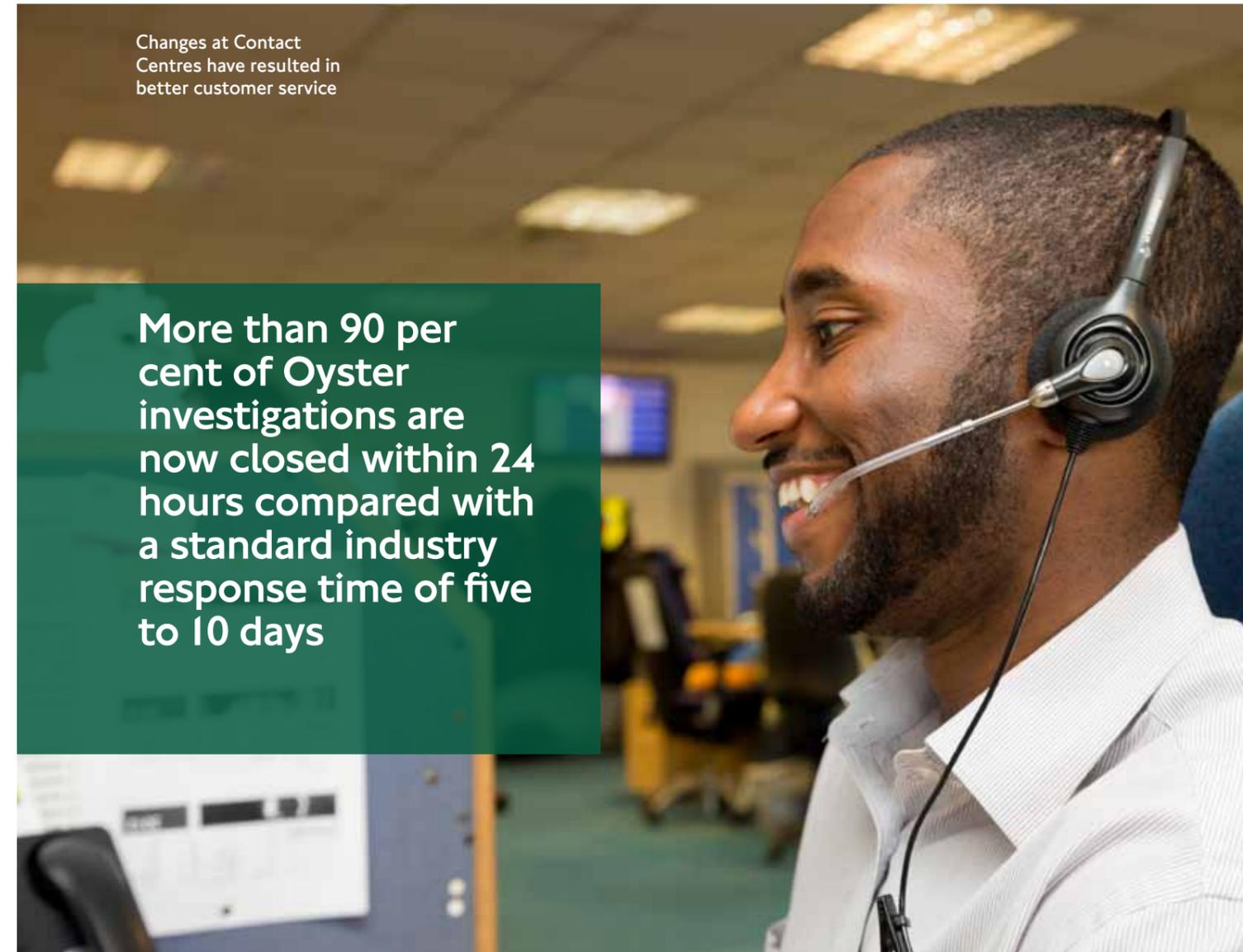
Advisers now have the power to decide on the level of investigation required, the time to be dedicated to the response, and the solution that best suits the issue.

The result? More than 90 per cent of all Oyster investigations are now closed within 24 hours compared with a standard industry response time of five to 10 days.

Simpler, speedier solutions mean happier customers and advisers alike. And a few months ago came the strongest independent recognition yet. In the previous two years, TfL felt proud to be named among the IMCI UK Top 50 Contact Centres. This year it came top for 'most improved email service.'

Changes at Contact Centres have resulted in better customer service

More than 90 per cent of Oyster investigations are now closed within 24 hours compared with a standard industry response time of five to 10 days



Effective and efficient business operations

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

With a target of delivering £16bn of savings over the period from 2009/10 to 2020/21, TfL's savings and efficiencies programme is one of the largest in the public sector. It works continually to reduce costs, allowing reinvestment in running and improving services.

Of the £16bn, firm plans are in place to deliver £12bn and progress is being made to secure the remaining £4bn including £188m in 2013/14 against a target of £137m. The items that make this up include:

Rail and Underground

- Savings from the track maintenance contract and the reduction in the scope of the Jubilee line overhaul. When making plans such as these, continued high performance of the Underground network is prioritised and decisions taken in this context
- A review of the station upgrade programme and operational practices in Track & Signals

Surface Transport

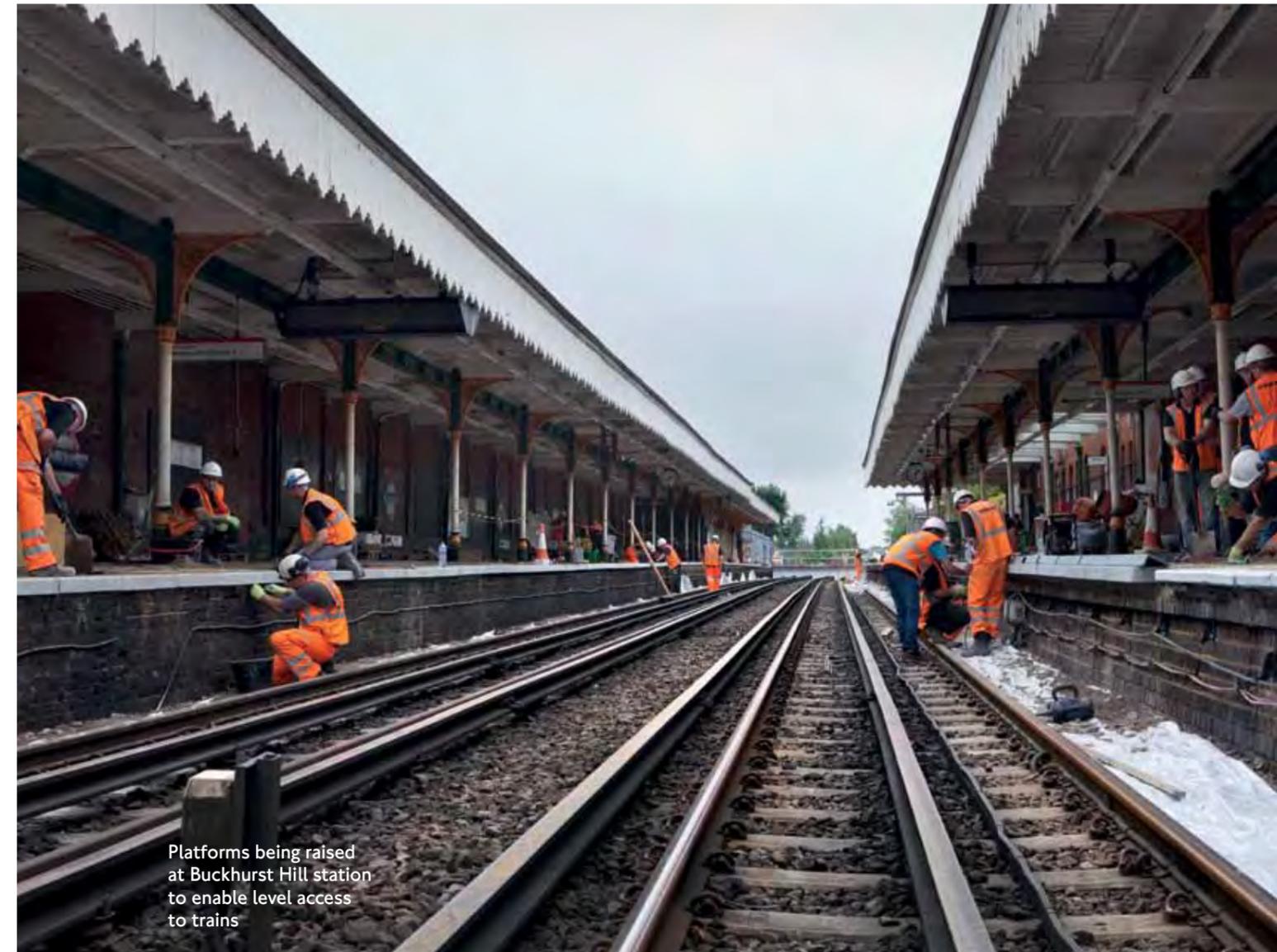
- A move to Congestion Charge payment options that cost less to maintain, provide an improved service for customers (including online and Auto Pay) and the re-let of the contract to run the Congestion Charge. The contract was awarded to Capita in December 2013
- Re-negotiation of the contract with TfL partner Serco for operating the Barclays Cycle Hire scheme

Corporate

- Various savings to back-office costs, including training and consultancy, legal costs and reductions in the costs of TfL's insurance premium

The initiatives secured from 2009/10 to 2012/13 often have multi-year delivery plans. For example, something secured in 2011/12 might keep delivering savings to the end of the Business Plan in 2020/21. These include:

- Continued savings in rail and the Underground from reorganisations and staff reductions in previous years, including the integration of Metronet, reductions in operational staff and back-office staff
- Continued savings through competitive tendering of the bus network and the implementation of the London Highways Alliance contract, allowing TfL to save 15 per cent on unit rates by developing contracts jointly with London boroughs
- Recurring savings following the completion of Project Horizon, which delivered a leaner organisation with savings through improved sourcing and better ways of working



Platforms being raised at Buckhurst Hill station to enable level access to trains

Making life more convenient for customers

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less

Almost 11 years after it was launched, it is hard to imagine London without the Oyster card.

Around 70 million cards have been issued and the world's most popular travel payment card has transformed the way journeys are paid for in the Capital. It has saved both time and money for customers.

'Around one in 10 Visa contactless transactions in the UK are made on buses in the Capital. We applaud TfL for having the foresight to embark on this pioneering journey and are delighted to be with them for every step along the way.'

Sandra Alzetta, Executive Director,
Visa Europe

Contactless takes off

Oyster has laid the foundations for a new way of paying for journeys. Contactless payment is similar to using an Oyster card – except that credit cards and debit cards are used to touch in on the yellow card reader at the start and end of journeys. Since it was launched in December 2012, more than 11 million bus journeys have been paid for using this new option.

Around 1,500 new cards are used each day as additional customers take advantage of the benefits of using a card they already have with them and paying the cheaper Oyster-rate fare rather than cash.

Cash is now used for only one per cent of bus journeys – down from 25 per cent in 2000 – which has led to faster boarding times and fewer delays. As a result, 2014 will see the end of cash handling on buses.

A first for London

During 2014, the Capital will become the first city in the world to fully integrate contactless payment cards into the fare system. Use of the cards will be extended to the Tube, London Overground, DLR and London Tramlink. There will be daily and weekly price capping, and the ability to check journey history online.

More than 85 per cent of bus and rail travel in London is now purchased using an Oyster card

Payment options are shown on the side of a new Routemaster



The story of Oyster

- 2003: Oyster launched 30 June
- 2005: Daily price capping introduced
- 2010: All National Rail services in Greater London start to accept Oyster
- 2012: Online accounts allow customers to manage their Oyster as they show detailed journey history, balances and fares paid, and requests for refunds

Transforming cycling, transforming London

Customers:
The heart of our business

Delivery:
Our plans and our promises

People:
Dedicated to customer service

Value:
Delivering more with less



Cyclists wait at an advanced stop line

In March 2013 the Mayor of London set out his Vision for Cycling, with plans for substantial and ‘eventually transformative’ change for cycling, backed by a 10-year budget of £913m.

A key part of the vision is the Central London Grid, a network combining 20 miles of arterial Superhighways on main roads with a broad 60-mile network of capillary Quietways on calmer backstreets.

Integrating the Grid into the existing transport system is also under way – for example, since January, bikes have been allowed on the DLR at off-peak times.

Also in January, the UK’s first low-level traffic signals designed for cyclists were installed at Bow roundabout.

In March, boroughs were awarded funding to trial off-street, Dutch-style, cycle-friendly roundabouts to test their viability for London.

London expansion

Following its push eastwards in 2012, the Barclays Cycle Hire scheme was extended into southwest London, with new docking stations in Wandsworth, Lambeth, Hammersmith & Fulham, and Kensington and Chelsea.

Straddling the river, the expansion added 2,000 new bicycles, around 5,000 new docking points and five more Thames bridges to the hire area, increasing its size by more than 50 per cent. More than 90 London Underground stations (including the entire Circle line) and a number of major rail stations, including Clapham Junction, Liverpool Street, Paddington and Putney, are now all within a short walk of a docking station, enabling more people to make cycling part of their daily commute.

Supporting businesses

TfL has been teaming up with local businesses to get more workers into the saddle through the Cycling Workplaces scheme. The initiative seeks to build cycling confidence and provide secure cycle parking at work.

Free cycle parking stands are being provided by TfL for London-based employers, helping to contribute towards a target of 80,000 additional cycle spaces by 2016 – making city cycling even more accessible.

Businesses such as Red Bee Media said the stands had ‘made a big difference’, while Parcellforce said it would ‘definitely encourage other businesses to make use of this initiative’. Sustainability consultancy WSP said the scheme ‘was a great way to encourage safe and responsible commuter cycling’.

London rides!

If the popularity of cycling in the Capital could ever be doubted, the Prudential RideLondon, developed by TfL and partners, was one of the UK’s largest road cycling events. More than 65,000 people participated in the weekend festival in August 2013.

On 7 July 2014 the Tour de France, the world’s largest annual sporting event, once again returned to London.

Reaching out

With the Community Cycling Fund for London, TfL has helped set up local cycling initiatives to encourage people of all ages and backgrounds to ride, including those from deprived areas where cycling has been limited by income, skills or information.

There has been support for charities too, such as the Bike Project, which refurbishes discarded or donated bikes and gives them to refugees and asylum seekers who may struggle to afford other modes of transport.

Safer cycling

The first fully-segregated section of a Barclays Cycle Superhighway opened in November 2013. The new section, between Bow and Stratford, has almost two miles of new cycle track, almost entirely separated from traffic, along with bus stop bypasses to protect cyclists.

Progress against the Mayor's Transport Strategy

City Hall – the home of the Mayor and the Greater London Authority

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

These are aimed not only at increasing capacity but also at bringing improvements in comfort, safety and security, and helping London meet its climate change and environmental targets.

The strategy identifies six goals:

Support economic development and population growth

Enhance the quality of life for all Londoners

Improve the safety and security of all Londoners

Improve transport opportunities for all Londoners

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

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

The following pages highlight the progress TfL has made this year in meeting these goals.

Overall progress against the Mayor's Transport Strategy (MTS) outcomes is reported every year in TfL's Travel in London report.



Support economic development and population growth

Support economic development and population growth

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Future of the Tube

In November, the Mayor and TfL set out their vision for the future of the Tube. It included plans to introduce a new 24-hour Night Tube service at weekends and continuing to ensure that stations are staffed and controlled at all times while services are running. TfL will improve Tube reliability, capacity and accessibility, and introduce improvements to make life easier for customers, such as better ticket machines and WiFi at more stations.

Support for Crossrail 2

A public consultation on Crossrail 2 in November showed 95 per cent support for the proposed new rail link between southwest and northeast London. It would create a new high-frequency, high-capacity rail line with shorter journey times across the Capital, reducing pressure on busy mainline routes and the Underground.

Award for Crossrail 2

The proposed Crossrail 2 project received worldwide recognition in February when it won Global Engineering Project of the Year at an international awards ceremony. It was nominated for its large-scale, innovative approach to building a new regional rail line through the heart of London.

Better roads

The Mayor set out his vision to deliver 21st century roads and streets for the Capital in his Roads Task Force report in July 2013. In March 2014, TfL announced plans for a £4bn rejuvenation programme as part of its delivery of these RTF recommendations. Dozens of locations will be transformed, some landmark junctions changed and thousands of new homes created.

Cutting congestion

Disruption caused by roadworks at traffic hot spots has been cut by 46 per cent on the Capital's busiest roads, just one year after the introduction of the London lane rental scheme. It is estimated to save around 2,700 days of disruption.

Reliability boost

In August, work began on the DLR to boost capacity and reliability. A second set of tracks was installed that will provide an extra 1,100 journeys an hour on the route between Stratford and Canary Wharf/Lewisham. The work is part of a wider project with Crossrail that saw the redevelopment of Pudding Mill Lane station.

Crossrail

Crossrail is on schedule to open in 2019, boosting capacity and access to central London and supporting economic growth (see page 26).

River crossings

TfL has made significant progress in developing plans for additional highway river crossings for east London. Following consultations, TfL confirmed in May 2013 it would be submitting an application for powers to build a new road tunnel at Silvertown to relieve congestion at Blackwall, and a new crossing further east.

Growth areas

TfL has identified 23 growth areas where targeted investment in transport can support the creation of new homes and jobs. A £300m Growth Fund was set up in spring 2013 by TfL to help developers and other parties address problems that would hold up progress on developments. New transport schemes in nine areas are now expected to support up to 32,000 new jobs and 41,000 new homes.

Work is under way to boost capacity on the DLR



Euston Circus, University College Hospital and the London skyline, viewed from Euston Tower



Support economic development and population growth

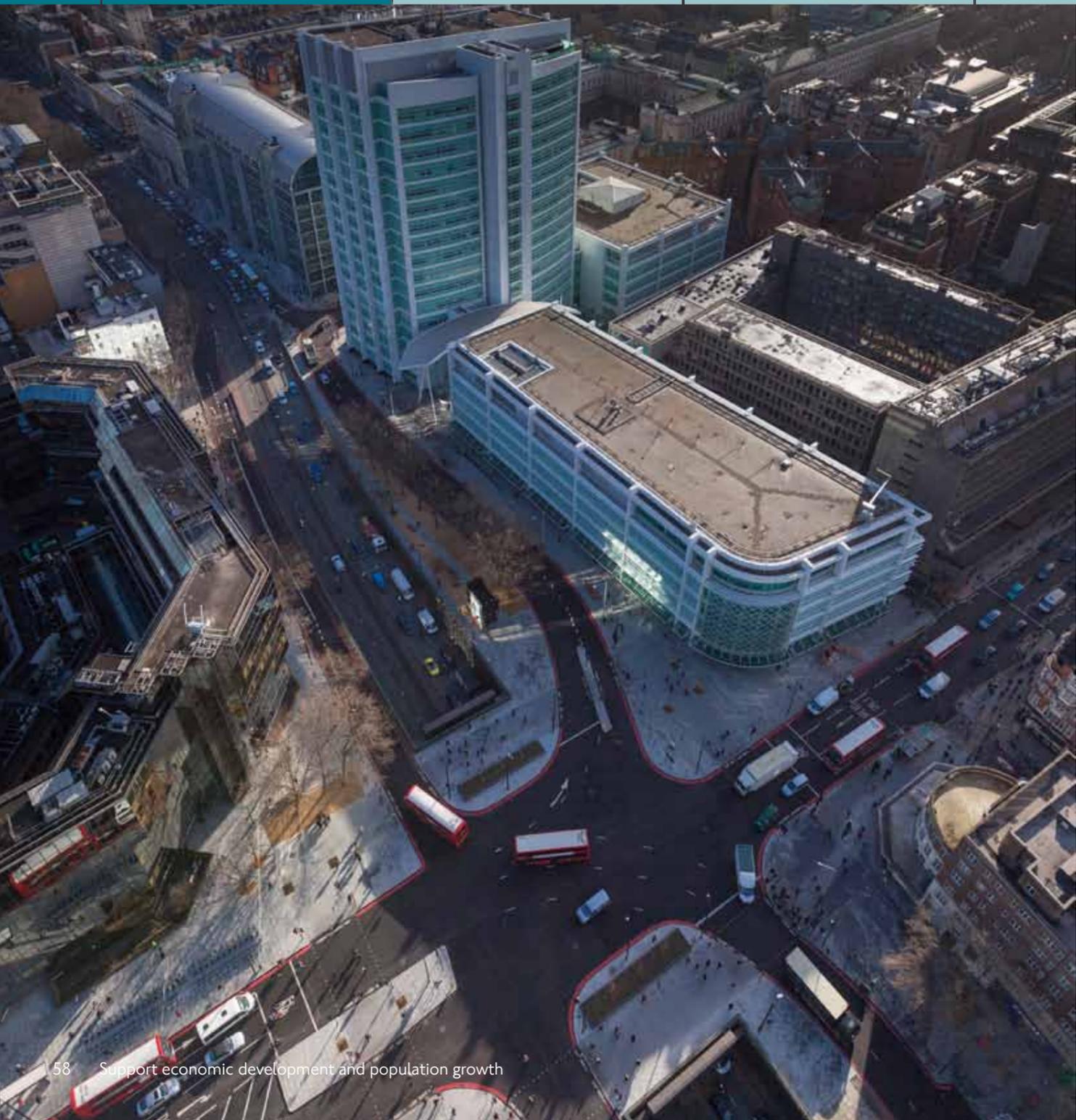
Enhance the quality of life for all Londoners

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Tube improvements

Tube ridership rose to new a high, with 1.26bn journeys made on the network, up three per cent on the previous year and 15 per cent higher than five years ago. Also, more than 97 per cent of scheduled trains ran during the period of disruption caused by the winter storms. Tube improvements continue, with new trains on five lines and the completion of the Hammersmith & City line station redevelopment project.

DLR performance

The DLR achieved record scores for punctuality and performance in February, with figures showing that 99.77 per cent of its scheduled services had run the previous month and 99.67 per cent of trains had been on time. The new DLR Pudding Mill Lane station opened in April 2014, providing a new gateway to the Queen Elizabeth Olympic Park.

Traffic tweets

Twitter feed @TfLTrafficNews celebrated two years in operation in February 2014, with more than 200,000 followers now getting up-to-the-minute traffic information. Customer feedback showed that 42 per cent of followers wanted tweets during the night, so the service went 24/7 on 31 December.

More capacity for London Overground

Work began in March 2013 to prepare the London Overground network for longer, five-car trains. The project, part of a £320m programme, will bring a 25 per cent capacity increase to most lines by the end of 2015.

Cycling initiatives

In March 2014, three London boroughs were awarded funding under the Mini-Holland programme – Enfield, Kingston-upon-Thames and Waltham Forest. This programme aims to emulate the cycle-friendly, low-traffic neighbourhoods in Amsterdam. The winning bids include redesigns of town centres, new suburban cycle superhighways, Dutch-style roundabouts and rail superhubs.

Working with stakeholders

TfL hosted an event on 3 March 2014 to share with stakeholders progress made on its investment programme and long-term vision for roads and streets in London. More than 150 delegates from businesses, boroughs and other groups attended. Break-out sessions enabled stakeholders to exchange views and provide valuable feedback to help TfL shape the next stages of strategy development.

Innovation

TfL's first Technology Innovation Conference in March 2014 saw more than 150 businesses share innovative ideas to address the challenges of the organisation's huge investment programme. The event brought together 200 delegates from current suppliers, small and medium enterprises and academia to start to develop new technology and approaches to the job of modernising the Capital's transport network. Solutions can now be shared via TfL's new online Innovation Portal.

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Healthier Londoners

TfL published the world's first transport health action plan in February, which set out how it is working to improve the health of people in the Capital.

Live bus information

Launched in May, the new digital Countdown Sign service provides live bus information at a variety of public places including hospitals, schools and shopping centres.

Oyster

Oyster celebrated its 10th anniversary in June. More than 70 million cards have been issued and more than 85 per cent of all rail and bus travel in London is now paid for using an Oyster card.

New trains

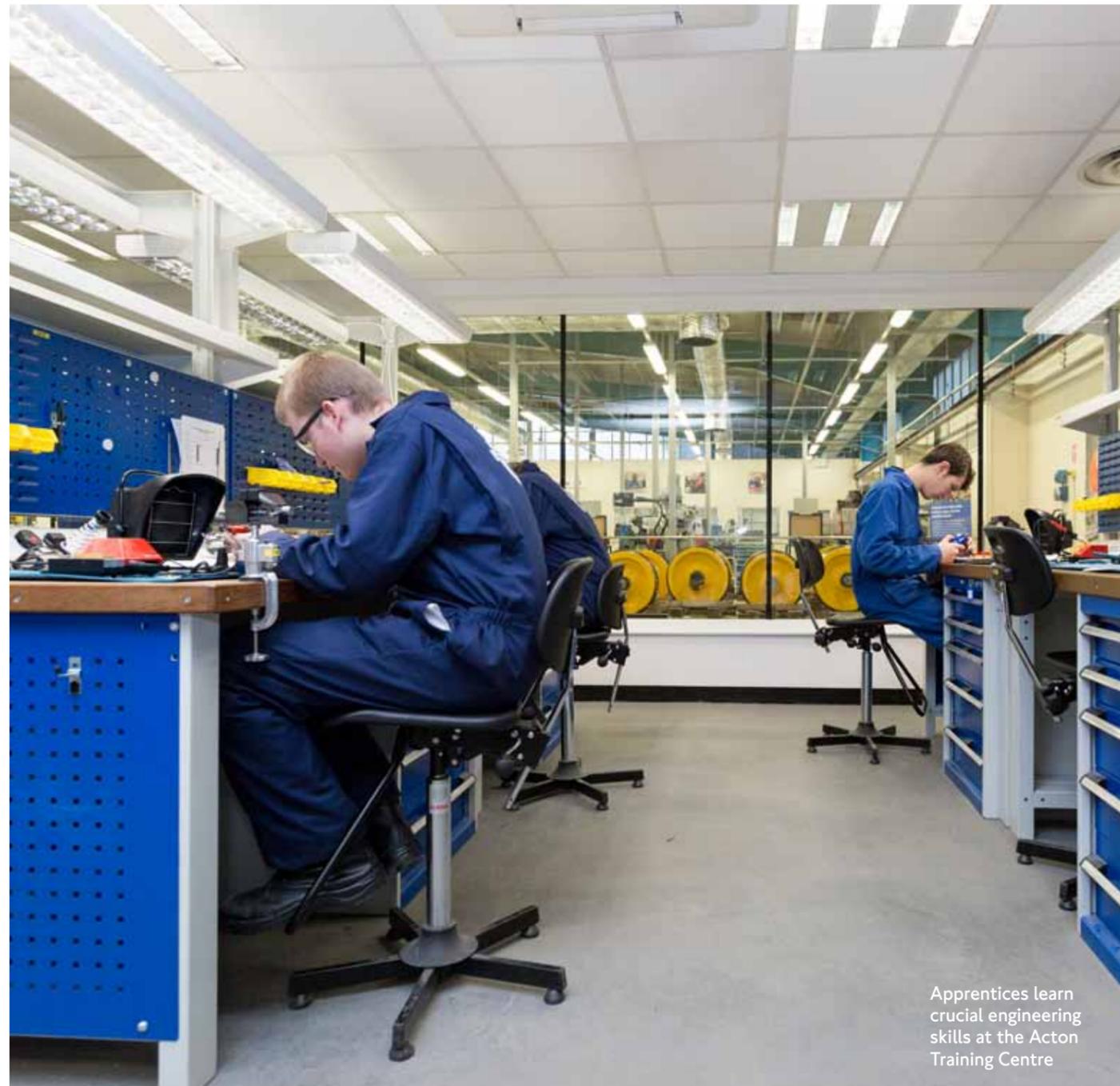
Fully walk-through, air-conditioned trains were introduced on to the Circle line between September 2013 and February 2014, and joined those already in operation on the Hammersmith & City and Metropolitan lines.

Cycling funding

Community grants of up to £5,000 were awarded to non-profit making groups wanting to set up cycling initiatives in September.

Helping high streets

Parking times were extended at 600 red route bays across the Capital in November to encourage more people to shop on London's high streets and boost the local economy.



Apprentices learn crucial engineering skills at the Acton Training Centre

Improving the West End

A study looking into the short and long-term improvements needed in the West End was initiated in January to see how best to enhance the area following the completion of Crossrail.

Year of the Bus

This year has been declared the 'Year of the Bus' to celebrate the vital role that buses play in keeping the Capital moving.

Supporting apprentices

More than 300 new apprenticeship roles within TfL and its supply chain were announced in March during National Apprenticeship Week.

Transforming Paddington

The redeveloped Paddington (Hammersmith & City line) station opened in December, with a new ticket hall, lifts to the platforms and a new entrance on the canal side.

Tackling air pollution

The Mayor's Air Quality Fund awarded more than £5.4m to London boroughs and partners in June 2013 to work on new measures to tackle air pollution. The money will be used for a variety of projects, including the use of low-emission vehicles, and the planting of green walls and trees to help improve air quality. Other initiatives to improve air quality are highlighted on page 69.

Improve the safety and security of all Londoners

Support economic development and population growth

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Tackling pickpockets

Operation Magnum, a partnership between the British Transport Police (BTP) and TfL, has resulted in a dramatic reduction in theft on TfL's rail services. Pickpocketing is the highest volume crime on the Tube and DLR, yet through targeted deployment of officers and improved use of intelligence, 2013/14 saw a reduction of more than 30 per cent in these offences.

Cable theft

Several strategic and tactical initiatives put in place to tackle a large increase in live cable theft in 2012/13 were so successful that TfL's rail and Underground systems have been unaffected throughout the year. TfL and the BTP will ensure this continues, to prevent any reoccurrence in this hugely disruptive crime.

Safer access to trains

The new trains being introduced across the Tube sub-surface lines are safer and more reliable as well as being more accessible by creating a level access between train and platform.

Cutting motorcycling accidents

BikeSafe-London celebrated its 10th anniversary in May with news that more than 26,000 motorcyclists had attended Rider Skills Days since its inception in 2003. The scheme is designed to improve knowledge and experience, create safer riders and therefore help cut motorcycle accidents in the Capital.

Project Guardian

Launched in July, Project Guardian aims to increase the confidence and willingness of people to come forward and report sexual offences on the transport network. Since the

launch, there has been more reporting of crimes of this nature and an increase in the police detection of sexual offences.

Addressing collisions on the roads

By September, more than 1,000 fleet managers and 10,000 professional drivers had attended the TfL-funded Exchanging Places programme which addresses casualties resulting from collisions between cyclists and HGVs.

HGV/cycle safety

The Industrial HGV Task Force, made up of officers from the Metropolitan Police Service, City of London Police and the Driver and Vehicle Standards Agency, became operational in October. It focuses on the risks HGVs pose to cyclists and conducts enforcement operations against non-compliant operators, drivers and vehicles in the construction and waste industries. More than 2,200 vehicles were stopped, more than 600 fixed penalty notices issued, 30 vehicles seized and more than 1,100 vehicles prohibited from using London's roads.

Operation Safeway

Operation Safeway launched in October and saw 2,500 police officers deployed at 160 key junctions throughout the winter, enforcing the law and giving advice to all road users seen putting themselves and others at risk. More than 13,800 fines were issued to drivers and cyclists.

Fleet Operator Recognition Scheme (FORS)

In the past year, 850 operators have achieved FORS accreditation. This brings the total to 1,700 accredited fleet operators and 168,000 vehicles since the scheme was launched in 2008.



An HGV is stopped for inspection

Safety campaigns

Four road safety campaigns targeting pedestrians, drivers and motorcyclists ran for six weeks in October, using posters, YouTube and other social media to urge people to stop, think and take more care.

STARS

City Hall hosted the annual STARS (Sustainable Travel: Active, Responsible, Safe) event in October for schools that had successfully promoted safer travel and encouraged more pupils to cycle and walk. More than 1,200 primary and secondary schools in London (40 per cent) participate in TfL's STARS programme.



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Making goods vehicles safer

TfL announced in January that it is working with London councils and boroughs to ban vehicles weighing more than 3.5 tonnes without sideguards and mirrors from the Capital's roads. This will help safeguard vulnerable road users and improve the driver's view. TfL is also pressing the Government about eliminating some HGV exemptions and lobbying Europe for safer lorry designs with better visibility.

Traffic lights for cyclists

The UK's first low-level traffic signals designed specifically for cyclists were installed at Bow roundabout in January.

Cycle-friendly roundabouts

Boroughs were awarded funding in March to trial off-street, Dutch-style, cycle-friendly roundabouts to test their viability for the Capital.

Motorcycle safety

London's first Motorcycle Safety Action Plan was published in March, outlining 29 actions to help reduce casualties and make the roads safer for riders.

Pedestrian crossings

It was announced in March that trials will get under way in the summer on testing new pedestrian crossing sensors that will automatically detect if there are lots of people waiting to cross the road. The introduction of Pedestrian Split Cycle Offset Optimisation Technique, or 'pedestrian SCOOT', is the first of its kind in the world and uses state-of-the-art video camera technology to automatically detect how many pedestrians are waiting at crossings. It enables the automatic adjustment of traffic signal timings, allowing more people to cross the road safely.

BTP reorganisation

TfL has worked closely with the BTP to introduce a new three-area national structure (from the previous seven areas). This ensures that BTP services for TfL and London are brought under a single point of accountability, delivering the Mayor's manifesto commitment to create a 'One London Command'. The change came into effect in April 2014 and will improve BTP working practices and efficiency, allowing it to respond better to growth in passenger services and developments in rail services.



A Dutch-style roundabout at the road testing facility in Crowthorne

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Working with coach operators

London's first action plan for tourist coaches was launched in October, setting out how journeys can be improved for tourists over the next five years. The plan includes providing better access for coaches, minimising the impact they have on the Capital, and working with operators to boost tourism in the city. It also suggests looking at how stopping and parking spaces can be better used and promoting initiatives such as reducing engine idling.

Borough funding to boost cycling

A total of £148m is being invested each year to help boroughs create safer cycling infrastructure; improve roads, high streets and neighbourhoods; and tackle air pollution. The Mayor confirmed the financing through the Local Implementation Plan (LIP) in December 2013, demonstrating the vital role the boroughs play in the local delivery of the MTS.

Cycle Hire expands

The expansion of the Barclays Cycle Hire scheme into southwest London was announced in December, doubling the area covered by the service. Around 2,000 new bikes and more than 150 docking stations are being provided around Clapham Junction, Hammersmith, Fulham and Putney.

Contactless takes off

Contactless payments accounted for more than 6.5 million journeys on the Capital's 8,700 buses in December, just one year after its launch. Around 40,000 people a day are now using contactless debit and credit cards to pay their bus fares – and the number is growing daily – showing that people find it an easy and convenient way to pay for travel.



River service between Putney and Blackfriars

Fares freeze

Fares in London were frozen in real terms for 2014 after the Mayor set priorities in December to support jobs and growth. An average rise of RPI 3.1 per cent from 2 January was announced and many fares were kept at 2013 prices.

London Overground's 'turn up and go' service

A 'turn up and go' service was launched in March that means passengers no longer need to book in advance to get assistance at stations.

River travel boost

A record 8.5 million passengers have been carried on River Buses and River Tours since new measures were introduced following the launch of TfL's River Thames Action Plan in February 2013. The number of people using the Putney to Blackfriars service has increased 130 per cent and extra sailings have been added in the mornings and evenings. River Tours has seen a 20 per cent growth in journeys. In October, industry professionals met to discuss how to maximise the potential

offered by the Action Plan improvements programme and consider future investment needed in passenger services.

Cycle Superhighway

Work began on the Barclays Cycle Superhighway 5 last summer, bringing more dedicated cycle space, new 20mph limits and better junction designs for riders. Plans for the route, which runs from central London to New Cross Gate, have been upgraded and include more full cycle segregation and semi-segregation lanes, junction improvements and two new 20mph speed limits.

Easier access

Wider gates have been installed at more Tube stations, enabling passengers with buggies, luggage, wheelchairs and guide dogs to now access 185 stations more quickly and easily, without having to ask for gates to be unlocked.

Sub-regional mobility forums

Between March and December 2013, TfL successfully piloted sub-regional mobility forums in central and south London. These forums provide a platform for the discussion of strategic public transport accessibility and mobility issues between TfL and representatives of boroughs and disabled and older people's organisations. They have already provided TfL with a more effective basis for the planning and prioritisation of access improvements. They will be rolled out to the other sub-regions during 2014/15.

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

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A new Routemaster on Westminster Bridge

Electric vehicles

In April 2013, TfL's Source London electric vehicle charging network reached the Mayor's target of providing 1,300 publicly accessible electric vehicle charging points. In December, TfL selected IER Bolloré to take over the management and operation of Source London from summer 2014. IER Bolloré intends to extend the network to 6,000 charging points by 2018 and subsequently introduce an electric vehicle car club model similar to the Autolib scheme it operates in Paris.

Solar power at Paddington

In September, Paddington became the first Tube station to have solar panels installed. A total of 120 panels now capture power from the sun to generate 30,000 kWh of electricity every year. This will provide an annual saving of 13 tonnes of CO₂ emissions.

Electric buses

A trial of the Capital's first electric buses began in December and will help TfL develop plans to extend their use. The vehicles, which were introduced on two busy commuter routes, have zero tailpipe emissions. They could also bring possible energy savings of up to 75 per cent compared to a diesel single-deck bus.

Cleaner bus fleet

New Routemasters were operating across five bus routes in London during the financial year, making it the cleanest bus fleet in the world. The fifth route was introduced in February. More routes are planned to be converted during 2014. The vehicles are set to get even cleaner with the introduction of the very latest Euro VI engines. Testing in passenger services started in March and full production is expected to

begin later this year. London now has a fleet of eight hydrogen fuel buses that emit nothing but water on route RVI, and a biodiesel pilot scheme on 10 bus routes operating from Stagecoach's Barking Garage.

Energy-saving at stations

Energy-efficient technologies introduced at Leicester Square Tube station in March have reduced the amount of electricity used for lighting and heating by more than 50 per cent. The new ideas include long-life, low-energy lighting, centralised cooling and heat recovery systems, and innovative automation and control systems.

Zero emission capable taxis

All new London taxis will need to be zero emission capable from 2018 in order to be licensed, it was announced in January. The Mayor and TfL are in talks with manufacturers to develop and introduce the next generation of cleaner taxis.

Crossrail rolling stock

The tender to build the new Crossrail trains was awarded to Bombardier in March. Plans are that trains will incorporate energy-saving features such as metering, remote start-up, optimised regenerative braking, and 'sleep modes' for heating and ventilation. At Old Oak Common depot, Bombardier is incorporating features such as rainwater harvesting, roof mounted photo-voltaic arrays and fluid recycling at the train wash plant.

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

Support economic development and population growth

Enhance the quality of life for all Londoners

Improve the safety and security of all Londoners

Improve transport opportunities for all Londoners

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

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

Managing travel

A year after the 2012 Games, TfL published a report showing the Olympic influence on work it is now undertaking. Called 'London 2012 transport legacy – one year on' it includes information on what TfL has done to encourage people and businesses to change their travel patterns during large events or major works. The Games allowed TfL to identify initiatives that worked well and which could be carried forward, such as bold signage and wayfinding, Legible London mapping and the use of staff volunteers as Travel Ambassadors at times of disruption or at major events, such as Notting Hill Carnival. For instance, more than 1,000 Ambassadors signed up to help during industrial action on the Tube in February to keep London moving and open for business.

Regeneration

TfL continues to support regeneration in the Queen Elizabeth Olympic Park area and across east London through new and improved transport. Plans include adding extra carriages on London Overground trains to increase peak capacity, providing additional Thames river crossings and bringing enhancements to the Lea Valley rail corridor to enable better services to Stansted airport. In addition the Mayor announced a £1.5bn deal, in June, to transform Silvertown Quays in London's Royal Docks into an innovative new quarter with more than 1,500 new homes, restaurants, cafés, galleries and leisure facilities, both on and off the water.

Emirates Air Line

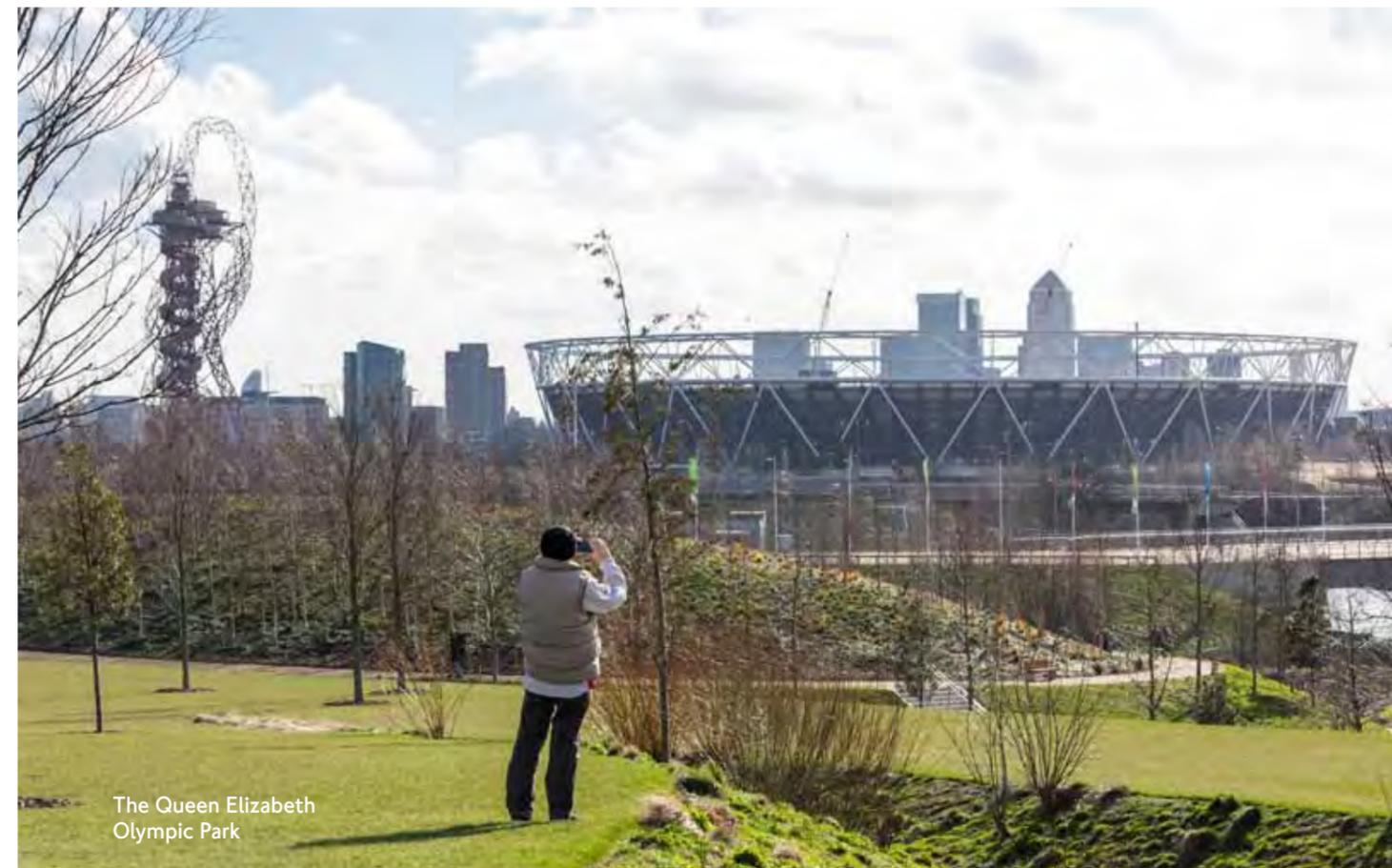
The Emirates Air Line marked its first anniversary in June 2014 and continues to play a key role in supporting growth and regeneration in the Greenwich and Newham area, including the proposed new Asian Business Port in the Royal Docks. It has carried more than 2.4 million passengers across the Thames in its first full year and in August 2013 a ticketing partnership was set up with The O₂, enabling people to buy e-tickets for a flight at the same time as booking for O₂ events or travel on Thames Clippers services.

More ramps

Boarding ramps were introduced at an additional 40 platforms at 19 Tube stations in the summer, following their successful deployment during the 2012 Games. New low-floor trains mean TfL has been able to remove ramps from some locations where they are no longer needed. Seventy-six per cent of step-free stations are now accessible to wheelchair and mobility scooter users from street to train through the use of ramps, raised platform sections, low-floor trains and other improvements.

More buses

Six bus routes have been re-routed or extended to serve the growing communities and businesses around the Queen Elizabeth Olympic Park. Route 97 was re-routed to serve new housing at East Village and Chobham Manor, while Route 388 was extended from Hackney Wick to Stratford City via the park along the



The Queen Elizabeth Olympic Park

Eastway Bridge. TfL sought the views of the public and stakeholders to the proposed changes to bus services as part of a nine-week consultation.

Pudding Mill Lane

Work began in August to rebuild DLR's Pudding Mill Lane station. It opened in April 2014 and provides a new gateway to the Queen Elizabeth Olympic Park.

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Explanatory Foreword and Financial Review

Highlights

2013/14 saw continued strong performance from the Transport for London ('TfL') Group. Demand remained high across the network, especially on the London Overground and reliability improved once again across most of TfL's network.

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

- Continuing the roll out of the New Routemaster Bus, with 145 vehicles operating on 5 routes.
- Completion of the South Western Expansion of the Barclays Cycle Hire scheme; growing the area covered by the scheme to more than 100 sq km and adding 2,000 new bikes.
- Opening of the Cycle Superhighway Route 2 Extension, just under 2 miles of high quality new cycle track, almost entirely physically separated from traffic, along with bus stop bypasses to protect cyclists.
- The bedding-in of the recently upgraded Victoria and Jubilee lines and subsequent record levels of capacity and reliability.
- The renewal of more than eight per cent of the track infrastructure on the Bakerloo, Central, Victoria and Sub-surface lines. This will help to reduce the number of infrastructure failures reducing delays on the network.
- Five of the six areas of the Northern line signalling upgrade are now in revenue service, over six months ahead of programme.

Financial Performance

In 2013/14 TfL continued to perform well. Passenger numbers for almost all modes were up, or equal to the prior year. Total journeys across TfL were up three per cent from 2012/13, with London Overground seeing a rise of almost nine per cent. Fares increased by an average 2.7 per cent in January 2014, contributing to an increase in gross fares income to £4,116m from £3,834m in 2012/13.

Reliability, as measured by the amount of delays to customers, continued to improve across most of TfL's network during 2013/14. On the Tube, the number of Lost Customer Hours reduced by almost 10 per cent on last year's level after adjusting for the effects of industrial action, whilst both the DLR and London Overground delivered exceptional levels of reliability. The DLR achieved its highest levels of punctuality in its 26-year history.

Gross expenditure increased by 4.4 per cent from £6,490m to £6,774m, reflecting increased levels of activity.

The level of capital works undertaken in 2013/14 remained high reflecting the continued investment in Crossrail and Tube infrastructure necessary to enhance capacity over the network. Capital expenditure during the year totalled £3,297m (2012/13 £3,048m).

Funding sources

TfL's activities are funded from six main sources:

- Income from fares and the Congestion Charging scheme
- Central government funding, which has been agreed to 2015/16 following the 2013 Spending Review
- A proportion of London's business rates
- Prudential borrowing (the amount and profile of which also forms part of TfL's settlement with central government)
- Commercial development in TfL's estate, including advertising and property rental and development
- Third-party funding for specific projects

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

Revenue

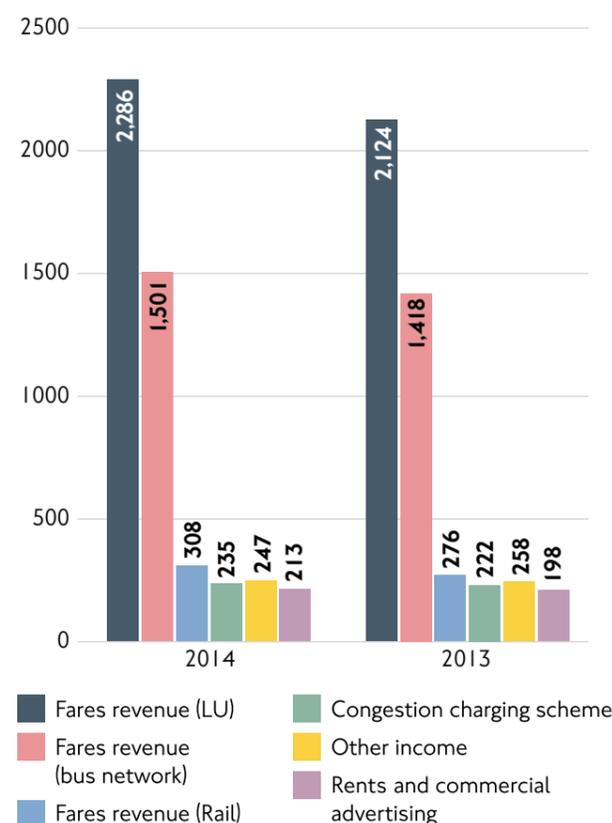
Total revenue increased 6.5 per cent from £4,496m in 2012/13 to £4,790m in 2013/14.

TfL's primary source of revenue comes from fares on the London Underground ('LU'), Rail and Bus networks. This represents 85.9 per cent of all revenue generated. The January 2014 fares rise was reduced to an average of 2.7 per cent (0.4 per cent below RPI) in response to current pressures on the cost of living. However the Business Plan continues to assume that fares will rise at one per cent above RPI in each future year of the Plan period. Fares decisions are taken annually by the Mayor.

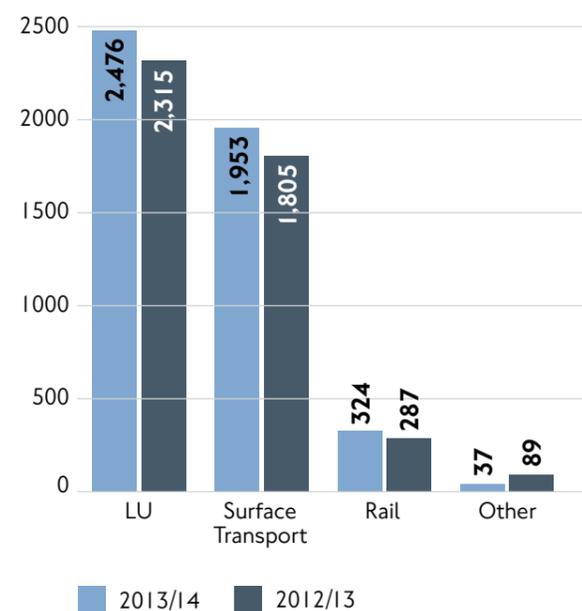
Fares revenue in LU was £2,286m, 7.6 per cent up on 2012/13. This reflected a year-on-year increase in passenger journeys of 2.9 per cent combined with fare increases.

Explanatory Foreword and Financial Review

Revenue breakdown by type (£m)



Total revenue by business unit (£m)



On the bus network, passenger journeys increased from 2.335 billion to 2.405 billion in 2013/14. This increase included a year-on-year underlying growth in fare paying passenger journeys of 2.2 per cent to result in an overall increase in bus network income to £1,501m (an increase of 5.9 per cent from 2012/13).

Within Rail's revenue figures, London Overground's fares revenues of £149m for the year were up 19.2 per cent on 2012/13, reflecting the completion of the orbital network in December 2012 and a continued increase in demand. Passenger journeys totalled 135.7m for the year, an increase of 11.1m or 8.9 per cent over 2012/13. Investment in new Overground rolling stock with the introduction of five-car trains will increase Overground train capacity by 25 per cent by 2015/16.

Total fares revenue on the DLR increased from £122m in 2012/13 to £130m in 2013/14, again reflecting higher passenger numbers across the whole network. Annual ridership of 101.6m passengers was up 1.6 million from the previous year. The Emirates Air Line, meanwhile, carried 1.5 million passengers, down from just under 2 million in 2012/13 when the Olympic and Paralympic Games increased demand. Fares revenues fell slightly to £5m.

Congestion Charging revenues increased from £222m in 2012/13 to £235m in 2013/14. The increase was driven by higher traffic volumes resulting in a combination of both higher Congestion Charge income and increased Penalty Charge Notice volumes.

Other income, comprising a broad range of revenue streams including taxi licensing, third party contributions, and road network compliance income, fell 4.3 per cent from £258m in 2012/13 to £247m in 2013/14. The reduction reflected the one-off nature of monies received in the prior year in respect of services provided in connection with the 2012 Games.

Government grants and other funding

The main source of grant income is the Transport Grant from the Department for Transport ('DfT') which comprises two elements: an investment grant, which supports delivery of the investment programme; and a general grant, to support TfL's operating activities. Other key funding streams include specific capital grants from the DfT and the Greater London Authority for the Crossrail project. Total general and capital grants receivable, excluding specific Crossrail funding, amounted to £3,215m (2012/13 £3,440m).

Prudential Borrowing

Set out below is a table summarising movements in the value of borrowings during the year. In addition to the sources of financing in the table below, other sources of financing include the PFIs (see also notes 22 and 23 to the accounts).

Movement in borrowing £m

Opening borrowing at 1 April 2013	7,532	
European Investment Bank loan - Crossrail	150	The fifth instalment of a total facility of £1bn drawn down over six years. The loan drawn down to date has an average fixed interest rate of 4.843% with repayment dates between 2024 and 2046.
£400m 32 year bond	400	Refinancing of a portion of short-term debt with longer term financing due to positive market conditions during the year.
£300m 20 year bond	300	Issue of a £400m 32-year bond at an annual coupon of 3.625 per cent and a £300m 20-year bond at an annual coupon of 4.0 per cent.
Ex-Tube Lines and WARE debt repayments	(107)	Refinancing of the outstanding £70m ex-Tube Lines 'B' Notes at a lower rate of interest and further scheduled repayments on debt acquired on the acquisition of WARE and Tube Lines.
Commercial paper	(410)	Rolling short-term commercial paper debt was refinanced during the year with longer term Bond debt.
Fair value movements, issue premia/discounts and fee adjustments	2	
Closing borrowing at 31 March 2014 per the accounts	7,867	

The borrowing limit for the Corporation set by the Mayor for 2013/14 was £9,177m

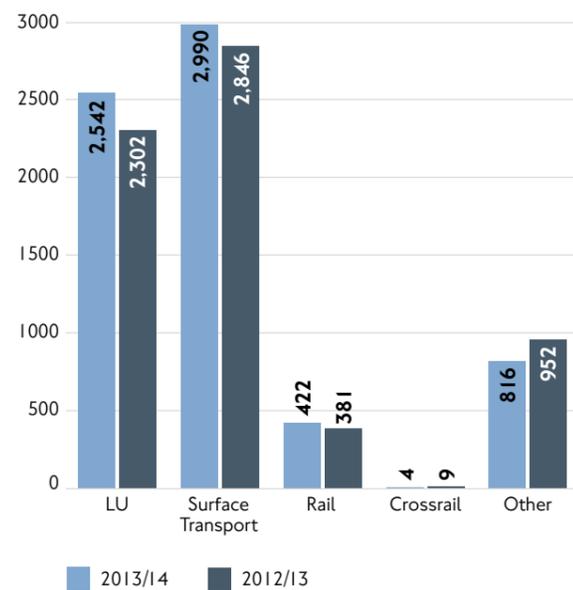
Explanatory Foreword and Financial Review

Uses of funding

Operational expenditure

Total operating expenditure increased by 4.4 per cent from £6,490m to £6,774m reflecting increased activity across the Group.

Operational expenditure by business area £m



Operating expenditure on the Underground increased by 10.4 per cent to £2,542m, reflecting an increase in the internal management fee recharge from Other expenditure, combined with an increase in restructuring costs. Other expenditure represents primarily that proportion of central management costs and overheads which are not directly allocable to operational divisions.

In Surface Transport, operating expenditure was 5.1 per cent above the prior year, reflecting enhanced capacity provision across the network. Higher costs from the Bus Service Operators' Grant (which transferred from the DfT to TfL from 1 October 2013) were offset by the re-phasing of the investment programme into future years.

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

TfL continued to support borough schemes that improve the quality, safety, accessibility and sustainability of the local travelling environment. The overall borough funding package for 2013/14 included £141m provided directly to the boroughs through the Local Implementation Plan programme. Other financial assistance included payments related to Taxicard, cycling and Bus Stop Accessibility schemes.

Net interest and finance charges

Total financing and investment expenditure for the year was £484m, a net increase of £18m from the previous year.

Within this overall total, interest payable on direct borrowings increased 11.5 per cent to £322m, as a consequence of a net increase in borrowings during the year of £335m. The average cost of borrowings also rose slightly due to the refinancing of low interest rate, short-term Commercial Paper debt with longer term Bond financing.

As at 31 March 2013, TfL had a nominal £7.565 billion of debt, of which approximately £1.1bn was short-term borrowing under the Commercial Paper Programme. The weighted average interest rate was 3.68 per cent (with a weighted average life of 19.5 years). As at 31 March 2014, the nominal value of debt outstanding had increased to £7.898 billion, of which only £0.7 billion was short-term Commercial Paper. The weighted average interest rate was 3.8 per cent (with a weighted average life of 20.8 years).

During the period the Group incurred a one-off cash premium expense of £23.2m (£30.2m after the release of non-cash fair value consolidation adjustments) in relation to the early settlement of ex-Tube Lines debt; which was refinanced during the year at a lower cost of interest to the Group.

The Group's net interest expense in respect of its defined benefit pension scheme obligations also increased from £108m in 2012/13 to £122m in 2013/14.

These increases were offset to a degree by a reduction in the interest payable on finance lease liabilities (which fell by 11.8 per cent to £56m reflecting the repayment of the Powerlink lease creditor in 2012/13); and by an increase in the amount of borrowing expenses capitalised into the cost of qualifying property, plant and equipment. Interest capitalised rose from £31.4m in 2012/13 to £59.3m in 2013/14.

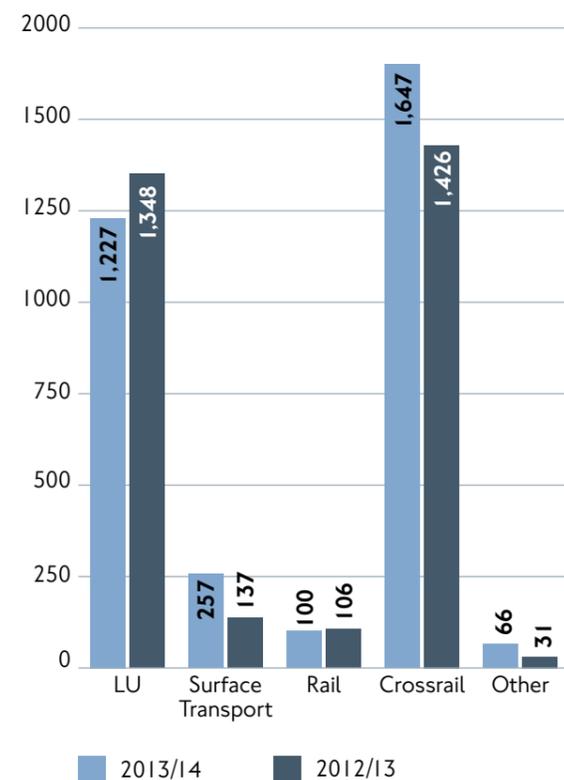
Financing and investment income totalled £215m, an increase of £29m on the previous year. This was primarily due to an increase in the fair value of the investment property portfolio, reflecting the revaluation of the Group's development site at Earl's Court. Offsetting this gain was a reduction in the gain on disposal of investment properties realised during the year, which fell from £36m in 2012/13 to £15m in 2013/14.

Explanatory Foreword and Financial Review

Capital expenditure

Capital expenditure for the year was £3,297m (2013 £3,048m).

Capital expenditure by business area (£m)



LU's major projects achieved significant progress during the financial year.

The year has seen the bedding-in of the recently upgraded Victoria and Jubilee lines and the subsequent record levels of capacity and reliability. The service quality on the Victoria line has remained high with impressive overall system technical reliability: the fleet is now close to accumulating 18 million kilometres in passenger service. Transmission Based Train Control (TBTC) reliability on the Jubilee line has improved significantly to delays of one minute/day. Work is on schedule to deliver further improvements.

Five of the six areas of the Northern line signalling upgrade are now in revenue service, over six months ahead of programme. The final commissioning of the Edgware branch is nearing completion of testing and is due for commissioning in June 2014, also substantially ahead of programme. Track and other works to enable higher speeds for key parts of the line are well underway, giving confidence in the planned introduction of new working timetables in June and December 2014 and meeting the target for a 20 per cent uplift in capacity.

More than eight per cent of the track infrastructure has now been renewed on the Bakerloo, Central, Victoria and Sub-surface lines. This will help to reduce the number of infrastructure failures reducing delays on the network. LU successfully completed major works at Earl's Court over Christmas 2013, completely renewing 550 metres of track along three platforms. This work over the Christmas period saved £2m compared to typical weekend works.

LU also installed the first 'modular' points on the network at Ruislip. Modular points are a step change in design and construction methodology that offers significant benefits in the speed of installation and the quality of the end product. Over 133 kilometres of track has been ground, against a baseline plan of 63 kilometres, since commencement of project works in October 2013. Plant approval was obtained for the Strabag milling machine (new to LU) which facilitated rail grinding on the east end of the District line. A further two machines are currently in the process of being approved enabling a further increase in productivity and increasing capability to deliver grinding on additional work fronts.

At Victoria station, the south ticket hall piling is now fully complete and the first section of ticket hall level slab has been successfully poured. Over 95 per cent of the jet grout

columns have now been installed in the areas around the station (2028 of 2122). The jet grouting work at Victoria has been the largest and most complex programme of jet grouting ever seen in the UK. The new ticket hall and entrance to Paddington Station (Hammersmith & City Line) was brought into service ahead of schedule. This brings all staff and customer facing elements of the project fully into use.

At Tottenham Court Road station, the Goslett Yard Box works were completed and handed over to the Crossrail team. Works on the new ticket hall are continuing.

The Bank Station Capacity Upgrade (BSCU) project team pioneered a new procurement approach called Innovative Contractor Engagement (ICE). ICE incorporates a key industry lesson, that innovative ideas which would help reduce costs have to be captured early in the project lifecycle to maximise their potential benefits. ICE achieved a 45 per cent improvement on the benefit to cost ratio. The pilot of the ICE process is being closely observed by government through Infrastructure UK as a possible model to be adopted for projects across the UK.

The Stations Stabilisation Programme (SSP) is delivering asset stabilisation and renewal works at over 70 stations not modernised or refurbished prior to the administration of Metronet. The programme is now being delivered under LU's new STAKE model, which will ensure best value, encourage innovation and minimise disruption. By engaging directly with the contractors actually doing the work on-site, simplifying contract arrangements, providing long-term commitment to suppliers and creating a 'one-team' approach, programmes will be delivered more efficiently and much faster.

Work on the Sub-surface Upgrade Programme (SUP) continues. New S-stock trains went into passenger service on the 7 February 2014 on the District line section between Wimbledon and Edgware Road. 51 out of the 55 new seven

car trains have been delivered to London as replacements for the C stock and 37 are now operational on the network. Further to this, 35 of the 58 eight-car S Stock trains have now been through the enhancement programme to provide better, more reliable rolling stock.

A huge amount of work is required to prepare the infrastructure of the Sub-surface network, some of which dates back to the Victorian age, for the demands of modern technology such as the new, air-conditioned trains. The commissioning of the Upminster Depot signalling on the North Sidings was completed successfully. This will allow the depot to begin the maintenance of S-stock later in 2014.

Following termination in December 2013 of the contract with Bombardier for the supply of the Automatic Train Control (ATC) signalling system and after a detailed pre-qualification process, Thales have been invited to the next level of the tendering process to let the ATC signalling supply contract for SUP. It is anticipated that a new contract will be awarded in summer 2014 and will be a significant step towards ensuring we deliver our upgrade by 2018.

In Surface Transport, £257m was spent on capital works. The main activity has been the annual programme of asset replacement and renewal, ensuring London's highways, traffic and bus infrastructure is maintained in a good state of repair. This includes a programme of major engineering projects. For example, during the year phase two of the project to strengthen the Hammersmith Flyover commenced. In addition, Surface Transport invests to enhance and develop London's transport infrastructure. The New Routemaster Bus is being introduced route by route, and the South Western extension to the Barclays Cycle Hire scheme was unveiled. Works to return the Tottenham Hale gyratory to two-way traffic continued, as did activity to enhance traffic signals technology and associated communications infrastructure.

Explanatory Foreword and Financial Review

Capital expenditure of £100m was incurred by London Rail in 2013/14. This year saw the commencement of the London Overground Capacity Improvement Programme (LOCIP) with contracts awarded and signalling works, depot works and platform extensions in progress on the North and East London Lines. These works will support the introduction of a fifth car to all electric trains to provide a 25 per cent enhancement to capacity across London Overground. Investment has been made in DLR infrastructure asset renewals which look to improve asset condition to sustain the current record reliability levels, twin tracking along the northern DLR route and the commencement of the Beckton shed extension. In addition, the Wimbledon Enhancement Programme for Tramlink is underway which will add an additional 4 trams per hour to the service by spring 2016.

During the year, £1,647m was spent on the Crossrail project, including £74m capitalised in respect of the acquisition of land and property interests in the Corporation. This takes the total spend on the project to date to £5.9 billion including the acquisition of land and property. By the end of the year, the Project was broadly 50 per cent complete and this was marked by a series of 'Halfway There' events. Four of the eight Tunnel Boring Machines ('TBMs') had reached their destinations and cumulatively completed 32km of tunnelling. In addition, almost 7km of Sprayed Concrete Lining Works ('SCL') have been completed, creating station platform tunnels, passenger walkways and ventilation tunnels at Whitechapel, Liverpool Street, Bond Street and Tottenham Court Road.

In the course of the year, Crossrail awarded the last of its major construction contracts for the fitout of the new tunnels. In addition contracts were also awarded for works at Paddington New Yard and at Plumstead.

Crossrail also assisted TfL in procuring the Rolling Stock for the new railway, with the contract being awarded in February 2014.

Cash and investments

Total cash, cash equivalents and deposits greater than three months held by the Group at 31 March 2014 amounted to £4,773m. The average yield from TfL's cash investments for 2013/14 was 0.46 per cent. This reflects the conservative nature of TfL's investment strategy and continued low interest rates. Most of the cash reflects usable reserves earmarked to fund TfL's future Investment Programme, including the Crossrail project. Earmarked reserves at 31 March 2014 amount to £1,970m, with an additional £2,547m being set aside for Crossrail.

Treasury risk management

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

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

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

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

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2013/14, TfL followed a conservative investment strategy, investing only with the UK Government and its executive agency, the UK Debt Management Office ('DMO'), UK Government guaranteed investments, selected financial institutions with high (investment grade) credit ratings from a credit rating agency, selected supranational or sub-sovereign agencies with high credit ratings, and selected Money Market Funds with high credit ratings. The amounts that can be invested with the UK Government and its DMO were not limited, while amounts invested with other institutions were based on credit rating. The minimum rating was A-/A3. Credit ratings are obtained from the three main ratings agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2014 is set out in Note 29 to the accounts. Diverse sources of funding available include: Capital Markets, bank loans and direct access to the UK Debt Management Office via the Public Works Loan Board. These diverse sources significantly mitigate funding and liquidity risk.

Interest rates

The Board has approved parameters of a minimum of 50 per cent fixed-rate on existing debt and, additionally from 2014/15, for forecast debt. The proportion of fixed-rate debt borrowings (including Commercial Paper swapped to fixed through the use of interest rate derivatives) at the year end was 98 per cent; the remaining 2 per cent constituted unhedged Commercial Paper debt which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a revolving basis.

Pensions

As at 31 March 2014, the majority of TfL's employees were members of the Public Sector Section of the TfL Pension Fund. Over the past year, there was an increase in the actuarial value of future liabilities of £171m, as net remeasurement gains were offset by the accrual of benefits and interest. The fair value of the assets of this Section, however, increased by £473m. As a consequence the deficit of pension scheme assets over future liabilities for the Section was reduced by £302m.

The total deficit recognised in respect of funded and unfunded pension arrangements at 31 March amounted to £2,482m (2013 £2,813m).

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

Explanatory Foreword and Financial Review

Prospects and outlook

In the 2013 Government Spending Review, TfL secured a long term settlement for investment until 2020/21. In December 2013, TfL published its updated Business Plan for the years to 2020/21. The investment in the Business Plan is designed to support London's projected population growth to over 10 million people in the city by 2030, the accompanying growth in employment and meeting our customers needs and expectations for a more reliable and efficient service.

Many schemes are underway to address these challenges, including:

- Crossrail, which is expected to deliver a 10 per cent increase in rail-based network capacity in London from 2018/19.
- A rolling programme of Tube upgrades to provide the capacity London needs and reduce delays by 30 per cent by 2015.
- 24 hour weekend service from 2015 on the Tube.
- Capacity increases on the London Overground providing a 25 per cent increase to the West London Line, North London Line, East London Line and Euston to Watford Line. In addition we are electrifying the Gospel Oak to Barking line and providing new trains to realise further capacity increases.
- An unprecedented 10-year, £4bn of investment to transform London's road network including major enhancements at Elephant & Castle, Vauxhall and Kings Cross.

- Maintaining London's bus services at record levels of reliability and customer satisfaction, whilst introducing more than 1700 low emission hybrid buses including 600 New Routemasters.
- The Mayor published his Vision for Cycling in March 2013, as a major method of transport in the city. Cycling is seeing £913m invested over the period to 2021/22 to deliver the Mayor's vision.
- Using latest technology to continue to make ticketing as convenient and hassle-free as possible and find even more ways to help customers get the best value fare. The rollout of the groundbreaking new service of contactless payment cards will continue into 2014, building on the commencement in December 2012 of accepting contactless payment cards for single fares on all London buses. This will include the extension of weekly capping to Oyster cards and enhancing our web sales service so that customers can buy weekly and longer Travelcards or Bus Passes and use them immediately. Currently, they have to purchase them a day in advance and collect the ticket from a station.
- We are investing in technology so that customers can go online and access real-time travel information through the provision of WiFi services for customers. We have already provided WiFi access at all Overground stations and 121 Tube stations and by January 2015 Wi-Fi coverage will be extended to another 30 below-ground stations.

- Between May and August 2013 we commenced public consultation on Crossrail2, which showed overwhelming support for the line. With £2m funding from central government we are working with partnership organisations to build a business case for investing in this major project.

Key risks

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

- Exposure to various economic risks including revenue reductions, grant reduction and disruption to financial markets impacting TfL's ability to borrow. These could impact TfL's ability to deliver its Business Plan.
- The Business Plan assumes the achievement of significant secondary revenue, efficiencies and other cost savings. Underachievement would impact TfL's ability to deliver the Plan.
- TfL is subject to ongoing negotiations with trade unions, the outcomes of which could impact levels of service provision.
- The risk of disruption to quality of service due to implementing complex major asset renewal and replacement programmes, frequent closures of lines or major stations and changes to operational procedures and resource requirements after completion of asset upgrades.

- Domestic or international terrorism and other threats to security may cause casualties, disrupt operational service, damage assets and create fear in the travelling public.
- The risk of an information or cyber security incident or the failure of critical IT systems (applications, networks and infrastructure) impacting the delivery of key business operations and support services.

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

Explanatory Foreword and Financial Review

Accounting statements

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

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

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

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), which is based on International Financial Reporting Standards.

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

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

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and Movement in Reserves Statements.
- The Statement of Accounting Policies
- Statement of Responsibilities for the Accounts
- Notes to the Group and Corporation financial statements

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

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

The Balance Sheet

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

The Cash Flow Statement

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

Movement in Reserves Statement

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

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (its Chief Finance Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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



David Goldstone
Chief Finance Officer
3 July 2014

Independent Auditor's Report to Transport for London

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') for the year ended 31 March 2014 which comprise the Corporation and Group Comprehensive Income and Expenditure Statements, the Corporation and Group Balance Sheets, the Corporation and Group Movement in Reserves Statements, the Corporation and Group Cash Flow Statements and the related notes, as set out on pages 92 to 222. These financial statements have been prepared under applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting 2013/14.

This report is made solely to Transport for London in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Transport for London those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for London for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 88, the Chief Finance Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and the Corporation as at 31 March 2014 and of the Group's and Corporation's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Matters on which we report by exception

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

- the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Foreword and Financial Review and the content of the Annual Report for the financial year for which the financial statements are prepared is inconsistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the end of, the audit; or
- any audit recommendations have been designated under section 11 of the Audit Commission Act 1998; or
- we have exercised any other special powers of the auditor under the Audit Commission Act 1998

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

Corporation's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 2010 for Local Government Bodies in satisfying ourselves whether the Corporation has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013 we are satisfied that, in all significant respects, the Corporation put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

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



Robert Brent
For and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 July 2014

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2014 £m	Restated* 2013 £m
Highways and Transport Services			
Gross income	1	4,789.6	4,495.5
Gross expenditure	3	(6,773.8)	(6,490.0)
Net cost of services	2	(1,984.2)	(1,994.5)
Other net operating expenditure	6	(121.9)	(121.8)
Financing and investment income	7	214.5	186.0
Financing and investment expenditure	8	(484.1)	(466.0)
Grant income	9	5,312.3	5,463.6
Surplus on the provision of services before tax	2	2,936.6	3,067.3
Taxation (expense)/income	10	(0.1)	0.2
Surplus on the provision of services after tax		2,936.5	3,067.5
Other comprehensive income and expenditure			
Items that will not subsequently be reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment **	12	48.6	21.4
Net remeasurement gains/(losses) on defined benefit pension schemes **	30	460.2	(448.4)
		508.8	(427.0)
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments **		48.1	(117.0)
Movement in the fair value of available for sale financial investments **		(0.3)	0.3
Derivative fair value loss recycled to income and expenditure **		6.5	4.8
		54.3	(111.9)
		563.1	(538.9)
Total comprehensive income and expenditure		3,499.6	2,528.6

*See note 41

**There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2013 or 2014 (note 10).

Group Balance Sheet

	Note	31 March 2014 £m	Restated* 31 March 2013 £m	Restated* 31 March 2012 £m
Long-term assets				
Intangible assets	11	122.6	103.6	114.0
Property, plant and equipment	12	29,269.4	27,091.1	25,138.7
Investment property	13	592.5	427.8	307.7
Long-term investments	18	203.4	209.2	-
Long-term debtors	17	490.2	277.4	164.4
		30,678.1	28,109.1	25,724.8
Current assets				
Inventories	16	47.7	42.0	37.6
Short-term debtors	17	568.3	484.8	523.3
Short-term derivative financial instruments		-	-	0.8
Short-term investments	18	4,432.8	3,583.8	2,582.9
Cash and cash equivalents	19	136.3	100.4	78.8
		5,185.1	4,211.0	3,223.4
Current liabilities				
Short-term creditors	20	(2,020.4)	(1,991.8)	(1,950.1)
Short-term current tax liability		(0.1)	-	-
Short-term borrowings and overdrafts	21	(709.2)	(1,138.4)	(2,179.0)
Short-term finance lease liabilities	22	(75.8)	(68.9)	(68.2)
Short-term derivative financial instruments	24	(0.3)	-	(8.0)
Short-term provisions	25	(201.2)	(162.3)	(140.8)
		(3,007.0)	(3,361.4)	(4,346.1)
Long-term liabilities				
Long-term creditors	20	(73.4)	(60.0)	(51.3)
Long-term borrowings	21	(7,158.1)	(6,393.2)	(4,943.9)
Long-term finance lease liabilities	22	(746.0)	(821.8)	(959.3)
Long-term derivative financial instruments	24	(67.5)	(116.3)	(74.0)
Long-term provisions	25	(154.6)	(79.4)	(134.7)
Retirement benefit obligation	30	(2,482.2)	(2,813.2)	(2,292.7)
		(10,681.8)	(10,283.9)	(8,455.9)
Net assets		22,174.4	18,674.8	16,146.2
Reserves				
Usable reserves		4,675.8	3,892.0	2,413.3
Unusable reserves	32	17,498.6	14,782.8	13,732.9
Total reserves		22,174.4	18,674.8	16,146.2

*See note 41

The notes on pages 100 to 222 form part of these financial statements.

These financial statements were approved by the Board on 3 July 2014 and signed on its behalf by:



Boris Johnson, Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2012 (restated)		162.4	855.0	-	1,395.9	2,413.3	13,732.9	16,146.2
Movement in reserves during 2012/13								
Surplus on the provision of services after tax		2,813.7	-	-	-	2,813.7	253.8	3,067.5
Other comprehensive income and expenditure		-	-	-	-	-	(538.9)	(538.9)
Total comprehensive income and expenditure		2,813.7	-	-	-	2,813.7	(285.1)	2,528.6
Adjustments between accounting basis and funding basis under regulations	34	(1,921.1)	-	0.3	585.8	(1,335.0)	1,335.0	-
Net increase before transfer to/from earmarked reserves		892.6	-	0.3	585.8	1,478.7	1,049.9	2,528.6
Transfer to/from earmarked reserves		(896.9)	896.9	-	-	-	-	-
Increase in 2012/13		(4.3)	896.9	0.3	585.8	1,478.7	1,049.9	2,528.6
Balance at 31 March 2013 (restated)		158.1	1,751.9	0.3	1,981.7	3,892.0	14,782.8	18,674.8
Movement in reserves during 2013/14								
Surplus on the provision of services after tax		2,391.3	-	-	-	2,391.3	545.2	2,936.5
Other comprehensive income and expenditure		-	-	-	-	-	563.1	563.1
Total comprehensive income and expenditure		2,391.3	-	-	-	2,391.3	1,108.3	3,499.6
Adjustments between accounting basis and funding basis under regulations	34	(2,175.1)	-	2.2	565.4	(1,607.5)	1,607.5	-
Net increase before transfer to/from earmarked reserves		216.2	-	2.2	565.4	783.8	2,715.8	3,499.6
Transfer to/from earmarked reserves		(217.7)	217.7	-	-	-	-	-
Increase in 2013/14		(1.5)	217.7	2.2	565.4	783.8	2,715.8	3,499.6
Balance at 31 March 2014		156.6	1,969.6	2.5	2,547.1	4,675.8	17,498.6	22,174.4

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended over the period to 31 March 2017 on a number of major capital programmes as part of TfL's Investment Programme.

Group Statement of Cash Flows

Year ended 31 March	Note	2014 £m	Restated 2013 £m
Surplus on the provision of services after tax		2,936.5	3,067.5
Adjustments to surplus after tax for non-cash movements	31 a	(2,345.6)	(1,906.0)
Net cash flows from operating activities		590.9	1,161.5
Investing activities	31 b	(401.8)	(1,008.5)
Financing activities	31 c	(153.2)	(131.4)
Increase in net cash and cash equivalents in the year		35.9	21.6
Net cash and cash equivalents at the start of the year		100.4	78.8
Net cash and cash equivalents at the end of the year		136.3	100.4

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2014 £m	Restated * 2013 £m
Highways and Transport Services			
Gross income		359.8	365.1
Gross expenditure	3	(970.7)	(1,104.8)
Net cost of services		(610.9)	(739.7)
Other net operating expenditure	6	(2.7)	(0.2)
Financing and investment income	7	273.1	228.8
Financing and investment expenditure	8	(337.7)	(291.7)
Grant income	9	5,241.7	5,451.6
Grant funding of subsidiaries		(2,172.2)	(1,835.1)
Surplus on the provision of services		2,391.3	2,813.7
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Net remeasurment (losses)/gains on defined benefit pension schemes	30	(3.2)	0.2
		(3.2)	0.2
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of available for sale financial investments		(0.3)	0.3
		(0.3)	0.3
		(3.5)	0.5
Total comprehensive income and expenditure		2,387.8	2,814.2

*See note 41

Corporation Balance Sheet

	Note	31 March 2014 £m	31 March 2013 £m
Long-term assets			
Intangible assets	11	35.7	28.4
Property, plant and equipment	12	3,485.2	3,410.7
Investment property	13	16.4	13.7
Investments in subsidiaries	14	3,932.5	2,332.5
Long-term investments	18	203.4	209.2
Long-term debtors	17	7,451.5	7,142.0
		15,124.7	13,136.5
Current assets			
Inventories	16	5.1	3.8
Short-term debtors	17	266.5	390.0
Short-term investments	18	4,415.1	3,583.8
Cash and cash equivalents	19	9.3	6.5
		4,696.0	3,984.1
Current liabilities			
Short-term creditors	20	(614.1)	(654.1)
Short-term borrowings and overdrafts	21	(709.2)	(1,138.4)
Short-term finance lease liabilities	22	(7.9)	(8.6)
Short-term provisions	25	(120.0)	(151.6)
		(1,451.2)	(1,952.7)
Long-term liabilities			
Long-term creditors	20	(14.0)	(10.2)
Long-term borrowings	21	(7,167.1)	(6,409.8)
Long-term finance lease liabilities	22	(175.5)	(183.3)
Long-term provisions	25	(126.7)	(69.1)
Retirement benefit obligation	30	(106.3)	(103.4)
		(7,589.6)	(6,775.8)
Net assets		10,779.9	8,392.1
Reserves			
Usable reserves		4,675.8	3,892.0
Unusable reserves	32	6,104.1	4,500.1
Total reserves		10,779.9	8,392.1

The notes on pages 100 to 222 form part of these financial statements.

These financial statements were approved by the Board on 3 July 2014 and signed on its behalf by:



Boris Johnson, Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2012		162.4	855.0	-	1,395.9	2,413.3	3,164.6	5,577.9
Movement in reserves during 2012/13								
Surplus on the provision of services		2,813.7	-	-	-	2,813.7	-	2,813.7
Other comprehensive income and expenditure		-	-	-	-	-	0.5	0.5
Total comprehensive income and expenditure		2,813.7	-	-	-	2,813.7	0.5	2,814.2
Adjustments between accounting basis and funding basis under regulations	34	(1,921.1)	-	0.3	585.8	(1,335.0)	1,335.0	-
Net increase before transfer to/from earmarked reserves		892.6	-	0.3	585.8	1,478.7	1,335.5	2,814.2
Transfer to/from earmarked reserves		(896.9)	896.9	-	-	-	-	-
Increase in 2012/13		(4.3)	896.9	0.3	585.8	1,478.7	1,335.5	2,814.2
Balance at 31 March 2013		158.1	1,751.9	0.3	1,981.7	3,892.0	4,500.1	8,392.1
Movement in reserves during 2013/14								
Surplus on the provision of services		2,391.3	-	-	-	2,391.3	-	2,391.3
Other comprehensive income and expenditure		-	-	-	-	-	(3.5)	(3.5)
Total comprehensive income and expenditure		2,391.3	-	-	-	2,391.3	(3.5)	2,387.8
Adjustments between accounting basis and funding basis under regulations	34	(2,175.1)	-	2.2	565.4	(1,607.5)	1,607.5	-
Net increase before transfers to/from earmarked reserves		216.2	-	2.2	565.4	783.8	1,604.0	2,387.8
Transfer to/from earmarked reserves		(217.7)	217.7	-	-	-	-	-
Increase in 2013/14		(1.5)	217.7	2.2	565.4	783.8	1,604.0	2,387.8
Balance at 31 March 2014		156.6	1,969.6	2.5	2,547.1	4,675.8	6,104.1	10,779.9

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended over the period to 31 March 2017 on a number of major capital programmes as part of TfL's Investment Programme.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2014 £m	Restated 2013 £m
Surplus on the provision of services		2,391.3	2,813.7
Adjustments to surplus for non-cash movements	31 a	(1,964.8)	(2,099.8)
Net cash flows from operating activities		426.5	713.9
Investing activities	31 b	(347.5)	(871.4)
Financing activities	31 c	(76.2)	156.5
Increase in net cash and cash equivalents in the year		2.8	(1.0)
Net cash and cash equivalents at the start of the year		6.5	7.5
Net cash and cash equivalents at the end of the year		9.3	6.5

Accounting Policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (the 2011 Regulations), which those Regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), as amended by the 2013/14 Code Update, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2011 Regulations.

The Code for 2013/14 is based on International Financial Reporting Standards ('IFRS') adopted by the EU ('Adopted IFRS') and requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board ('IASB') 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

The Code is compliant with Adopted IFRS except for:

Capital grants and contributions

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

FRS 30 Heritage assets

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

IAS 36 Impairment of assets

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

Defined benefit pension plans

For certain Group defined benefit pension plans the Corporation is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption under para 6.4.1.8 of the Code, these schemes are accounted for in the Corporation as defined contribution schemes. The Corporation's contributions are charged to the Comprehensive Income and Expenditure Statement as incurred.

b) Basis of preparation

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

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

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

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

c) Basis of consolidation

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

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings.

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

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment

e) The application of new and revised standards

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

- 'Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities'. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement;
- 'Amendments to IAS 1 Presentation of Items of Other Comprehensive Income'. These amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income sections: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis;
- 'Annual Improvements to IFRSs 2009-2011 Cycle'. These improvements include changes to the guidance surrounding the capitalisation of borrowing costs on assets already under construction as at the date of

Accounting Policies (continued)

transition to IFRS, stipulating that interest should be capitalised on these projects from 1 January 2009. Under its previous accounting policies TfL only capitalised interest on qualifying assets for which construction commenced post 1 January 2009. The Group has accordingly restated comparative amounts on a retrospective basis for the impact of this change. As at 1 April 2012 property, plant and equipment assets under construction and retained earnings were both increased above figures previously reported by £32.7m. For the year ended 31 March 2013 property, plant and equipment assets under construction were again increased, and financial expenses were reduced by a further £31.4m resulting in a cumulative increase of £64.1m above figures previously reported for both net assets and retained earnings.

- 'IAS 19 (as revised in 2011) Employee Benefits'. The amended version of IAS 19 replaces the interest cost and expected return on plan assets with a finance cost component comprising net interest on the net defined benefit pension deficit calculated using the discount rate currently used to measure defined benefit pension liabilities. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income for the Group and Corporation in prior years. For the year ended 31 March 2013, financial income was reduced by £342.9m for the Group and by £1.5m for the Corporation; financial expenses were reduced by £283.1m for the Group and by £1.3m for the Corporation; and scheme expenses within operating expenses were increased by £9.5m for the Group and by £0.1m for the Corporation; resulting in a total reduction in the surplus on provision of services for the year of £69.3m for the Group and £0.3m for the Corporation. Meanwhile, actuarial losses recognised within other comprehensive income and expenditure

were reduced by £69.3m for the Group and £0.3m for the Corporation. There has been no impact on amounts previously reported in the Balance Sheets as at 31 March 2013 or 1 April 2012. In addition the revised standard introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures; and

- 'Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle)'. The amendment to IAS 1 specifies that when a third Statement of Financial Position is required in cases of the retrospective application of a new accounting policy, restatement or reclassification, the related notes are no longer required to accompany the third Statement of Financial Position. Therefore, as TfL has applied new and revised IFRSs in the current year, it has presented a third Statement of Financial Position as at 1 April 2012 for the Group without the related notes. No third Balance Sheet has been presented for the Corporation as there has been no impact on the Balance Sheet as previously presented from the application of new and revised standards.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. The application of these standards has not had a material impact on these financial statements.

Where the application of new and revised standards has impacted on previously reported comparative figures, those comparatives have been restated in these accounts. A reconciliation of the restated comparatives

from those previously reported is set out in note 41. Other than as indicated above and in note 41, the application of these and any other standards, amendments or interpretations issued by the IASB and applicable for the first time to these Financial Statements has not had a material impact on the accounts.

CIPFA/LASAAC has deferred the adoption of 'IFRS 13 Fair value measurement' into the Code until 2014/15 while it reviews the application of the Standard to local government circumstances. The provisions of IFRS 13 have not therefore been reflected in the preparation of these financial statements. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures that applies to both financial instruments and non financial instrument items for which other IFRSs require or permit fair value measurements and/or disclosures. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

- 'IFRS 9 Financial Instruments - including Amendments to IFRS 9 and IFRS 7'. IFRS 9 introduces new requirements for the classification and measurements of financial assets and liabilities and for derecognition. No mandatory application date has yet been set;

- 'Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities' (mandatory for years commencing on or after 1 January 2014);
- 'Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities' (mandatory for years commencing on or after 1 January 2014).

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

g) Discontinued operations

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

h) Uses of estimates and judgements

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

Accounting Policies (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Valuation of acquired businesses

Judgement and estimation is required in the identification and assessment of the fair value of separable assets and liabilities on business acquisitions. Judgement and estimation is also required in determining any potential contingent consideration payable in respect of acquisitions.

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 30.

Useful economic life of property, plant and equipment

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

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes

in their fair values. Note 29 and the Accounting Policy on financial instruments (policy ag)) provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Determining whether an arrangement contains a lease

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

Classification of investment properties

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

Leases

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

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 25.

Investment property

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

Office buildings

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

i) Revenue recognition

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

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

Fares revenue

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

Revenue in respect of free and reduced fare travel for the elderly and disabled

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

Congestion charging

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

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

Accounting Policies (continued)

Road network compliance

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

Taxi licensing

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

Commercial advertising

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

Rental income

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

j) Segmental reporting

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

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

- London Underground – Provision of passenger rail services and refurbishment and maintenance of certain parts of the rail network
- London Rail – Provision of passenger rail services
- Surface Transport – Provision of bus services and other surface transport, maintenance of London's roads, and cycle hire
- Corporate Directorate – Provision of TfL wide services, including property investment,

commercial advertising, and the development of corporate strategy and policy, including grants made to fund the operations of the Museum

k) Grants and other funding

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

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

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

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

l) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. The total absorption costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses

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

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

n) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

o) Taxation

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

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

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

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

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

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

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

Accounting Policies (continued)

p) Business combinations

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

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

q) Intangible assets

Goodwill

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

Other intangible assets

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

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

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

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

Software costs	Straight-line	3-5 years
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r) Property, plant and equipment

Recognition and measurement

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

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

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

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing

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

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

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

Depreciation

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

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

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

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

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

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

s) Heritage assets

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

Accounting Policies (continued)

t) Investment property

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

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

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

u) Investment in associated undertakings

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

v) Inventories

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

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

w) Assets held for sale

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

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

x) Borrowing costs

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

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

y) Provisions

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

z) Foreign currencies

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

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

aa) Leases (the Group as lessee) Leased assets

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

accounting policy applicable to that asset.

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

Accounting Policies (continued)

ab) Leases (the Group as lessor)

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

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

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

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

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

- a) The service charge
- b) Repayment of the capital
- c) The interest element (using the interest rate implicit in the contract)

Services received

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

Assets

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

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

Liabilities

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

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

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

Life cycle replacement

Components of the asset replaced by the operator during the contract ('life cycle replacement') are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

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

ad) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

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

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

An impairment review is completed for all assets on an annual basis and additionally when there is an indication that an asset may be impaired.

ae) Employee benefits

Defined benefit plans

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

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

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

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

Defined benefit plans – multi-employer exemption

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

Accounting Policies (continued)

Unfunded pension schemes

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

Defined contribution plans

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

Other employee benefits

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

af) Reserves

Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the general fund, earmarked reserves, the capital grants unapplied account and the street works reserve. Amounts in the street works reserve represent the net income/(expenditure) generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the capital adjustment account, pension reserve, the hedging reserve, the available for sale reserve, the financial instruments adjustment account, the retained earnings reserve in subsidiaries and the fixed asset revaluation reserve.

ag) Financial instruments

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

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

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

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

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

Financial assets at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

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

Loans and receivables

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

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

Available for sale financial assets

'Available for sale financial assets' are non-derivative financial assets that are designated as such or are not classified in any of the other categories. After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised

in the fair value reserve until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement.

Other investments

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Accounting Policies (continued)

Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

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

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other creditors

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

Interest bearing loans and borrowings

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

Obligations under finance leases and PFI arrangements

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

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or

issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's policies, approved by the Board. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

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

Hedge accounting

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

hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

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

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

Cash flow hedges

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in

reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

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

Fair value measurement of financial instruments

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

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

Accounting Policies (continued)

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

Impairment of financial assets

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

Embedded derivatives

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

I. Gross income

a) Gross income

Year ended 31 March	2014 £m	% of total	2013 £m	% of total
Fares	3,807.4	79.5	3,539.0	78.7
Revenue in respect of free travel for the elderly and disabled	308.7	6.4	294.6	6.6
Congestion Charging	234.6	4.9	222.0	4.9
Charges to London boroughs	15.2	0.3	14.1	0.3
Charges to transport operators	9.2	0.2	8.9	0.2
Road Network compliance income	48.6	1.0	47.8	1.1
Commercial advertising receipts	152.2	3.2	139.3	3.1
Rents receivable	61.2	1.3	58.3	1.3
Contributions from third parties to operating costs	13.2	0.3	37.5	0.8
Taxi licensing	18.6	0.4	19.8	0.4
Ticket and photocard commission income	17.1	0.4	15.6	0.3
ATM and car parking income	9.9	0.2	10.4	0.2
Museum income	8.3	0.2	7.6	0.2
Training and specialist services	11.7	0.2	11.3	0.3
Cycle hire scheme	13.1	0.3	12.9	0.3
Other	60.6	1.2	56.4	1.3
	4,789.6	100.0	4,495.5	100.0

b) Congestion Charging

	Group and Corporation 2014 £m	Group and Corporation 2013 £m
Income	234.6	222.0
Toll facilities and traffic management	(81.2)	(82.8)
	153.4	139.2
Administration, support services and depreciation	(4.2)	(7.1)
Net income from Congestion Charging	149.2	132.1

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

Notes to the Financial Statements (continued)

1. Gross income (continued)

c) Street works

	Group and Corporation 2014 £m	Group and Corporation 2013 £m
Income	3.6	1.9
Costs of reducing adverse impacts of street works (including capital works)	(1.4)	(1.6)
Net income from street works	2.2	0.3

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

2. Segmental analysis

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

Year ended 31 March 2014

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

Year ended 31 March 2013

	London Underground £m	London Rail £m	Surface Transport £m	Corporate items £m	Total £m
Income	2,316.0	285.9	1,781.9	81.2	4,465.0
Expenditure	(2,219.1)	(345.1)	(2,660.7)	(357.3)	(5,582.2)
Net operating income/ (expenditure)	96.9	(59.2)	(878.8)	(276.1)	(1,117.2)

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

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

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

2. Segmental analysis (continued)

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

	£m	£m
Net operating expenditure per the segmental analysis		(1,050.4)
Net expenditure of services not included in the segmental analysis		
Museum net revenue cost	(3.4)	
		(3.4)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	(986.6)	
Amortisation	(35.5)	
Pension service costs (note 30)	(297.7)	
		(1,319.8)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PPP and PFI schemes	108.7	
Pension payments charged to operating costs	275.1	
Grant funding of museum	5.6	
		389.4
Net cost of services		(1,984.2)

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2013 (restated)

	£m	£m
Net operating expenditure per the segmental analysis		(1,117.2)
Net expenditure of services not included in the segmental analysis		
Group items	(0.2)	
Museum net revenue cost	(3.6)	
		(3.8)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	(951.6)	
Amortisation	(50.5)	
Pension service costs (note 30)	(239.0)	
		(1,241.1)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PPP and PFI schemes	101.7	
Pension payments charged to operating costs	260.1	
Grant funding of museum	5.8	
		367.6
Net cost of services		(1,994.5)

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2014

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	4,759.2	30.4	-	-	4,789.6
Staff costs	(1,768.2)	(4.4)	(288.1)	275.1	(1,785.6)
Other service expenses	(4,041.4)	(29.4)	(9.6)	114.3	(3,966.1)
Depreciation, amortisation and impairment	-	-	(1,022.1)	-	(1,022.1)
Total cost	(5,809.6)	(33.8)	(1,319.8)	389.4	(6,773.8)
Net cost of services	(1,050.4)	(3.4)	(1,319.8)	389.4	(1,984.2)
Other net operating expenditure					(121.9)
Financing and investment income					214.5
Financing and investment expenditure					(484.1)
Grant income					5,312.3
Surplus on the provision of services before taxation					2,936.6

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2013 (restated)

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	4,465.0	30.5	-	-	4,495.5
Staff costs	(1,652.6)	(4.3)	(229.5)	260.1	(1,626.3)
Other service expenses	(3,929.6)	(30.0)	(9.5)	107.5	(3,861.6)
Depreciation, amortisation and impairment	-	-	(1,002.1)	-	(1,002.1)
Total cost	(5,582.2)	(34.3)	(1,241.1)	367.6	(6,490.0)
Net cost of services	(1,117.2)	(3.8)	(1,241.1)	367.6	(1,994.5)
Other net operating expenditure					(121.8)
Financing and investment income					186.0
Financing and investment expenditure					(466.0)
Grant income					5,463.6
Surplus on the provision of services before taxation					3,067.3

The segmental reporting analysis only deals with Group information, and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

No balance sheet information is reported internally by segment, and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Note	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Staff costs:				
Wages and salaries *	1,351.5	1,263.0	249.8	222.3
Social security costs	124.8	122.5	23.6	21.9
Pension costs	309.3	240.8	59.1	54.9
	1,785.6	1,626.3	332.5	299.1
Other service expenditure **	3,966.1	3,861.6	458.8	613.7
Depreciation	986.6	951.6	162.8	158.5
Amortisation of software intangibles	35.5	50.5	16.6	33.5
	6,773.8	6,490.0	970.7	1,104.8

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £169.1m (2012/13 £147.2m) relating to financial assistance to London Boroughs and other third parties (see note 37 for detailed analysis).

The average number of persons employed in the year was:

	Group 2014 Number	Group 2013 Number	Corporation 2014 Number	Corporation 2013 Number
Permanent staff (including fixed term contracts)	25,973	25,845	4,787	4,426
Agency staff	2,386	2,175	553	602
	28,359	28,020	5,340	5,028

4. External audit fees

External audit fees are made up as follows:

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Auditor's remuneration:				
for statutory audit services	1.4	1.5	0.2	0.2
for non-statutory audit services	0.2	0.3	-	0.2
for non-audit services *	0.2	0.1	0.1	0.1
	1.8	1.9	0.3	0.5

* The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

a) Employees' remuneration

The Code requires the disclosure of remuneration for the Corporation's employees whose total remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison purposes. Consequently, an additional voluntary disclosure for the Group is provided that shows the combined employee bands for TfL and its subsidiaries.

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more has increased from 161 in 2012/13 to 227 in 2013/14. The corresponding figures for those receiving total remuneration of more than £100,000 are 30 for 2012/13 and 40 for 2013/14.

Excluding Crossrail the number of staff earning over £100,000 is 326 (2012/13 298).

The disclosure in note 5a includes all senior employees also included in note 5b.

5. Remuneration (continued)

a) Employees' remuneration

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

£	Group 2014 Number	Group 2013 Number	Corporation 2014 Number	Corporation 2013 Number
50,000 – 54,999	2,710	3,198	400	377
55,000 – 59,999	1,974	1,892	327	334
60,000 – 64,999	1,349	1,251	255	219
65,000 – 69,999	970	877	200	200
70,000 – 74,999	633	547	149	146
75,000 – 79,999	464	403	111	93
80,000 – 84,999	307	272	72	73
85,000 – 89,999	229	201	61	55
90,000 – 94,999	143	105	33	33
95,000 – 99,999	119	98	32	38
100,000 – 104,999	83	56	31	21
105,000 – 109,999	48	55	13	19
110,000 – 114,999	39	35	12	13
115,000 – 119,999	37	23	13	8
120,000 – 124,999	27	32	8	14
125,000 – 129,999	12	12	3	7
130,000 – 134,999	13	9	4	4
135,000 – 139,999	9	7	7	4
140,000 – 144,999	8	8	5	3
145,000 – 149,999	9	8	4	2
150,000 – 154,999	12	9	5	7
155,000 – 159,999	8	4	2	-
160,000 – 164,999	4	9	2	2
165,000 – 169,999	8	4	3	1
170,000 – 174,999	2	5	-	3
175,000 – 179,999	4	1	4	-
180,000 – 184,999	2	2	-	1
185,000 – 189,999	5	10	2	4
190,000 – 194,999	2	3	2	1
195,000 – 199,999	5	3	4	1
200,000 – 204,999	2	3	1	1
205,000 – 209,999	-	6	-	5
210,000 – 214,999	2	1	1	1
215,000 – 219,999	3	-	1	-
220,000 – 224,999	-	1	-	1
225,000 – 229,999	3	2	-	-
230,000 – 234,999	1	1	-	1

£	Group 2014 Number	Group 2013 Number	Corporation 2014 Number	Corporation 2013 Number
235,000 – 239,999	1	2	-	1
240,000 – 244,999	-	1	-	-
250,000 – 254,999	1	1	-	-
255,000 – 259,999	2	1	-	-
260,000 – 264,999	-	2	-	-
270,000 – 274,999	1	-	1	-
290,000 – 294,999	2	-	1	-
300,000 – 304,999	1	-	1	-
315,000 – 319,999	-	2	-	-
325,000 – 329,999	1	1	-	1
340,000 – 344,999	1	-	1	-
350,000 – 354,999	2	-	-	-
360,000 – 364,999	1	1	1	1
365,000 – 369,999	1	-	-	-
370,000 – 374,999	-	2	-	2
390,000 – 394,999	1	-	1	-
415,000 – 419,999	1	-	-	-
420,000 – 424,999	-	1	-	-
450,000 – 454,999	-	1	-	1
470,000 – 474,999	-	1	-	-
485,000 – 489,999	1	-	1	-
550,000 – 554,999	-	1	-	-
565,000 – 569,999	-	1	-	-
650,000 – 654,999	-	1	-	1
700,000 – 704,999	1	-	-	-
Total	9,264	9,172	1,774	1,699

b) Remuneration for senior employees

The Accounts and Audit (England) Regulations 2011 require disclosure of individual remuneration details for senior employees. Senior employees are those with a base salary of £150,000 or more, calculated on a full time equivalent basis for those working part-time.

Disclosure is made for each financial year under various categories, and set out in the tables below.

Employer's pension contributions include the contribution in respect of future benefit accrual. Separately, member contributions are payable by employees at the rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis to ensure that reported salary is based on annual salary rather than being distorted by the variable timing of payroll payments. Performance related pay, however, is reported on a cash paid basis as performance payments may not be determined for many months after the end of the relevant year.

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year 2013/14** £
Current employees excluding Crossrail			
Peter Hendy, Commissioner	a	331,357	155,406
Steve Allen, Managing Director, Finance		* 288,581	76,680
Mike Brown, Managing Director, Rail and Underground		* 309,666	82,564
Howard Carter, General Counsel	b	* 241,316	61,413
Leon Daniels, Managing Director, Surface Transport	c	267,768	72,690
Michèle Dix, Managing Director, Planning	d	154,724	41,098
Vernon Everitt, Managing Director, Customer Experience, Marketing & Communications		228,775	64,354
Sarah Atkins, Commercial Director, Rail and Underground		* 169,372	23,423
Carl Devlin, Programme Director, SSR Upgrade Programme	e	257,808	-
Robert Doyle, Head of Track and Signals, London Underground		151,120	13,572
Gerald Duffy, Director of Employee Relations, London Underground		* 164,226	25,545
Garrett Emmerson, Chief Operating Officer Streets, Surface Transport		* 177,022	26,000
Stephen Field, Director of Pensions and Reward		* 160,556	26,820
Michael Flynn, Head of SSR Upgrade - Delivery & Integration	f	68,124	-
David Goldstone, Chief Finance Officer	g	177,536	-
Nigel Holness, Operations Director, SSL & JNP		* 151,020	21,000
Philip Hufton, Chief Operating Officer, Rail & Underground		299,403	52,800
Simon Kilonback, Director of Group Treasury		141,616	25,000
Kenneth Laird, Head of Program ATC	h	* 150,165	-
Chris Macleod, Director of Group Marketing		* 162,682	30,000
Gareth Powell, Director of Strategy and Service Development, London Underground	i	* 180,978	36,100
Patricia Riley, Human Resources Director		* 191,550	23,975
Michael Strzelecki, Director of Business Transformation		160,000	27,200
Paul Thomas, Head of Engineering, SSR Upgrade Programme	j	119,762	-
Steve Townsend, Chief Information Officer		159,834	20,000
Shashi Verma, Director of Customer Experience		* 182,439	35,000
David Waboso, Director of Capital Programmes, London Underground	k	* 245,075	44,650

Compensation for loss of employment 2013/14 £	Benefits in kind 2013/14 £	Total remuneration excluding pension contributions 2013/14 £	Employer's contribution to pension 2013/14 £	Salary (including fees and allowances) 2012/13 £	Performance related pay for 2011/12 and 2011/12 paid in year*** 2012/13 £	Total remuneration excluding pension contributions **** 2012/13 £
-	2,125	488,888	-	331,346	319,006	652,452
-	644	365,905	28,764	* 288,524	161,941	451,099
-	2,125	394,355	28,764	* 309,605	163,946	475,651
-	2,257	304,986	28,764	* 238,945	129,430	370,579
-	2,125	342,583	28,764	257,768	70,220	328,448
-	2,125	197,947	38,281	145,740	24,279	172,119
-	2,125	295,254	28,764	229,020	132,858	363,978
-	1,730	194,525	28,764	* 169,336	38,059	209,100
-	1,730	259,538	28,764	50,492	-	50,861
-	1,730	166,422	27,849	150,435	9,402	161,542
-	644	190,415	28,764	* 164,104	36,417	201,155
-	644	203,666	28,764	* 176,118	37,980	214,732
-	1,730	189,106	36,923	149,000	14,500	165,205
-	608	68,732	-	-	-	-
-	-	177,536	28,764	53,179	-	53,179
-	1,820	173,840	35,294	136,133	28,656	166,494
-	1,383	353,586	28,764	267,680	51,119	318,799
-	1,730	168,346	26,215	130,000	20,000	151,705
-	1,483	151,648	12,115	-	-	-
-	-	192,682	28,764	* 153,848	36,249	190,097
-	1,730	218,808	42,339	* 152,545	55,432	209,682
-	644	216,169	28,764	* 183,351	40,568	224,553
-	1,730	188,930	-	150,959	35,620	188,284
-	1,221	120,983	-	-	-	-
-	1,730	181,564	36,204	158,129	35,852	195,797
-	644	218,083	37,201	* 182,418	43,480	226,532
-	1,730	291,455	40,190	* 254,318	60,216	316,239

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in 2013/14** £
Crossrail current office holders/employees			
Terry Morgan, Non-executive Chairman	l	250,000	-
Andrew Wolstenholme, Chief Executive		523,078	176,130
David Allen, Finance Director		256,660	70,139
Martin Buck, Commercial Director		170,595	40,800
Mark Fell, Legal Services Director & Company Secretary		156,327	25,495
Robert Flanagan, Finance Operations Director		157,680	25,925
Steven Hails, Health & Safety Director	m	193,990	32,300
Ian Lindsay, Land and Property Director		170,972	29,700
Andy Mitchell, Programme Director		331,600	84,672
Chris Sexton, Technical Director		198,548	32,640
Howard Smith, Director of Operations, Crossrail		* 190,818	35,000
Valerie Todd, Talent and Resources Director	n	* 211,519	45,525
Former employees			
Gillian Alford, Director of Corporate Industrial Relations	o	* 41,358	15,500
Howard Collins, Chief Operating Officer LUL	p	* 58,392	36,750
Neil Farmer, IT Director, Crossrail	q	67,369	-
David Hendry, Finance Director, Surface Transport	r	* 168,998	30,000
Stuart Munro, Director of Finance & Commercial, Tube Lines	s	* 28,003	26,000
Colin Wood, Director Olympic Legacy	t	* 64,181	20,000

* salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the Supplementary Pension Scheme. The allowance is paid at the rate of the supplementary scheme pension scheme contribution foregone, discounted by the employer rate of National Insurance in order to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

** Refers to 2012/13 Performance Related Pay awards

*** Refers to 2011/12 Performance Related Pay awards together with Deferred Incentive Plan ('DIP') payments. DIP payments made in 2012/13 were representative

of a two year deferment covering 2010/11 and 2011/12. Annual performance awards due for the Commissioner and Chief Officers for 2010/11 were deferred in their entirety. For Directors, 25 per cent of the annual performance awards budget for 2010/11 was deferred. In both cases, the DIP payments were contingent upon meeting targets including preparation for and delivery of the London 2012 Games

**** Total remuneration for 2012/13 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £17,087 (2012/13 £17,098)

b salary sacrificed for childcare vouchers of £1,144 (2012/13 £512)

Compensation for loss of employment 2013/14 £	Benefits in kind 2013/14 £	Total remuneration excluding pension contributions 2013/14	Employer's contribution to pension 2013/14 £	Salary (including fees and allowances) 2012/13 £	Performance related pay for 2010/11 and 2011/12 paid in year*** 2012/13 £	Total remuneration excluding pension contributions**** 2012/13 £
-	1,735	251,735	-	250,000	-	251,705
-	1,735	700,943	34,266	443,003	123,120	567,828
-	1,735	328,534	34,266	254,883	167,056	423,644
-	1,145	212,540	34,266	164,122	94,725	259,481
-	1,735	183,557	36,457	150,306	51,072	203,083
-	1,735	185,340	34,266	152,911	8,500	163,116
-	1,735	228,025	34,266	187,147	-	188,754
-	1,735	202,407	34,266	163,589	20,000	185,294
-	1,735	418,007	34,266	328,100	222,600	552,405
-	1,735	232,923	34,266	192,582	33,264	226,875
-	1,730	227,548	28,764	* 153,591	42,353	197,649
-	2,125	259,169	37,809	* 210,954	48,560	261,614
128,574	159	185,591	10,024	* 158,925	17,936	177,495
-	366	95,508	8,020	* 185,385	51,119	238,209
79,526	729	147,624	14,157	159,910	28,000	189,615
-	1,711	200,709	28,764	* 162,647	23,088	187,440
173,800	266	228,069	4,807	152,936	40,140	194,896
-	541	84,722	4,631	* 197,309	9,000	208,013

c Entered service April 2011. Performance related pay received in 2012/13 therefore only includes award for 2011/12

d part-time, three days per week for 2012/13. Changed to full time basis during 2013/14. Performance related pay of £nil sacrificed to pension fund (2012/13 £66,000)

e entered service 14 January 2013

f entered service 31 October 2013

g entered service on 2 January 2013

h entered service 28 May 2013

i salary sacrificed for childcare vouchers of £2,200 (2012/13 £2,860)

j entered service 22 July 2013

k performance related pay of £nil (2012/13 £10,000) sacrificed to pension fund

l paid for providing services three days per week

m entered service 23 April 2012

n employed by TfL but on secondment to Crossrail since January 2009

o left service 4 July 2013

p left service 21 June 2013

q left service 31 August 2013

r performance related pay of £nil (2012/13 £13,800) sacrificed to pension fund. Left service 31 March 2014

s left service 31 May 2013

t left service 28 July 2013

5. Remuneration (continued)

c) Termination payments

The Code requires the separate disclosure of the number and cost of compulsory and voluntary severance termination packages agreed during the year.

The majority of those who leave the TfL Group due to redundancy do so under TfL's voluntary severance terms, by choosing to accept the voluntary severance terms which are set out in a compromise agreement signed by both the employer and the employee on the termination of their employment. These employees are classified as leaving due to 'voluntary severance'. A small number of employees who leave due to redundancy do not wish to sign a compromise agreement and accept the voluntary terms. They are classified as having left due to 'compulsory redundancy'.

Termination payments disclosed in the tables below are reported on a cash paid basis to provide certainty on the amounts reported, and include pension contributions in respect of added years, ex-gratia payments and other related costs.

£	Group 2014 Number	Group 2014 £m	Group 2013 Number	Group 2013 £m
Non-compulsory exit packages				
0 - 20,000	49	0.6	44	0.5
20,001 - 40,000	37	1.0	40	1.2
40,001 - 60,000	43	2.3	35	1.7
60,001 - 80,000	21	1.5	23	1.6
80,001 - 100,000	14	1.2	17	1.6
100,001 - 150,000	9	1.0	23	2.7
150,001 - 200,000	5	0.8	10	1.7
200,001 - 250,000	-	-	4	0.9
250,001 - 300,000	2	0.6	3	0.8
Total non-compulsory exit packages	180	9.0	199	12.7
Compulsory exit packages				
20,001 - 40,000	-	-	1	-
40,001 - 60,000	2	0.1	-	-
Total	182	9.1	200	12.7

£	Corporation 2014 Number	Corporation 2014 £m	Corporation 2013 Number	Corporation 2013 £m
Non-compulsory exit packages				
0 - 20,000	35	0.5	24	0.3
20,001 - 40,000	26	0.7	26	0.8
40,001 - 60,000	28	1.5	24	1.2
60,001 - 80,000	9	0.6	12	0.8
80,001 - 100,000	5	0.4	11	1.0
100,001 - 150,000	1	0.1	14	1.6
150,001 - 200,000	4	0.7	7	1.2
200,001 - 250,000	-	-	4	0.9
250,001 - 300,000	-	-	2	0.5
Total non-compulsory exit packages	108	4.5	124	8.3
Compulsory exit packages				
20,001 - 40,000	-	-	-	-
40,001 - 60,000	-	-	-	-
Total	108	4.5	124	8.3

6. Other operating expenditure

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Net loss on disposal of property, plant and equipment and intangible assets	(121.9)	(121.8)	(2.7)	(0.2)
Total other operating expenditure	(121.9)	(121.8)	(2.7)	(0.2)

7. Financing and investment income

Note	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Interest income on bank deposits	21.2	18.3	20.7	17.8
Interest income on loans to subsidiaries	-	-	247.0	204.6
Change in fair value of investment properties	13	131.5	3.5	3.5
Net gain on disposal of investment properties	15.2	35.9	1.9	2.8
Other investment income	0.5	0.3	-	0.1
	214.5	186.0	273.1	228.8

8. Financing and investment expenditure

Note	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Interest payable on loans and derivatives	321.7	288.4	295.8	271.0
Interest payable on loans to subsidiaries	-	-	1.3	5.4
Interest payable on finance lease liabilities	56.0	63.5	8.4	8.5
Contingent rentals on PFI contracts	12.3	13.3	4.0	3.7
Premiums on early repayment of borrowings and finance lease liabilities	30.2	23.0	23.2	-
Net interest on defined benefit obligation	30	107.8	4.3	3.0
Other financing and investment expenditure	1.4	1.4	0.7	0.1
	543.4	497.4	337.7	291.7
Less: amounts capitalised into qualifying assets	(59.3)	(31.4)	-	-
	484.1	466.0	337.7	291.7

9. Grant income

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Non ring-fenced grant from the DfT used to fund operations	632.8	2,026.8	632.8	2,026.8
Other revenue grant received	846.0	145.8	845.9	145.8
Council tax precept	6.0	6.0	6.0	6.0
Total grants allocated to revenue	1,484.8	2,178.6	1,484.7	2,178.6
Non ring-fenced grant from the DfT used to fund capital	1,578.4	1,211.0	1,578.4	1,211.0
Ring-fenced grant used to fund capital expenditure relating to Crossrail	2,022.8	1,904.0	2,022.8	1,904.0
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	75.0	120.0	75.0	120.0
Other capital grants and contributions received	151.3	50.0	80.8	38.0
Total grants allocated to capital	3,827.5	3,285.0	3,757.0	3,273.0
Total grants	5,312.3	5,463.6	5,241.7	5,451.6
Allocation of capital grants				
	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Capital grant funding of subsidiaries	-	-	1,395.1	1,142.1
Applied capital grants (note 32)	3,262.1	2,699.2	1,796.5	1,545.1
Unapplied capital grants (note 34)	565.4	585.8	565.4	585.8
Total capital grants	3,827.5	3,285.0	3,757.0	3,273.0

10. Taxation

TfL Corporation is exempt from corporation tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief. Current tax credits relate to repayable tax credits in respect of claims for earlier periods for Land Remediation Relief and Enhanced Capital Allowances.

a) Corporation tax

The Group tax expense/(credit) for the year, based on the rate of corporation tax of 23 per cent (2013 24 per cent) comprised:

	Group 2014 £m	Group 2013 £m
UK corporation tax	0.1	-
Adjustments in respect of prior years	-	(0.2)
Total current tax expense/(credit)	0.1	(0.2)
Deferred tax	-	-
Total tax expense/(credit) for the year	0.1	(0.2)

Reconciliation of tax expense/(credit)

	Group 2014 £m	Restated Group 2013 £m
Surplus on the provision of services before tax	2,936.6	3,067.3
Surplus on the provision of services before tax multiplied by standard rate of corporation tax in the UK of 23% (2013 24%)	675.4	736.2
Effects of:		
Non-deductible expenses / (non-taxable income)	(144.9)	(43.4)
Permanent difference in TfL Corporation	(549.9)	(675.4)
Amount charged to current tax for which no deferred tax was recognised	(3.2)	(73.3)
Tax losses carried forward for which no deferred tax was recognised	22.9	56.4
Overseas earnings	(0.2)	(0.5)
Adjustments in respect of prior years	-	(0.2)
Total tax expense/(credit) for the year	0.1	(0.2)

10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,520.9m (2013 £2,237.6m) in respect of the following items:

	Group 2014 £m	Group 2013 £m
Deductible temporary differences	464.5	1,043.6
Tax losses	1,056.4	1,194.0
Unrecognised deferred tax asset	1,520.9	2,237.6

No net deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available against which the unused tax losses and unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date.

Their movements during the year were in respect of the following items:

	Balance at 1 April 2013 £m	Movement in period £m	Balance at 31 March 2014 £m
For the year ended 31 March 2014			
Deferred tax assets			
Property, plant and equipment	42.7	40.0	82.7
Derivative financial instruments	52.7	(17.8)	34.9
Total	95.4	22.2	117.6
Deferred tax liabilities			
Investment properties	(93.1)	(20.7)	(113.8)
Other	(2.3)	(1.5)	(3.8)
Total	(95.4)	(22.2)	(117.6)
Net deferred tax asset/(liability)	-	-	-

10. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year

	Balance at 1 April 2012 £m	Movement in period £m	Balance at 31 March 2013 £m
For the year ended 31 March 2013			
Deferred tax assets			
Property, plant and equipment	45.7	(3.0)	42.7
Derivative financial instruments	28.1	24.6	52.7
Total	73.8	21.6	95.4
Deferred tax liabilities			
Investment properties	(66.4)	(26.7)	(93.1)
Other	(7.4)	5.1	(2.3)
Total	(73.8)	(21.6)	(95.4)
Net deferred tax asset/(liability)	-	-	-

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties has increased due to changes in the market value of the properties.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances disclaimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £48.6m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has reduced due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 26 per cent to 24 per cent on 1 April 2012, from 24 per cent to 23 per cent on 1 April 2013, and from 23 per cent to 21 per cent on 1 April 2014. On 2 July 2013, a further Corporation Tax rate reduction to 20 per cent was enacted, to be effective from 1 April 2015.

As the Group's deferred tax balances are not expected to be settled until after 1 April 2015, deferred tax balances at 31 March 2014 have been calculated at a rate of 20 per cent.

No deferred tax asset has been recognised on the pension deficit of £2,482.2m as the principal employer is not a tax paying entity. Future tax deductions for some contributions will be made in the taxable entities, however no deferred tax assets are being recognised in these entities.

Notes to the Financial Statements (continued)

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2012		224.5	30.6	349.2	604.3
Additions		18.8	21.0	-	39.8
Transfers from property, plant and equipment	12	0.3	-	-	0.3
Transfers between asset classes		15.7	(15.7)	-	-
Disposals		(30.0)	-	-	(30.0)
At 31 March 2013		229.3	35.9	349.2	614.4
Additions		39.6	17.1	-	56.7
Net transfers to property, plant and equipment	12	-	(0.3)	-	(0.3)
Transfers between asset classes		14.6	(14.6)	-	-
Disposals		(8.9)	-	-	(8.9)
At 31 March 2014		274.6	38.1	349.2	661.9
Amortisation and impairment					
At 1 April 2012		141.1	-	349.2	490.3
Amortisation charge for the year	3	50.5	-	-	50.5
Disposals		(30.0)	-	-	(30.0)
At 31 March 2013		161.6	-	349.2	510.8
Amortisation charge for the year	3	35.5	-	-	35.5
Disposals		(7.0)	-	-	(7.0)
At 31 March 2014		190.1	-	349.2	539.3
Net book value at 31 March 2014		84.5	38.1	-	122.6
Net book value at 31 March 2013		67.7	35.9	-	103.6

Intangible assets under construction comprise software assets under development by the Group.

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2012		154.9	6.4	161.3
Additions		8.0	1.8	9.8
Transfers from property, plant and equipment	12	0.3	-	0.3
Transfers between asset classes		3.5	(3.5)	-
Disposals		(27.3)	-	(27.3)
At 31 March 2013		139.4	4.7	144.1
Additions		25.7	0.2	25.9
Transfers to property, plant and equipment	12	-	(0.4)	(0.4)
Transfers between asset classes		4.3	(4.3)	-
Disposals		(1.6)	-	(1.6)
At 31 March 2014		167.8	0.2	168.0
Amortisation and impairment				
At 1 April 2012		109.5	-	109.5
Amortisation charge for the year	3	33.5	-	33.5
Disposals		(27.3)	-	(27.3)
At 31 March 2013		115.7	-	115.7
Amortisation charge for the year	3	16.6	-	16.6
At 31 March 2014		132.3	-	132.3
Net book value at 31 March 2014		35.5	0.2	35.7
Net book value at 31 March 2013		23.7	4.7	28.4

Intangible assets under construction comprise software assets under development by TfL.

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2014 comprised the following elements:

Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2013 (restated)	27,443.7	4,319.4	1,336.1	7,443.3	40,542.5
Additions	112.9	0.2	88.3	3,038.6	3,240.0
Net transfers from intangible assets	11	-	-	0.3	0.3
Disposals	(48.4)	(162.5)	(96.3)	(102.9)	(410.1)
Transfers to investment properties	13	(1.4)	-	-	(1.4)
Transfers between asset classes		1,119.2	368.1	108.1	(1,595.4)
Revaluation		24.4	-	-	24.4
At 31 March 2014	28,650.4	4,525.2	1,436.2	8,783.9	43,395.7
Depreciation					
At 1 April 2013 (restated)	10,535.4	2,011.2	904.8	-	13,451.4
Depreciation charge for the year	3	748.1	127.7	110.8	986.6
Disposals		(34.1)	(158.5)	(94.9)	(287.5)
Revaluation		(24.2)	-	-	(24.2)
At 31 March 2014	11,225.2	1,980.4	920.7	-	14,126.3
Net book value at 31 March 2014	17,425.2	2,544.8	515.5	8,783.9	29,269.4
Net book value at 31 March 2013 (restated)	16,908.3	2,308.2	431.3	7,443.3	27,091.1
Net book value at 31 March 2012 (restated)	16,788.4	2,012.2	445.9	5,892.2	25,138.7

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2013 comprised the following elements:

Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2012 (restated)	26,843.0	4,069.0	1,374.5	5,892.2	38,178.7
Additions	121.9	2.4	22.7	2,860.5	3,007.5
Transfers to intangible assets	11	-	(0.3)	-	(0.3)
Disposals	(322.9)	(188.9)	(153.0)	-	(664.8)
Transfers between asset classes		780.3	436.9	92.2	(1,309.4)
Revaluation		21.4	-	-	21.4
At 31 March 2013 (restated)	27,443.7	4,319.4	1,336.1	7,443.3	40,542.5
Depreciation					
At 1 April 2012 (restated)	10,054.6	2,056.8	928.6	-	13,040.0
Depreciation charge for the year	3	710.8	120.1	120.7	951.6
Disposals		(230.0)	(165.7)	(144.5)	(540.2)
At 31 March 2013 (restated)	10,535.4	2,011.2	904.8	-	13,451.4

The Group holds its office buildings at fair value. All other items of property, plant and equipment are held at cost.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. The Group opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing costs ('IAS 23') and did not previously capitalise interest on projects that had already commenced prior to this transition date. Improvements included within the 'Annual Improvements to IFRSs 2009-2011 Cycle', however, incorporated changes to the guidance surrounding the capitalisation of borrowing costs. The changes stipulated that interest should be capitalised on projects that commenced prior to the transition date. The Company has restated comparative amounts on a retrospective basis for the impact of this change.

As a result, the total borrowing costs capitalised during the year were £59.3m (2013 £31.4m). The cumulative borrowing costs capitalised are £123.4m (2013 £64.1m).

At 31 March 2014, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,404.9m (2013 £3,776.1m).

12. Property, plant and equipment (continued)

c) Group PFI assets and other leased assets

The net book value above includes the following amounts in respect of PFI assets and other leased assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	965.3	45.3	16.7	1,027.3
Other leased assets	-	407.7	-	407.7
	965.3	453.0	16.7	1,435.0
Depreciation				
PFI assets	304.4	32.3	16.0	352.7
Other leased assets	-	121.4	-	121.4
	304.4	153.7	16.0	474.1
Net book value at 31 March 2014	660.9	299.3	0.7	960.9
Net book value at 31 March 2013	703.4	313.4	2.4	1,019.2

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

	2014 £m	2013 £m
Depreciation of owned assets	928.3	891.3
Depreciation of assets held under PFI	46.4	50.5
Depreciation of asset held under other leases	11.9	9.8
Total depreciation	986.6	951.6

12. Property, plant and equipment (continued)

e) Group office buildings

Office buildings are valued at fair value (open market value on an existing use basis), by DTZ, a property valuation company not connected with the Group, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2014 was £153.4m (2013 £108.3m) and the historic cost was £36.3m (2013 £37.6m).

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material, (including vehicles, posters and photographs), held to advance the preservation, conservation and education objects of the London Transport Museum. The collection consists of over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2014, the latest available insurance value for the collection was £24.3m (2013 £23.5m). The net book value of these assets at 31 March 2014 was £nil (2013 £nil).

12. Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2014 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2013		4,836.9	188.8	871.4	5,897.1
Additions		72.9	10.1	156.8	239.8
Transfers from intangible assets	11	-	-	0.4	0.4
Transfers to investment properties	13	(1.4)	-	-	(1.4)
Transfers between asset classes		75.5	26.0	(101.5)	-
Disposals		(11.2)	(43.6)	-	(54.8)
At 31 March 2014		4,972.7	181.3	927.1	6,081.1
Depreciation					
At 1 April 2013		2,345.3	141.1	-	2,486.4
Depreciation charge for the year	3	143.4	19.4	-	162.8
Disposals		(10.6)	(42.7)	-	(53.3)
At 31 March 2014		2,478.1	117.8	-	2,595.9
Net book value at 31 March 2014		2,494.6	63.5	927.1	3,485.2
Net book value at 31 March 2013		2,491.6	47.7	871.4	3,410.7

12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2013 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2012		4,863.8	197.8	883.7	5,945.3
Additions		48.1	0.5	88.5	137.1
Transfers to intangible assets	11	-	(0.3)	-	(0.3)
Disposals		(156.9)	(28.1)	-	(185.0)
Transfers between asset classes		81.9	18.9	(100.8)	-
At 31 March 2013		4,836.9	188.8	871.4	5,897.1
Depreciation					
At 1 April 2012		2,365.3	146.8	-	2,512.1
Depreciation charge for the year	3	136.2	22.3	-	158.5
Disposals		(156.2)	(28.0)	-	(184.2)
At 31 March 2013		2,345.3	141.1	-	2,486.4

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2013 £nil). The cumulative borrowing costs capitalised are also £nil (2013 £nil).

At 31 March 2014, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £144.5m (2013 £25.4m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets. In addition, within intangible assets, the Corporation holds a further leased software asset with a gross cost at 31 March 2014 of £4.9m (2013 £4.9m) and a depreciated net book value of £3.9m (2013 £4.9m).

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	209.1	16.7	225.8
Depreciation			
PFI assets	72.8	16.0	88.8
Net book value at 31 March 2014	136.3	0.7	137.0
Net book value at 31 March 2013	143.8	2.5	146.3

j) Depreciation charge

The total depreciation charge for the Corporation for the year comprised:

	2014 £m	2013 £m
Depreciation of owned assets	153.5	149.3
Depreciation of assets held under PFI	9.3	9.2
Total depreciation	162.8	158.5

k) Corporation office buildings

The Corporation did not have any office buildings.

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2012		307.7	21.6
Disposals		(11.4)	(11.4)
Fair value adjustments	7	131.5	3.5
At 31 March 2013		427.8	13.7
Additions		1.6	-
Transfers from property, plant and equipment	12	1.4	1.4
Disposals		(15.9)	(2.2)
Fair value adjustments	7	177.6	3.5
At 31 March 2014		592.5	16.4

The fair value of the Group's investment properties at 31 March 2014 has been arrived at on the basis of valuations carried out at that date by Cushman & Wakefield and DTZ, property valuation companies not connected with the Group.

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

Values are calculated using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties.

4. Investments in subsidiaries

	Corporation 2014 £m	Corporation 2013 £m
At 1 April	2,332.5	1,122.5
Investments in year	1,600.0	1,210.0
At 31 March	3,932.5	2,332.5

During the year, the Corporation increased its investment in ordinary share capital of Transport Trading Limited (TTL) by £1,600.0m (2013 £1,210.0m). TTL subsequently increased its investment in ordinary share capital in Crossrail Limited by the same amount.

The Group's principal subsidiaries are:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Tube Lines (Holdings) Limited	Holding company
Tube Lines Limited	Maintenance of underground lines
Tube Lines (Finance) Plc	Financing company
Rail for London Limited	Passenger transport by rail
Docklands Light Railway Limited	Passenger transport by rail
City Airport Rail Enterprises Plc	Construction and maintenance of DLR lines
City Airport Rail Enterprises (Holdings) Limited	Holding company
Woolwich Arsenal Rail Enterprises Limited	Construction and maintenance of DLR lines
Woolwich Arsenal Rail Enterprises (Holdings) Limited	Holding company
Tramtrack Croydon Limited	Passenger transport by tram
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride
Victoria Coach Station Limited	Coach station
TTL Earls Court Properties Ltd	Property investment holding company
TTL Properties Ltd	Property investment holding company
London River Services Limited	Pier operator
Crossrail Limited	Construction of Crossrail infrastructure
Transport for London Finance Limited	Manages financial risk of the Group
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Trading company
London Transport Insurance (Guernsey) Limited	Insurance

The Group holds 100 per cent of the share capital of all subsidiaries. The financial statements of these companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited.

5. Investment in associated undertakings

During the year the Group acquired, for a nominal consideration of £3,700, a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Ltd, a newly incorporated property development company, incorporated in England. The Group's investment is accounted for using the equity method in these consolidated accounts; however as trading had not yet commenced, as at 31 March 2014, the value of the Group's holding in the associate was immaterial.

6. Inventories

	Group 2014 £m	Group 2013 £m
Raw materials and consumables	46.9	41.1
Goods held for resale	0.8	0.9
	47.7	42.0

	Corporation 2014 £m	Corporation 2013 £m
Raw materials and consumables	5.1	3.8

There is no material difference between the balance sheet value of inventories and their net realisable value.

16. Inventories (continued)

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2012	37.6	2.9
Purchases in the year	60.2	4.8
Recognised as an expense in the year:		
Consumed in the year	(54.8)	(3.9)
Goods sold in the year	(0.9)	-
Write-offs in the year	(0.1)	-
Balance at 31 March 2013	42.0	3.8
Purchases in the year	76.1	8.7
Recognised as an expense in the year:		
Consumed in the year	(69.0)	(7.4)
Goods sold in the year	(1.1)	-
Write-offs in the year	(0.3)	-
Balance at 31 March 2014	47.7	5.1

17. Debtors

	Group 2014 £m	Group 2013 £m
Short-term		
Trade debtors	184.2	137.7
Capital debtors	10.3	8.5
Other debtors	29.8	40.7
Other tax and social security	84.8	98.5
Grant debtors	41.9	11.1
Amounts due relating to sale of non-current assets	22.8	27.9
Interest debtors	0.1	2.6
Accrued income	14.9	16.0
Prepayments for goods and services	179.5	141.8
	568.3	484.8
Long-term		
Amounts due from third parties	442.1	243.7
Amounts due relating to sale of non-current assets	1.0	8.0
Prepayments for goods and services	47.1	25.7
	490.2	277.4

Amounts due from third parties include funds totalling £450.1m (2013 £250.2m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £199.9m was advanced at periodic intervals during 2013/14. The receivable is non interest bearing and has been discounted to its fair value of £439.3m (2013 £243.7m) using a discount rate of 1.125 per cent (2013 2.453 per cent). It is repayable in full on 15 May 2016.

17. Debtors (continued)

	Corporation 2014 £m	Corporation 2013 £m
Short-term		
Trade debtors	17.2	26.2
Amounts due from subsidiary companies	148.7	311.9
Capital debtors	3.9	8.4
Other debtors	1.5	1.2
Other tax and social security	8.6	6.6
Grant debtors	35.0	-
Amounts due relating to sale of non-current assets	-	14.1
Interest debtors	-	2.4
Accrued income	2.9	5.8
Prepayments for goods and services	48.7	13.4
	266.5	390.0
Long-term		
Loans made to subsidiary companies	7,449.6	7,142.0
Prepayments for goods and services	1.9	-
	7,451.5	7,142.0

18. Other investments

	Group 2014 £m	Group 2013 £m
Short-term		
Investments held at amortised cost	4,432.8	3,583.8
Long-term		
Available for sale financial assets	203.4	209.2
	Corporation 2014 £m	Corporation 2013 £m
Short-term		
Investments held at amortised cost	4,415.1	3,583.8
Long-term		
Available for sale financial assets	203.4	209.2

Short-term investments relate to investments in UK Treasury bills, deposits with UK clearing banks, and also to Money Market Fund and repurchase agreement investments with a maturity of greater than three but less than twelve months. Long-term investments comprise long-term deposits and similar investments tradeable on an active market with a maturity of greater than twelve months.

19. Cash and cash equivalents

	Group 2014 £m	Group 2013 £m
Cash at bank	114.7	84.5
Cash in hand and in transit	21.6	15.9
	136.3	100.4

	Corporation 2014 £m	Corporation 2013 £m
Cash at bank	9.3	6.5

20. Creditors

	Group 2014 £m	Group 2013 £m
Short-term		
Trade creditors	158.1	150.6
Accrued interest	65.3	129.1
Capital works	639.7	578.8
Retentions on capital contracts	2.7	4.4
Capital grants received in advance	15.3	29.3
Wages and salaries	106.6	94.4
Other taxation and social security creditors	34.1	53.4
Receipts in advance for travelcards, bus passes and Oyster cards	356.6	307.6
Other deferred income	83.3	49.4
Accruals and other payables	558.7	594.8
	2,020.4	1,991.8
Long-term		
Trade creditors	9.1	9.6
Capital grants received in advance	2.4	2.2
Retentions on capital contracts	28.5	22.5
Other deferred income	24.6	16.4
Accruals and other payables	8.8	9.3
	73.4	60.0

20. Creditors (continued)

	Corporation 2014 £m	Corporation 2013 £m
Short-term		
Trade creditors	41.8	36.1
Accrued interest	61.7	124.1
Capital works	59.7	37.2
Retentions on capital contracts	0.2	1.6
Capital grants received in advance	15.3	29.3
Amounts due to subsidiary companies	218.4	221.9
Wages and salaries	21.7	20.8
Other taxation and social security creditors	6.3	19.5
Other deferred income	13.1	14.4
Accruals and other payables	175.9	149.2
	614.1	654.1
Long-term		
Capital grants received in advance	2.4	2.2
Retentions on capital contracts	0.7	0.1
Other deferred income	10.7	7.9
Accruals and other payables	0.2	-
	14.0	10.2

21. Borrowings and overdrafts

	Group 2014 £m	Group 2013 £m
Short-term		
Borrowings	709.2	1,138.4
Long-term		
Borrowings	7,158.1	6,393.2
	7,867.3	7,531.6
Corporation		
	2014 £m	2013 £m
Short-term		
Borrowings	709.2	1,138.4
Long-term		
Borrowings	7,167.1	6,409.8
	7,876.3	7,548.2

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 29 (Funding and financial risk management).

On 7 March 2014, the Corporation agreed a 50-year £370m bond at a fixed rate of four per cent per annum with a delayed settlement date of 7 April 2014. The bond will form part of TfL's £650m incremental borrowing agreed with Government for 2014/15 and has not been recognised as a liability in these financial statements in accordance with IAS 39 Financial instruments: recognition and measurement.

22. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2014			
Not later than one year	127.5	(51.7)	75.8
Later than one year but not later than two years	133.5	(46.9)	86.6
Later than two years but not later than five years	348.6	(107.6)	241.0
Later than five years	563.9	(145.5)	418.4
	1,173.5	(351.7)	821.8
At 31 March 2013			
Not later than one year	124.9	(56.0)	68.9
Later than one year but not later than two years	127.5	(51.7)	75.8
Later than two years but not later than five years	381.5	(123.8)	257.7
Later than five years	664.5	(176.2)	488.3
	1,298.4	(407.7)	890.7
		2014	2013
		£m	£m
Principal outstanding			
Short-term		75.8	68.9
Long-term		746.0	821.8
		821.8	890.7

22. Finance lease liabilities (continued)

b) Corporation finance lease liabilities

The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2014			
Not later than one year	16.0	(8.1)	7.9
Later than one year but not later than two years	18.7	(7.8)	10.9
Later than two years but not later than five years	53.6	(20.3)	33.3
Later than five years	165.3	(34.0)	131.3
	253.6	(70.2)	183.4
At 31 March 2013			
Not later than one year	17.0	(8.4)	8.6
Later than one year but not later than two years	16.0	(8.1)	7.9
Later than two years but not later than five years	55.2	(21.9)	33.3
Later than five years	182.3	(40.2)	142.1
	270.5	(78.6)	191.9
		2014	2013
		£m	£m
Principal outstanding			
Short-term		7.9	8.6
Long-term		175.5	183.3
		183.4	191.9

23. Private finance initiative contracts

Private Finance Initiative contracts accounted for under IFRIC 12 Service concession arrangements

The Group is party to the following Private Finance Initiative ('PFI') arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 Service concession arrangements ('IFRIC 12').

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

In accordance with IFRIC 12, the unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession Company and the payment mechanisms defined in the contract.

23. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited ('LU')		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited ('DLR')		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

23. Private finance initiative contracts (continued)

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance liabilities in note 22.

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
At 1 April	546.8	674.2	187.1	195.0
Payments	(85.9)	(164.1)	(15.8)	(16.4)
Interest	29.8	36.7	8.1	8.5
At 31 March	490.7	546.8	179.4	187.1

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
As at 31 March 2014				
Less than 1 year	26.6	60.0	71.0	157.6
Between 1 to 5 years	59.6	170.9	159.9	390.4
Between 5 to 10 years	36.8	170.7	282.5	490.0
Between 10 to 15 years	10.4	84.1	184.9	279.4
Between 15 to 20 years	0.2	5.0	23.4	28.6
	133.6	490.7	721.7	1,346.0

As at 31 March 2013

Less than 1 year	29.8	56.1	70.9	156.8
Between 1 to 5 years	68.7	156.4	149.4	374.5
Between 5 to 10 years	48.6	213.1	298.8	560.5
Between 10 to 15 years	15.5	108.6	226.3	350.4
Between 15 to 20 years	0.8	12.6	47.3	60.7
	163.4	546.8	792.7	1,502.9

23. Private finance initiative contracts (continued)

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
As at 31 March 2014				
Less than 1 year	7.8	6.9	13.3	28.0
Between 1 to 5 years	27.4	41.3	73.1	141.8
Between 5 to 10 years	24.2	54.5	134.8	213.5
Between 10 to 15 years	9.7	71.7	149.9	231.3
Between 15 to 20 years	0.2	5.0	23.4	28.6
	69.3	179.4	394.5	643.2

As at 31 March 2013

Less than 1 year	8.1	7.6	12.6	28.3
Between 1 to 5 years	29.0	37.3	66.6	132.9
Between 5 to 10 years	26.4	51.1	124.4	201.9
Between 10 to 15 years	13.1	78.5	156.2	247.8
Between 15 to 20 years	0.8	12.6	47.3	60.7
	77.4	187.1	407.1	671.6

24. Derivative financial instruments

Group: cash flow hedges

	Fair value 2014 £m	Notional amount 2014 £m	Fair value 2013 £m	Notional amount 2013 £m
Short-term liabilities				
Foreign currency forward contracts	0.3	7.0	-	-
Long-term liabilities				
Interest rate swaps	67.5	832.0	116.3	834.4

The Corporation has not entered into any derivative financial instruments.

25. Provisions

a) Group provisions

	At 1 April 2013 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2014 £m
Compensation and contractual	32.3	(11.2)	90.5	(24.3)	87.3
Capital investment activities	203.5	(51.1)	133.6	(59.2)	226.8
Environmental harm	1.4	-	-	-	1.4
Severance and other	4.5	(1.0)	39.5	(2.7)	40.3
	241.7	(63.3)	263.6	(86.2)	355.8

	2014 £m	2013 £m
Due		
Short-term	201.2	162.3
Long-term	154.6	79.4
At 31 March	355.8	241.7

25. Provisions (continued)

b) Corporation provisions

	At 1 April 2013 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2014 £m
Compensation and contractual	14.0	(7.8)	28.1	(19.3)	15.0
Capital investment activities	203.5	(51.1)	133.6	(59.2)	226.8
Severance and other	3.2	(0.7)	4.3	(1.9)	4.9
	220.7	(59.6)	166.0	(80.4)	246.7

	2014 £m	2013 £m
Due		
Short-term	120.0	151.6
Long-term	126.7	69.1
At 31 March	246.7	220.7

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims. Estimates are made with reference to relevant market trends. Management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next year.

Severance and other

Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims.

26. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

27. Guarantees

Section 160 of the Greater London Authority Act 1999 (the 'GLA Act') sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under Section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for 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.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with City Link	502
Agreement with QW Rail Leasing Ltd	380
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

27. Guarantees (continued)

In addition TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees London Underground Limited's termination obligations under the Northern line train service contracts and the Jubilee Line Agreement. It guarantees Docklands Light Railway Limited's intercompany obligations to City Airport Railway Enterprises PLC ('CARE') and Woolwich Arsenal Railway Enterprises Limited ('WARE') under the CARE and WARE service contracts.

TfL guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2014 is £67.8m (2013 £116.3m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

All guarantees granted by TfL are over obligations of its subsidiaries which are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2014 the fair value of all financial guarantees granted has been recorded as £nil (2013 £nil).

28. Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2014					
Within one year	53.8	10.1	4.5	17.7	86.1
Between one and two years	49.2	4.8	2.4	18.5	74.9
Between two and five years	128.5	6.2	1.0	93.5	229.2
Later than five years	381.1	7.5	-	219.2	607.8
	612.6	28.6	7.9	348.9	998.0
At 31 March 2013					
Within one year	51.9	9.0	4.7	16.4	82.0
Between one and two years	49.8	4.6	3.1	16.4	73.9
Between two and five years	132.3	6.7	1.2	49.1	189.3
Later than five years	474.9	3.7	-	151.4	630.0
	708.9	24.0	9.0	233.3	975.2

28. Financial commitments (continued)

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that its holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2014				
Within one year	47.2	9.0	0.2	56.4
Between one and two years	42.3	5.5	0.1	47.9
Between two and five years	87.3	3.9	-	91.2
Later than five years	543.5	1.9	-	545.4
	720.3	20.3	0.3	740.9
At 31 March 2013				
Within one year	42.3	7.6	0.3	50.2
Between one and two years	36.7	3.8	0.1	40.6
Between two and five years	80.6	4.8	-	85.4
Later than five years	423.6	3.9	-	427.5
	583.2	20.1	0.4	603.7

28. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation operating lease agreements primarily relate to office space. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Total £m
At 31 March 2014		
Within one year	18.3	18.3
Between one and two years	18.2	18.2
Between two and five years	54.1	54.1
Later than five years	148.5	148.5
	239.1	239.1
At 31 March 2013		
Within one year	19.2	19.2
Between one and two years	19.2	19.2
Between two and five years	57.2	57.2
Later than five years	186.5	186.5
	282.1	282.1

28. Financial commitments (continued)

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2014		
Within one year	4.0	4.0
Between one and two years	3.8	3.8
Between two and five years	10.8	10.8
Later than five years	17.4	17.4
	36.0	36.0
At 31 March 2013		
Within one year	1.2	1.2
Between one and two years	1.1	1.1
Between two and five years	2.2	2.2
Later than five years	6.6	6.6
	11.1	11.1

29. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 ('the GLA Act'). TfL is funded by revenues (predominantly fares), grant and prudential borrowing. The majority of the Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board and the European Investment Bank, Medium Term Notes under the £5 billion TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2 billion TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy also takes account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued in 2011 for Treasury Management in the Public Services, the Local Government Act 2003, the Capital Finance and Accounts Regulations 2003 and the fully revised second edition of CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2011, in managing the financial risks faced by the Group.

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Managing Director, Finance and the Chief Finance Officer. An annual report on overall performance against approved strategy is considered by the Finance and Policy Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only.

29. Funding and financial risk management (continued)

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the Board of Transport for London annually approves indicators for prudent and affordable borrowing, estimates of capital expenditure and for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum in-year incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Liquidity risk
- Market risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The Board of Transport for London, through its Finance and Policy Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

29. Funding and financial risk management (continued)

(i) Trade and other receivables

The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2014					
Trade debtors	14.6	3.3	2.5	2.4	22.8
Group – 2013					
Trade debtors	36.3	2.6	1.0	2.6	42.5
Corporation – 2014					
Trade debtors	2.4	1.7	0.1	-	4.2
Corporation – 2013					
Trade debtors	3.9	0.9	-	-	4.8

29. Funding and financial risk management (continued)

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and Department for Communities and Local Government Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are only made with institutions included on an Approved Investment List and within limits approved by the Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; or, v) selected Money Market Funds with high credit ratings.

In determining whether to place an institution on the Approved Investment List, TfL considers the credit rating, financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to the credit rating of the institution (in the range of A+ to AAA) at the time of making the deposit.

TfL holds collateral related to its reverse repurchase agreement investments. As at 31 March 2014 the fair value of the collateral held amounted to £830.0m (2013 £nil). TfL has not exercised its right to sell or re-pledge the collateral.

The centrally managed cash reserves at 31 March 2014 totalled £4,618.5m (2013 £3,793.0m). TfL's operational cash reserves at 31 March 2014 were £2,588.2m (2013 £2,335.0m).

29. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2014			
UK Debt Management Office	1,042.9	AAA/Aa1/AA+	92
Government guaranteed supranationals	573.5	AAA/Aaa/AAA	269
Other Government Agencies	1,364.2	AA- to AAA	158
Money Market Funds	448.0	AAA	1
UK Banks	1,154.5	Minimum A-	49
Non-UK Sovereign Funds	35.4	AAA/Aaa/AAA	550
Total	4,618.5		117
At 31 March 2013			
UK Debt Management Office	788.3	AAA/Aa1/AAA	46
Government guaranteed supranationals	470.4	AAA/Aa1/AAA	302
Other Government Agencies	1,732.2	Minimum Aa1	108
Money Market Funds	424.5	AAA	1
UK Banks	377.6	A/A2/A to AA-/Aa3/AA-	75
Total	3,793.0		104

29. Funding and financial risk management (continued)

(iii) Derivative financial instruments

Counterparty Limits are established and monitored in accordance with TfL's policy relating to the use of Derivative Investments. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place which limit the exposure with each bank to a threshold, which if breached, allows TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under Section 160 of the GLA Act, as disclosed in note 27, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2014, the fair value of the Corporation's financial guarantees has been assessed as £nil (2013 £nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from Commercial Banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

The contractual maturities of the Group and Company's financial liabilities are listed later in this note.

29. Funding and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all derivatives are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 Financial Instruments: Recognition and measurement ('IAS 39'), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2014 and 2013, no ineffectiveness was recognised and all derivatives were assessed as highly effective. Accordingly, the movement in the fair value of the derivatives was taken to reserves.

Foreign exchange risk

The Group has no material financial assets or liabilities denominated in foreign currencies, and thus has no translation exposure to gains or losses arising from movements in exchange rates. For 2013/14, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. As at 31 March 2014, the Group held forward foreign exchange contracts to hedge planned future euro payments related to the purchase of tram rolling stock. The maturity of these contracts is disclosed later in this note.

The amount of unrealised losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve in respect of these anticipated future transactions in the year was £0.3m (2013 £nil). It is anticipated that the purchases of tram rolling stock will take place over the period to 28 June 2016, at which time the amount deferred in reserves will be included in the carrying amount of the asset acquired.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Investment Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

29. Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

As at 31 March 2014 the Group holds Euro forward foreign exchange contracts, to hedge purchases of tram rolling stock, with a combined nominal value of £7.0m (2013 £nil) which are designated as cash flow hedges.

A 10 per cent increase/(decrease) in GBP against the Euro would (decrease)/increase the fair value of these derivative instruments by £(0.6)m / £0.8m (2013 £(nil) / £nil).

The Group has no other material exposure to foreign exchange rate movements.

Interest rate risk

As at 31 March 2014, 98 per cent (2013 90 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 2 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowing TfL employs a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in transport infrastructure in the Business Plan. As at 31 March 2014, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a notional value of £832m (2013 18 interest rate swaps at a total notional value of £834m). The net fair value of these contracts at 31 March 2014 was a liability of £67.5m (2013 £116.3m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. In addition, a cost of £0.5m, representing the cash settled net cost of gilt locks taken out to hedge the interest rate on £150m of the £300m 20 year 4.0 per cent bond issued during the year, has been deferred in the hedging reserve and is being released to profit or loss over the term of the bond to which it relates. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

The maturity of the forward fixing contracts is disclosed later in this note.

The Group is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

29. Funding and financial risk management (continued)

Sensitivity analysis on interest rate risk

Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

Fair value sensitivity analysis for derivative instruments

As at 31 March 2014, the Group holds interest rate derivative contracts with a combined notional value of £832m (2013 £834m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £47.4m / (£51.6m) (2013 £55.5m / (£55.4m)).

Inflation risk

The Group has a number of exposures to inflation including staff pay awards and fares revenue. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. At present, the risk is partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

29. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's derivatives have the following maturities:

	2014 Average exchange rate	2014 Fair value £m	2014 Notional amount £m	2013 Average exchange rate	2013 Fair value £m	2013 Notional amount £m
Foreign currency forward contracts						
Buy euro						
6 to 12 months months	0.869	(0.3)	7.0	-	-	-
Total	0.869	(0.3)	7.0	-	-	-
	2014 Average contracted fixed interest rate (%)	2014 Fair value £m	2014 Notional amount £m	2013 Average contracted fixed interest rate (%)	2013 Fair value £m	2013 Notional amount £m
Interest rate hedges						
Less than one year	-	-	-	-	-	-
Between two and five years	3.357	(22.3)	350.0	3.273	(27.6)	250.0
After five years	3.821	(45.2)	482.0	3.775	(88.7)	584.4
Total	3.626	(67.5)	832.0	3.624	(116.3)	834.4

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

29. Funding and financial risk management (continued)

Maturity profile of derivatives

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2014					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	6.7	-	-	-	6.7
Amounts payable	(7.0)	-	-	-	(7.0)
Derivatives settled net					
Interest rate swaps	(22.6)	(20.4)	(26.4)	(3.0)	(72.4)
	(22.9)	(20.4)	(26.4)	(3.0)	(72.7)
Group – 2013					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	-	-	-	-	-
Amounts payable	-	-	-	-	-
Derivatives settled net					
Interest rate swaps	(18.0)	(23.9)	(61.3)	(18.0)	(121.2)
	(18.0)	(23.9)	(61.3)	(18.0)	(121.2)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2014, the fair value of the interest rate derivatives was a net liability of £67.5m (2013 £116.3m). The fair value of forward foreign exchange derivatives was a liability of £0.3m (2013 £nil).

29. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - 2014					
Trade and other creditors	1,565.3	46.4	-	-	1,611.7
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	127.5	133.5	348.6	563.9	1,173.5
	2,700.8	502.2	1,606.6	12,451.3	17,260.9
Group - 2013					
Trade and other creditors	1,605.5	41.4	-	-	1,646.9
Borrowings - principal	1,139.6	26.3	432.7	5,966.0	7,564.6
Borrowings - interest	285.4	269.8	790.8	4,673.8	6,019.8
Finance lease liabilities	124.9	127.5	381.5	664.5	1,298.4
	3,155.4	465.0	1,605.0	11,304.3	16,529.7
Corporation - 2014					
Trade and other payables	585.7	0.9	-	-	586.6
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	16.0	18.7	53.6	165.3	253.6
	1,609.7	341.9	1,311.6	12,052.7	15,315.9
Corporation - 2013					
Trade and other payables	610.4	0.1	-	-	610.5
Borrowings - principal	1,139.6	26.3	432.7	5,966.0	7,564.6
Borrowings - interest	285.4	269.8	790.8	4,673.8	6,019.8
Finance lease liabilities	17.0	16.0	55.2	182.3	270.5
	2,052.4	312.2	1,278.7	10,822.1	14,465.4

29. Funding and financial risk management (continued)

Fair values

In accordance with IAS 39, the fair values of the financial assets and liabilities are calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.
 - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
 - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount.

29. Funding and financial risk management (continued)

Fair values

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2014 Carrying value £m	2014 Fair value £m	2013 Carrying value £m	2013 Fair value £m
Cash and cash equivalents	136.3	136.3	100.4	100.4
Long-term investments	203.4	203.4	209.2	209.2
Short-term investments	4,432.8	4,432.8	3,583.8	3,583.8
Trade and other debtors *	831.9	831.9	594.7	594.7
Total financial assets	5,604.4	5,604.4	4,488.1	4,488.1
Trade and other creditors	1,611.6	1,611.6	1,646.9	1,646.9
Borrowings	7,867.3	9,183.6	7,531.6	8,527.4
Finance lease liabilities	821.8	821.8	890.7	890.7
Derivative financial instruments	67.8	67.8	116.3	116.3
Total financial liabilities	10,368.5	11,684.8	10,185.5	11,181.3
Net financial liabilities	(4,764.1)	(6,080.4)	(5,697.4)	(6,693.2)

* Figures for the prior year have been amended to align with the current year presentation.

29. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IAS 39, together with the carrying amounts recorded in the balance sheet are:

	2014 Carrying value £m	2014 Fair value £m	2013 Carrying value £m	2013 Fair value £m
Cash and cash equivalents	9.3	9.3	6.5	6.5
Long-term investments	203.4	203.4	209.2	209.2
Short-term investments	4,415.1	4,415.1	3,583.8	3,583.8
Trade and other debtors *	7,667.4	7,667.4	7,518.6	7,518.6
Total financial assets	12,295.2	12,295.2	11,318.1	11,318.1
Trade and other creditors	586.6	586.6	610.6	610.6
Borrowings	7,876.3	9,183.6	7,548.2	8,527.4
Finance lease liabilities	183.4	183.4	191.9	191.9
Total financial liabilities	8,646.3	9,953.6	8,350.7	9,329.9
Net financial assets	3,648.9	2,341.6	2,967.4	1,988.2

* Figures for the prior year have been amended to align with the current year presentation.

30. Pensions

The majority of the Group's staff are members of either the Public Sector Section or the Tube Lines Section of the TfL Pension Fund. The majority of the Group's remaining staff belong to the Local Government Pension Scheme, the Principal Civil Service Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
	Note			
TfL Pension Fund	295.9	235.7	-	-
Local Government Pension Scheme	(0.2)	0.2	(0.2)	0.2
Unfunded schemes provision	2.0	3.1	2.0	2.4
Total for schemes accounted for as defined benefit	297.7	239.0	1.8	2.6
TfL Pension Fund	-	-	54.2	51.5
Principal Civil Service Pension Scheme	0.7	0.7	0.7	0.6
Other schemes	20.5	10.6	2.5	0.3
Amounts included in net cost of services	318.9	250.3	59.2	55.0
Less: scheme expenses	(9.6)	(9.5)	(0.1)	(0.1)
Amount included in staff costs	309.3	240.8	59.1	54.9

The service cost for the Corporation for the TfL Pension Fund represents the employer's contributions payable.

30. Pensions (continued)

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

TfL Pension Fund

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2012 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2013 until 31 March 2020 will continue to be 31.0 per cent, with an additional lump sum payment due by March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2020.

For the Tube Lines Section, employers' contributions from 1 April 2013 increased from 20.95 per cent to 23.15 per cent, with additional lump sum contributions of £1.02m per month from 1 April 2012 until 31 October 2015 (adjusted annually for inflation each 1 April). The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 October 2015.

The underlying assets and defined benefit obligation of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with the Code, the Corporation treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The pension cost recognised in the Corporation's financial statements for the Public Sector Section is the amount of contributions payable to the scheme during the year.

A separate valuation of the Public Sector and Tube Lines sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2014. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2012. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2011 projections with a long term improvement rate of 1.0 per cent per annum.

30. Pensions (continued)

b) Defined benefit schemes

Local Government Pension Scheme

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 16.5 per cent (2012/13 15.8 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £35.2m (2012/13 £35.6m). The last full actuarial valuation was carried out at 31 March 2013. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

Unfunded pension costs

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

In addition, the Group also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees;
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions;
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund.

On 31 March 2013, the obligations of subsidiary companies in respect of these costs were transferred to the Corporation. Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2014 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2014 was £71.1m (2013 £67.8m), and is fully provided for in these financial statements.

30. Pensions (continued)

(b) Defined benefit schemes

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2014 %	IAS 19 valuation at 31 March 2013 %
RPI Inflation	3.20-3.70	3.35-3.40
CPI Inflation	2.90	2.60
Rate of increase in salaries	3.70-4.70	3.85-4.30
Rate of increase in pensions in payment and deferred pensions	2.90-3.30	2.60-3.35
Discount rate	4.05-4.5	3.75-4.60

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £170.5m (increase by £174.8m).
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £51.5m (decrease by £51.0m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £309.4m (decrease by £312.7m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £139.2m (decrease by £154.1m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

30. Pensions (continued)

c) Accounting

The total assets in the Schemes were:

	2014 Value at 31 March £m	2013 Value at 31 March £m
Equities and alternatives	5,280.2	4,751.6
Bonds	1,984.8	2,026.2
Cash and other	24.8	7.4
Total fair value of assets	7,289.8	6,785.2

The TfL Pension Fund's and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2014 %	31 March 2013 %
Equities	73	70
Bonds	27	30
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

30. Pensions (continued)

Total pension deficit at the end of the year

Group	2014 £m	2013 £m
Fair value of scheme assets	7,289.8	6,785.2
Actuarial valuation of defined benefit obligation	(9,772.0)	(9,598.4)
Deficit recognised as a liability in the balance sheet	(2,482.2)	(2,813.2)

Group	2014 £m	2013 £m
TfL Pension Fund – Public Sector section	(2,328.1)	(2,629.6)
TfL Pension Fund – Tube Lines section	(47.8)	(80.2)
Local Government Pension Scheme	(35.2)	(35.6)
Unfunded schemes provision	(71.1)	(67.8)
Deficit recognised as a liability in the balance sheet	(2,482.2)	(2,813.2)

Corporation	2014 £m	2013 £m
Fair value of scheme assets	41.7	35.0
Actuarial valuation of defined benefit obligation	(148.0)	(138.4)
Deficit recognised as a liability in the balance sheet	(106.3)	(103.4)

Corporation	2014 £m	2013 £m
Local Government Pension Scheme	(35.2)	(35.6)
Unfunded schemes provision	(71.1)	(67.8)
Deficit recognised as a liability in the balance sheet	(106.3)	(103.4)

30. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Current service cost	284.7	227.9	1.6	1.6
Past service cost	1.9	1.6	1.9	0.9
Curtailment and settlements	1.5	-	(1.8)	-
Total included in staff costs	288.1	229.5	1.7	2.5
Scheme expenses	9.6	9.5	0.1	0.1
Total amount charged to net cost of services	297.7	239.0	1.8	2.6

Amounts charged to financing and investment expenditure

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Net interest expense on scheme defined benefit obligation	121.8	107.8	4.3	3.0

Amount recognised in other comprehensive income and expenditure

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Actuarial (gain)/loss recognised in the year	(460.2)	448.4	3.2	(0.2)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Wholly unfunded schemes	71.1	67.8	71.1	67.8
Wholly or partly funded schemes	9,700.9	9,530.6	76.9	70.6
Total scheme defined benefit obligation	9,772.0	9,598.4	148.0	138.4

30. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Actuarial value of defined benefit obligation at start of year	9,598.4	8,249.9	138.4	94.9
Defined benefit obligation acquired in the year	-	4.9	-	37.9
Current service cost	284.7	227.9	1.6	1.6
Interest cost	416.5	390.9	6.0	4.3
Employee contributions	44.7	42.5	0.4	0.5
Remeasurement (gains)/losses on scheme liabilities:				
Net remeasurement - financial	(101.2)	865.9	5.4	4.7
Net remeasurement - experience	(216.6)	203.9	1.4	(1.1)
Net remeasurement - demographic	(27.3)	(94.4)	(1.3)	(1.3)
Actual benefit payments	(279.0)	(294.7)	(5.8)	(4.0)
Past service cost	1.9	1.6	1.9	0.9
Settlements and curtailments	49.9	-	-	-
Actuarial value of defined benefit obligation at end of year	9,772.0	9,598.4	148.0	138.4

Reconciliation of fair value of the scheme assets

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Fair value of assets at start of year	6,785.2	5,957.2	35.0	25.5
Assets acquired in the year	-	5.0	-	5.0
Expected return on assets net of expenses	294.7	283.1	1.7	1.3
Scheme expenses	(9.6)	(9.5)	(0.1)	(0.1)
Return on assets excluding interest income and other net gains on assets	115.1	527.0	2.3	2.5
Actual employer contributions	286.1	270.5	2.2	2.1
Employee contributions	44.7	42.5	0.4	0.5
Actual benefits paid	(274.8)	(290.6)	(1.6)	(1.8)
Settlements and curtailments	48.4	-	1.8	-
Fair value of assets at end of year	7,289.8	6,785.2	41.7	35.0

30. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was £409.8m (2012/13 £800.6m).

Total contributions of £296.4m are expected to be made to the schemes in the year ending 31 March 2015.

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2007. Details can be found in the Civil Service Superannuation Resource Accounts (<http://www.civilservice.gov.uk/pensions>).

Employers' contributions are payable to the PCSPS at one of four rates in the range 16.7 per cent to 25.8 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 52 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2010. The actuarial report showed that there was a deficit of £3.9m for the total Omnibus Section.

The findings of the 2010 valuation report were translated into the current contribution level of 30 per cent, effective from 1 July 2012. The pension charge for the year was £6.0 million (2012/13 £4.5 million).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with contributions amounting to £21.2m (2012/13 £10.6m). The Tube Lines defined contribution scheme is one such scheme with contributions amounting to £8.9m (2012/13 £4.3m).

31. Cash flow notes

a) Adjustments to net surplus for non-cash movements

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Depreciation of property, plant and equipment and amortisation of intangibles	1,022.1	1,002.1	179.4	192.0
Loss on disposal of property, plant and equipment	121.9	121.8	2.7	0.2
Gain on sale of investment property	(15.2)	(35.9)	(1.9)	(2.8)
Movements in the value of investment properties	(177.6)	(131.5)	(3.5)	(3.5)
Financing income	(21.7)	(18.6)	(267.7)	(222.5)
Financing expense	484.1	466.0	337.7	291.7
Capital grants received	(3,827.5)	(3,285.0)	(3,757.0)	(3,273.0)
Capital grants paid to subsidiaries	-	-	1,395.1	1,142.1
Reversal of defined benefit pension service costs	297.7	239.0	1.8	2.6
Reversal of taxation credit	0.1	(0.2)	-	-
Adjustments to net surplus for non-cash movements before movements in working capital	(2,116.1)	(1,642.3)	(2,113.4)	(1,873.2)
Increase in creditors	54.4	25.8	18.4	17.5
(Increase)/decrease in debtors	(78.6)	1.0	135.2	(269.6)
Increase in inventories	(5.7)	(4.4)	(1.3)	(0.9)
Increase/decrease in provisions	90.8	(11.7)	2.7	(2.1)
Adjustments to net surplus for non-cash movements after movements in working capital	(2,055.2)	(1,631.6)	(1,958.4)	(2,128.3)
Net cash (payments)/receipts for employers' contributions to defined benefit pension funds and direct payments to pensioners	(290.3)	(274.6)	(6.4)	28.5
Taxation (paid)/received	(0.1)	0.2	-	-
Total adjustments to net surplus for non-cash movements	(2,345.6)	(1,906.0)	(1,964.8)	(2,099.8)

31. Cash flow notes (continued)

b. Investing activities

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Interest received	24.2	17.9	270.2	221.7
Capital grants received	3,782.9	3,320.4	3,708.3	3,298.1
Capital grants paid to subsidiaries	-	-	(1,395.1)	(1,142.1)
Purchase of property, plant and equipment and investment property	(3,154.7)	(3,028.2)	(190.3)	(170.2)
Purchase of intangible assets	(56.6)	(39.7)	(25.8)	(9.7)
Proceeds from the sale of property, plant and equipment and intangible assets	2.5	2.8	0.4	0.6
Net purchases of other investments	(843.5)	(1,209.8)	(825.8)	(1,218.4)
Interim financing advanced to third parties for the Crossrail project	(199.9)	(89.8)	-	-
Issue of loans to subsidiaries (net of repayments)	-	-	(307.6)	(643.1)
Issue of loans to associated undertakings	-	-	-	-
Proceeds from sale of investment property	43.3	19.4	18.2	1.7
Payments to acquire subsidiaries/investments in subsidiaries	-	(1.5)	(1,600.0)	(1,210.0)
Net cash flows from investing activities	(401.8)	(1,008.5)	(347.5)	(871.4)

c. Financing activities

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	(68.9)	(136.8)	(8.5)	(3.0)
Proceeds from new borrowing	435.1	428.5	435.1	438.9
Repayments of borrowings	(107.1)	(21.3)	(107.1)	(21.3)
Premiums paid on early repayment of borrowings and finance lease liabilities	(23.2)	(23.0)	(23.2)	-
Cash paid on settlement of derivatives	(0.5)	(81.9)	-	-
Interest paid	(388.6)	(296.9)	(372.5)	(258.1)
Net cash flows from financing activities	(153.2)	(131.4)	(76.2)	156.5

32. Unusable reserves

	2014 £m	Restated 2013 £m
Group		
Capital adjustment account	18,669.3	16,254.2
Pension reserve	(2,434.4)	(2,733.0)
Accumulated absences reserve	(6.0)	(5.8)
Retained earnings reserve in subsidiaries	1,079.3	1,165.3
Revaluation reserve	117.1	70.7
Hedging reserve	(174.7)	(229.3)
Available for sale reserve	-	0.3
Financial instruments adjustment account	(218.1)	(205.7)
Merger reserve	466.1	466.1
At 31 March	17,498.6	14,782.8

	2014 £m	2013 £m
Corporation		
Capital adjustment account	6,434.5	4,814.7
Pension reserve	(106.3)	(103.4)
Accumulated absences reserve	(6.0)	(5.8)
Available for sale reserve	-	0.3
Financial instruments adjustment account	(218.1)	(205.7)
At 31 March	6,104.1	4,500.1

32. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Balance at 1 April		16,254.2	14,661.9	4,814.7	3,455.5
Charges for depreciation and impairment of non current assets	11, 12	(179.4)	(192.0)	(179.4)	(192.0)
Gain on disposal of investment property	7	1.9	2.8	1.9	2.8
Movements in the market value of investment properties	7	3.5	3.5	3.5	3.5
Capital grants and contributions	9	3,262.1	2,699.2	1,796.5	1,545.1
Loss on disposal of non current assets	6	(2.7)	(0.2)	(2.7)	(0.2)
Adjustments between Group and Corporation financial statements	*	(670.3)	(921.0)	-	-
Balance at 31 March		18,669.3	16,254.2	6,434.5	4,814.7

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Income and Expenditure statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

32. Unusable reserves (continued)

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2014 £m	Restated Group 2013 £m	Corporation 2014 £m	Restated Corporation 2013 £m
Balance at 1 April	(2,733.0)	(2,203.7)	(103.4)	(69.4)
Actuarial gains and losses on pension assets and defined benefit obligations	434.9	(416.1)	(3.2)	0.3
Reversal of charges relating to retirement benefits	(403.9)	(364.7)	(6.1)	(38.8)
Employer's pension contributions and direct payments to pensioners payable in the year	267.6	251.5	6.4	4.5
Balance at 31 March	(2,434.4)	(2,733.0)	(106.3)	(103.4)

32. Unusable reserves (continued)

Accumulated absences reserve

The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Balance at 1 April	(5.8)	(5.0)	(5.8)	(5.0)
Settlement or cancellation of accrual made at the end of the preceding year	5.8	5.0	5.8	5.0
Amounts accrued at the end of the current year	(6.0)	(5.8)	(6.0)	(5.8)
Balance at 31 March	(6.0)	(5.8)	(6.0)	(5.8)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2014 £m	Restated Group 2013 £m
Balance at 1 April	1,165.3	1,096.1
(Loss)/profit for the year	(113.5)	99.6
Actuarial gains/(losses)	25.3	(32.2)
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	2.2	1.8
Balance at 31 March	1,079.3	1,165.3

32. Unusable reserves (continued)

Revaluation reserve

The revaluation reserve contains the gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are transferred to retained earnings.

	Note	Group 2014 £m	Group 2013 £m
Balance at 1 April		70.7	51.1
Revaluation of assets	12	48.6	21.4
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		(2.2)	(1.8)
Balance at 31 March		117.1	70.7

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2014 £m	Group 2013 £m
Balance at 1 April	(229.3)	(117.1)
Net change in fair value of cash flow interest rate hedges	48.4	(117.5)
Net change in fair value of cash flow foreign exchange hedges	(0.3)	0.5
Recycling of interest rate fair value losses to profit and loss	6.5	4.8
Balance at 31 March	(174.7)	(229.3)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers so to do.

32. Unusable reserves (continued)

Available for sale reserve

The available-for-sale reserve holds the unrealised gain or loss arising from a change in the fair value of available for sale long term investments. When an available for sale financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the available for sale reserve and recognised in the Surplus or Deficit on the Provision of Services.

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Balance at 1 April	0.3	-	0.3	-
Movement in the fair value of available for sale financial investments	(0.3)	0.3	(0.3)	0.3
Balance at 31 March	-	0.3	-	0.3

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Balance at 1 April	(205.7)	(216.5)	(205.7)	(216.5)
Transfers arising from debt restructuring during the year	(23.2)	-	(23.2)	-
Release of premium	10.8	10.8	10.8	10.8
Balance at 31 March	(218.1)	(205.7)	(218.1)	(205.7)

32. Unusable reserves (continued)

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LUL), to TfL in 2003. It represents the share capital of LUL and was taken as a credit to merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2014 £m	Group 2013 £m	Corporation 2014 £m	Corporation 2013 £m
Balance at 1 April and 31 March	466.1	466.1	-	-

33. Business rate supplement

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". In London, the only local authority empowered to levy a BRS is the Greater London Authority (GLA).

On 1 April 2010, the GLA introduced a BRS to finance £4.1 billion of its contribution towards the costs of the Crossrail Project. The BRS is applied on non-domestic rating assessments in London and is collected on behalf of the GLA by the 33 London billing authorities (the London boroughs and the Common Council of the City of London). This funding is then passed to TfL as the functional body with responsibility for delivering the Crossrail Project.

In the year to 31 March 2014, TfL recognised £75.0m (2012/13 £120.0m) of BRS income in its Income and Expenditure Statement (see note 9). Receipts in the year totalled £75.0m (2012/13 £121.6m), and £nil (2013 £nil) was held as a debtor on the Corporation and Group's balance sheets.

	Corporation 2014 £m	Corporation 2013 £m
Opening Balance on BRS Account	-	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	(75.0)	(120.0)
Transfer from General Fund to clear BRS account deficit	75.0	120.0
Closing Balance on BRS Account	-	-

34. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation 2014

Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
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Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement

Charges for depreciation, amortisation and impairment of non current assets	3	179.4	(179.4)	-	-	-
Movements in the market value of investment properties	7	(3.5)	3.5	-	-	-
Gain on sale of investment property	7	(1.9)	1.9	-	-	-
Capital grants and contributions	9	(1,796.5)	1,796.5	-	-	-
Unapplied capital grants	9	(565.4)	-	-	-	-
Loss on disposal of non current assets	6	2.7	(2.7)	-	-	-
Transfers to/from street works reserve		(2.2)	-	-	2.2	-
Reversal of items relating to retirement benefits		6.1	-	(6.1)	-	-
Transfer of premium on refinancing	8	23.2	-	-	-	(23.2)
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements						
Employers pension contributions and direct payments to pensioners payable in the year		(6.4)	-	6.4	-	-
Amortisation of premium on financing		(10.8)	-	-	-	10.8
		(2,175.1)	1,619.8	0.3	2.2	(12.4)
						(0.2)

34. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2013 (restated)

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive income and Expenditure account (restated)							
Charges for depreciation and impairment of non current assets		192.0	(192.0)	-	-	-	-
Gain on sale of investment property	7	(2.8)	2.8	-	-	-	-
Movements in the market value of investment properties	7	(3.5)	3.5	-	-	-	-
Capital grants and contributions	9	(1,545.1)	1,545.1	-	-	-	-
Unapplied capital grants		(585.8)	-	-	-	-	-
Loss on disposal of non current assets	6	0.2	(0.2)	-	-	-	-
Reversal of items relating to retirement benefits		38.7	-	(38.7)	-	-	-
Transfers to/from street works reserve		(0.3)	-	-	0.3	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.8	-	-	-	-	(0.8)
Inclusion of items not debited or credited to the Comprehensive income and expenditure statement which are required to be charged in accordance with statutory requirements							
Employers pension contributions and direct payments to pensioners payable in the year		(4.5)	-	4.5	-	-	-
Amortisation of premium on financing		(10.8)	-	-	-	10.8	-
		(1,921.1)	1,359.2	(34.2)	0.3	10.8	(0.8)

35. Sources of finance

Capital expenditure analysed by source of finance:

	Note	Corporation 2014 £m	Restated Corporation 2013 £m
Capital expenditure			
Intangible asset additions	11	25.9	9.8
Property, plant and equipment additions	12	239.8	137.1
Investments in year	14	1,600.0	1,210.0
Loans made to subsidiaries in year for capital purposes		333.6	643.1
Capital grants allocated to subsidiaries in year	9	1,395.1	1,142.1
Total capital expenditure		3,594.4	3,142.1
Sources of finance			
Transport grants used to fund capital	9	1,578.4	1,211.0
Business rates supplement	9	75.0	120.0
Crossrail specific grant	9	2,022.8	1,904.0
Less amounts transferred to Capital Grants Unapplied Account	9	(565.4)	(585.8)
Prudential borrowing		333.6	421.0
Third party contributions	9	80.8	38.0
Capital receipts		4.5	14.7
Net repayment of finance leases		(8.5)	(3.0)
Working capital		73.2	22.2
Total sources of finance		3,594.4	3,142.1

36. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New MRP regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Department for Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that “approaches differing from those exemplified should not be ruled out... the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.”

While the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL’s circumstances. TfL’s policy on MRP is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced Budget (and this approach had been extended to the full Business Plan), the cost of debt service is taken into account in determining whether annual Budgets and Business Plans are in balance.

TfL has therefore adopted the following policy:

No provision is made for debt repayment in advance of years where any such repayment is due;

Debt service, including principal repayment, is treated as an in-year operating cost and is funded from income in the year the debt service is required;

37. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to the London Transport Museum Limited.

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

	Corporation 2014 £m	Corporation 2013 £m
Financial assistance to subsidiaries		
Transport Trading Limited	95.7	68.6
London Underground Limited	1,324.6	979.5
London Bus Services Limited	555.2	513.5
Docklands Light Railway Limited	53.5	94.0
Rail for London Limited	107.9	107.8
London River Services Limited	3.4	1.1
Tramtrack Croydon Limited	19.0	16.7
London Transport Museum Limited	5.4	6.0
Crossrail Limited	207.5	265.7
Transport for London Finance Limited	300.0	1,172.8
Tube Lines (Finance) plc	-	4.3
	2,672.2	3,230.0
	Corporation 2014 £m	Corporation 2013 £m
	Note	
Financial assistance to London Boroughs and other third parties		
Local Implementation Plan	141.1	125.9
Taxicard	10.1	9.6
Safety schemes	0.8	3.4
Cycling	6.3	4.6
Other	10.8	3.7
	169.1	147.2
	3	

38. Related parties

Transport for London is required by the Code and IAS 24 Related party transactions (“IAS 24”) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL’s Board Members, Chief Officers, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with it.

GLA and functional bodies

Details of the funding granted to TfL by the GLA from the Business Rates Supplement levied by the GLA are included in note 33. In addition, the GLA made grants to TfL in respect of the Crossrail project amounting to £800m. This amount is included in note 9 as part of “Ring-fenced grant to fund capital expenditure relating to Crossrail”. The Council Tax precept paid to TfL by the GLA is also shown in note 9.

During 2013/14 TfL had the following other transactions with the GLA and functional bodies.

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2014 £m
Greater London Authority (GLA)	5.1	1.5	1.6
London Fire and Emergency Planning Authority (LFEPA)	0.3	-	-

38. Related parties (continued)

Board Members and Officers

Board Members, Chief Officers, the Commissioner and the Mayor of London are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2012/13 none).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 30.

Central Government

Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2013, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2016.

Other public bodies

TfL provides financial assistance to London Boroughs to support borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 37.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board (“PWL”), and pays interest to PWL in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

39. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the sole purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2014				
TfL Healthcare Trust	3.9	(3.5)	0.9	-
At 31 March 2013				
TfL Healthcare Trust	3.7	(3.2)	0.5	-

40. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

41. Application of new and revised reporting standards

As outlined in the Accounting Policies Note, TfL has applied a number of new and revised IFRSs, issued by the Accounting Standards Board and mandatorily effective for years beginning on or after 1 January 2013. The tables below illustrate the quantitative effects of the changes on the Comprehensive Income and Expenditure Statement for 2012/13 and the Balance Sheets as at 1 April 2012 and 31 March 2013.

41. Application of new and revised reporting standards (continued)

Reconciliation of the Group Comprehensive Income and Expenditure Statement

	As previously reported £m	(i) Annual Improvements to IFRSs 2009-2011 Cycle £m	(ii) IAS 19 Employee Benefits (Revised 2011) £m	Restated £m
Year ended 31 March 2013				
Highways and Transport Services				
Gross income	4,495.5	-	-	4,495.5
Gross expenditure	(6,480.5)	-	(9.5)	(6,490.0)
Net cost of services	(1,985.0)	-	(9.5)	(1,994.5)
Other operating expenditure	(121.8)	-	-	(121.8)
Financing and investment income	528.9	-	(342.9)	186.0
Financing and investment expenditure	(780.5)	31.4	283.1	(466.0)
Grant income	5,463.6	-	-	5,463.6
Surplus on the provision of services before tax	3,105.2	31.4	(69.3)	3,067.3
Taxation income	0.2	-	-	0.2
Surplus on the provision of services after tax	3,105.4	31.4	(69.3)	3,067.5
Other comprehensive income and expenditure	(608.2)	-	69.3	(538.9)
Total comprehensive income and expenditure	2,497.2	31.4	-	2,528.6

Reconciliation of the Corporation Comprehensive Income and Expenditure Statement

	As previously reported £m	(i) Annual Improvements to IFRSs 2009-2011 Cycle £m	(ii) IAS 19 Employee Benefits (Revised 2011) £m	Restated £m
Year ended 31 March 2013				
Highways and Transport Services				
Gross income	365.1	-	-	365.1
Gross expenditure	(1,104.7)	-	(0.1)	(1,104.8)
Net cost of services	(739.6)	-	(0.1)	(739.7)
Other operating expenditure	(0.2)	-	-	(0.2)
Financing and investment income	230.3	-	(1.5)	228.8
Financing and investment expenditure	(293.0)	-	1.3	(291.7)
Grant income	5,451.6	-	-	5,451.6
Grant funding of subsidiaries	(1,835.1)	-	-	(1,835.1)
Surplus on the provision of services	2,814.0	-	(0.3)	2,813.7
Other comprehensive income and expenditure	0.2	-	0.3	0.5
Total comprehensive income and expenditure	2,814.2	-	-	2,814.2

4I. Application of new and revised reporting standards (continued)

Reconciliation of Group equity as at 31 March 2013

	As previously reported £m	(i) Annual Improvements to IFRSs 2009-2011 Cycle £m	(ii) IAS 19 Employee Benefits (Revised 2011) £m	Restated £m
As at 31 March 2013				
Long-term assets				
Intangible assets	103.6	-	-	103.6
Property, plant and equipment	27,027.0	64.1	-	27,091.1
Investment property	427.8	-	-	427.8
Long-term investments	209.2	-	-	209.2
Long-term debtors	277.4	-	-	277.4
	28,045.0	64.1	-	28,109.1
Current assets				
Inventories	42.0	-	-	42.0
Short-term debtors	484.8	-	-	484.8
Short-term derivative financial instruments	-	-	-	-
Short-term investments	3,583.8	-	-	3,583.8
Cash and cash equivalents	100.4	-	-	100.4
	4,211.0	-	-	4,211.0
Current liabilities				
Short-term creditors	(1,991.8)	-	-	(1,991.8)
Short-term borrowings and overdrafts	(1,138.4)	-	-	(1,138.4)
Short-term finance lease liabilities	(68.9)	-	-	(68.9)
Short-term derivative financial instruments	-	-	-	-
Short-term provisions	(162.3)	-	-	(162.3)
	(3,361.4)	-	-	(3,361.4)
Long-term liabilities				
Long-term creditors	(60.0)	-	-	(60.0)
Long-term borrowings	(6,393.2)	-	-	(6,393.2)
Long-term finance lease liabilities	(821.8)	-	-	(821.8)
Long-term derivative financial instruments	(116.3)	-	-	(116.3)
Long-term provisions	(79.4)	-	-	(79.4)
Retirement benefit obligation	(2,813.2)	-	-	(2,813.2)
	(10,283.9)	-	-	(10,283.9)
Net assets	18,610.7	64.1	-	18,674.8
Reserves				
Usable reserves	3,892.0	-	-	3,892.0
Unusable reserves	14,718.7	64.1	-	14,782.8
Total reserves	18,610.7	64.1	-	18,674.8

4I. Application of new and revised reporting standards (continued)

Reconciliation of Group equity as at 1 April 2012

	As previously reported £m	(i) Annual Improvements to IFRSs 2009-2011 Cycle £m	(ii) IAS 19 Employee Benefits (Revised 2011) £m	Restated £m
As at 1 April 2012				
Long-term assets				
Intangible assets	114.0	-	-	114.0
Property, plant and equipment	25,106.0	32.7	-	25,138.7
Investment property	307.7	-	-	307.7
Long-term investments	-	-	-	-
Long-term debtors	164.4	-	-	164.4
	25,692.1	32.7	-	25,724.8
Current assets				
Inventories	37.6	-	-	37.6
Short-term debtors	523.3	-	-	523.3
Short-term derivative financial instruments	0.8	-	-	0.8
Short-term investments	2,582.9	-	-	2,582.9
Cash and cash equivalents	78.8	-	-	78.8
	3,223.4	-	-	3,223.4
Current liabilities				
Short-term creditors	(1,950.1)	-	-	(1,950.1)
Short-term borrowings and overdrafts	(2,179.0)	-	-	(2,179.0)
Short-term finance lease liabilities	(68.2)	-	-	(68.2)
Short-term derivative financial instruments	(8.0)	-	-	(8.0)
Short-term provisions	(140.8)	-	-	(140.8)
	(4,346.1)	-	-	(4,346.1)
Long-term liabilities				
Long-term creditors	(51.3)	-	-	(51.3)
Long-term borrowings	(4,943.9)	-	-	(4,943.9)
Long-term finance lease liabilities	(959.3)	-	-	(959.3)
Long-term derivative financial instruments	(74.0)	-	-	(74.0)
Long-term provisions	(134.7)	-	-	(134.7)
Retirement benefit obligation	(2,292.7)	-	-	(2,292.7)
	(8,455.9)	-	-	(8,455.9)
Net assets	16,113.5	32.7	-	16,146.2
Reserves				
Usable reserves	2,413.3	-	-	2,413.3
Unusable reserves	13,700.2	32.7	-	13,732.9
Total reserves	16,113.5	32.7	-	16,146.2

4I. Application of new and revised reporting standards (continued)

(i) 'Annual Improvements to IFRSs 2009-2011 Cycle'

As described in the Accounting Policies Note, these improvements include changes to the guidance surrounding the capitalisation of borrowing costs on assets already under construction as at the date of transition to IFRS, stipulating that interest should be capitalised on these projects from 1 January 2009. Under its previous accounting policies TfL only capitalised interest on qualifying assets for which construction commenced post 1 January 2009.

(ii) 'IAS 19 (as revised in 2011) Employee Benefits'

As also outlined in the Accounting Policies Note, the amended version of IAS 19 replaces the interest cost and expected return on plan assets with a finance cost component comprising net interest on the net defined benefit pension deficit calculated using the discount rate currently used to measure defined benefit pension liabilities. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income for the Group and Corporation in prior years. There has been no impact on amounts previously reported in the Balance Sheets as at 31 March 2013 or 2012.

The application of new and revised reporting standards has not impacted on the Balance Sheets of the Corporation as at either 31 March 2013 or 1 April 2012. Accordingly no reconciliation of the Corporation Balance Sheet at these dates is presented.



Annual Governance Statement

Scope of responsibility

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

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

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government (2010), except that the CFO is not a member of the leadership team. However, the CFO plays an active part in TfL strategic decision making. His responsibilities are discharged through:

- Involvement in all key decisions with a significant financial implication

- Involvement with Business Management Review meetings
- Management responsibilities for the production of the Business Plan and statutory accounts

The CFO is appointed and removed by the Board, reviews all papers relating to financial management for the Chief Officers, Committees or Board in advance, attends all Board meetings and has unrestricted access to the Commissioner. The CFO reports to the Managing Director (MD) Finance.

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

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, Windsor House, 42-50 Victoria Street, London, SW1H 0TL. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2013/14 Statement of Accounts.

The governance framework

The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has three committees:

- Finance and Policy
- Audit and Assurance
- Remuneration

In November 2013, as part of its effectiveness review, the Board reviewed and proposed changes to its decision-making structure from 1 April 2014. To support a simplified decision-making process, with clear accountabilities, it agreed to integrate the functions of the Projects and Planning Panel into the work of the Finance and Policy Committee. The name and terms of reference of the Safety and Sustainability Panel were also amended to reflect its increased focus on accessibility issues.

As from 1 April 2014 there are three panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Rail and Underground
- Surface Transport
- Safety, Accessibility and Sustainability

The Commissioner of TfL, advised by his Chief Officers, is responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. He also carries out an annual benchmarking exercise comparing TfL's governance arrangements with the UK Corporate Governance Code.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- The Mayor developing and publishing a Transport Strategy reflecting national and local priorities
- The Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly
- Reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements
- Ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications

- Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality and security

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

- Having in place sound systems for providing management information for performance measurement purposes
- Ensuring performance information is collected at appropriate intervals across all activities
- Having comprehensive and understandable performance plans in place
- Monitoring and reporting performance against agreed targets
- Maximising its resources and allocating them according to priorities
- Having in place effective arrangements to identify and deal with failure in service delivery
- Developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall
- Publishing operational and financial performance data each quarter

TfL defines and documents the roles and responsibilities of the Board, Committees, Panels and staff with clear delegation arrangements and protocols by:

- Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides staff with the authority to conduct routine business
- Having the roles and responsibilities of Board members and senior staff clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and staff by:

- Ensuring it is an organisation that has a climate of openness, support and respect
- Ensuring that standards of conduct and personal behaviour expected of Board members and staff, between Board members and staff and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols
- Putting in place arrangements to ensure that Board members and staff of TfL are not influenced by prejudice, bias or conflicts of interest
- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and Chief Officers

- Developing and maintaining shared values including leadership values for both the organisation and staff reflecting public expectations and communicating these to Board members, staff, the community and partners

- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice

- Setting targets for performance in the delivery of services to ensure equality for all

- Using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed
- Maintaining robust systems for identifying and evaluating all significant risks
- Maintaining an effective risk management system

- Ensuring that risk management is embedded into its culture, with Board members and staff at all levels recognising that risk management is part of their jobs

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

- Having an effective, independent Audit and Assurance Committee
- Having the Audit and Assurance Committee develop and maintain an effective oversight
- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors
- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL
- Maintaining an Integrated Assurance Plan

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

- Ensuring that all activities are legally correct, fully documented, appropriately authorised and carried on in a planned manner
- Making a senior member of staff responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control

- Maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner

- Ensuring that a senior member of staff is responsible for all activities being legally correct, fully documented and appropriately authorised
- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Putting in place arrangements to safeguard against conflicts of interest
- Ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately

- Actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public
- Observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

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

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints

- Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access including external independent reporting lines

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

- Ensuring that its Board members and staff are provided with the necessary training to perform their roles
- Ensuring that its staff are competent to perform their roles
- Ensuring that the Chief Finance Officer has the skills, resources and support necessary to perform effectively in his role and that this role is properly understood throughout TfL
- Assessing the skills required by Board members and staff and committing to develop those skills to enable roles to be carried out effectively
- Commissioning regular external reviews of Board effectiveness
- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

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

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL

- Making clear to staff and the public what it is accountable for and to whom
- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year
- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance
- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes
- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

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

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors
- Establishing appropriate arrangements to engage with all sections of the public effectively

- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of effectiveness

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

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

In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

This year's review included a review of Standing Orders and a revised Committee and Panel structure to provide greater transparency and a review of External Audit effectiveness.

Significant governance issues

During the year 2013/14, TfL has implemented the recommendations of the external review of Board effectiveness, introduced new Standing Orders and implemented a revised Committee and Panel structure to provide greater public access to meetings and improved transparency.

TfL has commenced publication of Gifts and Hospitality received by Members on a quarterly basis and published all expenses claimed by the Commissioner and Chief Officers on a quarterly basis.

Following a competitive tendering process TfL has re-let the contract for its external reporting line service. A change programme to improve TfL's Strategic Risk Management Framework has commenced and the strategic risk register has been updated. A new Anti-Fraud and Corruption Policy was adopted.

The new external website now includes revised and extended transparency pages publicising all contracts over £500k value and all expenditure in excess of £250. These pages also contain detailed updates on TfL's financial performance and general operational and performance data including all final Internal Audit reports.

TfL proposes to continue to improve and develop its governance arrangements over the coming year.

The coming year will see the continuing implementation of the recommendations of the Board effectiveness review, the continuation of the development of a TfL-wide management system and the creation of a single TfL intranet.

Issues to be addressed in the coming year will also include the continuation of the assurance mapping process, the integration of strategic risk into the existing assurance process and the annual benchmarking of TfL's governance regime with the UK Corporate Governance Code.

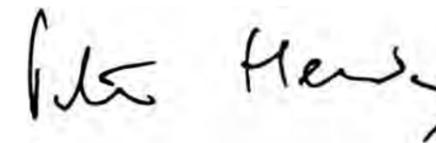
TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Signed:



Chair of TfL Board

Signed:



Commissioner



Chief Officers



Sir Peter Hendy CBE
Commissioner



Steve Allen
Managing Director Finance



Mike Brown MVO
Managing Director
London Underground
and London Rail



Howard Carter
General Counsel



Leon Daniels
Managing Director
Surface Transport



Michèle Dix
Managing Director Planning



Vernon Everitt
Managing Director
Customer Experience, Marketing
and Communications

Members of TfL



Boris Johnson
Chairman



Isabel Dedring
Deputy Chair



Eva Lindholm



Daniel Moylan



Peter Anderson



Sir John Armitt CBE



Bob Oddy



Keith Williams



Sir Brendan Barber



Richard Barnes



Steve Wright MBE



Charles Belcher



Roger Burnley



Brian Cooke



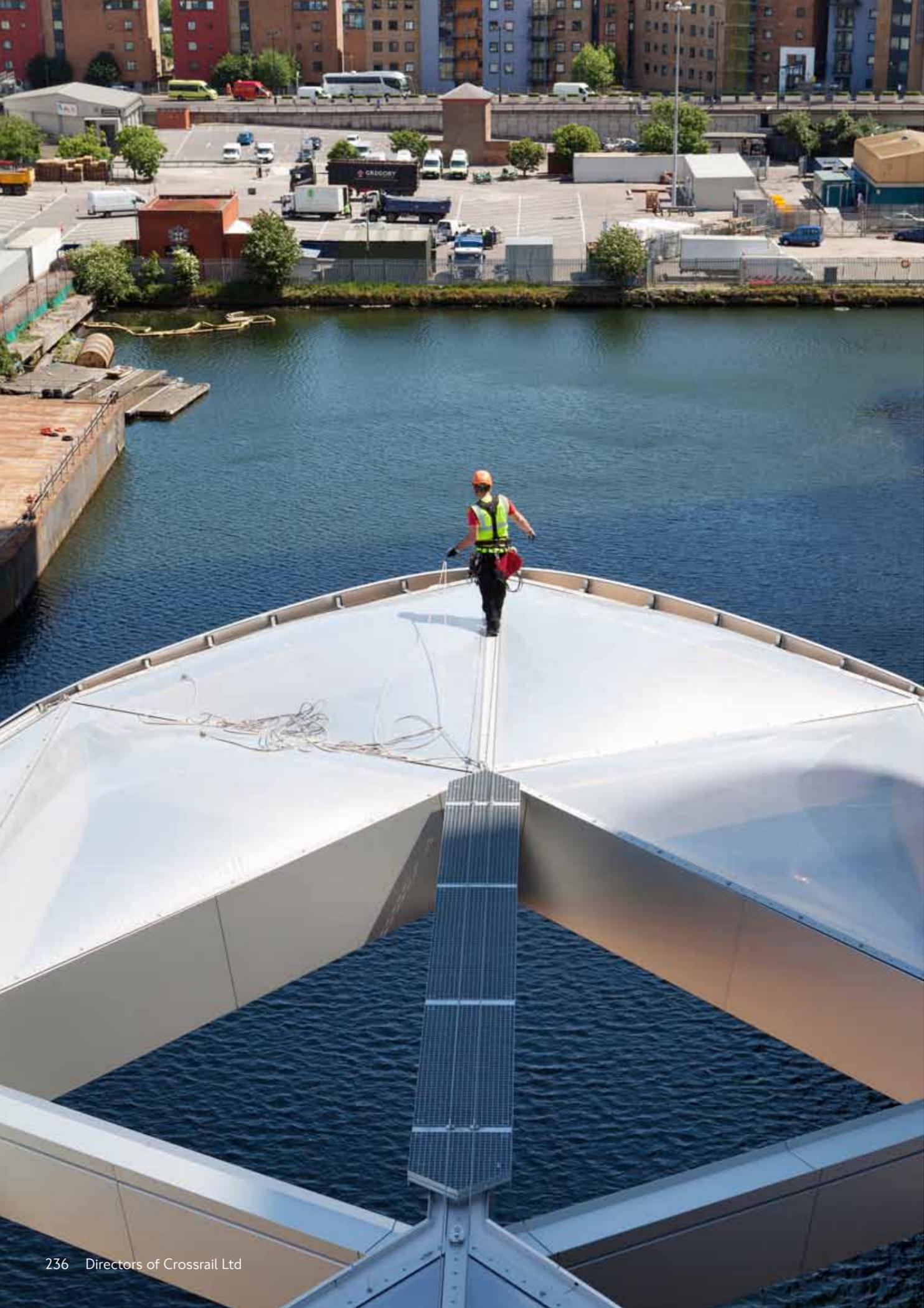
Baroness
Grey-Thompson DBE



Angela Knight CBE



Michael Liebreich



Directors of Crossrail Ltd



Terry Morgan CBE
Chairman



David Allen



Ian Brown CBE



Michael Cassidy CBE



Phil Gaffney



Terry Hill CBE



Robert Jennings CBE



Andy Mitchell



Daniel Moylan



Heather Rabbatts CBE



Andrew Wolstenholme OBE

Membership of TfL committees and panels

(as at 31 March 2014)

Members of TfL

Boris Johnson – Chairman
Isabel Dedring – Deputy Chair
Peter Anderson
Sir John Armit CBE
Sir Brendan Barber
Richard Barnes
Charles Belcher
Roger Burnley
Brian Cooke
Baroness Grey-Thompson DBE
Angela Knight CBE
Michael Liebreich
Eva Lindholm
Daniel Moylan
Bob Oddy
Keith Williams
Steve Wright MBE

Committees of TfL

Audit and Assurance Committee

Keith Williams – Chair
Steve Wright MBE – Vice Chair
Richard Barnes
Charles Belcher
Brian Cooke
Baroness Grey-Thompson DBE

Finance and Policy Committee

Peter Anderson – Chair
Daniel Moylan – Vice Chair
Isabel Dedring
Angela Knight CBE
Michael Liebreich
Eva Lindholm

Remuneration Committee

Baroness Grey-Thompson DBE – Chair
Daniel Moylan – Vice Chair
Sir John Armit CBE
Boris Johnson

Panels

Projects and Planning Panel

Isabel Dedring – Chair
Daniel Moylan – Vice Chair
Sir John Armit CBE
Roger Burnley
Baroness Grey-Thompson DBE
Angela Knight CBE

Rail and Underground Panel

Sir John Armit CBE – Chair
Steve Wright MBE – Vice Chair
Peter Anderson
Sir Brendan Barber
Richard Barnes
Charles Belcher
Brian Cooke
Isabel Dedring
Daniel Moylan

Safety and Sustainability Panel

Charles Belcher – Chair
Michael Liebreich – Vice Chair
Sir Brendan Barber
Richard Barnes
Baroness Grey-Thompson DBE
Bob Oddy

Surface Transport Panel

Baroness Grey-Thompson DBE – Chair
Charles Belcher – Vice Chair
Brian Cooke
Bob Oddy
Keith Williams
Steve Wright MBE

TfL Members' meeting attendance 2013/14

	Meetings of the Board attended	Meetings of the Audit and Assurance Committee attended	Meetings of the Finance and Policy Committee attended	Meetings of the Remuneration Committee attended	Meetings of the Projects and Planning Panel attended	Meetings of the Rail and Underground Panel attended	Meetings of the Safety and Sustainability Panel attended	Meetings of the Surface Transport Panel attended
Total number in the period:	6	4	6	4	5	3	4	4
Boris Johnson	5/6	-	-	0/4	-	-	-	-
Isabel Dedring	6/6	-	6/6	-	5/5	0/3	-	-
Peter Anderson	4/6	-	4/6	-	-	0/3	-	-
Sir John Armit CBE	4/6	-	-	3/4	5/5	2/3	-	-
Sir Brendan Barber	4/6	-	-	-	-	3/3	1/4	-
Richard Barnes	6/6	3/4	-	-	-	3/3	4/4	-
Charles Belcher	6/6	4/4	-	-	-	3/3	4/4	4/4
Roger Burnley	5/6	-	-	-	3/5	-	-	-
Brian Cooke	6/6	3/4	-	-	-	3/3	-	3/4
Baroness Grey-Thompson DBE	5/6	2/4	-	4/4	5/5	-	3/4	4/4
Angela Knight CBE	6/6	-	6/6	-	4/5	-	-	-
Michael Liebreich	4/6	-	4/6	-	-	-	4/4	-
Eva Lindholm	4/6	-	4/6	-	-	-	-	-
Daniel Moylan	6/6	-	6/6	4/4	5/5	2/3	-	-
Bob Oddy	6/6	-	-	-	-	-	4/4	4/4
Keith Williams	5/6	4/4	-	-	-	-	-	0/4
Steve Wright MBE	6/6	3/4	-	-	-	2/3	-	4/4

Notes:

The attendance figures are shown as number of meetings attended/ number of meetings eligible to attend.

Remuneration

This report outlines TfL's policy regarding the remuneration of its Members and the Commissioner and Chief Officers, who are responsible for directing the affairs of the organisation.

Policy for Members

Members are appointed by the Mayor and are non-executive. Remuneration payable for 2013/14 for each Member related directly to the number of committees and panels on which each member served. Remuneration also took into account those members who served as Chair of the committees and panels, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. With effect from 1 August 2004, the basic fee has been £18,000 per annum. Members who act as Chair, or as a member of a committee or panel, receive additional fees of £4,000 per annum (as a Chair) and £2,000 per annum (as a Member) for each appointment. The maximum payment in aggregate is set at £24,000 per annum. Most Members also received free travel for themselves and a nominee valid on TfL transport services. The remuneration for each Member for the year ended 31 March 2014 is shown on page 245.

No allowances are paid to Members, although expenses can be claimed. There were no expenses claimed by Members in 2013/14. From January 2013 any expenses claimed by Members were published on tfl.gov.uk.

Policy for Chief Officers Remuneration Committee

The Remuneration Committee currently consists of four Members of TfL. The terms of reference of the Remuneration Committee include reviewing the remuneration of the Commissioner and Chief Officers.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL with its own governance arrangements. These include a board comprising executive and independent non-executive directors as well as two non-executive directors appointed by TfL and DfT. The Crossrail Remuneration Committee operates to a set of contractually agreed Remuneration Principles and a Remuneration Framework rather than the TfL Remuneration Framework.

Remuneration policy

The policy of TfL is to provide remuneration packages for Chief Officers which attract, retain and motivate individuals of the high calibre required to manage such a large, complex organisation.

Remuneration packages reflect their responsibilities, experience and performance and the market from which TfL recruits. The Remuneration Committee has established a reward structure commensurate with this policy, which includes a base salary and a performance award scheme against the achievement of a range of stretching customer, operational, investment and financial targets.

TfL has continued to work with Towers Watson, one of the leading remuneration consultancies, to benchmark the remuneration of its Chief Officers against a peer group of comparable companies from transport, infrastructure, and public services sectors with which TfL competes for senior staff. This research has shown that TfL executives are paid at the lower end of the remuneration paid in comparator organisations; the total compensation paid to TfL's Chief Officers is generally around the lower quartile of the market. Towers Watson is retained under contract as remuneration consultants and provide no other services directly to TfL. A separate contract for investment and actuarial services is held by Towers Watson with TfL Pension Trustee Company Ltd.

Remuneration of senior staff

In recognition of the continuing challenging economic climate and financial constraints upon TfL, in 2013/14 the base pay of the Commissioner and most of the Chief Officers was frozen for a fifth consecutive year. The Commissioner's salary was £348,444.

The total remuneration of the Commissioner and most of the Chief Officers in 2013/14 was significantly lower than was the case in 2012/13. This is because, under one-off arrangements put in place in respect of targets set for the London 2012 Games, Performance Related Pay awards for targets achieved in 2010/11 and 2011/12 were both paid in 2012/13.

The Commissioner is eligible for consideration of a performance award up to a maximum of 50 per cent of base salary. The Chief Officers are eligible for consideration of a performance award up to a maximum of 30 per cent of base salary.

The total number of TfL staff receiving total remuneration of over £50,000 is on page 130 and the remuneration of senior employees with a base salary of over £150,000 is on page 132.

The number of TfL staff (excluding Crossrail) who received total remuneration over £100,000, including those paid above this amount due to severance payments, was 326 in 2013/14 compared to 298 in 2012/13. The number of Crossrail staff who received total remuneration of over £100,000 was 40 in 2013/14 compared to 30 in 2012/13.

This is largely due to a significant increase during the year in work to modernise the London Underground and to build Crossrail.

On the Tube, major stations, trains, track and signalling are being totally replaced or upgraded to provide more transport capacity for a rapidly growing city and to provide our customers with more reliable services. There was a sharp increase in work under way to build Crossrail, which will add 10 per cent to London's rail-based public transport capacity when it opens in 2018.

Both programmes are among the biggest capital investments in Europe and required the employment of further highly qualified engineers and project specialists to carry out this work. In addition, existing project staff have worked additional overtime as work to modernise the Tube has stepped up, taking their total remuneration to over £100,000.

Other benefits

Senior officers are eligible to receive the following:

- Private medical insurance
- Annual health check-ups
- Subscriptions to professional organisations

- Pension
- Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies
- As with all TfL employees, the Commissioner and Chief Officers are provided with a free travel pass for themselves and a nominee valid on TfL transport services. Chief Officers who joined after 1 April 1996 are eligible to receive reimbursement of 75 per cent of the cost of an annual season ticket on National Rail. Chief Officers employed by predecessor organisations prior to April 1996 receive National Rail facilities in line with the policy of the predecessor organisation

Pension arrangements

Chief Officers are eligible for the following pension benefits:

- Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service
- Pensionable salary is capped for joiners from 1 June 1989. For 2013/14, the cap was £141,000
- Up to 25 per cent of the value of the pension can be taken as a cash sum (under current legislation)
- Lump sum death benefit of four times salary on death in service

- Dependant's pension and children's pensions are paid on death in service and after retirement
- Member contributions payable at the rate of five per cent of pensionable salary
- Pension payable in the event of retirement due to ill health
- An employer contribution of up to 10 per cent of salary to either the TfL Supplementary Pension Scheme, a 'defined contribution' scheme, which provides additional benefits for those earning above the cap or paid as a supplement to base salary less an adjustment for employer national insurance contributions. The Commissioner is entitled to a pension based on TfL service equal to what would be due under the TfL Pension Fund if the cap did not apply

Members' remuneration	For the year ended 31/03/14 £
Boris Johnson	Not remunerated by TfL
Isabel Dedring ¹	Not remunerated by TfL
Peter Anderson	24,000
Sir John Armitt CBE	24,000
Sir Brendan Barber	22,000
Richard Barnes	24,000
Charles Belcher	24,000
Roger Burnley	20,000
Brian Cooke	24,000
Baroness Grey-Thompson DBE	24,000
Angela Knight CBE	22,000
Michael Liebreich	22,000
Eva Lindholm	20,000
Daniel Moylan ²	99,000
Bob Oddy	22,000
Keith Williams	24,000
Steve Wright MBE	24,000

¹ Isabel Dedring is not remunerated as a Member of TfL. She is remunerated as a TfL employee on secondment to the GLA as Deputy Mayor for Transport.

² This is the total remuneration received from TfL in 2013/14 which comprised £24,000 as a Member of TfL and £75,000 for additional aviation duties.

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